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Recommendation for a

COUNCIL RECOMMENDATION

on the 2022 National Reform Programme of Romania and delivering a Council opinion on the 2022 Convergence Programme of Romania

{SWD(2022) 624 final} - {SWD(2022) 640 final}

Recommendation for a

COUNCIL RECOMMENDATION

on the 2022 National Reform Programme of Romania and delivering a Council opinion on the 2022 Convergence Programme of Romania

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], and in particular Article 9(2) 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,

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) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support for the implementation of reforms and investment, entailing a fiscal impulse financed by the Union. It contributes to the economic recovery and to the implementation of sustainable and growth-enhancing reforms and investment, in particular to promote the green and digital transitions, while strengthening the resilience and potential growth of the Member States' economies. It also helps strengthen sustainable public finances and boost growth and job creation in the medium and long term. The maximum financial contribution per Member State under the Recovery and Resilience Facility [was] updated on [XX] June 2022, in line with Article 11(2) of Regulation (EU) 2021/241.

(2) On 24 November 2021, the Commission adopted the Annual Sustainable Growth Survey, marking the start of the 2022 European Semester for economic policy

[1] OJ L 209, 2.8.1997, p. 1.
[2] OJ L 306, 23.11.2011, p. 25.
[3] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

coordination. It took due account of the reaffirmed joint commitment of the Porto Social Summit of May 2021 to further implement the European Pillar of Social Rights, proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. The European Council endorsed the priorities of the 2022 Annual Sustainable Growth Survey on 25 March 2022. On 24 November 2021, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism Report, in which it identified Romania as one of the Member States for which an in-depth review[4] would be needed. On the same date, the Commission also adopted the proposal for the 2022 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which was adopted by the Council on 14 March 2022.

(3) Russia's invasion of Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. The impact of the invasion on Member States' economies has been felt for example through higher energy and food prices and weaker growth prospects. The higher energy prices weigh particularly on the most vulnerable households, experiencing or at risk of energy poverty. The EU is also seeing an unprecedented inflow of people fleeing Ukraine. In this context, on 4 March 2022, the Temporary Protection Directive was triggered[5] for the first time, granting displaced persons from Ukraine the right to legally stay in the EU, as well as access to education and training, the labour market, healthcare, housing and social welfare. Exceptional support is made available to Romania under the Cohesion's Action for Refugees in Europe (CARE) initiative and through additional pre-financing under the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) programme to urgently address reception and integration needs for those fleeing Ukraine.

(4) Taking account of the rapidly changing economic and geopolitical situation, the European Semester resumes its broad economic and employment policy coordination in 2022, while evolving in line with the implementation requirements of the Recovery and Resilience Facility, as outlined in the 2022 Annual Sustainable Growth Survey. The implementation of the adopted recovery and resilience plans is essential for the delivery of the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 Semester cycles. The 2019 and 2020 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated, or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241, in addition to any country-specific recommendations issued up to the date of submission of the modified plan.

(5) The General Escape Clause has been active since March 2020[6]. In its Communication of 3 March 2021[7], the Commission set out its view that the decision on the

4 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.

5 Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having the effect of introducing temporary protection, OJ L 71, 4.3.2022, p. 1.

6 Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, Brussels, 20.3.2020, COM(2020) 123 final.

7 Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final.

deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

(6) On 2 March 2022, the Commission adopted a Communication providing broad guidance for fiscal policy in 2023, aiming at supporting the preparation of Member States' Stability and Convergence Programmes and thereby strengthening policy coordination[8]. The Commission noted that, based on the macroeconomic outlook of the 2022 winter forecast, transitioning from an aggregate supportive fiscal stance in 2020-2022 to a broadly neutral aggregate fiscal stance would appear appropriate in 2023, while standing ready to react to the evolving economic situation. The Commission announced that the fiscal recommendations for 2023 should continue to differentiate across Member States and take into account possible cross-country spillovers. The Commission invited the Member States to reflect the guidance in their Stability and Convergence Programmes. The Commission committed to closely monitor the economic developments and adjust its policy guidance as needed and at the latest in its Semester spring package of late May 2022.

(7) With respect to the fiscal guidance provided on 2 March 2022, the fiscal recommendations for 2023 take into account the worsened economic outlook, the heightened uncertainty and further downside risks, and the higher inflation compared to the winter forecast. Against these considerations, the fiscal response has to expand public investment for the green and digital transition and energy security, and sustain the purchasing power of the most vulnerable households so as to cushion the impact of the energy price hike and help limit inflationary pressures from second round effects via targeted and temporary measures; fiscal policy has to remain agile so as to adjust to the rapidly evolving circumstances, and be differentiated across countries depending on their fiscal and economic situation, including as regards the exposure to the crisis and the inflow of displaced persons from Ukraine.

