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List of Abbreviations

APAPR	Asociatia Pentru Administratea Pensiilor Private din Romania (Association for the Administration of Private Pensions in Romania)
CEE	Central and Eastern Europe
CNAS	Casa Nationala de Asigurari de Sanatate (National House for Health Insurance)
CNP	Casa Nationala de Pensii si Alte Drepturi Sociale (National Pension House)
CSSPP	Comisia de Supraveghere a Sistemului de Pensii Private (Commission for Supervision of the System of Private Pensions)
DC	Defined Contributions
EC	European Commission
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
MLFSP	Ministry of Labour, Family and Social Protection
NAHP	National Authority for Handicapped Persons
NHIF	National Health Insurance Fund
PAYG	Pay-As-You-Go
RF	Reserve Fund
RG	Romanian Government
RON	Romanian New Leu
UC	Units of Contribution
UCM	Mutual Unit of Contribution
UNICEF	United Nations of International Children’s Emergency Fund
USAID	United States Agency for International Development
WB	World Bank

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1 Executive Summary

The whole year 2009 and the beginning of 2010 have brought significant turbulences caused by the global economic crisis and by internal political instability prior to presidential elections that took place in December 2009. The economy suffered seriously from recession, with the GDP falling by 7.1% in 2009 and the unemployment reaching the highest rate since the beginning of transition.

The main reform initiative in the pension system is the drafting of a new pension law, currently before Parliament for adoption, aimed at reducing the burden of pensions on the state budget. The law stipulates the standardisation of the retirement age (65 years) for men and women by 2030; the equalisation of contribution conditions for various categories and regimes, the re-calculation of special pensions for certain public sector workers, the reduction of incentives for early retirement, and the improvement of the disability assessment process. There is high uncertainty regarding the final form of the law that will be adopted by the Parliament, as the opposition parties manifested their disaccord with the draft. On the other hand, the pressures from pensioners' associations and trade unions have forced the Government to start making certain concessions.

In the second (private, mandatory) pillar, a consolidation process of the pension funds took place; several mergers between smaller funds reduced the number of players on the market to only nine. A draft law is currently under debate for creating a general Reserve Fund. The resources will be drawn from a 1% contribution of the minimum capital of funds, and a monthly contribution of funds. The second pillar has been seriously affected by the government decision to freeze the contributions at 2% for a period of 22 months. Consequently, the funds' accumulated assets are still modest; this is also the result of a significant share of empty accounts in the system, for which no contribution were paid or payment was made sporadically. The contributions to the third (voluntary) pillar have dwindled, while the number of contributors has increased only marginally, as the recession forced many employers to stop contributing to the scheme for their workers.

Two major reforms have been initiated in the health care sector in 2009. The first one concerns the decentralisation of 373 hospitals; the administration will be entrusted to local authorities, which is expected to improve the management of hospitals. In parallel, a mechanism of hospital accreditation is currently in place in order to assess the quality standards of medical services delivered by the hospitals. The second reform measure refers to the introduction of a co-payment mechanism in the system, which is supposed to partially alleviate the problem of insufficient financial resources.

In the long-term care sector, the Government in January 2010 adopted new cost standards for social services granted to elderly and to people with disabilities. These new standards allow for a reduction of the 2010 resources allocated for disabled persons by 8%, and by 3% in case of elderly, respectively. In addition, from January 2010 disability pensions are subject to personal income tax if the monthly amount of pension income is higher than RON 1,000. All other additional revenues, irrespective of the pension level, will be taxed equally with 16%.

The Government reacted to the economic crisis with a package of measures budgeted at EUR 13 billion, EUR 6 billion of which were spent in 2009 mostly for infrastructure projects. In parallel, public expenditure has been reduced by downsizing public employment, reducing the wages in the state sector, hardening the criteria for the allocation of social transfers, and cutting the budget allocations to line ministries. In May 2010, additional measures to reduce public expenditures were implemented, consisting in principal in reducing the wages in the state sector by 25%, and the pensions and unemployment benefits by 15% respectively.

2 Current Status, Reforms, and the Political and Scientific Discourse during the Previous Year

The year 2009 and the first months of 2010 have brought major turbulences caused by the world economic crisis and by political instability prior to presidential elections of December 2009. Since the nomination of the new Government in the last month of 2009, the political scene has continuously been affected by open conflicts between the ruling party and the opposition, with the main issue of dispute being the constitutional changes proposed by the President. Although the referendum held along with the presidential elections showed a preference of the population for a unicameral parliament, the opposition continues to block its implementation, and the rounds of discussions between the President – the initiator of the referendum – and the opposition has not achieved any definitive consensus. In April 2010, the Government drafted a law aiming to revise the constitution in order to allow for the introduction of a unicameral parliament, but the opposition has already manifested its intention to block this initiative in Parliament.

Meanwhile, the economy suffered seriously from recession, with the GDP falling by 7.1% in 2009 and the unemployment reaching the highest transitional rates (8.3% in February 2010), as economic conditions destroyed 439,000 jobs in 2009 – the equivalent of about 10% of official employment. In spite of some signs of economic recovery, unemployment remains on its increasing path: during the first three months of 2010, Romanian firms saw the destruction of 13,163 jobs – the second highest number of job losses in the EU area.[1] The rate of unemployment is expected to reach a maximum of 10% this year, according to IMF projections. The perspectives for 2010 are still pessimistic, as the economic recovery is not expected before 2011. The uncertainty is high with respect to the ability of the Government to improve the public finances and redress economic activity.

In parallel, corruption continues to flourish at all levels, with the sector of justice being classified on top of the areas most affected by corruption (Roman, 2010). As the 2010 EC report emphasises, Romania recorded very limited progress in 2009 in reforming the juridical system, while the fight against corruption presents unjustifiable delays (CE, 2010). The health care sector is equally affected by the phenomenon, with a generalised bribery system that raises considerably the cost of medical services for the population and thus limits access to health care for low income groups.

On top of that, reforms of the public administration are still progressing very slowly. The sector is largely overstaffed and excessively fragmented in a large number of institutions, reducing the overall efficiency and inducing significant administrative costs. Consequently, bureaucracy remains a major inconvenience of the system, with direct repercussions on firms and the population. The 2010 World Bank Doing Business report shows that Romanians spend 72 hours to pay 113 different taxes, which is twice as much time as compared to Serbia, and 56 times more than in Sweden. This is because most of the taxes are paid in cash to fiscal administration offices, which necessitates long queuing times for fulfilling the formalities.

In this context, Romania confronts the lowest standard of living among EU Member States (Romania Libera, 2010). A survey conducted recently in the country reveals that two out of three persons live near the poverty threshold (CURS, 2010). Moreover, according to UNICEF findings, about 350,000 children are presently living in poverty (NewsIn, 2010).

[1] Data from the Romanian Institute of Statistics.

2.1 Pensions

2.1.1 Overview of the system's characteristics and reforms

The Romanian pension system provides benefits for old-age retirement, disability and survivors. A social pension is granted if the amount of the benefit is below a minimum guaranteed income. Parallel regimes of retirement exist in the Romanian system (referred to as "special regimes"), which concern lawyers, judges, military and police personnel, the clergy, parliamentarians and high officials, and some other professional categories. The rules of contribution and entitlement to benefits are different in case of those special regimes, which provide to their beneficiaries much more generous pensions (referred to as "special pensions") than is the case with other retirees.

The system's characteristics

The old-age pension system is based on a PAYG type of social insurance (first, public pillar), and privately administered individual accounts, both compulsory (second pillar) and voluntary (third pillar). The second pillar, introduced in September 2007 as a DC system, is compulsory for all persons below the age of 35 at 1st January 2008 and optional for the age group 36-45. The third pillar was introduced in May 2007, also as a DC type, and is alimented by voluntary contributions; by law, the amount of these contributions is limited to the equivalent of 15% of the gross wage.

Both mandatory pillars are earnings-related schemes. Benefits under the first pillar are calculated from the individual's accumulated points, which are determined by his/her wages relative to the average wage. Second pillar benefits are a function of the individual's contributions and investment earnings; the procedures governing the payout of benefits are yet to be established.

Currently (April to July 2010), the retirement age is 58 years and 10 months for women, and 63 years and 10 months for men, respectively; the minimum contribution period is 12 years and 8 months for both genders; the full contribution period is 27 years and 8 months for women, and 32 years and 8 months for men, respectively.

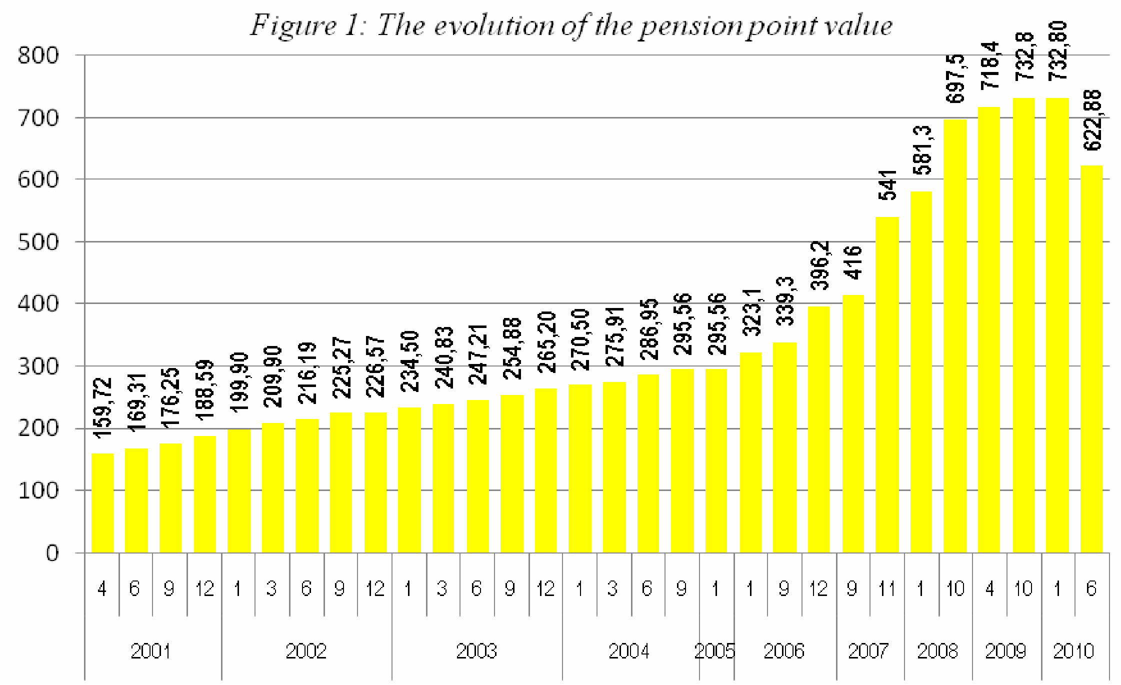
The standard retirement age to be reached by the end of 2014/beginning of 2015 will be 60 years for women and 65 years for men. The same time horizon is planned for increasing the minimum contribution period to 15 years, both for men and women, and, respectively, for adjusting the standard period of contribution required for entitlement to a full pension to 30 years for women and 35 years for men. The new pension law, currently discussed in Parliament, envisages equalising at 65 years the retirement age of both genders by 2030.

