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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Romania

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2021/0309 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Romania

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Romania. In 2019, the gross domestic product (GDP per capita) of Romania was 36,8 % of the Union average. According to the Commission's summer 2021 forecast, the real GDP of Romania declined only by 3,9 % in 2020, and is expected to increase by 3,3 % cumulatively in 2020 and 2021. Long standing issues with an impact on medium-term economic performance include risks arising from the deterioration of the current account and from the loss of competitiveness which could negatively feed back into the former, and an accelerating government debt. Red tape and the insufficient capacity of public authorities to deliver quality services, including digital services, negatively affect citizens and businesses, especially small and medium-sized enterprises (SMEs), while the delivery of major reforms and public investments is strongly linked to improving governance. At the same time, potential output and sustainable and inclusive growth are negatively affected by high rates of risk of poverty and social exclusion, which are some of the highest in the EU.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Romania in the context of the European Semester. In particular, the Council recommended Romania to take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery and pursue fiscal policies to put an end to the excessive deficit situation. Also in relation to public

[1] OJ L 57, 18.2.2021, p. 17-75.

finances, the Council recommended strengthening tax compliance and tax collection, ensuring the sustainability of the public pension system and the long-term viability of the second pillar pension funds with comprehensive structural reforms and to avoid the implementation of permanent measures that would endanger fiscal sustainability. Moreover, the Council recommended to strengthen the resilience of the health system, including in the areas of health workers and medical products, and improve access and cost-efficiency of healthcare, including through the shift to outpatient care. Particularly relevant to social challenges were the recommendations to improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups, improve skills by increasing the labour market relevance of vocational education and training and higher education, increase the coverage and quality of social services and complete the minimum inclusion income reform, as well as ensure objective minimum wage setting that is consistent with job creation and competitiveness. In addition, the Council recommended Romania to provide adequate income replacement and extend social protection measures and access to essential services for all. To tackle the COVID-19 crisis, Romania was recommended to mitigate the employment impact of the crisis by developing flexible working arrangements and activation measures and to strengthen skills and digital learning and ensure equal access to education. Furthermore, Romania was recommended to safeguard financial stability and the robustness of the banking sector, to ensure liquidity support to the economy benefitting businesses and households, particularly small and medium-sized enterprises and the self-employed and to front-load mature public investment projects and promote private investment to foster the economic recovery. It was recommended to focus the investments on the green and digital transition, in particular on sustainable transport, digital service infrastructure, clean and efficient production and use of energy and environmental infrastructure, taking into account regional disparities, including in the coal regions. The Council also recommended to improve the quality and effectiveness of public administration and the predictability of decision-making, including through an adequate involvement of social partners, as well as to strengthen the corporate governance of state-owned enterprises. Having assessed progress in the implementation of those country-specific recommendations at the time of submission of the recovery and resilience plan (RRP), the Commission finds that substantial progress has been achieved with respect to the country-specific recommendation to safeguard financial stability and the robustness of the banking sector and the recommendation on immediate fiscal policy response to effectively address the pandemic, sustain the economy and support the ensuing recovery. In addition, the recommendation to maintain adequate liquidity for SMEs and self-employed has been fully implemented.

(3) On 2 June 2021, the Commission published an in-depth review under Article 5 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council[2] for Romania. The Commission's analysis led it to conclude that Romania is experiencing macroeconomic imbalances, related in particular to risks of cost competitiveness losses, a deteriorating external position and a widening current account deficit, in a context of expansionary fiscal policy and an unpredictable business environment.

[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, p. 25).

(4) On 31 May 2021 Romania submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. The submission followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRPs underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the RRP, in accordance with the assessment guidelines offset out in Annex V to that Regulation.

(5) The RRPs should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094[3] in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(6) The implementation of the Member States' RRPs will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

(7) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, considering the specific challenges faced by Romania and taking into account the financial contribution and the requested loan support.

(8) The plan follows a holistic approach to achieve recovery and increase potential growth, while enhancing socio-economic and institutional resilience. The plan contains mutually reinforcing and coherent reforms and investments that refer to policy areas of European relevance structured around the six pillars.

