



The Parliament of Romania
The Chamber of Deputies

No. 1/2263/vz
25.06.2013

OPINION

on Romania's 2013 National Reform Programme

and including a Council Opinion on Romania's Convergence Programme for 2012-2016

COM(2013) 373

accompanied by the Commission staff working document SWD(2013) 373

THE CHAMBER OF DEPUTIES,

Having regard to the Treaty of Lisbon, and in particular Articles 5 and 12 thereof and Protocols No 1 and 2 annexed thereto,

Having regard to the Constitution of Romania, republished, and in particular Article 148,

Having regard to the Decision of the Chamber of Deputies No 17/2011,

Considering the draft opinion of the Committee for Economic Policy, Reform and Privatisation adopted at its session of 4 June 2013,

Considering the draft opinion of the Committee for Budget, Finance and Banks adopted at its session of 10 June 2013,

Considering the draft opinion of the Committee for Industries and Services adopted at its session of 12 June 2013,

Considering the draft opinion of the Committee for Public Administration, Land Planning and Ecological Balance adopted at its session of 4 June 2013,

Considering the draft opinion of the Committee for Education, Science, Youth and Sport adopted at its session of 10 June 2013,

Considering the draft opinion of the Committee for Information and Communications Technology adopted at its session of 24 May 2013,

Considering the information note of the Chamber of Deputies Directorate for Community Law,

Considering the opinion of the Romanian Government expressed in the communication delivered by the Ministry of Foreign Affairs,

Considering the final opinion of the Committee for European Affairs adopted at its session of 12 June 2013,

Having regard to the approval granted by the Standing Committee of the Chamber of Deputies on 17 June 2013,

Pursuant to Article 40 of the Decision of the Chamber of Deputies No 11 of 27 April 2011,

HAS ADOPTED THIS OPINION:

1) The Chamber of Deputies reiterates that, on the whole, the recommendations are consistent with the priorities of the Romanian Government and provide a useful policy guidance and planning tool for National Reform Programme implementing institutions.

2) The Chamber of Deputies agrees with the Committee for Information and Communications Technology as follows:

a) With regard to the application of a coherent e-government strategy, standards need to be developed for e-government services at the European level to provide an interoperability framework for EU Member States;

b) With regard to broadband infrastructure improvements, Romania passed the Law No 140/2012 approving the Government Emergency Ordinance No 111/2011 on electronic communications, pursuant to which the National Authority for Management and Regulation in Communications (NAMRC) is in charge of setting conditions and procedures for the designation of universal service providers so that access to universal service is ensured across the country. Furthermore, the Romanian Government has launched the National Broadband Strategy with the aim of increasing household broadband penetration up to 80% by 2015. In line with the provisions of this Strategy, correlated with those set out in the European regulations on Structural funds and State aid, the Ministry of Communications and Information Society has produced an Implementation Model for projects aimed at developing broadband infrastructures in disadvantaged areas, which model has been subject to public debate and pre-notified to the European Union. The RO-NET project seeks to develop an infrastructure of electronic communications networks covering the technical capabilities required for broadband service provision in Romanian rural areas that are currently unserved and where private investment plans are not foreseen for the following 3 years (white areas). The overall goal for the Romanian authorities is to improve broadband service availability for Romanian citizens and businesses in rural areas by setting up a broadband infrastructure. At present, public consultations are underway with regard to balanced areas eligible for the project and operator selection criteria.

3) The Chamber of Deputies agrees with the Committee for Public Administration, Land Planning and Ecological Balance in that these recommendations might be difficult to implement since they require resources that are dependent on fiscal consolidation measures and budget constraints.

