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Weekly Fiscal and Political Report

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PARLIAMENT RESUMES ACTIVITY IN THE FIRST SESSION OF THE YEAR.

This week, the **Romanian Parliament kicked off its first ordinary session of the year**. Lawmakers **elected the leadership of both chambers** (vice-presidents, quaestors, and secretaries), while some parties also **updated their parliamentary group leaders**. Notably, only USR (both chambers) and SOS Romania (Chamber of Deputies) changed leaders; other groups only reconfirmed their previous structure. These leaders play a key role in **setting up the weekly agenda for committee meetings and plenary sessions**, directly influencing which legislative projects move forward.

However, the main focus of this session is the **legislative priority list**, largely aligned with the Government's agenda:

1. **Public administration reform**
2. **PSD's economic recovery bill**
3. **The 2026 state budget** (planned to be adopted by the end of February)

Public administration reform is closely linked to the economic recovery measures released by the Ministry of Finance on February 5. As highlighted in the **Fiscal & Economic Updates – Overview Chapter** of this report, these PSD-backed measures are a condition for supporting Prime Minister Ilie Bolojan's administrative reform. This means **the two projects will likely move together in Parliament**.

HOW THE GOVERNMENT PLANS TO PUSH PRIORITY LEGISLATION QUICKLY.

The Government is expected to **adopt both reforms through assumption of responsibility**, bypassing lengthy committee debates and minimizing the risk of major amendments from the MPs. There is also **speculation that emergency ordinances could be used instead**. In either scenario, these measures could be in effect by the end of the month.

The **2026 budget will follow, conditional on the adoption of both administrative and economic recovery measures**. While coalition parties struggled to agree on the first two projects, they appear to align on the budget.

HOW THE GOVERNMENT PLANS TO PUSH PRIORITY LEGISLATION QUICKLY.

During this first session, we expect the opposition parties (AUR, SOS, POT) to submit yet another bound-to-fail **vote of no confidence**, especially if the Government proceeds with responsibility assumption. Beyond this, the opposition is likely to continue its usual parliamentary tactics, including submitting multiple **simple motions**, proposing legislative initiatives that are often vague, overly ambitious, or difficult to implement in practice. These initiatives are expected to be systematically **rejected in plenary sessions**. While largely reactive, the opposition's activity can still create **public debate, slow down discussions on secondary issues, and influence media coverage**, which may indirectly affect business sentiment or perceptions of policy stability.

External Affairs

EU COMMISSION REFERS ROMANIA TO COURT FOR FAILING TO CLOSE NON-COMPLIANT LANDFILLS.

The **European Commission decided last week to refer Romania to the Court of Justice of the European Union (CJUE)** for **failing to fully close and rehabilitate non-compliant landfills**, as required under the Landfill Directive. While Romania has closed and rehabilitated 92 sites, 9 landfills remain operational without clear rehabilitation plans, prompting the Commission to escalate the matter after sending a formal notice in 2020 and a reasoned opinion in February 2024. The Landfill Directive sets strict environmental and public health standards, including reducing landfilling of recyclable or recoverable waste. Now, CJUE will examine the case, and **Romania could face fines or binding orders to complete rehabilitation of the remaining sites**, making it critical for authorities and businesses involved in waste management or environmental compliance to monitor developments closely.

Fiscal and Economic Updates

Overview

ECONOMIC RECOVERY PACKAGE, PUBLISHED BY THE GOVERNMENT.

As aforementioned, the Ministry of Finance has published for consultation **the draft bill on economic recovery**, which proposes a package of support measures for the business environment. The main directions pursued consist of **financing strategic investments through state aid** and through the Development and Investment Bank, as well as **extending tax incentives for companies** and introducing **relaxation measures for microenterprises** and the VAT area. The stated objective is to stimulate investment, innovation, and capitalization of companies through a more active involvement of the state in supporting high-impact economic projects.

For **companies**, the draft introduces support instruments for large investments, particularly in advanced technologies, digitalization, green transition, research, and high value-added industry. Grants, tax credits, state guarantees, interest rate subsidies, and financing through the Development and Investment Bank are envisaged, but probably the most important measure worth mentioning is the **reduction of the turnover tax from 1% to 0.5%**. In parallel, tax incentives related to corporate income tax and investments are introduced, such as a tax credit for research and development, the combination of reinvested profit with accelerated depreciation, deductions for stock exchange listings, and super-accelerated depreciation for certain technological assets. These measures can reduce the fiscal cost of investments and encourage the expansion and modernization of companies.

For **small businesses**, the draft provides greater flexibility in the microenterprise regime and improvements to the cash VAT system. Revenues from the sale of assets and land are no longer included in the €100,000 threshold, the deadline for hiring the first employee for start-ups is extended to 90 days, medical leave no longer affects microenterprise conditions, and returning to the regime remains possible if the criteria are met. The threshold for cash VAT increases to RON 5 million in 2026 and to RON 5.5 million starting in 2027, with a positive effect on cash flow. The draft is still under public consultation and may undergo changes, particularly as a result of the consultations that the Government will hold on February 6 within the Tripartite Council.

