



# **DRAFT** Romania Country Strategy 2025-2030



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Annex – Political Assessment	19	<b>FI</b> Financial Institution	<b>SME</b> Small and Medium sized Enterprise
		<b>GCAP</b> Green City Action Plan	<b>SOE</b> State-Owned Enterprise
		<b>GDP</b> Gross Domestic Product	<b>TC</b> Technical Cooperation
		<b>GHG</b> Greenhouse Gas	<b>TES</b> Total energy supply
		<b>GVC</b> Global Value Chain	<b>TVET</b> Technical and Vocational Education and Training
		<b>HPP</b> Hydropower Plant	<b>TFP</b> Trade Finance Programme
		<b>ICA</b> Industry, Commerce & Agribusiness	<b>WB</b> World Bank
		<b>ICT</b> Information and communication Technology	<b>WEO</b> World Economic Outlook
		<b>IEA</b> International Energy Agency	<b>WIB</b> Women in Business Programme
		<b>IFC</b> International Finance Corporation	<b>YiB</b> Youth in Business Programme
		<b>IFI</b> International Financial Institution	
		<b>ILO</b> International Labour Organisation	
		<b>IMF</b> International Monetary Fund	
		<b>IT</b> Information Technology	
		<b>LHS</b> Left-hand side	

# Executive Summary

European Bank  
for Reconstruction and Development

Romania's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy. The country has made further progress in certain areas of democratic reform, including the rule of law. In 2023, the European Commission formally closed the Cooperation and Verification Mechanism (CVM), which had been established when Romania joined the EU in 2007 to help it address the shortcomings in the areas of judicial reform and anti-corruption.

Over the past decade, Romania has rapidly closed its historical income gap with regional peers, with real output per capita and labour productivity reaching close to 80% of the EU average. This remarkable growth has been driven by a surge in domestic demand, fuelled mostly by rising private consumption, supported by an expansionary fiscal stance and strong wage growth. At the same time, external safeguards, including capital inflows from EU funds, remittances, and FDIs, alongside structural shifts that enhanced productivity, have helped mitigate risks from persistent twin fiscal and current account deficits. Despite the broader economic slowdown in Europe, Romania has demonstrated resilience, with its economy contracting less than the EU average in response to the adverse shocks of the Covid-19 and the war on Ukraine. In the medium term, growth and investment will be supported by EU funding and related reforms, including cohesion funds under the 2021–2027 Multiannual Financial Framework and Recovery and Resilience Facility (RRF) funds. While public debt remains moderate by EU standards, uncertainties persist regarding Romania's fiscal consolidation path under the EU's excessive deficit procedure.

Despite these positive developments, several structural challenges remain. Macroeconomic vulnerabilities and competitiveness pressures persist, including fiscal and external imbalances. Labour and skills shortages, exacerbated by an aging population and emigration of skilled workers to other EU countries, pose risks to long-term growth. Employment mismatches remain a concern as the economy increasingly demands highly skilled workers in ICT, healthcare, and technical fields. Regional disparities also remain pronounced, with GDP per capita in Bucharest-Ilfov at 146% of the EU average, compared to just 45% in the Nord-Est region. In addition, institutional and governance challenges, including limited administrative capacity may affect Romania's ability to efficiently absorb and implement EU-funded projects and reduce the impact of the National Resilience and Recovery Plan (NRRP). As an EU member state, Romania is aligned with the EU's 2030 Agenda and the European Green Deal. However, poor air quality, inadequate waste management, and weak protection of natural areas remain issues, and while Romania has made progress in the green transition, more efforts are needed to reduce dependence on fossil fuels. To meet the 2030 EU effort-sharing targets, further reductions in greenhouse gas emissions from road transport and industry will be essential.

Over the next strategy period, the EBRD will focus on supporting Romania's green economy transition by integrating renewables and leveraging EU funding for green transition and digitalisation. Efforts to enhance competitiveness will prioritise improving access to finance, supporting private sector innovation, and promoting good governance. Strengthening economic resilience will also be a key priority, with investments in sustainable infrastructure, energy and food security, and improved regional connectivity with neighbouring countries. These strategic priorities will help sustain Romania's convergence path while addressing structural vulnerabilities, advancing its green and digital transitions and contributing to the main objectives of EU Competitiveness Compass:

1. Enhance Private Sector Competitiveness through Innovation, Access to Finance, and Good Governance
2. Enhance Resilience of the Economy
3. Accelerate Romania's Green Economy Transition



# Romania – EBRD Snapshot

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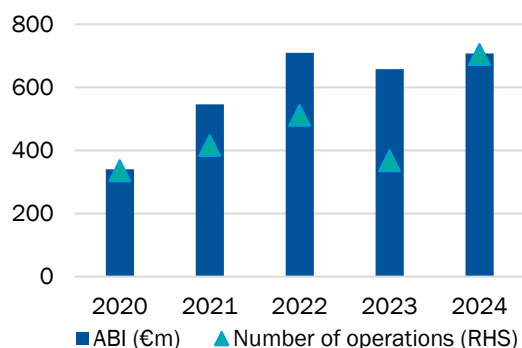
## EBRD investment activities in Romania (as of April 2025)

Portfolio	€3,112m	Active projects	205
Equity share	10%	Operating assets	€2,435m
Private Sector Share <sup>1</sup>	86.9%	Net cum. investment	€11,712m

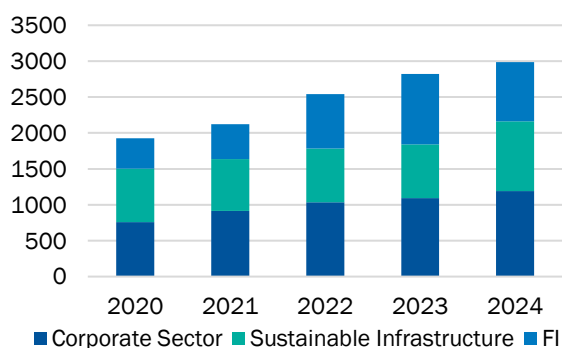
## Romania context figures

	Romania	Comparators
Population (million) <sup>3</sup> (2023)	19.1	Poland (36.8) Hungary (9.7) Bulgaria (6.4)
GDP per capita (PPP, USD) <sup>3</sup> (2023)	44,974	Poland (48,799) Hungary (44,961) Bulgaria (36,861)
New Business Density <sup>4</sup> (New registrations per 1,000 population, 2022)	9.2	Poland (2.2) Hungary (4.3) Bulgaria (9.7)
Unemployment (%) <sup>5</sup> (2023)	5.6	Poland (2.8) Hungary (4.1) Bulgaria (4.4)
Youth unemployment (%) <sup>5</sup> (2023)	21.3	Poland (11.6) Hungary (12.8) Bulgaria (12.0)
Female labour force participation (%) <sup>5</sup> (2023)	42.4	Poland (51.6) Hungary (54.0) Bulgaria (50.1)
Energy intensity TES/GDP (MJ/2015 \$) <sup>6</sup> (2021)	2.7	Poland (3.5) Hungary (3.6) Bulgaria (5.1)
Emission intensity/GDP (kgCO2/2015 \$) (2020) <sup>6</sup>	0.13	Poland (0.23) Hungary (0.14) Bulgaria (0.25)

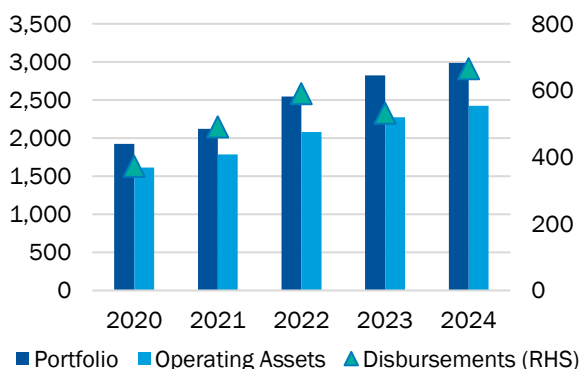
## ABI and operations



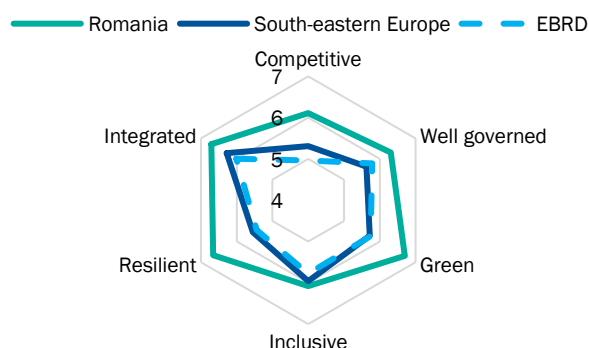
## Portfolio composition (€m)



## Portfolio dynamics (€m)



## Transition Gaps<sup>2</sup>



1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2024-2025; 3 IMF WEO; 4 WB Entrepreneurship Survey and database; 5 ILO; 6 IEA

