

National Recovery and Resilience Plan: Romania

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Abstract

Romania's extremely ambitious Recovery and Resilience Plan (RRP) was approved in November 2022. The plan is well written and articulated; it seems to correctly identify the critical points of the Romanian economy and society and to address them precisely. From a social point of view, the RRP includes reforms regarding the setting of the minimum wage and the modernisation of the Romanian social benefit system with the help of a subsistence minimum, aimed at combating poverty and creating fairer working conditions. In addition, the comprehensive pension reform is intended to help Romania meet its demographic aging challenges and to ensure compliance with the contribution principle as regards pension right beneficiaries. If applied, these measures would lead to substantial social changes.

The main challenge for Romania, however, could be the implementation of the plan. The current political situation, as well as Romania's history as a late absorber of European funds, may give rise to a certain scepticism.

Keywords: Recovery and Resilience Plan, Social reforms, Social dialogue, Country-Specific Recommendations, Romania.

1. Political tensions in the drafting of the RRP.

The past two years have been a period of turmoil and unrest for Romania, generated by one of the highest rates of Covid infections in Europe (especially in the second half of the pandemic). More recently, Russia's invasion of Ukraine has come to the fore. On top of this, there was a change in the governing coalition, leading to a general climate of political instability. In this context, it is not surprising that the elaboration of the RRP was also marked by political tensions. The process of drafting the RRP was an opportunity for some of the political parties to formulate anti-government and populist messages. On the other hand, the government always seemed to be behind, and requests from the European Commission to

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redo one or other of the RRP chapters¹ were sometimes perceived by the public as a failure. Eventually, however, the project was approved.

Nevertheless, the political negotiations for the elaboration of the RRP took place in a governmental constellation that was about to change. The plan had been drawn up by the then Minister of Investment and European Projects² ('Save Romania Union Party' – USR), in a form to be approved by the European Commission in September 2021. Subsequently, the 'Save Romania Union' party left the governing coalition, to be replaced by the Social Democratic Party.

As a result, approval of the RRP did not mean the cessation of political tensions on this issue. Entering the government after the RRP had already been approved, the Social Democratic Party (SDP) continued to insist on its 'renegotiation', at least in one aspect: the pension system. The current Minister of Labour is among the supporters of adjusting the percentage of GDP allocated to pensions,³ so that they may exceed the ceiling of 9.4 per cent of GDP laid down in the RRP. Regarding the SDP's intention to renegotiate the RRP on pensions, the European Commission stated that only if a country can no longer implement the RRP for exceptional reasons, such as natural disasters of historic proportions, can the RRP be renegotiated.⁴ However, this did not end the 'renegotiation' plea.

The plan itself is well written and articulated; it seems to correctly identify the critical points of the Romanian economy and society and to address them precisely. The problem that Romania is going to face, however, is its implementation, especially because the government that drafted it has changed. Constant hesitation at the political level does not seem auspicious from this point of view.

2. Approval of the RRP: a happy ending and a promising start.

2.1. Amount requested.

On 3 November 2021, the Council adopted its Decision on approval of the assessment of the RRP for Romania. The RRP initially had a total budget of 29.2 billion euros (€), of which €14.2 billion was to be in grants and €14.9 billion in loans. It is set to fall to about €27

¹ Hopârteanu C., Antoniewicz P., *EU must reject Poland & Romania's spending plan for COVID cash*, in Euronews, 21 May 2021, <https://www.euronews.com/my-europe/2021/05/21/eu-must-reject-poland-romania-spending-plan-for-covid-cash-view>.

² The presidential administration, the government and the coordinating deputy prime minister, the general secretariat of the government and the department for sustainable development within the government were also involved in the elaboration of the RRP.

³ Harfas O., *Labour Minister: We will discuss with the European Commission to rectify issues in the NRRP. Among them is the 9.4% of GDP threshold for pensions*, in *Economedia*, 9 December 2021, <https://economedia.ro/labour-minister-we-will-discuss-with-the-european-commission-to-rectify-issues-in-the-nrrp-among-them-is-the-9-4-of-gdp-threshold-for-pensions.html#.Yn-4UIRByUk>.