According to CNP figures,[2] by February 2010, 5.53 million retired persons were recorded in the country, receiving an average pension of RON 676 (EURO 170). Out of them, 4.76 million persons received social insurance pensions, which averaged RON 735 (EURO 188), while 762,100 retired farmers were entitled to RON 308 in average (EURO 76). Only 2.15 million pensioners had a full contribution period, receiving an average monthly benefit of RON 937 (EURO 268).

The amount of benefits, which depends on the contribution period and previous earnings, is calculated on a points-based system. The point value cannot be set below a limit of 37.5% of the average gross salary, which in 2009 amounted to RON 718.4 before October, and RON 732.8 after that month, respectively. Initially, for the whole year 2010, the pension point was

[2] http://www.cnpas.org/.

initially frozen at RON 732.8, but in May 2010 the Government decided to reduce it to RON 622.88. Figure 1 shows the evolution of the pension point value since the introduction of this system of calculation.



Source: Ministry of Labour, Family, and Social Protection (http://www.mmuncii.ro/pub/imagemanager/images/file/Statistica/Statistici%20lunare/Ev_punct_pensie.pdf)

Legislation allows for early retirement, up to 5 years before the standard age, if the insured person has contributed at least 10 years on top of the full contribution period. For less than 10 years of contributions on top of the full contribution period, the insured can benefit from early retirement as well, but the amount of the pension is diminished according to the following mechanism of calculation:

Number of years of contribution on top of the legal contribution period	**Rate of pension reduction (%) for each month of early retirement**
< 1 year	0.50
1 – 2 years	0.45
2 – 3 years	0.40
3 – 4 years	0.35
4 – 5 years	0.30
5 – 6 years	0.25
6 – 7 years	0.20
7 – 8 years	0.15
8 – 9 years	0.10
9 – 10 years	0.05

Source: Ministry of Labour, Family and Social Protection (http://www.mmuncii.ro/ro/statistici-55-view.html)

When a person reaches the standard retirement age, s/he is entitled to receive the full amount of old-age benefits.

The legislation stipulates that a survivor pension can be granted if the insured was retired or fulfilled the retirement conditions when the decease took place. The benefit is given either to the insured's descendants or to their spouse; in the second case, the pension is granted when the survivor reaches the standard age of retirement if the marriage lasted for a minimum of 15 years.

The disability pension is granted unconditionally when the person lost their working capacity as a result of a work accident or occupational disease. If the insured lost their ability to work because of diseases or accidents unrelated to the occupation, a minimum contribution period is required, which depends on the insured's age:

Age of insured person when disability occurs (years)	Minimum required period of contribution (years)
< 25	5
25-31	8
31-37	11
37-43	14
43-49	18
49-55	22
> 55	25

Source: Ministry of Labour, Social Protection and Family (http://www.mmuncii.ro/ro/statistici-55-view.html)

Romania does not have a non-contributory social protection scheme specifically for the elderly, but the elderly are eligible for the minimum income guarantee programme which provides financial support to households whose income falls below a minimum threshold. The threshold is a function of household size and income; the amount of the benefit is adjusted to make up the difference between the minimum income threshold and actual household income. In line with these provisions, the Government introduced in the beginning of 2009 the minimum guaranteed social pension, entirely financed from the state budget. The benefit is granted to all social insurance pensioners residing in Romania whose disposable income is lower than the social pension, established at RON 300 in April 2009 and increased to RON 350 in October the same year. Starting with 2010, the social pension will be set on a yearly basis by the Law on Public Finances. The 2010 budget keeps the amount set in October 2009, but the pension will be fully indexed by the inflation rate.

Main reforms

Several directions of reforms have been recently on the Government agenda, the most important one being related to the *public pension system*. A new pension law was drafted in January 2010, currently before the Parliament for discussion and adoption, which will be implemented as from January 2011. The main changes stipulated by the document refer to the equalisation of the retirement age for men and women, the equalisation of contribution requirements for various categories and regimes, the change in the calculation formula of "special pensions", the reduction of incentives for early retirement, and the improvement of the disability assessment process.

According to the law, by 2030 both men and women will retire at 65 years. Over the next 20 years, the pensions will be indexed with the inflation and the average salary in the economy, which implies a new formula for calculating the pension point value. Starting with 2011, the pension point will be indexed 100% by the inflation rate, and by 50% of the increase in average wage, respectively. This mechanism will be implemented for a period of ten years; after that, the value of the pension point will still be fully indexed by the inflation, but each year the indexation with the average wage will by diminished by five percentage points (45%

in the first year, 40% in the second, etc.). Thus, by 2030, pensions will be indexed only by the rate of inflation.

The existing special regimes of retirement[3] will be integrated in the public system, with the retirement age being gradually raised to 60 years by 2030. At the same time, the mechanism of pensions calculation for those categories will be changed, so that exceptionally high pensions will be reduced to "reasonable" ratios of the average pension. According to the draft law, all pensions above RON 3,000 will be recalculated,[4] so that they will not exceed a certain ceiling to be set by the legislator.[5] This measure is supposed to bring up to EUR 800 million of savings to the social insurance budget (Legorano, 2010).

Other specific regimes are also affected by the new law which stipulates that practically all self-employed categories will be liable to 10.5% social contributions. In fact, the rule applies to any self-employed person who earns an income equivalent to a minimum of four times the gross average wage. Like in the case of special regimes, certain exemptions will be retained – mostly concerning lawyers and the clergy, who will continue to have their own regime of contributions or to contribute on a voluntary basis. The 10.5% contribution rate will also be applied to those insured through special regimes (defence, police, secret services), replacing the current rate of 5% (Mediafax, 2010).

In case of disability pensions, the new law stipulates that medical certification of invalidity will be entrusted to a commission of experts in the field; this has not been the case so far. Moreover, it is envisaged that a large share of currently retired for invalidity reasons will be asked to pass new medical tests in specialised laboratories.

The law will introduce more restrictive conditions for early retirement, as, in 2009 alone, there were 115,000 persons who retired before the standard age,[6] with their number tripling between 2001 and 2009 (SS, 2010). Under the new legal provisions, early retirement will be penalised by a 45% reduction of the benefits. Next to that, early retirement cannot be cumulated with a salaried activity, as is the case at the moment.

Apart from the new pension law, the Government has envisaged other reform measures in the field. The Ministry of Labour plans to open a public debate on the introduction of a fourth pillar in the system (Pillar 0) which in the future is to deliver the social pension introduced in 2009. The benefit will be extended to all persons at retirement age who have not contributed to a scheme, or their contribution was insufficient for entitlement to a pension. The Government intends to finance the social pension exclusively from the state budget, but in some opinions the resources should be collected from a tax of 1% on the consignment fees charged by commercial banks for their operations.

The social pension is currently granted to about 1 million persons in the country, but in the coming years it is expected that the number of beneficiaries will increase significantly. As a consequence, the Government discusses the possibility of creating a Social Fund for low-income retired persons. The fund will be used to provide the necessary additional resources for the indexation for social pensions, which otherwise would be taken from the state budget.

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3 Currently, the public pension system in Romania is regulated by 80 different legislative acts.

4 The mechanism of recalculating the "special pensions" consists of transforming in pension points the gross revenues to which the social contributions were paid during the whole active life of the retired (not only during the last month, as it has been the case until now). The pension point for each month of activity is determined as a ratio between the person's gross wage and the average gross salary of the corresponding month. It results the annual number of points, which are summed up for the whole duration of activity. The new pension level will be re-calculated for the 2010 value of the pension point (RON 732.8).

5 At present, the lowest pension in the country amounts to RON 35, while the highest reaches RON 37,000, which brings the ratio between the highest and the lowest benefit to more than 1057.

6 At present, the average effective retirement age is 54.7 years in Romania.

Farmers represent by far the largest occupational category benefiting from a social pension. A separate law on contribution rules for farmers was adopted in 2008, and was supposed to be implemented this year. However, the Government decided to postpone its application until 2011, together with the law on pensions that is currently in Parliament; the postponement is actually due to delays in the setting up of the corresponding department with the National Pension House. The law on farmers' pensions proposes an interesting mechanism of compulsory contributions that offers sufficient flexibility in terms of the amount the insured wants to contribute. The mechanism is based on paired contributions: a part paid by the insured person, who can choose between five different levels of contributions (Units of Contributions – UC)[7], and a part paired by the state budget (Mutual Unit of Contribution – UCM)[8], which is added on top of the contribution chosen by the participant: if the insured opted, for example, for UC3 (RON 30), the state will add a UCM3 contribution of RON 90.

In the *funded (private) pension system*, 2009 brought a consolidation process of the pension funds operating in Romania; several mergers took place in the second pillar between smaller funds, so that in February 2010 only ten players remained active on the market. By the end of the year, it is expected that the number of funds will stabilise at nine. At the same time, the two largest funds will not be assigned any more new clients over the next two years, in order to cut the pensions monopoly on the market. The CSSPP has ruled that those pension funds that have already more than 20% market share by the number of participants will not gain new members, starting January 2010 and for a period of 24 months, to avoid too much concentration in the market. Two funds are concerned by this measure: ING and Allianz-Tiriac, which had reached at the end of March 2010 a market share of 32.71%, and 25.3% of the total number of contributors, respectively.

Increased equity allocation represents another priority of private pensions regulators. By mid-2009, equity levels among second pillar pension funds increased to between 5% and 6%, from 1.2% in February of the same year, but remain low compared to May 2008 – the starting date of the mandatory private pillar, when it stood at 10% (Ottawa, 2009a).

According to the CSSPP, in 2010 the pension funds will have to pay into a general Reserve Fund (RF) and they are likely to introduce a life-cycle model. In this sense, a draft law was submitted for public debate in March 2010, and by the end of April the Government expected to finalise the operating norms for the Reserve Fund. The document stipulates that the RF resources will come from a 1% contribution of the minimum capital of the funds (but no less than EUR 50,000), and a monthly contribution, respectively, to be set in the coming months by the CSSPP. The Reserve Fund will be used to help finance pensions in case where pension fund companies come under strain because of increasing life expectancy.