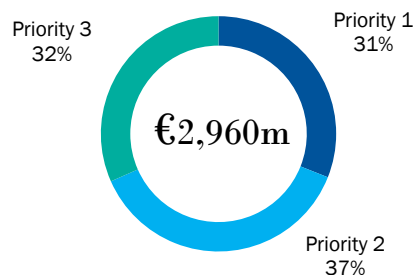


# 1. Implementation of Previous Strategy (2020-2025)

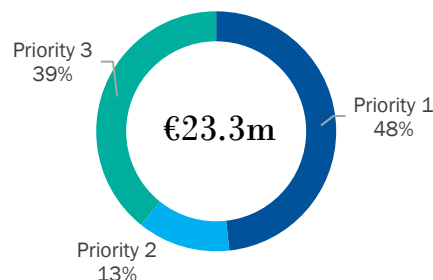
## 1.1. Key Transition Results Achieved during Previous Strategy (1/2)

### Strategic alignment 2020-2025

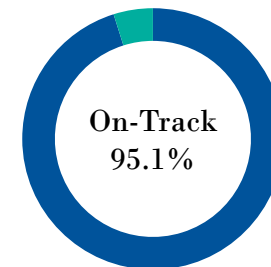
#### Cumulative Annual Business Investment (ABI)<sup>1</sup>



#### Technical assistance and investment grants<sup>1</sup>



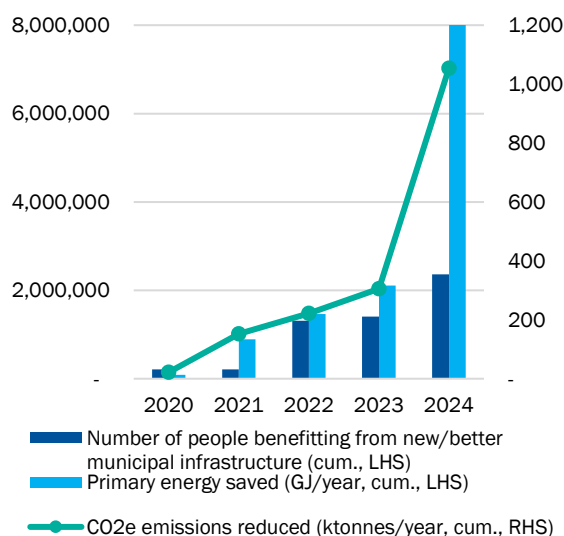
#### Transition impact performance<sup>2</sup>



#### Priority 1

#### Promote Investments in Sustainable Infrastructure and Regional Development

#### Key quantitative results



#### Key transition results

- Supported the modernisation and upgrade of the electricity grid with an €80m investment in Delgaz Grid.
- Provided a €15m loan to the city of Timisoara for priority public transport infrastructure upgrades and another €15m to the municipality of Alba Iulia for the rehabilitation of urban transport systems, improving connectivity and sustainability.
- Supported the Ministry of Energy in establishing the Contracts for Difference (CfD) support scheme for renewables, enabling the first of auctions of 1.5GW of renewable capacity in early 2024.
- Improved water supply and wastewater infrastructure and services:
  - Provided €65m in loans to Iasi Public Buildings, Dâmbovița Water, Constanta Water, and Timisoara Water to improve the quality of municipal infrastructure, along with a €14.5m loan to Olt Water Company to co-finance the extension and modernisation of water and wastewater infrastructure.
  - Co-financed with the EU the modernisation of Bacău County's water and wastewater infrastructure through a €22m loan to Compania de Apă Bacău, improving local access to water.
- Under the Green Cities Programme, initiated work on the GCAPs for Bucharest and Alba Iulia, secured approval for Iasi's GCAP, and continued progress on the GCAPs for Timisoara and Medias.
- Provided advisory support to the city of Bucharest on long-term municipal budget planning and green investment monitoring, establishing a replicable model in other large cities across EBRD CoOs.

1. Charts cover 2020-2024 period

2. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio

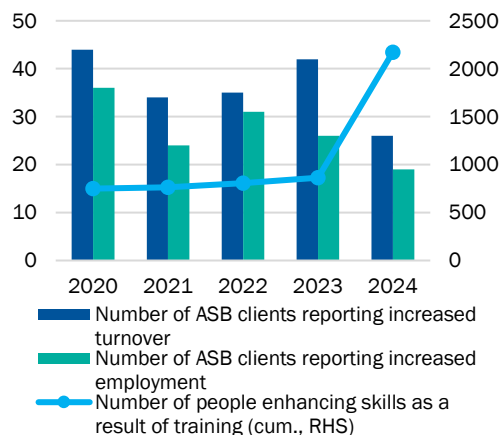
# 1. Implementation of Previous Strategy (2020-2025)

## 1.1. Key Transition Results Achieved during Previous Strategy (2/2)

### Priority 2

### Support Productivity through Corporate Expansion, Innovation and Skills Upgrade

#### Key quantitative results



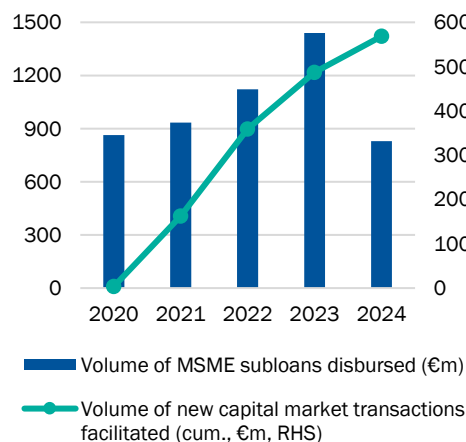
#### Key transition results

- Supported private sector development through the expansion of corporates across sectors, with the largest exposures including €250m for Warehouses De Pauw, investments in Schwarz Group and Kaufland in the agribusiness sector, as well as €253m to Banca Comercială Română and €260m to Banca Transilvania.
- Supported financial inclusion and SME access to finance in underserved regions through a €20m participation in Raiffeisen Bank's €300m SNP sustainable bond issuance.
- Supported entrepreneurs through the Star Venture programme, helping high-potential start-ups connect with potential investors. Provided a €10m equity investment to Gapminder to support early-stage investments in innovative, technology-driven companies.
- Supported agribusiness and food businesses, including a €10m loan to Agricovert Credit IFN to provide further on-lending to MSME farmers impacted by the war on Ukraine, strengthening food production and security.
- Supported human capital development by providing advisory services to SMEs. Assisted 48 SMEs from Romania and Bulgaria through IncubatorX SME, an EBRD initiative designed to help companies transform ideas into innovative products or services.

### Priority 3

### Expand Financial Intermediation and Capital Markets

#### Key quantitative results



#### Key transition results

- Approved a €400m regional Greek and Romanian Corporate Sustainable Bond Framework, with €150m allocated to Romania. The framework supports Romanian corporates of all sizes in raising funds and expanding the use of sustainable bonds.
- Supported the development of local capital markets by participating in several bond listings on the Bucharest Stock Exchange (BVB) and engaged with the BVB to promote better governance through ESG scoring and reporting.
- Broadened sources of finance for SMEs through indirect equity investments via various equity funds.
- Strengthened the resilience of systemic banks in Romania by participating in multiple senior non-preferred MREL financings for Raiffeisen Bank, BCR/Erste, and Banca Transilvania, totalling approximately €240m, with listings on local and international stock exchanges.
- Boosted the resilience of the financial sector in the aftermath of the war on Ukraine by providing loans under the Resilience and Livelihood Framework to BT, Unicredit and Agricovert Credit IFN.
- Provided €50m to UniCredit Leasing Romania under the Financial Intermediary Framework to support SME leasing in Romania.

# 1. Implementation of Previous Strategy (2020-2025)

## 1.2. Challenges to Implementation and Key Lessons

### Context for implementation

Romania has made significant progress in converging towards EU standards, but structural challenges continue to hinder its full economic potential. The COVID-19 crisis tested the country's resilience, while the war on Ukraine has introduced new risks, disrupting trade, energy markets, and regional stability. EU funds, particularly through the National Recovery and Resilience Plan (NRRP), present a major opportunity to accelerate growth, especially in less developed regions where regional disparities remain pronounced, but limited absorption remains a key challenge. The business environment faces inefficiencies, including high levels of informality, regulatory uncertainty, and low levels of financial intermediation. A challenging fiscal position, has the potential to further worsen the business climate, discouraging private sector investment and foreign capital inflows. Gaps in infrastructure remain as inadequate transport and municipal services weigh on the country's competitiveness. While Romania has made progress in the renewables, their integration into the energy grid remains challenging due to balancing issues and outdated infrastructure. Addressing macroeconomic and operational challenges through targeted reforms and with external support will be essential to strengthening resilience, improving competitiveness, and fostering sustainable economic growth.

### Implementation challenges

- Constrained counterparty capacity to design, contract, and implement large infrastructure projects and limited progress in the development of public-private partnerships.
- The war on Ukraine caused significant changes to the country's energy sector, delaying investments.
- Limited local capacity to manage programmes with multiple funding sources.
- The delay in the approval of EC-EBRD InvestEU Agreement constrained the Bank's ability to successfully deploy blended financial instruments.