4) The Chamber of Deputies agrees with the Committee for Budget, Finance and Banks as follows:

- (a) We find that the Country-Specific Recommendations for Romania are very much consistent with the analysis and recommendations included in the documents that have been adopted during the European Semester by the EU institutions and the Romanian Government, as well as in the IMF/EU programme documentation.
- (b) We welcome Romania's achievement of the 2012 programme target to reduce its headline government deficit to less than 3% of GDP.
- (c) We welcome the significant improvement in financial market conditions which have allowed for 5-year sovereign yield spreads to drop to less than 200 basis points.
- (d) We find that, despite having reached the objectives to reduce budget and external deficits and partially achieved structural reforms, the country features a somewhat stagnating economy and the lending to the economy remains feeble.
- (e) We find that in the past two years Romania has managed to achieve severe budget consolidation of 1.8% of GDP on average, well in excess of the required 0.5% of GDP under the Stability and Growth Pact.
- (f) We notice that the economic model on which the severe budget consolidation policy was based before the economic recovery is partly contested by economic academics.
- (g) We find that the actual application of the severe and simultaneous fiscal consolidation policy across the EU has not yielded forecast results, thus compromising the potential economic growth and needlessly prolonging the crisis, which entails dramatic consequences for employment, in particular among young citizens.
- (h) We believe that the proposed document has accurately identified major medium-term challenges for Romania: increasing labour market participation, improving competitiveness and reforming public administration.
- (i) We deem that the objective of increasing labour market participation should be paired with active measures meant to expand the work-related tax base mostly by significantly containing the black economy.
- (j) We welcome the fact that the objectives set out to improve competitiveness include infrastructure development, support for research, education advancement and increasing energy efficiency.
- (k) We express reservations about the Commission's appreciation that the current composition of tax revenue is favourable to growth.
- (l) We recommend that the composition of tax revenue be correlated with economic growth in a way that takes into consideration the fact that, in theory, direct tax is progressive and indirect tax is regressive.
- (m) We recommend that the Commission's future evaluations consider the impact of societal inequalities on economic growth.
- (n) We stress the importance of EU structural funds for the measures that Romania must take in order to address the identified challenges.

(o) We think that major medium-term challenges require legal and institutional responses, but also significant funding sources for the measures intended to address problems in a sensible manner. Given the budget constraints, even if the absorption rate of EU funds radically improved, demand for funding may be significantly greater than supply.

(p) We recommend that future evaluations also indicate the evolution of the national revenue alongside gross domestic product.

4) The Chamber of Deputies agrees with the Committee for Industries and Services as follows:

(a) We highlight the fact that, with regard to transport, Romania is already implementing a series of measures that respond to the European Commission recommendations regarding the privatisation and the restructuring of state-owned enterprises (such as CFR Marfă – the Romanian Rail Freight Transport Company – whose privatisation process was resumed in May 2013 after relaxing turnover requirements for bidders) and the development of the Transport Master Plan, which is an ex-ante conditionality under the Partnership Agreement for the 2014-2020 programming period.

(b) We remind that, in the energy sector, Romania is seeking to keep any commitment made under the preventive agreement with IFI for restructuring and privatising state-owned enterprises and for introducing private management in these companies. In 2012, the C.N. Transelectrica S.A. sold a minority shareholding and private management was introduced in major energy service companies (Nuclearelectrica S.A., Electrica S.A., Complexul Energetic Hunedoara S.A., Transelectrica S.A., Romgaz S.A., Transgaz S.A.).

(c) We remind that a series of measures are envisaged for 2013 to promote renewable energy sources (RES) and increase energy efficiency: review the support scheme for RES promotion to avoid overcompensation; modernise and rehabilitate transmission and distribution networks for better RES energy take-up; re-launch the National Energy Efficiency Programme; promote ESCO schemes and energy performance contracts; promote specific financial mechanisms for public building retrofits; promote smart metering pilot projects at the level of electricity distribution systems; continue the home energy retrofit programme. In order to advance transnational energy network integration, measures are underway to complete the gas interconnection between Romania and Hungary, Bulgaria and the Republic of Moldova.

(d) We highlight the fact that, as far as telecom infrastructure is concerned, Romania is currently running projects meant to provide broadband Internet access in those areas where the market has failed to deliver an open infrastructure at a reasonable price. Broadband Internet coverage rises by nearly 2% each year.

(e) We inform that the Department for Small and Medium-Sized Enterprises, Business Environment and Tourism within the Ministry of Economy agrees with the Recommendation on the business environment as formulated.