The life-cycle model is aimed to diversify the risk: the pension funds will have to offer more than one portfolio with different risk levels, according to the fund members' age.

In March 2010, the CSSPP launched the public debate for a draft document containing the compulsory norms for calculating the return rates of each pension fund, including the minimum rate of return.

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[7] The participant must choose one of the following monthly Contributory Units: UC 1 = RON 10; UC 2 = RON 20; UC 3 = RON 30; UC 4 = RON 40; UC 5 = RON 50.

[8] There are five Mutual Contribution Units, each one corresponding to a Contributory Unit: UCM 1 = RON 30; UCM 2 = RON 60; UCM 3 = RON 90; UCM 4 = RON 120; UCM 5 = RON 150.

2.1.2 Overview of debates/political discourse

The whole year of 2009 was particularly rich in reform initiatives which generated extensive debates at political level and among specialists. The nature of the political discourse used by politicians to pass the reform message to the population was different from the usual way of announcing policy changes: given the difficult economic situation induced by the crisis, most of the austerity measures have not been announced directly. In general, “rumours” about changes had been initially revealed by mass media[9] to test the reaction of the population to such initiatives. When the reaction proved to be too strong, the Government denied them. In some cases, announcements made by the Minister of Labour or the Minister of Finance were afterwards contradicted by the Prime Minister, which generated confusion among social partners. This “rumours” strategy is also explicable by the fact that the Government was already dismissed by the Parliament in October 2009, when it tried to directly implement similar reforms. In order to avoid the same outcome, the authorities preferred a more prudent strategy, consisting of taking the pulse of public opinion through “rumours” before effectively undertaking the reforming steps.

Obviously, the hottest topic of discussion has been related to the changes brought by the new pension law. The political opposition, trade unions, representatives of pensioners’ associations, specialists, and mass media have been actively involved in public debates and negotiations on the draft. Despite all these debates, it is still unclear if the law provisions will be entirely adopted by the Parliament, and if all of them will be effectively implemented in practice. This uncertainty is also caused by the lack of programmatic publications by the Government, or impact assessment of the changes brought by the new legislation. The expected effects in terms of fiscal sustainability, the number of beneficiaries, and the level of benefits were simply announced through mass media but no information exists regarding the methodology used for quantifying these effects.

Unfortunately, the specialists in the field from the research sector and academia have not filled this gap. No serious research papers or analyses exist, and the specialists’ opinions are usually limited to simple statements about the positive or negative aspect of the reforms. In some of these opinions, the proposed changes are unrealistic; it is the case with the Director of the National Institute for Economic Research, Constantin Ciutacu, who believes that the new pension law will further fuel the emigration phenomenon. The same opinion is predominant among the opposition parties; the former Minister of Labour, Mariana Campeanu, for instance, considers that the proposed draft does not differ in essence from the 2000 law, which had failed to solve the inherent problems of the system (Chisu, 2010). Most of the trade union representatives took the same position and rejected the law provisions.

With respect to special regimes, many specialists consider that they will be only marginally reformed because the current beneficiaries may contest the measures before the Constitutional Court.[10] It seems that the discussions on the draft law in the parliamentary commissions are already in favour of keeping the status quo for most of the “special” categories (Vijulie, 2010). On the other hand, the Government has already started to make concessions in this respect: the Prime Minister announced in April 2010 that there are discussions for introducing, after the adoption of the law, “pensions of excellence” for certain categories of

[9] Some examples of such rumours: limiting the provision of child allowances to certain categories of population, introduction of restrictions in providing social assistance, a quota of employees to be fired from state administration, the cut of wages for central administration, revision of calculation formula for “special pensions” (granted through parallel regimes to military and police personnel, judges, and similar professional categories).

[10] This is especially the opinion of lawyers, as it is the case of Magda Volonciu, a well known lawyer specialised in labour issues.

beneficiaries. This would imply that the "special pensions" and "merit pensions" will only change the title, but not the essence.

2.1.3 Assessment of reforms

The public pension system in Romania still confronts serious problems of financial sustainability and demographic pressures. Although population has seen a modest increase in recent months (a difference of 2,749 persons between births and deaths in September 2009, according to the Institute of Statistics), the old-age dependency[11] ratio in November 2009 represented 0.98 (5.65 million contributors for 5.54 million retired). Consequently, the overall deficit of the social insurance budget amounted to EUR 1.5 billion in 2009. In 2010, the Government will need RON 31 billion to cover the budget deficit, of which a significant share will go to the pensions' deficit (estimated at RON 6.5 billion). Most of international organisations keep warning the Romanian authorities about the fact that the public pension burden will become unmanageable in the coming years and impossible to finance by 2030-50 without further substantial reforms (Kennedy and Coates, 2009).
The system cannot rely anymore on large transfers from the state budget. A report elaborated in September 2009 by the Presidential Commission for Analysis of Social and Demographic Risks[12] concluded that public pension spending represented in 2009 the largest category of public expenditures in the budget: EUR 10 billion, which equals more than 9% of Romania's GDP, and 26% of the expenditures of consolidated budget, respectively.

This situation worsened further in the first months of 2010: according to CNP figures, in January the deficit of the social insurance budget (RON 807 million) represented more than 84% of the whole budget deficit recorded in 2009 (RON 958 million). The Minister of Labour warned repeatedly the rest of the Government about the risk of postponing the reform of the system, as Romania faces one of the highest risks of insolvency in the public pension sector. This is likewise the opinion of the World Bank (2009), which estimates that the deficit may increase to 6% of GDP by 2015, and, without major reforms, to 12% by 2030, respectively.

According to WB projections (Holzmann and Ufuk, 2009), the first pillar scheme is projected to continue generating deficits, which are expected to grow for the next three decades relative to GDP. The first cause of rising deficits is the need to finance the transition to the second pillar: revenues will decline steadily, as the number of contributors declines, and an increasing share of contributions is diverted from the first to the second pillar. At the same time, expenditures will increase (to 9.6% of GDP by 2050), as the number of beneficiaries increases and benefits are indexed to wages. The net result is a projected deficit of 6.2% of GDP in 2050. The second factor of increasing deficits is the ageing of the population. Romania's old-age dependency ratio is projected to increase to 55.3% by 2050. The ageing of the population, in turn, will raise the system dependency ratio[13] to 95.9% by 2050 (Holzmann and Ufuk, 2009).

Similar conclusions regarding financial sustainability are drawn by the EC in the 2009 Sustainability Report. According to the document, Romania has a sustainability gap of 9.1% of GDP, which is significantly above the EU average (6.5%). This means that to put public finances on a sustainable path, the country should improve its structural primary balance in a

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[11] The old-age dependency ratio represents the ratio between the number of retired persons (aged 65 and over) and the number of people on the labour market (aged 15–65).

[12] See http://www.9am.ro/stiri-revista-presei/Business/Finante/139907/Sistemul-public-de-pensii-din-Romania-o-bomba-cu-ceas.html.

[13] The system dependency ratio is typically defined as the ratio of those receiving pension benefits to those accruing pension rights.

durable manner by 9.1% of GDP. This adjustment could take place via both an increase in revenues and cuts in expenditure. Alternatively, the social protection system (in particular public pensions and health care) would have to be reformed to decelerate the projected increase in age-related expenditures.

In terms of policy options to deal with the problems, the Romanian Government has a limited range of measures at their disposal. To restore the fiscal balance, policy makers may opt for increasing the contribution rate. This will threaten competitiveness and strengthen incentives for tax evasion, and is typically not embraced. On the other hand, the rates have already been increased over the past 12 months. The second option is the reduction of expenditures by cutting benefits, delaying the payment of benefits by raising the retirement age further, or increasing the minimum number of years required to become eligible for benefits. Since a major part of the deficit reflects the transition costs associated with the second pillar, the Government may also consider financing a part or all of these costs using general revenues (Holzmann and Ufuk, 2009). If it does otherwise, restoring sustainability may reduce the adequacy of benefits provided to future beneficiaries.

The Government expects that the new law will reduce the pension burden on the social insurance budget and the state budget. By increasing the retirement age, together with more drastic measures imposed to early retirement, the number of pensioners is expected to decline by 253,000 in 2010, respectively 284,000 in 2020. This is equivalent to a reduction of pension spending by RON 2.76 billion in 2010, and RON 24.12 billion in 2020 (Cotidianul, 2010).

The large difference in terms of savings between 2010 and 2020, although the reduction in the number of retired is not significant, is mainly due to the changes induced by the elimination of “special pensions”. While in 2010, these exceptionally high benefits will still be paid to those benefiting from the regime, as the law enters into force in 2011, in 2020, all retirement regimes will be unified. By eliminating the special regimes, and consequently the special pensions, the social insurance budget – and therefore the state budget – will save in ten years time a much more significant amount than compared to what will be saved this year. In parallel, the number of contributors is expected to increase by 244,000 in 2020, and 529,000 by 2020, respectively.

However, the draft law has several deficiencies. First of all, the proposed mechanism of indexation will never allow for the pension point to reach the planned level of 45% of the average salary.[14] Moreover, the average pension will decline as compared to the average wage. World Bank (2009) estimates show that a pension level corresponding to 45% of the average salary in the economy is not sustainable even in the long run for the system as a whole.

Regarding the unification of all retirement regimes and recalculation of special pensions, the uncertainty persists concerning the effectiveness this measure may have in terms of possible savings to the social insurance budget. This lack of clarity represents another consequence of the lack of a sufficiently elaborated analysis, both at government level and within academic circles, of the impact such a policy measure would have. The figures communicated to mass media – and thence to the population – vary significantly within a relatively short period of time. According to the Ministry of Labour, 108,000 persons benefit from pensions provided through special regimes,[15] however, in the statistics of the National Pension House, there were

[14] By law, the 45% level was supposed to be already reached in January 2009.

[15] More recently (April 2010), the Prime Minister stated that 200,000 such special pensions are paid, totalling EUR 120 million each year, while the number of beneficiaries represents 0.14% of total retirees. Such important differences in the number of those benefiting from special pensions are explained by the fact that the professional categories included in this group vary very often. The largest figure (200,000) includes all special retirement regimes. However, only 108,000 persons will be concerned by the legislation, as some of

only 8,089 persons benefiting in 2009 from a pension superior to RON 3,000, which is the threshold considered by the new law for recalculation. Around 10% of the deficit recorded by the public system is generated by these 8,089 pensioners.

