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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Romania

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by various Council committees and finalised by the Economic and Financial Committee, based on the Commission Proposal COM(2026) 223 final.

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Romania

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[2], and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee, Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

(2) On 25 November 2025, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it identified Romania as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[3] on 21 April 2026 and the Joint Employment Report, and the Recommendation on human capital on 9 March 2026.

(3) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. Since its publication, the Competitiveness Compass has informed the work of the European Semester, ensuring that Member States' economic policies are consistent with the EU's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

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[3] OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

(4) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of Recovery and Resilience Facility (RRF) implementation[4]. Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain and build on the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(5) On 3 June 2026, the Commission published the 2026 country report for Romania. It assessed Romania's progress in addressing the 2025 country-specific recommendations and took stock of Romania's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Romania is facing. It also assessed Romania's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

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[4] Regulation (EU) 2021/241 of the European Parliament and of the Council of 2 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(6) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Romania. The main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Romania for the purposes of that Regulation were published on 20 May 2026[5]. On 3 June 2026, the Commission concluded that Romania is continuing to experience excessive macroeconomic imbalances. In particular, vulnerabilities related to fiscal and current account deficits have diminished recently but remain significant, while cost competitiveness remains a challenge. The government deficit fell in 2025 as result of marked consolidation efforts; a further fall of the deficit is expected for 2026 and 2027, but the deficit would still remain large. The bank-sovereign nexus continues to be significant as banks' holdings of domestic government bonds as a share of total assets are the largest in the EU and increased in 2025. The current account deficit improved only marginally in 2025 and is forecasted to continue declining, although it remains large. Unit labour costs slowed down markedly in 2025 after very strong growth in earlier years, but are expected to still grow faster than in most of the EU. Core inflation was the highest in the EU in recent years – with increases in VAT rates in 2025 only explaining part of it and is expected to remain high. Policy progress was significant in 2025, especially on reducing the budget deficit thanks to a two-year freeze of government wages and pensions, and increases in VAT rates and other taxes. Looking ahead, without further vigorous fiscal consolidation, complemented by prudent income policies and effective structural reforms, Romania remains exposed to rising interest rates and changes in investor confidence.

[5] Commission Staff Working Document 'In-depth review for Romania Prepared under Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances', SWD(2026) 141 final.

(7) On 8 July 2025, the Council adopted a revised Recommendation under Article 126 TFEU with a view to bringing an end to the situation of an excessive deficit in Romania[6]. The Council recommended the following maximum growth rates of net expenditure: 2.8% in 2025, 2.6% in 2026, 4.6% in 2027, 4.4% in 2028, 4.2% in 2029 and 4.0% in 2030, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2024 of 2.8% in 2025, 5.5% in 2026, 10.4% in 2027, 15.2% in 2028, 20.1% in 2029 and 24.9% in 2030. The corrective net expenditure path set out in that Recommendation supersedes the maximum growth rates of net expenditure established by the Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Romania[7] [8]. Based on the Commission's assessment on effective action of 3 June 2026[9], the excessive deficit procedure for Romania is held in abeyance.

(8) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025[10].

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6 Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Romania, adopted on 8 July 2025. All documents related to the excessive deficit procedure of Member State can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/MemberState_en.

7 Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Romania (OJ C/2025/251, 10 February 2025, Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Romania).

8 Point 2 and Annex II ("Set of reforms and investments that underpins an extension of the adjustment period to seven years") of the Recommendation of 21 January 2025 continue to apply.

9 Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

10 Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19 March 2025, C(2025) 2000 final.

(9) On 4 May 2026, Romania submitted its 2026 Annual Progress Report[11] on adherence to the recommended maximum growth rates of net expenditure, the implementation of the set of reforms and investments underpinning the extension of the adjustment period, and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Romania's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241. The report on action taken under the excessive deficit procedure is integrated in the Annual Progress Report.

(10) Real GDP growth in 2025 was 0.7% and HICP inflation stood at 6.8%. The Commission Spring 2026 Forecast projects real GDP to grow by 0.1% in 2026 and 2.3% in 2027, and HICP inflation to stand at 7.0% in 2026 and 3.7% in 2027.

