



Fiscal Council's Opinion on the State Budget Law for 2026, the Social Security Budget Law for 2026 and the 2026-2028 Fiscal Strategy

On 5 March 2026, the Ministry of Finance (MF) submitted to the Fiscal Council (FC), via address no. 491107/05.03.2026, the Report on the macroeconomic situation for 2026 and its projection for the 2027-2029 period, the Draft state budget law for 2026, the Explanatory Memorandum, the Draft state social security budget law for 2026, the Explanatory Memorandum, and the Draft law for the approval of ceilings for certain indicators specified in the fiscal framework for 2026, requesting, based on Article 53, paragraph (2) of the Fiscal Responsibility Law No. 69/2010 (FRL) (republished), the FC's opinion on these documents.

According to Article 53, paragraph (4) of the FRL, the Government and Parliament are required to analyse FC's opinions and recommendations when developing the fiscal strategy, the annual budget laws, as well as when drafting other measures derived from the application of the FRL, and to consider/approve them accordingly.

The FC's opinion is based on the documents received from the Ministry of Finance up to March 11, 2026. A prolongation of the war in the Middle East, accompanied by persistently high prices for oil, natural gas (including liquefied natural gas), would call into question certain assumptions underlying the budget framework.

Summary

- Romania's budget for 2026 has been adopted with a considerable delay. This situation reflects not only difficulties in the functioning of a broad coalition, but also complicated decisions regarding fiscal consolidation in a tense social and economic context.
- Shortly before the government adopted this year's budget, a war broke out in the Middle East. If it proves to be prolonged, it will have severe consequences for European economies, including Romania's, through the channel of a new energy shock; economic growth and inflation will be affected. The budget deficit could nevertheless remain close to the planned level if the effect of higher inflation (than forecast) on nominal GDP compensates for weaker economic dynamics.

- The absence of a program to restore public finances placed Romania in an extremely difficult situation in the first part of 2025, when the prospect of a downgrade of its sovereign rating was looming.
- The increase in taxes, although painful for citizens, was necessary. Cutting expenditures alone (as was sometimes argued in the public debate – without, however, providing plausible numerical support) would not have made it possible to reach the deficit target.
- It is bold to speak about an “economic recovery” in 2026, a year in which fiscal (budgetary) consolidation is underway.
- Public investments can support production and aggregate demand in 2026 as well, but they cannot offset the negative fiscal impulse required by fiscal consolidation.
- However, one can speak about economic policy measures aimed at supporting vulnerable citizens and certain firms.
- The problem of the budget deficit was caused not by investments, but by the excessive stimulation of consumption and the neglect of the need to have higher fiscal revenues, appropriate to the needs of an EU member state.
- Reforms in the public sector are important for its efficiency and can help reduce the budget deficit; these reforms are also important from the perspective of economic and social equity. However, such reforms take time, as they involve institutional factors, social behaviour, and interest groups with significant power in society.
- Fiscal consolidation is necessary to keep public debt under control, which has exceeded 60% of GDP.
- If the VAT gap and the corporate tax gap are substantially reduced, and together with other measures (e.g., controlling budget expenditures in relation to the dynamics of nominal GDP), the deficit could fall below 4% of GDP within a few years.
- For sustainable fiscal consolidation and the creation of fiscal space, tax collection must become much more efficient (the National Agency for Fiscal Administration – NAFA – has an essential role in this area), an effective insolvency regime must operate (which requires legislative changes), and the sense of impunity that many who defraud the public budget currently feel must disappear. The justice system must also work more actively in this regard.
- Increasing fiscal revenues through much better tax collection (reducing the VAT gap and gaps in other taxes) is an internal “war” that Romania must win. This will also test political will and the capacity to overcome opposing interest groups. It may sound naïve, but the stakes are enormous; the low level of fiscal/budgetary revenues is a matter of national security, given the pressures on the public budget.
- The relationship between the growth rate of nominal GDP (the real growth rate plus the deflator) and the cost of borrowing (public debt rollover) must be taken into account. Under favourable conditions, this relationship can support fiscal consolidation, but there is also the other side of the coin. The electoral year 2028 also poses risks for budgetary

consolidation. Moreover, the relationship mentioned above can be disrupted by external shocks.

- A challenge for fiscal consolidation is the need to increase defense spending.
- Fiscal consolidation is absolutely necessary to improve Romania's sovereign rating. If the deficit were to remain stuck at around 6% of GDP in the coming years, it is unlikely that the current sovereign rating would improve; it could even deteriorate if public debt is not stabilized.
- Accession to the euro area cannot take place as long as Romania does not maintain small budget deficits (below 3% of GDP) and sustainably low inflation.
- The increasingly high level of uncertainty in the international system, the erosion of rules and arbitrariness in the policies of some countries, the return to spheres of influence and a new arms race, wars, and widespread disorder all place growing pressure on national budgets and create major challenges for both public and private policies.
- A shift appears to be taking place (which needs to be confirmed by subsequent data) in the center of gravity of economic growth – from consumption toward investment and net exports – against the backdrop of substantial public sector investments. However, the efficiency of public investments (from all sources of financing) remains low; economic growth, even under conditions of very significant investments in quantitative terms (around 6.7% and 7.2% of GDP in 2024 and 2025), has not exceeded 1 percentage point.
- The macroeconomic forecast used for the draft budget and the fiscal strategy is realistic. However, it is worth noting the need for greater caution regarding the trajectory of the effective interest rates on government securities – which determine the projected path of interest expenditures. Another element that requires a more prudent approach is the dynamics of the public sector wage bill over the horizon of the fiscal strategy.
- The realism of the projection may be eroded by the materialization of risks generated by geopolitical tensions stemming from the conflict that began at the end of February this year in the Middle East. However, it is still too early to quantify the magnitude and persistence of these shocks, which would be strictly necessary in order to incorporate them into the baseline fiscal and macroeconomic scenario.
- The high levels of the external deficit (either the current account deficit or the balance of payments or the trade deficit), in the context of an unfavourable financing structure, represent a major vulnerability of the Romanian economy. They increase the risk of a sudden stop (a sudden interruption of financing) and thus constitute, in themselves, a reason for the need for fiscal adjustment, which would also reduce financing needs and stabilize the trajectory of public debt.
- The numerous and significant internal and external risks (in terms of their potential/possible effects), combined with the vulnerable position of the Romanian economy – given the atypically large twin deficits (even for emerging economies, whose development is often marked by imbalances) and public debt exceeding 60% of GDP (a very high level for a country with Romania's economic characteristics) – underscore the

urgency and necessity of fiscal adjustment, a *sine qua non* process for easing and mitigating these vulnerabilities.

- The budget framework for 2026 envisages a cash budget deficit of 6.25% of GDP, representing a reduction of 1.4 pp of GDP compared with the level recorded in 2025. This reduction is planned in the budget through an increase in total revenues by 1.3 pp of GDP, while total expenditures are planned to decrease marginally by 0.1 pp of GDP.
- Excluding the impact of EU funds aggregates, the other categories of revenues are planned to increase by 0.46 pp of GDP, while the remaining categories of expenditures are set to decrease by 1.44 pp of GDP. Thus, the budgetary correction in 2026 is planned to be achieved predominantly on the expenditure side.
- The analysis of the Ministry of Finance's forecast regarding budget revenues for 2026, taking into account the National Commission for Strategy and Prognosis (NCSP) projection on macroeconomic developments and the adopted fiscal policy measures – including the contractionary macroeconomic effects of consolidation measures – appears to indicate an achievable value for the aggregate revenue target, albeit surrounded by uncertainties and risks.
- The Fiscal Council considers that there are premises for staying within the ceilings established for the expenditures of the general consolidated budget. However, the budget is built on the assumption of strict control over these expenditures, and the experience of previous years has shown how difficult such an undertaking can be. Depending on developments in the national and international economic environment, there are risks regarding compliance with the projected levels, particularly in the case of expenditures on interest, goods and services, and social assistance.
- There are uncertainties regarding the full implementation of projects under the National Recovery and Resilience Plan (NRRP). The inability to fully absorb these funds would not only deprive the economy of a growth engine, but could also lead to an unexpected increase in the budget deficit, thereby jeopardizing the fiscal consolidation trajectory.
- **Based on a prudent approach to forecasting revenues and expenditures, the Fiscal Council considers the budget framework for 2026 to be compatible with a cash deficit of around 6.25% of GDP. This assessment by the Fiscal Council does not take into account either the potential severe effects of the war in the Middle East or any possible measures associated with them.**
- The plausibility of the projection of budget revenues and expenditures is closely linked to the evolution of the macroeconomic framework, with the escalation of global tensions raising additional risks. A prolongation of the conflict in the Middle East could have a negative impact on economic growth and tax bases, as well as increase risk aversion in international financial markets.
- The analysis of the fiscal-budgetary framework for the 2027-2029 period shows that, compared with 2026, the reduction of the budget deficit in the medium term is planned to be achieved mainly on the expenditure side. Fiscal revenues are projected to increase by only 0.5 pp of GDP, while social security contributions are expected to decrease by 0.1

pp of GDP. Regarding the adjustment on the expenditure side, the Fiscal Council has signalled risks concerning the projected trajectories for personnel expenditures, social assistance, and interest payments, as well as the need to reflect increasing military expenditures, which may not allow for a significant adjustment in investment spending.

- In the absence of support for the consolidation process on the revenue side, adjusting the budget deficit over the medium term – based predominantly on reducing expenditures – raises questions. Under these circumstances, the balance of risks appears tilted toward the possibility of recording larger deficits than those estimated in the fiscal-budgetary framework for the 2027-2029 period. A substantial improvement in the collection of fiscal revenues would greatly help in achieving the budget deficit targets in the coming years.
- An increase in budget revenues is mandatory to ensure compliance with the consolidation trajectory and to exit the excessive deficit procedure by 2030.
- Although the budget deficit declined in 2025 and is projected to adjust toward 6.25% of GDP this year, the continuation of the budgetary consolidation process is mandatory. If the correction of the deficit were not to continue in the coming years (the no-policy-change scenario), public debt would follow a steep upward path, reaching around 80% of GDP by 2034. Such a trajectory would not be sustainable, and financial markets would penalize it.
- By contrast, in the scenario of continuing budgetary consolidation after 2026, in line with the trajectory of net primary expenditures recommended by the European Commission, public debt would reach a peak of about 63% in the 2027-2028 period. Subsequently, starting in 2029, public debt would follow a downward path, falling below 60% of GDP by 2030. There is a time lag between the adjustment of the deficit and the stabilization of the debt trajectory.
- A structural risk with a direct impact on the consolidation period is represented by the dynamics of social assistance expenditures. Mitigating this risk requires structural measures aimed at increasing the participation of able-bodied individuals in the labour market, gradually adjusting the retirement age in line with changes in life expectancy, and eliminating exceptions to the standard retirement age.
- The stress analysis of public debt sustainability indicates a high vulnerability to adverse shocks, reinforcing the need to continue fiscal consolidation to ensure macroeconomic stability and highlighting the importance of creating fiscal space that would allow the absorption of future shocks.
- The absorption of European funds, an essential financial resource for the sustainable development of the economy and for maintaining fiscal-budgetary and financial-exchange rate balances, has faced major difficulties and significant delays. With regard to the European funds related to the 2021-2027 Multiannual Financial Framework (MFF), by the end of November 2025 the effective absorption rate was 15.2% for National Programmes, and 13.4% for the total of National and Regional Programmes.
- The low level of achievements over a period of almost five years, relative to the deadline for completing all milestones and targets under the National Recovery and Resilience Plan,

namely August 2026, makes it extremely difficult to recover the delays in just six months. This entails the risk of losing significant amounts of European funds and failing to implement important reforms and investment projects.

- European funds will continue to represent an essential element for the domestic investment process. It is vital to succeed in fiscal consolidation and to move toward a growth model that targets sectors with higher value added and reduces external imbalances.
- The importance of public expenditure reviews is supported by the rule anchoring net primary expenditures in the new governance framework.
- By the end of 2025, the Government of Romania, through the Ministry of Finance and several line ministries, conducted public spending reviews in the following areas: education, health, environment, and transport (ongoing). It also approved, through a memorandum, the Public Expenditure Review Strategy for the 2024-2030 period.
- The *ex-post* evaluation of the public spending reviews for education, health, and environment carried out by the Fiscal Council highlighted that these analyses were conducted within a formalized procedural framework, involving interinstitutional working groups and showing a tendency to align with international best practices for spending reviews. Regarding the *ex-post* evaluation of the public spending review in the transport sector, the Fiscal Council noted that the Report on the spending review in transport is not available for the general public.

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CONTENTS:

1. Background – The fiscal correction has begun, but a new shock hits Europe.....	8
<u>2. The macroeconomic framework underpinning the 2026 Budget Law and 2026-2028 FS..</u>	13
<u>3. Fiscal-budgetary framework.....</u>	24
<u>4. Medium-term fiscal outlook – budgetary construction beyond 2026.....</u>	35
<u>5. Analysis of the sustainability of public debt in Romania.....</u>	40
<u>6. Absorption of European funds from the 2021-2027 MFF and NRRP.....</u>	47
<u>7. Spending reviews in Romania, 2022-2025.....</u>	54
<u>8. Conclusions.....</u>	58
<u>Annexes.....</u>	62

1. Background – Fiscal correction has begun, but a new shock hits Europe

Romania's budget for 2026 is adopted with considerable delay. This situation expresses not only difficulties in the functioning of a broad coalition, but also complicated decisions on budgetary consolidation in a tense social and economic context.

Shortly before the adoption of this year's budget by the Government, a war began in the Middle East, which, if prolonged, will have severe consequences for European economies, including Romania's, through a new energy shock; economic growth and inflation will be influenced. However, the budget deficit could remain close to scheduled, if the effect of higher (than forecast) inflation on nominal GDP offsets weaker economic dynamics.

Budget correction started in 2025

The year 2024 ended with a cash deficit of 8.7% of GDP and an ESA deficit of 9.3% of GDP (a deficit almost equal to that recorded during the pandemic year, 2020). These deficits were by far the highest in the EU. In 2025, the deficit would have exceeded 10% of GDP if public sector employees' salaries and pensions had not been frozen at the level of November 2024. Anyway, the budget, as it was initially built for 2025, with a deficit of 7% of GDP, contained overestimated revenues and undervalued expenses.

The absence of a public finance's adjustment program placed Romania in an extreme situation in the first part of 2025, when the spectre of a sovereign rating downgrade emerged, alongside increasingly difficult access to financing and refinancing; and developments related to the domestic political environment have influenced the perception of the markets.

The government's budget correction program installed in June 2025, which started operating in the second half of the year, led the deficit even lower than the target assumed at the November revision: 7.65% of GDP compared to 8.4% of GDP (in the cash version). This performance was due to the restructuring of the NRRP program (transition of projects from loans to grants), expenses with lower interest rates than those scheduled at the second revision in November, lower personnel expenses and subsidies, the increase in budget revenues.

The reduction of the budget deficit achieved in about half a year allows a fiscal consolidation in 2026 towards a budget deficit level of approx. 6% of GDP. The government is considering a cash deficit of 6.25% of GDP. There would be no need for new taxes apart from those in the packages of measures.

Myths and truths about correction

The increase in taxes, although painful for citizens, was necessary. Only a cut in expenditure (as it has sometimes been argued in the public debate – but without coming up with plausible numerical support) did not make it possible to reach the deficit target; it is an argumentation

of the FC that has been constantly reiterated¹. The decrease in real terms in spending on wages and pensions (by freezing at the nominal level in November 2024), in the context of an average inflation of over 7%, was mediated by the increase in taxes and duties/levies, by the liberalization of the electricity tariff – which caused an inflationary surge.

Sometimes inevitable compromises in economic policy trade-offs are ignored in public debates. For example, higher inflation could not be avoided in the context of increased taxes. And this option of adjusting the budget deficit (which implies a tax through inflation) is to be compared with the impossibility of reducing public spending to the size demanded by some pre-opponents. Or another economic policy dilemma: can you have fiscal consolidation (deficit reduction) at the same time as economic stimulus? Obviously, it is not possible.

It is therefore foolhardy to talk about an “economic recovery” in 2026, year in which fiscal consolidation is underway – a programmed reduction of the budget deficit from 7.65% of GDP to 6.25% of GDP; the fiscal impulse is intensely negative this year, and the monetary policy rate cannot be lowered as long as inflation is still high (it reached 9.69% in December 2025)². Public investment can support output and aggregate demand in 2026 as well, but cannot offset the negative fiscal stimulus demanded by fiscal consolidation. However, we can talk about economic policy measures in support of vulnerable citizens and certain companies. It is worth mentioning that the fiscal adjustment has a regressive character, which has especially affected citizens with very low incomes. But fiscal consolidation must continue.

The economy did not shrink in 2025, as some analysts anticipated based on the compression of real incomes, but there is data of a technical recession. The question of some why the economy does not grow more when public investments were considerably higher in 2025, and those scheduled in 2026, approx. 8.0% of GDP, which is an absolute record compared to the average of the previous decade (see *Annex 4*), must consider the compression in real terms of individual incomes and the structure of public investments; between the latter, some are not oriented towards the development of goods and services that reduce the trade deficit (*tradables*). Also, investments in infrastructure have notable effects on aggregate production and productivity in the longer term, not necessarily in the immediate term. At the same time, high risk aversion persists in the private sector.

The thesis that Romania’s economy is based on consumption is unfounded; in all countries, public and private consumption hold by far the largest share of total spending. What the beginning of the budget correction did is to stop the momentum of consumer spending, which was not sustainable, and to shift the focus on investments in the pistons of economic growth.

¹ Perhaps only if capital expenditures had been drastically reduced (which was not possible in the middle of the year), could such a thing have been imagined.

² One can speak of a decrease in the restrictiveness of monetary policy in the conditions of the inflationary surge produced by the increase in taxes.

Over the last 15 years, public investments have averaged among the highest in the EU, with record levels in 2025 and the one scheduled in 2026 (this is the year when the NRRP³ ends). The problem of the budget deficit was caused not by investment, but by the excessive stimulation of consumption and the neglect of the need to have higher tax revenues, in line with the needs of an EU member state.

The level of tax revenues in Romania (about 29% of GDP in 2024) is very low, well below the EU average (about 40% of GDP) and even below that of the region⁴ (34-35% of GDP). The reduction of the budget deficit requires an increase in tax revenues, which can be achieved by increasing the tax base and the collection rate (mainly VAT).

Reforms in the public sector are important for its efficiency and can help reduce the budget deficit; these reforms are also important for reasons of economic and social fairness. But it is incorrect to say, or to suggest, as it is sometimes done, that the public sector is “parasite”. This sector has the role of providing basic public goods (health, education, defence, public order), which cannot be provided by the private sector; nor can they be outsourcing according to the logic of a minimal state taken to the extreme. There are private hospitals and schools, but they cannot serve the needs of society as a whole. Romania is part of the EU, which, despite the variety between member states, has outlined a common economic and social model.

However, these reforms consume time, because institutional elements and social behaviour, interest groups with power in society, intervene.

The budget deficit must be judged in relation to the current account deficit; it is the twin deficit syndrome. In 2024, the current account deficit was 8.2% of GDP (BPM6 data), and in 2025, 8% of GDP. The reduction of the budget deficit would also reduce the current account deficit, which is financed through considerable loans.

Fiscal consolidation is necessary to keep public debt under control, which has exceeded 60% of GDP; this increased from 39% of GDP in 2019. The evolution of public debt has become a major vulnerability for the economy, given the rates at which the Romanian state borrows (see *Annex 5*).

What will be after 2026?

The budget deficit in 2026 could be, even if we take into account the shock of the war in the Middle East, around 6.2% of GDP – which would put Romania in a platoon with France and

³ The NRRP has helped economic growth in Romania; for an analysis of the post-pandemic period, see C. Angheliescu, D. Dăianu, T. Grosu, D. Orțan, “European funds and public investments in Romania: implications of the conclusion of the NRRP on economic growth”, Study Notebook no. 66, February 2026.

⁴ Czech Republic, Croatia, Poland, Slovakia, Hungary.

Poland (the latter will probably have a budget deficit of 6.3%⁵ of GDP in 2026, but with defence spending of 5% of GDP – compared to Romania, with 2.3% of GDP in 2026).

What will happen after 2026? It is a crucial question, which concerns the ability to continue reducing the public deficit, fiscal consolidation. If the VAT and profit tax are substantially reduced and together with other measures (e.g. controlling budget expenditures in relation to nominal GDP dynamics), the deficit could fall below 4% of GDP in a few years.

Given the unfavourable demographic dynamics and the ageing of the population, it is desirable to increase the retirement age in correlation with the evolution of life expectancy.

For a sustainable budgetary consolidation and the creation of fiscal space, the collection of taxes must be much more efficient (NAFA has an essential role in this area), an effective insolvency regime must operate (legislative changes are needed), the feeling of impunity that many of those who defraud the public budget have must disappear. And the justice system must operate more in this regard.

Increasing tax revenues through much better collection (reducing the gap in VAT and in other taxes) is an internal “war” that Romania must win. This will also test the political will, the ability to defeat opposing interest groups. Romania needs a political pact and an agreement with the honest business environment for this purpose. It may sound naive, but the stakes are huge; the low level of fiscal/budgetary revenues is a matter of national security, given the high pressures on the public budget.

We need to consider the relationship between the nominal GDP growth rate (real rate plus deflator) and the cost of borrowing (public debt rollover). Under favourable conditions, the aforementioned relationship can help fiscal consolidation, but there is also the other side of the coin. The 2028 electoral year also brings risks for the budgetary consolidation.

The relationship mentioned above can be disrupted by external shocks; these shocks can be produced by geopolitical developments, by the less good effects of a new wave of deregulation of the financial sector and the expansion of crypto assets, by the erosion of the independence of some central banks. Therefore, it is good that the fiscal consolidation process does not derail, without neglecting aspects of social cohesion and equity.

One challenge for fiscal consolidation is the need to increase defence spending. The Trump administration has decided to increase this spending in the US to \$1.5 trillion (i.e. about 5% of GDP, from 3.19% of GDP in 2024), which will put more pressure on European countries, where the average is around 2% of GDP, but with significant differences between EU countries (around 1.2% in Spain, approx. 3.3% of GDP in the Baltic States, 4.1% of GDP in Poland).

⁵ AMECO data base.

The SAFE program can help Romania, as it can finance purchases of military equipment and infrastructure works (about 1/4 of the approximately 16 billion euros allocated to Romania). But SAFE can only partially compensate for the conclusion of the NRRP in 2026 and has an impact on the public debt, as well as the deficit. It would have been good if SAFE⁶ had also included a grant component (similar with NRRP), especially for the countries on the eastern flank of the EU.

The very complicated situation in the world, acute military conflicts, justifies the need to have a robust military capability, which implies adequate defence spending. These must be taken into account in budgetary consolidation.

Romania must be concerned with increasing the efficiency of public investments, the production of exportable goods (*tradables*) through industrial policy measures, public-private partnerships that increase the competitiveness of the economy. And these goals show why it is essential to increase the level of tax revenues in Romania's budget.

Fiscal consolidation is absolutely necessary to improve Romania's sovereign rating. If we were stuck with the deficit at approx. 6% of GDP in the coming years, it is unlikely that the current rating will improve; it may even deteriorate, if the public debt is not stabilized. Comparisons with other EU states with substantially higher public debts must take into account the size of the economy, industrial power and national wealth, the degree of competitiveness, the level of budget revenues, financing from the internal market, the external balance, membership or not of the Eurozone etc.

Joining the Eurozone

Eurozone membership cannot happen as long as we do not have low budget deficits (below 3% of GDP) and sustainably low inflation. Fiscal rules help, but they do not automatically work better in the Eurozone. Romania's troubles are mainly caused not by non-membership of the Eurozone, but by errors in fiscal/budgetary policy. The comparison made with Bulgaria in terms of joining the Eurozone as a political project underestimates the role of *the monetary council* in the public governance of the neighbouring country, a monetary policy regime introduced about three decades ago to stem great financial/economic and social turbulence.

The international environment is increasingly uncertain and disorderly

The world is fragmenting, with poles of power between which an intense geopolitical confrontation is taking place. The multilateral system established after the World War II is in dismantling, illustrated also by the withdrawal of the US from numerous international

⁶ This is just one of the European programs; there are also EDIP (European Defence Industry Programme), EDF (European Defence Fund), EDIRPA (European Defence Industry Reinforcement through Common Procurement Act), PESCO (Permanent Structured Cooperation), Ukraine Support Instrument (USI).

organizations. Rules in international relations become irrelevant. Instability is increasing. Tensions and military confrontations proliferate.

The tariff war unleashed by the US is affecting the transatlantic relationship and trade. The EU and Canada are trying to develop trade relations with India and China, with Latin America (Mercosur agreement for the EU), in order to save from multilateralism what is possible.

What policy the Fed will have next matters a lot for the movement of international financial markets; the promotion of crypto assets comes with risks to international financial stability, to central bank policies. Artificial intelligence can amplify systemic risks⁷. It is important for the EU's monetary sovereignty that the ECB introduces a digital euro. Cash, however, makes sense to exist, including for security reasons.

The increasing degree of uncertainty in the international system, the erosion of rules and arbitrariness in the policies of some countries, the return to spheres of influence and a new arms race, wars, a lot of disorder, all these put increasing pressure on national budgets and create major challenges for public and private policies. This unfavourable global context obliges the Romanian authorities to make the best use of their own resources, to practice prudent macroeconomic policies, to support the cohesion of the EU and NATO.

European funds will continue to be an essential element for the domestic investment process, although in decrease as a share of GDP after 2026 (when the NRRP ends). It is vital to succeed in fiscal consolidation and to move towards a growth model that pursues sectors with higher added value, reducing external imbalances.

2. The macroeconomic framework underpinning the 2026 Budget Law and 2026-2028 FS

The analysis of the plausibility of the provisions of the Budget Law for 2026 and of the Fiscal Strategy (FS) for the 2026-2028 period, carried out by the Fiscal Council, starts from the internal and external macroeconomic frameworks that underpin them. The considerations formulated below take into account, among others, the "2025 Autumn Forecast – Projection of the Main Macroeconomic Indicators 2025-2029"⁸ published in December 2025 by the National Commission for Strategy and Prognosis (NCSP) and the accompanying Note⁹.

The economic coordinates in this forecast start from recent data, which highlight: (i) a stabilization of the pace of economic growth at a low level, (ii) a relative stabilization and, in some cases, a relative attenuation of economic imbalances – we refer to the external imbalance (the deficit of the current account of the balance of payments) and the fiscal imbalance. The latest data on gross domestic product published by the National Institute of

⁷ See also St. Cechetti, R. Lumsdane, T. Peltonen, A.S.Serrano, "Artificial intelligence and systemic risks", SUERF Policy Note, no. 390, February 2026; see also D. Daianu, "Can artificial intelligence (AI) prevent financial crises?", Fiscal Council, February 12, 2024.

⁸ <https://cnp.ro/wp-content/uploads/2025/12/Prognostza-2024-2029-varianta-de-toamna-2025.pdf>

⁹ https://cnp.ro/wp-content/uploads/2026/01/Nota-prognostza-de-toamna-2025_dec2025.pdf

Statistics (INS) on March 6, 2026¹⁰ show a marginal contraction in economic activity in the first quarter of 2025 (-0.5% quarter-on-quarter dynamics), a return to real economic growth in the second quarter (+1.0%), followed by successive contractions in the third and fourth quarters (marginal contraction of -0.1% in Q3 2025 and, respectively, -1.9% in the last quarter of last year).

Thus, the quarter-on-quarter change of real GDP shows, for the fourth quarter of 2025 (the latest available observation), a contraction in the volume of economic activity compared to the third quarter of 2025; while the year-on-year variation, also for the fourth quarter of last year, shows an increase of 0.2%. This can be found, from the perspective of the method of formation/production of GDP, in: (i) the positive contributions of sectors such as (i.1) construction (+0.7 percentage points, pp onwards), (i.2) information and communications (+0.5pp) and (i.3) real estate transactions (+0.2pp), (ii) together with some negative contributions of other sectors, such as (ii.1) professional and similar activities (-0.4pp), (ii.2) trade and similar activities (by -0.3pp), to which are added (ii.3) net taxes on product (by -0.3pp), (ii.4) financial intermediation and insurance, as well as (ii.5) public administration and similar activities (by -0.1pp each); (iii) the rest of the sectors of the economy have zero contributions (agriculture, forestry and fisheries, industry, as well as entertainment and similar activities). From the perspective of the use/expenditure method for calculating GDP, we can observe (i) the predominance of investments¹¹ (gross fixed capital formation) in explaining the growth (+1.8pp of the year-on-year growth of 0.2%), accompanied by the contribution of (ii) the net export of goods and services¹² (by +0.4pp), on the contrary acting (iii) the total effective final consumption (with -0.7pp contribution; from which we can observe the contraction of the effective individual final consumption of households by 0.4pp and the contraction of collective final consumption of general governments, part of the total effective final consumption, of 0.3pp), as well as (iv) the change in inventories, with a contribution of -1.3pp. From the point of view of the intra-annual distribution of economic growth, the marginal contraction in the first quarter of last year, of 0.5%, is followed by a quarter of growth (with a positive dynamic of +1%), and then there is a marginal contraction in the third quarter, of 0.1%, and another contraction, of 1.9%, in the last quarter of the year. The interpretation of these developments leads to several observations: (i) there is a shift in the centre of gravity of economic growth from consumption to investments and net exports, against the background of very significant quantitative investments in the public sector. At the same time, (ii) the contraction in the volume of economic activity – in the third and fourth quarters of last year – coincides with the beginning

¹⁰ <https://insse.ro/cms/ro/content/produsul-intern-brut-%C3%AEn-trimestrul-iv-2025-date-provizorii-1>

¹¹ The NIS press release of December 12, 2025 on net investments made in the national economy indicates an increase in their volume in the first 11 cumulative months of 2025 compared to the same period last year, from a volume perspective, of +3.9%, and an increase in the third quarter of 2025 compared to the same quarter of the previous year of +8.8%. Investments are concentrated in the purchase of machinery, but also in new constructions, in the construction, trade and services, industry and other branches sectors.

