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European Union

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL DECISION establishing that no effective action has been taken by Romania in response to the Council Recommendation of 21 January 2025

COUNCIL DECISION

**establishing that no effective action has been taken by Romania
in response to the Council Recommendation of 21 January 2025**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular
Article 126(8) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

- (1) Article 126(1) of the Treaty on the Functioning of the European Union (TFEU) provides that Member States are to avoid excessive government deficits.
- (2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong, sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Unions's objectives for sustainable growth and employment. The Stability and Growth Pact includes Council Regulation (EC) No 1467/97 of 7 July 1997¹ on speeding up and clarifying the implementation of the excessive deficit procedure, which was adopted in order to further the prompt correction of excessive general government deficits.
- (3) On 3 April 2020, the Council adopted Decision (EU) 2020/509² under Article 126(6) TFEU on the existence of an excessive deficit situation in Romania due to a planned non-compliance with the deficit criterion in 2019, and issued a Recommendation under Article 126(7) TFEU³ with a view to bringing an end to the situation of an excessive government deficit by 2022 at the latest.
- (4) On 18 June 2021, in light of the deep contraction in economic activity linked to the COVID-19 pandemic, the Council adopted a revised Recommendation⁴ under Article 126(7) TFEU, thereby recommending that Romania put an end to the excessive deficit situation by 2024 at the latest.

¹ Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

² Council Decision (EU) 2020/509 of 3 April 2020 on the existence of an excessive deficit in Romania (OJ L 110, 8.4.2020, p. 58)

³ Council Recommendation (EU) 2020/C 116/01 of 3 April 2020 with a view to bringing an end to the situation of an excessive government deficit in Romania (OJ C 116, 8.4.2020, p. 1–3).

⁴ Council Recommendation (EU) 2021/C 304/24 of 18 June 2021 with a view to bringing an end to the situation of an excessive government deficit in Romania (OJ C 304, 29.7.2021, p. 111–115).

- (5) On 26 July 2024, the Council adopted Decision (EU) 2024/2130⁵ under Article 126(8) TFEU, thereby deciding that Romania had not taken effective action in response to the Council Recommendation of 18 June 2021. The Council Decision of 26 July 2024 took into account that the next step in the excessive deficit procedure, namely a revised Council recommendation under Article 126(7) TFEU on the correction of the excessive deficit, would take place after the submission of the national medium-term fiscal-structural plan in accordance with Articles 11 and 36(1), point (a) of Regulation (EU) 2024/1263.
- (6) On 25 October 2024, Romania submitted its first national medium-term fiscal-structural plan, as required under Regulation (EU) 2024/1263. ~~5000~~The plan covers the period from 2025 until 2028 and presents a fiscal adjustment spread over seven years. On 21 January 2025 the Council adopted a recommendation endorsing the national medium-term fiscal-structural plan of Romania⁶.

⁵ Council Decision (EU) 2024/2130 of 26 July 2024 establishing that no effective action has been taken by Romania in response to the Council Recommendation of 18 June 2021 (OJ L, 2024/2130, 1.8.2024).

⁶ Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Romania, OJ C/2025/647, 10.2.2025.

- (7) On 21 January 2025, the Council adopted another revised Recommendation under Article 126(7) TFEU recommending that Romania put an end to the excessive deficit situation by 2030⁷. The Council recommended a corrective net expenditure⁸ path for Romania in accordance with Article 3(4) of Regulation (EC) 1467/97 with the following maximum growth rates of net expenditure: 5.1% in 2025, 4.9% in 2026, 4.7% in 2027, 4.3% in 2028, 4.2% in 2029, and 3.9% in 2030, which correspond to the maximum cumulative growth rates calculated by reference to 2023 of 20.2% in 2025, 26.0% in 2026, 31.9% in 2027, 37.6% in 2028, 43.3% in 2029, and 49.0% in 2030. The Council established a deadline of 30 April 2025 for Romania to take effective action and to present the necessary measures together with its 2025 annual progress report, to be submitted to the Commission in accordance with Article 21 of Regulation (EU) 2024/1263.
- (8) To date, Romania has not submitted its annual progress report on action taken in response to the Council recommendation of 21 January 2025 with a view to bringing an end to the situation of an excessive deficit and on the implementation of the set of reforms and investments underpinning the extension of the adjustment period.
- (9) An assessment of the action taken by Romania in response to the Council Recommendation of 21 January 2025 leads to a number of conclusions listed hereafter. This assessment is carried out on the basis of outturn data from Eurostat, the Commission Spring 2025 Forecast and other information available to the Commission.

⁷ All documents related to the excessive deficit procedure of Romania can be found at: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/romania_en.

⁸ Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

- (10) Based on the budgetary outcome data notified by Romania and validated by the Commission (Eurostat) and on the Commission's calculations, net expenditure grew by 19.9% in 2024. According to the Commission 2025 Spring forecast, net expenditure is projected to grow by 5.4% in 2025, thus above the recommended maximum of 5.1% as set out in the Council Recommendation of 21 January 2025. As a ratio to GDP, the deviation between the net expenditure growth rate forecast for 2025 and the recommended maximum amounts to 0.1% of GDP. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure for 2024 and 2025 is forecast by the Commission to be 26.4%, thus above the recommended maximum cumulative growth of 20.2% as set out in the Council Recommendation of 21 January 2025. As a ratio to GDP, the deviation between the cumulative net expenditure growth for 2024 and 2025 and the recommended maximum amounts to 1.7% of GDP. The deviation is largely driven by high growth in government current expenditure in 2024, which rose by 18.7% relative to 2023, most notably a 21.5% increase in the public sector wage bill and a 19.5% rise in social transfers (including pensions).
- (11) Due to the high growth rate of net expenditure in 2024, Romania's general government deficit increased to 9.3% of GDP, from 6.6% of GDP in 2023 and well above the planned 7.9% of GDP notified by Romania in autumn 2024. The Commission Spring 2025 forecast projects the general government deficit to decrease to 8.6% of GDP in 2025. The projected decline in the deficit in 2025 mainly reflects the implementation of a fiscal consolidation package at the end of 2024. This package included a nominal freeze in wages and pensions and some additional revenue-enhancing measures, including the removal of fiscal facilities granted to various sectors. However, the review of the tax framework, included in Romania's medium-term fiscal-structural plan and key to achieving the budgetary targets in 2025 and 2026, did not enter into force by 1 April 2025 at the latest, as recommended by the Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Romania. The public debt-to-GDP ratio increased from 48.9% at the end of 2023 to 54.8% of GDP at the end of 2024 and is projected by the Commission to increase to 59.4% by the end of 2025, driven by high government deficits.

- (12) Therefore, the response of Romania to the Council Recommendation of 21 January 2025 has been insufficient. Net expenditure grew much faster than recommended by the Council. This leads to a persistent high government deficit, putting at risk a timely correction of the excessive deficit by 2030. There are no mitigating 'relevant factors' to be considered in the excessive deficit procedure that would change this assessment, while the high medium-term fiscal sustainability risks that Romania faces are an aggravating factor.

HAS ADOPTED THIS DECISION:

Article 1

Romania has not taken effective action in response to the Council Recommendation of 21 January 2025.

Article 2

This Decision is addressed to Romania.

Done at Brussels,

For the Council

The President