The re-calculation will be time-consuming and laborious because the archives are incomplete and almost inexistent for the time before 1963. The average salary in the economy will be used when the information regarding the effective salary of a person is missing, which will penalise pensioners. More importantly, the military and police staff were exempted from paying social contributions during the communist period, while the mechanism of re-calculation considers only the salaried income for which the contributions were paid. This category of retirees will probably face the largest reduction in pension benefits.

Unsurprisingly, the re-calculation of special pensions generated strong reactions from trade unions and pensioners' associations. Because of unclear statements made by the Government, along with contradictory information provided by mass media, and rather catastrophic predictions made by trade unions, a certain degree of hysteria captured the other categories of pensioners. Moreover, some of those who fulfil the conditions for early retirement preferred to retire before the law enters into force, in spite of penalties applied by the new law for early retirement: almost 8,000 persons opted for early retirement in the first two months of 2010, while during the whole year 2009 a reduction by 1,500 persons of early retirements was recorded as compared to 2008 (Cioacata, 2010).

In fact, early retirement and retirement motivated by disability represent a strategy against the spectre of unemployment caused by the crisis. Many persons prefer to get retired before the standard age if they fulfil the required conditions, in spite of the penalty that reduces the level of benefits they will receive. Those who are not entitled to early retirement because of a shorter than required contribution period, try to bribe physicians in order to obtain the necessary certificate attesting a handicap which is necessary for getting a disability pension. Between the two options, disability retirement is by far the preferred option, as this scheme entitles the beneficiaries to a range of additional social transfers, while being exempted from paying certain income taxes.

Disability retirement therefore represents one of the most sensitive reform issues in the new law. Between 2001 and 2009, the number of people benefiting from a disability pension increased from 600,000 to 920,000, representing 16% of the total number of retired persons in the country. Currently, the state is paying out three times as many disability pensions than compared to 1990. The proliferation is largely due to the multiplication of abuses in getting false medical certificates that attest invalidity for people who are actually in full capacity to work.[16] Fraudulent disability pensions cost the Romanian budget EUR 1.5 billion every year, according to official estimates provided by the Ministry of Labour. This is practically equivalent to the whole deficit of the public pension system.

A recent survey conducted in the county of Dambovita concluded that half of the invalidity retirements were obtained through bribery (Craciun 2010). In the rest of the country, several random medical tests in specialised laboratories were undertaken in 2009; out of 4,500 persons checked, 42% lost their invalidity pension because they were actually in perfect health (Vieru, 2010). In March 2010, the Ministry of Labour started to monitor two counties – Bihor and Mures – which are on top of the list with the highest number of disability pensioners. The Ministry has already checked 1,100 claims for disability retirement,

these categories will not be affected and they will continue to benefit from the same retirement regimes (the cleric staff, for instance). Out of these 108,000 pensioners, only 8089 persons benefit from a monthly pension that is superior to RON 3,000; they are the only concerned by recalculation.

[16] Some estimations show that a quarter of the existing disability pensions was obtained fraudulently (SS, 2010).

submitted between October 2009 and March 2010. All these claims have the medical attestation of disability. The files were sent to the specialised institute in Bucharest for expertise, which found that only 400 persons were in reality disabled. The proportion of fraud cases hence represents in total 63.6%. In parallel, the Ministry of Labour checked 3,500 other cases of disability from the rest of the country, randomly selected. The experts attested disability only in 1,400 persons (40% of total), meaning that 60% of pensions have been obtained fraudulently (Bechir, 2010a).

Overall, the new law represents a step ahead towards a pension system better adapted to the current and future situation of the country, both in economic and demographic terms. Nevertheless, only a part of the initially envisaged measures were included in the draft presented to the Parliament. Too many concessions were made, and it is very likely that the legislative forum of the country will further soften those conditions that are supposed to be painful to certain interest groups. Any impact evaluation of the law provisions is therefore premature for the time being.

Another major problem of the Romanian pension system (both public and private) remains its vulnerability caused by political pressures, as the World Bank (2009) pointed out. Very often politicians take ad-hoc decisions in this field, without careful evaluation of the consequences such decisions may have on the system. This practice of discretionary interventions, like the frequent change of indexation mechanisms, pension re-correlations, adjustment of contribution rates, et cetera, creates high uncertainty with respect to the financial sustainability of the whole system. Such interventions are caused by the lack of a consistent and systematic legislative framework regarding the indexation and calculation mechanisms, and by the increasing burden on the state budget of the social insurance deficit, respectively. As an example, the contribution rates changed five times within a period of two years (see Table 1).

Table 1: The evolution of social contribution rates (%)

	Employer			**Employee**			**Total**		
Working conditions	***N***	***A***	***VA***	***N***	***A***	***VA***	***N***	***A***	***VA***
Jan. 08	19.5	24.5	29.5	9.5	9.5	9.5	29.0	34.0	39.0
Dec. 08	18.0	23.0	28.0	9.5	9.5	9.5	27.5	32.5	37.5
Jan. 09	18.5	23.5	28.5	9.5	9.5	9.5	28.0	33.0	38.0
Feb. 09	20.8	25.8	30.8	10.5	10.5	10.5	31.3	36.3	41.3
Jan. 10	20.8	25.8	30.8	10.5	10.5	10.5	31.3	36.3	41.3

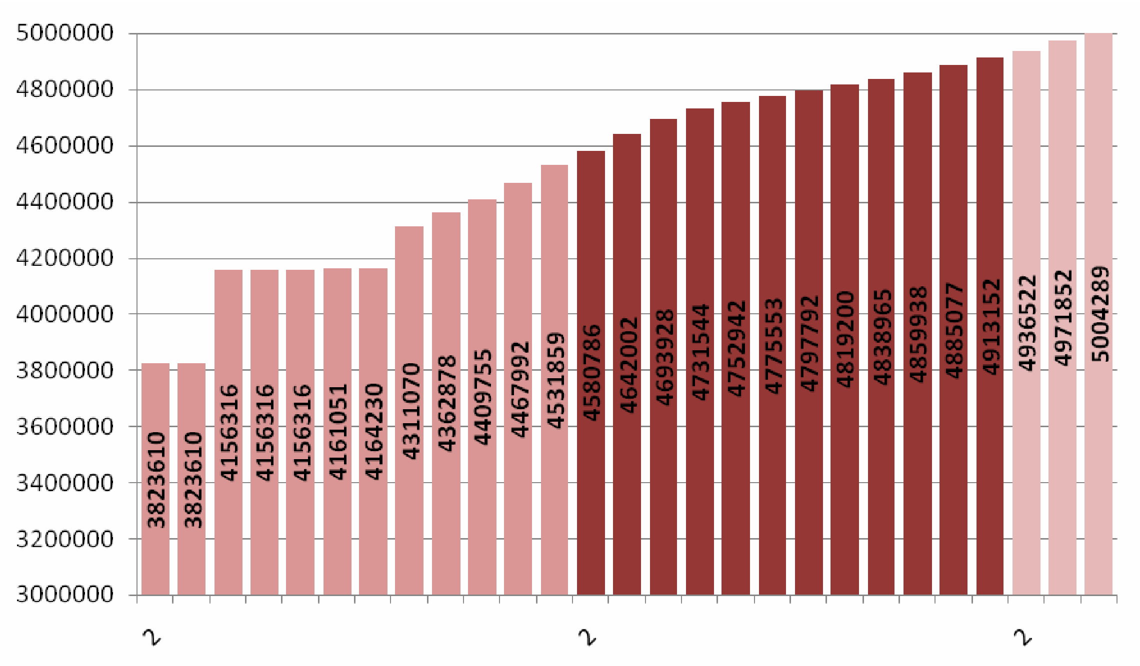
Note: N = Normal; A = Arduous; VA = Very Arduous

Source: Ministry of Labour, Family and Social Protection (http://www.mmuncii.ro/pub/imagemanager/images/file/Statistica/Statistici%20lunare/Ev_CAS.pdf)

The reforms of the funded (private) pension system, although on the right path, have been unjustifiably slow, in particular with regards to the second pillar of the system. This is the conclusion of the Presidential Commission for Analysis of Socio-Demographic Risks, published in September 2009. The commission underlines that the difficulties in the public system of pensions are to a large extent the consequence of delays and slowness in implementing the mandatory component of private schemes. In fact, Romania is the last CEE country to start the implementation of private schemes, in spite of the worst demographic situation in the region (Kennedy and Coats, 2009).

The number of contributors to the second pillar passed the threshold of 5 million in March 2010 (Figure 2). At the same time, the net assets administrated by the pension funds amounted to RON 2.72 billion at the end of February 2010. The accumulation of assets was slowed down by the decision of the Government to freeze the contributions at 2% as from May 2008. Consequently, the mandatory pillar of the private pension system has remained for 22 months at the same contribution rate. The 2.5% contribution, which was supposed to be introduced in January 2009, was adopted in March 2010, although this year the rate was initially planned to reach 3%. According to APAPR, the freezing of contributions at 2% induced a loss to the system of almost RON 800 million.

Figure 2: The evolution of contributors to Pillar II (thousands)



Source: Ministry of Labour, Family and Social Protection (http://www.mmuncii.ro/ro/statistici-55-view.html)

Since the launch of the second pillar, the return rate of the pension funds averaged 16.9% per year, for a rate of inflation that has been 5% in average over the same period. Between February 2009 and February 2010, the rate of return was even higher (21.5%), which placed the pension funds on top of the most profitable saving instruments in the country (APAPR, 2010).[17] Assets are invested primarily in state securities, bonds, and money market instruments. In February 2010, more than 81% of assets were invested in state securities and bonds (CSSPP, 2010).