¹² For the first time, during 2025, net exports have a positive contribution (exports outstrip imports); in the previous quarters (first and second quarters) net export contributions were negative (to GDP growth).

of the fiscal adjustment process. However, the negative effect of the latter factor is partially offset by a good evolution of the agricultural and construction sector at the level of the whole year, combined with exports that outpaced imports, in the last semester of last year, for the first time in the last period of time.

Although some of these developments are encouraging, the permanent nature of these structural changes must be confirmed by subsequent data and, moreover, the influence of other factors should also be taken into account, such as: (i) the funds related to the NRRP that expire after mid-2026, the end of this program being able to mean a significant reduction in the sources of public investment in the Romanian economy, with all the programs intended for defence – which also have components of public transport infrastructures. Then, (ii) the positive contribution of net exports may be the result of external factors (e.g. changes in world trade, as a result of changes in customs policies/tariffs), and the sustainability of these changes must stand the test of time. In addition, it is worth noting (iii) a poor efficiency of public investments, their extremely high volume, of approx. 7% of GDP (6.7% of GDP in 2024 and 7.2% of GDP in 2025), accompanied by annual economic growth, both in 2024 and in 2025 of below 1% and decelerating (+0.9% in 2024 and +0.7% in 2025). This requires a consistent approach, determined to increase the efficiency of public investments, especially in the sense of increasing the productive capacity, the competitiveness of the Romanian economy, especially in the field of tradable goods and services. It is also worth mentioning that the positive contribution (for the whole of 2025) of (iv) agriculture will probably continue to manifest itself – but with less intensity – but, in the medium term, this is a factor that depends on uncontrollable elements, without regularity, such as weather conditions and the circumstances of international agricultural raw materials markets – which would deserve a stronger emphasis in the sense of economic policies that increase the robustness of the contribution of this sector (e.g. irrigation, production storage centres, investments in the processing/food industry etc.).

Under these circumstances, the revision made by the NCSP between the 2025 autumn forecast (from December 2025) and the 2025 summer forecast (from September 5, 2025), which anticipates the reduction of economic growth in the current year to 1% (from 1.2% previously), appears to be in line with recent domestic economic developments, previous revisions of historical series, trends reported mainly by the National Institute of Statistics, as well as the scale and extent of the fiscal adjustment (which was also reflected in a lower cash/national methodology deficit for 2025 compared to the revised target). However, macroeconomic variables may need to be revised to even more unfavourable values, especially if commodity prices (oil and derivatives, natural gas, electricity etc.) continue to rise and risk sentiment deteriorates (also reflected by interest rates/yields on domestic and international capital markets) – all against the backdrop of the war in the Middle East, especially if its duration will be extended.

At the moment, a rigorous assessment of the effects of the war on commodity and capital markets is not possible, which makes these considerations a risk scenario – which may become likely, however. The persistence, in the macroeconomic projection underlying the budget and the fiscal strategy, in 2026 of a relatively low but positive economic growth rate also takes into account, in addition to the impossibility of outlining an alternative macroeconomic scenario, both the full manifestation of the effects of the 1st fiscal adjustment package (previously applied only from 1 August 2025, with effect from September last year) and the effects of the 2nd fiscal adjustment package, promulgated in December 2025, which is applied from January 1, 2026. In addition, the real dynamics of salaries¹³ and pensions¹⁴, both negative, reflecting the measure of freezing their amount at a predetermined level for 2 years (which does not mean zero dynamics, but only very low nominal growth), also justifies the prudent economic dynamics assumed by the NCSP's macroeconomic projection. The factors described above (fiscal adjustment, non-indexation of income from pensions and public sector wages) are also risk elements of the macroeconomic projection, as different trajectories may change the course of the economy.

To the risk factors mentioned above, others can be added: (i) the outbreaks of geopolitical confrontation or the exacerbation and chronicization of existing ones – as a result of geopolitical tensions in the Middle East, South-East Asia and Latin America – which could lead both to a change in the perception of risk and to influences on the raw material markets (in particular the increase in the price of oil, natural gas and, implicitly, the price of electricity), (ii) the reconfiguration of the system of customs duties and tariffs in relation to the world's major trading blocks, including as a result of recent legal decisions, (iii) the bursting of bubbles on the markets of some assets – such as assets in the Artificial Intelligence sector, crypto-assets, unregulated financial intermediation (shadow-banking, including the SRT market – Synthetic Risk Transfer) – which could reduce the appetite for risk, would reduce the volumes of financing for (very) vulnerable countries and would also lead to an increase in the returns required on the issuance/rollover of public and private debt, (iv) the diversification of bond portfolios by large investment funds and by certain countries – directed towards more diverse, possibly riskier holdings, but higher remuneration including in developing countries (emerging economies) – could represent a positive risk factor for Romanian bonds (in the sense of lower implicit yields and easier financing), (v) this also against the background of monetary policies being clarified in some developed countries, where competing/conflicting objectives will (possibly) undergo reconfigurations, (vi) the increase in uncertainties and risks induced by the virological landscape worldwide.

¹³ NIS press release no. 35 of February 12, 2026 shows a real decrease in salaries, in December 2025 compared to December 2024, of 4.5%.

¹⁴ NIS press release no. 321 of December 15, 2025 shows a real decrease in the pension for Q3 2025, compared to Q2 2025 of 5.9%; this adjustment follows real pension reductions of 0.5% in Q2 2025/Q1 2025 and 1.2% in Q1 2025/Q4 2024 (after a real increase of +12.2% in Q4 2024 compared to Q3 2024).

A special focus on risks is represented by the confrontation in the Middle East, which is the materialization of a previous risk – manifested by geopolitical tensions. However, this risk has materialized – from the perspective of the effects on the raw materials and financial markets – only to a certain extent lately, following the US-Israel-Iran conflict, which started on February 28, 2026. However, the magnitude of the economic shocks (for example, the increase in the price of oil, natural gas, implicitly the increase in the price of electricity, the effects on production and inflation in various jurisdictions), as well as their persistence, is still uncertain, being too early for a highly accurate assessment. However, ECB officials¹⁵ and macroeconomic risk reports/scenarios¹⁶ of this institution show that the likely effect will be a rapid increase in energy prices in the Eurozone and a sharp decrease in production – both phenomena with materialization in the Romanian economy, with specificities, however, in terms of magnitude and persistence, to which are added the effects induced by the developments of the Eurozone economy and the rest of the EU27 countries, as well as the 2nd round effects of all these dynamics. The impossibility of changing the baseline scenario of the macroeconomic projection – both due to the lack of certain information and the still very pronounced uncertainty – means that the assessment of the macroeconomic scenario is still limited to the latest projection of the NCSP, and recent developments are only a risk scenario.

We can note that the recent positive developments regarding Romania are already incorporated into the evolution of the implicit financing yields of government bonds, which have recently decreased significantly (*Figure 9* – Evolution of spreads against German bonds, *Figure 10* – Evolution of 5-year government bond CDS and *Figure 8* – Evolution of yields on 10-year government bonds in *Annex 5*); this evolution was followed by a marginal increase as a result of the increase in global risk aversion driven in turn by the war in the Middle East. These developments, in the sense of the existence of a downward trend, must, however, be qualified in the context of the very high financing need of the Romanian public sector, determined, in turn, by a shrinking deficit, but still significant and relatively high (including in the European context) and by the need to roll over a considerable level of public debt (of over 60% of GDP¹⁷) for a country with the characteristics and economic profile of the Romanian economy (including very low tax revenues as a share of GDP). These considerations and findings argue for the continuation of the fiscal adjustment beyond the current year's budget horizon, approaching to the 3% deficit target (or a level below) being mandatory and imposed by the need to reduce the need for financing, as well as by the imperative to stabilize the public debt trajectory (by reaching a level of the primary balance compatible with debt stabilization).

¹⁵ <https://www.ecb.europa.eu/press/inter/date/2026/html/ecb.in260303~768fa10188%20.en.html>

¹⁶ https://www.ecb.europa.eu/press/projections/html/ecb.projections202312_eurosystemstaff~9a39ab5%20088.en.html#toc5

¹⁷ 60,2% of GDP, in ESA2010 methodology, according to November 2025 data: <https://mfinante.gov.ro/static/10/Mfp/buletin/executii/EvdatgucvconformUERo112025.pdf>

Regarding the structure of economic growth, projected by the NCSP, which underpins the 2026 budget of 1.0% in real terms – which is as important in terms of fiscal impact as its level –, we can observe the continuation of current trends, which place the centre of gravity of economic growth in the area of investments (gross fixed capital formation) and net exports, with a negative short-term contribution of public and private consumption – an evolution compatible with the continuation of the fiscal adjustment process in the current year. The level of economic growth and its structure are broadly compatible with the forecasts made by other national and international institutions.

For the last two years that underpin the 2026-2028 FS, the NCSP anticipates the acceleration of economic growth to +2.2% in 2027 and then to +2.4% in 2028, values that are probably lower than the potential growth of the Romanian economy, which is possibly in the range of 2.5-3.5%. This dynamic reflects, on the one hand, the process of adjustment, rebalancing of the Romanian economy and the persistence over time of these effects, and, on the other hand, the return to a potential level at a higher level. It is important to note that an economic growth supported more by investments and consumption from the local supply is particularly important to make the fiscal adjustment more bearable, in this case higher tax revenues can be added to the effects of the adjustment of the structural deficit.

It is worth noting that a recovery in the growth of final consumption, but also of private and governmental consumption, after 2026, and a deepening of the trade balance deficit after the same moment would suggest a stagnation of the fiscal adjustment process at the level reached at the end of 2026. Such a trend could be countered by a considerable improvement in tax revenue collection and other measures. It should be noted that the budget adjustment has to bring the deficit to 3% of GDP by 2030-2031.

Another observation that also constitutes a risk at the level of real economic growth in the last 2 years of the NCSP's macroeconomic projection refers to the dynamics of potential GDP, in relation to the trajectory of European funds (multiannual and NRRP), which also provide a consistent part of the autonomous financing of the current account of the balance of payments. Thus, if we start from the factors of production in the Romanian economy, we can see the following: (i) the technology and management methods (*Total Factor Productivity* or *Solow residual*) have been adapted to the level of advanced economies (through the arrival of FDI¹⁸, but also through internal investment effort), under the conditions that can be implemented in Romania, and it is difficult to anticipate a significant future large contribution to their economic growth; (ii) the participation of those able to work in the labour market is particularly low in Romania (67%), only Italy having a lower percentage (66.6%) – the European average (EU27) being 75.3%. This shortcoming can be attributed to problems in the education system, sub-optimal policies targeting women – especially young mothers –

¹⁸ Which amount, according to a recent NBR report (https://www.bnr.ro/uploads/2024-investi%C8%9Bilestr%C4%83inedirecte_documentpdf_545_1759220767.pdf), to around 125 billion euro at the end of 2024.

and, most likely, the very regressive tax system, which acts as a barrier to entry into the labour market (and which does not offer deductions to graduates, young people, families with children, deductions for savings, environmental investments, on the real estate market, in education and health etc.). In addition, investment in education and health – which are key to the quality and quantity of the workforce – is very low, significantly below the EU27 average and around half of that of other European countries (*Figure 12* – Education expenditures (% GDP) and *Figure 13* – Health expenditures (% GDP) in *Annex 5*). Under these conditions, the contribution of the labour factor is also implausible to be very generous to future potential growth, all the more so since the experience of developed countries shows that changing the percentage of labour force participation in the profile market requires an intelligent, determined, pragmatic and persistent effort for decades – in some cases; (iii) the contribution of the capital factor, in the conditions of the decapitalization of the economy, is marked by uncertainty. NBR reports on financial stability¹⁹ mention that only 2.7% of companies (22.5 thousand companies out of 830 thousand) are performing/bankable – with very low financial intermediation²⁰, this being a demand problem – and a significant part of companies have serious problems (1/3 have no capital or have negative capital, over 1/3 have no employees and 1/5 have zero turnover, approx. 10% of companies cumulating these 3 characteristics), which shows that the real sector is very poorly capitalized (and the sum of these negative capitals totalling about 160 billion lei, the equivalent of about 32 billion euros²¹). Added to all this is the expiry of the NRRP program during this year, which ensures also non-debt-generating flows – the non-reimbursable ones – that accompanied transfers of technology incorporated in the investments occasioned by these flows.

However, the dynamics of domestic investments – whose efficiency must be greater – and other European defence programs – which also have a component of investments in transport infrastructures, could replace, at least partially, the stopping of flows related to the NRRP. Moreover, an increase in the labour force participation rate through active structural measures, including a reduction in the regressiveness of the system of taxation and investment in education and health, as well as the sanitation of the real sector, which would boost the accumulation of healthy capital, creator of substantial gross value added, and thus economic growth, including by closing the loopholes for tax optimisation, even in the conditions of creative destruction, could also lead to a considerable increase in financial intermediation and, therefore, in the dynamism of the economy. These structural weaknesses in our economy cannot be quickly remedied; they call for a long-term approach, with correlated measures in an economic growth strategy, which cannot be limited to the volume of investments.

Regarding to projected levels of real growth, over the entire projection horizon, the cumulated effect can be considered to be within a plausible and likely range of development,

¹⁹ For example, the one in December 2024.

²⁰ From approx. 22% non-governmental credit in GDP and approx. 52% bank assets in GDP.

²¹ The latest available data are from the end of 2024.

taking into account the factors set out above and the combined materialisation of these risks (of both positive and negatives ones). For these reasons, the FC considers that the real GDP forecast for the 2026-2028 period is realistic, even slightly cautious at the beginning of the projection interval, partially offset in the last 2 years related to the fiscal strategy. However, this trajectory also depends on the non-materialization of the aforementioned external risks, which may, in some cases, significantly change the trajectory of the world economy and, implicitly, of the Romanian one.

In the last projection of the NCSP, the size of the GDP deflator, of 7.5% in 2025 (the starting point of the forecast), can be considered relatively prudent – the data recently published by the NIS, on March 6, 2026, showing a deflator of 7.9% for the previous year. It should be noted that the CPI inflation rate, published by the NIS for December 2025, was 7.3% (annual average; the GDP deflator being closer to the average inflation values and not to the end-of-period values – 9.7%). This characteristic of the GDP deflator forecast is also found at the level of 2026, the anticipated level of +6.1% for its variation, also appearing to be prudent. And for the years at the end of the projection horizon (2027 and 2028), the NCSP anticipates deflator values of +4.5% and +4.0%, respectively, which are also very likely in the central area of a plausible projection range (a fact also demonstrated by the comparison with recent projections of some domestic and international institutions).

By corroborating the evolution of real growth with that of GDP deflator, we can conclude that nominal GDP dynamics has a high degree of plausibility – given all the economic information available at the moment. However, the assessments regarding this basic scenario of the evolution of the Romanian economy do not take into account and cannot take into account the materialization of shocks (of still unknown magnitude and persistence) in the raw materials markets (especially energy) and financial markets. A much more pronounced and persistent increase in prices in these markets, possibly simultaneous with a significant increase in risk premia in the financial markets and, implicitly, in interest rates, would lead to different (unfavourable) coordinates in terms of macroeconomic developments.

Under the NCSP's baseline scenario, nominal gross domestic product is expected to grow by 7.2% in 2026 (after a nominal increase of 8.6% in 2025 – in provisional data published by the NIS on March 6) and by 6.8% and 6.5% in 2027 and 2028. The increase in nominal GDP leads through the channel of additional tax revenues and that of the denominator effect to the reduction of fiscal/budgetary imbalances expressed as shares in GDP, the prudent projection of its dynamics being likely, in the case of the current forecast, to offer, similar to some of the NCSP's past projections, a degree of comfort in terms of the risk of overestimation.

The forecast of the CPI inflation rate (year-on-year, end of period) in 2026 at 3.6%, as well as of an average inflation of 6.5% is relatively prudent – also from the perspective of the fiscal bases – with the latest Inflation Report (from February 2026) of the NBR indicating forecasts of 3.9% for CPI inflation in December 2026. The assessment of the plausibility of the

projection is also based on the particularly high uncertainty attached to recent economic forecasts, as well as the unknowns related to the price of energy raw materials (oil and electricity) and the transmission of supply shocks (electricity, VAT, excise duties), as well as how labour market tensions are reflected. For the next two years of the projection (2027 and 2028), the inflation rate is forecast by the NCSP to be at the levels of 3.0% and 2.7% (end of the period), and 3.2% and 3.0% (average values), thus within a plausible range of variation. However, this interval does not take into account – and this is not yet possible – the possible impact on inflation of a possible global energy crisis, as a result of the conflict in the Middle East. The probability associated with these inflation developments automatically translates into the probability of a credible trajectory, in the case of their use for the re-indexation of pensions starting with 2027 (the law provides that pensions are indexed to the average inflation in Q-2 and half of the real wage increase) and in subsequent years, as well as in the case of the sizing of the indexation of salaries and other budgetary benefits. Even in the event of a risk scenario – with a global energy crisis – the gas price cap – which is still in operation – as well as other possible measures could reduce the transmission coefficient of higher energy prices to the consumer price index, but the budget deficit will record the cost of these social measures.

The dynamics of the national economy and its structure (with emphasis in the current projection on investments and net exports) are also illustrated by the size of the external imbalances which, although adjusted, remain high – the trade balance is 33.6, 32.7, 33.6 and 34.7 billion euros, respectively, in the period 2025-2028, and the current account deficit of the balance of payments is projected by the NCSP (without an additional fiscal adjustment plan post 2026) to be 8.0%, 6.6%, 6.2% and 5.9% of GDP²², respectively, in 2025-2028 – all values significantly above the 4% threshold of the EC's Macroeconomic Imbalances Procedure and mainly driven by the public sector savings-investment imbalance. The risks associated with these dynamics, similar to previous assessments, point to higher probabilities of higher deficits in the event of a large-scale and long-lasting global energy crisis.

The slow narrowing of external deficits, after the anticipated significant adjustment for 2026 of 1.4pp of GDP (from 8% current account deficit of the balance of payments in 2025 to 6.6% in 2026), can be corroborated both with the gradual fiscal adjustment towards the 3% target to be achieved, according to the medium-term plan, in 2031, and with the evolution of gross domestic product close to potential.

An important current and future issue is how to finance these deficits, with the latest balance of payments data, covering the whole of 2025, indicating a relatively small share covered by non-debt-generating flows (these being considered to be the balance of the capital account, as well as, from the financial account, only “equity participations”) of only approx. 43% in

²² Corresponding to current account deficits of the balance of payments of 30.4 bn. euro, 26.6 bn. euro, 26.2 bn. euro and, respectively, 26.5 bn. euro in the 2025-2028 period.

total current account deficit (€12.8 billion out of €30.1 billion), compared to higher levels, some almost double, during previous years (especially 2023). The high values of the external deficit (current account of the balance of payments or of the trade deficit), in the context of an unfavourable financing structure, constitute a major vulnerability of the Romanian economy, accentuating the risk of a sudden-stop (sudden interruption of financing) – and thus constituting a reason in itself for the need for fiscal adjustment, which would also generate a reduction in the need for financing, as well as the stabilization of the debt trajectory. It can also be noted that the external deficit, analysing the last decade, is determined, on average, almost entirely, by the public sector deficit, and in the NCSP projection, the public sector deficit almost entirely explains the external deficit (an average ratio of about 80% over the 2026-2028 period between the ESA2010 budget deficit in the FS and the current account deficit of the balance of payments projected by the NCSP).

On the labour market²³, according to the NCSP forecast, there will be registered a stagnation of the average number of employees in 2026 – the initial year of the 2026-2028 FS and directly relevant to the 2026 budget – and an increase in average gross salary earnings of 5.5%. The unemployment rate is expected to remain close to the previously forecast values, being 6.1% – the BIM unemployment rate²⁴ and 3.4% – the unemployment rate recorded at the end of the year²⁵. These new coordinates, which are more unfavourable compared to the previous relevant projection (autumn 2024) – related to the previous budget and FS, indicate, similar to the assessments in previous opinions, a plausible trajectory of labour market aggregates, and in line with the trajectory of gross domestic product. Overall, the dynamics of the labour market/wage envelope can be considered realistic, despite possible divergent developments in the case of the component indicators – considers the FC.

In 2027 and 2028, the increase in the number of employees accelerates, in the NCSP's view, to +1.2% and then, in line with the evolution of GDP, to +1.3%, and the dynamics of the average gross salary is 6.2% and 5.7%, respectively. In the case of these data, the FC considers that they are placed in the (immediate) upper area of a range of plausibility of future developments, in terms of the number of employees, directly compensated by the estimated evolution of the gross salary. This indicates balanced risks for their aggregate forecast at the level of the wage envelope in the economy and cumulated at the level of the two years – which makes the macroeconomic bases for significant tax revenues, such as social security or payroll tax, characterized by realism.

A separate problem, valid in particular for the 2027-2028 years, and only to a small extent for 2026, is represented by the relatively large gap between the change in the wage envelope on the whole economy (+5.5%, +7.5% and +7.1% change in the wage envelope on the total

²³ Important due to the macroeconomic bases related to payroll tax, social contributions, some items of expenditure, such as unemployment benefits and social transfers, all with a significant impact on the value of the deficit.

²⁴ The latest available data is from January 2026, the BIM unemployment rate being 6% (NIS press release no. 51 of March 4, 2026).

²⁵ According to National Employment Agency data.

economy, 2026-2028) and the change in the wage envelope in the public sector (+0.3%, +3.1% and +2.9% change in salary envelope/budget personnel expenditure). Such trajectories (as well as the gap between them) can materialise in practice, but they require the specification of measures, for the public sector, to justify this restrictiveness. Only 2026 has such measures legislated and, in the absence of them – they justify the forecasted developments in the public sector – the projection of personnel expenses in the last two years of the FS can be assessed as underestimated, contributing to a lower forecast deficit. In addition, a new unitary salary law (included as a measure in the NRRP) could lead to the invalidation of these trajectories; in the event of the adoption of such a law in the future, it will have, as a suspensive condition, the previously achievement of a budget deficit close to or below the level of 5% of GDP.

Regarding the unemployment rates in 2027 and 2028, in the BIM methodology they are 5.8% and 5.4%, and in the national methodology, 3.2% and 3.1% – plausible values, considering both the forecasted GDP evolution and the latest available information.

The corroboration of recent economic information and data with the dynamics of the relevant macroeconomic variables projected by the NCSP (real GDP, GDP deflator, inflation, labour market coordinates) leads to the conclusion of a plausible trajectory of these aggregates for 2026, perhaps even marked by justified caution. The assessment of these forecasts as prudent depends decisively on the impossibility of clearly quantifying, at this time, the effects induced by the war in the Middle East, and the particularly high uncertainty of the last period marks this assessment.

For the 2027-2028 years, at the level of nominal GDP, we can consider the projection plausible, with a slight overestimation in terms of the level of employment on the labour market offset by the projected evolution of wages, as well as an underestimation of the dynamics of the public wage envelope – in the absence of specifying measures for these years. Taken as a whole, the macroeconomic projection of the NCSP – considers the FC – is plausible; and it is carried out, FC believes, with caution.

Although not specified in the NCSP projection, the trajectory of the implicit yield on Romanian government bonds is an important risk factor for the fiscal projection, from the perspective of the projection of the government public debt service (especially if we take into account the problems of forecasting interest expenses, manifested by the 2025 budget and the two subsequent budget amendments, all in relation to the level achieved at the end of the year – much lower). The overestimation of these expenditures, made in the past, although apparently adding more caution to the projection, may cause some doubts regarding the pursuit of the deficit target. Prudent planning of such expenditure, based on a plausible yield curve, which also incorporates a (necessary) margin for the materialisation of external and internal risks plausible from the point of view of historical experience, could lead both to the maintenance of a margin for the deficit target and to the achievement of

credible projections in terms of deficit commitments and European tax legislation. This is all the more important now, given the partial materialization of risks in the sense of increased yields – driven by the conflict in the Middle East.

3. Fiscal framework

Fiscal developments throughout 2025

The assessment of the budget projection for 2026 starts from the analysis of the evolution of the main aggregates of the general consolidated budget (GCB) in 2025. The initial budget for the previous year projected a deficit of around 7% of GDP, both in cash standards and in ESA 2010 standards. Compared with the execution of the 2024 budget, these values were equivalent to a fiscal adjustment of 1.65 pp of GDP (in cash standards) and 2.35 pp of GDP (in ESA standards).

The draft budget was built taking into account: (i) an increase in revenues through structural measures (impact estimated by the Ministry of Finance at around 0.4 pp of GDP), (ii) improved efficiency of revenue collection (impact estimated by the Ministry of Finance at around 0.5 pp of GDP), and (iii) strict control of public expenditures. In this context, personnel expenditures and social assistance expenditures were frozen at the level of November 2024. In the absence of this measure, the budget deficit for 2025 would most likely have exceeded 10% of GDP. Even under these conditions, personnel and social assistance expenditures increased in nominal terms as a result of the annualization of the increases granted during 2024.

Based on the data available at that time, the Fiscal Council signalled that the initial budget was based on an overestimation of budget revenues and an underestimation of certain categories of expenditures. Budget executions during the first part of 2025 confirmed the lack of plausibility of the deficit target. Consequently, in order to mitigate the explosive trajectory of the deficit and public debt²⁶, with negative implications for the sovereign rating and financing capacity, several fiscal consolidation measures were adopted.

The first step consisted of adopting the fiscal consolidation package in July 2025, with effects on both revenues and expenditures, with most measures entering into force starting in August. For 2025, the cumulative effect of these measures was estimated by the Ministry of Finance at around 0.6 pp of GDP, which was reflected in the first budget revision adopted at the end of September 2025, through which the deficit target was revised to 8.4% of GDP.

The budget execution in the second part of the year was also influenced by the renegotiation of the National Recovery and Resilience Plan. This process involved, on the one hand, a reduction in the total allocations and, on the other hand, the transfer of certain projects between the grant component and the loan component. The net effect of the projects moved from loans to grants amounts to approximately 2.8 billion euros²⁷ for the NRRP as a whole. This effect was partially offset by the need to finance from national funds the projects for which the NRRP allocation was

²⁶ In the absence of the adoption of fiscal correction measures, the share of public debt in GDP would have risen to around 83% in 2029 and would have exceeded the 100% threshold in 2032 (Fiscal Council Annual Report, 2025). However, this forecast does not take into account the potential reaction of the financial markets.

²⁷ <https://sgg.gov.ro/1/wp-content/uploads/2025/08/ANEXA-12.pdf>

reduced. These adjustments, together with developments in capital expenditures, were reflected in the second budget revision in November 2025, which maintained the deficit target at 8.4% of GDP.

The consolidation effort also continued at the end of 2025 through the adoption of the second package of measures (which mainly targets an increase in property taxes and taxes on means of transport), to be applied starting in January 2026. The fiscal adjustment achieved through these packages of measures, equivalent to a reduction in domestic demand (affecting the disposable income of households and firms), was a necessary step to ensure the sustainability of public debt and to avoid a disorderly and much more severe adjustment in the future.

The budget execution at the end of 2025 recorded a budget deficit in cash standards of 7.65% of GDP, significantly below the level of 8.4% of GDP projected in the two budget revisions. The reduction of the budget deficit, compared with the second revision, was driven by a sharper decline in expenditures (-23.4 billion lei, equivalent to -1.23 pp of GDP) than in budget revenues (-9.7 billion lei, equivalent to -0.51 pp of GDP), relative to the programmed levels.

The largest shortfalls relative to the programmed targets were recorded for European funds: around -11.3 billion lei (-0.59 pp of GDP) on the revenue side and around -18.5 billion lei (-0.97 pp of GDP) on the expenditure side. Thus, the net effect of the underperformance of the targets set for European funds was a reduction of the deficit by about 7.2 billion lei (0.38 pp of GDP) compared with the programmed level. However, most of this effect was offset by capital expenditures exceeding the programmed level by 4.8 billion lei (0.25 pp of GDP). Consequently, after taking into account the developments in European funds and capital expenditures, the cumulative effect in reducing the deficit relative to the level projected in the second revision was nearly 2.5 billion lei (0.13 pp of GDP).

The reduction of the budget deficit, compared with the target set in the second budget revision, was also supported by revenues from taxes and non-tax sources exceeding the projected levels:

- Tax revenues: +0.8 billion lei (+0.04 pp of GDP). Compared with the initial budget, tax revenues were higher by around 0.2 pp of GDP, taking into account the effects of the measures included in the first consolidation package (especially those regarding the increase in VAT and excise duties).
- Non-tax revenues: +0.6 billion lei (+0.03 pp of GDP).

On the expenditure side, the budget execution indicated savings, compared with the levels programmed in the second budget revision, for several categories:

- Personnel expenditures: -2.4 billion lei (-0.13 pp of GDP). The reduction was also driven by the measures introduced in the first fiscal consolidation package (the reduction of bonuses in the public sector and restrictive measures regarding pre-university education).
- Interest expenditures: -2.7 billion lei (-0.14 pp of GDP). Compared with the target in the initial budget, interest expenditures were higher by around 8.6 billion lei (0.45 pp of GDP), both due to the increase in yields on government bonds in the first part of the year and as a result of the higher financing requirement (according to the latest available data from

the Ministry of Finance²⁸, in 2025 the financing requirement amounted to 268 billion lei – revised from the value of 232 billion lei set at the beginning of the year – compared with 248 billion lei in 2024).