### Key lessons & way forward

- Continue close cooperation with the authorities, both at the central and local level, on investments, policy dialogue and opportunities for PPPs. Explore potential participation in large energy and transport infrastructure projects.
- Accelerate investments in renewables and wider energy sector and continue policy dialogue to ensure that mechanisms put in place are in line with investors' needs. Monitor increased external vulnerabilities.
- Strong need to continue engaging on the policy front and enhance capacity-building.
- Seek ways to use/blend EU funds with EBRD/PPP funding, including through InvestEU and RRF.

## 2. Economic Context

### 2.1. Macroeconomic Context and Outlook for Strategy Period

#### Romania – Main Macroeconomic Indicators

	2021	2022	2023	2024	2025f
GDP growth (% y-o-y)	5.5	4.0	2.4	0.8	1.6
CPI inflation (% avg.)	4.1	12.0	9.7	5.8	5.1
Government balance (% of GDP)	-7.1	-6.4	-6.6	-9.3	-8.6
General government gross debt (% of GDP)	48.3	47.9	48.9	54.8	59.4
Current account balance (% of GDP)	-7.2	-9.5	-6.6	-8.4	-7.9
Net FDI (% of GDP) [minus indicates inflow]	-3.7	-3.3	-2.0	-1.6	n.a.
External debt (% of GDP)	58.8	54.6	56.5	57.9	n.a.
Gross reserves (% of GDP)	18.9	18.6	20.4	19.9	n.a.
Unemployment rate (%)	5.6	5.6	5.6	5.5	5.3
Nominal GDP (\$bn)	286.6	296.4	350.8	384.0	417.5

Source: National authorities, Eurostat, IMF

**Growth has decelerated markedly.** The Romanian economy has weathered the Covid-19 and war on Ukraine shocks relatively well, with the convergence process progressing. However, output growth started to slow down in 2023 due to destocking and lower exports, while domestic demand was sustained by investment and government spending. In 2024, the contribution of strong private consumption was offset by rising imports, while investment and public spending decelerated, further depressing growth.

**Lower industrial production, construction and the summer drought hindered growth.** Sectoral value-added reflects the ongoing structural changes in the Romanian economy. As of end-2024, industry's value added was 27% smaller than at end-2019. Reflecting global changes, professional and IT services stagnated in 2024, suggesting a more difficult period ahead after years of strong growth. Construction was driven down by a strong drop of residential buildings and a slowdown of infrastructure works and agricultural output was affected by a severe drought in 2024.

**The twin deficits widened in 2024.** Romania is facing a difficult fiscal situation, as the deficit soared in 2024 amid higher public wages, spending and investment. The government proposed a consolidation plan envisaging a gradual return to deficits lower than 3% of GDP. The debt burden will rise in the medium term given lower nominal growth. Strong wage growth that fuelled consumption deteriorated the current account, with less than half financed by non-debt creating capital inflows.

**Growth outlook remains uncertain.** Contrasting the period of strong growth before 2023, the Romanian economy is facing headwinds. Domestic demand could be affected by fiscal consolidation, lower wage growth and weaker overall confidence, while weaker demand for goods from the eurozone, eroded cost competitiveness, and changes in the global IT industry could translate into weaker export growth in the medium term. This is corroborated by the government projections in the new fiscal consolidation plan, which put GDP growth between 2 and 2.5% up to 2031.

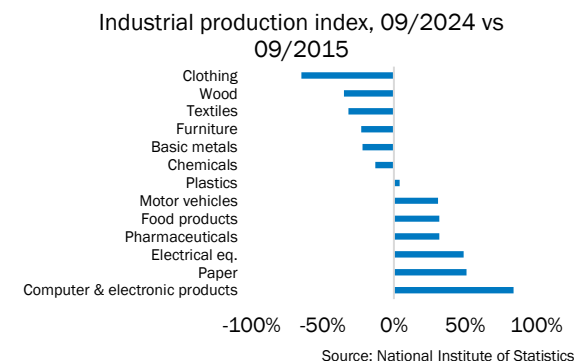


## 2. Economic Context

### 2.2 Key Transition Challenges (I/II)

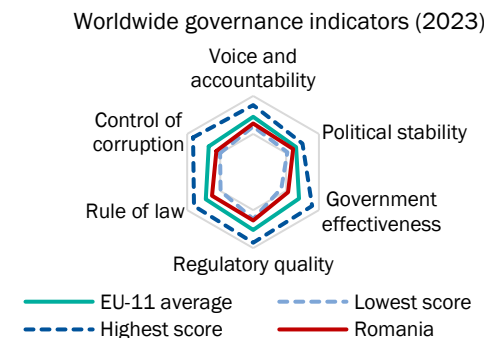
#### Competitive

- **The complexity of the export basket has improved as low-cost sectors are contracting.** Romania's export complexity increased significantly in recent years amid an accelerated change in the structure of the industrial base. In the past decade, the textile industry has contracted significantly as Romania's cost competitiveness eroded. Continued wage growth could pose threats to more complex industries such as electrical equipment, requiring prioritisation of more value-adding activities.
- **Romania is the weakest innovator in the EU.** Contrasting the remarkable output growth, Romania has stagnated in terms of deepening innovation in recent years, widening the innovation gap with peers. The venture capital and start-up ecosystems are at a nascent stage, despite several successes.
- **The structure of the tax system has altered productive firm behaviour.** Following considerable tax cuts since 2016, profit margins and growth of SMEs accelerated, but hindered allocative efficiency, banking credit and enabled business form arbitrage. The high VAT gap reflects suboptimal tax collection.



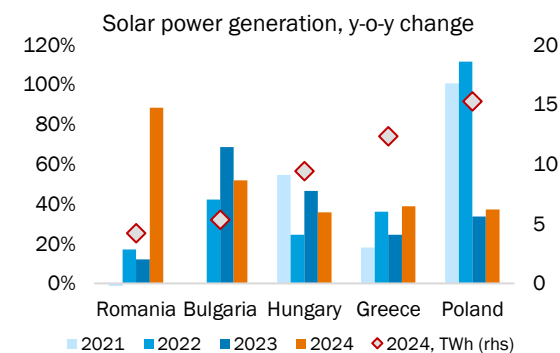
#### Well-governed

- **SOE corporate governance requirements need better enforcement.** As part of EU reforms and OECD accession process, Romania has been improving its legislative framework for SOEs. However, enforcement remains weak. Politisation of management and supervisory roles remains pervasive.
- **The quality of public governance remains behind CEB peers.** Despite catching-up in income terms with the CEB region, Romania's governance is still behind regional peers. The most problematic areas remain the administrative and institutional effectiveness that hamper policy-making and enforcement of rule of law.
- **Digital transformation of the public sector has been patchy.** Romania is behind EU standards of e-governance, given a later start in implementing digital public services. Advancing e-governance is also limited by the unequal distribution of digital skills in the country.



#### Green

- **A comprehensive approach to decarbonisation is needed to meet long-term targets.** Romania progressed well in reducing its carbon footprint, but it was mainly linked to the economic changes during transition. To accelerate decarbonisation, more efforts are needed across sectors to increase energy efficiency and reduce fossil fuels use in power generation, transport, industry, and heating
- **Energy poverty, poor efficiency and coal transition exacerbate inclusiveness issues.** Romanians consume among the least electricity per capita in the EU, although energy efficiency of consumption remains moderate. Around 15% of households struggled to maintain adequate warmth in 2022, among the highest rates in the EU.
- **Climate adaptation interventions are urgent.** Over the past few years, Romania has been increasingly affected by extreme weather events and droughts, especially in the south, affecting, among others, agriculture. Water scarcity is surfacing in historically well-supplied areas. Romania has recently intensified its efforts to enhance climate resilience, as outlined in the new National Strategy on Adaption to Climate Change, approved in 2024.



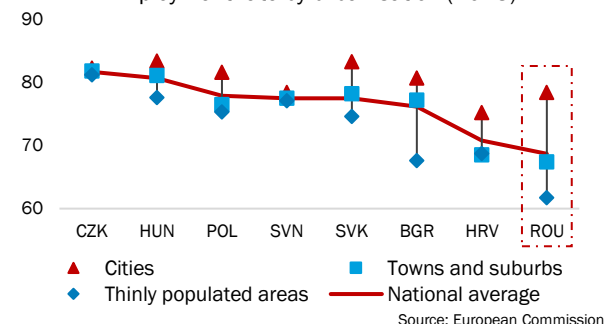
## 2. Economic Context

### 2.2 Key Transition Challenges (II/II)

#### Inclusive

- **Regional development gaps are significant.** Romania's development has not been evenly distributed geographically. The gap between urban and rural areas exacerbate the general inclusion issues, such as equality of opportunity, gender gaps, employment and human capital.
- **Gender gaps are considerable in less endowed households.** Only 28% of women with primary education were employed in 2023, but the gender gap almost disappears at higher education levels and is aligned with peers. Lack of childcare facilities, limited opportunities and social norms constrain higher participation of women, particularly in rural areas.
- **Human capital is not ready to support the next stage of development.** High immigration, poor educational outcomes and weak penetration of adult learning constrain the supply of adequate skills in Romania. Corroborated with the need for more innovation-led growth, upskilling is critical.