(9) The plan has a strong focus on the green transition pillar with energy and climate related measures, with flagship reforms on the phasing-out of coal and the decarbonisation of road transport. The reforms and investments are expected to significantly decarbonise the energy sector and unlock the potential for renewables deployment. The strong focus on energy efficiency of private and public buildings, digitalisation of road and rail transport and the deployment of electric charging

[3] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23–27)

infrastructures, climate change adaptation and circular economy, will also facilitate the green transition in all sectors of the economy. The plan also contributes to the digital transition. Measures contributing to digital objectives are present throughout the plan, across the different components and focus on the digitalisation of the public administration (including health, justice, environment, employment and social protection) and businesses, connectivity, cybersecurity and digital skills.

(10) Several components in the plan have the potential to foster smart and sustainable growth. The plan contains a series of measures, including through the use of new financial instruments and the creation of a National Development Bank that are expected to directly or indirectly support private investments, including for small and medium-sized enterprises (SMEs), increase the capacity of the country to attract investment and create new businesses and jobs. The plan also aims to reinforce fiscal sustainability through important reforms of the tax administration, tax framework, fiscal management and the pension system. The plan envisages to strengthen social and territorial cohesion through structural measures on the labour market and important reforms and investments targeting both urban and rural development, which are expected to reduce territorial disparities at regional, intra-regional and intra-county level.

(11) The proposed reforms and investments are expected to strengthen the overall resilience of the health system, including its digitalisation. Finally, measures in the plan aim to help the next generations mainly by addressing challenges in terms of quality, equity and infrastructure in the educational system. The upgrade of school and university infrastructure in urban and rural areas, the digitalisation of education and a system of grants to reduce the drop-out rate are the main measures to address these challenges.

Addressing all or a significant subset of challenges identified in country-specific recommendations

(12) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Romania, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester. The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Romania's RRP, notwithstanding the fact that Romania has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact. The recommendations also referred to the need for Romania to pursue fiscal policies in line with the Council's recommendation under Article 126(7) of the Treaty to end the excessive deficit situation. On 18 June 2021, the Council recommended to Romania to put an end to the excessive deficit situation by 2024 at the latest, with a deadline of 15 October 2021 for Romania to take effective action and to report on its consolidation strategy.

(13) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Romania by the Council in the European Semester in 2019 and in 2020. Notably, reforms and investments included in the plan are expected to contribute in the areas of sustainability of public finances and pension system, healthcare, public administration, business environment, education, and green and digital transition.

(14) The full digitalisation of the tax administration and gradual phase out of excessive tax incentives, as well as an improved fiscal framework, will contribute to the sustainability of public finances. The plan also aims at ensuring the sustainability and fairness of the public pension system. Healthcare reforms, accompanied by digitalisation investments, are expected to improve access, cost-efficiency and resilience of healthcare.

(15) Evidence-based decision making, long-term planning and public consultations and measures aimed at improving the public procurement process, reinforcing the effectiveness and independence of the judicial system and fighting corruption will contribute to improving the quality and effectiveness of the public administration. Reforms of minimum wage setting, strengthening corporate governance of state-owned enterprises and social dialogue also address long-standing country-specific recommendations. The plan also aims to develop a unitary, inclusive and quality early-childhood education and care system accompanied by investments in childcare.

(16) This decision is without prejudice to the Commission Decision 6569 of 13 December 2006 establishing a mechanism for cooperation and verification of progress in Romania to address specific benchmarks in the areas of judicial reform and the fight against corruption. The benchmarks in the Annex to that Decision are intended to ensure that Romania complies with the value of the rule of law, as set out in Article 2 TEU, and are binding on it. Romania is required to take the appropriate measures for the purposes of addressing those benchmarks, taking due account, under the principle of sincere cooperation laid down in Article 4(3) TEU, of the reports drawn up by the Commission on the basis of that Decision, and in particular the recommendations made in those reports.

(17) The plan promotes sustainable and digital investments and supports research and development activities. Reforms related to the coal phase-out, the establishment of a government cloud and the deployment of the electronic identity card contribute to supporting the twin green and digital transition.

