

Coronavirus response in 2021: building back better

Update on Romania (06 December 2021)



Covid-19: Policy response

- **Covid-related fiscal measures** totalled 0.95 per cent of GDP in the first 10 months of 2021, down from total support worth around 4.9 per cent of GDP in 2020. The expenditure covered mainly active employment support schemes and additional health-system needs.
- **Substantial European Union (EU) funds are available to aid the recovery.** Romania will receive more than €80 billion of EU funds in the next programming period, with €29 billion coming from NextGenerationEU.
- **The National Recovery and Resilience Plan (NRRP) was approved in September 2021.** Some €1.85 billion in grants and €1.94 billion of the credit component were due to be released as pre-financing in early December. The authorities have to complete 20 actions by end 2021, while about 65 measures must be adopted by the first EU audit to ensure further financing is not frozen.

Macroeconomic indicators (per cent)

	2018	2019	2020
GDP growth	4.5	4.1	-3.9
Annual inflation (average)	4.6	3.8	2.6
Government balance/GDP	-2.9	-4.4	-9.4
Current account balance/GDP	-4.6	-4.9	-5.2
Net FDI/GDP	-2.4	-2.2	-0.9
Public debt/GDP	34.7	35.3	47.3
Unemployment rate (year end)	3.9	3.9	5.2

Short-term indicators

EBRD GDP growth forecast (Nov. 2021)

2021: 7.2%; 2022: 4.4%

Quarterly GDP growth: +0.4% q/q, +7.4% y/y (Q3 2021)

Economic sentiment: 99.5 (Nov. 2021)

Industrial production (ex. construction): -3.7% y/y, ca (Sep. 2021)

Retail sales: 17.7% y/y, ca (Sep. 2021)

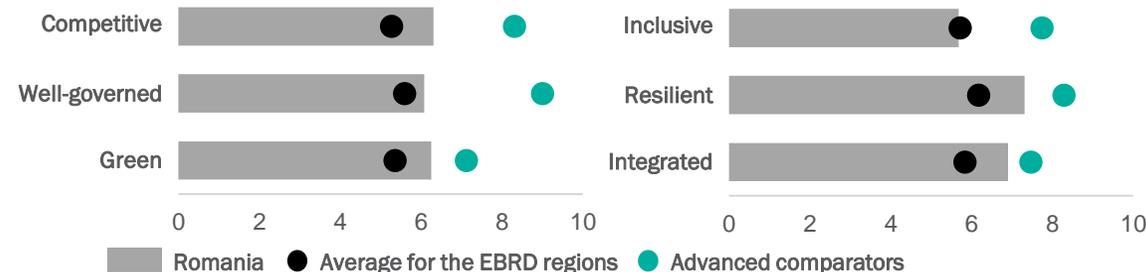
Harmonised index of consumer prices: 6.5% y/y (October 2021)

Unemployment rate: 5.3% (Oct. 2021)

Key short-term priorities

- Judicial reform remains a key priority, mainly by accelerating the implementation of EU recommendations to strengthen the rule of law.
- The authorities should improve administrative capacity to absorb EU funds.
- Fiscal consolidation should advance next year, in line with commitments under the EU's Excessive Deficit Procedure.

EBRD Assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Competitive

- A state aid scheme was introduced to finance investment in Covid-19-affected firms.
- An implementation unit for the reform of research and development is being set up.

Well-governed

- Under the NRRP, the authorities will adopt a new anti-corruption strategy by end 2021.

Green

- Financial instruments for green investments in the private sector and building energy efficiency will be set up. NRRP-financed renewable auctions will be held in Q1 2022.
- The waste management regulatory framework is being amended.

Inclusive

- Updated labour regulations are being adopted for micro-enterprises to simplify and digitalise employment, as are Labour Code measures to combat informal markets.

Resilient

- A framework memorandum that lays the ground for a unitary wage bill in the public sector was introduced in April 2021.

Integrated

- A development strategy is being adopted for the railway sector through 2025.

Digital

- By Q2 2022, laws on interoperability and governance of cloud services for the public administration and an implementation contract for the cloud will be in place.
- A legal framework for digital business-to-government invoicing has been adopted.