[11] The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

(11) Based on data provided by Eurostat[12], Romania's general government deficit decreased from 9.3% of GDP in 2024 to 7.9% in 2025. The decrease in the deficit in 2025 mainly reflects the impact of several fiscal consolidation packages adopted between December 2024 and October 2025. In December 2024, the parliament adopted measures including a nominal freeze in public wages and pensions in 2025, and revenue generating measures amounting to 0.3% of GDP. In July 2025, the parliament adopted additional fiscal consolidation measures, comprising significant tax revenue increases (increase in VAT rates, broadening of the base of health contributions, increases in excises, and a higher dividend tax rate) and an extension of the nominal freeze in wages and pensions into 2026. In September 2025, the parliament also adopted an increase in recurrent taxation on residential property and environmental taxes. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 6.2% of GDP in 2026 and 5.8% of GDP in 2027. The decrease in 2026 mainly reflects the full-year impact of the measures described above. The decrease of the deficit in 2027 mainly reflects the projected decline in public investment after the end of the RRF facility. The fiscal situation in Romania remains fragile. Given the current political situation, this assessment remains surrounded by considerable uncertainty and implies implementation risks for the fiscal adjustment that continues to be necessary in 2026 and subsequent years.

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[12] Eurostat-Euro Indicators, 22 April 2026.

(12) Based on the Commission's estimates, the fiscal stance[13], which includes both nationally and EU financed expenditure, was contractionary, by 2.2% of GDP, in 2025. It is projected to be contractionary, by 2.5% of GDP in 2026 and by 0.7% of GDP in 2027.

(13) Based on data provided by Eurostat[14], Romania's general government debt increased from 54.8% of GDP at the end of 2024 to 59.3% of GDP at the end of 2025. The increase in the debt ratio in 2026 mainly reflects high government primary deficits and a projected increase in interest payments. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 61.6% by the end of 2026 and to further increase to 63.4% by the end of 2027. The increase in 2026 and 2027 mainly reflects the high primary government deficits over the period.

(14) Based on Eurostat data[15], total general government defence expenditure in Romania amounted to 1.5% of GDP in 2025. According to the Commission Spring 2026 Forecast, it is projected at 1.7% of GDP in 2026 and 1.8% of GDP in 2027[16].

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13 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

14 Eurostat-Euro Indicators, 22 April 2026.

15 Eurostat, government expenditure by classification of functions of government (COFOG).

16 The NATO defence spending definition differs from the COFOG defence definition. Furthermore, there could be differences due to the time of recording of expenditure, in particular military equipment, as the NATO reporting does not follow national accounts rules for the time of recording.

(15) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Romania adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms[17]. These include an untargeted reduction in excise duties on diesel products until end June 2026 and targeted State aid to farmers and some corporates budgeted until September 2026. According to the Commission Spring 2026 forecast, the fiscal cost of these measures is projected to amount to less than 0.1% of GDP in 2026. According to Commission estimates, if these measures were to remain in force until end-2026, their fiscal cost would amount to 0.1% of GDP in 2026.

(16) Based on the Commission's calculations, net expenditure in Romania grew by 0.5% in 2025. The net expenditure growth in 2025 is below the recommended maximum growth rate.

(17) Based on the Commission's calculations, net expenditure in Romania is projected to grow by 1.8% in 2026, and 2.3% cumulatively over 2025 and 2026. The projected net expenditure growth in 2026 is below the recommended maximum growth rate. When considering 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

[17] This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).

(18) The recommendation endorsing the medium-term plan of Romania specifies the set of reforms and investments underpinning the extension of the adjustment period, together with a timeline for their implementation. Taking into account the information provided by Romania in its Annual Progress Report, the Commission finds that the implementation of the key steps of these reforms and investments that were due by 30 April 2026 seems to be broadly on track. Preparatory work on the reform of the public sector remuneration system is ongoing at technical level, and a new Law is expected to be adopted in the course of the summer 2026. Some further measures need to be taken in the field of tax administration, in particular with a view to reducing Romania's very high VAT compliance gap. Further work is also ongoing on the property taxation reform, including the development of the IT system for automated property assessment, the operationalisation of the specialised structure for monitoring public expenditure systems, and the business financing reform. The Commission considers that, overall, Romania complied with its commitments in a satisfactory manner[18].

(19) Strengthening budgetary procedures leading to a better control of public investment would be highly beneficial to control the fiscal deficit in Romania. In recent years there has been a tendency to overspend compared to budget plans due to a lack of coordination between line ministries in charge of the investments and the Ministry of Finance. An investment planning document, reflecting all investment commitments over the medium-term, including their life-cycle capital requirements would bring clarity on funding requirements and their availability beyond the annual budgetary year. Moreover, mechanisms to support funding availability beyond the annual budget year and restrictions in diverting funds to other purposes are missing. This overall situation contributes to higher-than-expected annual fiscal deficits. Tax collection should also be increased, particularly by closing the VAT and Corporate Income Tax (CIT) gaps, which currently stand at 30% and 44%, respectively, the highest values in the EU. Over the medium-term and in line with fiscal sustainability, it would be appropriate to consider a reduction of the labour tax wedge for low-income earners, who currently face a comparatively high burden.