(18) By addressing the aforementioned challenges, the plan is expected to also contribute to correcting the imbalances, as identified in recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2020, that Romania is experiencing, in particular with regard to risks of cost competitiveness losses, a deteriorating external position and a widening current account deficit, in a context of expansionary fiscal policy and an unpredictable business environment.

Contribution to growth potential, job creation and economic, social and institutional resilience

(19) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) 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.

(20) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Romania by 1,8 % to 2,9 % by 2026, not including the possible positive impact of structural reforms, which can be substantial.

(21) The implementation of social and educational reforms and investments are expected to tackle some of the long-standing vulnerabilities and structural deficiencies, stimulating growth. The plan includes measures to strengthen the public administration, support private investments, particularly for SMEs, and strengthen the business environment, including through reducing the administrative burden for firms.

(22) The plan's reforms in the areas of education and the labour market are expected to support a stronger labour market, favouring growth. The flagship reforms on the coal phase-out and the decarbonisation of transport, and investments promoting the green and digital transition are expected to boost competitiveness and make the economy overall more sustainable.

(23) A series of measures are expected to contribute to social cohesion and to the European Pillar of Social Rights. Those include the expansion of the availability of good quality early childhood education and care, the delivery of the minimum inclusion income reform, health reforms and the introduction of voucher system, which has the potential to increase the labour market participation of inactive people and access to social services for newly employed workers.

(24) Social resilience is expected to improve as a result of the educational reforms and investments included in the plan. Having a well-skilled labour force and reducing early school leaving should make the economy better placed to withstand future shocks and the population more adaptable to changing economic patterns.

(25) Poverty and income inequality deepened during the pandemic outbreak, and regional disparities persist, with vulnerable groups being more affected. The plan aims to contribute to the implementation of the European Pillar of Social Rights, through the promotion of policies for children and youth. Reforms and investments are expected to respond to structural problems in areas where the pandemic crisis has taken its toll, with a focus on health, education, and the business environment. In addition, investments in basic transport infrastructure in currently poorly connected regions of the country and digital connectivity in rural areas will be key to bringing the country closer together.

Do no significant harm

(26) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[4] (the principle of 'do no significant harm').

(27) In accordance with the technical guidance provided in the Commission Notice entitled 'Technical guidance on the application of "do no significant harm" under the Recovery and Resilience Facility Regulation'[5] Romania has provided evidence and assurances that the measures for the implementation of reforms and investment projects included in the plan are expected not lead to significant harm to any of the six environmental objectives, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Where needed, Romania has proposed the implementation of mitigating measures to avoid significant harm, which should be ensured through relevant milestones.

(28) Particular attention has been paid to measures with an impact on environmental objectives that warrants close scrutiny. In particular, road investments are accompanied by a reform on the decarbonisation of transport, which covers green taxation measures, incentives for zero-emission vehicles, scrapping of polluting vehicles, road safety measures and a very significant increase of electric charging stations. The plan also demonstrates that the construction of the distribution network enabling the transport of green hydrogen in the Oltenia region is future-proof, as it will carry 100 % renewable hydrogen and/or other renewable gases in 2030, starting with at least 20 % of renewable hydrogen when commissioned by 30 June 2026. These conditions are verified by intermediate milestones at the time of the award of the contract. Do no significant harm (DNSH) compliance of investments in gas-fired Combined Heat and Power enabled for the use of renewables and low-carbon gases is ensured through the adoption and implementation of a National Hydrogen Strategy and Action Plan and the installation of renewable hydrogen production capacities, the closure of coal and lignite power and heat generation facilities, a significant amount of additional renewables capacity, and concrete reforms and investments to increase the share of renewables. Waste resulting from renovation is expected be treated in accordance with circular economy principles. Measures in waste and recycling treatment should not contain investments in incineration or mechanical biological treatment in compliance with the do no significant harm principle. Measures aimed at the replacement of the fleet of vehicles ensure that only clean vehicles should be eligible for funding. Finally, investments in water management are not expected to lead to the deterioration of the ecological status of the affected water bodies, by taking into account the findings and conditions set by the comprehensive and cumulative Environmental Impact Assessment to be carried out for the purpose of these investments.