- Subsidies: -1.8 billion lei (-0.09 pp of GDP).
- Social security expenditures: -0.6 billion lei (-0.03 pp of GDP). However, compared with the target in the initial budget, these expenditures were higher by around 8.6 billion lei (0.45 pp of GDP), reflecting the materialization of risks regarding the projection of the effects of the pension reform.
- Payments made in previous years and recovered in the current year: -3 billion lei (-0.16 pp of GDP).

Conversely, expenditures on goods and services exceeded the ceiling established in the second budget revision by nearly 1.5 billion lei (0.08 pp of GDP). Compared with the initial budget, the execution of expenditures on goods and services indicated an overrun of nearly 6 billion lei (0.31 pp of GDP).

In summary, compared with the parameters set in the second budget revision, the reduction of the deficit was supported by (i) lower expenditures on personnel, interest, subsidies, and social assistance, (ii) changes in the financing structure for investments financed from European funds and national funds, (iii) payments made in previous years and recovered in the current year, and (iv) increases in both tax and non-tax revenues. The evolution of the projections for revenue and expenditure aggregates from the initial budget and the two revisions adopted in 2025, compared with the actual budget execution, is presented in *Annex 2*.

The reduction of the budget deficit in the second half of 2025 to 7.65% of GDP (cash), which is 1 pp lower than the level recorded in the previous year, represents an encouraging signal and allows the continuation of the fiscal consolidation trajectory in 2026 toward a cash deficit level of 6.25% of GDP, as envisaged by the Government.

It should be emphasized, however, that the budget deficit of 7.65% of GDP is expressed in cash standards, while the deficit targets in the Medium-Term Fiscal-Structural Plan (MTP) and those associated with the excessive deficit procedure are formulated in ESA 2010 standards. Therefore, a rigorous assessment of the consolidation achieved in 2025 will only be possible once budgetary data in ESA standards become available.

At the same time, rigorous budget planning and compliance with fiscal rules represent essential prerequisites for the success of the fiscal consolidation process. In recent years, budget planning has proven to be flawed, with actual budget execution frequently indicating deviations from the levels projected for revenue and expenditure aggregates. In this context, it should be noted that although recording a deficit of 7.65% of GDP represents an improvement relative to the target of 8.4%, confirmed in the second budget revision (end of November 2025), the existence of a significant gap between the target and the actual outcomes within a short period of time raises questions regarding the rigor of budget planning. Aligning projections with actual budget

²⁸ Ministry of Finance, Public Debt Report, 30 November 2025.

execution provides predictability for the economic environment and sends a clear signal regarding the plausibility of budgetary frameworks.

Objectives and targets of the fiscal policy for the 2026-2029 period

The budget framework for 2026 targets a deficit of 6.25% of GDP according to the cash methodology, representing a reduction of 1.4 pp of GDP compared with the level recorded in 2025 (7.65% of GDP). According to the European methodology, the deficit target is 6% of GDP in 2026, aiming for a reduction of 1.8 pp (from the ESA deficit estimated by the Ministry of Finance at 7.8% of GDP in 2025). The structural deficit is expected to decrease by 1.9 pp of potential GDP, from 7.3% in 2025 to 5.4% in 2026. The structural deficit is estimated in the context of a currently significant negative output gap²⁹.

Given that Romania has been under the excessive deficit procedure since April 2020, as well as the revised recommendation of the Council³⁰, adopted on 1 July 2025, the objective is for the excessive deficit situation to be corrected by 2030, when the deficit, according to the European methodology, should reach 2.8% of GDP. To achieve this objective, the Council's recommendation establishes a stricter corrective trajectory for net expenditures, with annual growth rates of 2.6% in 2026, 4.6% in 2027, 4.4% in 2028, 4.2% in 2029, and 4% in 2030.

In this context, the draft budget for 2026 and the fiscal-budgetary framework for the 2027-2029 period establish a deficit reduction trajectory that would allow the exit from the excessive deficit procedure by 2030. Thus, MF projects the cash deficit to decrease to 5.1% of GDP in 2027, to 4.2% of GDP in 2028, and to 3.2% of GDP in 2029. In ESA terms, the deficit is projected to decline to 5.2% of GDP in 2027, with the trajectory thereafter being similar to that of the cash deficit.

Regarding the structural deficit, according to MF, it is projected to decrease by 0.7 pp of potential GDP in 2027, by 0.8 pp of potential GDP in 2028, and by a further 0.8 pp of potential GDP in 2029, reaching 3.1% of potential GDP. This indicates a deviation of 2.1 pp from the medium-term objective – represented by a structural deficit of 1% of potential GDP. It should be noted that MF anticipates a negative output gap that will gradually narrow over the 2027-2029 period.

Assessment of the 2026 budget framework

The budget framework for 2026 targets a reduction of the cash budget deficit to 6.25% of GDP, representing a decrease of 1.4 pp of GDP compared with the level recorded in 2025. In the budget planning, this reduction is achieved through an increase in total budget revenues by 1.3 pp of GDP, while total budget expenditures are planned to decline marginally by 0.1 pp of GDP.

However, the projected evolution of total budget revenues and expenditures is significantly influenced by the anticipated dynamics of the European funds aggregates. Excluding their impact,

²⁹ The structural budget balance is calculated by subtracting from the actual budget balance the cyclical component of the budget deficit and one-off and temporary measures. The link between the structural balance and the output gap is established through the calculation of the cyclical component of the budget balance, which is expressed as the product of the output gap and the semi-elasticity of the budget deficit to changes in the level of economic activity.

³⁰ <https://data.consilium.europa.eu/doc/document/ST-10349-2025-INIT/en/pdf>

the other categories of revenues are planned to increase by 0.46 pp of GDP, while the remaining categories of expenditures are planned to decrease by 1.44 pp of GDP. Thus, the fiscal adjustment in 2026 is planned to be achieved predominantly on the expenditure side.

I. Budget revenues

In 2026, compared with 2025, budget revenues are projected to increase in nominal terms by 11.1% (73.8 billion lei). The share of budget revenues in GDP is expected to rise by 1.3 pp, driven by an increase in the share of revenues from European funds in GDP by 0.84 pp and by an increase of 0.46 pp in the share of other revenue categories³¹.

The main assumptions underlying the Ministry of Finance's forecast regarding budget revenues for 2026 include:

- the dynamics of the macroeconomic bases: the projected macroeconomic framework is based on a 1% increase in real GDP, a 7.1% increase in nominal GDP, stagnation in the average number of employees, a 5.5% increase in the average gross wage, a 0.8% contraction in real private consumption, a 5.6% increase in nominal private consumption, a GDP deflator of 6.1%, and an average inflation rate of 6.5%;
- changes in fiscal policy adopted through: (i) Law No. 141/2025 on certain fiscal-budgetary measures (package 1), (ii) Law No. 239/2025 on establishing measures for the recovery and efficiency of public resources and for the amendment and completion of certain normative acts (package 2), (iii) Emergency Ordinance (EO) No. 89/2025 for the amendment and completion of Law No. 227/2015 on the Fiscal Code, regulating certain fiscal-budgetary measures, as well as for the amendment and completion of certain normative acts ("train ordinance"), (iv) EO No. 8/2026 on the introduction of measures for economic recovery, increasing productive investments and competitiveness, as well as for the amendment and completion of certain normative acts in the fiscal-budgetary field, and (v) EO No. 9/2026 for the amendment and completion of certain normative acts;
- the absorption of European funds: the projection indicates a substantial increase in the absorption of European funds allocated through MFF and NRRP.

Regarding the fiscal policy changes, the legislation mentioned above includes a broad set of measures affecting budget revenues in 2026, which primarily aimed at increasing the revenues of the general consolidated budget.

The fiscal measures included in Law No. 141/2025 have a positive influence on the projection of budget revenues in 2026, mainly through: (i) increases in VAT rates, (ii) increases in excise duties, (iii) the expansion of the tax base for health insurance contributions, (iv) additional taxation of credit institutions, (v) higher taxation of gambling activities, and (vi) an increase in the dividend

³¹ Regarding revenues from European funds, the main influences can be observed at the level of (i) amounts received from the EU related to the 2021-2027 Multiannual Financial Framework (+0.9 pp of GDP), (ii) non-reimbursable financial assistance allocated for the NRRP (+0.6 pp of GDP), (iii) amounts received from the EU related to the 2014-2020 Multiannual Financial Framework (-0.5 pp of GDP), and (iv) other amounts received from the EU (-0.2 pp of GDP). Tax revenues are projected to increase by around 0.6 pp of GDP, while social security contributions are expected to rise by around 0.2 pp of GDP. These effects are partly offset by a decline in the share of non-tax revenues in GDP (-0.3 pp).

tax. For 2026, the impact of Law No. 141/2025, taking into account the budget execution from the previous year as well, would amount to around 1.2 pp of GDP. This effect does not include the estimated second-round effects.

The measures included in Law No. 239/2025 mainly aim at: (i) increasing the taxable base for the property tax and eliminating certain exemptions (it should be noted that Emergency Ordinance No. 9/2026 for the amendment and completion of certain normative acts mitigated the increase in property taxes by reintroducing a number of exemptions for persons with disabilities and for old buildings), (ii) increasing the tax on means of transport, (iii) introducing a logistics tax on parcels originating from outside the European Union, (iv) increasing the ceiling used for calculating health insurance contributions for income from independent activities, as well as (v) limiting the deductibility of certain expenses for transactions with affiliated parties. In 2026, the positive impact estimated by MF for these provisions is around 0.25 pp of GDP.

The measures included in Emergency Ordinance No. 89/2025, with an impact on budget revenues in 2026, mainly targeted: (i) the reduction of the minimum turnover tax, (ii) the revision of the microenterprise regime by establishing a single tax rate of 1% and an eligibility threshold of 100,000 euros, and (iii) the reduction of the non-taxable amount from the minimum wage from 300 lei to 200 lei, starting from July 1. The net impact of these measures on the budget deficit is negative and was estimated by MF at around 0.1 pp of GDP for 2026.

The measures included in Emergency Ordinance No. 8/2026, with an impact on budget revenues, include: (i) granting a 3% bonus from the corporate income tax / microenterprise income tax / personal income tax for which there is an obligation to submit the single tax return for 2025 fiscal year, (ii) a tax credit for research and development, (iii) deductions for companies listing on the stock exchange, (iv) super-accelerated depreciation, allowing the deduction of 65% of the value of new investments, and (v) deductions for employees and for independent activities for amounts invested in shares/bonds/ETFs, within a limit of 400 euros per year. It should be noted that, in addition to these measures, EO No. 8/2026 also provides a series of measures with an impact on budget expenditures (transfers to the Development and Investment Bank and Exim Banca Românească, as well as state aid schemes). In 2026, the negative impact on budget revenues is estimated by MF at 2.1 billion lei, equivalent to 0.1 pp of GDP.

The budgetary impact estimated by the Ministry of Finance of the overall set of measures adopted³² would lead to an increase in budget revenues of around 1.25 pp of GDP in 2026 (mainly reflected in tax revenues and social security contributions). This impact did not take into account estimates regarding second-round effects.

Based on the macroeconomic assumptions and the fiscal measures mentioned above, the draft budget plans an increase in the share of current revenues in GDP by around 0.5 pp, from 30.6% of GDP in 2025 to 31.1% of GDP in 2026. In terms of structure, this development is driven, on the one hand, by an increase in tax revenues by around 0.6 pp of GDP and social security

³² Included in Law No. 141/2025, Law No. 239/2025, EO No. 89/2025, and EO No. 8/2026.

contributions by around 0.2 pp of GDP, and, on the other hand, by a decline in non-tax revenues by nearly 0.3 pp of GDP.

At the level of tax revenues, the increase in their share in GDP by 0.6 pp, compared with the previous year, is driven, on the one hand, by higher revenues from VAT (+0.6 pp of GDP), property taxes (+0.1 pp of GDP), and taxes on the use of goods, authorization for the use of goods, or the carrying out of activities (+0.1 pp of GDP). On the other hand, negative effects can be observed in corporate income tax (-0.1 pp of GDP), tax on wages and personal income (-0.1 pp of GDP), and other taxes on income, profits, and capital gains (-0.1 pp of GDP).

The data in the draft budget show that, in 2026, the actual impact of the adopted fiscal policy measures, included in the projection of tax revenues and social security contributions, would be around +0.8 pp of GDP. The difference compared with the initial estimate of around 1.25 pp of GDP appears to incorporate second-round effects, generated by the contractionary influence of the measures on economic growth and consumption³³. It should be noted that the numerous measures adopted, with effects both in 2025 and 2026, as well as the associated second-round effects, lead to a high degree of uncertainty in the revenue projection. In conclusion, the analysis of the Ministry of Finance's forecast regarding budget revenues for 2026, in relation to the dynamics of the macroeconomic bases in the NCSP projection and to the adopted fiscal policy measures, appears to indicate a realizable value for the aggregate revenue target, albeit surrounded by uncertainties and risks.

A granular analysis requires more nuanced assessments. On the one hand, the projected revenues from taxes on wages and personal income and from excise duties appear to be lower than those obtained by indexing them to the evolution of the macroeconomic bases and to the impact of the adopted fiscal measures³⁴. On the other hand, the projected revenues from VAT and from social security contributions seem to indicate a more rapid increase than the evolution of the macroeconomic bases adjusted for the impact of the adopted fiscal measures³⁵.

Achieving the targets for budget revenues is conditional on the evolution of the macroeconomic framework in line with the assumptions advanced by NCSP. Additional risks also stem from the intensification of global tensions. A prolongation of the conflict in the Middle East could generate a negative impact on economic growth and tax bases, and failure to meet the revenue targets would require the adoption of compensatory measures (either on the revenue side or on the expenditure side).

³³ This effect is close to the value of the second-round effects estimated by applying the standard methodology (initial impact × aggregate fiscal multiplier × budgetary semi-elasticity), amounting to around 0.3 pp of GDP, assuming a value of 0.75 for the fiscal multiplier and 0.32 for the budgetary semi-elasticity. These values are also used by the European Commission in the methodology for analysing public debt sustainability.

³⁴ Regarding the tax on wages and personal income, the analysis indicates a potential underestimation of around 0.23 pp of GDP, while excise revenues appear to be underestimated by around 0.03 pp of GDP.

³⁵ The revenues projected to be collected from VAT appear to be overestimated in the budget projection by around 0.12 pp of GDP, while social security contributions appear to be overestimated by around 0.15 pp of GDP.

Box 1. The need to increase the efficiency of budget revenue collection

The increase in budget revenues, supported by higher tax revenues (including social security contributions), is essential to ensure compliance with the fiscal consolidation trajectory and to enable Romania's exit from the excessive deficit procedure by 2030, in line with the recommendation of the Council of the European Union.

The available data indicate that Romania has significant potential to increase its budget revenues by improving collection efficiency. Estimates by the European Commission show that Romania has the largest VAT collection gap, of around 30%³⁶, and the largest corporate income tax gap, of 43.6%³⁷, among EU Member states. The level of tax evasion and the shadow economy is estimated at around 29% of GDP³⁸. At the same time, according to data compiled by the National Agency for Fiscal Administration (NAFA)³⁹, the cumulative payment obligations of companies undergoing insolvency and bankruptcy proceedings accounted for around 3.1% of GDP.

Improving tax collection should become a major priority of fiscal-budgetary policy, reflecting both the political will to implement structural reforms and counter potential institutional resistance or opposing interests, as well as the improvement of administrative efficiency. Reducing the VAT and corporate income tax collection gaps, respectively decreasing outstanding payment obligations to the state budget of companies undergoing insolvency and bankruptcy proceedings should represent key objectives for MF and NAFA.

Achieving these objectives could generate additional revenues of over 1.5 pp of GDP and would significantly support fiscal consolidation.

To increase the efficiency of budget revenue collection, several courses of action may be considered, mainly oriented toward (i) improving the efficiency of NAFA's activity and (ii) strengthening the legislative framework.

The first direction of action requires an integrated package of measures targeting human resources, institutional organization, and technical and digital infrastructure. Concrete measures may include human resource management based on performance indicators, extended integrity rules, and a competitive salary framework. At the same time, NAFA's technical infrastructure must be modernized and equipped with advanced data analysis tools, based on artificial intelligence, capable of leveraging the large volumes of information generated through systems such as e-Factura, e-Transport, and SAF-T.

The second direction of action should aim at strengthening the legislation on insolvency and enforcement, through rapid mechanisms for freezing bank accounts and issuing

³⁶ VAT gap in Europe - Publications Office of the EU, 2025 și Mind the Gap Report. Challenges and opportunities for tax compliance and tax expenditure in the EU - Romania - European Commission, 2025.

³⁷ Mind the Gap Report - Taxation and Customs Union - European Commission, 2025 și The Corporate Income Tax Gap report - European Commission, June 2025.

³⁸ <https://data.consilium.europa.eu/doc/document/ST-16801-2025-ADD-23/en/pdf>

³⁹ <https://www.anaf.ro/restante/index.xhtml>

enforcement titles, in order to prevent the accumulation of arrears. In addition, the sanctioning regime for tax evasion should be revised by lowering thresholds and increasing penalties, so that they have a real deterrent effect. Through Law No. 202/2025 and Law No. 239/2025, a series of measures were adopted to strengthen the legislation on insolvency and corporate capitalization (*Annex 1*); however, their effectiveness depends on the firm application of sanctions and on the clear delineation of responsibilities among the authorities responsible for their implementation.

II. Budget expenditures

Budget expenditures, according to the cash methodology, are projected to increase in 2026, compared with 2025, by almost 6.9% in nominal terms (around +55.6 billion lei). However, their share in GDP is expected to decline marginally by 0.1 pp, from 42.36% to 42.26%. More significant changes in the share of GDP are anticipated for the following categories of budget expenditures: projects financed from post-accession non-reimbursable external funds (+1.1 pp), projects financed from non-reimbursable financial assistance related to the NRRP (+0.8 pp), interest payments (+0.3 pp), capital expenditures (-0.3 pp), personnel expenditures (-0.6 pp), projects financed from the 2014-2020 MFF (-0.7 pp), and social assistance (-1 pp). The planned dynamics of budget expenditures as a share of GDP are mainly influenced by the increase in expenditures for projects financed from European funds (net impact of around +1.31 pp) and interest expenditures, which are fully offset by the reduction in other categories of budget expenditures, particularly personnel expenditures and social assistance expenditures.

Personnel expenditures are planned to increase by 0.5 billion lei (+0.3%), mainly as a result of the measures adopted through Law No. 141/2025 on certain fiscal-budgetary measures. The most important of these include: freezing the gross amount of base salaries/pay/allowances received by staff paid from public funds, including bonuses, compensations, premiums, and other elements that are part of the monthly gross salary, at the level granted for December 2025; reducing the salary ceiling for granting holiday vouchers and the food allowance; reducing personnel expenditures in the education system; and paying in instalments the amounts established by court rulings in favour of public sector employees that become enforceable during 2026. In addition, several other measures were introduced: stricter rules for controlling expenditures in public enterprises (through EO No. 89/2025), reducing the number of positions in local administration, reducing personnel expenditures in central administration by 10% (with certain exceptions: education, culture, health, defense, public order, and national security), and reducing the doctoral bonus by approximately 50% (measures introduced through EO No. 7/2026). According to Article 13 of the Fiscal Responsibility Law, the measure of freezing personnel expenditures in the public sector is also justified by the fact that public debt has exceeded the threshold of 60% of GDP.

Given the measures adopted, and against the background of a nominal GDP growth projected at 7.1%, the share of personnel expenditures in GDP is expected to decrease by around 0.6 pp, from 8.8% of GDP in 2025 to 8.2% of GDP in 2026. It should be noted that 2026 is the second consecutive year in which public sector wages have been frozen, so the fiscal consolidation effort

at the level of this aggregate is substantial: the reduction of 0.6 pp of GDP in 2026 adds to the reduction of around 0.5 pp of GDP in the previous year. Against the background of social tensions, it is difficult to imagine the continuation of planning significant reductions in personnel expenditures as a share of GDP after 2026.

Expenditures on goods and services are planned to increase by around 4.7 billion lei, implying a rise of approximately 4.7% compared with the previous year, which would lead to a reduction in their share in GDP by 0.1 pp, from 5.3% in 2025 to 5.2% in 2026. This dynamic is lower both than the projected nominal GDP growth (7.1%) and the average inflation rate anticipated for 2026 (6.5%). It should be noted that in 2025, despite the adoption of strict expenditure control measures, this aggregate increased by around 7.4% compared with the previous year, exceeding both the ceiling set in the initial budget (by almost 6 billion lei) and the ceiling set in the second revision (by 1.5 billion lei). However, the evolution was in line with the average inflation rate (7.3%) and slightly below the nominal GDP growth rate (8.5%). Moreover, budget executions during the 2022-2024 period recorded overruns, sometimes significant, of the levels initially planned for this aggregate. Given the unfavourable track record regarding compliance with the budgeted targets for expenditures on goods and services, a more prudent projection for this category of expenditures could have been based on the average inflation rate anticipated for 2026. Consequently, compliance with the planned level depends on the exercise of strict control over expenditures on goods and services.

Interest expenditures are planned to increase in 2026 by 20.4% (+10.3 billion lei), reaching 60.8 billion lei (representing 3% of GDP). This increase is driven by the sharp rise in the public debt stock in recent years and by the anticipated developments in the cost of debt. In 2026, according to the most recent projections of MF⁴⁰, the volume of refinanced debt will reach almost 148 billion lei, compared with around 110 billion lei in 2025. Based on these data and the deficit projected for this year (of nearly 128 billion lei), the estimated financing requirement could reach 275-280 billion lei, up from around 268 billion lei in 2025⁴¹. Although in the last part of 2025 the yields associated with government securities declined, they remain at a relatively high level. The consolidation of the downward trend in yields, as a result of the continued fiscal consolidation process, could help keep interest expenditures within the planned ceiling. Conversely, the persistence of high yields and the possible occurrence of shocks in international financial markets, in the context of a highly turbulent geopolitical environment and military operations in the Middle East, represent an important risk to the projection of interest expenditures.

Social assistance expenditures are planned to decrease by 1.7 billion lei (-0.7%), reaching 249.2 billion lei (representing 12.2% of GDP). This projection is mainly driven by the restrictive measures adopted through Law No. 141/2025, the most important of which include: maintaining public pension payments and special pension payments at the level of December 2025; keeping the pension point at 81 lei; maintaining at the December 2025 level all categories of social allowances granted by law and the state allowances for children; revising the method for

⁴⁰ https://mfinante.gov.ro/static/10/Mfp/buletin/executii/Servdatpubguv2024-2034piatadeemisiune112025_2031.pdf

⁴¹ <https://mfinante.gov.ro/static/10/Mfp/buletin/executii/Raportdatoriapub112025.pdf>

calculating leave allowances; and limiting expenditures generated by persons benefiting from health insurance. In addition, the measure regarding the non-payment of the first day of medical leave (introduced through EO No. 91/2025) will limit the number of sick leave days financed from the budget. At the same time, protection measures for vulnerable energy consumers and the continuation of the “Healthy Meal” program for pre-university students (adopted through EO No. 89/2025) are maintained. It should be noted that, similarly to the measure of freezing total wage expenditures in the public sector, the measure of freezing total social assistance expenditures is also justified, according to Article 13 of the Fiscal Responsibility Law, by the fact that public debt has exceeded the threshold of 60% of GDP.

The nominal reduction in social assistance expenditures, in the context of a projected nominal GDP growth of 7.1%, is expected to substantially adjust their share in GDP, from 13.1% in 2025 to 12.2% in 2026. Thus, social assistance spending represents the budget aggregate that contributes the most (almost 1 pp of GDP) to the deficit correction planned for 2026, given that public sector pensions are frozen for the second consecutive year. If the risks related to the pension recalculation process are already reflected in the 2025 budget execution, and assuming a strict implementation of measures to restrict social assistance spending, there are grounds for staying within the planned ceiling. However, planning a nominal reduction of this aggregate (even if small) entails significant risks, considering the unfavourable track record of keeping social assistance expenditures within initially budgeted targets, with overruns sometimes being substantial: 3.6% in 2025, 6.9% in 2024, 5.5% in 2023, and 8.7% in 2022.

After 2025 recorded a record level of public investment expenditure of 138.2 billion lei (7.2% of GDP), these are planned to increase by a further 25.6 billion lei in 2026 (almost +18.5%), reaching a projected 8.0% of GDP. This increase is supported by higher allocations for projects financed from post-accession non-reimbursable external funds (+15.2 billion lei), increased allocations for projects financed from non-reimbursable financial assistance and loans related to the National Recovery and Resilience Plan (+10.9 billion lei), as well as higher expenditures related to programs financed through repayable funding (+0.6 billion lei). On the other hand, a reduction in other transfers of an investment nature is envisaged (-1.1 billion lei).

Investment expenditures are projected to remain at a relatively high level even beyond 2026, with an average of around 5.7% of GDP anticipated for the 2027-2029 period. It is also noteworthy the intention to finance a significant share of public investment expenditures from non-reimbursable external funds (MFF and NRRP), which are expected to account for 56.6% in 2026, 44% in 2027, 37.8% in 2028, and 23.9% in 2029 of total investment expenditures.

It is worth noting the ambitious target set for investment expenditures in 2026, following the record level reached in the previous year, especially given that these years also coincide with a sustained effort of fiscal consolidation. The investment dynamics are also driven by the completion of NRRP in 2026, making it necessary for Romania to absorb as much as possible of the European funds allocated to it. However, considering the modest absorption rate recorded at the end of 2025, there is a risk that failure to meet the NRRP completion deadline and/or to achieve the milestones agreed with the European Commission could lead to the loss of European funding for a number of ongoing projects, which might then need to be completed using national

resources, thereby affecting the public budget. Thus, the inability to fully absorb these funds would not only deprive the economy of a growth driver, but could also lead to an unexpected increase in the budget deficit, jeopardizing the fiscal consolidation path.

On the other hand, setting a ceiling of 66.0 billion lei for capital expenditures of the general consolidated budget (slightly decreasing by 1.7% compared to 2025) could represent an adjustment buffer in the event of overruns in other expenditure aggregates.

In conclusion, the Fiscal Council considers that there are grounds for staying within the established ceilings for general consolidated expenditures; however, the budget is built on the assumption of strict control over these expenditures, and past experience has shown how difficult such an undertaking can be. Moreover, there is uncertainty regarding the full implementation of projects under the NRRP, which could affect the budget deficit.

Thus, depending on developments in the national and international economic environment, there are risks regarding compliance with the projected levels, especially in terms of expenditures on interest, goods and services, and social assistance.

Considering the above, based on a prudent approach to revenue and expenditure forecasting, the Fiscal Council assesses the 2026 budget construction as being compatible with a cash deficit of around 6.25% of GDP⁴². This assessment by the Fiscal Council does not take into account either potential severe effects of the war in the Middle East or any measures that might be associated with them.

The plausibility of the projected budget revenues and expenditures is also closely linked to the evolution of the macroeconomic framework in line with the NCSP forecast. Compared to the time of its publication (December 2025), the conflict in the Middle East has intensified significantly, with oil and natural gas prices recording rapid increases. The persistence of these increases, along with rising risk aversion in financial markets, could generate a number of risks. As regards budget revenues, already fragile economic growth and tax bases could be further affected. On the expenditure side, an energy price shock would lead to pressures to provide support for vulnerable consumers and, in the context of rising inflation, to pressures for the indexation of wages and pensions. At the same time, higher sovereign yields, as a result of increased risk aversion in financial markets, could lead to higher interest expenditures. In the absence of fiscal space, these developments may negatively affect the targets set out in the draft budget.

4. Medium-term fiscal-budgetary outlook – the budget framework beyond the 2026 horizon

The projection of the medium-term fiscal-budgetary framework is described in the Fiscal Strategy for the 2026-2028 period and in the Report on the Macroeconomic Situation (RMS) for 2026 and its projection for the 2027-2029 period. The two documents are based on the same dynamics of indicators, the only difference being the time horizon.

⁴² The assessment of the cash deficit is based on a no-policy-change scenario, the information available to the Fiscal Council at this time, as well as a series of uncertainties and risks.

In the medium term, the fiscal-budgetary framework must take into account the constraints imposed by the excessive deficit procedure, as well as the requirements of the new EU governance framework. The most recent reference⁴³ regarding the targets associated with the medium-term fiscal-budgetary framework indicates the objective of completing the excessive deficit procedure by 2030, along with a trajectory of net primary expenditures with maximum annual growth rates of 2.8% in 2025, 2.6% in 2026, 4.6% in 2027, 4.4% in 2028, 4.2% in 2029, and 4% in 2030.

In the medium term, the Fiscal Strategy projects a downward trajectory for the budget deficit. In cash terms, it is expected to decrease from 6.25% of GDP in 2026 to 3.2% of GDP in 2029, while the ESA deficit is estimated to decline from 6% of GDP in 2026 to 3.2% of GDP in 2029.

In cash terms, fiscal consolidation is projected to be achieved mainly on the expenditure side, with their share in GDP decreasing by 6 pp by 2029 (from about 42.2% of GDP in 2026 to 36.2% of GDP in 2029). Compared to 2026, the share of total revenues in GDP is projected to decrease by 3 pp by 2029 (from 36% of GDP in 2026 to 33% of GDP in 2029).

Excluding the impact of aggregates related to European funds (of -3.3 pp of GDP on revenues and around -4.3 pp of GDP on expenditures), which have a significant influence on the projected medium-term dynamics of budget revenues and expenditures, the other categories of revenues are planned to increase by around 0.3 pp of GDP, while the remaining expenditure categories are projected to decrease by almost 1.7 pp of GDP by 2029. Thus, the budgetary adjustment over the 2027-2029 period is projected to be achieved mainly on the expenditure side.