[18] Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

(20) The general and special pension reforms implemented are essential to safeguard public finances and ensure the equity of the Romania's pension system. Further efforts for fiscal sustainability are needed, including on designing and implementing a public sector wage reform.

(21) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(22) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF), the European Social Fund Plus (ESF+) and the Cohesion Fund (CF) in Romania, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep the current momentum, while maximising their impact on the ground. Romania is already taking action under its cohesion policy programmes to boost competitiveness and growth. Nevertheless, some areas may require further strengthening in implementation, including in mitigating the social and economic impacts of the decarbonisation and just transition of the economy, with particular attention to the territories most affected by this transition. Romania needs to accelerate implementation of the JTF as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by Romania in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation[19], are deployed rapidly and effectively.

[19] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

(23) Romania's eastern border regions face additional challenges hindering their prospects for economic and social development as existing structural challenges are exacerbated. Impact from Russia's war of aggression against Ukraine increases security pressures, disrupts cross-border economic activities and decreases investment attractiveness.

(24) Romania faces several challenges related to the quality and effectiveness of its public administration, the preparation and prioritisation of large projects, the decarbonisation of the economy and energy production, social protection and access to essential services, labour market participation and skills shortages, poverty and social exclusion.

(25) Weak public administration and institutions continue to weigh on the business environment. Although a formal framework to develop quality legislation is in place, its implementation lacks consistency. Shortcomings persist for public consultations and impact assessments, which remain often formalistic. Civil society organisations and businesses still raise concerns about public consultations with very tight deadlines and little consideration for their comments. Public consultations would benefit from an earlier engagement of stakeholders in the policy cycle, while the quality of legislation could be improved by strengthening the capacity of civil servants to draft regulatory impact assessments and ex post evaluations. The predictability of decision-making and legal certainty remains a major challenge due to the frequent use of government emergency ordinances in the legislative process. Moreover, Romania is among the weaker performers on regulatory burden and 66% of companies view business regulation as an obstacle to long-term investment. Despite improvements, the availability of digital public services for businesses and individuals is well below EU averages (55% vs EU: 86%; 63% vs EU: 82%). Further efforts are needed to ensure interoperability across all levels of government, set clearer service standards and improve transparency and user experience for digital public services. Romania would benefit from a stronger implementation of the corporate governance framework for state-owned enterprises, including on adequate transparency and competition in board appointments, consistent mandates, and the use of performance-based remuneration.

(26) Despite efforts made in 2025, recurring delays in the implementation of EU programmes, including the RRF, point to persistent weaknesses in the public administration's capacity to plan, organise, and implement complex projects. Competition in public procurement is limited, shortcomings in planning and tender preparation are persistent and public procurement remains a high-risk area for corruption and fraud. Implementation of climate adaptation policies and investments in environmental infrastructure, particularly in water management and resilience, waste management and circular economy, nature-based solutions, are hindered by lack of expertise and resources, at all territorial governance levels, as well as systemic weaknesses in governance and administrative procedures, strategic planning, enforcement and data collection. At the same time, pressures on ecosystems and biodiversity persist, including marine ecosystems. Large gaps persist in rail and road infrastructure (including their climate resilience), rolling stock modernisation, connectivity in remote areas and cross-border connectivity with uneven TEN-T implementation, while vehicle fleet renewal remains slow and road safety outcomes remain among the weakest in the EU. Addressing these investment needs would support economic growth as well as territorial convergence, as significant disparities persist between regions but also within regions, including the capital one. While some measures have been taken to foster private investments, expanding firms' access to bank and non-bank finance, especially for SMEs, could be facilitated, as the participation by retail and institutional investors in the capital markets is still low and financial literacy is weak. Both public and business expenditure in research and innovation are among the lowest in the EU, while researchers' careers and business-academia cooperation (and ensuing technology transfers) need strengthening.
To address these complex challenges, Romania would benefit from reinforcing administrative capacity at all levels of government.

(27) While Romania has made some progress in decarbonising its energy mix – particularly by decommissioning coal- and lignite-fired capacity under the RRP – additional efforts are required to sustain the energy transition. The country's energy system still relies heavily on fossil fuels, which often set the high electricity price in the market. Phasing out coal and moderating natural gas use by replacing them with cleaner alternatives would better shield Romania's economy from future fossil-fuel price shocks, increase energy supply security, and ultimately benefit competitiveness through lower energy prices.

(28) Some progress was made in expanding renewable energy production in recent years, and the RRP contains measures aimed at reforming the regulatory framework to favour the deployment of renewable energy sources. However, the challenges identified in 2025 remain. Romania faces multiple barriers to the roll-out of renewables, particularly an unpredictable regulatory environment, price uncertainty, cumbersome permitting and unclear land-use rules. Additional investments to improve the system flexibility are needed, especially focusing on the grid infrastructure, and on regulatory reforms to simplify and speed up permitting procedures, to facilitate the uptake of additional renewable energy. Romania is on track to achieving the 15% cross-border interconnection target for 2030, but its capacity is still insufficient, and progress is slow. There is scope for further coordination with neighbouring countries (Bulgaria, Hungary, Moldova, Ukraine) to further enhance market integration in the region.

(29) Romania still subsidises fossil fuels, while the heating sector, which is heavily reliant on gas, remains largely unreformed. However, the current absence of a clear phase-out trajectory for these subsidies before 2030 disincentivizes electrification and hinders the decarbonisation of the energy mix. It is particularly important to phase out fossil fuel subsidies that do not address energy poverty in a targeted way, and/or do not respond to genuine energy security concerns. Due to an unfavourable electricity-to-gas price ratio (to which fossil-fuel subsidies partially contribute), the share of electricity in energy consumption has remained largely stagnant in the last decade. High energy prices affect energy-intensive industries and competitiveness. The industrial sector is dominated by processes with limited flexibility (e.g. steel/aluminium, cement, glass), which constrains demand-side response. Moreover, Romania's RRP and cohesion policy programmes contain several large investments on energy efficiency in housing and public buildings, but progress has been slow and housing quality issues remain. Further policy efforts are needed to accelerate the deployment of new renewable generation capacity, reduce reliance on fossil fuels to enable the decarbonisation of the heavy industry, and reduce energy consumption, in particular in the transport sector and the building stock.

(30) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of skills, education and training, which hamper competitiveness. The 2026 country-specific recommendations addressed to Romania can contribute to the implementation of the Council Recommendation on human capital in the Union.

(31) Women's participation in the labour force is among the lowest in the EU (57.8% vs EU: 71.1%). Young people struggle to enter formal employment, as youth unemployment was among the highest in the EU, and the rate of young people neither in employment nor in education and training (NEETs) is significantly higher than the EU average (19.2% vs EU: 11.0%). In addition, employment remains limited for persons with disabilities since the disability employment gap is significantly above the EU average and their labour market participation at the end of their careers is one of the lowest in the EU. Increasing the participation of women, young people and persons with disabilities in the labour market could mitigate adverse demographic effects by increasing the available workforce and supporting economic development. Addressing challenges related to the effectiveness of activation measures, limited enrolment of children under three years of age in early childhood education and care (11.4% vs EU: 39.2%), particularly in rural areas, and accessibility and adaptation of workplaces for persons with disabilities to support their inclusion in the labour market would be important. In addition, Romania has one of the highest in-work poverty rates in the EU (10.7% of employed people vs 8.3% in the EU in 2025) – mostly driven by self-employed – despite steadily decreasing since 2016, when it was 18.6%. Concurrently, the average real wage has been growing substantially during the same period. Romania could consider improving targeting, funding and effectiveness of labour market activation measures and shifting the focus from employment subsidies to training, outreach and digitalisation of services.

(32) Romania has introduced major education and skills reforms to support skills development. Despite these efforts, challenges persist in reducing early school leaving, enhancing basic skills and basic digital skills, increasing the effectiveness of vocational education and training, and in aligning educational outcomes with labour market needs. The share of young adults who left education and training early remains significantly high against a steady decline at EU level, and even higher in rural areas (23.7% vs 4.6% in cities), in towns and suburbs, and among Roma and persons with disabilities. Low basic skills among young Romanians hinder competitiveness and human capital development, as over 40% of 15-year-olds do not reach minimum proficiency in mathematics, reading, and science (vs EU average below 30%), revealing systemic issues in teaching quality, with rural students scoring substantially lower than urban students. Moreover, in rural areas, only 66.5% of adults have completed primary education (vs 94.7% in cities) and 6.6% have attained tertiary education (vs 37.3% in cities). In addition, low participation of adults in learning is limiting skills development and career progression. Addressing these challenges would also contribute to improving job quality. The major deficit of basic digital skills poses risks for economic development and social inclusion. Only 9.1% of recent vocational education and training (VET) participants had work-based learning during their training (vs EU average: 66.0%). In addition, the misalignment between workforce skills and employer needs, including a persistent lack of STEM graduates, leads to skills shortages, particularly in sectors relevant to the green transition, and represents a key constraint for businesses. To address these challenges, Romania would benefit from closing structural education gaps and safeguarding life-long learning and making best use of available data on skills needs and development.

