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ROMANIA – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE CORRECTION OF MACROECONOMIC IMBALANCES

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Executive summary

This is the first specific monitoring report under the macroeconomic imbalance procedure (MIP) for Romania, reflecting the strengthened and broadened monitoring covering all Member States identified with imbalances[1]. In February 2019 Romania was found to be experiencing imbalances related to the financial sector, competitiveness losses and a widening current account deficit. This report reviews recent developments and policy initiatives undertaken by the Romanian authorities relevant for the correction of the macroeconomic imbalances identified in the 2019 country report and targeted by the relevant 2019 country-specific recommendations for Romania. The cut-off date for this report is 29 November 2019.

Economic growth in Romania remains strong supported by an expansionary fiscal policy. Private consumption has remained relatively robust, supported by high wage increases. By contrast, net trade continues to contribute negatively to growth. After a drop in 2018, gross fixed capital formation is set to turn positive in 2019, supported mainly by construction. Overall, real GDP growth is projected to average 3.6% from 2019 until 2021. The labour market remains tight. The unemployment rate decreased from 4.9% in 2017 to 4.2% in 2018 and is set to stabilise just below 4% in 2019. Inflation is expected to marginally decline to 3.9% this year and stay close to 3.5% in both 2020 and 2021 with slowing wage growth and the decelerating economy reducing price pressures. The general government deficit is projected to increasingly exceed - 3% of GDP over 2019-2021, mainly as a result of significant increases to public wages (until 2019) and old-age pensions (2020 and beyond).

No policy steps have been taken to address the imbalances associated with the deteriorating external position and competitiveness losses. To the contrary, a highly expansionary fiscal policy has stimulated domestic demand and economic growth, further widening the current account deficit. In particular, increases of public wages in 2019 and significant pension increases adopted in summer 2019 (with the already enacted 15% pension indexation and a further 40% indexation in September 2020, to be followed by upward recalculation of pensions in 2021) have kept Romania's twin deficits of the government and external accounts on an upward path. According to the Commission's, autumn forecast, the general government deficit is set to reach - 3.6% of GDP at the end of 2019 and is forecast to deteriorate further to - 4.4% in 2020 and - 6.1% of GDP in 2021, under a no-policy-change assumption. The current account deficit is forecast at - 5.1% of GDP in 2019 and is expected to widen further to -5.3% in 2020 and -5.4% in 2021. In addition, private sector wages have also increased significantly above productivity which, given the very tight labour market and spillovers from the public sector, could lead to cost-competitiveness losses going forward, in the absence of equally significant productivity gains.

There has been some policy progress in the area of financial stability and second pension pillar's long-term viability, but legislative uncertainty persists. In the first half of 2019, the government reversed some of the most damaging provisions to the financial sector of the government emergency ordinance (GEO 114/2018) regarding the banking sector and the second pension pillar. The revisions of the banking sector taxation have recalibrated the tax on banks' assets, removed the link with the interbank interest rate and reduced the tax base. These changes kept credit institutions' return on equity above the EU-average, despite a

[1] COM(2016)95 final, 8.3.2016.

fall from 16.3% in September 2018 to 13.2% in September 2019. As regards the second pension pillar, the minimum capital requirements for pension funds were lowered from the very high level set by GEO 114/2018. The new requirements appear to be compatible with fund management companies' continuing operations on the Romanian market. Nevertheless, recurrent legislative initiatives by Parliament targeting the financial sector still contribute to the overall perception of a highly unpredictable business environment.

In November 2019, the new government presented its programme aiming to address some of the identified sources of macroeconomic imbalances. The programme aims to put Romania on an investment-driven growth path, increase competitiveness and reduce macroeconomic imbalances. It also proposes to consolidate the second pension pillar by eliminating the optionality introduced by GEO 114/2018 and resuming the increase of the contributions rate transferred to them. The government programme aims at reducing the general government deficit below - 3% of GDP in 2020. However, it does not explain how it will achieve this target. In particular, it does not take a position on the significant pension increases due to enter into force in 2020 and 2021 resulting from the pension law adopted in summer 2019. Moreover, the programme proposes a reduction in excise duties and higher public investment.