⁴ See Coman I., *UE tranșează disputa legată de pensii: "Doar un dezastru natural poate duce la renegocierea PNRR". Cum răspunde ministrul Muncii*, in *Digi24*, 12 February 2022, <https://www.digi24.ro/stiri/actualitate/ue-transeaza-disputa-legata-de-pensii-doar-un-dezastru-natural-poate-duce-la-renegocierea-pnrr-cum-raspunde-ministrul-muncii-1835029>.

billion, after recalculation (because Romania's GDP was higher in 2021 than previously forecast). For the implementation of the Plan, Romania received two pre-financing tranches of €3.79 billion: a tranche of €1.85 billion related to the grant component, and €1.94 billion from the loan component.⁵ Romania is one of the few countries that have requested the full amount of loans available to them.

The RRP is based on six pillars, covering Romania's needs and simultaneously pursuing the European Union's priorities: green transition, digital transformation, smart growth, social and territorial cohesion, health and resilience, and policies for the next generation. The plan includes measures on sustainable transport, education, health, building renovation and digitalisation of public administration. The money, which must be spent by 2026, aims at investments, but also reforms in the pension system, health care, education, green energy and digitalisation. Reforms are also envisaged for the justice system.

In the first quarter of 2022, Romania was supposed to meet 24 targets and milestones. The prime minister has claimed they were achieved,⁶ but this does not seem to be entirely the case.⁷

2.2. Transition to green energy.

The reforms the European Commission expects are related to general concerns about the situation in Romania: €2 billion from the RRP would go to investments in health care, more precisely improvements in infrastructure in order to enhance patient safety and reduce the risk of nosocomial infections. €3.5 billion is allocated for education, including drop-out prevention programmes or skills development. At the social level, the RRP aims to reform the pension system in order to increase sustainability, but also to clarify the mechanism by which the minimum income is established in a predictable way.

But most allocations go to the transition to green energy and digitalisation, priority areas for all Member States under the Recovery and Resilience Mechanism. Measures supporting the climate objectives account for about 41 per cent of allocations. They are aimed at eliminating coal from energy production by 2032, reducing carbon emissions, subsidising zero-emission vehicles and increasing the energy efficiency of buildings. Indeed, while many western European economies have a well-developed green energy infrastructure, Romania still has a long way to go in this direction.

⁵ See Agence Europe, *Europe Daily Bulletin No. 12868. Romanian recovery plan receives second pre-financing*, in *Agence Europe*, 14 January 2022, <https://agenceurope.eu/en/bulletin/article/12868/21>.

⁶ See <https://www.agerpres.ro/politica/2022/03/31/ciuc-a-cele-24-de-tinte-din-pnrr-asumate-pentru-primul-trimestru-indeplinite-din-perspectiva-guvernului--895009>.

⁷ See Romanian Government, *The Convergence Programme 2022–2025*, adopted on 4 May 2022, 24, available at https://sgg.gov.ro/1/wp-content/uploads/2022/05/PC-Editia-2022_Final.pdf. “Romania has met 22 of the 24 milestones provided in the RRP, and the other two are being met by the Ministry of Research, Innovation and Digitalization”.

Given the need to rapidly reduce dependence on Russian gas,⁸ measures on the use of electricity generation capacity from renewable sources (wind and solar energy) appear to be of particular relevance. Through the Integrated National Plan in the field of Energy and Climate Change for the period 2021–2030,⁹ Romania aims to increase the share of energy from renewable sources in total energy consumption by 2030; in total, Romania intends to install additional capacities of 6.9 GW from renewable sources in 2021–2030.¹⁰ Of the plan's 15 components, 14¹¹ include expenditure that contributes to climate objectives.¹² There is still a debate on nuclear energy.¹³

Finally, we should mention that the Country-Specific Recommendations (CSR) for 2022 expressly include this issue, recommending that Romania 'reduce overall reliance on fossil fuels and facilitate the further expansion of sustainable energy production by accelerating the development of renewables, upgrading energy transmission grids and increasing interconnection with neighbouring Member States'.¹⁴

2.3. Social reforms.

The social reforms approved by the RRP, with an estimated budget of €196.74 million, include:

- (i) Implementation of the subsistence minimum ('minimum inclusion income'). Consideration is given to updating the legislative and procedural framework for the provision of social assistance benefits based on means testing, but without increasing the risk of dependence on such measures, as well as ensuring the training of staff in the field and partial support for the costs of introducing the reform.
- (ii) Introduction of work vouchers and formalisation of domestic workers. At present, the lack of effective reform does not sufficiently stimulate informal workers in this field to really

⁸ It should be noted, however, that Romania itself produces about 80 per cent of the gas it consumes, with the remainder coming from Russia.

