

# Coronavirus response in 2021: building back better

## Update on Romania (16/06/21)



### Covid-19: policy response

- **The authorities' Covid-19 policy response in 2020 amounted to around 4.9% of GDP**, focused on liquidity support to businesses through tax deferrals and credit guarantees schemes, as well as wage subsidies and incentives to preserve employment.
- **Covid-related fiscal measures in 2021** are projected at 3.8% of GDP – mostly driven by an increase in EU-funded state credit guarantee schemes (2.5% of GDP), as well as the continuation of some employment support. A scheme will be dedicated to the services sector in particular.
- **Substantial EU funds are available for recovery.** Romania will receive more than €80 billion of EU funds in the next seven years, with €29 billion from the €750 billion EU Recovery Plan. The National Recovery and Resilience Plan (NRRP) aims to draw also the available €16 billion in loans.

### Macroeconomic indicators (%)

	2018	2019	2020	
GDP growth	4.5	4.1	-3.9	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 6.0%; 2022: 5.0%</b> Quarterly GDP growth: +2.8% q/q (sa), -0.2% y/y (Q1 2021) Economic sentiment: 104.1 (May 2021) Industrial production (ex. construction): 10.8% y/y (March 2021) Retail sales: 8.4% y/y, ca (March 2021) Annual inflation: 2.7% (April 2021) Unemployment rate: 5.7% (April 2021)
Annual inflation (end-year)	3.0	4.0	1.8	
Government balance/GDP	-2.9	-4.4	-9.2	
Current account balance/GDP	-4.6	-4.9	-5.2	
Net FDI/GDP	-2.4	-2.2	-0.9	
Public debt/GDP (end-year)	34.7	35.3	47.3	
Unemployment rate (end-year)	3.9	3.9	5.2	

### Key short-term priorities

- Ensure a balance between still-needed fiscal support and starting to correct fiscal imbalances, including through improved revenue collection.
- Implement state-owned enterprise (SOE) corporate governance regulations and begin restructuring problematic SOEs.
- Accelerate the implementation of EU recommendations to strengthen the rule of law and public governance.

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

#### Competitive

- Two state aid schemes that cover firm investment costs are being simplified, which will focus in future on high-technology and green projects. However, the job creation requirement for people in disadvantaged groups has been eliminated.

#### Well-governed

- The government announced plans to start restructuring loss-making SOEs, and the corporate governance framework will be revised to improve monitoring.

#### Green

- The NRRP is modernising rail infrastructure, energy efficiency schemes and the circular economy, while improving regulations to stimulate investments in renewables.

#### Inclusive

- Updated labour regulations are in place for micro-enterprises to simplify and digitalise employment, and pension reform is under way towards a fairer and sustainable system.

#### Resilient

- A framework memorandum that sets grounds for modification of the unitary wage bill in the public sector was introduced in April 2021. Public wages have been frozen in 2021.

#### Integrated

- Major investments in infrastructure are under way, particularly contract signings for key motorway segments and resuming stalled projects, while rail will be covered by NRRP.

#### Digital

- The Covid-19 crisis triggered an acceleration of digitalisation of governance, with the process expected to continue as part of commitments made in the NRRP.

To learn more about the EBRD's support to Romania visit: <https://www.ebrd.com/country/romania.html>.

<sup>1</sup>For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.