(8) On 31 May 2021, Romania submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 3 November 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Romania[9]. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Romania has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

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[8] Communication from the Commission to the Council: Fiscal policy guidance for 2023, Brussels, 2.3.2022, COM(2022) 85 final.

[9] Council Implementing Decision of 3 November 2021 on the approval of the assessment of the recovery and resilience plan for Romania (ST 12319/21; ST12319/21 ADDI)

(9) On 12 May 2022, Romania submitted its 2022 National Reform Programme and, on 4 May 2022, its 2022 Convergence Programme, beyond the deadline established in Article 4 of Regulation (EC) No 1466/97. To take account of their interlinkages, the two programmes have been assessed together. In accordance with Article 27 of Regulation (EU) 2021/241, the 2022 National Reform Programme also reflects Romania's bi-annual reporting on the progress made in achieving its recovery and resilience plan.

(10) The Commission published the 2022 country report for Romania[10] on 23 May 2022. It assessed Romania's progress in addressing the relevant country-specific recommendations adopted by the Council in 2019, 2020 and 2021, and took stock of Romania's implementation of the recovery and resilience plan, building on the Recovery and Resilience Scoreboard. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges, including those emerging from Russia's invasion of Ukraine. It also assessed Romania's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(11) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Romania and published its results on 23 May 2022[11]. The Commission concluded that Romania is experiencing macroeconomic imbalances. In particular, vulnerabilities relate to external accounts, linked to large fiscal deficits, and to competitiveness issues that are re-emerging.

(12) On 3 April 2020, the Council adopted Decision (EU) 2020/509 on the existence of an excessive deficit situation in Romania due to non-compliance with the deficit criterion in 2019[12]. On 3 April 2020, the Council also issued a Recommendation with a view to bringing an end to the situation of an excessive government deficit in Romania by 2022 at the latest[13]. In light of the deep contraction in economic activity linked to the COVID-19 pandemic and of the related need for fiscal policies to support the recovery in 2021 and 2022, on 18 June 2021 the Council issued a new Recommendation to Romania[14] to put an end to the excessive deficit situation by 2024 at the latest. Romania should reach a headline general government deficit target of 8.0% of GDP in 2021, 6.2% of GDP in 2022, 4.4% of GDP in 2023, and 2.9% of GDP in 2024, which is consistent with a nominal growth rate of net primary government expenditure of 3.4% in 2021, 1.3% in 2022, 0.9% in 2023 and 0.0% in 2024. This corresponds to an annual structural adjustment of 0.7% of GDP in 2021, 1.8% of GDP in 2022, 1.7% of GDP in 2023 and 1.5% of GDP in 2024. The procedure has been held in abeyance since autumn 2021 following an assessment of effective action by the Commission.

(13) In 2021, based on data validated by Eurostat, Romania's general government deficit was 7.1% of GDP, while general government debt stood at 48.8% of GDP. This is in

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10 SWD(2022) 638.
11 COM(2022) 624.
12 Council Decision (EU) 2020/509 of 3 April 2020 on the existence of an excessive deficit in Romania (OJ L 110, 8.4.2020, p. 58)
13 Council Recommendation of 3 April 2020 with a view to bringing an end to the situation of an excessive government deficit in Romania (OJ C 116, 8.4.2020, p. 1).
14 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Convergence Programme of Romania (OJ C 304, 29.7.2021, p. 107)

line with the 2021 headline deficit target recommended by the Council. The adjustment in the structural balance for 2021 is 1.5 pps of GDP, above the recommended 0.7 pps.