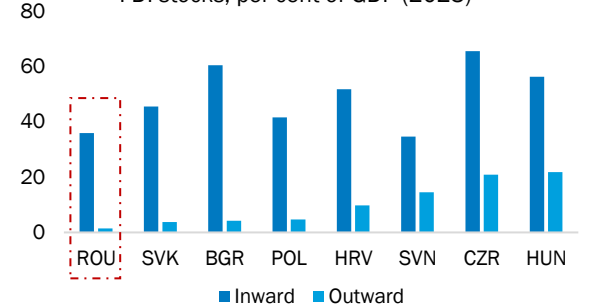
Employment rate by urbanisation (2023)



#### Integrated

- **Trade integration in services improved while goods exports have stagnated.** The value chains active in Romania are less integrated than peers in terms of using foreign inputs in gross exports, reflecting its downstream position. In the past years, only service exports – IT, business services and transport – increased as a share of output, but automation poses risks for future growth.
- **The internationalisation of Romanian firms remains modest.** On top of a relatively modest stock of FDI inflows, Romania has the lowest depth of outward investment in the region. While the domestic market creates sufficient demand for mid to large firms, more foreign activity would benefit Romanian firms to increase productivity and innovation.
- **Infrastructure investment has recently recovered.** Romania has long had one of the most acute transport infrastructure gaps in the EU. Since 2020, the government managed to accelerate essential highway projects, but more focus needs to be paid to upgrading the rail network.

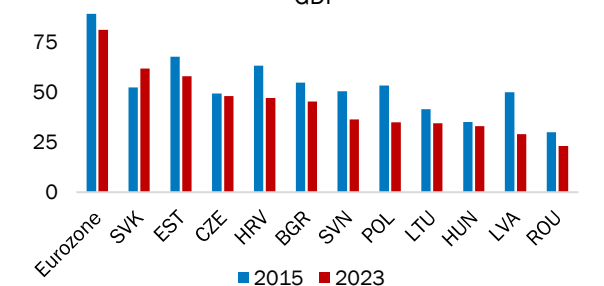
FDI stocks, per cent of GDP (2023)



#### Resilient

- **The upcoming wave of renewables needs to be met by complementary investments.** Romania targets a 68% increase in electricity generation capacity by 2030, driven by renewables. This capacity will need to be balanced with more storage and intermittent sources, grid upgrades and regional connectivity. Increasing cross-border capacity will be essential for energy security.
- **The banking sector is materially undersized.** Romania's banking sector is the smallest in the region as a share of GDP given modest credit intermediation. While credit demand is limited by poor bankability, further market consolidation could constrain more competitive pricing.
- **The capital market would benefit from a few important milestones.** Romania's capital market was boosted by the FT Russell emerging status market upgrade and a surge of retail investors. Increasing liquidity via more IPOs and foreign investors would enable the MSCI upgrade, supporting further growth. Counterparty clearing needs to be operationalised to enable trading of derivatives.

Domestic credit to private sector, per cent of GDP



# 3. Government Priorities and Stakeholder Engagement

## 3.1 Government Reform Priorities

In alignment with EU policy goals, Romania has adopted a number of national strategies that act as enabling conditions for accessing Cohesion Policy funding. These strategies provide structured frameworks for investment and reform across key sectors. The following are particularly aligned with the Bank's strategic priorities in Romania:

- The **National Strategy for Research, Innovation, and Smart Specialisation (SNCISI) 2022–2027** aims to enhance the national research and innovation ecosystem by fostering excellence, strengthening public-private partnership, by leverages EU and national funding.
- The **Romanian Strategy for the Circular Economy (NSCE)** outlines a roadmap through 2032 to accelerate the country's transition to a circular economic model. It identifies key sectors with the greatest circular potential, including agriculture and forestry, the automotive industry, construction, consumer goods, packaging, textiles, and electrical and electronic equipment.
- The **National Long-Term Renovation Strategy (NLTRS)**: Sets out Romania's roadmap for improving the energy performance of buildings, aiming to reduce greenhouse gas emissions, lower energy consumption, and support the decarbonisation of the building stock in line with EU climate targets.
- The **National Waste Management Plan (NWMP)** provides the strategic and regulatory basis for managing all waste streams in Romania, setting quantitative targets for waste prevention, reuse, recycling, and landfill reduction. It aligns with EU directives such as the Waste Framework Directive and the Landfill Directive.
- The **Water and Wastewater Investment Plan** sets out investment priorities for the expansion and modernisation of water supply and wastewater treatment infrastructure, focusing on reducing pollution, improving service coverage in rural and underserved areas, and enhancing the operational performance of regional water operators.

In parallel, the **National Recovery and Resilience Plan (NRRP)** aims to support economic and social recovery from the COVID-19 crisis. Funded under the EU Recovery and Resilience Facility, the NRRP includes reforms and investments aimed at enhancing resilience, accelerating the green and digital transition, and supporting economic convergence with the EU average.

## 3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Enhance value-added sectors by providing targeted financing and policy support to boost the competitiveness and innovation capacity of the private sector, in line with EU strategic objectives.
- Strengthen economic resilience through measures that reduce regional disparities, invest in human capital, and foster inclusive, sustainable growth across the country.
- Accelerate the energy transition by scaling up investments in renewable energy, supporting decarbonisation, and improving energy efficiency.
- Promote capital market development and deepen policy engagement to improve access to finance, enhance market infrastructure, and support long-term investment.

## 3.3 Key Messages from Civil Society to EBRD

- Civil society in Romania highlighted the need for accelerating green transition in the country through i) reducing emissions from oil, gas, and methane resources and deploying carbon capture technologies, ii) scaling up energy efficiency, including in the transport infrastructure, and iii) increasing the capacity for renewable energy.
- CSOs further underlined that supporting just transition for local communities and cross-sector digitalisation of businesses are key components to foster economic resilience in Romania.
- CSOs moreover emphasised the need for enhancing Romania's economic competitiveness through supporting small and medium enterprises (SMEs) on improving access to international capital markets, as well as fostering public-private sector cooperation on structural reforms and policy advocacy.

# 4. Defining Romania Country Strategy Priorities

What needs to change? (Country Diagnostic)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2025-2030)	What We Want to see in 2030
<ul style="list-style-type: none"> <li>Romanian firms face key investment barriers as they report strict labour (72%) and business regulations (68%), access to finance (65%), and widespread informality.</li> <li>Industrial production has struggled to grow in recent years amid structural changes and weak foreign demand.</li> <li>Despite the remarkable growth recorded in recent years, Romania has stagnated in terms of deepening innovation.</li> <li>Capital markets are expanding but remain underdeveloped, with low awareness among firms.</li> </ul>	<ul style="list-style-type: none"> <li>Romania's business environment has improved in insolvency, business setup, and competition. Tax burden is low but set to rise with fiscal consolidation.</li> <li>Despite slow industrial growth, advanced products drive economic complexity.</li> <li>The start-up scene is growing but needs higher quality projects.</li> <li>The domestic equities market and number of investors expanded post-Covid-19, yet liquidity remains low</li> </ul>	<ul style="list-style-type: none"> <li>Proven record in offering customised financing solutions and advice to boost companies' growth and competitiveness.</li> <li>Extensive work on developing capital markets through innovative financial instruments and facilitating alternative access to finance.</li> <li>EBRD's Digital Approach provides a framework for supporting digital transition.</li> <li>Supporting Romania in accessing EU special funds for innovation and competitiveness.</li> </ul>	<b>Enhance Private Sector Competitiveness through Innovation, Access to Finance, and Good Governance</b>	<ul style="list-style-type: none"> <li>Increased Competitiveness, Value Added, Resource Efficiency and Innovation Capacity of the Private Sector</li> <li>Deeper Financial Intermediation and Development of Capital Markets</li> <li>Strengthened Corporate and Economic Governance Practices</li> </ul>
<ul style="list-style-type: none"> <li>Climate vulnerability remains high, with risks to both urban and rural infrastructure. Water scarcity.</li> <li>Roads have improved but still rank worst in the EU. Rail infrastructure is severely outdated, with slow speeds and low electrification due to years of underinvestment.</li> <li>Strong growth reduced severe material and social deprivation from 36% in 2016 to 19.8% in 2023, yet Romania still has the highest rate in the EU. Poverty, income inequality, and regional disparities remain significant.</li> </ul>	<ul style="list-style-type: none"> <li>Since 2020, Romania has improved transport project planning and tenders, accelerating execution. A major infrastructure upgrade is underway.</li> <li>Regional connectivity has risen in importance with the war on Ukraine, while Romania's full Schengen membership in January 2025 is set to enhance integration by lowering transaction costs.</li> <li>Policy should focus on strengthening human capital and skills to maximise growth potential and enhance regional development investment effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Strong track record of supporting municipal authorities in building capacity via financing and advisory and assisting investment implementation with technical assistance.</li> <li>Wide experience in strengthening economic inclusion and access to opportunities via tailored financing products and market relevant skill development for underserved segments, including a new focus on digitalisation.</li> <li>EBRD regional investments can support connectivity, including regional networks and intra-modal logistics, and promote market reform.</li> </ul>	<b>Enhance Resilience of the Economy</b>	<ul style="list-style-type: none"> <li>A More Resilient, Inclusive and Diversified Economy</li> <li>Improved Integration, Reduced Regional Disparities, and Enhanced Human Capital</li> </ul>
<ul style="list-style-type: none"> <li>Romania has the lowest energy intensity among EU-11 peers, but fossil fuels still make up 70% of its energy supply.</li> <li>Key gaps include storage, grid investments, and balancing, while broader challenges involve energy efficiency and greener transport and district heating.</li> <li>Energy poverty remains high, with 15% of households struggling to afford warmth in 2022.</li> <li>Climate change increasingly poses risks, with the southern region facing high risk of desertification risk and extreme weather.</li> </ul>	<ul style="list-style-type: none"> <li>Romania cut GHG emissions by 58% by 2022, meeting its "Fit for 55" target but still faces challenges in reaching carbon neutrality by 2050. It has been allocated €23bn in EU funding.</li> <li>The updated NECP (October 2024) commits to phasing out coal by 2032 and expanding RE by 68% by 2030.</li> <li>The EC approved Romania's Territorial Just Transition Plan in December 2022, allocating €2.14bn to support a fair climate transition.</li> </ul>	<ul style="list-style-type: none"> <li>Expertise in supporting RES projects and addressing EE/RE demand through traditional and innovative financing, advising on green technologies/practices, and supporting energy efficiency.</li> <li>Policy dialogue, financing and advisory for climate resilience and decarbonisation.</li> <li>Specialised inclusion and climate advisory to assist Just Transition-related initiatives and proven track record of JT investments.</li> <li>Track record in developing sustainable infrastructure via dedicated frameworks (e.g., GEFFs, Green Cities, ESIF Water Framework).</li> </ul>	<b>Accelerate Romania's Green Economy Transition</b>	<ul style="list-style-type: none"> <li>Increased Renewable Energy Capacity and Green Energy Transition</li> <li>Decarbonisation and Greening of the Economy</li> <li>Green, Sustainable, and Inclusive Infrastructure</li> </ul>