⁹ See https://energy.ec.europa.eu/index_en.

¹⁰ Radu A., *Romania will be able to benefit by 2030 from investments of over EUR 16 billion through PNRR and the Modernization Fund for the development of the energy sector*, in *Caleaeuropeana.ro*, 11 January 2022, <https://www.caleaeuropeana.ro/romania-va-putea-beneficia-pana-in-2030-de-investitii-de-peste-16-miliarde-de-euro-prin-pnrr-si-fondul-de-modernizare-pentru-dezvoltarea-sectorului-energetic/>.

¹¹ Water Management, Forests and Biodiversity Protection, Waste Management, Sustainable Transport, Renovation Wave, Energy, Digital Transformation, Business Support and RDI, Local Fund, Tourism and Culture, Healthcare, Social Reform, Good governance, and Education.

¹² European Commission, *Analysis of the recovery and resilience plan of Romania, accompanying the document Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania*, 27 September 2021, SWD(2021) 276 final, 55.

¹³ Von der Bröckel H., *Nuclear vs renewable, the debate dividing Romania's green transition*, in *Euronews*, 11 June 2021, <https://www.euronews.com/my-europe/2021/06/11/nuclear-vs-renewable-the-debate-dividing-romania-s-green-transition>.

¹⁴ European Commission, *Recommendation for a Council Recommendation on the 2022 National Reform Programme of Romania and delivering a Council opinion on the 2022 Convergence Programme of Romania*, 23 May 2022, COM(2022) 624 final.

integrate into the labour market and to understand the benefits that formalisation would generate, consequently increasing the poverty of certain categories of vulnerable groups.

(iii) Creating a new legal framework to prevent the separation of children from their families. The reform is based on the CSR for 2020, which estimates that poverty and social exclusion, including child and employment poverty, as well as income inequality will increase, affecting most vulnerable groups, including workers on atypical contracts, undeclared workers, the self-employed, Roma, the disabled, the elderly and the homeless.

(iv) Reform of the protection system for adults with disabilities. Difficulties regarding access to community services for people with disabilities were particularly highlighted in the 2020 Country Report, which shows that they have limited access to support services. The rate of people with disabilities at risk of poverty or social exclusion in Romania is among the highest in the EU (37.6 per cent compared with the EU average of 28.7 per cent).

(v) Improving social economy legislation. Persistent problems such as unemployment, poverty, social exclusion, poor social services and environmental degradation, even in the rapidly growing emerging market economies, require the adoption of new, innovative solutions.

(vi) Reform of long-term care services for the elderly. The general objective of the component is to increase access to social services and the social and professional integration of disadvantaged categories, to develop active policies to stimulate the formalisation of work and to increase the impact and quality of social assistance and employment services.

(vii) Stimulating access to the labour market by developing flexible working formulas and activation measures in the area of the social economy.

In addition, there is the reform of the pension system, which, within the RRP, is associated with fiscal reform. The reform of the pension system will require a new legislative framework to ensure fiscal sustainability in the context of an aging population, to correct inequalities, to ensure the sustainability and predictability of the system and to respect the contributory principle in relation to beneficiaries of pension rights. It also aims to modernise the pension system through digital applications and services. The pension reform aims to address the CSRs of 2019 and 2020 and in particular to ensure fiscal sustainability and the financial stability of the second pillar of pensions, as well as to equalise the retirement age.

3. Social and labour dimensions of the RRP.

3.1. Positive evaluation.

Romania achieved an A rating in 10 of the 11 criteria for evaluating the plan it submitted to the Commission. For one criterion, namely *costs*, it received a B rating. There were no C

ratings, according to the European Commission's analysis.¹⁵ But it was a process marked by hesitation, and the project had to be redone over and over again.¹⁶

3.2. European Pillar of Social Rights.

The RRP components cover each of the 20 principles of the European Pillar of Social Rights.¹⁷ In particular, it is hoped that, by means of the included components, the RRP will help to achieve the objectives of the following strategies directly related to the application of principles 2 (gender equality) and 3 (equal opportunities) of the European Pillar of Social Rights:

- (i) National Strategy for the Promotion of Equal Opportunities and Treatment of Women and Men and the Prevention and Combating of Domestic Violence for the period 2021–2027;
- (ii) National Strategy on the Rights of Persons with Disabilities 2021–2027;
- (iii) National Strategy on Social Inclusion and Poverty Reduction for 2021–2027;
- (iv) The Romanian government's strategy for the inclusion of Romanian citizens belonging to the Roma minority for the period 2021–2027.