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4 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

5 OJ C 58, 18.2.2021, p. 1.

Contribution to the green transition including biodiversity

(29) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 41 % of the RRP's total allocation calculated in accordance with the methodology set out in Annex VI of that Regulation. In accordance with Article 17 of that Regulation, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(30) The RRP includes long-lasting reforms and investments contributing to the green transition. The plan includes a reform on the phase out of coal and lignite power production by 2032, which is crucial for the decarbonisation of the energy sector and to unlock the potential for renewables deployment. Reforms promoting sustainable transport include the decarbonisation of road transport, green taxation, incentives for zero-emission vehicles, modal shift to railways and water transport, and measures to promote road safety. The plan has also a strong focus on energy efficiency of private and public buildings. The introduction of green budgetary planning, digitalisation of road and rail transport and the deployment of electric charging infrastructures, climate change adaptation and circular economy, is expected to also facilitate the green transition in all sectors of the economy.

(31) With several reforms and investments in the forestry sector, such as the adoption of the National Forest Strategy and the ecological reconstruction of habitats and the conservation of species, the plan is also expected to contribute to biodiversity conservation and restoration. The implementation of reforms and investments on resource efficiency, material reuse and reducing waste aim to ensure Romania's transition to a circular economy by 2030.

Contribution to the digital transition

(32) In accordance with Article 19(3), point (f) of Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 20,5 % of the RRP's total allocation calculated in accordance with the methodology set out in the Annex VII to Regulation (EU) 2021/241.

(33) The plan is expected to address digitalisation challenges related to the public administration, proposing a comprehensive package of reforms and investments in order to provide secure, interoperable, cost-efficient and fast user-centred services for citizens and businesses. The plan includes a new Information Systems Interoperability Law which is expected to detail the uniform set of standards and rules that public entities are supposed to apply for the development of applications in a secure and sustainable environment, a Government Cloud Act setting out the responsibilities and tasks regarding the design, implementation, development and management of the cloud infrastructure, technologies and services, a cybersecurity strategy and a reform implementing the recommendations of the Common Union Toolbox for Connectivity

as well as the 5G security law, laying the ground for the 5G deployment. Reforms are underpinned by a broad range of key investments, such as the development of the governmental cloud, the digitalisation of health, judiciary, environment, employment and social protection, public procurement, non-governmental organisations, connectivity for white areas, ensuring cybersecurity for different structures and increasing digital skills both for civil servants and the population at large. The deployment of the electronic identity card is expected to facilitate the digital interaction between public/private entities and citizens. Moreover, with the inclusion of the definition of new digital occupations in the Classifications of Occupations Code, the labour market is expected to align to the latest developments in the digital sector.

(34) The plan also supports the digitalisation of road and rail transport and facilitates taxpayers' compliance through the development of digital services, updating systems and applications of the tax and customs authorities. The business sector is expected to benefit from significant investments aiming to accelerate the digitalisation of both SMEs and large companies with a focus on the development and adoption of advanced technologies (such as blockchain, quantum, cloud computing, artificial intelligence). An underpinning reform is expected to streamline, simplify and fully digitalise business related regulatory requirements (such as setting up a company, exit from the market/closure of a business as well as for regulatory requirements for reporting of labour market obligations for companies). As regards education, reforms include standards for ensuring the quality of online educational activities and the alignment of the educational system to the DigComp European framework for digital competences for students. The corresponding investments tackle the development of thematic training courses, for digital literacy and digital pedagogy competences in particular for teachers in rural areas and other disadvantaged environment, grants for informatics laboratories and smart hubs, development of open educational resources and schemes for digitalisation of universities.

(35) All the plan's components include measures with direct contribution to the digital transformation or addressing related challenges. The key components are the digital transformation, followed by education, sustainable transport and business support and R&D&I. The measures contributing to the digital transformation are expected to improve the effectiveness of the public administration, lowering the administrative burdens, increasing the competitiveness of the businesses and equip parts of the population (notably students, teachers and civil servants with basic and advanced digital skills), enabling a synergetic effect for the economy as a whole. The digital dimension is strengthened with a cross-border dimension, as Romania is expected to participate in a multi-country project on low power processors and semiconductor chips planned as an Important Project of Common European Interest.