In conclusion, policy advances have been overall modest and uneven, leaving significant policy gaps unaddressed. Some policy action was taken on the financial sector side i.e. the reduction of tax on banks' assets and of minimum capital requirements for management companies of the second pension pillar funds. However, significant scope remains to address the increasing twin deficits and to prevent losses in the country's competitiveness. The new government indicated intentions in that direction, but details are missing at this stage.

Table 1: Key findings on the implementation of policy reforms[2]

On track	Wait-and-see	Action wanted
• Recalibration of the tax on banks' assets and its decoupling from the ROBOR interbank rate (GEO 19/2019) • Reduction of minimum capital requirements for the second pension pillar fund management companies (GEO 38/2019)		• Addressing fiscal slippages in accordance with the Council recommendation under the Significant Deviation Procedure • Increasing contributions to second pension pillar to 6% of gross wages as initially envisaged in the original reform[3] • Making the second pension pillar fully mandatory[4] • Assessing all measures targeting the second pension pillar adopted from 2017 onwards in light of the long term viability of the second pension pillar • Adopting an objective mechanism for minimum wage setting • Increasing quality and predictability of decision-making, including through stakeholder consultation and effective use of impact assessments

[2] The table classifies reforms under review on the basis of their respective adoption and implementation process and their credibility and level of detail. "On track" are measures for which the legislative or implementation process has been completed or is progressing well according to the foreseen timeline, and which are expected to be sufficiently effective. "Wait and see" are measures for which the legislative process is on-going, but is still in a relatively early phase, or measures for which there is still uncertainty on the complete implementation and effectiveness. "Action wanted" are measures for which limited or no action has been taken, or measures that have been announced but which are not sufficiently detailed yet to be assessed.

[3] Measure announced in the programme of the new government

[4] Measure announced in the programme of the new government

1. Introduction

On 21 November 2018, the European Commission presented, in the context of the macroeconomic imbalance procedure (MIP), its eighth Alert Mechanism Report[5] which identified Romania as one of the Member States requiring an in-depth investigation into the existence and extent of macroeconomic imbalances. The subsequent in-depth review in the country report – published on 27 February 2019[6] – examined the nature, origin and severity of macroeconomic imbalances and risks in Romania. In the accompanying Communication[7], the Commission concluded that Romania was experiencing macroeconomic imbalances. In particular, the Commission emphasised vulnerabilities linked to competitiveness losses and a widening current account deficit in the context of an expansionary fiscal policy and an unpredictable business environment. Moreover, the Commission also identified risks to the functioning of the financial sector and private investments stemming from legislative changes adopted at the end of 2018.

In May 2019, Romania submitted its Convergence Programme[8] and National Reform Programme (NRP)[9], outlining the fiscal strategy and policy measures to improve its economic performance and to unwind imbalances. On the basis of an assessment of these programmes, the Commission proposed five country-specific recommendations (CSRs)[10], which were subsequently adopted by the Council on 9 July 2019[11]. Most subparts of the CSRs addressed to Romania were considered MIP-relevant. Those concern: fiscal policy and fiscal governance, financial stability, the minimum wage setting mechanism, the predictability of public policy making and the business environment.

Romania has been under consecutive Significant Deviation Procedures since spring 2017. Since then, the Council has issued bi-annual Recommendations to which Romania did not respond with effective action. In its latest Recommendation, adopted on 14 June 2019[12], the Council asked Romania to take the necessary measures to ensure an annual structural adjustment of 1.0% of GDP in 2019 and 0.75% of GDP in 2020. On 20 November 2019 the Commission proposed to the Council a decision concluding that Romania had taken no effective action in response to its Recommendation. The Commission also proposed to the Council a new Recommendation, for Romania to take the necessary measures to ensure an annual structural adjustment of 1.0% of GDP in 2020.

The Commission conducted a specific monitoring mission within the framework of the MIP to Romania on 8-9 October 2019. The present report assesses recent key policy initiatives undertaken by the Romanian authorities[13].

[5] https://ec.europa.eu/info/publications/2019-european-semester-alert-mechanism-report_en

[6] https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-romania_en.pdf

[7] https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-communication-country-reports_en_0.pdf

[8] https://ec.europa.eu/info/sites/info/files/2019-european-semester-convergence-programme-romania_ro_0.pdf

[9] https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-romania_en.pdf

[10] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0523&from=EN

[11] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019H0905(23)&from=EN

[12] https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/preventive-arm/significant-deviation-procedure_en#romania

[13] Details on the policy measures taken can be found in the overview table in the Annex.