3.3. Country-specific recommendations.

In 2019 and 2020, Romania was among the Member States with the most CSRs on social issues.¹⁸ Therefore, the RRP had to report on them in great detail. The Country-Specific Recommendations were indeed taken into account in each of the reforms proposed in the RRP.¹⁹

¹⁵ See European Commission, nt. (12), 36. According to the *Analysis of the recovery and resilience plan of Romania*, “the Plan puts forward measures to improve the employment and social protection digital systems. The interventions have the potential to enhance the service provision to the unemployed and the benefit recipients, the communication processes within the institutions, and the level of digital skills of the staff”.

¹⁶ See Hopârteanu C., Antoniewicz P., *EU must reject Poland & Romania’s spending plan for COVID cash*, in *Euronews*, 21 May 2021, <https://www.euronews.com/my-europe/2021/05/21/eu-must-reject-poland-romania-spending-plan-for-covid-cash-view>.

¹⁷ European Commission, *Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania*, 27 September 2021, COM(2021) 608 final, 5: “The RRP is expected to have a high impact on strengthening the growth potential, job creation, and economic, social and institutional resilience of Romania, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.”

¹⁸ Rainone S., *An overview of the 2020–2021 Country-Specific Recommendations (CSRs) in the social field*, ETUI, Brussels, 2020, 4.

¹⁹ See European Commission, *Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania*, 27 September 2021, COM(2021) 608 final, https://ec.europa.eu/info/sites/default/files/com2021_608_annex_en_0.pdf, 452. The investments and reforms shall contribute to address Romania’s country-specific recommendations of the past two years to

(a) Reform of the pension system

One CSR has been the subject of particular political debate, namely CSR 2.2 (2019), which calls on Romania to ensure the sustainability of the public pension system to reduce the overall risk to the sustainability of public finances in the medium and long terms. A process to amend the legislation has already been initiated, with a view to keeping women in employment, if they wish it, until the age at which they would have retired if they were men and, in time (that is, until 2035) the equalisation of retirement ages at 65. More importantly, the RRP imposes a maximum pension ceiling of 9.4 per cent of GDP. Keeping pensions below this ceiling requires a rethinking of ‘special pensions’, however, which are not currently applied on the basis of contributions. The government aims to adopt a new legislative framework to ensure fiscal sustainability in the context of an aging population, to reduce inequalities, to ensure the sustainability and predictability of the pension system, and to respect the contribution principle regarding beneficiaries’ pension rights. But there is strong political resistance to the prospect of diminishing special pensions, which remains a sensitive and controversial issue.²⁰ For example, the law abolishing MPs’ special pensions was declared unconstitutional by the Constitutional Court in May 2022.²¹

(b) Social dialogue

The shortcomings of collective bargaining and social dialogue as a whole have consistently been the subject of the CSRs received by Romania in the context of the European Semester. The recommendation to strengthen social dialogue is repeated year after year, almost identically,²² but without any sign of revival.

Furthermore, the Covid-19 crisis has only highlighted, once again, the shortcomings of this dialogue. Collective bargaining was rare during the pandemic, especially in the context

“increase the coverage and quality of social services and complete the minimum inclusion income reform (CSR 3, 2019)”, “ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness (CSR 3, 2019)”, and “extend social protection measures and access to essential services for all (CSR 2, 2020)”. See European Commission, nt. (14), 2: “The plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 Semester cycles.” also reflects the CE Proposal for the CSR, 2022.

²⁰ At the moment, approximately 180,000 people receive special pensions in Romania, and they accumulate a total of almost €2 billion annually. Parliamentarians, magistrates, police, the military, the secret services, prison staff, flight personnel, diplomats, employees of the Court of Accounts and officials of the Parliament receive special pensions.

²¹ Chirileasa A., *Romania's Constitutional Court invalidates law that abrogates lawmakers' "special" pensions*, in *Romania-Insider.com*, 6 May 2020, <https://www.romania-insider.com/ccr-invalidates-special-pensions-law>.