## 5. Activities and Results Framework (1/3)

### Priority 1: Enhance Private Sector Competitiveness through Innovation, Access to Finance, and Good Governance

Key Objectives	Activities	Tracking Indicators
<b>Increased Competitiveness, Value Added, Resource Efficiency and Innovation Capacity of the Private Sector</b>	<ul style="list-style-type: none"> <li>Provide direct lending, direct and indirect equity, quasi equity, risk sharing, and advisory to corporates, FI and SMEs, including by ensuring close collaboration with individual IFIs where relevant.</li> <li>Enhance existing and introduce new products for financial intermediation such as structured finance e.g. synthetic securitisation, portfolio risk sharing, and supply chain solution structures, including products benefitting local SMEs/suppliers.</li> <li>Support companies integrating Romania into global value chains, (e.g., production of components for EV, the renewable industry and others), technology transfer and innovation.</li> <li>Support value added products and services, research and development, expansion of tech companies, including green technologies and green value chains. Provide technical assistance to help companies efficiently access EU and national grant funds (e.g., Modernisation Fund, Innovation Fund) and provide co-financing for project implementation leveraging targeted instruments/programs.</li> <li>Support early-stage, growth, and innovative companies by nurturing champions through advice and financing (VCIP, private equity and venture capital funds).</li> <li>Contribute to SME and start-up ecosystem development through capacity-building support and targeted policy interventions with relevant stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Number of corporate clients reporting increased sales and/or productivity</li> <li>Number of clients adopting new or updated technology</li> </ul>
<b>Deeper Financial Intermediation and Development of Capital Markets</b>	<ul style="list-style-type: none"> <li>Utilise financial intermediation and capital market instruments to enhance competitiveness, innovation, digitalisation, and productivity, while also fostering deeper, more inclusive, and greener financial markets.</li> <li>Increase financial intermediation through diversification of funding sources for businesses and individuals, including through structured finance, risk sharing and, capital market instruments, and facilitating access to non-banking finance, including through insurance, microfinance, fintech, leasing and factoring companies.</li> <li>Support capital market development, incl. participating in debt and equity capital market transactions and innovative financial products (e.g. sustainability bonds, sustainability-linked bonds, municipal bonds, green bonds, covered bonds, and bail-in able bonds) and support efforts on the consolidation of central and south-eastern Europe (CSEE) stock exchanges</li> <li>Support IPOs/SPOs, including those of SOEs, and where relevant act as cornerstone investor for corporates issuing capital market instruments, fostering diversification of funding sources and capital market development.</li> <li>Provide funding to local and regional equity funds and co-invest with such funds in the corporate sector.</li> <li>Increase SME access to finance through advice and wide outreach by working closely with PFIs.</li> </ul>	<ul style="list-style-type: none"> <li>Volume of capital market transactions facilitated</li> <li>Total volume/number of loans disbursed by PFIs for SMEs</li> </ul>
<b>Strengthened Corporate and Economic Governance Practices</b>	<ul style="list-style-type: none"> <li>Build clients' capacity in corporate ESG practices, reporting and disclosure, including by supporting companies in enhancing their sustainability strategies in line with EU standards (e.g. Corporate Sustainability Reporting Directive).</li> <li>Support corporate governance of financial institutions, with an emphasis on strengthening corporate climate and sustainability governance frameworks, building their capacity to manage climate-related risks and opportunities and unlocking green investment.</li> <li>Support commercialisation and improvements in corporate governance, including on digitalisation and cybersecurity where relevant, resulting in increased transparency and effectiveness for private and public sector clients, incl. SOEs.</li> </ul>	<ul style="list-style-type: none"> <li>Number of clients with improved corporate governance</li> </ul>



## 5. Activities and Results Framework (2/3)

### Priority 2: Enhance Resilience of the Economy

Key Objectives	Activities	Tracking Indicators
<b>A More Resilient, Inclusive and Diversified Economy</b>	<ul style="list-style-type: none"> <li>Support the resilience of financial institutions through various instruments enhancing their loss absorption capacity and capital use optimisation, and diversification of funding sources.</li> <li>Equity participation in banks and non-bank financial institutions if opportunities arise, to strengthen resilience, support inclusion of underserved segments and support consolidation of the banking sector.</li> <li>Invest in electricity transmission and distribution grids, and interconnectors to absorb increased renewable energy production and improve energy resilience.</li> <li>Support introduction and expansion of storage solutions as a response to the intermittent nature of renewable energy generation.</li> <li>Support projects aimed at expanding, improving, and greening secure telecommunication infrastructure, including data centres, fixed broadband infrastructure, satellites.</li> <li>As opportunities arise, support private and public sector in adopting information technology, communication, innovation and digitalisation, including cybersecurity.</li> <li>Support introduction of long term asset management policies and practices, urban heat resilience and risk management plans related to public infrastructure and services.</li> <li>Support food security by promoting innovation, climate resilience and investing in sustainable food and retail value chains.</li> <li>Support private sector-led urban regeneration in cooperation with the public sector.</li> </ul>	<ul style="list-style-type: none"> <li>Number of loans disbursed by partner financial institution for women-led (M)SMEs</li> </ul>
<b>Improved Integration, Reduced Regional Disparities, and Enhanced Human Capital</b>	<ul style="list-style-type: none"> <li>Support banking and technical assistance projects designed to enhance regional integration, including the integration of supply chains and geographical diversification, while supporting human capital development.</li> <li>Promote regional connectivity through investment in regional roads, rail and aviation; continue dialogue with the Ministry of Transport as well as CNAIR and CNIR in order to enhance connectivity with neighbouring countries.</li> <li>Promote quality training, improved employability and skills, including for reskilling and up-skilling, for women, youth, and populations living in underserved communities.</li> <li>Where opportunities arise in Just Transition regions, support projects that reduce social dependency on coal-related activities, including but not limited to economic diversification.</li> <li>As opportunities arise, support cross-border initiatives including between Romania, Moldova, and Ukraine.</li> </ul>	<ul style="list-style-type: none"> <li>Improved quality of infrastructure (qualitative)</li> <li>Number of individuals enhancing their skills as a result of training (green/digital skills)</li> </ul>