Lasting impact

(36) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Romania to a large extent (Rating A).

(37) The reforms proposed in the plan are expected to contribute to Romania's capacity to deliver long-term results and structural change. The reform on recruitment, wages and

career progression in the public sector is expected to attract skilled and professional human resources. An independent review and the adoption of the recommendations that follow should make the tax system fairer and more efficient. The pension system reform should make the system fairer and more sustainable. The reform of the energy sector should contribute to decarbonisation of energy production. A broader use of green taxation is expected to incentivise citizens and companies to adopt a more environmentally sustainable behaviour, while making the taxation system fairer towards non-pollutants. The establishment of metropolitan areas and rural consortia is expected to broaden the policy tools that neighbouring municipalities have at their disposal to face cross-border issues – such as traffic congestion, air pollution, water management and housing policy. Similarly, legal provisions will encourage the voluntary merging of research institutions, thus enhancing the research and innovation capacity of the country.

(38) The plan contains investments expected to have a lasting impact, supporting the green and digital transition of the economy. The digital-related measures in the plan are designed to increase the level of digitalisation of relevant institutions, which is expected to have a lasting impact on the quality of services, the business environment and the optimal use of government data. This concerns essential areas such as the judicial system, social security, the health system, the cybersecurity framework or platforms to improve interactions between public administrations and citizens or businesses. The plan further contributes to the good functioning of the public administration in Romania. Positive labour market outcomes are expected to occur as a result of complementarities between the introduction of the voucher scheme for domestic workers, the improvement of the digital services provided by the employment services, and the deployment of programs for the development of digital skills. Public healthcare quality and access to healthcare is expected to increase as a result of the implementation of a performance-based disbursement system for healthcare providers, improved health workforce management and investments in healthcare infrastructure. With the establishment of the task-force to implement and monitor digital transformation reforms and investments, civil servants should develop specific digital skills, thus enabling continuous improvements in the delivery of quality public services.

(39) The lasting impact of the plan can also be enhanced through synergies between the plan and other programmes, including those financed by cohesion policy funds, in particular by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

(40) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(41) A multi-level governance is envisaged for the implementation and monitoring of the RRP. At central level, the coordination is ensured by the Inter-ministerial Committee for the Coordination of the recovery and resilience plan, responsible for examining progress in the implementation of the plan, in close cooperation with the Ministry of

Investment and European Projects (MIPE). MIPE is appointed as the national coordinator for the preparation, negotiation and approval of the plan, assisted by the Ministry of Public Finances (for tasks related to signing the loan agreement and the financing agreement). A specialised structured within the MIPE shall be established for this task. The implementation of the RRP shall be ensured by line ministries and their subordinated structures, through the conclusion of financing agreements with MIPE. The contracts shall comprise provisions related to the monitoring of the investments and reforms, financial planning execution as well as reporting obligations. The plan also envisages that an independent audit body will be responsible for the implementation of audit and control. This body is the same audit authority as the one used for the European Structural and Investment Funds and is independent from the coordination body and institutions responsible for the implementation of the reforms and investments. The strengthening of administrative capacity, including through the recruitment of additional human resources shall be enshrined in a legal act, with the aim to ensure a timely and effective implementation of the plan's measures. The governance model provides for the assignment of clear responsibilities for the implementation of the plan, the monitoring of progress and reporting. The milestones and targets of the Romanian plan are clear and realistic, and adequately reflect the investments and reforms envisaged in the plan. The indicators are relevant, acceptable and sufficiently robust. Milestones and targets are also relevant for measures already completed which are eligible under Article 17 (2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.

(42) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council[6] to assist Member States in the implementation of their RRPs.