²² See European Commission, *Recommendation for a Council Recommendation on the 2020 National Reform Programme of Romania and delivering a Council opinion on the 2020 Convergence Programme of Romania*, 20 May 2020, COM(2020) 523 final: “The functioning of social dialogue remains limited, in particular at sectoral level” (Recital 25); “Social dialogue is characterised by low collective agreement coverage, in particular at sectoral level” (Recital 16). See European Commission, *Recommendation for a Council Recommendation on the 2018 National Reform Programme of Romania and delivering a Council opinion on the 2018 Convergence Programme of Romania*, 23 May 2018, COM(2018) 422 final: “Social dialogue is characterised by a low level of collective bargaining, especially at sectoral level” (Recital 13); See European Commission, *Recommendation for a Council Recommendation on the 2017 National Reform Programme of Romania and delivering a Council opinion on the 2017 Convergence Programme of Romania*, 22 May 2017, COM(2017) 522 final: “Social dialogue remains characterised by low collective bargaining at sector level and by institutional weaknesses that limit the effectiveness of reforms” (Recital 17), etc.

of legislation that left these negotiations on standby, automatically extending all collective bargaining agreements that were in place at the onset of the crisis.²³

The RRP includes ‘the adoption of a new social dialogue law that should address the previously flagged deficiencies and hence contribute to addressing this CSR. The ambition to put forward legislative changes in the social dialogue law, in line with the International Labour Organization recommendations, is an important step to improve collective bargaining and the overall functioning of social dialogue in the country’.²⁴

(c) Mechanism for establishing the minimum wage

Establishing a transparent mechanism for minimum wage-setting based on objective criteria, compatible with job creation and competitiveness, in consultation with the social partners is a recurring CSR for Romania. And, indeed, the criteria for setting the minimum wage are not provided for by law, and for a long time they were lacking in transparency. The schedule for updating the minimum wage is not really set in advance.²⁵

According to Article 6 (3) of Law No 24/2000 on the legislative rules for the elaboration of normative acts,²⁶ draft legislation should be submitted for adoption accompanied by an explanatory statement, an approval report, as well as an impact study, as the case may be. And indeed, currently, the establishment of the minimum wage is based on impact studies, which generally include a number of scenarios concerning what would happen if the minimum wage was raised.²⁷ Impact studies take into account the consumer price index, the inflation rate, economic growth, GDP per capita and the employment rate. To date, there has been no academic body has been established for the purpose of conducting these impact studies. They are conducted at the request of the Romanian government by research institutes, such as the National Institute for Scientific Research in the Field of Labour and Social Protection. The legislation also provides for the development of impact studies and the systematic assessment of the ex-ante impact of draft regulations on small and medium-sized enterprises (Art 1 of the Methodology approved by Order No 698/2014 for the approval of the methodology for elaboration and application of the SME test²⁸). But there is still no constant, transparent and predictable mechanism for setting the minimum wage.²⁹

The general objective of the reform is to develop an objective mechanism on the basis of which, starting in 2024, the guaranteed minimum gross national wage shall be established, in

²³ According to Art. 20 of Law No 55/2020, *regarding some measures to be taken for the prevention and alleviation of the effects of the pandemic*, published in the Official Gazette of Romania No. 396 of 15 May 2020: “the availability of collective labour agreements and bargaining agreements is extended throughout the state of alert and for 90 days after the state of alert ceases”.

²⁴ European Commission, nt. (12), 40.

²⁵ For example, the increase in the minimum wage for 2021 became applicable in mid-January, unexpectedly, with effects on companies’ accounting and tax procedures; they had to redo payrolls corresponding to January.

²⁶ Republished in the Official Gazette of Romania No. 260 of 21 April 2010.

²⁷ For example, studies carried out at the request of the Romanian government by the National Institute for Scientific Research in the Field of Labour and Social Protection. See studiu_salariu_minim_proiect.pdf (mmuncii.ro).

²⁸ Published in the Official Gazette of Romania No. 438 of 16 June 2014.

²⁹ Besides, there is no mechanism at all for setting the minimum wage for special categories (such as employees with tertiary qualifications or employees in the construction sector).

line with the guidelines of the current draft Directive on adequate minimum wages in the European Union (2020/0310/COD). The aim is to address the 2019 CSR regarding the establishment of the minimum wage based on objective criteria, compatible with job creation and competitiveness.