## 5. Activities and Results Framework (3/3)

### Priority 3: Accelerate Romania's Green Economy Transition

Key Objectives	Activities	Tracking Indicators
<b>Increased Renewable Energy Capacity and Green Energy Transition</b>	<ul style="list-style-type: none"> <li>Support investment in RES and storage solutions through various instruments (equity, debt, bonds).</li> <li>Leverage EU instruments to support green investments in the grids, energy generation and storage.</li> <li>Finance the expansion and modernisation of electricity networks to integrate renewables, enhance regional connectivity and cross-border trade, improve energy efficiency and climate resilience, and promote digitalisation in the energy sector.</li> <li>Explore financing and technical assistance opportunities for the production, distribution, storage, and supply of green/low-carbon fuels (e.g. hydrogen and biofuels/biomethane) and RES integration in district heating, incl. geothermal.</li> <li>Support market reforms and energy market development through policy engagement and capacity building, including in balancing electricity markets and developing hydrogen and biomethane markets.</li> <li>Provide technical assistance to design regulatory frameworks and support schemes (e.g. Renewable Energy Programme, including storage support schemes and renewables auctions).</li> <li>Promote increased use of renewable energy and low carbon fuels (e.g. green methanol) for industry and other end-users.</li> <li>Support the extraction and recycling of minerals essential for the energy transition while promoting best ESG practices.</li> </ul>	<ul style="list-style-type: none"> <li>Renewable Energy generation and/or storage capacity installed (MW)</li> <li>Volume of EE &amp; RE loans extended by partner financial institution supported by EBRD's finance</li> </ul>
<b>Decarbonisation and Greening of the Economy</b>	<ul style="list-style-type: none"> <li>Finance low carbon and climate resilient transition across sectors, including through corporate climate governance via policy engagement, advisory and financing, in line with the EBRD Energy Sector Strategy, and continue to monitor developments in the energy sector, should any new opportunities, in line with the EBRD's private sector mandate, emerge during the country strategy period.</li> <li>Finance CAPEX investments to reduce GHG emissions in industrial processes and applications (e.g. manufacturing of low carbon products, telecom infra) and encourage innovative investments through existing instrument (InvestEU, Horizon).</li> <li>Promote electrification of the economy (e.g. EV charging infrastructure).</li> <li>Promote direct and intermediated impact financing instruments (bonds, loans, structured finance instruments and/or risk sharing) and advisory linked to sustainability and ESG targets.</li> <li>Explore opportunities for supporting carbon capture, utilisation, transportation and storage (CCUS), where aligned with sustainability objectives and high-integrity climate governance standards.</li> <li>Provide technical assistance to clients in developing corporate or sectoral climate/sustainability strategies, including low-carbon and climate resilient pathways and circular economy roadmaps that enhance climate governance, climate risk management and disclosure practices.</li> </ul>	<ul style="list-style-type: none"> <li>CO2 emissions reduced/avoided (tonnes/y)</li> </ul>
<b>Green, Sustainable, and Inclusive Infrastructure</b>	<ul style="list-style-type: none"> <li>Explore opportunities for further financing and policy engagement under the Green Cities programme including climate adaptation and nature-based solutions where possible.</li> <li>Support municipalities and public service operators (water, wastewater, solid waste, district heating, public transport, and public lighting) to improve administrative capacity and modernise their services in urban and rural areas including through digitalisation.</li> <li>Explore opportunities to blend EU funds with EBRD financing including through PPPs in support of sustainable infrastructure.</li> <li>Promote energy efficiency, resource savings and climate resilience through policy engagement, advisory and financing, including through financial intermediaries and through funded and unfunded instruments.</li> <li>Support the development of and access to affordable housing, through investment, technical assistance and policy advice as opportunities arise, and broader efforts to promote green and sustainable buildings across real estate and hospitality.</li> </ul>	<ul style="list-style-type: none"> <li>Primary energy saved (GJ/y)</li> <li>Number of beneficiaries with improved access to infrastructure services</li> </ul>

# 6. Mapping of International Partners' Complementarity in EBRD Business Areas

## EBRD Business Areas

		Sectors								Cross-cutting Themes				
Indicative annual average annual investments/ grants (€m, 2020-2024)		Corporate Sector					Sustainable Infrastructure		FI		Strategic Initiatives			
		Food & Agribusiness	Manufacturing & Services	Real Estate	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank FIs	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
EU*	18,125			€	€	€	€	€			€	€		€
EIB	1,300	€	€	€			€	€	€		€			€
EIF	806									€	€			€
WB	666										€P	€		
IFC	539	€	€				€		€		€			€
CEB	79	€	€	€				€	€		€			€
EBRD	709	€	€	€			€	€	€	€	€	€		€

€ Area of significant investments

● Focus mostly on private sector

P Area of significant policy engagement

○ Focus mostly on public sector

## Potential Areas of Cooperation



### Green

- Continue leveraging EU funds to support the development of renewables and work on a separate new GEFF instrument under ESIF.



### Competitive

- Work with partner IFIs and explore opportunities for cooperation with the national Investment and Development Bank to enhance private sector participation in the economy and competitiveness, coordinating investments and policy dialogue.



### Resilient

- Cooperate with partner IFIs on capacity building, preparation and financing of PPPs, and leverage on EU instruments to deliver transport infrastructure projects.



### Integrated

- Work together with the EU and partner IFIs to foster better access to municipal infrastructure as well as national energy & communications infrastructure

Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed between 2019 and 2023

\*Based on EU contributions (ESIF) to the Romania Country Budget (2014-2020 and 2021-2027) and RRF.

# 7. Implementation Risks and Environmental and Social Implications

Risks to the strategy implementation	Probability	Effect	Environmental and social implications
Romania's significant current account and fiscal deficits may heighten reliance on foreign financing, increasing vulnerability to shifts in investor sentiment and external shocks. Planned fiscal consolidation risks affecting the private sector.	High	High	<ul style="list-style-type: none"> <li><b>Assessment and Management of E&amp;S Impacts:</b> Ensure that direct, indirect, and cumulative E&amp;S risks and impacts (including gender) of projects are appropriately assessed, avoided and mitigated. TC support for E&amp;S assessments and management may be needed especially for public sector clients with the implementation and monitoring of E&amp;S management systems and contractor management to comply with EBRD Environmental and Social Policy (ESP 2024), Environmental and Social Requirements (ESRs) and according to EU and international standards.</li> <li><b>Labour and Working Conditions:</b> Ensure clients' HR policies align with EBRD requirements and international standards, focusing on labour terms, contractor management, anti-discrimination measures, and equal opportunities. Addressing gender-based violence and harassment (GBVH) in projects and enhancing clients' capacity to manage such concerns are key priorities.</li> <li><b>Resource Efficiency and Pollution Prevention and Control:</b> Support projects for the sustainable management of water and wastewater, water resilience, circular economy and resource efficiency and ensure projects comply with ESR3 (ESP 2024) to help prevent environmental pollution and flooding. This includes addressing soil pollution and supporting the decontamination of polluted or industrial sites. Adopting sustainable agricultural methods can reduce resource loss and promote a just transition to a low carbon and climate resilient economy.</li> <li><b>Health and Safety:</b> Aim to improve occupational and community health and safety standards across all sectors and address security issues. TC funds and stakeholder engagement on road, traffic and electrical safety may be required to improve standards and raise awareness.</li> <li><b>Land Acquisition, Involuntary Resettlement and Economic Displacement:</b> Ensure that any project requiring acquisition of land and resettlement comply with requirements of the Bank, with special attention on preserving livelihoods of vulnerable groups (e.g., Roma communities, informal land users and refugees) and preserving the environment.</li> <li><b>Biodiversity Conservation and Sustainable Management of Living Natural Resources:</b> Support clients with assessments to ensure species and habitats of conservation importance are protected and ecosystem services and natural capital are sustainably managed. TC funds may be needed to support these activities or pursue nature-related activities and reporting.</li> <li><b>Cultural Heritage:</b> Ensure appropriate assessments are carried out on construction projects to identify impacts, consult with key stakeholders and preserve cultural heritage</li> <li><b>Financial Intermediaries:</b> Ensure that FI partners have adequate E&amp;S capacity and risk management procedures in place with a focus on capital market participation.</li> <li><b>Stakeholder Engagement:</b> Support clients in delivering meaningful engagement, project disclosure and inclusive consultation accompanied with effective grievance mechanism throughout the project lifecycle.</li> </ul>
Heightened exposure to geopolitical risk due to the geographical proximity to the ongoing war on Ukraine, as well as an increased risk of disruptions to commercial marine traffic in the northwestern Black Sea.	Medium	Medium	
Strengthening institutional capacity and addressing corruption risks at both national and municipal levels could improve Romania's ability to absorb and implement EU-funded projects	High	Medium	
Insufficient public infrastructure, combined with demographic decline and depopulation in certain regions, accentuate regional disparities and limit investment opportunities.	High	High	
Intra-government friction could affect policy direction on wide-reaching envisaged economic reforms and issues such as changes to pension policies.	Medium	Medium	

● High
 ● Medium
 ● Low

# 8. Donor Partnerships Assessment

## Needs Assessment for the New Country Strategy Period

To achieve the objectives of the new country strategy, donor funds may be needed to support several key activities:

- TC grants for project preparation and implementation assistance of investments aimed at enhancing quality and access to sustainable infrastructure, including support for public-private partnerships (PPPs) in various sectors and the expansion of the Green Cities Framework.
- TC grants for advisory services and training programs to foster innovation and skills development in SMEs.
- Co-investment grants and risk sharing instruments to support new financing facilities and credit lines offered via financial intermediaries.
- TC grants for policy engagements and legal reforms to strengthen local capital markets and bolster the resilience of the financial sector.