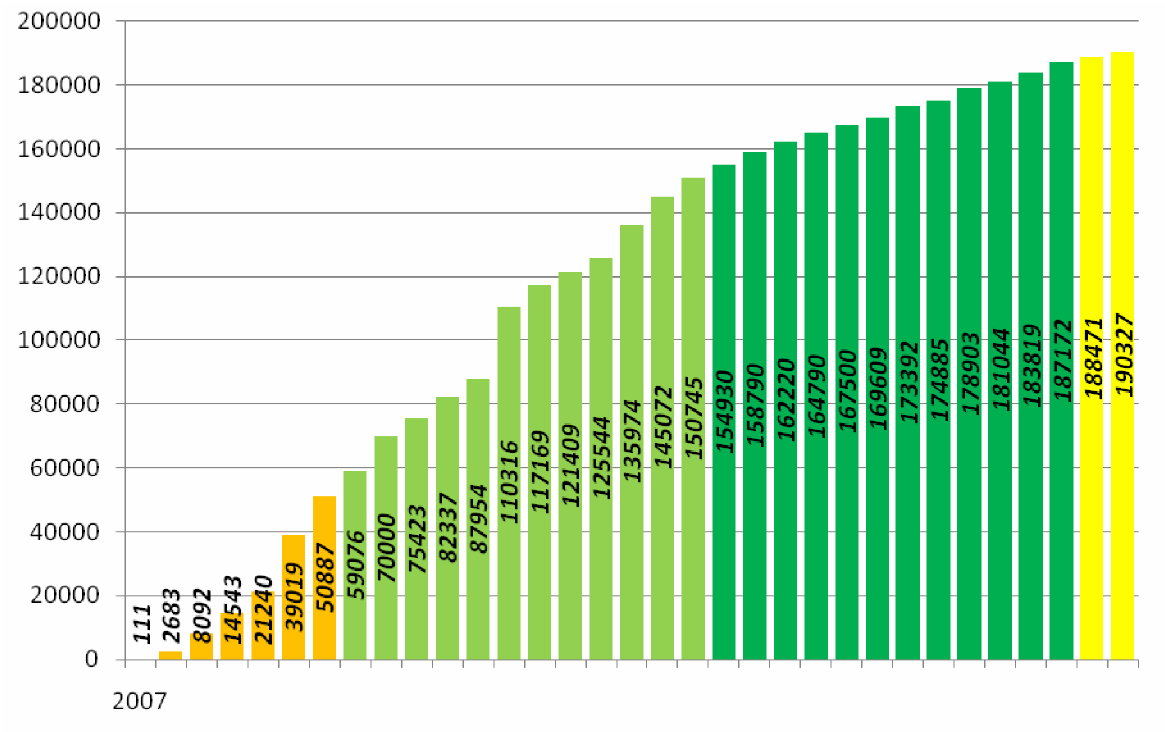
Despite this impressive financial performance, which made the Romanian pension funds the most efficient in the CEE region, the total assets of Romanian private funds represent only 0.5% of GDP, as compared to an average of 10.6% in CEE. This is largely explained by the modest monthly contribution to the funds: only RON 33.4 per participant in February 2010, which is the equivalent of EUR 8.2 (CSSPP, 2010).

The third pillar, which collects voluntary contributions, recorded a 20.5% return over the past 12 months,[18] and an annualised average rate of 7.77%, respectively, since their introduction

[17] See http://www.apapr.ro/statapapr/.
[18] See APAPR statistics (http://www.apapr.ro/statapapr/).

and until December 2009 (1.19% in real terms). After a rapid increase in the number of participants until the end of 2008, in 2009 the increment of contributors slowed down (Figure 3) as a result of the economic recession, which forced many employers to suspend the transfers to voluntary funds for their employees.[19] Consequently, by the end of February 2010 the system had enrolled 190,000 persons,[20] for a total volume of assets of RON 228.65 million. However, APAPR expects an increase in the funds' assets to RON 350 million by the end of 2010, respectively an increase of between 220,000 and 250,000 in the number of contributors.

Figure 3: The evolution of contributors to Pillar III



Source: Ministry of Labour, Family and Social Protection (http://www.mmuncii.ro/ro/statistici-55-view.html)

Out of the 13 funds operating on the market, two of them[21] are holding 51.47% of the total number of participants, i.e. 49.2% of total assets, respectively, in February 2010. Six pension funds are holding less than 1% market share in terms of assets, i.e. less than 2% of contributors, respectively. The concentration is therefore much stronger in the voluntary pillar than is the case in the mandatory one.

Consequently, overall, the private pension schemes perform better and have a more promising sustainability perspective than the public system. However, the system is impacted by insufficient consideration paid by policy makers when it comes to accelerating the consolidation of private pensions. Besides the late adoption of both mandatory and voluntary pillars, the freezing of contributions to the second pillar for almost two years slowed down the accumulation of assets and – more importantly – raised justified concerns about the discretionary power of the state to change the rules of the game. Announced by the

[19] By mid-2009, 54% of contributions were paid by employers, 32% by employees, and the remaining 14% jointly by employers and employees (Odagiu, 2009).

[20] This is equivalent to 4% of total number of employees (http://www.csspp.ro/uploads/files/100215-buletin-lunar-februarie-2010_awp9.pdf).

[21] BCR Prudent and ING Optim.

Government as an anti-crisis measure, the freeze of contributions was considerably more costly than the benefit it might have produced – if any – on easing the effects of the crisis (Ottawa, 2009b).

The most important deficiency of the system which touches essentially on the second pension pillar, is the high uncertainty regarding the effective number of contributors to the system. Signalled repeatedly by various specialists, journalists and interested institutions, the existence of empty accounts in the mandatory pillar remains unsolved. Moreover, it is completely unclear how many participants are effectively recorded with zero contribution to their accounts. According to CSSPP (2010), they represented only 6.67% of the total of 5 million contributors in February 2010. Some investigations conducted by mass-media[22] concluded that the same month 1.6 million participants paid in reality zero contributions to their individual accounts, which represents more than 32% of the total number of recorded contributors.

This large difference in estimations comes from the way of defining the empty accounts: for CSSPP, an individual account is not empty if at least one month of contributions has been paid over the whole period since the person entered the system. Other opinions – those offering much higher figures of unpaid contributions – consider the notion of zero contributions to individual accounts, and therefore they count all the accounts in which the contribution was not paid in a particular month.[23]

Irrespective of definitional preferences, the irregular payment of contributions represents an alarming reality in the Romanian system. The explanations offered for this situation are very different. The supervisor of the system (CSSPP, 2010b) considers that the cease of contribution payments is mainly due to layoffs and the overall decline of employment in the economy. However, this cannot explain the high number of insurees for which the pension contributions have not been paid. On the other hand, even in the case of unemployment, by law the contributions must be paid by the National Pension House.

In reality, the deficiency is caused by the fact that either the employers do not pay the contributions for their workers to the National Pension House, or that this institution does not transfer them to the pension funds. According to CSSPP regulations, employers are not involved in the second pillar; they continue to pay social security contributions and send nominal declarations regarding their contributions to CNP. Since all the eligible persons are automatically recorded with the second pillar as potential contributors, those who emigrated are statistically in the books, but they do not de facto contribute to the system. It is interesting to note that 71.1% of those with unpaid contributions are young – below the age of 35 – which corresponds to a large extent to the age structure of Romanian emigration.

With respect to the voluntary component of private pensions, the progress of the scheme is slow, both in terms of contributors and accumulated contributions. Despite a relatively large number of Romanians who are in favour of voluntary pensions (75% of surveyed persons[24]), it seems that pension literacy remains low (USAID, 2009). Most of the people willing to have a pension complement through the third pillar consider that the corresponding contributions should be paid exclusively by their employees or even by the state. As a matter of fact, at the end of February 2010, the employers paid the voluntary contributions for 57% of existing insurees, while only 29% of them contributed personally to the third pillar; 14% of insurees paid the contributions jointly with their employers (CSSPP, 2010).

[22] See, for example, Realitatea (2010).

[23] It is interesting to mention that even the CSSPP (2010b) admits that the number of participants with unpaid contributions is actually higher: at the end of 2009, 31% of participants to the mandatory pillar were in this situation.

[24] See CSSPP reports (http://www.csspp.ro/rapoarte).

The population seems therefore insufficiently informed about the voluntary system; consequently the geographical distribution of participants is largely biased towards urban areas (83% of registered participants in February 2010) and heavily concentrated in Bucharest (almost one third of the total number of contributors[25]). In fact, pension literacy is considered to be relatively low irrespective of the system (public or private).[26] In spite of huge problems related to the financial sustainability, which makes the increase of the retirement age an urgent necessity, 70% of workers want to retire before the legal age (63 years for men and 58 years for women at the time of survey). Moreover, 36% of respondents want to retire at an age between 56 and 60, and 30% between 45 and 55 years respectively. Among the interviewed persons 9% consider that the retirement age should be set at 45 years.

2.2 Health

2.2.1 Overview of the system's characteristics and reforms

Health care in Romania is provided primarily through mandatory health insurance. Voluntary health insurance is available, but it is purchased mainly for travel abroad to countries in which services are not covered by the Romanian mandatory scheme. The mandatory scheme is administered by district health insurance funds, which are responsible for collecting contributions and reimbursing claims from providers for health care services in their respective districts. The funds are regulated by the National Health Insurance Fund (NHIF).

The system's characteristics

Health care is financed primarily through contributions from the covered population. In February 2010, the contribution rate for employed people represented 10.7% of payroll, of which employers paid 5.2% and employees 5.5% (CLEISS, 2010). Children, people with disabilities, war veterans with no income, and the dependants of insured people do not pay for coverage. Recipients of health care services are required to make copayments for some medical services and pharmaceuticals.

Health care services are delivered free of charge to the whole population, on the basis of registration with a family doctor, who prescribes consultations for specialised physicians when necessary. Dental care is free of charge for all persons up to 18 years of age; above this limit, between 40% and 60% of the costs are covered by the Health Insurance Fund.

The drugs' coverage depends on the category to which they belong. Currently, there are three distinct lists of drugs: A, where the coverage is 90% of the reference price; B, covering a 50% share; C, fully subsidised.

Except for emergency situations, admission to hospital is possible only on the basis of a prescription from the family doctor. No fees are charged during hospitalisation, unless the patient wants higher standards of medical services and accommodation.

Main reforms

Two major reforms were initiated by the Government in 2009. The first one concerns the decentralisation of hospitals, perceived as a solution for their inappropriate management. The

[25] CSSPP (2010).
[26] USAID (2009).

second refers to the introduction of a co-payment mechanism in the system, which is supposed to partially alleviate the problem of insufficiency of financial resources.

The decentralisation of hospitals started in April 2009 and it was supposed to be accomplished in two months. Since this was not possible in reality, another deadline was set for January 2010, and the process started with a pilot project of decentralisation that concerned 18 Bucharest hospitals. The evaluation of this pilot project took more time than initially estimated; consequently, it is expected that the whole process will be completed by 1 July 2010.

According to the strategy of hospitals' decentralisation,[27] the Ministry of Public Health will continue to finance the health programmes and emergency units, while the current clauses of contracts between hospitals and CNAS will not change. Local authorities, who will nominate the management of hospitals, will finance only administrative expenditures. Overall, 373 hospitals (out of a total of 435) will be concerned by decentralisation. The resources for financing the decentralised hospitals will come from the Health Insurance Fund, the state budget, and local budgets.

