



EUROPEAN COMMISSION

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C(2020) 5944 final*

Dear President,

The Commission would like to thank the Senat for its Opinion on the Communication “European Semester: Country-specific recommendations” {COM(2020) 500 final} and the Recommendation for a Council Recommendation on the 2020 National Reform Programme of Romania and delivering a Council opinion on the 2020 Convergence Programme of Romania {COM(2020) 523 final}.

The Commission agrees with the Senat’s assessment that the COVID-19 pandemic raises many challenges. It is putting national health systems under severe strain, disrupting global supply chains, causing volatility in financial markets, triggering consumer demand shocks and having negative effects across various sectors. It is threatening people’s jobs, their incomes and companies’ business. It has delivered a major economic shock that is already having serious repercussions in the European Union.

Therefore, the Commission has refocused the recommendations to adequately address the shifting socio-economic priorities. The latter now focus on the immediate fiscal, economic, employment and social crisis response as well as on the medium-term reform and investment priorities to put our European economies back on track towards sustainable and inclusive growth, integrating the green and digital transitions.

The European Semester is particularly relevant now, given the size of the shock and the unprecedented nature of the economic policy measures being adopted by Member States. Ensuring effective economic policy coordination in the EU is of utmost importance. The Semester allows Member States to discuss their policies, exchange best practices and agree on a common way forward.

The Commission believes that the recovery plan, endorsed by EU leaders on 21 July 2020, gives Europe the best possible chance to come out of this crisis together and stronger. The recovery plan gives Europe unprecedented financial firepower. It will foster convergence, resilience and transformation in the European Union. More than 50% of the overall long-term EU budget and NextGenerationEU – a total of some EUR 1.8 trillion – will support modern policies and set Europe on the path to a

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sustainable and resilient recovery, creating jobs and repairing the damage caused by the coronavirus, while building a more green and digital future.

As regards the Senat's observations on the 2020 country-specific recommendations for Romania, the Commission considers that there are no contradictions across policy areas. This year's Semester process reflects the need for Member States to focus both on the short-term needs as well as on the longer-term structural challenges. The implementation of these recommendations will support Romania's recovery as they emphasise, among others, the need to strengthen the resilience, capacity and accessibility of the health system, mitigate the socio-economic consequences through supportive measures for business and households, and support investment in key areas such as physical and digital infrastructure and energy.

At the same time, the country-specific recommendations – approved by the Council on 1 July 2020 – address pre-COVID-19 structural challenges and unsustainable trends, such as those related to fiscal sustainability, which were due to past expansionary fiscal policies based on tax cuts and wage increases and, more recently, mainly driven by pension increases. Acting on these recommendations would allow the Romanian government to have more space to drive the economy back to a sustainable growth path.

The escape clause of the Stability and Growth Pact was activated to allow for a coordinated and orderly temporary deviation from the normal requirements for all Member States in a situation of generalised crisis caused by a severe economic downturn for the euro area or the EU as a whole. The budgetary impact of the measures linked to the outbreak of COVID-19 will be fully taken into account when assessing effective action.

The Commission concurs that EU tax policies have to ensure that everyone from individuals to corporations pays their fair share and the Commission has been working tirelessly towards this for years. Fair and efficient taxation will be even more important in the months and years ahead, as the EU and the global community seek to recover from the fallout of the COVID-19 crisis. To ensure that solidarity and fairness is at the heart of the recovery, the Commission will step up the fight against tax fraud and other unfair practices. To this end, the Commission has adopted on 15 July 2020 the Communication "An action plan for fair and simple taxation supporting the recovery strategy"¹.

Moreover, a deep reform of the corporate tax system to fit our modern and increasingly digitalised economy is also needed to support growth and generate needed revenues in a fair way, by realigning taxing rights with value creation and setting a minimum level of effective taxation of business profits. The Commission is actively supporting the global discussions led by the OECD and the G20 and stands ready to act if no global agreement is reached. Before the end of the year, the Commission will set out the next steps, following up on the global discussions in an action plan for business taxation for the 21st century.

¹ COM(2020) 312 final

The Commission agrees with the Senat on the importance of investment. To this purpose, it has proposed the InvestEU programme, which replaces 13 existing financial instruments to create one integrated EU-wide investment programme. As part of InvestEU, the Commission has proposed the opening of the InvestEU budgetary guarantee to other implementing partners than the European Investment Bank. This will enable, among others, national promotional banks and institutions to diversify the scope of investments geographically and in terms of sectors.

While the Commission agrees that the functioning of the Single Market and the completion of the European Monetary Union and the Capital Markets Union cannot solve all issues faced by the European Union, the success of these flagship projects is a necessary condition for the prosperity of the continent and the well-being of European citizens. An integrated Single Market brings citizens ever closer thanks to the four freedoms. A strong European Monetary Union backed by efficient borderless capital markets will support the recovery, and ensure the EU's economic and financial sovereignty.

The Commission hopes that these clarifications address the issues raised by the Senat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*