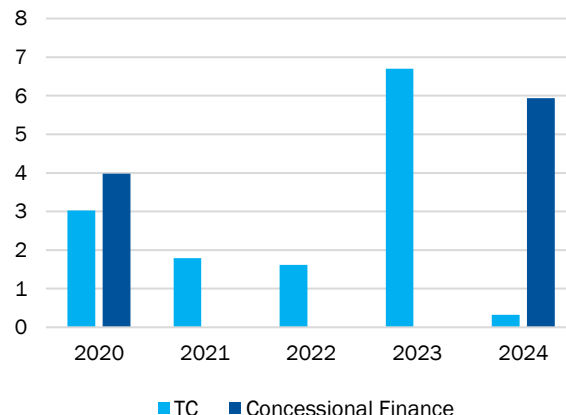
## Potential Sources of Donor Funds

- The EU provides mainly TC funding through the Horizon 2020 – Climate Technology Innovation Support. The EU can also scale up and leverage investments through InvestEU guarantees in order to finance green projects, as well as support digitalisation and green transition through joint equity investment facility for critical raw materials. InvestEU can also aid the funding of sustainable infrastructure and policy and project preparation facilities. Finally, European Structural and Investment Funds can be used to foster competitiveness of the private sector in cooperation with Romanian authorities.
- The largest bilateral donors include Italy, Taipei China, the Netherlands, and Austria. Italy can provide TC through the Central European Initiative (CEI) Fund, while the Netherlands and Taipei China focus on the use of TC. Priorities include scaling up policy and business advice, and project preparation. Austrian support through the High-Impact Partnership on Climate Action (HIPCA), is key for climate-related projects which leverage TC grants and co-investment instruments offered to bolster project development and implementation.
- Small Business Impact Fund and the Türkiye Cooperation Account. These funds are able to provide funds to play a pivotal role in supporting access to finance and private sector development, sustainable infrastructure and green transition, and inclusive economic growth.

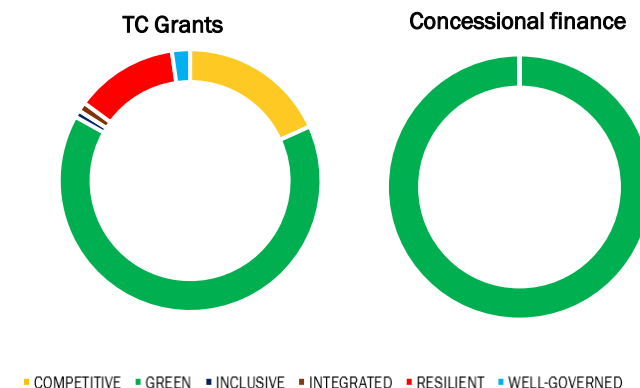
## Selected Affordability Indicators

	EBRD regional percentile rank <sup>1</sup>	
GDP per capita (PPP, current. \$) <sup>2</sup>	44,974	81%
ODA Country	No	N/A
ODA as share of Gross National Income (%) <sup>3</sup>	N/A	N/A
ODA per capita (\$ - current prices) <sup>3</sup>	N/A	N/A

## Donor finance during last strategy (€m)<sup>4</sup>



## Use of funds in 2019-2024<sup>5</sup>



1. Simple percentile rank reported as the share of EBRD economies represented below Romania. 2. WEO (2024) 3. OECD (2021) 4. Based off earmarked funds. 5. Based on the primary Transition Quality of concessional resources.



# Annex



**European Bank**  
for Reconstruction and Development

# Annex 1 – Political Assessment in the Context of Article 1 (1/5)

Romania's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy. The country has made further progress in certain areas of democratic reform, including the rule of law.

In 2023, the European Commission (EC) formally closed the Cooperation and Verification Mechanism (CVM), which had been established when Romania joined the EU in 2007 to help it address the shortcomings in the areas of judicial reform and anti-corruption. At the same time, despite the fact that elections are conducted in a manner deemed by competent international observers to be free and in line with international standards, the presidential election of 2024 was annulled by the country's Constitutional Court due to violations affecting the electoral legislation, including illegal campaign practices of a certain candidate. In the May 2025 repeat presidential election, international observers noted that fundamental freedoms of assembly and association were upheld.

## FREE ELECTIONS AND REPRESENTATIVE GOVERNMENT

### Free, fair and competitive elections

Under the Constitution, the parliament of Romania has a bicameral structure comprising the Chamber of Deputies (lower house) and the Senate (upper house). Deputies and Senators are elected for a four-year term. The president, who is elected through direct suffrage for a five-year term (renewable only once), is the head of state. Previous parliamentary elections in the country were assessed as competitive with fundamental freedoms respected by observers from the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR), as well as by other competent international observers.

The existing legal framework provides a sound basis for democratic elections, as assessed by the OSCE/ODIHR. Last general elections took place in December 2024. OSCE has not yet issued a report following the outcome of these elections; however, there have been no reports of major irregularities by other domestic or international observers. The last OSCE/ODIHR report with regards to the 2020 general elections, which took place under the Covid-19

pandemic restrictions noted that the voting process was smooth, and procedures were followed. Priority recommendations related to the legal framework, candidate registration, election campaign, campaign finance, the media, and rights of election observers.<sup>1</sup> The electoral laws were last amended in 2022 to introduce additional candidacy requirements for presidential and parliamentary elections. The electoral legal framework otherwise remains unchanged, leaving many of the previous ODIHR recommendations unaddressed, including those related to the consolidation of the legislation, suffrage rights, transparency of the election dispute resolution and the right of observers to access all stages of the electoral process.<sup>2</sup>

The presidential election held in November 2024 was annulled by Romania's Constitutional Court. The Constitutional Court exercised its power under Article 146 (f) of the Constitution guarding the observance of the procedure for the election of the President of Romania. The Court cited the illegal use of digital technologies including artificial intelligence, as well as undeclared sources of funding. It also said that one candidate received "preferential treatment" on social media platforms, distorting voters' expressed will.<sup>3</sup> Following the repeat presidential election in May 2025, OSCE international observers reported that the rights to freedom of assembly and association remained protected; however, the campaign was overshadowed by hostile rhetoric towards candidates.

### Separation of powers and effective checks and balance

The Constitution provides for separation of powers and institutional checks and balances within the political system. The functioning of the parliament is in line with democratic practices. The government participates in Q&A sessions with members of parliament.

### Effective power to govern of elected officials

Romania has established institutional, legal, and financial arrangements for elected officials to exercise effective power to govern, which are not constrained by any non-democratic veto powers.

<sup>1</sup> OSCE, Office for Democratic Institutions and Human Rights, Romania, parliamentary elections 6 December 2020, ODIHR Special Election Assessment Mission, Final Report, published on 24.05.2021.

<sup>2</sup> OSCE, Office for Democratic Institutions and Human Rights, Romania, presidential and parliamentary elections 2024, ODIHR Needs Assessment Mission Report, published on 23 September 2024.

<sup>3</sup> CCR, DECISION no. 32 of December 6 2024, available at [https://www.ccr.ro/wp-content/uploads/2024/12/Hotarare\\_32\\_2024.pdf](https://www.ccr.ro/wp-content/uploads/2024/12/Hotarare_32_2024.pdf) (in Romanian)

# Annex 1 – Political Assessment in the Context of Article 1 (2/5)

## **CIVIL SOCIETY, MEDIA AND PARTICIPATION**

### **Scale and independence of civil society**

There is a satisfactory legal framework for civil society organisations (CSOs). Romania's National Register for Associations and Foundations, managed by the Ministry of Justice, lists over 120,000 civil society organisations (CSOs). However, the exact number of active organisations is uncertain due to a lack of recent official data. Dozens of CSOs act as resource centres and provide support on a wide range of topics. Most are located in the capital and other large cities. Access to resources is particularly challenging for local organisations, which often have fewer resources and less experience navigating bureaucratic procedures.

CSOs continue to face legal and financial challenges. Recent legislation amending Government Order No. 26/2000 on associations and foundations simplifies the functioning of associations and foundations, notably with increased digitalised and less bureaucratic procedures. However, the current situation is considered as insufficient by some CSOs which consider the lack of sustainable funding and the lengthy, burdensome registration processes among their primary concerns. Moreover, recent fiscal legislation restricts the ability of CSOs to receive sponsorship.<sup>4</sup>

The right to form trade unions and their freedoms are enshrined in the law and respected in practice.

### **Independence and pluralism of media operating without censorship**

Romania has a pluralistic media environment, which includes a number of nationwide public and private broadcasters and which offers citizens a wide range of political views. A legal framework, ensuring balanced, fair, and equitable coverage, is largely in place and in line with international standards. Romania guarantees through its Constitution and international treaties to

which it is a signatory, the freedom of expression and the freedom of press.