The analysis of the dynamics of the main categories of budget revenues reflects a slight increase in the share of current revenues in GDP and a significant decrease in the share of European funds. The share of current revenues in GDP increases by 0.3 pp, from 31.1% of GDP in 2026 to 31.4% of GDP in 2029, while revenues from European funds significantly reduce their share in GDP (from 4.8% in 2026 to 1.5% in 2029), mainly due to the completion of the NRRP. Tax revenues are expected to increase by 0.5 pp of GDP in 2029 compared to 2026, while the share of social security contributions and non-tax revenues is estimated to decrease by 0.1 pp of GDP each. If the contribution of European funds is excluded from total revenues, their share in GDP remains around 31.5% throughout the 2027-2029 period.

According to the current legislative framework, starting with 2027, Emergency Ordinance No. 89/2025 provides for the elimination of the minimum turnover tax, the tax on special constructions (the “pillar tax”), as well as the additional turnover tax in the oil and gas sector. These provisions are likely to negatively affect budget revenues beginning with the 2027 budget execution.

An analysis of both FS and RMS does not explicitly indicate additional measures to compensate for the taxes eliminated starting in 2027 and to support the projected increase in tax revenues by 0.5 pp of GDP. Instead, the documents mention objectives mainly related to: (i) conducting an analysis of the efficiency of the tax exemption for reinvested profit, (ii) adjusting the system of tax

⁴³ <https://data.consilium.europa.eu/doc/document/ST-10349-2025-INIT/en/pdf>

incentives, (iii) revising the tax framework applicable to personal income, and (iv) introducing a property taxation mechanism based on market value.

The downward trajectory of the share of budget expenditures in GDP is supported by the dynamics of most expenditure categories: personnel expenditures decrease by 0.9 pp (from 8.2% of GDP in 2026 to 7.3% of GDP in 2029); social assistance expenditures decrease by 0.3 pp (from 12.2% of GDP in 2026 to 11.9% of GDP in 2029); investment expenditures decline by 2.8 pp (from 8% of GDP in 2026 to 5.2% of GDP in 2029); interest expenditures decrease by 0.4 pp (from 3% of GDP in 2026 to 2.6% of GDP in 2029), while expenditures on goods and services remain at around 5.2% of GDP throughout the entire period. At the same time, a significant reduction is projected in expenditure aggregates related to projects financed from EU funds. Thus, in 2029, compared to 2026, the share in GDP of amounts from European funds decreases by about 4.3 pp (from approximately 6.8% of GDP in 2026 to 2.5% of GDP in 2029), mainly due to the completion of the NRRP.

As regards personnel expenditures, the levels projected for the 2027-2029 period imply annual nominal increases that are lower than both the average annual inflation rates estimated for the same period and the growth of nominal GDP. In 2027, personnel expenditures are forecast to increase by almost 3.1%, compared to an estimated average inflation rate of 3.2% and nominal GDP growth of 6.7%; in 2028, personnel expenditure growth is projected at 2.9%, compared to an estimated average inflation rate of 3% and nominal GDP growth of 6.5%; in 2029, personnel expenditures are estimated to increase by 1.1%, compared to an inflation rate of 2.8% and nominal GDP growth of 6%. The increase in personnel expenditures, being significantly lower than the projected dynamics of nominal GDP, leads to a reduction in their share in GDP and represents, according to MF documents, an important source of deficit adjustment in the medium term.

The trajectory of personnel expenditures could be supported by the structural measures adopted in 2025 and at the beginning of 2026, aimed at reducing the number of employees in the public sector and revising other benefits within the public system. However, after a period of two consecutive years (2025 and 2026) in which public sector wages were frozen, indexing this aggregate at levels lower than the average inflation rate – and significantly below the dynamics of nominal GDP – entails important risks to the projection.

Social assistance expenditures are projected to slightly reduce their share in GDP by about 0.3 pp by 2029. This trajectory results from nominal growth rates of 6.8% in 2027, 5.7% in 2028, and 3.7% in 2029. The growth rate of social assistance expenditures is lower than the nominal GDP growth rate (with the exception of 2027, when they are relatively similar). Over the 2027-2029 period, the indexation of state social insurance pensions by the average annual inflation rate and 50% of the average gross wage, as well as the indexation of most other social assistance categories by the average annual inflation rate appears to place this aggregate slightly above the trajectory forecast by the Ministry of Finance. However, an assumption regarding the elimination of compensatory payments for electricity and natural gas granted to vulnerable persons, or that of lower indexation increases, could explain this difference.

However, from a structural perspective, the dynamics of social assistance expenditures should also take into account demographic challenges, as well as those related to the retirement age. According to the *Ageing Report 2024*⁴⁴, more than half of EU member states are expected to record increases in public pension expenditures by 2070, with an average of +0.4 pp of GDP at the EU27 level. For Romania, the report indicates an unfavourable outlook in the short and medium term (+1.9 pp of GDP over the 2022-2030 horizon), with pressures on the social insurance budget expected to ease thereafter.

This dynamic is amplified by a low labour market participation rate, with Romania recording a rate of 67%, one of the lowest in the EU (only Italy being at a similar level, at 66.6%), compared to a European average of 75.3%, which significantly narrows the base of contributors supporting the public pension system. In this context, the medium- and long-term sustainability of the social insurance system requires the adoption of measures aimed at: (i) increasing the labour market participation rate of working-age individuals, (ii) gradually adjusting the retirement age in line with life expectancy developments, and (iii) eliminating exceptions to the standard retirement age, which erode the contribution base and generate inequities.

Investment expenditures are projected to reach a peak of 8% of GDP in 2026, followed by a downward trend: 6.1% of GDP in 2027, 5.7% of GDP in 2028, and 5.2% of GDP in 2029. The reduction of investment expenditures by 2.8 pp of GDP over the 2027-2029 period, as planned by the Ministry of Finance, would contribute to reducing the budget deficit in the medium term.

However, investment expenditures will need to reflect the objective of increasing military spending (given Romania's commitments within NATO), primarily carried out through loans under the SAFE program (see *Box 2*). The financing of 16.6 billion euro, equivalent to approximately 4.1% of GDP in 2026, is available over the 2026-2030 period. From a budgetary perspective, the loans related to SAFE represent repayable financing and are recorded as budget expenditures at the time of commitment, increasing the deficit and, implicitly, public debt. Thus, even though these loans are granted under favourable conditions, they have the potential to affect the trajectory of budget deficit adjustment.

As regards expenditures on goods and services, they are projected to increase at an average rate relatively similar to that of nominal GDP, so their share in GDP remains around 5.2%. From this perspective, although the adjustment of the budget deficit is not supported by this aggregate, it can be considered that there are grounds for staying within the projected medium-term ceilings.

It is worth noting that the Ministry of Finance's projection also envisages a significant adjustment in interest expenditures, of 0.4 pp of GDP (from 3% of GDP in 2026 to 2.6% of GDP in 2029), even though public debt is expected to increase in the medium term, reaching 63.9% of GDP in 2029. This forecast appears to reflect the latest projections of the Ministry of Finance regarding the volume of refinanced debt⁴⁵, which, after reaching a peak of nearly 148 billion lei in 2026, are

⁴⁴ https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en?_a100skip=1

⁴⁵ https://mfinante.gov.ro/static/10/Mfp/buletin/executii/Servdatpubgubv2024-2034piatadeemisiune112025_2031.pdf

expected to decline substantially to around 105 billion lei in 2029. However, such a substantial adjustment in interest expenditures appears optimistic and would imply significant decreases in yields on Romanian government securities in the coming years. Taking into account also the possibility of potential shocks in international financial markets, in the context of a particularly turbulent geopolitical environment, a significant risk emerges of exceeding the projected ceilings for interest expenditures in the medium term.

With regard to budget expenditures, the Fiscal Strategy and the Report on the Macroeconomic Situation outline a series of measures aimed at keeping them within targets, mainly focusing on: (i) directing available resources toward public investments in infrastructure, agriculture and rural development, energy and advanced technology, as well as the green and digital transition, supplemented by resources from European funds under the 2021-2027 MFF and the Recovery and Resilience Facility, (ii) reorienting public investment expenditures to enable a gradual shift from investments financed entirely from national sources to those co-financed by European funds, (iii) accelerating the pace of spending European funds to improve the absorption rate, (iv) continuing the financing of state aid schemes, including in the medium term, to contribute to job creation, investments using new technologies, and the development of innovative products, services, and technologies, and (v) continuing the process of improving the qualitative efficiency of budget expenditures by increasing the share of expenditures financed from external funds relative to those from national sources, as well as increasing the share of investment expenditures in total budget expenditures.

It should be noted that, according to the new economic governance rules, the trajectory of net primary expenditures is the reference indicator monitored by the European Commission within the excessive deficit procedure. In this context, the Fiscal Council considers it necessary for medium-term fiscal-budgetary framework projections to also include data on the trajectory of net primary expenditures.

The analysis of the fiscal-budgetary framework for the 2027-2029 period shows, similarly to previous years, that compared to 2026, the reduction of the budget deficit in the medium term is planned to be achieved mainly on the expenditure side, with tax revenues projected to increase by only 0.5 pp of GDP and social security contributions expected to decrease by 0.1 pp of GDP. With regard to expenditure adjustments, the Fiscal Council has highlighted risks related to the projected trajectories of personnel expenditures, social assistance, and interest expenditures, as well as the need to reflect rising military spending, which may limit the scope for significant adjustments in investment expenditures.

The Fiscal Council reiterates that compliance with the trajectory of budget deficit reduction must be supported by an increase in tax revenues (including social security contributions), as Romania has significant potential to increase its budget revenues by improving collection efficiency (see *Box 1*). Improving collection should be a major priority of fiscal-budgetary policy and has the potential to generate additional revenues of over 1.5 pp of GDP, thereby significantly supporting budgetary consolidation.

The Fiscal Council considers that, in the absence of support for the consolidation process on the revenue side, the adjustment of the budget deficit in the medium term – based predominantly on expenditure reductions – raises concerns. The corresponding trajectory of net primary expenditures implies a similar assessment. Under these conditions, the balance of risks appears tilted toward the possibility of recording higher deficits than those estimated in the fiscal-budgetary framework for the 2027-2029 period. A substantial improvement in tax revenue collection would greatly support the achievement of budget deficit targets in the coming years.

5. Analysis of public debt sustainability in Romania

One of the main objectives of the new EU economic governance framework is to simplify fiscal rules. In this regard, the new framework has established a single operational indicator – the trajectory of net primary expenditures – which is the reference indicator monitored by the European Commission within the excessive deficit procedure.

The targets associated with the trajectory of net primary expenditures are set so as to: (i) ensure that, by the end of the adjustment period, the share of public debt follows a plausibly downward path or remains at prudent levels (below 60% of GDP) in the medium term and (ii) ensure that the projected public deficit falls below 3% of GDP during the adjustment period and is maintained below this reference value in the medium term. While the second criterion includes a clear numerical benchmark, the assessment of the plausibility of the downward debt trajectory is carried out based on the public debt sustainability analysis (DSA) methodology⁴⁶. In this context, the DSA becomes an indirect reference for monitoring compliance with fiscal rules, making periodic evaluation of the public debt trajectory necessary.

In its latest annual report, the Fiscal Council included an assessment of debt sustainability based on the European Commission's data and projections from spring 2025, a point in time prior to the adoption of fiscal consolidation measures. Consequently, incorporating the effects of the adopted measures and the most recent macroeconomic developments requires an update of the analysis.

The public debt sustainability analysis is structured to highlight: (i) the trajectory of public debt under a no-policy-change baseline scenario, (ii) the evolution of public debt under a fiscal adjustment scenario consistent with the new rules and the target values of the structural primary balance, and implicitly with the growth rates of net primary expenditures required to ensure sustainability, and (iii) the testing of stress scenarios.

⁴⁶ The DSA methodology uses the structural primary balance as the main reference for fiscal adjustment. This implies targeting a structural primary balance such that, at the end of the adjustment period, two criteria are met: (i) the debt trajectory declines continuously (or remains at prudent levels) for 10 years, in the deterministic scenarios within the debt sustainability analysis; and (ii) in the five years following the end of the adjustment period, the share of public debt in GDP decreases with a probability of at least 70%, in line with the threshold defined by the European Commission in the DSA methodology. Subsequently, in order to achieve the target values of the structural primary balance, the corresponding growth rates of net primary expenditures are calculated.

The trajectory of the public debt-to-GDP ratio under a no-policy-change scenario

The projected trajectory of public debt under a no-policy-change scenario, based on the DSA methodology and the rules of the new EU economic governance framework, using the latest data and projections from the European Commission and the Ministry of Finance available as of January 2026, as well as data extracted from Reuters Eikon and Bloomberg, is illustrated in [Figure 1](#)⁴⁷. The trajectory incorporates into the projections for 2026 the effects of the fiscal consolidation measures adopted during 2025, taking into account a budget deficit target of 6.2% of GDP and a structural primary deficit of 2.3% of potential GDP, in ESA terms⁴⁸.

The projection results indicate, under this scenario, an accelerated increase in the public debt-to-GDP ratio, with average annual increases of about 3 pp of GDP over the projection horizon. Thus, in the event of deviations from consolidation targets in the coming years, public debt would rise to 80% of GDP by 2034 and reach 100% of GDP by 2040. The main driver of public debt accumulation is the primary deficit, which, in this scenario, fluctuates around 2.3% of GDP, reflecting the assumption of maintaining the budget structure at the end of 2026, which is still characterized by high permanent expenditures and insufficient tax revenues.

The upward trajectory of public debt is also reflected in the deterioration of gross financing needs (defined as the sum of debt rollover and deficit financing). Thus, under the no-policy-change scenario, financing needs would reach around 20% of GDP by 2034. A major vulnerability is also represented by the dynamics of interest expenditures, which are projected to reach 5% of GDP by 2034, absorbing a significant share of budgetary resources. In 2026, according to the latest projections of the Ministry of Finance⁴⁹, the volume of refinanced debt reaches nearly 148 billion lei, compared to about 110 billion lei in 2025. Based on these figures and the projected deficit for that year (nearly 128 billion lei), the estimated financing need could reach 275-280 billion lei, increasing from around 268 billion lei in 2025.

However, the DSA analysis indicates a more moderate trajectory compared to previous no-policy-change projections made prior to the adoption of fiscal consolidation measures, which pointed to a public debt ratio exceeding 80% of GDP by 2029 and reaching the 100% threshold by 2032⁵⁰. Thus, the consolidation measures adopted in 2025 mitigate the explosive trajectory of public debt but are not sufficient to stabilize it. Although long-term debt projections are hypothetical – since financial markets and rating agencies would react well before such thresholds are reached – the projected dynamics underscore the imperative of continuing the fiscal consolidation process.

After the adoption of numerous budget correction measures in 2025, the economy is facing a risk of fiscal fatigue, and social tensions have increased. Therefore, calibrating future deficit

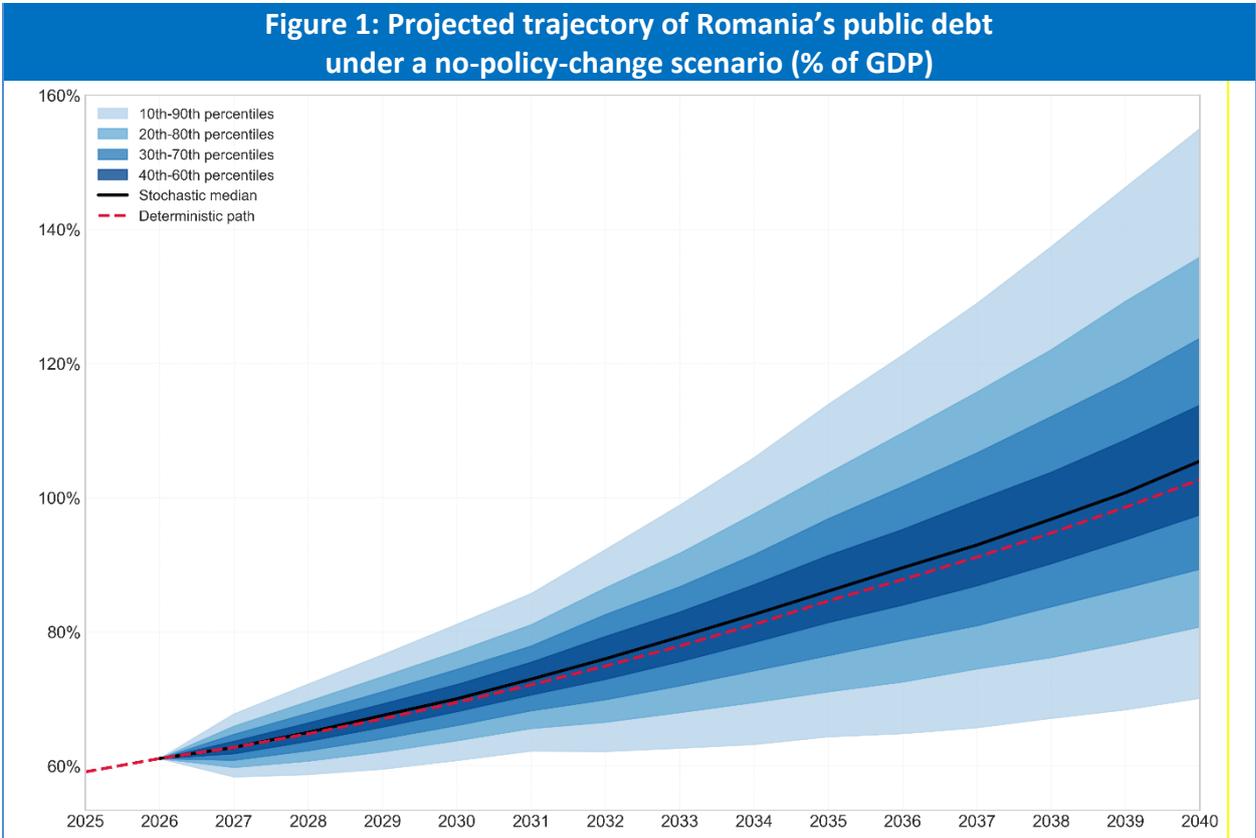
⁴⁷ The estimates were carried out in Python, using the replication code for the DSA analysis developed by Darvas, Z., L. Welslau, and J. Zettelmeyer (2023), A Quantitative Evaluation of the European Commission's Fiscal Governance Proposal, Working Paper 16/2023, Bruegel.

⁴⁸ These values correspond to the European Commission's forecast from autumn 2025.

⁴⁹ https://mfinante.gov.ro/static/10/Mfp/buletin/executii/Servdatpubguv2024-2034piatadeemisiune112025_2031.pdf

⁵⁰ Annual Report of the Fiscal Council, 2025.

correction measures requires maintaining a balance between revenue and expenditure components. In this context, safeguarding social cohesion becomes a major constraint for fiscal optimization, in order to prevent the risks of social instability associated with structural adjustments. A substantial improvement in tax revenue collection would support the achievement of these objectives.



Source: Fiscal Council’s own calculations based on the replication code of the DSA analysis
 Note: The uncertainty intervals are determined based on 10,000 alternative trajectories for public debt, generated through stochastic simulations. These simulations use symmetric shocks drawn from the historical distribution of key macroeconomic variables.

Public debt trajectory in the scenario of continued budgetary consolidation

For Romania, the constraints associated with the excessive deficit procedure, the rules included in the new economic governance framework, the commitments assumed through MTP, but also the unsustainable trajectory of public debt require continued budgetary adjustment in the coming years. Although the MTP established a consolidation trajectory for a period of 7 years, starting with the year 2025, it was negatively influenced by the establishment of an erroneous starting point (lower than the effective one), as well as by the specific lack of concrete measures to increase budgetary revenues and reduce budgetary expenditures. These elements significantly affected the assumptions of MTP and created premises for a more severe budgetary correction in the coming years.

Consequently, in June 2025, the EU Council recommended Romania to complete the excessive deficit procedure by 2030 and set a net primary expenditure path that involves a concentrated

effort in the first years of the adjustment period (front-loading)⁵¹. The EU Council also recommended the adoption of a budget revenue growth package with an annualised impact of 1.75% of GDP in 2026.

In line with these requirements, Romania adopted a series of budgetary consolidation measures, both on the revenue and expenditure sides, starting in July 2025. These measures aimed to ensure compliance with the net primary expenditure path target and the budget deficit target in 2026.

Next, given the latest available data and projections, the EC requirement to end the excessive deficit procedure by 2030, as well as the need for a greater consolidation effort at the beginning of the period, we will highlight the constraints and the trajectory of public debt in GDP in the scenario of continued fiscal consolidation after 2026.

In order to ensure a downward trajectory of public debt, a budget deficit below 3% of GDP, but also to ensure sustainability criteria in different stress scenarios, Romania should aim to achieve a structural primary surplus of around 2% of potential GDP in 2030, equivalent to a primary surplus of around 1.4% of GDP and an ESA budget deficit of around 2.2% of GDP.

Given the structural primary budget balance of around -4.75% of potential GDP at the end of 2025, the 2030 target implies a high consolidation effort, equivalent to around 6.75 pp of potential GDP. Translating this effort into targets for the path of net primary expenditure leads to the following nominal growth rates: 2.7% in 2026, 2.9% in 2027, 3.2% in 2028, 4.1% in 2029 and 5% in 2030⁵². These values were estimated based on a decreasing evolution of the annual adjustment effort of the structural primary balance (front-loading), allocating a higher weight to consolidation in the early years of the period.

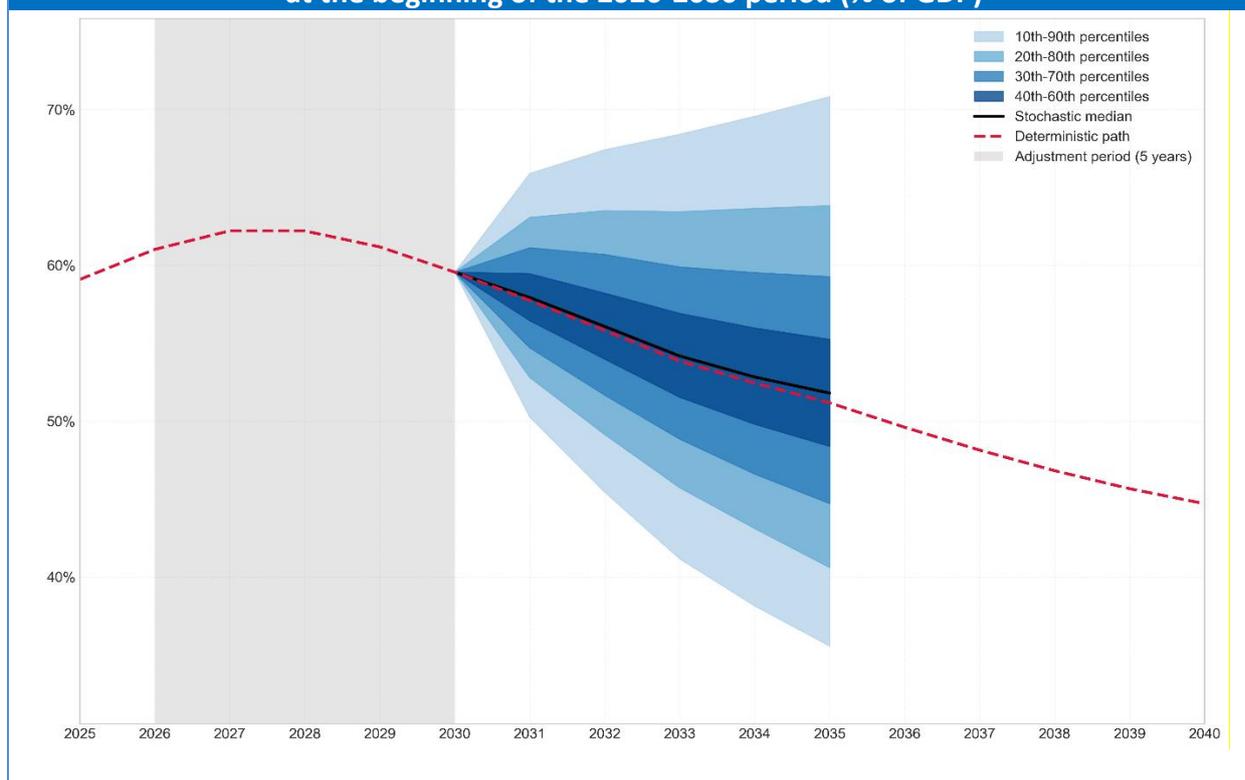
Starting from the target of 2% of potential GDP for the structural primary surplus in 2030, equivalent to a target of about 1.4% of GDP for the primary surplus, and from the front-loading requirement, the dynamics of public debt are highlighted in *Figure 2*. The results of the DSA model, for an adjustment period until 2030, indicate that a maximum of public debt will be reached in the 2027-2028 period, of about 63% of GDP. Subsequently, from 2029, the debt follows a downward trajectory, falling below 60% of GDP in 2030. The probability of a decrease in public debt for a period of five years, after the end of the adjustment period, is validated in the 70th⁵³ percentile, and the debt trajectory continuously decreases for 10 years (these being the assessment criteria used by the EC to establish the plausibility of the downward trajectory of public debt).

⁵¹ https://economy-finance.ec.europa.eu/document/download/01b66537-d04e-45fe-95b4-9203635ca4e5_en?filename=CELEX_52025DC0344_EN_TXT.pdf

⁵² The values are slightly different from those indicated in the EC recommendation of June 2025, being estimated based on the most recent data and projections available in January 2026. It should be noted that the targets regarding the trajectory of net primary expenditures to achieve the public debt stabilization objective change annually depending on the actual budget execution and the dynamics of macroeconomic indicators.

⁵³ About 70% of the scenarios have a downward trajectory for the share of public debt in GDP.

Figure 2: Projected trajectory of Romania's public debt in the scenario of continued fiscal consolidation with a higher adjustment effort at the beginning of the 2026-2030 period (% of GDP)



Source: FC's own calculations based on the DSA analysis replication code

Note: The uncertainty ranges are determined based on 10,000 alternative paths for public debt, generated through stochastic simulations. These use symmetric shocks, drawn from the historical distribution of key macroeconomic variables. The simulation period corresponds to the adjustment period and the 10-year sustainability assessment period.

This scenario, of continuing fiscal consolidation beyond 2026, requires compliance with restrictive net primary expenditure targets over the 2026-2030 period, with a concentrated effort at the beginning of the period. However, after a period in which social assistance and personnel expenditures were frozen for two consecutive years (2025 and 2026), and a series of measures to increase tax revenues were also adopted, further adjustment may become socially and politically difficult, but remains the only option for ensuring macroeconomic stability.

Risks and uncertainties regarding the public debt trajectory

The public debt trajectory in the consolidation scenario is conditional on compliance with macroeconomic and budgetary assumptions. In principle, this assumes during the adjustment period (i) real economic growth in line with the EC forecast (1.0% in 2026, an acceleration to 2% in 2027 and values of around 1.5% by 2030), (ii) maintaining the differential between the cost of financing and the nominal GDP growth rate ($r - g$) in favourable territory, (iii) the implementation of the net primary expenditure trajectory is carried out according to the assumed calendar.

The recent escalation of tensions in the Middle East carries a risk of energy shock, with negative effects on economic growth. At the same time, in a context of global risk aversion, Romania is

exposed to the risk of rising yields and, implicitly, an increase in the cost of financing. These developments would translate into a deterioration of the $r - g$ differential.

An additional risk arises from the front-loading assumption included in the consolidation scenario. The simulated public debt trajectory assumes more restrictive net primary expenditure growth rates at the beginning of the adjustment period, in line with the EC requirement. This assumption leads to a debt peak of around 63% of GDP in 2027-2028. In contrast, under the assumption of a linear adjustment, with a uniformly distributed effort until 2030, the debt trajectory would be higher. The maximum point of the debt-to-GDP ratio would rise to around 65% of GDP in 2029, around 4 pp more than in the front-loading scenario, and the debt would remain at 64% of GDP at the end of the adjustment period, without reaching the 60% threshold in 2030.

An additional risk factor is the absorption of SAFE loans. Unlike grants under the multiannual financial framework, SAFE loans are recorded as public debt and affect the deficit at the time of expenditure commitment. Romania's allocation of around EUR 16.6 billion, equivalent to 4.1% of GDP in 2026, spread over the 2026-2030 period, requires the creation of additional fiscal space to meet the net primary expenditure targets. Otherwise, they could add around 3.5-4 pp of GDP to the public debt trajectory shown in [Figure 2](#).

A structural risk with a direct impact on the 2026-2030 consolidation period is represented by the dynamics of social assistance spending, as the baby boom generation reaches retirement age. According to the Ageing Report 2024⁵⁴, pension spending in Romania is estimated to increase until 2030, which will negatively influence the trajectory of net primary spending. The pressure is amplified by the low level of labour market participation (67%, compared to a European average of 75.3%), which narrows the taxpayer base. Mitigating this risk requires structural measures aimed at increasing the participation of people able to work in the labour market, gradually adjusting the retirement age in association with the evolution of life expectancy and eliminating exceptions to the standard retirement age.

Stress analysis of the public debt trajectory

The assessment of the robustness of the public debt trajectory to adverse macroeconomic shocks is carried out based on a stress analysis. This is applied to the public debt trajectory during the consolidation period (2026-2030).