5) As to the recommendation on enhancing competition and efficiency in network industries, the Chamber of Deputies draws attention to the need for a symmetrical approach to potential public and private abuse. In this respect, we recommend a consolidated competition policy to address any abuse of market power that might arise in network industries where oligopolies are prevalent.

6) The Chamber of Deputies agrees with the Committee for Economic Policy, Reform and Privatisation, as follows:

(a) The European Commission recommendations on fiscal and budgetary policies are generally in line with the programmatic documents of the Romanian Government: the Convergence Programme for 2013-2016, the 2013 Budget Law, the Fiscal and Budgetary Strategy for 2013-2015, the Medium-Term Strategy of ANAF for 2012-2016.

(b) Under the EU Stability and Growth Pact, achieving the medium-term budgetary objective means reaching a structural deficit (cyclically adjusted balance net of one-off and temporary measures) of 1%, which is consistent with the objectives that the Romanian Government has already set out in the Convergence Programme, the Budget Law and the Fiscal and Budgetary Strategy.

(c) With the purpose of improving the tax collection system in the medium term, the National Agency for Fiscal Administration envisages a series of measures to prevent and combat tax evasion, to enhance tax collection efficiency and speed, to increase voluntary compliance and improve budgetary expenditure efficiency.

(d) For the application of environmental taxes, measures have already been taken consistently with the recommendation: the environmental stamp tax for vehicles, special measures for taxing the exploitation of natural resources other than natural gas.

(e) Within the context of social assistance reform implementation, the Government has perfected the legal framework for the guaranteed minimum income and family support benefit with the view to protecting vulnerable consumers and compensating for any expenses caused by social tariff cuts and gas and electricity price rises.

(f) A series of measures have been taken to allow payments to be resumed for some sectoral operational programmes and at the end of 2012 an action plan was drawn up for building the administrative capacity to use EU funds.

(g) With the purpose of improving public procurement and averting potential conflicts of interest, a series of actions are in progress as proposed in 2012.

(h) Back in April 2013, the Government started to identify and address administrative bottlenecks facing the business environment as well as to set and apply qualitative and quantitative monitoring indicators. Romania is planning to review ex-ante evaluation procedures for public policy documents and draft regulations, as well as to bring the Strategy up to date for a better regulatory framework.

(i) Romania has continued the reform for the implementation of the Services Directive and has made administrative procedures available on the PCU 211 online platform. Also, e-government projects are run to merge scattered national electronic communications services under a single portal that will cover the entire range of services delivered to businesses and citizens.

(j) Since December 2012, lines of credit with fully subsidised interest are available under the Mihail Kogălniceanu Programme. The JEREMIE initiative supports SME access to guarantees and venture capital funds. The state budget will continue to finance investment

projects proposed by businesses, by SMEs in particular, through State aid schemes delivered by relevant authorities. Starting with 2013, Romania provides state budget support to business investment undertakings that introduce new technologies and create jobs for the highly qualified ICT and R&D labour force. The SME investment scheme has been re-launched. To support innovative SMEs, the Government has reiterated in the Government Programme for 2013-2016 the NRP commitments to set up a venture capital fund and a national network of business angels. To increase synergies between research, innovation and industry, Romania has defined the Romanian model of innovative cluster and it secures funding under the European Regional Development Fund to investment projects aimed at upgrading technologies and industrial processes proposed by industry and service businesses and at developing competitiveness clusters that provide financial support to integrated research-development-innovation projects.

(k) A professional training plan will be developed and implemented for the staff working in the field of EU-funded state aid schemes to ensure the timely preparation of state aid schemes funded with structural funds available for the programming period 2014-2020.

7) The Chamber of Deputies agrees with the Committee for Education, Science, Youth and Sport as follows:

(a) In order to build the administrative capacity of the relevant Ministry at central and local levels, measures are being implemented – some with EU funds – based on the recommendations formulated in the World Bank’s Functional Review and aimed at pre-university education, on the one hand, and at higher education and research, on the other.