However, even though the shareholding structure of companies with audiovisual licenses is now publicly accessible, it remains challenging for the general public to identify the ultimate owners of media companies outside the sector. The EC's 2024 Rule of Law report notes that there is still a need to enhance the independent governance and editorial independence of public service media, while the lack of funding makes it difficult for public TV to fulfil its public service mandate. It also adds that threats and instances of harassment against journalists remain an issue, and commercial pressure on editorial independence affects journalists' work.<sup>5</sup>

Television remains the predominant source of public information, while online media has overtaken print media. The role of Internet and social media as source of public information is constantly increasing.<sup>6</sup>

### **Multiple channels of civic and political participation**

Multiple channels of civic and political participation are in place. The system of public consultations is largely in place, although its rules are not always enforced. The EC has noted that more efforts to ensure an efficient process are needed.<sup>7</sup>

### **Freedom to form political parties and existence of organised opposition.**

The freedom to form political parties is guaranteed by the Constitution and implemented in practice, as highlighted by the existence of a significant and diverse opposition able to campaign freely and oppose government initiatives. Following the December 2024 parliamentary elections, seven political parties plus the minorities group, entered the Romanian parliament.

<sup>4</sup> European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Romania.

<sup>5</sup> European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Romania.

<sup>6</sup> Flash Eurobarometer, News and Media Survey 2022, July 2022.

<sup>7</sup> European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Romania.

# Annex 1 – Political Assessment in the Context of Article 1 (3/5)

## **RULE OF LAW AND ACCESS TO JUSTICE**

### **Supremacy of the law**

Necessary legislative and institutional safeguards for the supremacy of the law are in place. The Constitution recognises the right of any individual to have recourse to the judicial system to defend their rights. Citizens have the right to a free and fair trial, and are free from arbitrary arrest or detention. Romania has made progress in aligning its legislation with European standards.

### **Independence of the judiciary**

The independence of the judiciary is guaranteed by the Constitution and key safeguards are in place to ensure its impartiality. The justice system has undergone a comprehensive overhaul through the revised Justice Laws in recent years. These amendments represent a substantial advancement in strengthening judicial independence. There were also important steps taken to address remaining concerns about the investigation and prosecution of criminal offences in the judiciary.<sup>8</sup> Despite the legislative progress though, public perception of the independence of the judiciary remains relatively low by EU standards.<sup>9</sup> Among the recommendations in the latest Rule of Law Report is for Romanian authorities to continue efforts to ensure adequate human resources for the justice system, including for the prosecution services, taking into account European standards on resources for the justice system.<sup>10</sup>

### **Government and citizens equally subject to the law**

The Constitution guarantees the equality of all citizens before the law and it is generally upheld in practice. Since the EU accession, there has been progress in access to justice for citizens, which is guaranteed by Article 21 of the Romanian Constitution. The Romanian Ombudsman (Advocate of the People) is a public authority autonomous and independent from any other public authority, and responsible for investigating and addressing complaints made by citizens against other government institutions.

### **Effective policies and institutions to prevent corruption**

The latest (2023) Transparency International Corruption Perceptions Index (CPI) ranked Romania 63rd out of 180 countries and territories, with the country remaining in the lowest tier of the EU region. This perception has been relatively stable over the past five years. The 2024 Special Eurobarometer on Corruption reveals that 75 per cent of respondents believe corruption is widespread in their country, compared to the EU average of 68 per cent. Additionally, 51 per cent of respondents feel personally impacted by corruption in their daily lives, whereas the EU average is 27 per cent.<sup>11</sup>

When Romania joined the EU in 2007, the EC established a Cooperation and Verification Mechanism (CVM) designed to help the country address the shortcomings in the area of the rule of law, focussing particularly on judicial reform and the fight against corruption. The CVM was initially envisaged to run for three years but stayed in place until 2023. In 2023, the EC formally closed the mechanism and praised Romania's efforts and progress. Following the successful completion of the CVM, rule of law progress is monitored under the EU's annual Rule of Law Cycle as for all EU Member States. In addition, Romania participates in the European Public Prosecutor's Office (EPPO).

Romania has been a member of the Council of Europe's Group of States against Corruption (GRECO) since 1999. In September 2023, GRECO published its 5th Round Evaluation Report on Romania. The 5th round evaluation report evaluates the effectiveness of the measures in place to prevent and combat corruption in top executive functions.

In the report GRECO recognised that Romania has developed an institutional integrity framework consisting of the National Integrity Agency (ANI), the National Anti-corruption Directorate (DNA), and the General Anti-corruption Directorate (DGA) within the Ministry of Internal Affairs. A National Anti-corruption Strategy (SNA) is also in place. GRECO identified several areas where improvement is needed and included in its report 26 recommendations to address them. The EC has also recommended Romanian authorities to take

<sup>8</sup> European Commission, Rule of Law Report 2023, country chapter on the rule of law situation in Romania.

<sup>9</sup> European Commission, 2024 EU Justice Scoreboard.

<sup>10</sup> European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Romania.

<sup>11</sup> Special Eurobarometer 548 on Citizens' attitudes towards corruption in the EU (2024).

# Annex 1 – Political Assessment in the Context of Article 1 (4/5)

measures, in particular at an operational level, to ensure efficient investigation and prosecution of criminal offences in the judiciary, including as regards corruption offences, taking into account European standards.<sup>13</sup>

## CIVIL AND POLITICAL RIGHTS

### Freedom of speech, information, religion, conscience, movement, association, assembly and private property

Overall civil and political rights continue to be well respected in Romania. According to the latest assessment of Romania's track record in the area of human rights in the framework of the United Nations Universal Periodic Review (UPR), the top two recommendations included rights of the child (26 per cent) and minority rights (20 per cent). Romania supported 80 per cent of a total of 208 recommendations made in the course of the review process.<sup>14</sup>

Romania is a signatory to major international human rights instruments. The Constitution guarantees basic freedoms and rights of citizens recognised in international law. Freedom of speech, information, religion and conscience, movement, association and assembly are therefore fully guaranteed. The Constitution and relevant laws prohibit discrimination on grounds of sex, race, language, religion, national or social origin, property or social status. Property rights are generally respected and protected.

### Political inclusiveness for women, ethnic and other minorities

According to the Romanian Constitution, the State recognises and guarantees the right of persons belonging to national minorities to the preservation, development and expression of their ethnic, cultural, linguistic and religious identity. Minorities also enjoy the right to learn and to be educated in their mother tongue; the ways to exercise these rights shall be

regulated by law. Article 62 of the Romanian Constitution stipulates also that organisations of citizens belonging to national minorities, which fail to obtain the number of votes for representation in parliament, have the right to one seat each in the Chamber of Deputies, under the terms of the electoral law.

According to the last census, conducted in 2021, among minorities the largest groups are ethnic Hungarian (6 per cent of the population), and Roma (3.4 per cent according to the census, although it is widely assumed that the actual share of Roma is significantly higher). Among other recent recommendations in the context of the Framework Convention for the Protection of National Minorities, the Council of Europe has urged the Romanian authorities to undertake additional efforts to address educational inequalities between Roma and non-Roma children relating to pre-school education, early dropouts and attainment levels, and the effects of the Covid-19 pandemic, taking a gender-sensitive approach.<sup>15</sup>

The key legislative elements for gender equality are in place in Romania. Women are active at the grassroots level and have a few high-profile representatives at the national level, although their representation in the Romanian parliament remains below the EU-27 average. On average women in the country earn less than men with equal level of professional qualifications. According to Eurostat, as of 2022, in Romania the gender pay gap stood at 4.5 per cent; one of the smallest in the EU region and quite lower than the EU average at 12.7 per cent.<sup>16</sup>

### Freedom from harassment, intimidation, and torture

Constitutional guarantees against harassment, intimidation, and torture are in place and are largely upheld in practice.

<sup>13</sup> European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Romania.<sup>16</sup> OSCE, Office for Democratic Institutions and Human Rights, Republic of Bulgaria, Early Parliamentary Elections 9 June 2024, ODIHR Election Expert Team, Final Report, published on 5 September 2024.

<sup>14</sup> UPR Statistics, available at <https://upr-info-database.uwazi.io/en/>

<sup>15</sup> Council of Europe, Fifth opinion on Romania, Advisory Committee on the Framework Convention for the Protection of National Minorities, adopted on 3 April 2023

<sup>16</sup> Eurostat database, Gender pay gap in unadjusted form, Online data code: sdg\_05\_20



# Annex 1 – Political Assessment in the Context of Article 1 (5/5)

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A delegation of the Council of Europe's European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) carried out a periodic visit to Romania in September 2022. The focus of the visit was the treatment of patients held in psychiatric establishments and of residents accommodated in residential care centres. The findings from the 2022 visit underscore the urgent need to provide all individuals in psychiatric establishments with decent living conditions and appropriate mental health treatment. This primarily involves increasing staffing levels in the hospitals visited. More broadly, the CPT recommends a shift away from institutional care and towards developing community-based mental health services with adequate social support structures. In February 2023, the Romanian authorities informed the CPT on the actions taken in response to the Committee's observations and on other matters raised by the delegation at the end-of-visit talks.<sup>17</sup> The CPT carried out an ad hoc visit to Romania also in September/October 2024. The focus of the visit was the treatment and conditions of detention of forensic psychiatric patients in the Romanian Psychiatric and Safety Measures Hospitals.

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<sup>17</sup> Council of Europe, European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT), Report to the Romanian Government on the visit to Romania carried out by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) from 19 to 30 September 2022, published on 5 October 2023.