In parallel with the decentralisation, all hospitals concerned by this process must obtain an accreditation from the National Commission for Hospital Accreditation (NCHA). The procedure aims at verifying the quality of medical services provided by hospitals, according to standards elaborated by the Ministry of Health. Those hospitals which do not fulfil the required norms of quality will not be accredited by NCHA and consequently will not be eligible for financial resources from the Health Fund.

The co-payment mechanism, introduced in April 2010, is based on what the authorities call the "health ticket". Patients are required to pay a contribution which varies according to the type of medical service provided and the individual's category. No co-payment is required for the following categories of population:

a) Children up to the age of 18 and students under 26 years of age if they do not benefit from a remunerated income or social assistance;

b) Political dissidents of the former communist regime and war veterans;

c) Disabled persons if they do not benefit from a remunerated income or social assistance;

d) Certain categories of sick persons, included in special health programmes, if they do not avail of any form of income;

e) Pregnant women, if their income is less than the minimum gross wage.

If a person belongs to one of the following categories, the co-payment is supplied by the social insurance budget or the state budget:

i) Persons with incapacity to work due to work accidents and occupational diseases;

ii) Prisoners and repatriated Romanians without documents of identity;

iii) Unemployed persons;

iv) Families without remunerated income but benefiting from social assistance;

v) Retired persons, with a pension lower than the taxable threshold (RON 700)

vi) Medical staff.

The law stipulates the following tariffs as co-payments:

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[27] See RG (2009).

Type of medical service	Co-payment	Particularities
Medical visits to family doctor or specialist	RON 5 – 20	Per each visit
Hospitalisation – treatment – accommodation	RON 10 – 50 No limit	Irrespective of duration Decided by respective hospital
Medical analyses	RON 1 (usual laboratory tests) – RON 200 (magnetic resonance / X-ray)	
Drugs	0 – 50 % of reference price	Depends on the list of drugs
Dental care	0 – 40 % of CNAS tariffs	Depends on patient's age
Rehabilitation	35 – 40 %	

Source: Ministry of Health (http://www.ms.ro/?pag=14)

2.2.2 Overview of debates/political discourse

Like in the area of pension reform, the changes initiated in the health care sector have generated ample discussions at political level, but equally among the professionals of the system. Both the decentralisation and the introduction of co-payments have been contested, to different degrees, by opposition, unions, and population. However, the Ministry of Health was able to better prepare the two reforms by opening the public debate on several strategic documents defining the envisaged policy measures. A *Strategy for decentralisation of hospitals*[28] and a *Note defining the medical services subject to the health-ticket*[29] were discussed at several round tables, conferences and workshops, prior to the adoption of the reforms.

Although the two documents are sufficiently clear in terms of reform intentions, they represent just a legislative framework for the implementation of the reforms.[30] No impact assessment has been undertaken, with the exception of some figures communicated by the authorities through mass media, which show the expected resources to be collected to the Health Insurance Fund by the adoption of the mechanism of co-payment.

The reactions from other political parties and trade unions have been limited to declarative assessments either in favour or against the reforms proposed by the Government. The same vague attitude is observed from professionals of the sector, showing a certain resignation towards policy measures that are not very popular but necessary.

2.2.3 Assessment of reforms

The success of the proposed reforms is highly uncertain. The process of decentralisation was imposed as a result of inefficient management of hospitals, as the policy of nominating the managers used to be based on entrusting this position to the best specialised physicians working in the hospital. Although the medical qualities of the managers cannot be contested in most of the cases, they do not have the required administrative knowledge and

[28] Available at: http://www.gov.ro/guvernul-a-aprobat-strategia-de-descentralizare-in-sistemul-de-sanatate__l1a105127.html

[29] Available at: http://www.ms.ro/?pag=14

[30] After public discussions, the two documents were approved by the government through a government ordinance, becoming therefore the legal basis for implementing the reforms.

qualification. The decentralisation will transfer the responsibility of nominating the managers to the local level, but there is no guarantee that it will not be the same criteria of nomination that are used. On the other hand, the administrative cost of hospitals will be borne by local budgets, which are already confronted with insufficient resources, particularly in small towns. This process has many similarities with the already implemented decentralisation in the sector of education, where a large number of schools suffer from lack of money for financing administrative and maintenance costs.

There are therefore serious concerns about the effective outcome of hospital decentralisation, perceived as a measure that will deteriorate furthermore the conditions in the system. As the CMAJ (2010) report emphasises, Romanian hospitals need to be run as professional service corporations, paying doctors and other staff decent salaries. Hospitals and clinics should receive performance-based financing in order to solve the problems of under-financing (Björnberg et al, 2009).

The accreditation of hospitals, which goes in parallel with their decentralisation, is the only reform that is unanimously accepted by the population. However, a certain reserve persists even among the supporters of this measure. The accreditation is supposed to raise significantly the quality of medical services, but the situation of the sector in this regard is so dramatic that a significant progress is not likely to be observed immediately. On the other hand, all the reforms initiated in the health care sector have been excessively slow and very often inefficient. Accreditation is one of those lengthy reforms: the issue had been discussed since 1996, but it took 14 years to establish the institution in charge of delivering the certificates of accreditation – the NCHA.

The co-payment mechanism is aimed to supplementing the scarcity of resources allocated to the sector from the state budget – only 3.6% of GDP in 2010 – which ranks Romania the last within the group of EU countries. For the effective needs of the sector, these allocations are sufficient just for the first six months of the year (Georgescu, 2010). Moreover, the last trimester of 2009 was financed with credits from the 2010 budget; consequently, the real figures for this year are around 2.3% – 2.6 % of GDP (CMAJ, 2010). By the introduction of the *health ticket*, the Ministry of Health expects RON 751.3 billion (EUR 18.8 billion) to be collected in 2010 from this source.

However, the health ticket will not solve all the problems of under-funding of the sector. The first effect of the measure will be a decline in the demand for health services, as the President of the Romanian College of Physicians pointed out recently; he believes that 40% of the population will be confronted with limited access to health care because they will be unable to make the co-payment (Ailincei, 2010). In fact, even the Ministry of Health is pessimistic with respect to the success of the mechanism. The official document detailing the co-payment system[31] admits that the reform was “received with resignation and indignation” by the population. The public debate on the document concluded that the health ticket will not change the behaviour of medical staff and consequently will not reduce informal payments; similarly, the quality of medical services will not improve essentially.

In fact, the Romanian health care system has struggled for many years to cope with chronic under-funding and avoid the collapse of the system. As compared to USD 6,000 to 7,000 per patient in USA, Romania allocates for health care only USD 400 per year and per patient, which is almost four times less than what the Czech Republic spends for the same purpose (Nita, 2010a). Consequently, most hospitals in the country are in debt and even large university hospitals often lack basic supplies, such as surgical gloves or antibiotics, forcing patients to pay for such amenities out of pocket. Many buildings are in strong need of repair

[31] See the Ministry of Health (http://www.ms.ro/?pag=14)

and refurbishment. For an EU country in the 21st century that has managed advances in many other sectors of the economy and society, health care continues to lag significantly behind.

The main cause for insufficient resources is the sharp decline in the number of contributors to the system. When the current health insurance system was created (1999), about 11 million persons paid contributions to the health fund. Since then, several categories have been exempted through "special laws" (pensioners, judges, low income earners, etc.). Consequently, at the beginning of 2010, the health care system recorded less than 3.8 million contributors (Vasilca, 2010).

The under-financing has obvious long run repercussions on the health status of the population. In fact, Romania records higher infant mortality rates, tuberculosis incidence and parasite infections than Serbia and Ukraine (Vasilca, 2010). A report elaborated in November 2009 by the Romanian Academic Society concludes that the country lags behind 30 to 40 years to the other countries of the European Union with respect to the quality of medical services provided to the population (Gavrila, 2009). Hundreds of pharmacies have been closed down because of NHIF arrears. Many hospitals, especially in small towns, started to treat only the patients necessitating major interventions, the rest of them being placed on a waiting list until CNAS will pay their debts and provide resources for the acquisition of medical supplies.

In 2009, the Euro Consumer Health Index, a comparative measure of 33 European health care systems, ranked Romania second from the bottom, just above Bulgaria and a drop of five spots from 2008 rankings. Romania performed poorly in all six sub-categories: it ranked at the bottom of health care outcomes, infant mortality rate, heart fatality, cancer death and preventable years of life lost. It ranked as the worst nation with respect to such measurements as informal payments to doctors, inequity in access to services and access to drugs, including new cancer drugs.

Another major problem of the system is the unprecedented brain drain phenomenon. The Romanian College of Physicians reported that over 4,000 doctors – mostly juniors – have emigrated since 2007, representing almost 10% of total. As a result, Romania records one of the lowest ratios of physicians per population in Europe, while 57% of existing doctors are aged above 50 years and 27% between 40 and 50 years (Budurca, 2009). Currently, Romania has only 2.3 medical staff with university education per thousand inhabitants, compared with 4.2 in CEE region and 6.8 in the Western part of Europe. The health sector functions therefore with only 34% of the medical personnel that is needed for delivering standard medical services. The diminution in the size of the workforce is hitting hardest in rural areas and smaller cities where working conditions are toughest. Large university centres, though, remain overcrowded with doctors in most specialties: two-thirds of the doctors in the country are concentrated in six centres (CMAJ, 2010).

At the same time, the brain drain concerns in general the best specialists; consequently, the average skill of the staff remaining in the country tends to decline. The quality of medical exercise suffers accordingly: according to a recent declaration of President Basescu, 40% of medical diagnostics are wrong (Sbirn, 2010). Although this figure seems exaggerated, the mass media report frequent cases of medical errors: in 2008, almost 50,000 patients died in Romanian hospitals, while about 10,000 contracted a new malady during hospitalisation.[32]

The primary reason for emigration is financial: salaries of young doctors in Romania are 10 to 15 times lower than in Western Europe and low in comparison to the average Romanian salary. A resident doctor in Romania typically earns EUR 200, as compared to the average

[32] The President of the Romanian College of Physicians considers that the real number of persons who contracted another disease during hospitalisation is much higher, but the hospitals under-report intentionally the reality (Nita, 2010b).

worker's salary of EUR 320. The brain drain has been fuelled by the demand for physicians in many Western European countries, particularly Germany, France and several Nordic nations. Romania's entry into the European Union in 2007 made it easier for those countries to employ Romanian doctors, who in general are fairly well trained and willing to relocate. In October 2009, the capital of Bucharest held the largest medical job fair in the Central and Eastern European region, during which over 2,000 jobs in Western Europe, Middle East and Australia were put up for grabs by doctors trained in Romania.