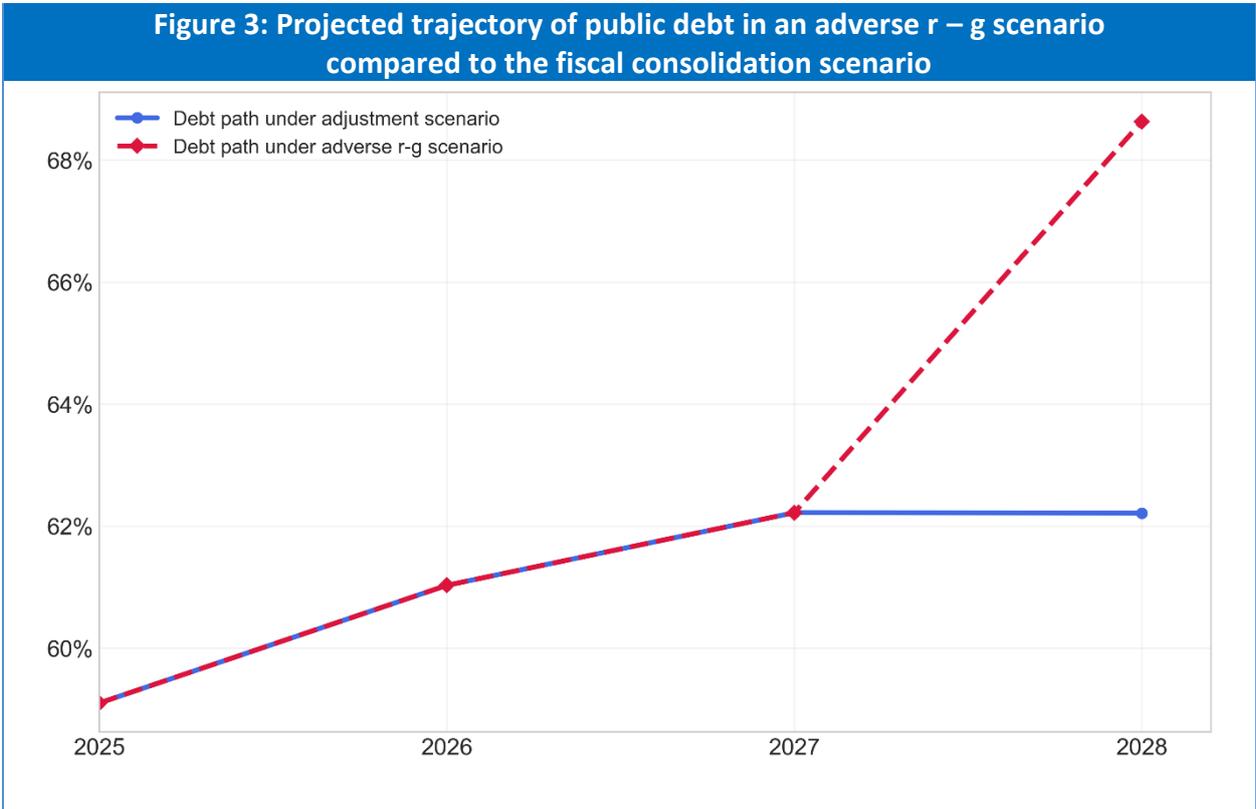
To ensure consistency with the DSA methodology, the stress analysis was based on annual historical data on the evolution of the variables included in its stochastic analysis for the period 2005-2024: the leu-euro exchange rate; the short-term interest rate; the long-term interest rate; nominal GDP and the share of the primary budget balance in GDP. In order to avoid the arbitrary definition of a crisis scenario, the historical covariance matrix of these variables is used. Thus, the stress analysis starts from a trigger factor and estimates the likely reaction of the other indicators

⁵⁴ 2024 Ageing Report. Economic and Budgetary Projections for the EU Member States (2022-2070) - Economy and Finance

included in the analysis based on the correlations observed in the 2005-2024 period for the Romanian economy.

The trigger factor was considered to be the differential between the long-term financing cost (r) and the nominal GDP growth rate (g). Under favourable conditions (when r is lower than g), this differential can help materialize a downward trajectory of public debt. However, the sudden reversal of this differential, specific to crisis episodes, can lead to a sharp increase in public debt in a short period of time. The shock applied to the $r - g$ differential was calibrated to reflect the most severe historical episode in the 2005-2024 period (the maximum increase in long-term financing costs, simultaneously with the maximum deceleration of nominal GDP). The propagation of this shock was simulated for 2028, at the middle of the adjustment period, up to this point considering compliance with the targets in the fiscal consolidation scenario.

The stress analysis results show that the scenario of severe deterioration in financing conditions and economic growth is also associated with a depreciation of the national currency, as well as a deterioration in the primary budget balance. The shock applied to the $r - g$ differential leads to a sharp increase in public debt, from about 62% of GDP in 2027 to about 68.5% of GDP in 2028. The effects of the shock are large and manifest in a short time frame, being also influenced by the fact that historical data include severe crisis episodes, such as the global financial crisis, the sovereign debt crisis and the Covid-19 pandemic. Although the shock is extreme, it is consistent with the observed effects of these historical events.



Source: FC's own calculations based on the DSA methodology

In conclusion, the stress analysis indicates the high vulnerability of public debt to adverse shocks. This fact reinforces the need for continued fiscal consolidation, but also the importance of establishing a fiscal space that allows for the absorption of future shocks.

6. Absorption of European funds from the 2021-2027 MFF and the NRRP

The FC systematically monitors the evolution of the absorption of European funds for reasons that can be summarized as i) the contribution of European funds, most of which are non-reimbursable, to the growth of the real economy; ii) the contribution of these funds to maintaining fiscal-budgetary and financial-currency balances. In addition, in case of non-compliance with the fiscal consolidation calendar under the constraints of the EDP and if it does not take effective actions (according to the Council recommendations), leading to the return of the budget deficit to the trajectory assumed and agreed with the EC, Romania may suffer financial sanctions, including the suspension of European funds.

The FC analysis of the degree of absorption of European funds focuses mainly on the allocations from the Structural and Cohesion Funds (SCF) related to the National Programs in the 2021-2027 MFF managed by the Ministry of Investments and European Projects (MIEP) and, respectively, the National Recovery and Resilience Plan, MIEP being also the national coordinator of the NRRP.

Romania benefits from the EU budget from allocations of almost 75 billion euros, namely: 31 billion euros SCF (22 billion euros for the 8 National Programs, of which 7 are managed by MIEP⁵⁵ and 9 billion euros for the 8 Regional Programs managed by the Associations for Regional Development and Protection), over 20 billion euros from the Common Agricultural Policy and Cohesion Policy related to the 2021-2027 MFF, to which are added allocations from the NRRP of 21.4 billion euros, of which 13.6 billion euros grants and 7.8 billion euros loans through the Recovery and Resilience Mechanism, the most important financial facility within Next Generation EU⁵⁶.

Regarding the absorption of non-reimbursable SCF from the 2021-2027 MFF, at the end of November 2025, according to the data published by MIEP⁵⁷, corroborated in conditions of temporal comparability with those published by the MF⁵⁸, presented in [Table 1](#), the effective

⁵⁵ We would like to point out that the National Program OP Transport 2021-2027 is managed by the Ministry of Transport and Infrastructure, as the Managing Authority.

⁵⁶ Following the renegotiation of the NRRP with the EC in 2025, the loan component was reduced from 14.9 billion euros to 7.8 billion euros, the grant component remaining entirely at the level of 13.6 billion euros, which led to a decrease in the total NRRP funds allocated to Romania from 28.5 billion euros to 21.4 billion euros. The revised NRRP was transmitted to Brussels in mid-September 2025, and was approved by ECOFIN on 11 November 2025.

⁵⁷ <https://mfe.gov.ro/stadiul-absorbției-fondurilor-ue/>

⁵⁸ https://mfinante.gov.ro/static/10/Mfp/buget/sitebuget/BFN_2025_11_30.pdf

absorption rate⁵⁹ of SCF was 15.2% (National Programs)⁶⁰ and 13.4% (total National and Regional Programs)⁶¹.

These low levels of SCF absorption make it difficult to recover the delays in the two years remaining until the end of the 2021-2027 financial year, possibly easily accelerated given that Romania will mobilize all its administrative and institutional forces for the absorption of European funds and will continue to benefit from the n+3 Rule⁶².

Table 1. Situation of absorption of Structural and Cohesion Funds for the 2021-2027 programming period as of 30.11.2025 (million euros)					
2021-2027 MFF	Programmed 2021-2027	2021-2024 Execution at 31.12.2024	Estimates 2025	2025 Execution at 30.11.2025	2021-2025 Execution at 30.11.2025
Structural and Cohesion Funds (SCF), of which:	30.986,47	2.424,62	4.868,38	3.746,49	6.171,12
Advances from SCF	2.295,01	1.806,39	483,63	488,62	2.295,01
Refunds from SCF	28.691,46	618,24	4.379,76	3.360,47	3.876,11

Source: Evolution of financial flows between Romania and the European Union (Net Financial Balance) 30.11.2025, Ministry of Finance; Absorption status for programs financed from the European Funds 2021-2027, related to Cohesion Policy, 28 November 2025, MIEP.

In the complicated domestic and international context, marked by major economic risks and political and geopolitical tensions, including armed conflicts, the absorption of SCF to the greatest extent possible can contribute to supporting the macroeconomic correction and the fiscal consolidation process, achieving structural reforms and implementing investment programs, countering the probable recession of the economy in 2026, mitigating internal and external financial imbalances, including foreign exchange, maintaining the country rating at investment grade level and, implicitly, to supporting the needs for financing the budget deficit and refinancing public debt at reasonable costs.

The National Recovery and Resilience Plan includes the Next Generation Recovery and Resilience Mechanism (RRM) facility. Following the renegotiation of the NRRP with the EC, the loan

⁵⁹ The effective absorption rate represents the ratio between the reimbursements from the SCF by the EC and the total related allocations. Advances from the SCF, even if used, partially or fully, represent expenditure to be (or not) validated by the EC and are not taken into account when calculating the effective absorption rate.

⁶⁰ The effective absorption rate of the SCF related to the National Programs of 15.2% was calculated by reporting the reimbursements of 3.4 billion euros to the allocations (excluding advances) of 22.1 billion euros for these programs. If the 8 National Programs exclude the Transport OP 2021-2027 managed by the Ministry of Transport and Infrastructure, both from allocations and reimbursements from the EC, at the end of November 2025 the absorption rate of the SCF related to the 7 National Programs managed by MIEP, calculated as the ratio between 2.09 billion euros in reimbursements from the EC and 17.4 billion euros in allocations, was only 12%!

⁶¹ The effective absorption rate for total National and Regional Programs of 13.4% was calculated by relating the SCF reimbursements of 3.9 billion euros to the total allocations (excluding advances) of 28.7 billion euros.

⁶² At the end of January 2026, according to MIEP data, the effective absorption rate had improved slightly, increasing to 22.1% for the National Programs (the amount reimbursed by the EC for the implementation of these programs being 4.9 billion euros).

component was reduced from EUR 14.9 billion to EUR 7.8 billion⁶³, with the grant component remaining at EUR 13.6 billion, which led to a decrease in the total NRRP funds allocated to Romania to EUR 21.4 billion⁶⁴.

The implementation of the reform and investment measures provided for in the NRRP is facing major difficulties and significant delays, in the context in which all milestones and targets, including the related payment requests, must be completed by August 2026, any non-achievement resulting in losses or even returns of funds⁶⁵.

By August 2025, Romania managed to obtain EC approval for two payment requests totalling EUR 5.3 billion (EUR 3.6 billion in grants and EUR 1.7 billion in loans). Payment request no. 2 was approved by the EC under suspension of payments⁶⁶, withholding an amount of EUR 53 million due to the failure to meet two energy milestones, partially recovered in December 2024 (EUR 37 million in loans).

Payment request no. 3, worth 2.1 billion euros (excluding pre-financing) submitted in December 2023, was preliminarily assessed positively by the EC in March 2025⁶⁷, but only in June 2025 did it receive the opinion of the Economic and Financial Committee⁶⁸, the payment being made at the level of 1.3 billion euros. The difference of 869 million euros (814 million euros – grant component and 55 million euros – loan component) fell under the impact of the suspension of payments, caused by the partial fulfilment or non-fulfilment of 6 milestones⁶⁹. The EC is considering paying the difference of 869 million euros if, within 6 months, Romania satisfactorily meets the outstanding milestones, the most problematic being milestone 215 on the reform of the public pension system, with the Constitutional Court of Romania repeatedly postponing a decision on the special pensions of magistrates, with the risk of losing 231 million euros from the NRRP. It was only on February 18, 2026⁷⁰ that the Constitutional Court ruled that the Draft Law on Magistrates' Service Pensions, which cuts magistrates' pensions and increases their retirement age, is constitutional. Since the 6-month deadline in which Romania should have met the milestone has been exceeded, it will be very difficult to recover the 231 million euros, but

⁶³ The decrease in allocations by 7.1 billion euros in the loan component will entail a decrease of about half of the pre-financing of 1.94 billion euros related to this component of the NRRP, but it is not clear whether and when it will be returned as such to the EC or whether it will offset, in whole or in part, a possible payment by the EC to Romania.

⁶⁴ In the second half of 2025, the Romanian authorities and the European Commission negotiated the revision of the NRRP, aiming at the full absorption of non-reimbursable funds, the simplification of targets and milestones, the maintenance of mature projects with a low degree of risk regarding implementation until August 2026, the rescheduling of payment requests, and obtaining additional funding for projects under implementation.

⁶⁵ By the end of November 2025, only 36% of the milestones and targets had been met! (RRF Scoreboard – Romania https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/country_overview.html).

⁶⁶ The procedure for suspending payments, which grants additional time for the achievement of milestones, is explained at the following link: https://commission.europa.eu/system/files/2023-02/COM_2023_99_1_EN.pdf

⁶⁷ https://ec.europa.eu/commission/presscorner/detail/sv/ip_24_5242

⁶⁸ It is worth noting that, if the European Commission usually examines payment requests received from member countries within a period of about two months, after which it communicates the proposal whether or not to reimburse, in whole or in part, payment request no. 3 from Romania registered an absolute negative record at EU level, remaining in the examination and partial payment stage for 18 months (December 2023-May 2025)!

⁶⁹ https://ec.europa.eu/commission/presscorner/detail/en/mex_25_1474

⁷⁰ <https://www.ccr.ro/comunicat-de-pres-a-18-februarie-2026/>

the authorities in Bucharest⁷¹ have stated that they will undertake all diplomatic, formal and informal efforts to argue that the reform is being achieved.

The examination of the schedule of payments related to the NRRP made by the EC to Romania during the 2021-December 2025 period (*Table 2*) highlights that, from September 2023 to June 2025, for almost two years, with the exception of a pre-financing of 288 million euros related to REPowerEU, Romania did not manage to absorb a single euro of the NRRP funds! This fact reveals the deficit of administrative capacity of the authorities in pursuing the achievement of the targets and milestones of the NRRP, respectively for carrying out reforms and implementing investments in compliance with the assumed deadlines. It is eloquent that, compared to the 3.7 billion euros estimated to be attracted in 2025 on the grant component, the execution at 11 months records a payment from the EC of only 622 million euros, the only one in the entire period.

Table 2. The calendar of European Commission payments to Romania, related to the NRRP, during the 2021-December 2025 period (including pre-financing)			
Date	Budget type	Payment request	Sum (euro)
June 10, 2025	Grants	3	622.487.484
June 10, 2025	Loans	3	657.288.757
December 23, 2024	Loans	2 (Part 2)	37.055.259
January 25, 2024	Grants	Pre-financing	288.078.244
September 29, 2023	Grants	2	1.868.317.381
September 29, 2023	Loans	2	893.345.055
October 27, 2022	Grants	1	1.772.317.380
October 27, 2022	Loans	1	789.672.460
January 13, 2022	Loans	Pre-financing	1.942.479.890
December 2, 2021	Grants	Pre-financing	1.851.159.668
TOTAL			10.722.201.578

Source: RRF Scoreboard – Romania https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/country_overview.html

In summary, it is noted that the effective absorption rates (excluding pre-financing⁷²) of the funds related to the NRRP are low in relation to the time remaining until the end of this program, namely August 2026. For the NRRP as a whole, at the end of November 2025, the effective absorption rate was 31%, for the grants component being 31.6%, and for the loans component 30.3% (*Table 3*).

⁷¹ <https://www.digi24.ro/stiri/actualitate/politica/pislaru-dupa-decizia-ccr-putem-pune-pe-masa-dovada-indeplinirii-reformeii-ce-sanse-sunt-sa-mai-primim-cei-231-milioane-de-euro-3636859>

⁷² In addition to the fact that there is no clear picture of pre-financing (destinations, absorption), the situation became more complicated after the revision of the NRRP in 2025, when a series of projects that did not meet the criteria established by GEO no. 41/19.08.2025 were removed from the NRRP due to the high risk of not being completed on time, with no certainty of recovering the pre-financing related to them.

Table 3. Effective absorption rate of NRRP funds as of 31.11.2025			
Budget type	Allocations (million euro)	Amounts paid by the EC, excluding pre-financing (million euro)	Effective absorption rate (%)
Grants	13.566	4.263	31,6%
Loans	7.834	2.377	30,3%
Total NRRP	21.400	6.640	31,0%

Source: European Commission, Ministry of Finance, FC calculations.

The low level of achievements over a period of almost five years in relation to the deadline for the completion of all milestones and targets related to the NRRP, namely August 2026, makes it extremely difficult to recover the delays in just 6 months, which implies the risk of losing significant amounts of European money and the failure to implement important reforms and investment projects.

On August 18, 2025, the Government approved an Emergency Ordinance (no. 41/19.08.2025) on the establishment of measures for the prioritization and monitoring of investments financed through the NRRP⁷³. Regarding the national investment programs – National Local Development Program 1 and 2, “Anghel Saligny”, but also other programs managed by the National Investment Company –, the Ordinance introduced special rules regarding the assumption of new commitments and the award of new contracts.

In addition to resetting the list of investment projects financed from NRRP funds according to the established criteria, the Romanian authorities faced the problem of over-contracting, which reached 170-200%, being about 20 billion euros above the real limit of 21.4 billion euros, which, instead of a correction mechanism if it had been within a margin of 100-120%, turned into a distorting factor, complicating the selection of projects maintained in NRRP and the financing of the multiple works started, also creating pressure on the state budget, both in 2025 and 2026.

In November 2025, the ECOFIN Council approved the revised form of Romania’s NRRP⁷⁴, and MIEP launched the Dashboard, which is an interactive platform through which projects financed from the 2021-2027 MFF are monitored by program, region, field and implementation stage, as well as projects implemented from the NRRP, including allocations, contracting, absorption, validated payments⁷⁵, as well as an interactive map⁷⁶.

⁷³ Among these measures: projects with technical progress of over 30% remain in the NRRP, provided that they are completed by August 31, 2026; investment projects without a work start order are abandoned; investment projects with physical progress between 0% and 30% are suspended, due to the high risk of not completing on time; the ministries must submit detailed lists of projects that meet these criteria, as well as costs, funding sources, and risks associated with non-implementation. Projects with progress below 30% will only be able to continue with the approval of the Government, based on the opinion of the Ministry of Finance and MIEP, and projects that have exceeded the 30% threshold will be maintained only if there is a guarantee of their completion by August 31, 2026, with the opinion of MIEP.

⁷⁴ <https://data.consilium.europa.eu/doc/document/ST-14452-2025-INIT/en/pdf>

⁷⁵ <https://mfe.gov.ro/pnrr-dashboard/>

⁷⁶ <https://mfe.gov.ro/map2021/>

It should be highlighted that in mid-December 2025, Romania submitted its fourth payment request, with a value of 2.62 billion euros, containing 62 targets and milestones exclusively on the grant component, aimed at developing important sectors of the economy, namely infrastructure, health, education, environment, digitalization, culture, energy, energy efficiency⁷⁷.

In this relatively confusing and complicated context, the revised NRRP underwent major changes after the application of the provisions of GEO 41/2025, with some projects being removed or transferred from the loan component to the grant component and vice versa, while other projects were abandoned or postponed until other sources of financing were identified, with major financial implications, including by reducing the loan component by 7.1 billion euros.

According to the data on the effective execution as of February 18, 2026 from the MIEP Dashboard for investments financed from the NRRP⁷⁸ presented in *Table 4*, it is noted that:

- ✓ National projects are financed mainly from loans, while local projects are financed mainly from grants.
- ✓ In the case of projects financed mainly from loans, the absorption rate for local projects is 13.1%, and for national projects this rate is 38%.
- ✓ In the case of projects financed mainly from grants, national projects register an absorption rate of 18.1%, and for local projects this rate is 33.2%.
- ✓ Projects financed from grants/loans (reflecting projects that were transferred following the renegotiation of the NRRP) have the highest absorption rate overall (38.8%), which suggests that the projects selected for transfer are mature and have a more developed implementation capacity.

For 2026, the government has set a target of 10 billion euros in NRRP fund absorption by August, respectively more than in the 2022-2025 period, illusory to be considered realistic in the opinion of the FC, even if there were last minute changes in the quality and effectiveness of the administrative capacity, in the current year the high degree of uncertainty persisting internationally, marked by increased internal political and social tensions in the context of the approval and application of austerity measures, and the entry of the Romanian economy into recession is also foreshadowed.

	Total projects (number)			Project value (million euro)			Actual execution value (depending on financial progress) (million euro)			Absorption rate (%)		
	L	G	G/L	L	G	G/L	L	G	G/L	L	G	G/L
Local Projects	1.260	14.783	8.577	1.921	5.423	5.028	251	1.802	1.915	13,1	33,2	38,1
National Projects	22	101	56	3.092	2.121	3.117	1.175	385	1.242	38,0	18,1	39,8
Total	1.282	14.884	8.633	5.013	7.544	8.145	1.426	2.186	3.157	28,4	29,0	38,8

Note: L (loans), G (grants)

Source: MIEP, <https://mfe.gov.ro/pnrr-dashboard/>

⁷⁷ https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/country_overview.html

⁷⁸ <https://mfe.gov.ro/pnrr-dashboard/>

In these circumstances, despite a slight improvement in the coordination of institutional efforts and administrative capacity at central and local level in recent months, a weak increase in the absorption rate of European funds can be anticipated in the medium and short term, with regard to those in the NRRP, given the time constraints and remaining difficulties, expectations in this regard being much more modest, which would mean losses for Romania in terms of billion euros.

Box 2. Security Action for Europe (SAFE) Programme

In March 2025, the EC launched the SAFE programme, a financing instrument designed to accelerate defence investment at EU level. Through SAFE, the EC will mobilise up to €150 billion on capital markets, which it will make available to member states in the form of loans.

Romania has obtained the second largest allocation under the programme, of around €16.6 billion (equivalent to around 4.1% of GDP in 2026), after Poland. The financing is available between 2026 and 2030 and has favourable debt cost characteristics: maximum maturity of 45 years, a 10-year grace period for the repayment of the principal and a maximum interest rate of 3%. A pre-financing of up to 15% of the total amount can be accessed immediately.

The SAFE funds allocated to Romania are distributed across three main destinations: equipping the Romanian Army (EUR 9.53 billion, covering 21 projects – missile systems, helicopters, armoured personnel carriers etc.), transport infrastructure (EUR 4.2 billion, representing segments of the Moldovan Highway) and other structures in the national defense system (EUR 2.8 billion). It is worth noting that the largest part of the allocated amounts, approximately EUR 12.3 billion, is for military procurement, a category with a lower potential economic multiplier compared to other categories of expenditure, also considering the fact that part of the military equipment comes from imports.

From a budgetary perspective, the SAFE loans represent repayable financing and are recorded as budgetary expenditure at the time of commitment, increasing the deficit and, implicitly, the public debt. In view of the Council Implementing Decision (EU) 2026/368 of 11 February 2026, on the provision of financial assistance to Romania under Regulation (EU) 2025/1106, the Ministry of Finance published, on 6 March 2026, a draft emergency ordinance⁷⁹ establishing the institutional framework and budgetary mechanisms for the effective commitment of the expenditure financed by the SAFE programme.

The EC has allowed the activation of the national escape clause to increase the flexibility of national budgets, following the increase in defence spending. It has been activated, so far, by 17 of the 27 member states⁸⁰. The escape clause would allow Romania to deviate from the ceiling for the increase in net primary expenditure by up to 1.5% of GDP per year, which

⁷⁹ Emergency Ordinance amending and supplementing Government Emergency Ordinance no. 62/2025 on measures to implement Council Regulation (EU) 2025/1.106 of 27 May 2025 establishing the Instrument for the Security of Europe (SAFE) by strengthening the European defence industry and amending and supplementing certain normative acts, https://mfinante.gov.ro/static/10/Mfp/transparenta/proiectlegeOUGmodifOUG62_06032026.pdf

⁸⁰ <https://www.consilium.europa.eu/en/policies/national-escape-clause-for-defence-expenditure-nec/>

would be equivalent to a more relaxed adjustment path, but which would lead to higher values for budget deficits. Romania did not request the activation of the clause, most likely due to the constraints determined by the excessive deficit procedure: the clause would have allowed deviations from the adjustment path, but would not have removed the obligation to correct the excessive deficit, which could have interfered with the objective of exiting the excessive deficit procedure by 2030.

In conclusion, accessing the SAFE program will influence the fiscal consolidation process. The loans granted, even if they offer advantageous conditions regarding the cost of debt, may affect the budget deficit adjustment trajectory and public debt stabilization efforts.

7. Spending reviews in Romania, 2022-2025

General aspects

In the context of fiscal consolidation on the public expenditure side, the budgetary analysis and evaluation tools available to central public authorities are essential in the process of expenditure adjustment. Spending reviews have become a common practice after the 2008 global financial crisis, and in EU member states the importance of public expenditure reviews is supported by the anchoring rule of net primary expenditure in the new governance framework.

The Romanian public administration has assumed the integration of public expenditure analyses as a useful and mandatory tool to be used through the obligations assumed by the Romanian Government in the National Recovery and Resilience Plan – improving the efficiency of public expenditure by conducting expenditure analyses is one of the general objectives of Pillar III of the NRRP, Component C8/Fiscal reform and pension system reform (milestones: 201 – finalizing and publishing the analysis of public expenditure in the health and education sectors; 202 – adopting a multi-annual strategy and a calendar for a systematic analysis of expenditure in all sectors; 203 – the draft budget law for 2024 includes the recommendations of the analysis of expenditure in the health and education sectors and 204 – a periodic *ex-post* evaluation of public expenditure analyses).

By the end of 2025, the Romanian Government, through the Ministry of Finance and several other ministries, conducted analyses of public expenditure in the following areas: education, health, environment and transport ([Table 5](#)) and approved, by memorandum, *the Strategy for the Analysis of Public Expenditure for the 2024-2030 period*, according to which, by the horizon of 2030, analyses of public expenditure will be conducted in areas such as: culture, recreation and religion (2025-2026), fundamental research and development research, as well as research and development in the economic field (2025-2026), agriculture, forestry, pisciculture and hunting (2026-2027), education (2027-2028), health (2027-2028), insurance and social assistance (2028-2029), public order and national security (2029-2030) and defense (2029-2030).

Table 5. Status of public expenditure analyses in Romania, during 2022-2025

Domain	Institutions involved	Period analysed	Period of analysis	Approval of the public expenditure analysis framework and the topic of the analysis	The report on the analysis and efficiency of public spending, published on the Ministry of Finance website	Approval of the analysis report	The measures identified and approved by the Government through the memorandum are to be included in the draft budget for the year
Education	MF, Ministry of Education (ME), World Bank (WB)	2017-2020, 2021	2022-2023	YES	YES	YES	2024
Health	MF, Ministry of Health (MH), NHIH	2018-2020, 2021	2022-2023	YES	YES	YES	2024
Environment	MF, Ministry of Environment, Waters and Forests	2019-2022	2023-2024	YES	YES	YES	2025
Transportation	MF, Ministry of Transport and Infrastructure, Railway Reform Authority	2020-2023, 2024	2024-2025	YES	N/A	N/A	2026

Source: Authors' processing based on data available on the Ministry of Finance website, Public Expenditure Analysis section on February 9, 2026, <https://mfinante.gov.ro/ro/analiza-cheltuielilor-publice>

Ex-post evaluation of the analysis of public spending on education and health

Since these evaluations were presented in more detail in the Fiscal Council's Activity Report for 2024 (subchapter III.6.), we briefly present some relevant aspects about them.

The report on the analysis of education spending proposed 6 measures, monitoring indicators, an implementation calendar for each of them (2024-2028), as well as implementation officers (ME), respectively monitoring officers – MF who, based on the annual reports of ME, will prepare a Monitoring Report on the degree of implementation of the measure for the information of the Government and the Fiscal Council.

From the perspective of the Fiscal Council, several aspects were noted, namely that this analysis was carried out within a formalized procedural framework, through the involvement of an inter-institutional working group (MF, ME, WB), with trends of alignment with international good practices regarding spending review analyses, which constitutes an important step towards strengthening the administrative capacity to evaluate public expenditures.

The health expenditure analysis report proposed 5 measures, monitoring indicators, an implementation calendar for each of them (2023-2027), as well as implementation managers (Ministry of Health, National Health Insurance House – NHIH) who will provide, annually, at the request of the MF, data regarding the implementation of the measure.

From the perspective of the analysis of expenditures for outpatient medical services, the Fiscal Council noted progress compared to the analysis of expenditures in the field of education in that the proposed measures were accompanied by quantitative targets and estimates of the financial and operational impact. The existence of quantifiable objectives creates more favourable premises for the integration of conclusions into budget programming, for monitoring implementation and for the *ex-post* evaluation of the results obtained.