(b) To prevent and address early school leaving, a series of social programmes are in place for schoolchildren from socially and economically disadvantaged areas and backgrounds and the national strategy for preventing and addressing early school leaving is under development.

(c) To tackle Romanian schoolchildren’s mediocre basic skills level as reflected by their average performance at international tests, a curricular reform has been set in motion for primary education and will be continued and strengthened for secondary education.

(d) To address the mismatch between the skills acquired during school years and the requirements of the labour market, the solutions formulated in the recommendations will be given due consideration.

(e) The National Qualification Framework has been developed but is yet to be approved, and a regulatory framework is being drawn up to recognise informal and formal learning; adopting the National Lifelong Learning Strategy remains a key priority.

(f) A preparatory year has been introduced as an initiative that covers the recommendation to increase the use and quality of early childhood education and care services.

(g) To increase synergies between research, innovation and industry, Romania has defined the Romanian model of innovative cluster and it secures funding under the European Regional Development Fund to investment projects aimed at upgrading technologies and industrial processes proposed by industry and service businesses and at developing competitiveness clusters that provide financial support to integrated research-development-innovation projects.

(h) To stimulate private investment in RDI, in 2012 the National Research, Development and Innovation Plan 2007-2013 and the SOP IEC provided financial support to over 800 businesses involved in public-private RDI partnerships and the innovation cheque has become operational.

(i) To better connect RDI and industry and to stimulate intelligent innovation, the National Competitiveness Strategy 2014-2020 and the National RDI Strategy 2014-2020 are under development.

(j) The Government is currently preparing the National Plan for Youth Employment, which is a starting point for the introduction of the youth guarantee; the measures focus on improving the entrepreneurial culture among youth and support for SMEs, as well as on adapting education and vocational training to the labour market needs.

8) With regard to progress toward an equal retirement age for men and women, since the reform of the public pension system is underway and maintaining a stable regulatory framework is a key criterion (required by the European Commission), the Chamber of Deputies believes that this recommendation could be considered in the future after assessing the impact of the current reform.

9) Upon reviewing the Country-Specific Recommendations, the Chamber of Deputies draws attention to the following issues which require solutions that should be taken at EU level rather than at Member State level:

(a) Recommendations state that: “Access to quality and affordable early childhood education and care continues to be an issue.”

We share the Union’s concern about the social risks facing children, especially the young ones. In fact, their unequal access to education is widespread at global and European levels. Both pedagogy and social practice have demonstrated that societal progress starts with early childhood education, and so the Chamber of Deputies has included this concern in its opinions on the EU strategic documents, where appropriate. The Chamber of Deputies is seeking to maintain this perspective for harmonising national policies with European ones as reflected within its parliamentary scope.

We believe that the European Union holds great responsibility for training future generations as derived from the objectives set forth in its founding treaties. Documents devoted to child education issues such as “Breaking the Cycle of Disadvantage” are very few compared to strategic Communications on other matters. A comprehensive analysis on the use of EU funds in this particular field would identify potential means for further development. The Eurydice network is another instrument that could help to support endeavours in the field of early childhood education, perhaps through peer education promotion.

(b) Recommendations emphasise that: “Poor administrative capacity is a core concern for Romania. The public administration is characterised by an inconsistent legal framework, frequent recourse to emergency ordinances, low levels of inter-ministerial cooperation and excessive bureaucracy. It is also undermined by a lack of skills, a lack of transparency in staff recruitment and high management turnover rates. The poor administrative capacity contributes to a low absorption of EU funds.”

Administrative capacity building is a constant concern for Romania, but the low absorption of EU funds proves that these efforts are in need of support. However, it is manifest that the EU has become more diverse and will continue to do so with the accession of new members; consequently, it is high time to review the efficiency of administrative procedures prescribed by the community *acquis*. Therefore, it is our opinion that, besides Romania's attempts to improve its administrative framework, this is the right time for the European Commission to consider more relaxed administrative requirements for Member States under its treaty-established responsibilities.