2. Outlook and recent developments on imbalances

Recent economic developments and outlook

Economic growth decelerated in 2018 but remained robust. After a 7.1% advance in 2017, the Romanian economy grew by 4% in 2018. Domestic demand remained the main driver of growth, as disposable income was supported by strong wage growth, while net exports continued to contribute negatively to growth. In the first three quarters of 2019, real GDP posted a solid 4 % year-on-year increase and is expected to reach 4.1% in 2019 as a whole, with gross fixed capital formation set to support growth, unlike in 2018. The labour market has remained tight, with unemployment reaching a new historical low at 3.9% in September 2019. Structural weaknesses such as labour and skills shortages and mismatches and limited labour mobility are expected to persist. Economic growth is set to moderate to 3.6% in 2020 and 3.3% in 2021.

Romania has been pursuing an expansionary fiscal policy based on indirect tax cuts and increases in public wages. The general government budget deficit has been gradually increasing in recent years, reaching - 3.0% of GDP in 2018, driven by indirect tax cuts and by significant increases in public wages. At the same time, public investment as a share of GDP fell to a post-EU accession low in 2017 and remained subdued in 2018. The share of rigid expenditure (i.e. expenditure on compensation of employees and on social benefits) in total government current expenditure has reached 70%. The Commission projects the general government deficit to increase to - 3.6% of GDP in 2019 on the back of further increases to public wages as well as high spending on goods and services. Adopted pension hikes, due to enter into force in September 2020 and beyond, will increase the budgetary deficit further to - 4.4% of GDP in 2020 and - 6.1% of GDP in 2021.

Developments as regards imbalances

In February 2019, the Commission concluded that Romania was experiencing strains related to financial stability and imbalances with respect to the external position and risks of competitiveness losses in a context of unpredictable public policy making. The following text provides an update of the situation and reviews the main variables related to the imbalances.

Financial sector and business environment

Policy and legislative unpredictability remain overarching concerns for the business environment in general and for the financial sector in particular. Public policy has continuously been unpredictable, with potential negative implications for the business environment. The adoption in December 2018 via emergency ordinance GEO 114/2018 of a set of far-reaching measures affecting the functioning of the banking sector, the second pension pillar, and energy and telecommunication companies, without stakeholder consultation or impact assessment generated significant unrest within several economic sectors. Subsequent amendments to limit some of the most detrimental consequences for certain industries were also adopted via emergency ordinances and without proper stakeholder consultation or impact assessment. In addition, recurrent parliamentary legislative initiatives putting at risk financial stability tend to re-emerge in different forms (see Section 3).

Following sustained efforts to strengthen financial sector resilience and clean up bank balance sheets in recent years, the financial sector faced significant headwinds at the end of 2018 and beginning of 2019. In December 2018, the government adopted GEO 114/2018 and introduced a tax on banks' assets. The tax was linked to the level of the interbank interest rate (ROBOR) and applicable to the entirety of a bank's assets. Moreover, GEO 114/2018 contained a set of measures affecting the second pension pillar's long term viability. These measures included: (i) making the second pillar optional after a minimum contributory period of five years and giving construction workers the possibility not to contribute; (ii) significantly increasing the minimum capital requirements for the second pillar funds management companies by roughly EUR 800 million at system level; and (iii) significantly reducing management fees from 2.5% of gross contributions to 0.5% (from which a supervisory tariff of 0.3% must be deducted). The bank tax on total assets, in the form introduced by GEO 114/2018, raised concerns regarding its adverse impact on the prudential situation of banks, the conduct of monetary policy, but also on investment and growth prospects. Moreover, also in December 2018 Parliament adopted three legislative initiatives with potential negative impact on the banking sector. These initiatives aimed to retroactively cap interest rates in mortgage and consumer loan contracts, eliminate the writ of execution from loan contracts and cap the recovery value from non-performing loans (NPLs) sold by banks. If enacted, they would have had negative implications for banks' profitability, the resolution and disposal of non-performing loans and payment discipline in the banking sector.