Another deficiency of the system are informal payments to physicians for their services, which the Centre for Urban and Regional Sociology pegged at 0.3% of GDP in a 2008 survey (CMAJ, 2010). When an illness requires hospitalisation, patients typically pay bribes equivalent to three quarters of a family's monthly income (Bilefsky, 2010).

Doctors motivate compensation payments because of their low salaries. But these informal payments have had a dramatic impact on equity of access to services. Some doctors say that the bribery culture is so endemic that when they refuse bribes, some patients become distraught and mistakenly consider it as a sign that their illness be incurable. For 85% of interviewed persons in a recent survey[33] (December 2009), without informal payments the quality of medical services is noticeably lower. In 36% of cases, the physician asked directly the bribe from the patient.

Doctors and patients say the bribery follows a set of unwritten rules. The cost of bribes depends on the treatment, ranging from USD 127 for a plain appendix removal operation to up to more than USD 6,370 for brain surgery (Bilefsky, 2010). Bribes are expected at all levels of the health care hierarchy, from top specialist surgeons and pathologists to nurses and auxiliary staff.

Bribes are particularly frequent in delivering false sickness leaves and disability pensions.[34] Overall, CNAS recorded in 2009 a total of 3.25 million medical certificates. A government ordinance was therefore issued in April 2010, with the declared aim to reduce fraud in the delivery of medical certificates. The document stipulates that CNAS authorities may check, together with police representatives, persons who are on sickness leave. Higher penalties are set for frauds. At the same time, the duration of sickness leave that a family doctor can prescribe is limited to a maximum of 30 days per year. By implementing this law, the Ministry of Health expects to reduce by 20% the expenditures related to sickness leave. For obvious reasons, the ordinance generated a strong opposition from patients' associations and physicians.

Confronted with such developments within the public sector, there has been significant growth in the private health care system, primarily driven by clinic chains. Many find the clinics attractive because they offer medical services at a level comparable to those in developed Western countries. However, such clinics tend to focus on most profitable segments or outpatient services, such as gynaecology, dermatology and some surgeries, leaving more complex and more costly procedures and diseases to the public sector.

In 2009, the private health care market increased by 15% – 20% in Euro terms (380,000 subscribers) and is expected to advance in 2010 by around 13% (PMR, 2010). The health insurance market is stimulated by the dissatisfaction with the deteriorating quality of public

[33] See IMAS (http://www.imas-inc.com/).

[34] During the first 10 months of 2009, 80% of the workforce in Slatina municipality was in sickness leave for at least one week (Iancu, 2009). In Prahova county, the cumulated days of sickness represented in 2009 the equivalent of 144 years. Similarly, the mining sector from Valea Jiului region recorded 760 years of sickness leave during the twelve months of 2009 (almost 1000 years in 2008); every day, about 1000 persons are in sickness leave, which represents 9% of company's employment.

services and by the fact that clinic chains attract the best doctors by offering them higher salaries. At public hospitals doctors can earn between EUR 200 and EUR 300, while salaries in private facilities are several times this amount. The prevalence of bribery in the public sector represents another important reason for the progress of private health care, which makes the total cost of treatment at public and private clinics comparable (PMR, 2010). Subscriptions to private health care usually guarantee a minimum set of services; additional fees are charged for more expensive treatments. Most medical subscriptions are observed in the field of dental services, laboratory diagnostics, maternity and gynaecology.

2.3 Long-term care

2.3.1 Overview of the system's characteristics and reforms

Long-term care in Romania is defined as social and medical services delivered to dependent persons in residential institutions, non-residential centres, and at the beneficiary's residence respectively. The long-term care system concerns elderly and disabled persons. The medical treatment for acute diseases or for the majority of chronic diseases is not considered as part of the long-term care.

The system's characteristics

Long-term care for elderly is provided through community services that include temporary or permanent assistance at home or in specialised centres. Home assistance refers to various household services and socio-medical services provided by local authorities either through specialised social workers or by granting an allowance to relatives fulfilling these tasks.

At central level, the institution in charge of the category of disabled persons is ANPH – the National Authority for Disabled Persons. Out of the total number of disabled persons, 61,233 are children. Almost 97.5% of the total number of disabled people is placed with families (99.9% of children). 88.9% of total beneficiaries are recorded with a severe or marked degree of handicap (70% in case of children).[35] At the end of 2009, 364 institutions were functional in the country; amongst them, 311 are residential centres, hosting 17,090 persons, and 53 day-care non-residential centres where 1,721 beneficiaries are assisted.

All the legislation in the field is part of the social protection system. Different institutions are involved in managing long-term care, at county and municipal levels. Disabled people are covered by counties' authorities, which assess the right of demanders to services. Municipal authorities are responsible for organising, financing and providing domiciliary and residential care for elderly persons, respectively.

A large part of financial responsibility has therefore been transferred to local authorities. Currently, the system is financed both by central and local budgets, but the beneficiary has to pay a contribution – according to the cost-sharing principle – that depends on the individual's income. Only disabled persons with a high degree of handicap or single persons with low income have no obligation to co-payment.

The financing of institutions providing medical long-term care is ensured by the National Health Insurance Fund, the state budget, and the local budgets: NHIF covers health services, the central budget the investment (through the Ministry of Health), while the local budgets

[35] Source: Ministry of Labour, Family and Social Protection: http://www.mmuncii.ro/pub/imagemanager/images/file/Statistica/Buletin%20statistic/2009/handicap4_68.pdf

cover the maintenance expenditures. The institutions providing both social and medical care are financed from out-of-pocket payments, state budget, NHIF and local budgets. The out-of-pocket tariffs are set by the local authorities, which are de jure owners of these institutions. The investment is covered by the state budget (through the Ministry of Labour, Social Protection and Family), while maintenance is ensured by local budgets. NHIF allocates to these institutions a global budget to cover the salaries for medical staff.

Overview of reforms

The two categories of beneficiaries are entitled both to services of social assistance and allocations. In case of elderly, the amount of allocations is established each year by the local authorities and is based on the degree of dependence of the beneficiary. For elderly living in residential institutions, the Ministry of Labour set in January 2010 the standard costs at RON 16,926 per year, which is equivalent to EUR 353 per person and per month.

The disabled persons receive a monthly allocation that is independent of their income, but depends on the degree of handicap. In January 2010, the Government adopted the following yearly cost standards for social services granted to people with disabilities (Ionescu, 2010):

a) Disabled children entrusted to foster families: RON 24,452 for one child; RON 17,486 per child if two or more children are placed in the same family.

b) AIDS-infected children entrusted to foster families: RON 28,467 for one child; RON 21,501 per child if two or more children are placed in the same family.

c) Disabled adult persons in residential institutions: RON 23,164 per person in case of physical handicap, and RON 26,163 in case of mental disability respectively.

2.3.2 Overview of debates/political discourse

The Romanian authorities are aware of the fact that the situation of dependent persons (both elderly and disabled) needs serious improvement, in particular for the category of disabled people. Social and professional inclusion is insufficient, while discrimination still persists in society. Consequently, the Government elaborated an action plan for 2010[36] aiming at improving the living conditions and the social inclusion of disabled persons. Nevertheless, the document lacks consistency and concreteness in terms of proposed actions and envisaged results. Most of the activities listed in the action plan refer to the elaboration of additional legislation, norms and standards for the quality of delivered services, methodologies for implementing those additional laws and norms, etc. The indicators measuring the results expected from the implementation of these activities are equally vague and meaningless: number of proposals for changing the legislation, number of adopted legislative initiatives, number of protocols signed with various partners, number of round tables organised to discuss the measures, etc. None of the 36 activities included in the document has as performance indicator like e.g. the number of disabled persons integrated in the labour market.

2.3.2 Assessment of reforms

When setting the cost standards for dependent persons in January 2010, the Government's main goal was to reduce the allocations and save resources. Consequently, the overall budget allocated for disabled persons was reduced in 2010 by 8% as compared to 2009. Similarly, the

36 Available at http://www.anph.ro/anph.php?m=anph&ida=4.

total allocations for elderly are 3% lower in 2010 than in 2009. In addition, starting from January 2010, disability pensions are subject to personal income tax if the monthly amount of pension is higher than RON 1,000 (Gheorghita, 2010). All other additional revenues, irrespective of the pension level, will equally be taxed by 16%. These measures are motivated by the increasing number of disabled persons; as mentioned in the previous sections, a significant share of those benefiting from disability pensions obtained this status in a fraudulent way. However, this motivation does not explain the reduction of allocation for the category of elderly dependent persons.

In spite of well-meant strategies and action plans, less than 3% of disabled persons are employed at present (Dan, 2010). Discrimination and restricted access to education represent the principal reasons for this situation. In fact, modest initiatives of social and professional inclusion of disabled people have been noted since the fall of communism. The lack of legal and fiscal instruments that would motivate the employers to hire disabled persons is another handicap; the existing legislation, although in line with EU provisions, is very often disregarded, especially at local level. The overall system of social protection for disabled is chaotic, badly structured, under-financed, and poorly managed.

The National Authority for Disabled persons admits that the 2006–2013 strategy in the field represents just a “theory without implementation and evaluation, and therefore poorly adapted to reality” (Dan, 2010). The strategy, which is accompanied by a national action plan for implementing the strategy, has produced insignificant results, if any. The 2010 action plan, for example, sets as an important objective the increase of the number of jobs for disabled persons. However, the envisaged actions are limited to the elaboration of another plan aimed at improving the employability of disabled people, and the analysis of the situation, respectively. The only indicator that will evaluate the output of this measure is the number of analyses elaborated by the institutions in charge. No quantitative objective – for example the number of disabled persons to be integrated in the labour market – is mentioned in the document.

3 Impact of the Financial and Economic Crisis on Social Protection

The Government has been severely criticised for the initial under-estimation of the global crisis’ consequences and for the manner in which the measures to reduce the effects of the economic recession have been implemented. The critics have come from many sources: political opposition, trade unions, population, mass-media, and researchers.

In the case of Romania, the global crisis translated into a deep economic recession, with GDP falling by more than 7% in 2009 and the unemployment reaching the highest rates since the fall of communism (8.36% in March 2010, according to data from the National Institute for Statistics). The regional disparities deepened, with differences in unemployment rates of almost 13 percentage points between the capital and the most affected regions of the country, and, respectively, a per capita GDP that is currently four times higher in Bucharest than in the rest of the country (Amariei, 2010). The number of poor people doubled at the end of 2009 as compared to 2008, and, consequently, for 41% of the population their income covers at present only the basic living needs (Batca, 2010).