For more details regarding the bill, we recommend that you consult the full version or our summarized version.

PRIME MINISTER BOLOJAN: THE DEFICIT TARGET IS 6.2%, AND INFLATION 4% FOR 2026.

Romania still does not have a state budget for 2026, although it is already February, but Prime Minister Ilie Bolojan announced that his cabinet is working on the draft state budget for 2026 and estimates that it will be finalized next week and sent to Parliament around February 20. Regarding the budget deficit, the Prime Minister stated that the targets set by the European Commission are **6.2%**, and regarding **inflation**, the government aims to **reduce it to 4%**, in a context in which the inflation rate stood at **8.6% in 2025**. Also, in connection with price stability, given the negative effects observed following the abrupt liberalization of the electricity market, Bolojan announced that **natural gas prices will not increase until the spring of next year**. The Prime Minister stated that the Executive intends to **regulate natural gas prices until March 2027**, when Romania is expected to benefit from the exploitation of resources in the Black Sea.

LOCAL TAX CONTROVERSY: UDMR CALLS FOR REDUCTIONS IN CERTAIN AREAS.

UDMR leader Kelemen Hunor announced that he will ask Prime Minister Ilie Bolojan to reconsider recent increases in local taxes, proposing a **50% reduction in certain local taxes**, with specific categories to be determined by local mayors. He suggested that, until local budgets are approved in March, local authorities should be granted the flexibility to apply reductions of up to 50% on vehicle taxes, within the legally defined minimum and maximum thresholds. Hunor referenced similar government interventions already applied to residents of the Danube Delta and the Apuseni Mountains, arguing that a comparable approach is needed nationwide to address **growing public dissatisfaction**.

The announcement follows protests that have erupted, particularly in areas governed by UDMR, such as Sfântu Gheorghe, but similar tensions are also emerging in other parts of the country. This situation poses a growing challenge for the Bolojan cabinet, which appears to be facing **declining public support at both local and national levels**. Critics argue that recent economic measures have disproportionately affected the most vulnerable social groups, reviving concerns that current fiscal policies may exacerbate social inequalities, fuel public discontent, and contribute to further social polarization and radicalization among economically disadvantaged communities in the period ahead.

On the Recovery Plan

ROMANIA IS LOSING €231 MILLION FROM THE NRRP OVER MAGISTRATES' PENSION COURT DELAYS.

Prime Minister Ilie Bolojan stated that EU funds absorption is expected to reach a peak this year, provided that Romania complies with the agreed reform milestones. One of the critical milestones concerns the **reform of magistrates' pensions**, where Romania currently faces a suspension of approximately **€230 million**. Following discussions held last week with the European Commission, the Prime Minister noted that the Commission considers this milestone to be unfulfilled. He announced that the Constitutional Court would be formally informed of the financial consequences generated by the repeated postponement of its decisions, warning that the likelihood of permanently losing

these funds is very high in the absence of a ruling.

At the same time,, the Minister of Investments and European Projects (MIPE), Dragoş Pîslaru, confirmed that Romania can now “**consider these funds lost**” due to missing the **28 November 2025** deadline for adopting the revised legislation. He also confirmed that, during recent meetings in Brussels regarding payment requests three and four under the NRRP, the European Commission made it “very clear” that the milestone had not been met. The Constitutional Court has postponed its ruling four times, most recently setting a new date of **11 February 2026**, following earlier delays on **10, 28 and 29 December 2025**, and **16 January 2026**, after the objection raised by the High Court of Cassation and Justice, led by Lia Savonea.

MIPE REPORTS STRONG ACCELERATION IN EU FUND ABSORPTION OVER SIX MONTHS.

The Ministry of Investments and European Projects reports a **significant acceleration in the absorption of EU funds** over the past six months, both under the Cohesion Policy and the NRRP, marking a sharp improvement compared to the entire period from 2021 through the first half of 2025. Implementation bottlenecks have been cleared, allowing European funds to flow into the economy at a pace more than **five times faster** than the average recorded in previous years. Official data confirm an unprecedented increase in payments and reimbursements, reflecting a substantial improvement in administrative capacity and execution.

Under the **2021 - 2027 Cohesion Policy framework**, the absorption rate has effectively doubled in the last six months, with amounts requested from the European Commission. The monthly average of payments rose from €86.6 million between January 2021 and June 2025 to €456.2 million between June and December 2025, while reimbursements from the Commission increased nearly sevenfold. Progress has also accelerated under the NRRP, where financial execution grew from €6.8 billion at the end of June 2025 to €9.7 billion by year-end. Subsequently, MIPE has designated **2026 as the “Year of the NRRP”**, targeting €10 billion in annual absorption, alongside launching all remaining Cohesion Policy calls, attracting over €5 billion in cohesion funds, and preparing Romania’s positioning for the 2028 – 2034 programming period, with a view to accessing more than €60 billion in non-reimbursable EU funding.