Since the adoption of the country specific recommendations, the pressures on the banking sector have subsided. Given the subsequent mitigation in 2019 of the most problematic provisions of the December 2018 legislation, their direct consequences in terms of bank profitability are difficult to identify. The prudential situation of the banking sector has remained solid in terms of capitalisation, liquidity and profit generation capacity. However, on the back of the sizeable exposure of banks to domestic government debt, the sovereign-bank nexus has remained strong, exposing the sector to potential headwinds in case of increases in sovereign spreads. Moreover, the predominance of loans with variable interest rates in the total loans granted to households also constitutes a pocket of vulnerability, in particular in case of interest rate increases.

Although the impact of past measures on the long-term sustainability of pension funds still constitutes a matter of concern, the uncertainties related to the second pillar pension funds have declined in recent months. The lower minimum capital requirements for second pillar pension funds compared to the requirements introduced in December 2018, applicable following the legislative change adopted in May 2019 (see Section 3), have reduced the pressure on pension funds and decreased markedly the likelihood of market exits. Already before the end of October 2019, 2 out of the 7 second pillar pension funds operating in Romania complied with the increased capital requirements, for which the deadline is end of December 2019. However, the large reduction of the administrative fees charged on gross contributions from 2.5% to 0.5% (out of which 0.3% has to be paid to the supervisor as supervisory fee) could be excessive for the current stage of development of the Romanian fund industry and reduce the attractiveness of the second pillar for existing and possible administrators of new pension funds.

External balance

Romania's net international investment position (NIIP) is still highly negative despite significant improvements since 2011. The NIIP reached -44.1% of GDP in 2018, with an improvement of 3.6 pps compared to 2017 and 22 pps compared to 2011. In 2019, NIIP continued to improve in the first quarter to -43.7% of GDP but subsequently worsened slightly to -45.1% in the second quarter. Foreign Direct Investments continues to account for the bulk of NIIP. Its current level is almost at prudential levels, but remains below the one based on the economy's fundamentals. Future improvements in the NIIP risk being hampered by the country's widening current account deficit and expected economic slowdown.

The current account deteriorated further on the back of expansionary fiscal policy fuelling domestic demand. In 2018, Romania's current account deficit of - 4.4% of GDP was among the highest in the EU and significantly more negative compared with those of regional peers. It continued to deteriorate in 2019. The main driver behind the widening deficit remains the trade balance in goods, reaching -5.7% of GDP in the first nine months of 2019, while the deficit of the primary income balance has slightly declined compared to the corresponding period in 2018. Foreign direct investments covered slightly more than half of the current account balance in September 2019. The Commission forecasts the current account balance to reach -5.1% of GDP in 2019 and increase up to -5.4% in 2021.

Competitiveness

Unit labour costs (ULCs) dynamics have remained strong, but are set to decelerate. Economy wide unit labour costs advanced by more than 12% in 2018. This was driven by a strong increase of compensation per employees (16.4%), while productivity developments remained more muted (3.5%). In the first half of 2019, unit labour costs growth slowed down, as compensation per employees returned to single digit growth rates for the first time since 2015 while productivity slightly increased. Wage increases in the public sector continued to outpace those in the private sector, due to the highly expansionary fiscal policy stance. Thus, wages in the public sector increased by 18.4% and 19.5% year-on-year in the first and second quarter of 2019 respectively, while wages in industry increased by 5.4% and 4.1%, respectively. Minimum wage increases have also played a role in the overall wage dynamics in Romania. The last increase came into effect on 1 January 2019 when the gross minimum wage was increased by 9.5% while a higher increase of almost 24% applied for university graduates. Minimum wage increases have been decided on an ad-hoc basis by the government without prior consultation of trade unions or employers' organisations and without applying any objective criteria.

Romania continued to post a good export performance in 2018. Romania's export market share increased by 2.9% in 2017 and by a further 4.7% in 2018. The country's strong export performance in recent years can be explained by declining prices of exported goods until 2017 and the more subdued growth of unit labour costs in sectors exposed to international competition (mainly industry) as well as good demand from main destination markets. However, the strong growth in unit labour costs since 2016 has put increasing pressure on the real effective exchange rate and risks undermining Romania's external competitiveness despite some nominal depreciation in recent years, in particular vis-à-vis the euro. Over 2015-2018 Romania had the highest appreciation of the unit labour cost-based real effective

exchange rate (REER) in the EU. The REER deflated by inflation and export prices also started appreciating in 2018 and end 2017, respectively. This evolution continued in the first three quarters of 2019, albeit at a less dynamic pace.