Ex-post evaluation of the analysis of public expenditures in the field of environment

The analysis of public expenditures in the field of environment (analysed period 2019-2022) is part of the broader approach initiated by the Strategy for the Analysis of Public Expenditures for the 2024-2030 period and represents a stage of consolidation of performance-oriented budget programming instruments.

From the perspective of scope, the analysis of public spending in the environmental field is, like those in 2023, selective, focusing on two areas considered priority both from the perspective of budgetary risks and European commitments, namely i) prevention, reduction and control of pollution and improvement of air quality, and ii) sustainable forest management, which reflects a strategic option by focusing on segments where European compliance pressures and potential financial consequences are significant. Although strategically relevant, they do not fully cover public spending in the field, which limits the comprehensiveness and, implicitly, the potential for identifying aggregate spending reductions at sectoral level. Even in this context, the preparation of the report constitutes progress in the institutionalization of the spending review practice in Romania.

The development framework is convergent with the standards of spending review analyses, its structure following the general stages of such an analysis, such as sectoral diagnosis, strategic analysis, analysis of expenditure execution and formulation of efficiency measures, which reflects an attempt to correlate strategic planning with budget execution and sectoral performance.

The sectoral diagnosis highlights a series of dysfunctions that affect the efficient use of resources. In the area of air quality, problems are reported regarding monitoring, harmonization of indicators and reporting to European institutions, and in the forestry area, the report indicates the need to strengthen control, use risk analyses and increase transparency. These findings suggest that inefficiency is not determined exclusively by the level of expenditure, but by the way in which it is managed and correlated with the results obtained.

The report states that the analysis targets the expenditures related to the two selected areas, so that the identified measures will take effect starting with the 2025 budget. However, the document does not set an aggregate target for reducing expenditures at sectoral level, nor does it explicitly quantify their estimated value, which is a limitation from the perspective of fiscal consolidation. Although the analysis identifies areas of inefficiency and formulates recommendations, it does not provide a financial amount that would allow for a direct assessment of its contribution to reducing the budget deficit or optimizing multi-annual allocations.

The objectives of the report are formulated predominantly in qualitative and institutional terms – improving the performance of air quality activities, increasing the efficiency of forest fund management, and revising the Institutional Strategic Plan from a structural perspective. These are strategically coherent and relevant for the sector, but are not accompanied by quantitative targets that would allow for a more consistent analysis of the relationship between the level of expenditures and the results obtained.

The report proposes 7 efficiency measures in the areas analysed and include, among others, the annual implementation of the regeneration plan, strengthening the control and traceability of wood mass, harmonizing indicators and the reporting framework according to European requirements. Each measure is accompanied by objectives, actions, indicators and implementation calendars, and their typology indicates that some aim to indirectly reduce expenses by preventing sanctions and streamlining control activities, others aim to redistribute resources within the sector, and another part involves additional investments to strengthen institutional capacity and monitoring systems. However, the budgetary impact of these measures remains unquantified.

Measures are also correlated with the strategic objectives of the ministry and relevant budget programs, which ensures the alignment of interventions with strategic priorities regarding air quality and sustainable forest management and facilitates their integration into the budget preparation and execution process. From an efficiency perspective, this strategic anchoring creates premises for positive results in terms of reducing the risk of European sanctions by improving reporting and monitoring, reducing economic losses generated by illegal logging by streamlining control, and increasing the sustainability of the forest fund through rigorous regeneration planning. However, without explicit quantification of the financial impact, the assessment of efficiency remains limited.

The effective implementation of the measures and their integration into the budget requires the establishment of clear and transparent quantitative targets. In their current form, most of the measures are accompanied by performance indicators, but without quantifiable financial objectives (estimated savings, percentage reductions in certain categories of expenditure or explicit reallocations), which limits the possibility of a rigorous *ex-post* assessment of the budgetary impact.

From the perspective of the Fiscal Council's analysis, the report can be seen as an approach mainly oriented towards increasing performance and supporting structural reforms, contributing to improving governance and sectoral efficiency. Although the document does not directly pursue fiscal consolidation objectives in the short and medium term, it creates the premises for a more efficient use of public resources.

At the same time, in order for a spending review to better support the sustainability of public finances, it is appropriate to integrate the conclusions into multiannual budgetary programming, by anchoring the measures in quantifiable financial objectives and by establishing a systematic mechanism for their *ex-post* monitoring and evaluation.

The analysis of public environmental spending also constitutes an important step in the institutionalization of the spending review practice, but it has a selective and limited nature, which reduces the potential for identifying aggregate savings at the level of the entire environmental sector.

Ex-post evaluation of the analysis of public expenditure in the field of transport

The analysis report of public expenditure in the field of transport is not available in the public space – MF website, respectively it was not communicated to the Fiscal Council, the institution responsible for the *ex-post* evaluation of the analysis of public expenditure. According to the implementation calendar of the Strategy of Analysis of Public Expenditure for the 2024-2030 period, the deadline for completion is in the second quarter of 2025.

Although the legislative framework explicitly provides for an *ex-post* evaluation by the Fiscal Council of the spending analyses prepared by the Ministry of Finance together with the ministries, as well as verification of the reflection of the measures resulting from spending reviews in the budget of the year following their approval, the monitoring process can be strengthened by increasing transparency regarding the integration of these measures into the draft state budgets for the years following their implementation and by highlighting their contribution to making public spending more efficient.

At the same time, the *ex-post* evaluation carried out by the Fiscal Council requires an adequate time horizon and access to detailed data on the areas analysed, conditions that, once met, can allow for a more rigorous analysis of the impact of the measures on the performance and sustainability of public finances. Strengthening the reporting framework and data exchange mechanisms between institutions would support this approach.

The success of monitoring public expenditure analyses, *ex-post* evaluation and implementation of the Strategy for the 2024-2030 period depends on a firm commitment to applying the identified optimization measures. Consistent commitment at the decision-making level, including in the case of measures that involve sensitive structural adjustments, can significantly contribute to increasing the efficiency of the use of public resources and strengthening fiscal sustainability in the medium and long term.

8. Conclusions

- Romania's budget for 2026 has been adopted with a considerable delay. This situation reflects not only difficulties in the functioning of a broad coalition, but also complicated decisions regarding fiscal consolidation in a tense social and economic context.
- Shortly before the government adopted this year's budget, a war broke out in the Middle East. If it proves to be prolonged, it will have severe consequences for European economies, including Romania's, through the channel of a new energy shock; economic growth and inflation will be affected. The budget deficit could nevertheless remain close to the planned level if the effect of higher inflation (than forecast) on nominal GDP compensates for weaker economic dynamics.
- The increase in taxes, although painful for citizens, was necessary.

- It is bold to speak about an “economic recovery” in 2026, a year in which fiscal (budgetary) consolidation is underway.
- Public investments can support production and aggregate demand in 2026 as well, but they cannot offset the negative fiscal impulse required by fiscal consolidation.
- However, one can speak about economic policy measures aimed at supporting vulnerable citizens and certain firms.
- The problem of the budget deficit was caused not by investments, but by the excessive stimulation of consumption and the neglect of the need to have higher fiscal revenues, appropriate to the needs of an EU member state.
- Fiscal consolidation is necessary to keep public debt under control, which has exceeded 60% of GDP.
- If the VAT gap and the corporate tax gap are substantially reduced, and together with other measures (e.g., controlling budget expenditures in relation to the dynamics of nominal GDP), the deficit could fall below 4% of GDP within a few years.
- For sustainable fiscal consolidation and the creation of fiscal space, tax collection must become much more efficient (the National Agency for Fiscal Administration – NAFA – has an essential role in this area), an effective insolvency regime must operate (which requires legislative changes), and the sense of impunity that many who defraud the public budget currently feel must disappear. The justice system must also work more actively in this regard.
- A challenge for fiscal consolidation is the need to increase defense spending.
- Fiscal consolidation is absolutely necessary to improve Romania’s sovereign rating. If the deficit were to remain stuck at around 6% of GDP in the coming years, it is unlikely that the current sovereign rating would improve; it could even deteriorate if public debt is not stabilized.
- Accession to the euro area cannot take place as long as Romania does not maintain small budget deficits (below 3% of GDP) and sustainably low inflation.
- A shift appears to be taking place (which needs to be confirmed by subsequent data) in the center of gravity of economic growth – from consumption toward investment and net exports – against the backdrop of substantial public sector investments. However, the efficiency of public investments (from all sources of financing) remains low; economic growth, even under conditions of very significant investments in quantitative terms (around 6.7% and 7.2% of GDP in 2024 and 2025), has not exceeded 1 percentage point.
- The high levels of the external deficit (either the current account deficit or the balance of payments or the trade deficit), in the context of an unfavourable financing structure, represent a major vulnerability of the Romanian economy. They increase the risk of a sudden stop (a sudden interruption of financing) and thus constitute, in themselves, a reason for the need for fiscal adjustment, which would also reduce financing needs and stabilize the trajectory of public debt.
- The budget framework for 2026 envisages a cash budget deficit of 6.25% of GDP, representing a reduction of 1.4 pp of GDP compared with the level recorded in 2025. This reduction is planned in the budget through an increase in total revenues by 1.3 pp of GDP, while total expenditures are planned to decrease marginally by 0.1 pp of GDP.

- Excluding the impact of EU funds aggregates, the other categories of revenues are planned to increase by 0.46 pp of GDP, while the remaining categories of expenditures are set to decrease by 1.44 pp of GDP. Thus, the budgetary correction in 2026 is planned to be achieved predominantly on the expenditure side.
- There are uncertainties regarding the full implementation of projects under the National Recovery and Resilience Plan (NRRP). The inability to fully absorb these funds would not only deprive the economy of a growth engine, but could also lead to an unexpected increase in the budget deficit, thereby jeopardizing the fiscal consolidation trajectory.
- **Based on a prudent approach to forecasting revenues and expenditures, the Fiscal Council considers the budget framework for 2026 to be compatible with a cash deficit of around 6.25% of GDP. This assessment by the Fiscal Council does not take into account either the potential severe effects of the war in the Middle East or any possible measures associated with them.**
- The plausibility of the projection of budget revenues and expenditures is closely linked to the evolution of the macroeconomic framework, with the escalation of global tensions raising additional risks. A prolongation of the conflict in the Middle East could have a negative impact on economic growth and tax bases, as well as increase risk aversion in international financial markets.
- The analysis of the fiscal-budgetary framework for the 2027-2029 period shows that, compared with 2026, the reduction of the budget deficit in the medium term is planned to be achieved mainly on the expenditure side. Fiscal revenues are projected to increase by only 0.5 pp of GDP, while social security contributions are expected to decrease by 0.1 pp of GDP. Regarding the adjustment on the expenditure side, the Fiscal Council has signalled risks concerning the projected trajectories for personnel expenditures, social assistance, and interest payments, as well as the need to reflect increasing military expenditures, which may not allow for a significant adjustment in investment spending.
- In the absence of support for the consolidation process on the revenue side, adjusting the budget deficit over the medium term – based predominantly on reducing expenditures – raises questions. Under these circumstances, the balance of risks appears tilted toward the possibility of recording larger deficits than those estimated in the fiscal-budgetary framework for the 2027-2029 period. A substantial improvement in the collection of fiscal revenues would greatly help in achieving the budget deficit targets in the coming years.
- An increase in budget revenues is mandatory to ensure compliance with the consolidation trajectory and to exit the excessive deficit procedure by 2030.
- Although the budget deficit declined in 2025 and is projected to adjust toward 6.25% of GDP this year, the continuation of the budgetary consolidation process is mandatory. If the correction of the deficit were not to continue in the coming years (the no-policy-change scenario), public debt would follow a steep upward path, reaching around 80% of GDP by 2034. Such a trajectory would not be sustainable, and financial markets would penalize it.
- By contrast, in the scenario of continuing budgetary consolidation after 2026, in line with the trajectory of net primary expenditures recommended by the European Commission, public debt would reach a peak of about 63% in the 2027-2028 period. Subsequently,

starting in 2029, public debt would follow a downward path, falling below 60% of GDP by 2030. There is a time lag between the adjustment of the deficit and the stabilization of the debt trajectory.

- The stress analysis of public debt sustainability indicates a high vulnerability to adverse shocks, reinforcing the need to continue fiscal consolidation to ensure macroeconomic stability and highlighting the importance of creating fiscal space that would allow the absorption of future shocks.
- European funds will continue to represent an essential element for the domestic investment process. It is vital to succeed in fiscal consolidation and to move toward a growth model that targets sectors with higher value added and reduces external
- The importance of public expenditure reviews is supported by the rule anchoring net primary expenditures in the new governance framework.
- By the end of 2025, the Government of Romania, through the Ministry of Finance and several line ministries, conducted public spending reviews in the following areas: education, health, environment, and transport (ongoing). It also approved, through a memorandum, the Public Expenditure Review Strategy for the 2024-2030 period.

The opinions and recommendations formulated above by the Fiscal Council were approved by the Chairman of the Fiscal Council, according to the provisions of art. 56, para. (2), letter d) of Law no. 69/2010 republished, following their approval by the Council members, through vote, in the meeting of March 12, 2026.

March 12, 2026

Chairman of the Fiscal Council

Professor Daniel DĂIANU

Annexes

Annex 1. Adequate capitalization of companies – a necessity for improving Romania’s fiscal-budgetary situation and a contributing factor to sustainable economic growth

The continuation of the budgetary consolidation process after 2026 is conditional upon increasing fiscal revenues. This can be achieved by broadening the tax base and improving collection efficiency: (i) in the case of VAT, where Romania has the largest gap (VAT gap) among EU member states, of approximately 30%⁸¹, and (ii) in the case of corporate income tax, where the collection gap is likewise the highest in the EU (43.6%⁸²). A significant reduction in the VAT collection gap could generate additional revenues of over 1.5% of GDP, contributing to the reduction of the budget deficit towards 4% of GDP.

In addition to changes in fiscal legislation, which could follow the successful examples of countries such as Bulgaria or Poland – both of which have significantly reduced tax evasion in relation to VAT and corporate income tax –, it is necessary to strengthen the financial health of companies, as recommended by the National Committee for Macroprudential Oversight (NCMO) through Recommendation R/2/2018. This would require, alongside changes to fiscal legislation, reforms of accounting legislation concerning company establishment, insolvency, and dissolution, the setting of minimum capitalization levels, limits regarding eligible expenses depending on the object of activity and tax-deductible expenses, the creation of criminal record-type registries to penalize prior fiscal and other offenses etc. The need for these synchronized legislative changes across multiple areas related to the functioning of legal entities stems from the obvious reality that improving tax collection also depends on accounting, commercial, and company law regarding incorporation and insolvency; the current conditions, which are very lenient compared to those in CEE countries or developed EU27 states, make tax collection a very difficult process. For example, virtually any type of expense can be recorded, companies can enter insolvency after accumulating significant fiscal and other debts, and documents issued by companies (including invoices) that constitute attempted fraud do not trigger immediate tax audits, due to the lack of rapid analysis processes of all real-economy data by the tax authority (NAFA).

Regarding company capitalization, one of the *sine qua non* conditions for more efficient tax collection, as demonstrated both by practice in European countries and by economic theory, Law 239/2025 (“Law on the second package of measures”), introduces several welcome reforms aligned with Recommendation No. 2 of the NCMO from 2018. Thus, the legislative package implementing certain fiscal measures, most applicable starting January 1, 2026, also includes

⁸¹ VAT gap in Europe - Publications Office of the EU, 2025 and Mind the Gap Report. Challenges and opportunities for tax compliance and tax expenditure in the EU - Romania - European Commission, 2025

⁸² Mind the Gap Report - Taxation and Customs Union - European Commission, 2025 and The Corporate Income Tax Gap report - European Commission, June 2025.

several measures for the recapitalization of the corporate sector, the most important of which are:

- conversion into equity of shareholder loans for companies that do not comply with legal requirements regarding the minimum level of equity, namely 50% of share capital (Art. XXIV (3));
- prohibition of repaying shareholders or associate loans in the case of undercapitalized companies (Art. XXIV (1));
- limiting dividend distributions for companies that record carried-forward losses or do not meet capitalization requirements (Art. XXIV (2));
- measures such as increasing the share capital to 5,000 lei for limited liability companies (LLC) with turnover above 400,000 lei and to 500 lei for newly established LLCs (Art. VI (1) and VI (2)).

It should be emphasized that all these measures, although welcome, will produce effects over time (with an implementation horizon of approximately two years), and their beneficial impact, including from a fiscal perspective, is strictly conditioned on the firm enforcement of sanctions and a clear delineation of responsibilities among the authorities with competence in this area. Otherwise, there is a major risk that Law no. 239/2025 will not achieve the intended effects. Furthermore, the evaluation of the measures listed above demonstrates the need to supplement Company Law no. 31/1990 with measures and sanctions targeting companies that persistently record capitalization deficits and are not subject to the provisions of Law 239/2025 (e.g., they do not report shareholder loans, do not distribute dividends etc.). Otherwise, there is a high probability that the real economy will continue to function in a deficient and harmful manner, without compliance with this law.

It may be noted that the total capitalization deficit at the level of the entire Romanian economy – targeted by the measures above – is approximately EUR 33 billion. Another important element is that these measures have the potential to resolve about one-third of the capitalization deficit, making decisive and firm actions necessary to address this deficiency, which is part of the broader issue of tax evasion and the shadow economy (which in Romania is of significant magnitude, accounting for approximately 29% of GDP⁸³).

⁸³ Mind the Gap Report - Taxation and Customs Union - European Commission, 2025, page 7, Romania ranks third in terms of the size of the shadow (underground) economy (at 29% of GDP), after Bulgaria (33.1%) and Croatia (29.7%).

Annex 2	Budget execution 2024	Budget 2025	R1 2025	R2 2025	Budget execution 2025	Budget execution 2024	Budget 2025	R1 2025	R2 2025	Budget execution 2025
	mil. lei					% GDP				
TOTAL REVENUE	574,598.8	667,523.1	674,181.3	672,393.7	662,698.2	32.56%	34.90%	35.45%	35.35%	34.71%
Current revenue	530,281.4	578,311.2	582,923.9	583,456.3	584,976.4	30.05%	30.24%	30.65%	30.68%	30.64%
Tax revenue	291,708.1	319,654.4	322,260.3	322,362.3	323,131.0	16.53%	16.71%	16.94%	16.95%	16.93%
Taxes on profit, wages, income and capital gains	90,776.7	102,659.1	104,195.4	104,178.3	104,954.5	5.14%	5.37%	5.48%	5.48%	5.50%
Corporate income tax	35,979.08	41,274.61	39,860.00	40,799.68	41,011.58	2.04%	2.16%	2.10%	2.15%	2.15%
Personal income tax	49,044.78	56,552.31	58,235.21	58,259.10	58,822.12	2.78%	2.96%	3.06%	3.06%	3.08%
Other taxes on income, profit and capital gains	5,752.85	4,832.16	6,100.21	5,119.51	5,120.75	0.33%	0.25%	0.32%	0.27%	0.27%
Property tax	8,286.60	10,015.41	10,160.32	10,255.54	9,990.63	0.47%	0.52%	0.53%	0.54%	0.52%
Taxes on goods and services	189,060.3	203,102.4	203,581.6	203,570.7	203,774.2	10.71%	10.62%	10.70%	10.70%	10.67%
VAT	120,946.08	136,089.24	134,147.37	134,147.37	133,901.17	6.85%	7.12%	7.05%	7.05%	7.01%
Excises	46,328.09	48,589.31	49,102.92	49,102.92	48,320.03	2.63%	2.54%	2.58%	2.58%	2.53%
Other taxes on goods and services	13,413.67	8,852.27	10,139.57	10,266.96	11,652.16	0.76%	0.46%	0.53%	0.54%	0.61%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	8,372.42	9,571.58	10,191.70	10,053.43	9,900.82	0.47%	0.50%	0.54%	0.53%	0.52%
Taxes on foreign trade and international transactions (customs duty)	1,926.84	2,088.54	2,533.94	2,533.94	2,468.36	0.11%	0.11%	0.13%	0.13%	0.13%
Other tax revenue	1,657.69	1,789.00	1,789.02	1,823.83	1,943.40	0.09%	0.09%	0.09%	0.10%	0.10%
Social security contributions	189,510.05	205,918.53	208,065.84	208,064.84	208,033.86	10.74%	10.77%	10.94%	10.94%	10.90%
Nontax revenue	49,063.25	52,738.26	52,597.77	53,029.21	53,811.56	2.78%	2.76%	2.77%	2.79%	2.82%
Subsidies						0.00%	0.00%	0.00%	0.00%	0.00%
Additional revenues collected from digitization	-					0.00%	0.00%	0.00%	0.00%	0.00%
Capital revenue	1,401.82	1,499.10	1,764.58	1,747.87	1,615.48	0.08%	0.08%	0.09%	0.09%	0.08%
Grants	12.66	4.64	12.20	12.20	13.70	0.00%	0.00%	0.00%	0.00%	0.00%
Amounts received from the EU on account of payments made 2021-2027	23,216.52	51,800.88	51,010.58	50,575.71	39,694.16	1.32%	2.71%	2.68%	2.66%	2.08%
Amounts being distributed	294.00	-			185.09	0.02%	0.00%	0.00%	0.00%	0.01%
Amounts collected in the single account, at the state budget						0.00%	0.00%	0.00%	0.00%	0.00%
Other funds from the EU	686.77	-	409.36	409.36	3,267.23	0.04%	0.00%	0.02%	0.02%	0.17%

Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	10,257.64	8,628.28	8,664.72	8,664.43	10,014.69	0.58%	0.45%	0.46%	0.46%	0.52%
Amounts related to the non-reimbursable financial assistance allocated to NRRP	8,447.96	27,278.99	29,395.97	27,527.80	22,931.39	0.48%	1.43%	1.55%	1.45%	1.20%
TOTAL EXPENDITURE	727,316.2	802,170.1	833,946.3	832,158.7	808,731.4	41.22%	41.94%	43.85%	43.75%	42.36%
Current expenditure	665,123.3	740,466.9	773,729.5	769,820.6	744,632.0	37.69%	38.72%	40.68%	40.47%	39.01%
Personnel	164,595.40	169,535.71	170,343.30	170,222.25	167,715.88	9.33%	8.86%	8.96%	8.95%	8.79%
Goods and services	93,658.78	94,679.71	98,566.51	99,174.03	100,634.39	5.31%	4.95%	5.18%	5.21%	5.27%
Interest	36,278.27	41,860.89	54,265.54	53,155.53	50,498.24	2.06%	2.19%	2.85%	2.79%	2.65%
Subsidies	17,096.03	13,930.73	14,291.21	14,345.88	12,553.93	0.97%	0.73%	0.75%	0.75%	0.66%
Total Transfers	352,111.2	415,907.6	432,353.9	430,502.9	411,525.7	19.96%	21.75%	22.73%	22.63%	21.56%
Transfers for public entities	3,175.23	4,722.75	4,362.07	4,717.06	3,730.84	0.18%	0.25%	0.23%	0.25%	0.20%
Other transfers	35,197.55	33,338.94	35,633.91	35,086.38	36,611.49	1.99%	1.74%	1.87%	1.84%	1.92%
Projects funded by external post accession grants	29,281.42	60,508.62	56,319.23	53,013.74	47,211.24	1.66%	3.16%	2.96%	2.79%	2.47%
Social assistance	223,932.32	242,262.05	250,456.03	251,459.63	250,878.86	12.69%	12.67%	13.17%	13.22%	13.14%
Projects funded by external post accession grants 2014-2020	17,460.82	12,175.23	12,833.92	15,932.30	14,311.42	0.99%	0.64%	0.67%	0.84%	0.75%
Other expenditure	19,558.35	16,235.29	16,505.29	16,742.35	16,313.02	1.11%	0.85%	0.87%	0.88%	0.85%
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	10,690.70	32,199.48	34,775.72	32,674.70	28,748.54	0.61%	1.68%	1.83%	1.72%	1.51%
Projects financed from the amounts related to the loan component of NRRP	12,814.79	14,465.27	21,467.72	20,876.73	13,720.29	0.73%	0.76%	1.13%	1.10%	0.72%
Expenditure funded from reimbursable funds	1,383.64	2,190.20	1,866.28	1,885.22	1,703.90	0.08%	0.11%	0.10%	0.10%	0.09%
Capital expenditures	65,194.03	61,703.28	60,216.75	62,338.10	67,104.59	3.69%	3.23%	3.17%	3.28%	3.52%
Payments made in previous years and recovered in the current year	(3,001.17)				(3,005.22)	-0.17%	0.00%	0.00%	0.00%	-0.16%
SURPLUS(+)/DEFICIT(-)	(152,717.4)	-134,647.0	(159,765.0)	(159,765.0)	(146,033.2)	-8.65%	-7.04%	-8.40%	-8.40%	-7.65%
Reserve funds		2362	2042.82	534.79			0.12%	0.11%	0.03%	

Source: MF, FC calculations

Annex 3	Budget execution 2025 (mil. lei)	Initial budget 2026 (mil. lei)	Initial budget 2026 -Budget execution 2025 (mil. lei)	Initial budget 2026 -Budget execution 2025 (%)	Budget execution 2025 (% of GDP)	Initial budget 2026 (% of GDP)	Initial budget 2026 -Budget execution 2025 (% of GDP)
	1	2	3=2-1	4=3/1	5	6	7=6-5
TOTAL REVENUE	662,698.2	736,532.0	73,833.8	11.1%	34.7%	36.0%	1.30%
Current revenue	584,976.5	636,348.1	51,371.6	8.8%	30.6%	31.1%	0.47%
Tax revenue	323,131.0	357,577.1	34,446.1	10.7%	16.9%	17.5%	0.56%
Taxes on profit, wages, income and capital gains	104,954.5	106,695.0	1,740.5	1.7%	5.5%	5.2%	-0.28%
Corporate income tax	41,011.6	42,480.4	1,468.8	3.6%	2.1%	2.1%	-0.07%
Personal income tax	58,822.1	60,250.7	1,428.5	2.4%	3.1%	2.9%	-0.14%
Other taxes on income, profit and capital gains	5,120.8	3,963.9	-1,156.9	-22.6%	0.3%	0.2%	-0.07%
Property tax	9,990.6	12,882.3	2,891.7	28.9%	0.5%	0.6%	0.11%
Taxes on goods and services	203,774.2	233,285.3	29,511.1	14.5%	10.7%	11.4%	0.73%
VAT	133,901.2	156,294.9	22,393.7	16.7%	7.0%	7.6%	0.63%
Excises	48,320.0	52,465.7	4,145.7	8.6%	2.5%	2.6%	0.03%
Other taxes on goods and services	11,652.2	12,177.9	525.7	4.5%	0.6%	0.6%	-0.01%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	9,900.8	12,346.8	2,446.0	24.7%	0.5%	0.6%	0.09%
Taxes on foreign trade and international transactions (customs duty)	2,468.4	2,644.5	176.1	7.1%	0.1%	0.1%	0.00%
Other tax revenue	1,943.4	2,070.1	126.7	6.5%	0.1%	0.1%	0.00%
Social security contributions	208,033.9	226,429.7	18,395.9	8.8%	10.9%	11.1%	0.17%
Nontax revenue	53,811.6	52,341.2	-1,470.4	-2.7%	2.8%	2.6%	-0.26%
Additional revenues collected from digitization	0.0	0.0	0.0		0.0%	0.0%	0.00%
Capital revenue	1,615.5	1,432.2	-183.3	-11.3%	0.1%	0.1%	-0.01%
Grants	13.7	2.5	-11.2	-81.8%	0.0%	0.0%	0.00%
Amounts received from the EU on account of payments made 2021-2027	39,694.2	60,892.4	21,198.2	53.4%	2.1%	3.0%	0.90%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts collected in the single account, at the state budget	185.1	0.0	-185.1	0.0%	0.0%	0.0%	-0.01%
Other funds from the EU	3,267.2	0.0	-3,267.2	0.0%	0.2%	0.0%	-0.17%
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	10,014.7	771.1	-9,243.6	-92.3%	0.5%	0.0%	-0.49%
Amounts related to the non-reimbursable financial assistance allocated to NRRP	22,931.4	37,085.8	14,154.4	61.7%	1.2%	1.8%	0.61%

TOTAL EXPENDITURE	808,731.4	864,283.7	55,552.3	6.9%	42.4%	42.3%	-0.11%
Current expenditure	744,632.0	798,297.1	53,665.1	7.2%	39.0%	39.0%	0.03%
Personnel	167,715.9	168,263.6	547.8	0.3%	8.8%	8.2%	-0.56%
Goods and services	100,634.4	105,359.4	4,725.0	4.7%	5.3%	5.2%	-0.12%
Interest	50,498.2	60,799.6	10,301.4	20.4%	2.6%	3.0%	0.33%
Subsidies	12,553.9	14,286.1	1,732.2	13.8%	0.7%	0.7%	0.04%
Total Transfers	411,525.7	447,150.2	35,624.5	8.7%	21.6%	21.9%	0.31%
Transfers for public entities	3,730.8	6,057.4	2,326.6	62.4%	0.2%	0.3%	0.10%
Other transfers	36,611.5	36,772.2	160.7	0.4%	1.9%	1.8%	-0.12%
Projects funded by external post accession grants	47,211.2	73,466.4	26,255.2	55.6%	2.5%	3.6%	1.12%
Social assistance	250,878.9	249,212.0	-1,666.8	-0.7%	13.1%	12.2%	-0.96%
Projects funded by external post accession grants 2014-2020	14,311.4	1,240.3	-13,071.1	-91.3%	0.7%	0.1%	-0.69%
Other expenditure	16,313.0	16,932.6	619.6	3.8%	0.9%	0.8%	-0.03%
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	28,748.5	47,017.4	18,268.8	63.5%	1.5%	2.3%	0.79%
Projects financed from the amounts related to the loan component of NRRP	13,720.3	16,451.8	2,731.5	19.9%	0.7%	0.8%	0.09%
Reserve funds	0.0	100.0	100.0		0.0%	0.0%	0.00%
Expenditure funded from reimbursable funds	1,703.9	2,338.2	634.3	37.2%	0.1%	0.1%	0.03%
Capital expenditures	67,104.6	65,986.6	-1,118.0	-1.7%	3.5%	3.2%	-0.29%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Payments made in previous years and recovered in the current year	-3,005.2	0.0	3,005.2	0.0%	-0.2%	0.0%	0.16%
SURPLUS(+)/DEFICIT(-)	-146,033.2	-127,751.7	18,281.5	-12.5%	-7.6%	-6.2%	1.40%

Source: MF, FC calculations

	FS projection 2026 (mil. lei)	FS projection 2027 (mil. lei)	FS projection 2027 -FS projection 2026 (mil. lei)	FS projection 2027 -FS projection 2026 (%)	FS projection 2026 (% of GDP)	FS projection 2027 (% of GDP)	FS projection 2027 -FS projection 2026 (% of GDP)
	1	2	3=2-1	4=3/1	5	6	7=6-5
TOTAL REVENUE	736,532.0	747,431.2	10,899.2	1.5%	36.0%	34.2%	-1.77%
Current revenue	636,348.1	686,480.5	50,132.4	7.9%	31.1%	31.5%	0.34%
Tax revenue	357,577.1	388,212.4	30,635.2	8.6%	17.5%	17.8%	0.30%
Taxes on profit, wages, income and capital gains	106,695.0	116,951.9	10,256.9	9.6%	5.2%	5.4%	0.14%
Corporate income tax	42,480.4	47,767.4	5,287.0	12.4%	2.1%	2.2%	0.11%
Personal income tax	60,250.7	65,017.4	4,766.7	7.9%	2.9%	3.0%	0.03%
Other taxes on income, profit and capital gains	3,963.9	4,167.1	203.2	5.1%	0.2%	0.2%	0.00%
Property tax	12,882.3	12,889.9	7.6	0.1%	0.6%	0.6%	-0.04%
Taxes on goods and services	233,285.3	253,339.1	20,053.8	8.6%	11.4%	11.6%	0.20%
VAT	156,294.9	166,802.7	10,507.8	6.7%	7.6%	7.6%	0.00%
Excises	52,465.7	55,993.0	3,527.3	6.7%	2.6%	2.6%	0.00%
Other taxes on goods and services	12,177.9	17,366.5	5,188.6	42.6%	0.6%	0.8%	0.20%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	12,346.8	13,176.9	830.1	6.7%	0.6%	0.6%	0.00%
Taxes on foreign trade and international transactions (customs duty)	2,644.5	2,822.3	177.8	6.7%	0.1%	0.1%	0.00%
Other tax revenue	2,070.1	2,209.2	139.2	6.7%	0.1%	0.1%	0.00%
Social security contributions	226,429.7	241,957.9	15,528.2	6.9%	11.1%	11.1%	0.01%
Nontax revenue	52,341.2	56,310.2	3,969.0	7.6%	2.6%	2.6%	0.02%
Additional revenues collected from digitization	0.0	0.0	0.0		0.0%	0.0%	0.00%
Capital revenue	1,432.2	1,514.0	81.8	5.7%	0.1%	0.1%	0.00%
Grants	2.5	2.0	-0.5	-18.5%	0.0%	0.0%	0.00%
Amounts received from the EU on account of payments made 2021-2027	60,892.4	59,156.3	-1,736.1	-2.9%	3.0%	2.7%	-0.27%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts collected in the single account, at the state budget	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Other funds from the EU	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	771.1	95.3	-675.8	-87.6%	0.0%	0.0%	-0.03%
Amounts related to the non- reimbursable financial assistance allocated to NRRP	37,085.8	183.2	-36,902.7	-99.5%	1.8%	0.0%	-1.80%

TOTAL EXPENDITURE	864,283.7	858,511.3	-5,772.4	-0.7%	42.3%	39.3%	-2.93%
Current expenditure	798,297.1	779,008.8	-19,288.3	-2.4%	39.0%	35.7%	-3.34%
Personnel	168,263.6	173,397.2	5,133.6	3.1%	8.2%	7.9%	-0.28%
Goods and services	105,359.4	114,496.0	9,136.6	8.7%	5.2%	5.2%	0.09%
Interest	60,799.6	66,434.3	5,634.8	9.3%	3.0%	3.0%	0.07%
Subsidies	14,286.1	12,676.4	-1,609.6	-11.3%	0.7%	0.6%	-0.12%
Total Transfers	447,150.2	409,690.4	-37,459.8	-8.4%	21.9%	18.8%	-3.09%
Transfers for public entities	6,057.4	6,287.6	230.2	3.8%	0.3%	0.3%	-0.01%
Other transfers	36,772.2	36,592.9	-179.3	-0.5%	1.8%	1.7%	-0.12%
Projects funded by external post accession grants	73,466.4	82,629.0	9,162.5	12.5%	3.6%	3.8%	0.19%
Social assistance	249,212.0	266,186.4	16,974.4	6.8%	12.2%	12.2%	0.01%
Projects funded by external post accession grants 2014-2020	1,240.3	291.6	-948.7	-76.5%	0.1%	0.0%	-0.05%
Other expenditure	16,932.6	17,026.9	94.2	0.6%	0.8%	0.8%	-0.05%
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	47,017.4	0.0	-47,017.4	-100.0%	2.3%	0.0%	-2.30%
Projects financed from the amounts related to the loan component of NRRP	16,451.8	675.9	-15,775.8	-95.9%	0.8%	0.0%	-0.77%
Reserve funds	100.0	532.5	432.5	432.5%	0.0%	0.0%	0.02%
Expenditure funded from reimbursable funds	2,338.2	1,781.9	-556.4	-23.8%	0.1%	0.1%	-0.03%
Capital expenditures	65,986.6	79,502.5	13,515.9	20.5%	3.2%	3.6%	0.42%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Payments made in previous years and recovered in the current year	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
SURPLUS(+)/DEFICIT(-)	-127,751.7	-111,080.1	16,671.6	-13.0%	-6.2%	-5.1%	1.16%

Source: MF, FC calculations

	FS projection 2027 (mil. lei)	FS projection 2028 (mil. lei)	FS projection 2028 -FS projection 2027 (mil. lei)	FS projection 2028 -FS projection 2027 (%)	FS projection 2027 (% of GDP)	FS projection 2028 (% of GDP)	FS projection 2028 -FS projection 2027 (% of GDP)
	1	2	3=2-1	4=3/1	5	6	7=6-5
TOTAL REVENUE	747,431.2	783,014.9	35,583.7	4.8%	34.2%	33.7%	-0.55%
Current revenue	686,480.5	727,845.6	41,365.1	6.0%	31.5%	31.3%	-0.13%
Tax revenue	388,212.4	415,418.8	27,206.4	7.0%	17.8%	17.9%	0.09%
Taxes on profit, wages, income and capital gains	116,951.9	126,870.4	9,918.6	8.5%	5.4%	5.5%	0.10%
Corporate income tax	47,767.4	52,496.8	4,729.4	9.9%	2.2%	2.3%	0.07%
Personal income tax	65,017.4	69,995.3	4,977.9	7.7%	3.0%	3.0%	0.03%
Other taxes on income, profit and capital gains	4,167.1	4,378.4	211.3	5.1%	0.2%	0.2%	0.00%
Property tax	12,889.9	13,722.4	832.4	6.5%	0.6%	0.6%	0.00%
Taxes on goods and services	253,339.1	269,469.2	16,130.2	6.4%	11.6%	11.6%	-0.01%
VAT	166,802.7	177,585.6	10,782.9	6.5%	7.6%	7.6%	0.00%
Excises	55,993.0	59,612.7	3,619.7	6.5%	2.6%	2.6%	0.00%
Other taxes on goods and services	17,366.5	18,095.4	728.9	4.2%	0.8%	0.8%	-0.02%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	13,176.9	14,175.6	998.7	7.6%	0.6%	0.6%	0.01%
Taxes on foreign trade and international transactions (customs duty)	2,822.3	3,004.7	182.4	6.5%	0.1%	0.1%	0.00%
Other tax revenue	2,209.2	2,352.0	142.8	6.5%	0.1%	0.1%	0.00%
Social security contributions	241,957.9	253,714.9	11,756.9	4.9%	11.1%	10.9%	-0.17%
Nontax revenue	56,310.2	58,711.9	2,401.7	4.3%	2.6%	2.5%	-0.05%
Additional revenues collected from digitization	0.0	0.0	0.0		0.0%	0.0%	0.00%
Capital revenue	1,514.0	1,598.5	84.5	5.6%	0.1%	0.1%	0.00%
Grants	2.0	1.9	-0.2	-7.4%	0.0%	0.0%	0.00%
Amounts received from the EU on account of payments made 2021-2027	59,156.3	53,353.6	-5,802.7	-9.8%	2.7%	2.3%	-0.41%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts collected in the single account, at the state budget	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Other funds from the EU	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	95.3	94.1	-1.1	-1.2%	0.0%	0.0%	0.00%
Amounts related to the non- reimbursable financial assistance allocated to NRRP	183.2	121.2	-61.9	-33.8%	0.0%	0.0%	0.00%

TOTAL EXPENDITURE	858,511.3	881,722.6	23,211.3	2.7%	39.3%	37.9%	-1.39%
Current expenditure	779,008.8	799,427.6	20,418.7	2.6%	35.7%	34.4%	-1.29%
Personnel	173,397.2	178,345.4	4,948.1	2.9%	7.9%	7.7%	-0.27%
Goods and services	114,496.0	120,145.1	5,649.1	4.9%	5.2%	5.2%	-0.08%
Interest	66,434.3	64,303.9	-2,130.5	-3.2%	3.0%	2.8%	-0.28%
Subsidies	12,676.4	13,054.6	378.1	3.0%	0.6%	0.6%	-0.02%
Total Transfers	409,690.4	421,446.6	11,756.2	2.9%	18.8%	18.1%	-0.63%
Transfers for public entities	6,287.6	6,466.3	178.7	2.8%	0.3%	0.3%	-0.01%
Other transfers	36,592.9	36,737.6	144.7	0.4%	1.7%	1.6%	-0.10%
Projects funded by external post accession grants	82,629.0	78,385.6	-4,243.3	-5.1%	3.8%	3.4%	-0.41%
Social assistance	266,186.4	281,319.6	15,133.2	5.7%	12.2%	12.1%	-0.09%
Projects funded by external post accession grants 2014-2020	291.6	226.8	-64.8	-22.2%	0.0%	0.0%	0.00%
Other expenditure	17,026.9	17,562.3	535.4	3.1%	0.8%	0.8%	-0.02%
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	0.0	0.0	0.0		0.0%	0.0%	0.00%
Projects financed from the amounts related to the loan component of NRRP	675.9	748.4	72.5	10.7%	0.0%	0.0%	0.00%
Reserve funds	532.5	549.5	17.0	3.2%	0.0%	0.0%	0.00%
Expenditure funded from reimbursable funds	1,781.9	1,582.4	-199.4	-11.2%	0.1%	0.1%	-0.01%
Capital expenditures	79,502.5	82,295.0	2,792.6	3.5%	3.6%	3.5%	-0.10%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Payments made in previous years and recovered in the current year	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
SURPLUS(+)/DEFICIT(-)	-111,080.1	-98,707.7	12,372.5	-11.1%	-5.1%	-4.2%	0.84%

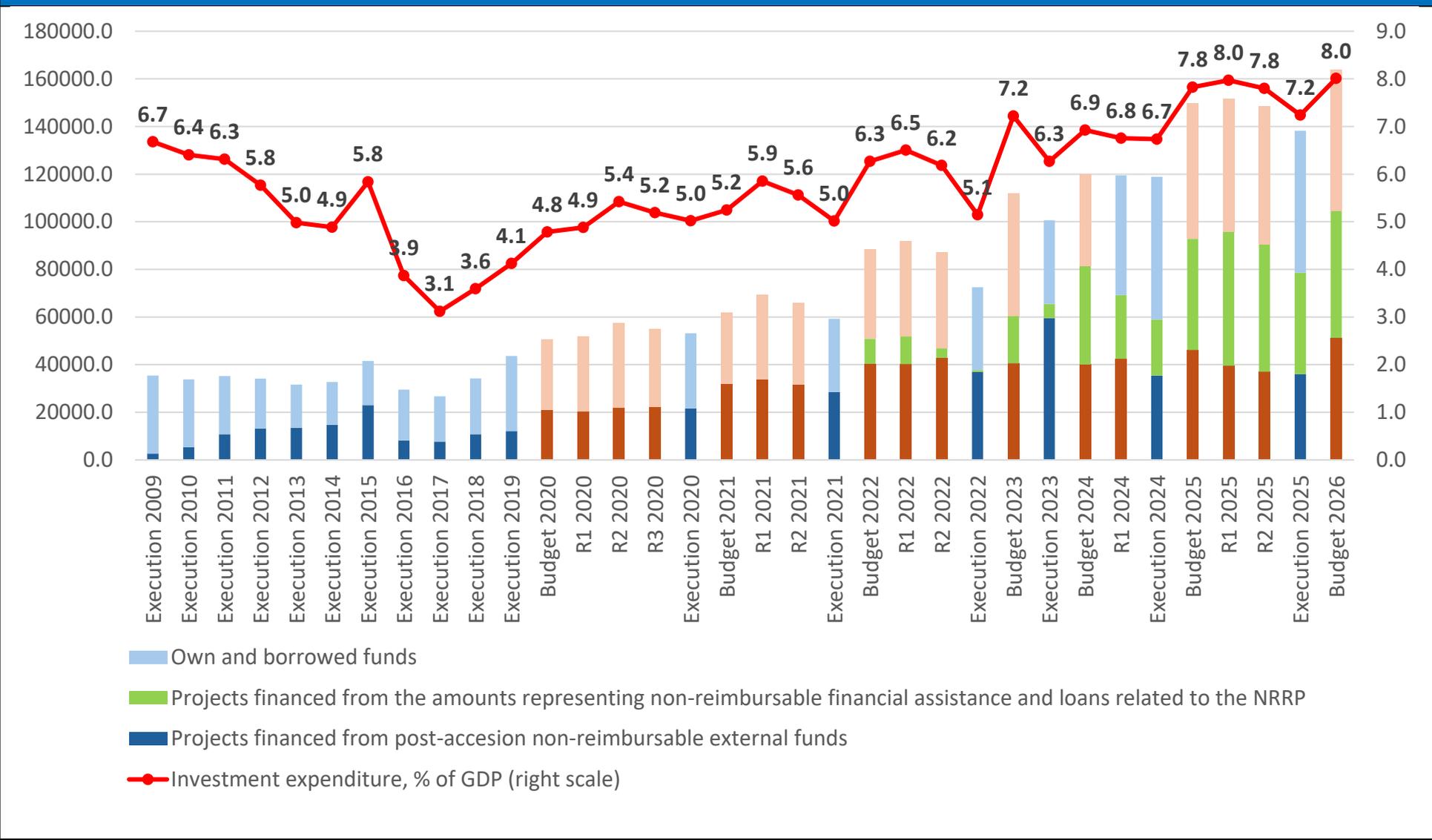
Source: MF, FC calculations

	FS projection 2028 (mil. lei)	FS projection 2029 (mil. lei)	FS projection 2029 -FS projection 2028 (mil. lei)	FS projection 2029 -FS projection 2028 (%)	FS projection 2028 (% of GDP)	FS projection 2029 (% of GDP)	FS projection 2029 - FS projection 2028 (% of GDP)
	1	2	3=2-1	4=3/1	5	6	7=6-5
TOTAL REVENUE	783,014.9	812,967.0	29,952.1	3.8%	33.7%	33.0%	-0.68%
Current revenue	727,845.6	773,823.5	45,978.0	6.3%	31.3%	31.4%	0.10%
Tax revenue	415,418.8	442,934.5	27,515.7	6.6%	17.9%	18.0%	0.11%
Taxes on profit, wages, income and capital gains	126,870.4	134,877.3	8,006.8	6.3%	5.5%	5.5%	0.02%
Corporate income tax	52,496.8	55,681.6	3,184.8	6.1%	2.3%	2.3%	0.00%
Personal income tax	69,995.3	74,549.5	4,554.2	6.5%	3.0%	3.0%	0.02%
Other taxes on income, profit and capital gains	4,378.4	4,646.2	267.8	6.1%	0.2%	0.2%	0.00%
Property tax	13,722.4	14,540.0	817.7	6.0%	0.6%	0.6%	0.00%
Taxes on goods and services	269,469.2	287,840.9	18,371.7	6.8%	11.6%	11.7%	0.09%
VAT	177,585.6	188,177.4	10,591.9	6.0%	7.6%	7.6%	0.00%
Excises	59,612.7	63,168.2	3,555.5	6.0%	2.6%	2.6%	0.00%
Other taxes on goods and services	18,095.4	21,494.0	3,398.6	18.8%	0.8%	0.9%	0.09%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	14,175.6	15,001.3	825.7	5.8%	0.6%	0.6%	0.00%
Taxes on foreign trade and international transactions (customs duty)	3,004.7	3,183.9	179.2	6.0%	0.1%	0.1%	0.00%
Other tax revenue	2,352.0	2,492.3	140.3	6.0%	0.1%	0.1%	0.00%
Social security contributions	253,714.9	269,783.7	16,068.8	6.3%	10.9%	11.0%	0.04%
Nontax revenue	58,711.9	61,105.4	2,393.5	4.1%	2.5%	2.5%	-0.05%
Additional revenues collected from digitization	0.0	0.0	0.0		0.0%	0.0%	0.00%
Capital revenue	1,598.5	1,680.9	82.4	5.2%	0.1%	0.1%	0.00%
Grants	1.9	1.4	-0.5	-26.6%	0.0%	0.0%	0.00%
Amounts received from the EU on account of payments made 2021-2027	53,353.6	37,366.1	-15,987.5	-30.0%	2.3%	1.5%	-0.78%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts collected in the single account, at the state budget	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Other funds from the EU	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	94.1	95.1	1.0	1.0%	0.0%	0.0%	0.00%
Amounts related to the non- reimbursable financial assistance allocated to NRRP	121.2	0.0	-121.2	-100.0%	0.0%	0.0%	-0.01%

TOTAL EXPENDITURE	881,722.6	892,072.8	10,350.2	1.2%	37.9%	36.2%	-1.72%
Current expenditure	799,427.6	802,395.7	2,968.2	0.4%	34.4%	32.6%	-1.82%
Personnel	178,345.4	180,328.5	1,983.2	1.1%	7.7%	7.3%	-0.35%
Goods and services	120,145.1	128,626.5	8,481.4	7.1%	5.2%	5.2%	0.05%
Interest	64,303.9	63,829.7	-474.2	-0.7%	2.8%	2.6%	-0.18%
Subsidies	13,054.6	13,574.8	520.2	4.0%	0.6%	0.6%	-0.01%
Total Transfers	421,446.6	413,900.8	-7,545.8	-1.8%	18.1%	16.8%	-1.33%
Transfers for public entities	6,466.3	6,554.2	87.9	1.4%	0.3%	0.3%	-0.01%
Other transfers	36,737.6	37,529.1	791.5	2.2%	1.6%	1.5%	-0.06%
Projects funded by external post accession grants	78,385.6	60,237.7	-18,148.0	-23.2%	3.4%	2.4%	-0.93%
Social assistance	281,319.6	291,752.7	10,433.1	3.7%	12.1%	11.8%	-0.26%
Projects funded by external post accession grants 2014-2020	226.8	207.1	-19.7	-8.7%	0.0%	0.0%	0.00%
Other expenditure	17,562.3	17,620.1	57.8	0.3%	0.8%	0.7%	-0.04%
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	0.0	0.0	0.0		0.0%	0.0%	0.00%
Projects financed from the amounts related to the loan component of NRRP	748.4	0.0	-748.4	-100.0%	0.0%	0.0%	-0.03%
Reserve funds	549.5	549.5	0.0	0.0%	0.0%	0.0%	0.00%
Expenditure funded from reimbursable funds	1,582.4	1,585.9	3.5	0.2%	0.1%	0.1%	0.00%
Capital expenditures	82,295.0	89,677.0	7,382.0	9.0%	3.5%	3.6%	0.10%
Financial operations	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
Payments made in previous years and recovered in the current year	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.00%
SURPLUS(+)/DEFICIT(-)	-98,707.7	-79,105.8	19,601.9	-19.9%	-4.2%	-3.2%	1.04%

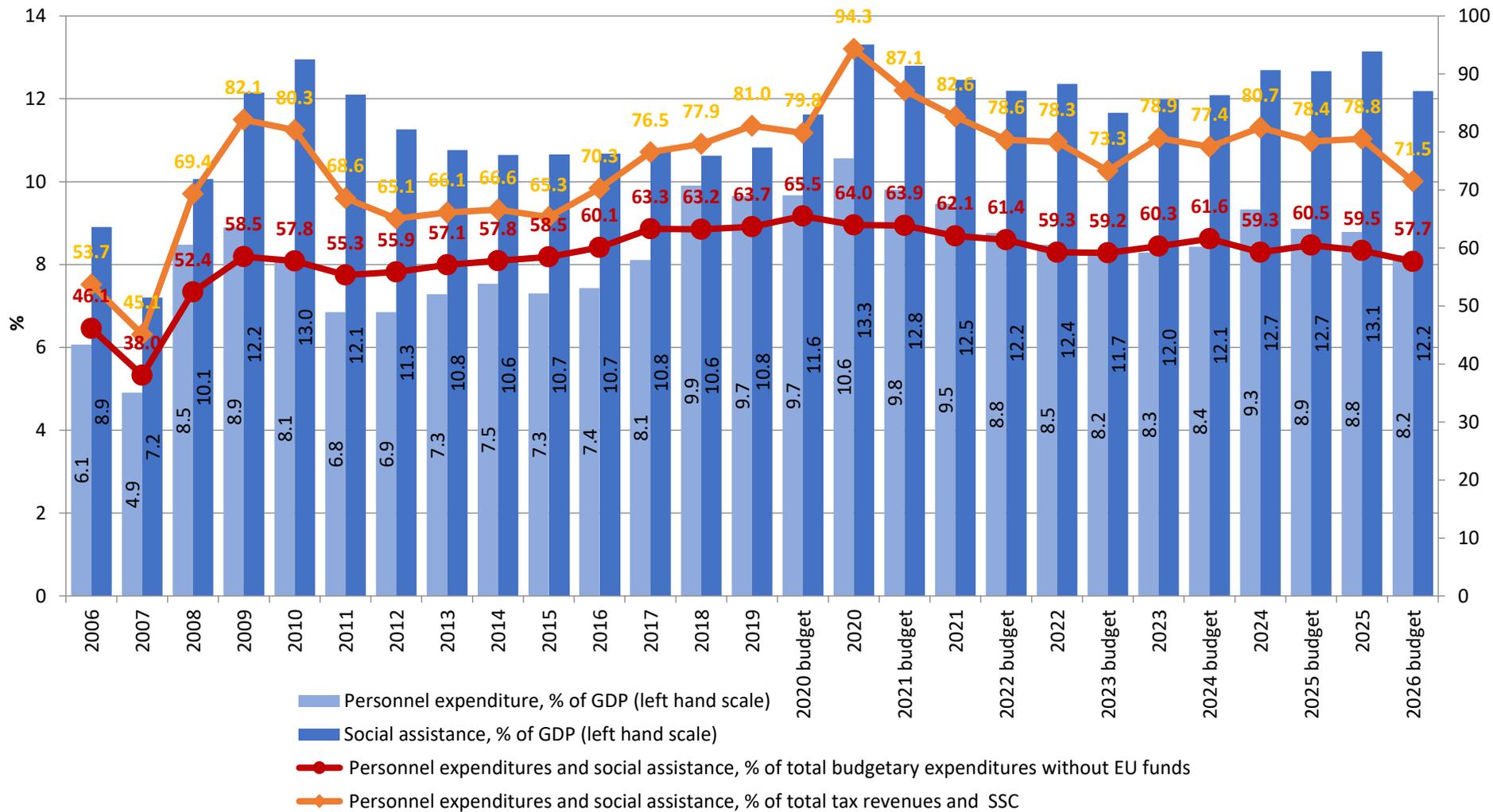
Source: MF, FC calculations

Annex 4. Figure 1. Evolution of public investment expenditures in the 2009-2026 period - planned level vs. achievements (million lei)



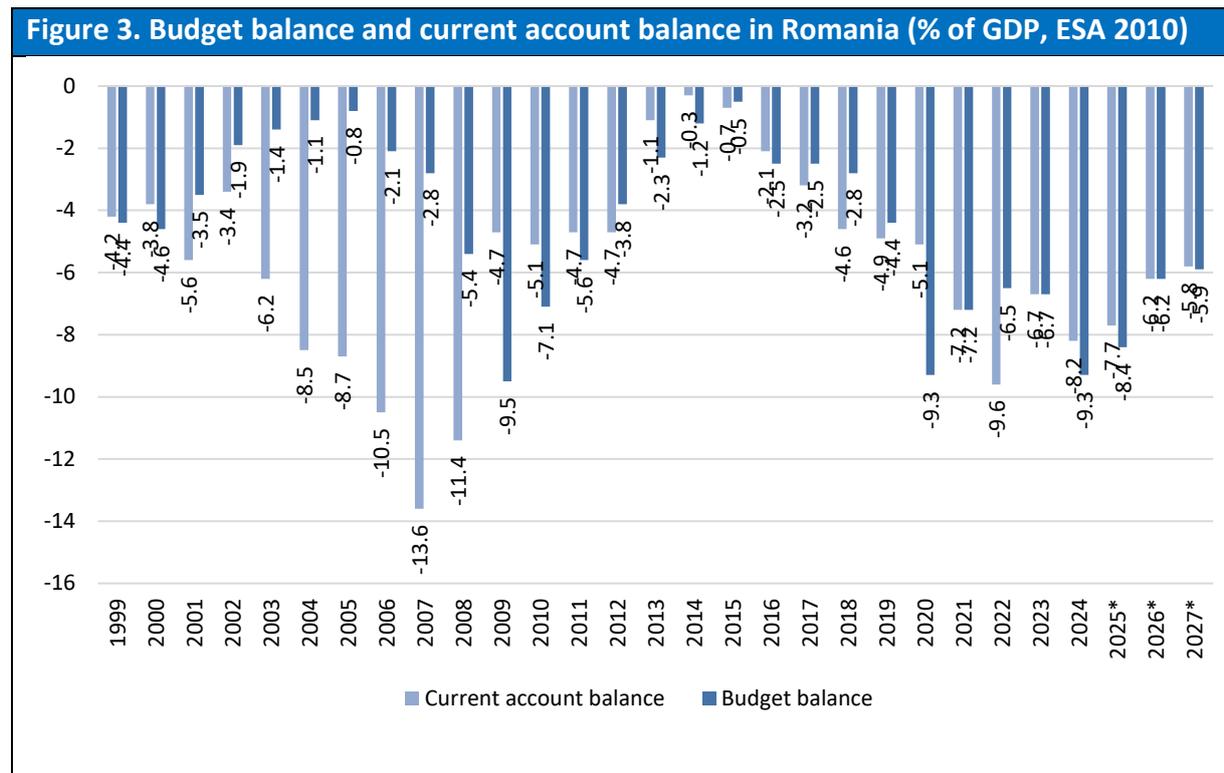
Source: MF, FC calculations

Figure 2. Evolution of personnel and social assistance expenditures during 2006-2026 (mil. lei)



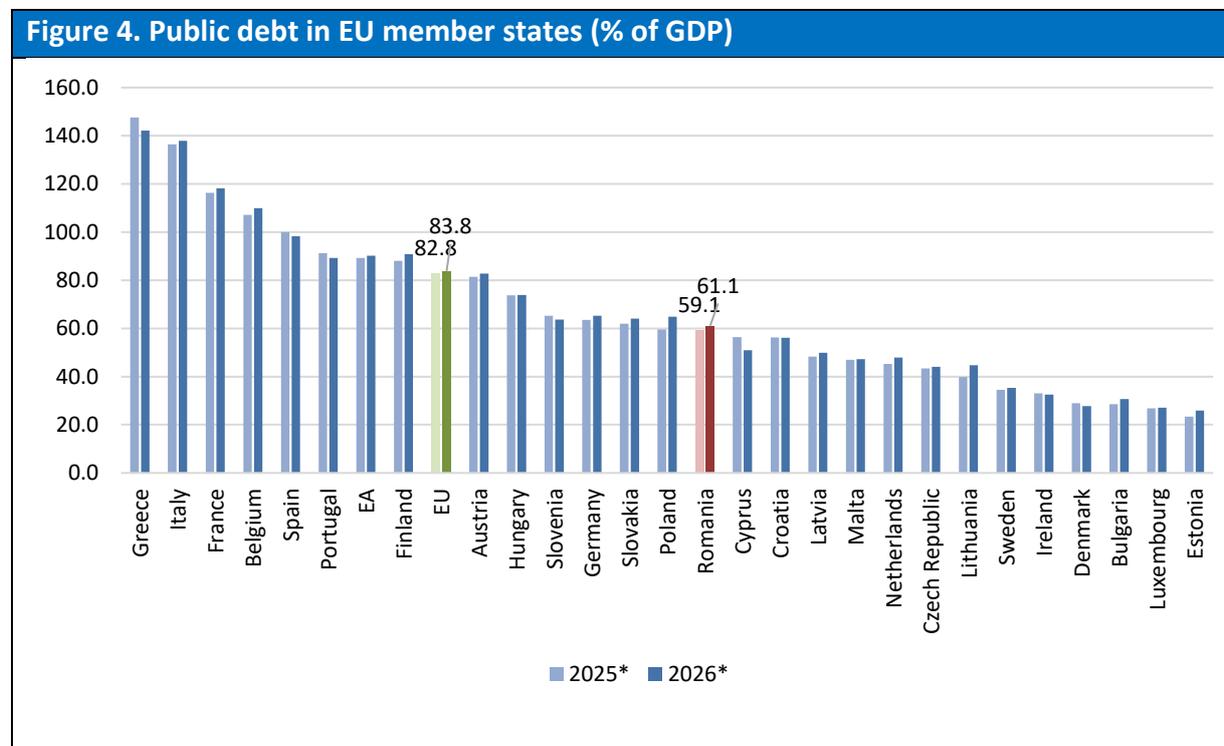
Source: MF, FC calculations

Annex 5



Source: AMECO

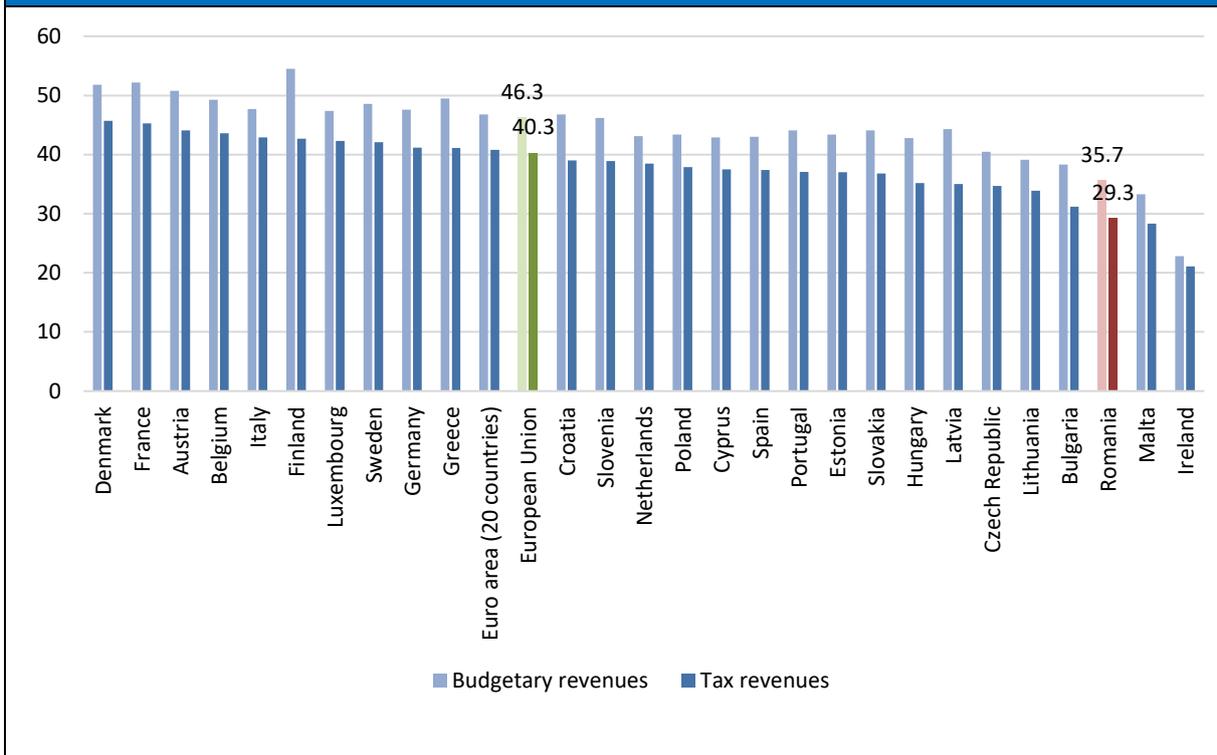
Note: *represents AMECO forecast



Source: AMECO

Note: *represents AMECO forecast

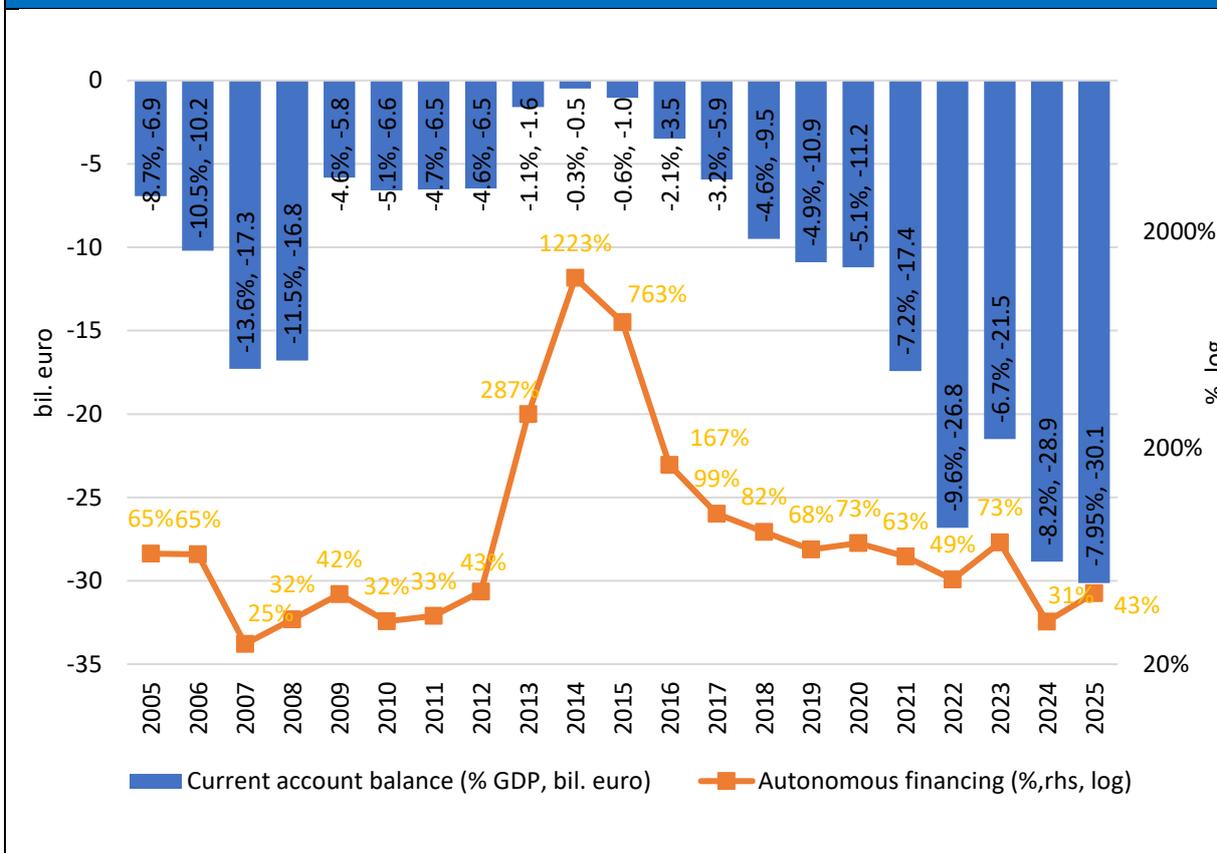
Figure 5. Budgetary and tax revenues in 2025* (% of GDP, ESA 2010)



Source: AMECO

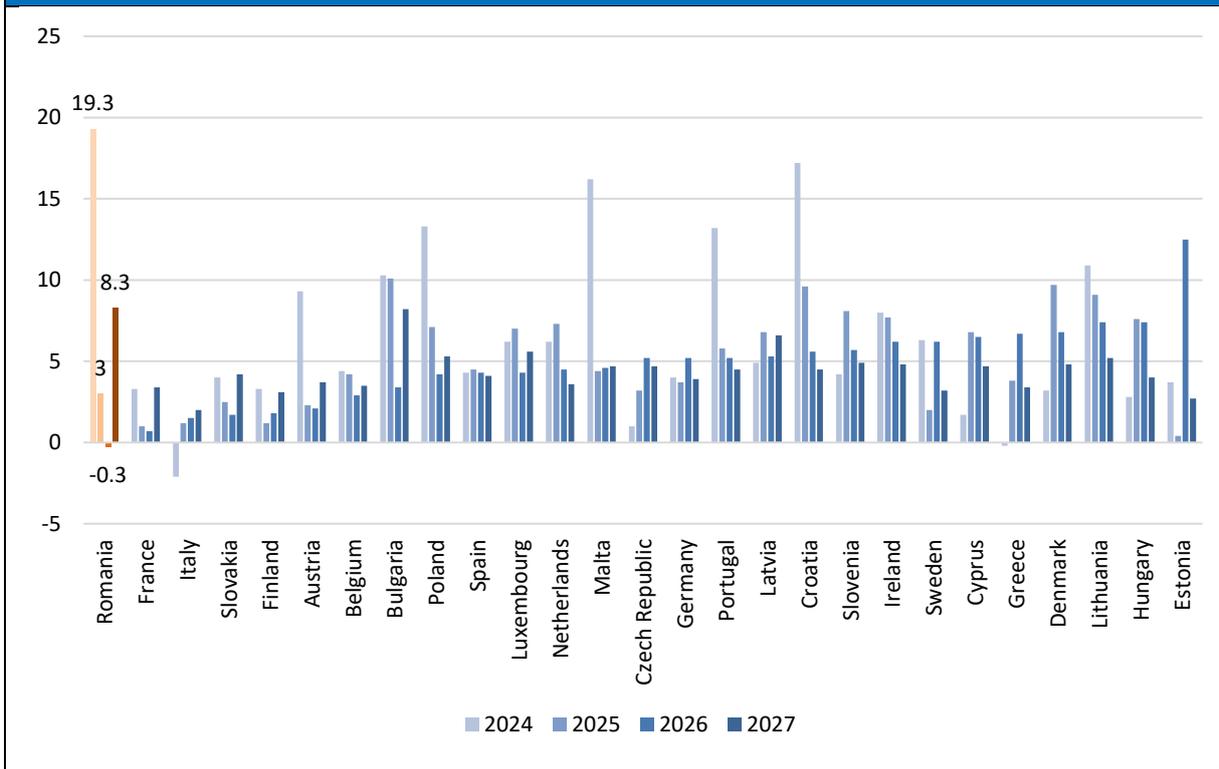
Note: *represents AMECO forecast

Figure 6. Current account and it's autonomous financing



Source: NBR, EUROSTAT, FC calculations

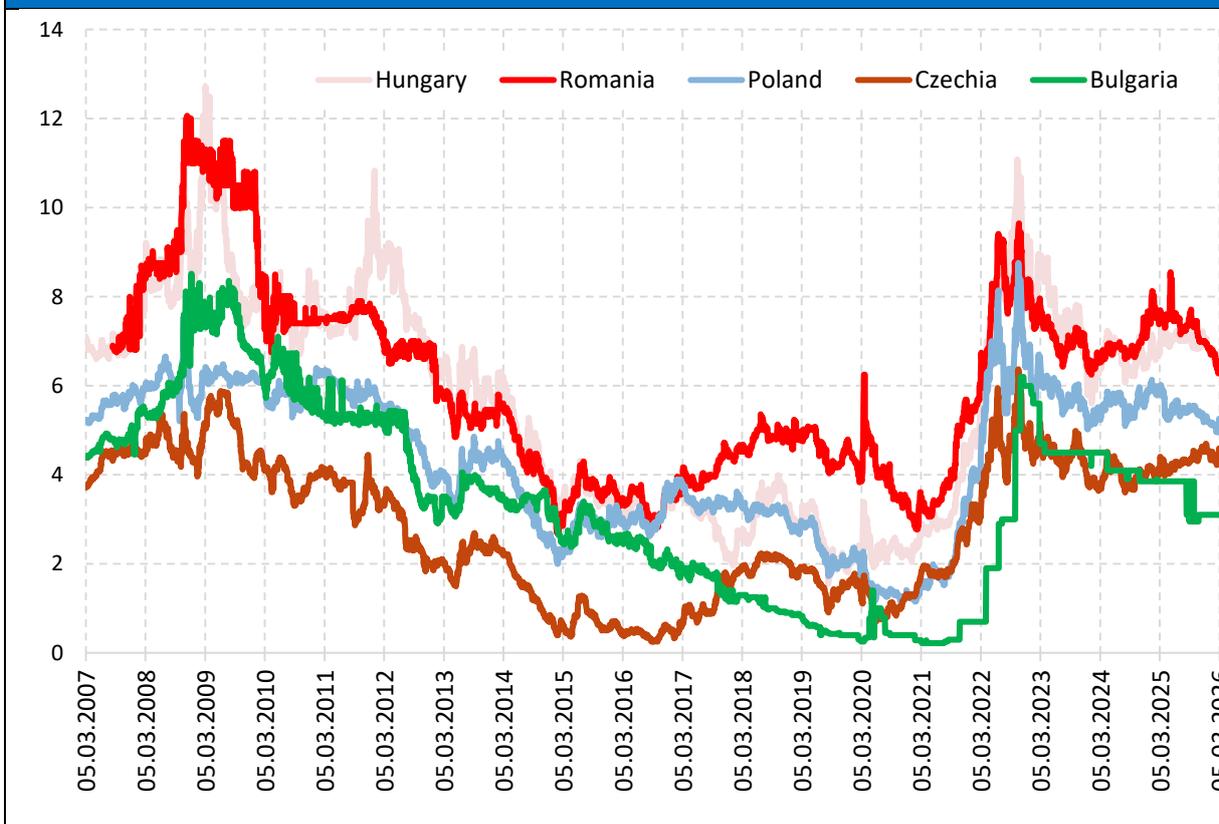
Figure 7. Net expenditure growth (percentage change from the previous year)



Source: AMECO

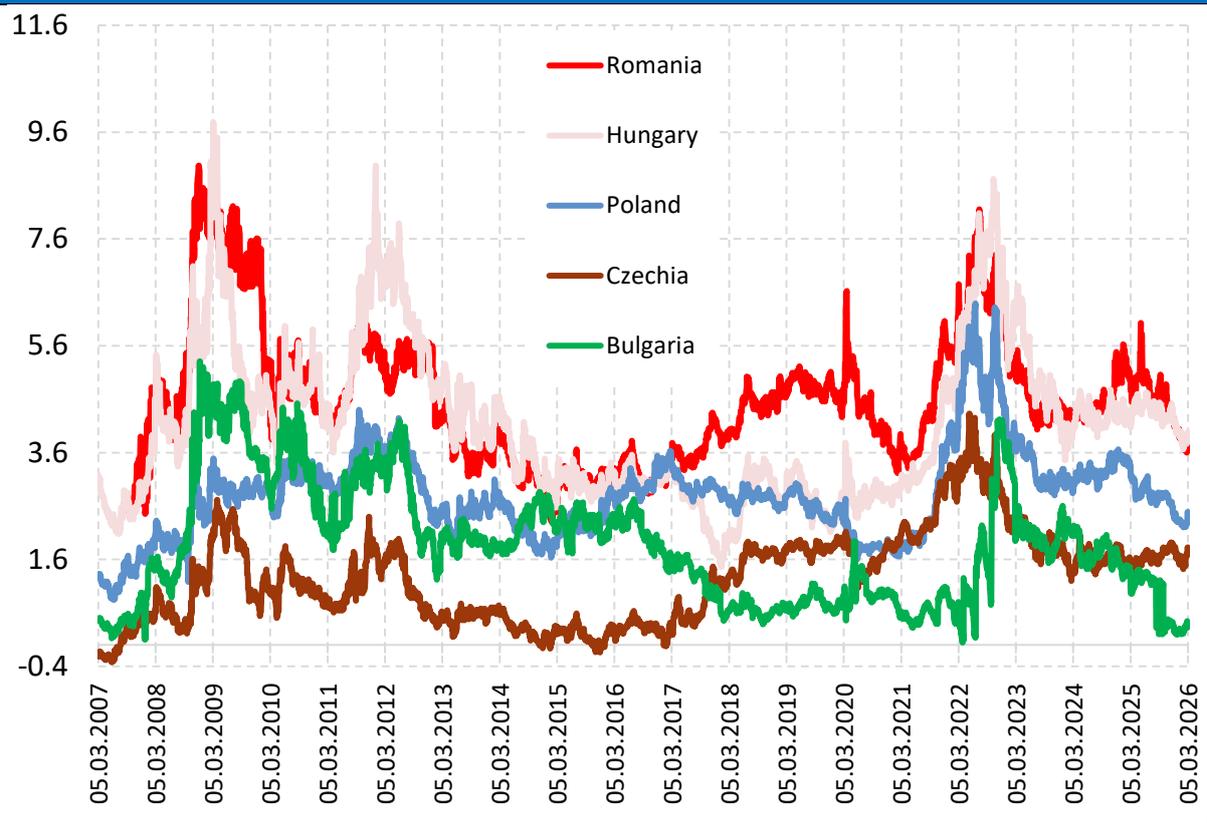
Note: *represents AMECO forecast

Figure 8. Evolution of yields on 10-year government bonds in Romania and peer countries



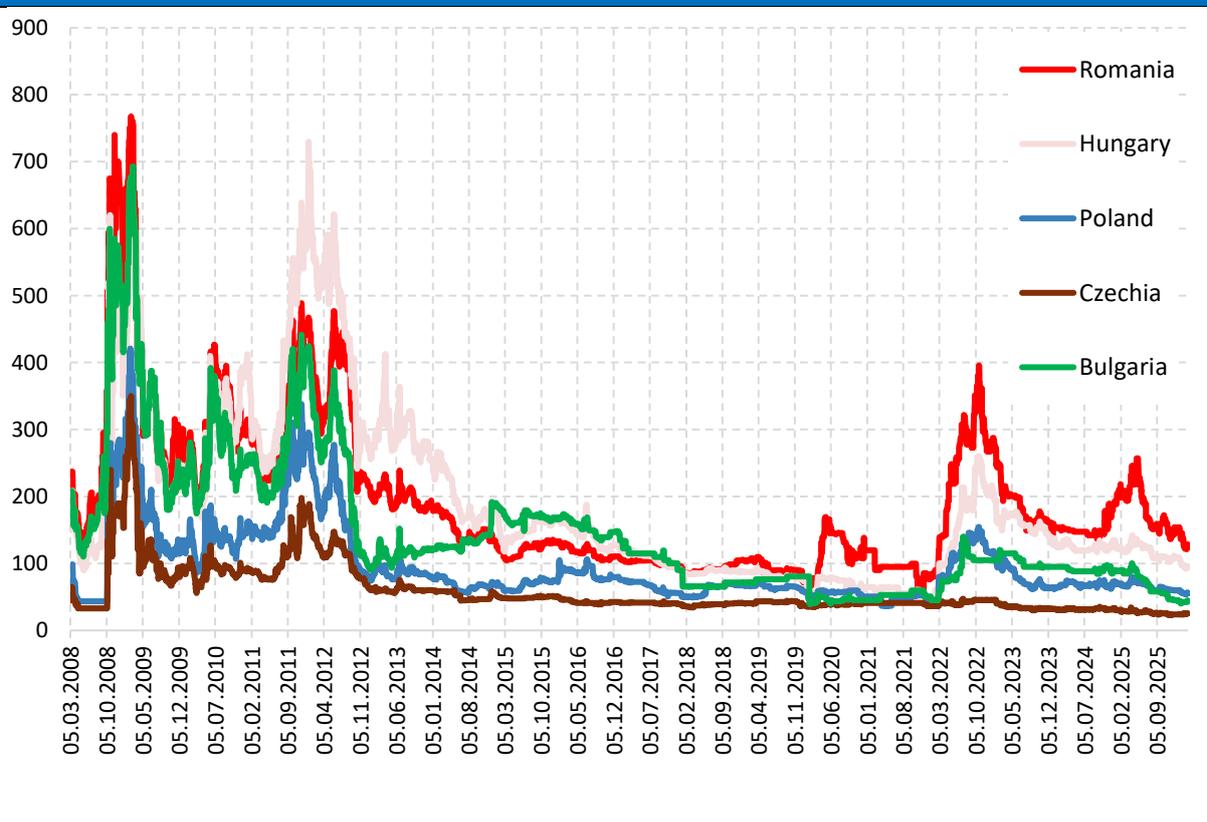
Source: Refinitiv Datastream

Figure 9. Evolution of spreads against German bonds (percentage points)



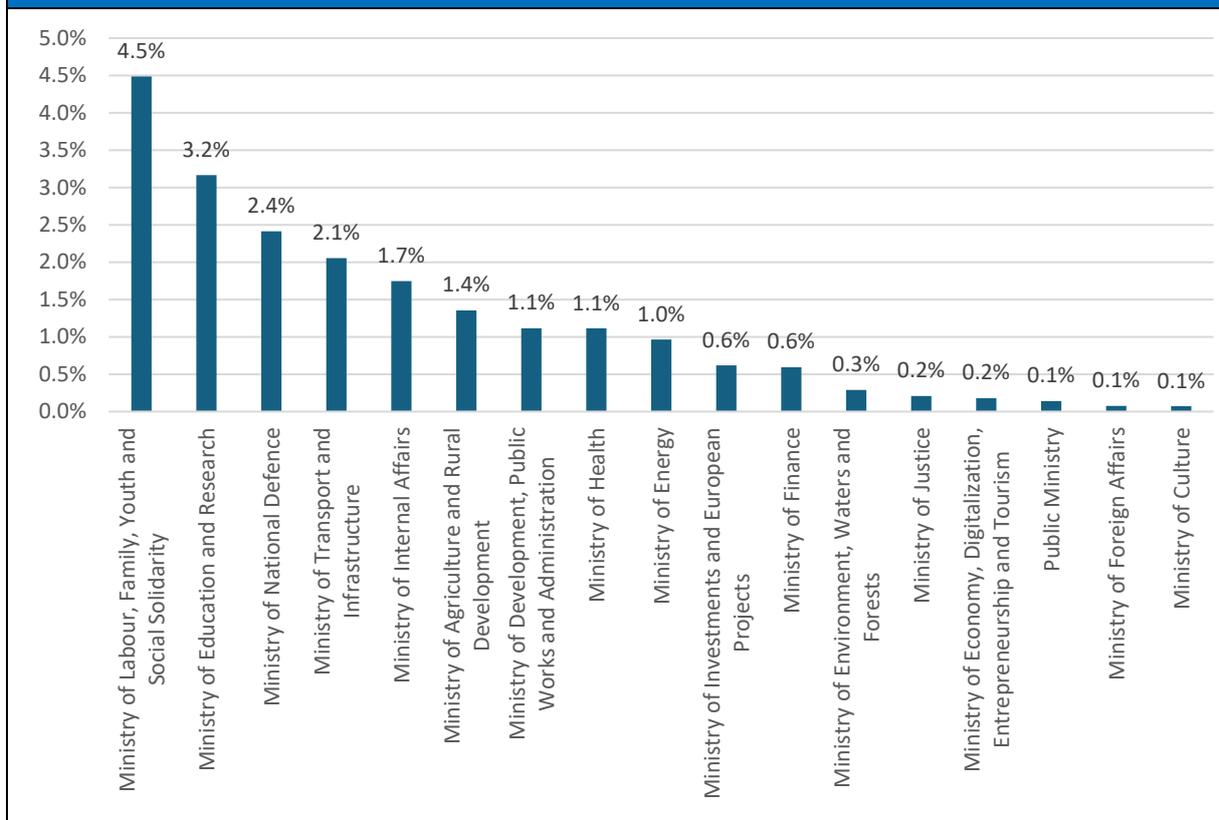
Source: Refinitiv Datastream, Fanthom Consulting

Figure 10. Evolution of 5-year government bond CDS (basis points)



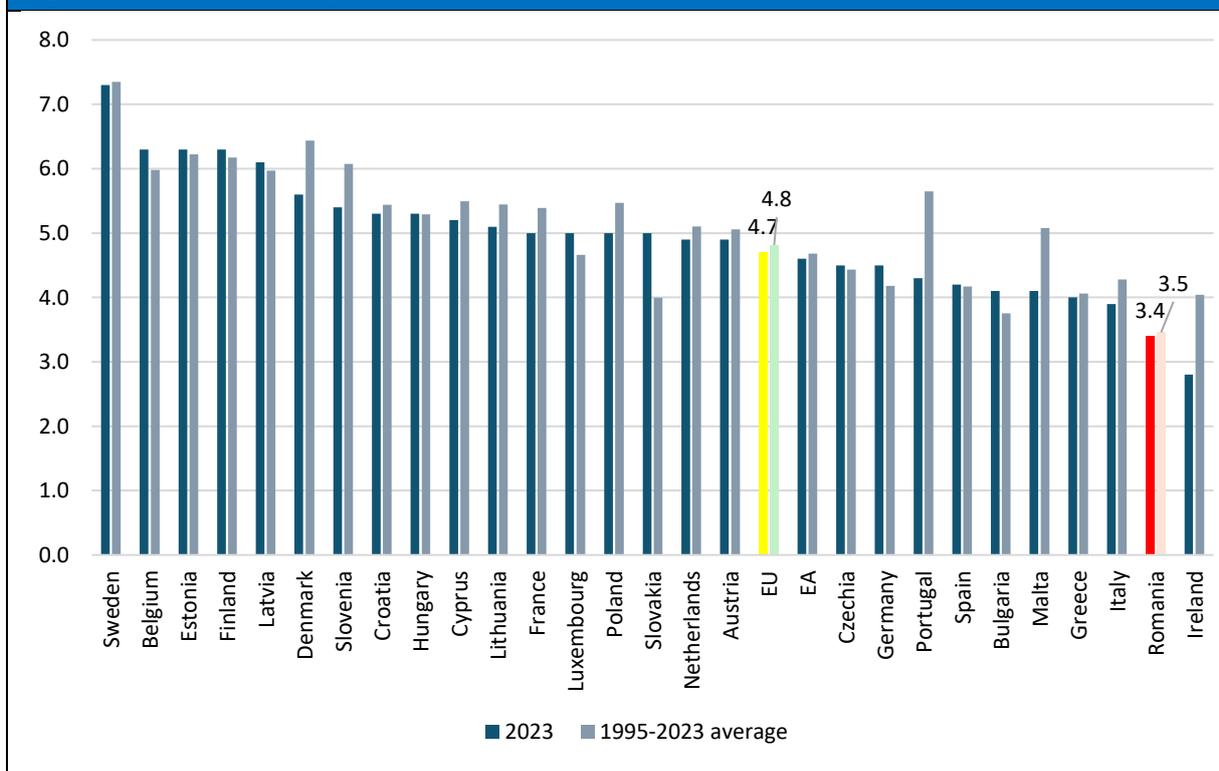
Source: Refinitiv Datastream

Figure 11. Allocations of budgetary credits within the state budget for 2026 by ministries (% GDP)



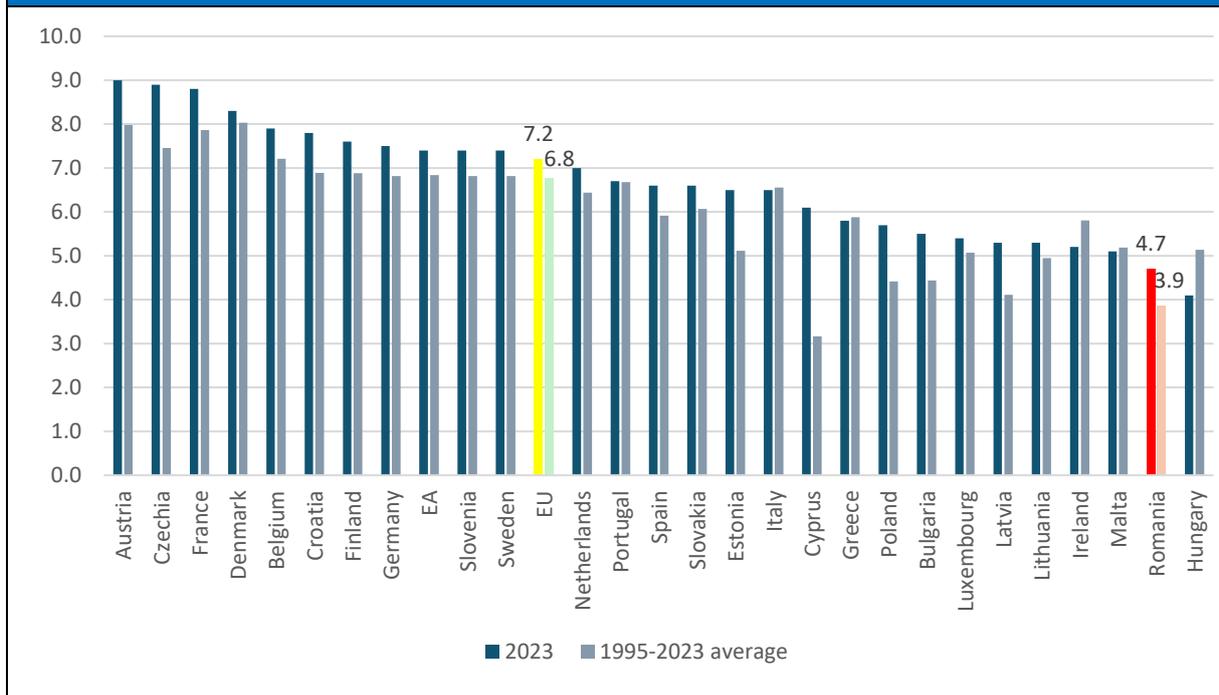
Source: MF, FC calculations

Figure 12. Education expenditures (% GDP)



Source: EUROSTAT

Figure 13. Health expenditures (% GDP)



Source: EUROSTAT