Costing

(43) In accordance with Article 19(3), point (i) and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(44) The information and evidence on estimated total costs presented is, for the most part, detailed and clear for a majority of measures. In most cases, Romania provided information either on actual or similar past investment projects, or on comparative cost data for the main costs drivers that allow substantiating most cost estimates. For most measures, the information on estimated total costs includes clear supporting evidence or relevant references justifying the reference unit costs applied. For certain measures, further information presenting more detailed estimations and justifications could have increased the level of assurance that costs are reasonable and plausible. Since, for

[6] Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

those cost estimates, the methodology used is not sufficiently well explained and the link between the justification and the cost itself is at times not fully clear the rating for the costing assessment criterion is medium. Romania provided sufficient information and evidence that the amount of the estimated total costs of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing. Finally, the estimated total costs of the RRP is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of the financial interests of the Union

(45) In accordance with Article 19(3), point (j), of Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council[7].

(46) The internal control system described in the RRP is based on robust processes and structures and clearly identifies actors and their roles and responsibilities for the performance of the internal control tasks. The internal control system and other relevant arrangements, including the collection and publication of data on final recipients are expected to prevent, detect and correct corruption, fraud, conflicts of interest when using the funds under Regulation (EU) 2021/241 and to avoid double funding under that Regulation and other Union programmes. A repository system for monitoring of the implementation of the Facility is to be put in place and operational by the time of the first payment request. A milestone should ensure that the system includes, as a minimum, the following functionalities: (a) collection of data and monitoring of the achievement of milestones and targets; and (b) collection, storing and ensuring access to the data required by Article 22(2) point (d)(i) to (iii) of the Regulation.

(47) Specific measures are to be implemented to check compliance with the rules relating to public procurement, to prevent corruption and to protect financial interests. The Audit Authority from the Court of Auditors based its audit approach on a system strategy covering both the system in place for the reporting of the milestones and targets, as well as the internal control system for the prevention, detection and correction of fraud, conflict of interest, corruption and double financing. The plan provides information on the administrative capacity of the bodies which will monitor, control and implement the plan in Romania, as well as those bodies that shall perform audit activities. It also gives information on the legal mandate of the various bodies. The approval of a complete legal mandate for the coordination body and the Ministry

[7] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

of Public Finance, including the exact activities to be performed by the audit body, is expected to occur only after the approval of the plan. Therefore, the entry into force of the Government Emergency Ordinance on the financial, implementation, control and audit mechanism is introduced as a milestone to be fulfilled before the submission of the first payment request.

Coherence of the RRP

(48) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

(49) The plan is structured around six coherent pillars supporting the stimulation of the recovery of the Romanian economy, the contribution to its green and digital transition and the increase in its resilience on the path towards a more sustainable and inclusive growth. Each pillar is built around components including consistent packages of mutually reinforcing and complementary reforms and investments. All pillars pursue complementary and coherent objectives. The plan does not present inconsistencies or contradictions between pillars or components. The large investments in road infrastructures are accompanied by flanking measures to decarbonise road transport and are therefore coherent with the objectives of the Green transition pillar. Similarly, investments in gas infrastructures and power production accompany the transition towards a decarbonised energy sector, in the context of the reform on the coal phase-out. The need for establishing systematic complementarities with cohesion policy funding is evident and examples are presented in the components. Demarcation lines are sufficiently developed and should also be taken into account for the finalisation of the partnership agreement and cohesion policy programmes.

Equality

(50) The RRP contains a series of measures expected to contribute to addressing the country's challenges in the area of gender equality and equal opportunities for all. These include measures addressing the needs of people with disabilities, including in relation to accessibility to transport, buildings and digital public services. On gender equality, the plan includes measures aimed at equalising the retirement age over time, as well as minimum threshold for women's participation in training programmes of 50% for digital skills development programmes. The plan also contains targets to stimulate the participation of vulnerable people (including persons with disabilities, older persons as well as Roma or other minorities) in the labour market.

Security self-assessment

(51) In accordance with Article 18(4), point (g) to Regulation (EU) 2021/241, the plan includes a security-self assessment for investments related to government cloud and 5G networks. For the government cloud, Romania lists risks related to governance, service delivery strategy, architecture implementation, infrastructure security, access control and identity management, information and data management, IT operations, management of technology providers, and sustainability, including possible measures to mitigate the risks. As regards connectivity measures, in particular for the use of 5G

networks, risk scenarios are related to insufficient security measures, 5G supply chain, risk scenarios related to modus operandi of key threat actors, risks in relation to interdependencies between 5G networks and other critical systems, end-user risk scenarios of devices. Mitigation measures include the development of a national cybersecurity regulatory framework and a defence and cybersecurity act, among others. The plan also includes reforms implementing the Common Union Toolbox for Connectivity and the entry into force of the 5G security law.

Cross-border and multi-country projects

(52) The RRP includes investments along the Trans-European Transport (TEN-T) corridors. In addition, the development of at least 315 km of the European Rail Transport Management System is expected to allow the interoperability with the rail systems of other Member States. The plan also envisages to support the participation of Romanian undertakings in the multi-country project on Low Power Processors and Semiconductor Chips expected to be implemented mainly through participation or association to a planned Important Project of Common European Interest.

Consultation process

(53) The RRP describes that Romania has consulted a wide range of stakeholders, including regional and local authorities, civil society organisations, business community and other relevant stakeholders. The Romanian government organised 12 public consultation events during February 2021, as well as 20 inter-ministerial meetings in order to prioritise the investments and reforms to be included in the RRP. Following the stakeholder and inter-ministerial consultation meetings, the draft plan was published for public consultation and briefly presented to the Parliament before being adopted by the Government and subsequently submitted to the Commission.

(54) To ensure ownership by the relevant actors, it is crucial to involve all regional and local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(55) Following the positive assessment of the Commission concerning the Romanian RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial and loan support.

Financial contribution

(56) The estimated total cost of the RRP of Romania is EUR 29 181 842 750. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the plan is lower than the maximum financial contribution available for Romania, the financial contribution allocated for Romania's recovery and resilience plan should be equal to the amount of the estimated total costs of the plan for Romania.

(57) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Romania is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Romania not exceeding the maximum financial contribution referred to in Article 11(1), point (a), of that Regulation should be made available now for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.

(58) Furthermore, in order to support additional reforms and investments, Romania has requested loan support. The maximum volume of the loan requested by Romania is less than 6,8 % of its 2019 gross national income in current prices. The amount of the estimated total costs of the plan is less than the combined financial contribution available for Romania and the requested loan support.

(59) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[8]. The support should be paid in instalments once Romania has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.

(60) Romania has requested pre-financing of 13 % of the financial contribution and of 13 % of the loan. That amount should be made available to Romania subject to the entry into force of, and in accordance with, the agreement provided for in Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement') and the loan agreement provided for in Article 15(2) of that Regulation (the ‘loan agreement’).

(61) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the RRP

The assessment of the RRP of Romania on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

[8] OJ L 424, 15.12.2020, p. 1.

Article 2
Financial contribution

1. The Union shall make available to Romania a financial contribution in the form of non-repayable support amounting to EUR 14 239 689 750. An amount of EUR 10 211 538 399 shall be available to be legally committed by 31 December 2022.[9] Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Romania that is equal to or more than EUR 14 239 689 750, a further amount of EUR 4 028 151 351 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation 2021/241 results in an updated maximum financial contribution for Romania that is less than EUR 14 239 689 750, the difference between the updated maximum financial contribution and the amount of EUR 10 211 538 399 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU)2021/241 from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Romania in instalments in accordance with the Annex to this Decision. An amount of EUR 1 851 159 668 shall be made available as a pre-financing payment, equal to 13 % of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force of, and in accordance with the financing agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Romania has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Romania shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Loan support

1. The Union shall make available to Romania a loan amounting to a maximum of EUR 14 942 153 000.

2. The loan support shall be made available by the Commission to Romania in instalments in accordance with the Annex to this Decision. An amount of EUR 1 942 479 890 shall be made available as a pre-financing payment, equal to

[9] This amount corresponds to the financial allocation after deduction of the Romania's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

13 % of the loan. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the loan agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Loan Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Romania has satisfactorily fulfilled the additional milestones and targets covered by the loan and identified in relation to the implementation of the RRP. In order to be eligible for payment, Romania shall complete the additional milestones and targets no later than 31 August 2026.

Article 4
Addressee

This Decision is addressed to Romania.

Done at Brussels,

For the Council
The President