3. Policy implementation and assessment

This section describes policy measures taken to address risks to financial stability, competitiveness losses and the continued widening of the current account deficit in Romania, against the background of the MIP relevant 2019 country-specific recommendations (CSRs). The recommendations called for compliance with the Council recommendation on the correction of the significant deviation from the adjustment path toward the medium-term budgetary objective, safeguarding financial stability, adopting an objective mechanism for minimum wage setting and improving the quality and predictability of decision-making.

3.1 Financial sector

Some provisions of the December 2018 legislation on the second pension pillar and the taxation of banks, which were behind some of the imbalances identified in the financial sector, have been reversed. The provisions regarding the tax on banks' assets were amended in March 2019 (GEO 19/2019) by breaking the link with ROBOR, setting a flat tax of 0.4% of assets for larger banks (with a market share above or equal to 1%) and 0.2% of assets for smaller banks (with a market share below 1%) and reducing the tax base to around 40% of total assets. Whereas the current level of the bank tax is less burdening, the incentives introduced by GEO 19/2019 to reduce the tax burden may weaken lending standards and distort the allocation of credit in the economy. As regards the privately managed pension funds, GEO 19/2019 made only one amendment to the new provisions introduced by GEO 114/2018 and postponed the payment of the additional minimum required capital to the end of 2019. In May 2019, via GEO 38/2019, the government significantly decreased the minimum capital requirements for pension-fund management companies, partly offsetting the increase decided in December 2018. The changes adopted in May 2019 notwithstanding, concerns related to the combined impact of the measures adopted since 2017 on the long-term viability of second pillar pension funds continue to exist. Another set of legislative initiatives with negative impact on the financial sector, that Parliament had adopted in December 2018 were subsequently declared unconstitutional by the Constitutional Court in early 2019, but were later reintroduced in the parliamentary debate and require close oversight. In response to these developments, the Commission in June 2019 and the Council in July, called upon the Romanian authorities to "safeguard financial stability and the robustness of the banking sector" and "ensure […] the long-term viability of the second-pillar pension funds".

The second pillar pensions would benefit from an assessment of the impact of recent measures over its long-term viability. GEO 114 adopted in December 2018 made contributions to the second pension pillar optional after a compulsory contributory period of at least 5 years. This provision came into effect on 1 January 2020 and has not been reversed by subsequent amendments to GEO 114. An assessment of all measures targeting the second pension pillar adopted since 2017 could identify any potential fine-tuning needs and provide more clarity on the second pillar's long term viability. Moreover, making the second pension pillar fully mandatory again would increase the predictability concerning its participants and the stability of the second pension pillar funds.

3.2 External balance

With the deterioration of the current account being driven by a fiscal-led consumption boom, any measures further stimulating private consumption would contribute to the continued deterioration of the current account balance.

The authorities have stimulated economic growth in recent years by boosting private consumption. Successive increases of the minimum wage and public wages as well as cuts to the VAT rates and the personal income tax have supported economic growth. However, these demand-side policies have mainly stimulated consumption and translated into significant increases in imports. Supply-sided policies aimed at increasing the productive potential of the economy have remained very limited. The new pension law adopted in the summer of 2019, if fully enacted, while increasing pension adequacy, would imply a significant budgetary cost further stimulating consumption, while limiting resources for financing public investments. In particular, the pension point (the main parameter used for pension indexation) was increased by 15% in September 2019 and is set to grow by an additional 40% in September 2020. The law also envisages an upward recalculation of existing pensions in September 2021. This represents a very steep and time-compressed increase in pensions and would cause important fiscal slippages.

Romania's fiscal policy continues to be highly expansionary and the fiscal framework is often ignored. Despite repeated Significant Deviation Procedures (SDP) Romania has persisted with an expansionary fiscal policy since 2016[14]. The government has ignored the repeated recommendations by the Council to create a safety buffer and to reduce the structural deficit in line with the preventive arm of the Stability and Growth Pact. Based on the Commission autumn 2019 forecast, the general government deficit is projected to increase from -3.0% in 2018 to -3.6% of GDP in 2019, -4.4% in 2020 and -6.1% in 2021, mostly driven by increased spending on old-age pensions. The Fiscal Responsibility Law sets national numerical fiscal rules, which should guide the budgetary process. It contains a structural deficit rule, which requires compliance with or convergence to the medium-term budgetary objective of a structural deficit not exceeding -1% of GDP. The national framework also contains several auxiliary rules concerning expenditure and revenue items. However, these rules have been regularly ignored in recent years. The budgetary process is not effectively guided by the medium-term fiscal plans as these are not updated by their statutory deadlines. The new government has announced its intention to address the high fiscal deficit, rebalance growth by stimulating investments, improve the economy's competitiveness and reduce macroeconomic imbalances. However, concrete policy measures have not been put forward yet.