(14) The macroeconomic scenario underpinning the budgetary projections in the 2022 Convergence Programme is realistic in 2022 and favourable thereafter. The government projects real GDP to grow by 2.9% in 2022 and 4.4% in 2023. By comparison, the Commission's 2022 spring forecast projects lower real GDP growth of 2.6% in 2022 and 3.6% in 2023. The differences are mainly due to high inflation affecting the purchasing power of households, the impact of the deterioration in confidence resulting from the international environment on consumption and investment, and a negative contribution from net exports, as prices for energy commodities are expected to keep rising. In its 2022 Convergence Programme, the government expects that the headline deficit will decrease to 6.2% of GDP in 2022 and to 4.4% in 2023. The decrease in 2022 mainly reflects strong growth in nominal GDP, an expected increase in the efficiency of tax collection, a freeze on the majority of public sector wages, and the plan to keep the increase of expenditure on goods and services, social assistance and other transfers below the growth rate of nominal GDP. According to the 2022 Convergence Programme, the general government debt-to-GDP ratio is expected to increase to 49.4% in 2022 and to 49.7% in 2023. Based on policy measures known at the cut-off date of the forecast, the Commission 2022 spring forecast projects a government deficit for 2022 and 2023 of 7.5% of GDP and 6.3% of GDP, respectively. This is higher than the deficit projected in the 2022 Convergence Programme, mainly due to higher expected social and interest expenditure, the higher estimated net effect of measures to cope with the surge in energy prices, a more cautious assumption on the expected gains in tax collection, and the lack of specified consolidation measures on the expenditure side in the Programme. The Commission 2022 spring forecast projects a higher general government debt-to-GDP ratio, of 50.9% in 2022 and 52.6% in 2023. The difference is mainly due to the higher projected deficits.

Based on the Commission spring 2022 forecast, the medium-term (10-year average) potential output growth is estimated at 3.6 %. However, this estimate does not include the impact of the reforms that are part of the Recovery and Resilience Plan, which can boost Romania's potential growth.

(15) In 2022, the government phased out the majority of measures taken in response to the COVID-19 crisis, such that the temporary emergency support measures are projected to decline from 1.1% of GDP in 2021 to 0.2% of GDP in 2022. The government deficit is impacted by the measures adopted to counter the economic and social impact of the increase in energy prices, which in the Commission spring 2022 forecast are estimated at 0.7% of GDP in 2022 and 0.1% of GDP in 2023[15]. These measures mainly consist of price caps on retail and wholesale prices on the expenditure side, and taxation of energy producers' extra profits on the revenue side. Other measures include compensation schemes for households and SMEs' energy and gas bills and energy allowances to vulnerable consumers. These measures have been announced as temporary. However, in case energy prices remain elevated also in 2023, some of these measures could be continued. Some of these measures are not targeted, notably the general price cap on energy prices for households. The government deficit is also

[15] The figures represent the level of annual budgetary costs of those measures taken since autumn 2021, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

impacted by the costs to offer temporary protection to displaced persons from Ukraine, which in the Commission 2022 spring forecast projected at 0.1% of GDP in both 2022 and 2023[16], as well as the increased cost of defence expenditure by 0.5 percentage points of GDP in 2023.

(16) The projected 2022 headline deficit in the Commission 2022 spring forecast is 1.3 pps of GDP above the headline deficit target recommended by the Council, while the adjustment in the structural balance is forecast to be -0.2 pps. Of GDP in 2022, compared to the recommended 1.8 pps of GDP. This calls for a careful analysis based on the expenditure benchmark. In 2022, net primary expenditure growth (adjusted for one-offs and for the fiscal policy measures on the revenue side) is projected at 9.6% in the Commission 2022 spring forecast, above the recommended 1.3%. The projected growth in aggregate expenditure in 2022 is mainly driven by the increase in social expenditure due to pension indexation and the budgeted social measures, and to the budgetary cost of the measures to cap energy prices (net of the revenue measures) and to deal with the flow of displaced persons from Ukraine. The growth in intermediate consumption expenditure, mainly driven by high expected consumer price inflation, also plays a role, although to a lesser extent. The deviation of net expenditure growth from the recommendation goes in the same direction as the deviation of the adjustment in the structural balance, although with a larger magnitude (2.7 percentage points of GDP in the case of net expenditure growth compared to 2.0 percentage points of GDP in the case of the structural balance). The difference can be partly explained by the higher revenue-to-GDP ratio forecasted for 2022 in the Commission 2022 spring forecast compared to the Commission 2021 spring forecast (higher by 0.9 percentage point of GDP), which improves the structural balance but does not affect the expenditure benchmark. On the basis of the careful analysis, Romania is at risk of non-compliance with the fiscal targets for 2022 established in the Council Recommendation of 18 June 2021.

(17) The projected 2023 headline deficit in the Commission 2022 spring forecast is 1.9 pps of GDP above the headline deficit target recommended by the Council, while the adjustment in the structural balance is forecast to be 0.0 pps. of GDP in 2022, compared to the recommended 1.7 pps of GDP. This calls for a careful analysis based on the expenditure benchmark. In 2023, net primary expenditure growth (adjusted for one-offs and for the fiscal policy measures on the revenue side) is projected at 1.7% in the Commission 2022 spring forecast, above the recommended 0.9%, due to the lack of concrete measures to achieve the targets. On the basis of the careful analysis, Romania is at risk of non-compliance with the fiscal targets for 2023 established in the Council Recommendation of 18 June 2021. In light of the risks of not meeting the recommended fiscal targets in 2022 and 2023, additional budgetary measures appear relevant to comply with the adjustment path and achieve the correction of its excessive deficit by 2024.

[16] The total number of displaced persons from Ukraine to the EU is assumed to gradually reach 6 million by the end of 2022, and their geographical distribution is estimated based on the size of the existing diaspora, the relative population of the receiving Member State, and the actual distribution of displaced persons from Ukraine across the EU as of March 2022. For budgetary costs per person, estimates are based on the Euromod microsimulation model of the Commission's Joint Research Centre, taking into account both cash transfers people may be eligible for as well as in-kind benefits such as education and healthcare.

(18) In the 2022 Convergence Programme, the general government deficit is expected to gradually decline to 2.95% of GDP in 2024 and to 2.9% of GDP by 2025. Therefore, the general government deficit is planned to go below 3% of GDP by 2024. The fiscal consolidation is mainly planned to occur on the expenditure side of the budget. However, no information is provided on the envisaged underlying consolidation measures. According to the Programme, the general government debt-to-GDP ratio is expected to stabilise by 2025, specifically with a decrease to 49.4% in 2024, and to 48.9% in 2025. Based on the Commission's analysis, debt sustainability risks appear high over the medium term.

(19) In accordance with Article 19(3), point (b) and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These help address 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 2020, in addition to any country-specific recommendations issued up to the date of adoption of a plan. In particular, the plan addresses the full digitalisation of the tax administration and gradual phase out of excessive tax incentives with the aim of improving the quality and sustainability of public finances. The plan also contributes to 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. Evidence-based decision making, long-term planning and public consultations, as well as measures aimed at improving the public procurement process are expected to contribute to improving the quality and effectiveness of the public administration leading to better take-up of EU funds. By strengthening the independence and increasing the efficiency of the judiciary, improving access to justice, and stepping up the fight against corruption, the plan aims to address the main issues related to respect of the rule of law in Romania in accordance with the relevant case-law of the Court of Justice of the European Union and taking into account recommendations made in the Cooperation and Verification Mechanism (CVM) reports, the reports by the Group of States against Corruption (GRECO), the opinions of the Venice Commission, and the Rule of Law Reports. Key reforms on minimum wage setting and minimum inclusion income, on strengthening corporate governance of state-owned enterprises and on social dialogue also address long-standing country-specific recommendations. The plan also establishes a unitary, inclusive and quality early-childhood education and care system accompanied by investments in childcare. The plan promotes sustainable and digital investments and supports research and development activities. Key reforms and investments on decarbonisation, on the establishment of a government cloud and the deployment of the electronic identity card contribute to supporting the green and digital transitions.

(20) The implementation of the recovery and resilience plan of Romania is expected to contribute to making further progress on the green and digital transition. Measures supporting the climate objectives in Romania account for 41% of the plan's total allocation, while measures supporting digital objectives account for 21% of the plan's total allocation. The fully-fledged implementation of the recovery and resilience plan, in line with the relevant milestones and targets, will help Romania swiftly recover from the fallout of the COVID-19 crisis, while strengthening its resilience. The systematic involvement of social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as

well as other economic and employment policies going beyond the plan, to ensure broad ownership of the overall policy agenda.

(21) Romania submitted the cohesion policy programming documents[17] on 14 April 2022 for the Partnership Agreement and on 6 May 2022 for its first programme. In line with Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, Romania shall take into account the relevant country-specific recommendations in the programming of the 2021-2027 cohesion policy funds. This is a prerequisite for improving the effectiveness and maximising the added value of the financial support to be received from cohesion policy funds, while promoting the coordination, complementarity and coherence between these funds and other Union instruments and funds. The successful implementation of the Recovery and Resilience Facility and cohesion policy programmes also depends on the removal of bottlenecks to investment to support the green and digital transitions and balanced territorial development.

(22) In response to the mandate by the EU Heads of State or Government set out in the Versailles Declaration, the REPowerEU plan aims to phase out the European Union's dependence on fossil fuel imports from Russia as soon as possible. For this purpose, the most suitable projects, investments and reforms at national, regional and EU level are being identified in dialogue with the Member States. These measures aim to reduce overall reliance on fossil fuels and shift fossil fuel imports away from Russia.

(23) According to 2020 data, Romania's energy mix is heavily based on fossil fuels; oil and gas represent around 30% each while coal makes up another 10%. Romania itself produces about 80% of the gas it consumes, while the remainder comes from Russia (Across the EU generally, gas imports make up most consumption with on average 44% of imports coming from Russia). As for crude oil, imports from Russia represent 32% of the total, compared with the EU average of 26%.[18] Romania is committed to a coal phase-out by 2032. To achieve this ambitious target, the Romanian recovery and resilience plan and other EU funds, such as the Modernisation Fund, include significant investments in fostering decarbonisation through the installation of new renewable energy capacity. However, the green transition and the large forecast increase in energy consumption will require significant upgrades in energy transmission networks and speeding up the deployment of green infrastructure. This will require an improved regulatory framework and greater investment, as well as empowering consumers to enable them to actively participate, either individually or collectively through energy communities, in the electricity market. Frontloading investment in infrastructure such as storage, as well as gas and electricity interconnections with neighbouring countries could increase diversification of energy supply, market stability and adaptability to regional variances. This is to be seen in the context of both Russia's invasion of Ukraine and reducing dependence on imports, as the energy system is still heavily reliant on fossil fuels. Moreover, offshore gas fields discovered in the Black Sea offer an important opportunity for Romania to build further its energy independence and significantly support neighbouring Members States' in reducing their dependency on Russian natural gas imports. New infrastructure and network investments related to gas are recommended to be future-proof where possible, in order to facilitate their long-term sustainability through future

[17] Regulation (EU) 2021/1060, OJ L 231, 30.06.2021, p. 159.

[18] Eurostat (2020), share of Russian imports over total imports. For the EU27 average, the total imports are based on extra-EU27 imports. For Romania, total imports include intra-EU trade. Crude oil does not include refined oil products.

repurposing for sustainable fuels. Moreover, offshore gas fields discovered in the Black Sea offer an important opportunity for Romania to build further its energy independence and significantly support neighbouring Members States' in reducing their dependency on Russian natural gas imports. Simultaneously, the Romanian recovery and resilience plan envisages EUR 3 billion in energy efficiency measures in public and private residential buildings as well as the industrial sectors. Going beyond this first renovation wave is necessary to reduce energy consumption and dependence on fossil fuels, as the recovery and resilience plan's target will not cover the entire building stock. Romania needs to further improve the policy framework to accelerate the renovation of buildings. Further increase in ambition for reducing greenhouse gas emissions and increasing of renewables and energy efficiency will be needed to be in line with the 'Fit for 55' objectives.

(24) While the acceleration of the transition towards climate neutrality and away from fossil fuels will create significant restructuring costs in several sectors, Romania can make use of the Just Transition Mechanism in the context of cohesion policy to alleviate the socio-economic impact of the transition in the most affected regions. In addition, Romania can make use of the European Social Fund Plus to improve employment opportunities and strengthen social cohesion.

(25) The Council has examined the 2022 Convergence Programme of Romania and its opinion[19] is reflected in particular in recommendation (1) below.

(26) In the light of the Commission's in-depth review and this assessment, the Council has examined the 2022 National Reform Programme and the 2022 Convergence Programme. Its recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations 1, 2 and 3 below. Fiscal policies referred to in recommendation 1 help inter alia address imbalances linked to the large and persistent current account deficit as better fiscal balances will help reducing the large external financing needs of Romania's economy as a whole. Policies referred to in recommendation 2 help inter alia address vulnerabilities linked to competitiveness. Policies referred to in recommendation 3 help inter alia address vulnerabilities linked to the external accounts in the longer term.

HEREBY RECOMMENDS that Romania take action in 2022 and 2023 to:

1. Pursue fiscal policies in line with the Council Recommendation of 18 June 2021 with a view to bringing an end to the situation of an excessive government deficit in Romania.

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 3 November 2021. Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation.

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3. Reduce overall reliance on fossil fuels. Facilitate the further expansion of sustainable energy production by accelerating the development of renewables, upgrading energy transmission grids and increasing interconnection with neighbouring Member States. Increase the pace and ambition of renovations to advance the energy efficiency of the building stock.

Done at Brussels,

For the Council
The President