(c) Recommendations mention that: "Romania should also put in efforts to ease SME access to finance for SMEs and reduce administrative burdens. The R&D intensity is extremely low (0.48% in 2011) and the efficiency and effectiveness of the investment need to be substantially improved. Priority should be given to those research and development activities that have potential to attract private investment."

In our opinion, although R&D intensity is a widely used indicator, it should be reconsidered since at the moment it is difficult to determine innovative efforts and investment efficiency and effectiveness based exclusively on the financial perspective. Therefore, we believe that the inclusion of this specification in the country-specific recommendations is less relevant, at least until an updated framework for analysis is identified or developed, giving great consideration to crisis impacts on economic approaches.

At the same time, though we understand the need to reduce bureaucracy for SMEs and we will continue to make every effort to provide support, it is difficult to identify practical measures meant to increase their access to finance. Hence, conceptually speaking, this recommendation seems to concern the European Union as a whole rather than Romania alone.

(d) Recommendations mention the need for Romania "to step up the education reform also by building administrative capacities at central and local levels and to assess reform impact; to accelerate vocational education and training reforms; to further align university education with labour market requirements and to improve access for disadvantaged people; to implement a national strategy on early school leaving, with a focus on improved access to quality education for preschoolers, including the Roma; to speed up the transition from institutional to alternative care for children deprived of parental care."

We believe that constant efforts are needed in all the aforementioned areas. Nonetheless, the issues pointed out may be regarded as inherent since any education system in the world needs years to match the requirements of a changing society as demonstrated by some Member States' successful education reforms.

We hereby notice that aligning education with the requirements of a knowledge-based society should become a more widespread concern across the EU institutions. Citizens' increased interest in education proves that it would be beneficial for the European Union to reinforce its programmatic and solidarity dimensions. To this end, we recall the recommendation included in the Council Conclusions on investing in education and training – a response to Rethinking Education: investing in skills for better socio-economic outcomes and the Annual Growth Survey 2013 (2013/C 64/06), inviting Member States and the Commission to "establish a closer link between the key strategic policy challenges identified throughout the European Semester and OMC activities, and develop, when requested, the country-specific dimension

to assist both individual and clusters of Member States in following upon country-specific recommendations (CSRs).”

Even before country-specific recommendations were formulated, on March 2013 the Chamber of Deputies held a debate on COM(2012) 669 Rethinking Education: investing in skills for better socio-economic outcomes, which was attended by Finish representatives, with the aim of strengthening cooperation in the field. On that occasion, several points pertaining to EU-wide education advancement were highlighted and are included in the opinion of the Chamber of Deputies. The Chamber of Deputies will keep the spotlight on this matter and also integrate country-specific recommendations.

To ensure that the European Union stays competitive in the medium and long term, it would be helpful to start a broader debate on how to provide the Union with better competences in the field of education.

(e) Recommendations state that Romania should: “increase labour market participation and improve labour market integration and labour productivity by revising and strengthening active labour market policies, providing individualised training and career guidance services, and advancing lifelong learning; build the capacity of the National Employment Agency to improve its service quality and coverage; urgently implement the National Plan for Youth Employment to address youth unemployment, including through a youth guarantee; alleviate poverty, strengthen the effectiveness and efficiency of social transfers, with a focus on children.”

We believe that the objectives listed above are legitimate and that labour market development should be a constant concern for Romania as a Member State, including in terms of a refined legislation. Nonetheless, since the indicated shortages are present not only in Romania but also in many Member States, they seem to point out major EU-wide structural lacks whose root causes should consequently be addressed at EU level.

10) The Chamber of Deputies intends to include these recommendations in the Romania’s draft budget guidelines.

11) The Chamber of Deputies underlines the fact that the European Semester could be more beneficial to Member States if it focused more on the common causes of the identified situation and on finding concrete ways for Member States to cooperate with each other and with the Commission in order to achieve the Europe 2020 objectives and less on reiterating a well-known state of facts.

This opinion is addressed to the presidents of the European Parliament, of the Council and of the European Commission, and to the Romanian Government.

SPEAKER

Valeriu Ștefan ZGONEA