3.3 Competitiveness

The minimum wage increased again in an ad-hoc manner and without applying objective criteria. Despite some work since January 2016 to set up a mechanism to change minimum wages, they have continued to be set on an ad-hoc manner and without prior consultation of stakeholders. The last change dates from 1 January 2019 and increased the

[14] With the exception of 2018, when the structural deficit slightly declined.

minimum wage from RON 1,900 (EUR 404) to RON 2,080 (EUR 442). For university graduates it increased to RON 2,350 (EUR 500) while a new minimum wage for workers in the construction sector was introduced in 2019 at the level of RON 3,000 (EUR 638). The minimum wage currently amounts to 46% of the average wage in Romania. A high share of people having a full-time contract (around 20%) receive the minimum wage, resulting in a highly compressed wage distribution. In October 2019, the previous caretaker government had announced its intention to increase the minimum wage by RON 180 (EUR 38), i.e. by 8.65%, for employees with medium and low qualifications and by RON 270 (EUR 57), by 11.5%, for employees with a university degree starting in January 2020 but stopped short of implementing this measure. In November 2019, the new government announced that the minimum wage would be increased as of January 2020 but that the increase would be based on objective economic indicators and following consultations with the private sector and the social partners.

Non-cost factors still weigh on the country's competitiveness. The country's infrastructure continues to be very poor. The previous government announced plans to build several motorways, but construction works have not started on any of the announced projects so far. The new government intends to finalise procedures and start construction works for a number of motorways (Sibiu-Pitesti, Bucharest ring road, Tg. Mures-Iasi-Ungheni and Comarnic-Brasov). However, no detailed policy actions have been made public so far. Political and legislative uncertainty affected the business environment in 2019 and could continue in 2020. Overall, the risks to Romania's cost-competitiveness could be aggravated by the fact that the countervailing effect of non-cost factors appears to be limited.

Annex 1: Overview table of MIP-relevant reforms

MIP objective: Reduce the structural budget deficit			
Public finances			
Fiscal policy and fiscal governance			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
15 October 2019: The Romanian authorities submitted a report on action taken in response to the Council Recommendation of 14 June 2019. However, the report does not contain any measures sufficiently detailed and adopted, or at least credibly announced, that would address the Council's Recommendation.	No measures adopted	No measures implemented	2019 CSR 1: "Ensure compliance with the Council Recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path towards the medium-term budgetary objective."
MIP objective: Safeguard financial stability			
Financial sector			
Financial services			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
November 2019: In its governing programme, the new Romanian government announced its intention to cancel the optionality of second pillar pensions introduced	No measures adopted	**29 March 2019**: The government revised the tax on banks' assets by decoupling it from the interbank interest rate, reducing the tax base, envisaging different rates for small	2019 CSR 2: "Safeguard financial stability and the robustness of the banking sector. Ensure […] the long-term viability of the second-pillar pension funds."

by GEO 114/2018 and to resume the increase of contributions to the second pillar, in line with the original calendar.		and large banks, and clearly excluding loss making institutions from its application. **30 May 2019**: The government reduced the capital requirements for second pension pillar management companies.	
MIP objective: Adopt a minimum wage setting mechanism based on objective criteria			
Labour market policies			
Wages and wage setting			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
November 2019: The new government announced that the minimum wage would be increased in 2020 but based on objective economic indicators and following stakeholders' consultations	No measures adopted	No measures implemented	2019 CSR 3: "Ensure that the minimum wage is set on the basis of objective criteria, consistent with job creation and competitiveness."
MIP objective: Improve competitiveness and the business environment			

Business environment			
Business environment			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
No measures announced	No measures adopted	No measures implemented	2019 CSR 5: "Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures."