



MONITORING OF NRRP IMPLEMENTATION JUNE 2022

Project Transparency and Responsibility – Monitoring NRRP



**Transparency
and responsibility**



**Support
for citizens**



**Monitoring
and information**

ABOUT US

The Foundation for the Defense of Citizens Against State Abuses publishes the report on the monitoring of essential investments that help and benefit all Romanian citizens within the Project "Transparency and Accountability - NRRP Monitoring".

Within the project, FACIAS pursues essential investments that support Romanian citizens, such as the construction of new nurseries, medical infrastructure and the reform of the public pension system.

NRRP Stade June 2022



Our country had an initial allocation of 29.2 billion euros through PNRR, of which 14.2 billion grants. However, Romania will receive 2 billion euros less as a result of the economic growth of 2021. In essence, this increase of approx. 7% of 2021 is due to loans often requested by Romania, almost 50% of public debt has now reached GDP.

On March 31, 2022, the first request for payment of approximately 3 billion euros was sent to the European Commission. Of this amount, EUR 2.03 billion is financial support and EUR 900 million is in the form of a loan.

According to the information provided by the Ministry of European Investments and Projects, From the amount requested for reimbursement through the payment request, Romania will collect 2.56 billion euros. This amount represents the amount resulting from the pre-financing deduction received so far. Specifically, an amount of 1.77 billion euros will be repaid from the grant component, and 780 million euros from the loan component.

The first payment application covers the 21 targets and milestones for the fourth quarter of 2021. Upon submission of the payment request, the authorities submitted to the Commission the supporting documents for the satisfactory fulfillment of the 21 targets and milestones by 31 December 2021, this being a mandatory condition.

!INFO: The next payment request for the settlement of the funds allocated to Romania through NRRP will be sent to the European Commission in the third quarter and will include the targets and milestones related to the first two quarters of this year.

A special situation in the PNRR is the one regarding the public pension system. Through the PNRR, the state has assumed the maintenance, in the long term (in the period 2022-2070), of a ceiling of 9.4% of GDP. For the pension budget, this means that Romanians will not be able to realistically benefit from pensions that will ensure a decent standard of living, compared to other European countries. In other European countries, pension spending amounts to 13% of GDP. Theoretically, keeping expenses below the assumed ceiling will be done by providing incentives to postpone retirement, but in practice there is a real possibility that the retirement age will increase to 70 years, well above the European average, although the life expectancy of Romanians is 74 years old, according to the latest studies. Romanians may be forced to work until they are much older.



Another problem is generated by the very short implementation deadlines assumed by the Government at the time of drafting the PNRR. As FACIAS has found, many of the reforms and investments provided for in the PNRR have short deadlines and are very difficult to meet, and the responsible institutions need to speed up the work procedures. This can lead to errors in the successful implementation of investments and reforms. Moreover, delays of more than 3 months in the implementation of reforms and investments may result in the loss of funding for those investments. In this case, the Romanian state will have to bear the expenses from its own budget.

THE SITUATION OF NRRP FUNDS JUNE 2022

Initial fund allocated to Romania through NRRP: 29.181.860.000 euro (29 billion)

Amounts collected by Romania so far: 3.793.639.558 euro (3.7 billion Euro)

Amounts lost by Romania: around 2 billion euros (it should be mentioned that these losses are not as sanctions imposed against Romania, but represent a consequence of Romania's economic growth).



In 2022, Romania will be able to access funding of approximately 6.171 billion euros.

INVESTMENTS SITUATION / MONITORED REFORMS

The monitoring situation is shown in descending order according to the status of the milestones, from the danger of delay to successful completion.



Romania must implement by June 30, 2022 the 27 milestones and targets. At the date of publication of this report, most are being implemented.

The granting of the second tranche of money from NRRP will depend on the observance of the deadlines envisaged for the implementation of the milestones that will be sent to the European Commission in the third quarter of 2022.

»MILESTONE 456«

Signing contracts with public operators (municipalities) for the construction, equipment and operationalization of 110 nurseries

MILESTONE STATUS: **IMMINENT RISK OF DELAY**

FACIAS requested. Ministry of Development of clarifications regarding the stage of the call for financing for the construction of nurseries and the date on which the contracts will be signed

ANSWER RECEIVED: The guide to the call for the construction of nurseries will be made available to the public in early May.

The guide was published on the Ministry's website on the 6th of May, 2022

<https://www.funduri-structurale.ro/stiri/28783/NRRP-ghidul-aferent-apelului-dedicat-construirii-de-crese-in-consultare-publica>

In the worst-case scenario, the call for the signing of contracts for the construction of nurseries should be opened on 30th May, with the applicants having one month available to submit applications for funding, respectively by the 30th of June, 2022, and the signing of contracts should take place on the next day, 1st of July. The practice of recent years has shown us that these deadlines are much longer in reality.

» MILESTONE 335«

Entry into force of the legislative framework establishing the National Agency for the Development of Health Infrastructure (ANDIS):

MILESTONE STATUS: **IN PROGRESS**

Decret for the establishment of ANDIS - NOT YET APPROVED.

The ordinance for the establishment of ANDIS - was approved on Thursday, June 2, 2022

The draft Emergency Ordinance on the establishment, organization and operation of the National Agency for the Development of Health Infrastructure (ANDIS) has been under public debate from 24-03-2022 to 24-04-2022.



LIST OF MILESTONES WITH DEADLINE FOR IMPLEMENTATION MARCH 31, 2022



»MILESTONE 213«

Entry in effect of amendments to the regulatory framework to ensure the sustainability of Pillar 2 pensions

The component of increasing the contribution to Pillar II was fulfilled by Emergency Ordinance which increases the contribution transferred to the private pension "Pillar II", from 3.75% to 4.75% starting with January 1, 2024. (EMERGENCY ORDINANCE no. Of March 16, 2022)

Regarding the obligation to digitize and diversify investments in the public pension system - an essential development system, FACIAS asked ASF for clarifications on the fulfillment of these obligations.

ANSWER RECEIVED: Regarding the digitization of the public pension system, ASF has issued a series of rules in this regard. (Standard No. 31/2020; Standard No. 32/2020; Standard No. 44/2020)

Regarding the diversification of investments in the public pension system, ASF has issued a series of rules in this regard. (Standard No. 2/2021; Standard No. 11/2021).

FACIAS ANALYSIS: Although the PNRR provides a NEW LEGISLATIVE FRAMEWORK on the sustainability of Romanian pensions, ASF motivated the fulfillment of this milestone with a series of rules issued in 2020-2021 on the digitalization of the functioning of the private pension system and diversification of investments in Pillar II of pensions.

In these circumstances, the final evaluation will be made exclusively by the European Commission. The decision to mark the milestone as fulfilled will be taken based on the arguments brought by the Romanian Government in the negotiations with the European Commission at the time of the evaluation.

LIST OF MILESTONES WITH DEADLINE FOR IMPLEMENTATION DECEMBER 31, 2021



»MILESTONE 211«

Contractual technical assistance provided by an entity to be selected in accordance with national public procurement law.

MILESTONE STATUS: **ATTAINED**

The Ministry of Labor has proposed to the government a memorandum inviting the World Bank to provide technical assistance on public procurement.

The Ministry of Labor declared this milestone to be fulfilled by the contract with the World Bank for technical assistance.

»MILESTONE 212«

Entry in the effect of an order of the Minister setting up a monitoring committee to review, with the support of the technical assistance provider, the pension system and policy interventions in the pension system:

MILESTONE STATUS: **ATTAINED**

The joint order of the ministers of labor and finance was issued, which provides for the establishment of a monitoring committee for the reform of the public pension system.

ORDER nr. 1.593/1.239/2021

»MILESTONE 366«

Adoption of investment prioritization criteria in integrated community centers:

MILESTONE STATUS: **ATTAINED**

The manual of Integrated Community Centers was approved by order of the Minister of Health no. 2931 / 27.12.2021. The content responds to the milestone.