(d) Subsistence minimum (minimum inclusion income)

A special issue is the ‘minimum inclusion income’, a reform constantly recommended to Romania (2019 CSR 3, 2020 CSR 2). The RRP contains measures in this area, including an extension of social services and social assistance for people in difficulty. This pillar also includes the operationalisation of a system of work vouchers for the formalisation of domestic work. In this regard, Law 111/2022 on the regulation of the activities of domestic providers³⁰ has already been adopted, which lays down the ways in which people can perform domestic activities in exchange for remuneration in the form of domestic activity vouchers. The law will enter into force on 1 January 2024.

4. Lessons from the previous crisis? Some difficulties.

4.1. The main problem: excessive government deficit.

Romania's real GDP contracted by 3.9 per cent in 2020. The economic situation improved in 2021, when GDP increased by 5.9 per cent compared with 2020³¹ (higher than the economic forecasts of spring 2021). According to the European Economic Forecast (Spring 2022), however, ‘in early 2022 Romania’s economy was already showing signs of momentum loss, as high inflation at the end of 2021 reduced purchasing power and private consumption. This trend has been aggravated by Russia’s invasion of Ukraine, which further lifted inflation and hampered economic sentiment, while adding to supply bottlenecks.’³²

The problem of the economic deficit, however, which Romania has been facing since even before the pandemic, is even more pronounced. The excessive deficit,³³ which had reached 9.61 per cent of GDP in 2020, led to the issuance of a Recommendation for its correction in accordance with Article 126 (7) of the Treaty on the Functioning of the European Union (TFEU). Subsequently, the exceptional uncertainty, including the development of a credible trajectory for budgetary policy, led to the postponement of the deficit reduction recommendations. As a result, at the proposal of the European Commission, a Council Recommendation was adopted on June 2021 with a view to ending

³⁰ Published in the Official Gazette of Romania No. 402 of 27 April 2022.

³¹ See Comisia Națională de Strategie și Prognoză, *Proiecția Principalilor Indicatori Macroeconomici 2022 – 2025*, 28 April 2022, <https://cnp.ro/wp-content/uploads/2022/04/Prognoza-2022-2025-varianta-de-primavara-2022.pdf>.

³² See https://ec.europa.eu/economy_finance/forecasts/2022/spring/ecfin_forecast_spring_2022_ro_en.pdf.

³³ Council Decision (EU) 2020/509 of 3 April 2020 *on the existence of an excessive deficit in Romania*, OJ L 110 of 8 April 2020, 58. The Council Recommendation of 3 April 2020 asked Romania to correct the excessive deficit situation by 2022, a deadline subsequently postponed to 2024.

the excessive government deficit in Romania.³⁴ The economic deficit was 7.1 per cent of GDP in 2021. The decline in the budget deficit was due mainly to the gradual expiry of the emergency measures taken in response to the Covid-19 pandemic and the additional positive impact of investment. On 14 October 2021, Romania reported on the action taken in response to the June 2021 Article 126(7) Recommendation. In assessing Romania's action in response to the June 2021 Recommendations,³⁵ the Commission concluded that 'the targets for 2022–2024 are currently not projected to be met on a no-policy-change basis, indicating the need for a medium-term consolidation strategy and corresponding corrective measures'. Workforce expenditure and social assistance appear to be some of the main slippages driving the deviation in net expenditure growth in 2021.

According to the Commission's Recommendations, Romania should end the excessive deficit situation by 2024 at the latest. This goal could be achieved, among other things, by freezing public sector wages and increasing pensions only moderately. But, as a result of the new challenges facing the Romanian economy, for 2022 a deficit of over 7 per cent is anticipated, according to the European Economic Forecast. Romania is thus at risk of non-compliance with the fiscal targets for 2023 established in the Council Recommendation of June 2021. And indeed, the first CSR for Romania in 2022 appears to be to 'pursue fiscal policies in line with the Council Recommendation of June 2021 with a view to bringing an end to the situation of an excessive government deficit in Romania'.³⁶

4.2. Political and social impact.

It is not easy to learn from the mistakes of past crises. Especially when the main goal is to solve current challenges quickly. As has been observed, 'difficult trade-offs lie ahead: a speedier recovery could run counter to green ambitions; national rescues could hurt neighbouring markets'.³⁷