(33) Social conditions continue to improve, but Romania still has one of the highest risks of poverty or social exclusion in the EU, with child poverty and social exclusion especially high (32.4% vs EU:24.3% in 2025). Vulnerable groups, such as Roma, persons with disabilities, low-educated populations, and people living in rural areas face elevated risks. The impact of social transfers (excluding pensions) on poverty reduction was limited (21.7% vs EU: 33.3% in 2025), and the expenditure on social protection also remains among the lowest in the EU. Social, health and educational services continue to be unevenly available, with rural areas and marginalised communities such as Roma having difficulties in accessing them. Without a better coordination between central and local levels, including on data collection and exchange, evidence to assess social housing needs and the appropriateness of the social housing stock remains limited. Preventable and treatable mortality remained very high, while weak primary care, also due to lack of staff, further drives avoidable hospital use that is not cost effective and limits opportunities for early intervention. Availability of long-term care and social services remains insufficient, particularly for home care and non-residential community-based services for independent living for persons with disabilities, delaying the deinstitutionalisation process. Addressing these challenges would also contribute to supporting upward social convergence, in line with the Commission services' second-stage country analysis of the Social Convergence Framework[20]. Romania would benefit from improving the coverage and adequacy of the social protection system, also for self-employed, including farmers, stronger coordination across government levels and additional investments in accessible services to reduce poverty and foster social inclusion. Recent legislative measures have strenghtened income protection mechanisms for employees affected by employer insolvency.

(34) In light of the Commission's in-depth review and conclusions on the existence of excessive imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2) and (3). Policies referred to in recommendation (1) help to address vulnerabilities linked to large fiscal and external deficits. Policies referred to in recommendations (2, and 3) help to address vulnerabilities linked to competitiveness.

[20] SWD(2026)122 – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), 2026.

HEREBY RECOMMENDS that Romania take action in 2026 and 2027 to:

1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 8 July 2025, with a view to bringing an end to the situation of an excessive deficit. Reinforce overall defence and security spending and readiness, while ensuring debt sustainability and spending efficiency, as well as gradually adapting the budget to sustain structurally higher defence spending. Ensure that measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings and that their fiscal cost is compatible with the commitments under the EU fiscal framework. Continue to implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025. Take further decisive actions to safeguard the sustainability of public finances, including by fully implementing the general and special pension reforms, designing and implementing a reform of public sector wages conducive to fiscal consolidation and greater fairness and strengthening budgetary procedures to ensure better control over public investments. Increase the overall tax collection as a share of GDP, by focusing on closing the VAT and CIT gaps.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities agreed in the context of the mid-term review of the cohesion policy framework. Address the unique socio-economic, security and civil preparedness challenges affecting regions on the EU's external eastern border, including the need to invest in dual-use infrastructure.

3. Foster competitiveness and reduce territorial disparities by promoting private investment, including in research and innovation, and ensuring reliable long-term public R&D investment. Improve the quality and effectiveness of public administration at and across all levels of government, the digitalisation of public services and the predictability and quality of decision-making, through appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures. Strengthen the implementation of the corporate governance framework for state-owned enterprises, while promoting the economic efficiency and rationalisation of the sector. Ensure mature public investments are carried out in a timely manner, including through effective public procurement procedures. Facilitate investments in environmental infrastructure and in sustainable and safe transport, including to increase the connectivity of remote and rural areas and climate resilience.

4. Further decarbonise the energy sector by boosting the flexibility and grid capacity of the electricity system, accelerating the roll-out of renewable energy sources, as well as increasing cross-border interconnections and electricity trading. Increase the share of renewable and upgrade district heating generation and related infrastructure to meet high-efficiency standards, coupled with energy efficiency renovations of buildings and the phase out of fossil fuel subsidies in the heating sector.

5. Strengthen labour market participation of underrepresented groups through improving effectiveness of active labour market policies, accessibility of workplaces and participation in early childhood education and care. Tackle skills shortages by reducing early school leaving, boosting basic skills and labour market relevant skills, including through continuous adult learning, enhancing the effectiveness of VET, as well as making best use of skills intelligence in education and skills policies, in particular in rural areas.

6. Reduce poverty and social exclusion risks by extending social protection and improving its effectiveness, including through better access to quality services, focusing on primary and preventive healthcare, long-term care, social, educational and employment services, in particular for disadvantaged groups, while maintaining fiscal sustainability.

Done at Brussels,

For the Council
The president