Besides, the period 2019–2020 was marked by fragility and political instability, trends that have intensified since September 2021, leading to the dismissal of the government by the Parliament and difficulties in forming a new government. The successive crises that Romania has gone through and are still ongoing have not remained without echo in the overall population. The state of alert caused by the health crisis had not yet ceased when the anxiety generated by the war in Ukraine and its economic effects swept over the country. In this context, NGEU is seen as a solution to economic recovery. It includes immediate measures,

³⁴ Council of the European Union, *Council Recommendation delivering a Council opinion on the 2021 Convergence Programme of Romania*, 18 June 2021, 2021/C 304/23, 111-115.

³⁵ European Commission, *Communication from the Commission - Assessment of action taken by Romania in response to the Council Recommendation of 18 June 2021 with a view to bringing an end to the situation of an excessive government deficit in Romania*, 24 November 2021, COM(2021) 915 final.

³⁶ European Commission, nt. (14), CSR (1).

³⁷ Anderson J., Tagliapietra S., Wolff G.B., *Rebooting Europe: a framework for a post COVID-19 economic recovery*, Policy Brief 2020/01, Bruegel.

focused on providing liquidity to combat the negative impact on the economy and society, adopted after the health crisis, measures to boost solvency, to support and restart businesses and resume economic and social life, and economic recovery measures.

Politically, the adoption of a government plan of such magnitude inevitably gives rise to political controversy, with populist overtones. The leader of the Social Democratic Party (SDP) has stated, for example, that ‘the National Recovery and Resilience Plan is not aimed at Romania's development, but is an austerity plan’.³⁸ In fact, during the RRP’s elaboration period, the SDP submitted a no-confidence motion against the government, which failed. After the plan was adopted, the SDP came to power as part of the coalition that will now, ironically, have to implement it.

However, there has been no widespread debate on possible austerity measures. On the contrary, the implementation of the RRP is publicly perceived as generating revenue and hope for the budget. Public fears at the moment are generally related to the economic effects of the war in Ukraine. Most of the political reactions have expressed reticence concerning the government’s capacity to develop and subsequently implement the RRP, and less to the European initiative itself, which is widely regarded as salutary.

4.3. Social dialogue and public debates.

One of the first reflexes of the Romanian legislator, in times of crisis, is to take into its own hands the regulation of labour relations and to limit the participation of the social partners in negotiated regulations. And indeed, one of the effects of the previous economic crisis was the adoption of the Law on social dialogue no 62/2011,³⁹ a piece of legislation perceived as representing a backward step in the regulation of collective bargaining and social dialogue, especially because of the excessive conditions imposed on the social partners for the acquisition of representativeness. Social dialogue is likely to be profoundly affected by this law, the degree of coverage of employees by collective agreements could decrease, and the involvement of the social partners in public policymaking may never recover.

Can we hope that this time the social partners will be given the chance to be more actively involved in finding solutions to the crisis? The RRP states that its elaboration was based on a consultation process, unprecedented in the domain of European funds.⁴⁰ This may be true, but only because no consultations have been held on this issue so far. In reality, the RRP was hastily adopted, the government always being late in relation to the dates on which the Plan was to be communicated. The social dialogue carried out on the occasion of the elaboration of the Plan was even more superficial, with a rather formal involvement of the social partners.

³⁸ See Valică C., Andrei C., *Moțiune de cenzură PSD pe tema planului menit să aducă României 30 de miliarde de euro*, in *Europa Liberă România*, 26 May 2021, <https://romania.europalibera.org/a/mo%C8%9Biune-de-cenzur%C4%83-psd-pnrr-planului-menit-s%C4%83-aduc%C4%83-rom%C3%A2niei-30-de-miliarde-de-euro/31274725.html>.

³⁹ Published in the Official Gazette of Romania No. 322 of 10 May 2011.

⁴⁰ See Romanian Government, *Planul Național de Redresare și Reziliență*, 72, <https://mfe.gov.ro/wp-content/uploads/2021/10/06f9751c64fe6b4251e1d7d36b1b6849.pdf>.

They did manage to put forward some of their points of view, however. The different accents in the RRP debate were related mainly to the funds allocated to each measure: employers insisted on flexibility and digitalisation of labour relations in order to respond to technological developments, the extension of teleworking and new forms of work.⁴¹ The unions stepped up reform and investment measures attached to the public pension system.⁴² So there were not as many differences of vision in relation to the measures themselves as to their budgetary prioritisation.

Among the social partners, the unions in particular were dissatisfied with the time allotted for the debates, as well as the extent to which their proposals were eventually incorporated in the RRP. ‘Social partners tended to assess their institutionalised involvement mainly as an informative process and to a lesser extent as a consultative process.’⁴³

5. Final thoughts.

The Romanian RRP includes reforms regarding the establishment of the minimum wage and the modernisation of the Romanian social benefit system with the help of the ‘minimum inclusion income’, aimed at combating poverty and creating fairer working conditions. In addition, the comprehensive pension reform is intended to help Romania meet the challenges of demographic aging and to ensure compliance with the contribution principle as regards beneficiaries of pension rights. If applied, these measures would lead to substantial social changes. However, there are doubts not only about the ability of the current government to carry them out, but also about its determination to do so.

Indeed, according to some estimates, the main challenges and risks associated with the RRP include: compliance with the timetable of implementation, the capacity to absorb funds,⁴⁴ the functionality and efficiency of the management and control system, and the emergence of possible clashes between the RRP and cohesion policy 2021–2027.⁴⁵

⁴¹ Concordia Employers’ Confederation, *Cât de rezilient e Planul*, 8 June 2021, <https://concordia.ro/noutati/documente-de-pozitie/cat-de-reziliient-e-planul-romaniei>.

⁴² National Trade Union Bloc, *Propuneri de reforme și investiții susținute de BNS pentru a fi incluse în Planul Național de Relansare și Reziliență*, 20 May 2021, <https://www.bns.ro/info-bns/608-propuneri-de-masuri-de-reforme-si-investitii-finantate-prin-pnrr-sustinute-de-blocul-national-sindical>.

⁴³ Eurofound, *Involvement of social partners in the national recovery and resilience plans*, Publication Office of the European Union, Luxembourg, 2022, 12: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef21002en.pdf.

“Social partners regretted that they were not addressed as “real partners” and considered that the involvement of civil society agents hindered actual consultation and a meaningful exchange of views between social partners and government.”

⁴⁴ Miron D. (coord.), Strat V., Marinas C.V., Marinas L.E., *Redresarea economică post-pandemie. Oportunitățile pentru România pe termen mediu și lung [Post-pandemic economic recovery. Opportunities for Romania in the medium and long term]*, European Institute of Romania, Bucharest, 2022, 164: “The absorption of funds from cohesion policy in the periods 2007–2013 and 2014–2020 can be a good predictor of future absorption performance of NRRP resources (...) Romania corresponds to the profile of the profile of “very late absorber”: almost 2/3 of the absorption rate of 90.49% was achieved in the last year of the programming period and in the next 3 years.”

⁴⁵ Miron D. (coord.), Strat V., Marinas C.V., Marinas L.E., nt. (44), 161–170.

The RRP presented by Romania is a very ambitious plan in terms of reforms and investment projects. They are diverse in terms of typology, budgets, areas and the economic sectors concerned.⁴⁶ But, as we have shown, the main challenge will be effective implementation of the proposed reforms. ‘The large allocations received despite low chances of completion by 2026 risks wasting the opportunity to prepare the Romanian economy for the challenges of the next decades’.⁴⁷ The risk of hindrances to implementation has been repeatedly invoked by the current Minister of European Investments and Projects, and the blame for the prospect of desynchronisation in carrying out the RRP has been transferred surreptitiously to the former minister, who drafted it.

Indeed, Romania’s history of absorbing European structural and investment funds⁴⁸ (to a level of only 55 per cent) urges some caution. It ranks among the last Member States in terms of absorption of European structural and investment funds in the past two programming periods (2007–2013 and 2014–2020).

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⁴⁶ Miron D. (coord.), Strat V., Marinas C.V., Marinas L.E., nt. (44), 83.

⁴⁷ Energy Policy Group, *Romania’s Post COVID-19 Recovery. Enabling a Green Transformation of the Economy*, October 2021, 20.

⁴⁸ Absorption rate calculated as total payments (pre-financing and interim payments) made by the Commission in relation to total allocations, available at <https://cohesiondata.ec.europa.eu/countries>.