The Government initiated in the beginning of 2009 an ample programme of measures to fight the consequences of the recession, which totalled EUR 13 billion. Out of this amount, EUR 10 billion were spent in 2009 mostly in the form of public investment. The extent to which these measures have been effective in alleviating the consequences of the crisis is questionable. More than 20% of companies involved in infrastructure projects, for which the Government allocated EUR 6 billion last year, closed down by the end of 2009 (Amariei, 2009). Overall, 184,000 enterprises – particularly of small and medium size – went bankrupt during that year.

Although the package of anti-crisis measures contained a distinct social component, representing 2% of the total resources allocated for this purpose, the essence of all those measures is economic, as they aim at reducing the labour cost of companies in order to keep employment. The social pensions, which represent the most significant initiative to improve social protection, is in fact a part of the already planned pension reform prior to the crisis, which envisaged the introduction of the 0 pillar in the system. The crisis speeded up the adoption of social pensions, a measure that is of permanent nature and not a temporary tool aimed to alleviate the consequences of the crisis.

In fact, the principal objective of the anti-crisis programme was to stimulate the economic activity through public investment. In parallel, the Government targeted a drastic reduction of public spending, in order to minimise the budgetary cost of the anti-crisis measures. However, this policy has had serious implications for social protection. Apart from allocating one of the lowest budgets since the end of communism to health care, several other measures are currently being implemented, most of them with the declared aim to reduce the resources destined to the sector of social protection.

The first such measure refers to the reduction of staff in public administration. Between 80,000 and 100,000 persons must be laid off in public administration by the middle of 2010. In total, 140,000 employees of the sector will be laid off until beginning of 2011 (Catrina, 2010). The measure comes along with a new law on the remuneration of civil servants, which will reduce considerably their salaries.

There is nothing irrational in these government decisions because the Romanian public administration is overstaffed, while the paid wages are accompanied by numerous bonuses whose amount is several times higher than the basic salary. There is thus a huge discrepancy between public and private sectors in terms of earnings, with top managerial positions enjoying higher salaries than the corresponding jobs in Western Europe. However, the downsizing of public employment comes at a time when alternative opportunities in the private sector are practically inexistent. On the other hand, the measure is extended to all categories of budgetary employees, including the health and education sectors.

By the end of 2009, the Government had already adopted some changes in the status of public employees: those cumulating civil servants salaries with pensions were forced to renounce either their salary or pension.[37] Out of 4,000 employees concerned by this measure, only 602 preferred to keep their job and therefore renounced the pension by December 2009. However, many professional categories were exempted from this rule – in general those benefiting both from exceptionally high salaries and exceptionally high pensions (judges, parliamentarians, high government officials, ombudsmen, etc.). At the same time, a cut by 30% of wages was implemented in November and December 2009 for all employees paid from the budget.

However, the most drastic measure to cut public expenditures was taken on 6 May 2010 and announced directly by the Romanian President. Because of accumulated deficits in the state budget, which put at risk the public finance of the country, the authorities were forced to choose between increasing the rate of taxation in the economy and reducing budgetary expenditures.

[37] The measure concerns only civil servants benefiting from a pension of at least RON 1,693 per month.

The Government opted for the latter alternative, which implies a cut in public wages by 25%, and a reduction by 15% of pensions and unemployment benefits, respectively (Ruse, 2010). This implies that the minimum wage in the state sector (currently set at RON 705) will be brought to the level paid by the private sector (RON 600). The pension reduction is equivalent to a revaluation of the pension point value, which passes in June 2010 to RON 622.88. In addition, all the subsidies granted to food products and municipal services (heating, hot water) will be eliminated.[38] The measures will become effective as from 1 June 2010 for the remaining months of the year, excepting the cut in wages in the state sector, which is definitive. The wage cut in public administration is expected to bring savings to the state budget of EUR 1.7 billion in 2010.

One of the most contested measures is the revision of the social assistance package, which includes no less than 50 different benefits granted to 9.5 million persons. The state budget spends EUR 2.4 billion every year for this purpose; however, the efficiency of these allocations remains low, with frequent leakages to those who are not necessarily in need (Bechir, 2010b). The poor means testing tools, the lack of qualified personnel in rural areas and small towns, and widespread bribery to get allocations are the main factors responsible for this situation. The Government therefore envisages reforming the system by better targeting the beneficiaries, transforming certain allocations to services in-kind, and by restricting the allowances to those most in need, respectively. The reform is still under discussion, but some directions are already to be seen:

a) The reduction of the number of social services;

b) The limitation of child allowances only to poor families, the proposed income threshold for granting the benefit being the equivalent of the unemployment benefit.

c) The unification of all forms of child allowances (9 at present) within a single benefit.

d) The integration of all legislative provisions (around 250 different norms and provisions are currently in place) within a single Code of Social Assistance.

e) Diminution of Minimum Guaranteed Income benefits by 50% if the beneficiary does not perform at least 72 hours of work of public interest per month.

f) Penalties for those under-declaring their income, including imprisonment from three months to two years.

The reforms are supposed be implemented starting January 2011. However, an uncertainty remains with respect to the calendar of implementation and the final form of government propositions to reform the system.

In the area of active labour market polices, the Government decided to increase for 2010 the minimum wage to RON 705 for public servants, and to RON 600 in the private sector, respectively. Although the existence of two different levels of the minimum wage in the economy represents a clear discrimination, the measure was relatively well received by the trade unions. The decision comes in response to the evident tendency of employers to under-declare the wages of their workers. According to a 2009 survey, out of 7 million persons earning a salaried income in 2008 (including the public sector) only 20% were recorded with their true remuneration. Out of those involved in private activities, around 45.5% were officially employed at the minimum wage (Davidescu, 2010).

The second measure in this area refers to the retraining of those losing their jobs because of the crisis. About 40,000 persons will be concerned by the programme in 2010, which will

[38] In Bucharest, half of the inhabitants are presently benefiting from subsidised tariffs for hot water and heating.

consist of 2,400 training modules all over the country (Craciun, 2010b). The state budget will bear the training costs in various fields like tourism, construction, textiles, accounting, and foreign languages. Nevertheless, for most of the occupations for which the unemployed will be trained, the labour market records very little demand, as these activities are already confronted with high unemployment. On the other hand, the Romanian economy has insufficient workers with sufficient vocational education and technical qualifications, but no training is planned for this kind of qualifications.

Unemployment is expected to continue its increasing path in 2010, reaching out to probably 10% of the labour force. On the other hand, the short-term perspectives in terms of economic recovery remain uncertain: IMF (2010) had initially forecasted a real GDP growth rate of 1.3% for 2010, which was soon reduced to only 0.8%. In the beginning of May 2010, this figure was once again reconsidered; according to the new estimations, the Romanian GDP may record a decline by 0.5% this year. More optimistic perspectives are prospected for 2011, when IMF expects a real growth of GDP by 5.1%, which will place Romania in top of EU countries in this respect. Nevertheless, this optimism might be exaggerated and a much lower economic performance for 2011 is actually very likely. In fact, the recent IMF mission in Bucharest announced on 10 May 2010 that most probably the GDP growth in real terms will be no higher than 3.6% in 2011.

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4 Abstracts of Relevant Publications on Social Protection

[R] Pensions

[R1] General trends: demographic and financial forecasts
[R2] General organisation: pillars, financing, calculation methods or pension formula
[R3] Retirement age: legal age, early retirement, etc.
[R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
[R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health

[H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
[H2] Public health policies, anti-addiction measures, prevention, etc.
[H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
[H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
[H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
[H6] Regulation of the pharmaceutical market
[H7] Handicap

[L] Long-term care

[R1] FIAP (International Federation of Pension Fund Administrators), “The impact on workers of the parametric changes in the PAYGO programs”, September 2009.

The paper analyzes the impact of financial crisis on the individually funded programs through the investment returns in a long term horizon. Short term assessments are influenced by contextual situations, as occurred in 2008. Nonetheless, it is important to point out that the effects of the crisis have also severely affected the traditional PAYGO systems, which as a result of increased unemployment and lower salary growth have seen their incomes diminished and their financial deficits increased. This situation has been aggravated by demographic trends which have had an even more detrimental effect on the financial situation of PAYGO. In response to these trends, many PAYGO programs had to adjust their main parameters to shore up pension expenses, with an even more detrimental effect for workers who are members of these types of systems in comparison to members of individually funded systems. The purpose of this document is to highlight the costs these changes entail for workers.

[R1] ANTOLIN, Pablo, STEWART, Fiona, "Private Pensions and Policy Responses to the Financial and Economic Crisis", OECD Working Papers on Insurance and Private Pensions No. 36, April 2009

The financial crisis has had a major impact on global pension assets, with the OECD estimating declines of $5.4tn (over 20%) at the end of 2008. The policy responses have been quite diverse across countries. The paper discusses responses to current financial and economic crisis by regulators, supervisors and policy makers in the area of private pensions. These responses are examined in the light of international guidelines, best practices and recommendations to improve the design of private pensions. The authors conclude that (i) complementary private provision for retirement remains a necessity; (ii) private pensions still have a major role to play to maintain balanced sources of retirement income; (iii) reducing contributions risks creating a long-term shortage of pension assets.

[R1] INDERST, Georg, "Pension Fund Investment in Infrastructure", OECD Working Papers on Insurance and Private Pensions No. 32, January 2009

Private sector financing in infrastructure has developed around the world, pension funds showing interest in increasing their exposure to this area, along with their move into alternative assets. Such investments cover a wide spectrum of projects – from economic infrastructure such as transport, to social projects such as hospitals – and involve different forms of financing. Investing in such assets also involves new types of investment vehicles and risk for pension funds to manage – exposure to leverage, legal and ownership issues, environmental risks as well as regulatory and political challenges. However, if governments wish to help infrastructure developers tap into potentially important sources of financing such as pension funds, certain steps can be taken. This paper is designed as an overview piece, discussing if pension funds should invest in infrastructure on a theoretical basis, whether they do in practice, and, if not, how and if regulators can encourage and assist them to do so.

[R1] OECD, "Private Pensions and Policy Responses to the Crisis. Recommendations on Core Principles of Occupational Pension Regulation", June 2009.

The paper addresses the main policy responses undertaken by OECD governments and private pension supervisors to address the impact of the crisis. It also makes some broad policy recommendations and explains future work of the OECD in this area. Secondly, the paper presents the main OECD instrument that addresses the regulation and supervision of private pension systems. OECD Members encourage more efficient regulation and management of private pension systems through analysis and policy dialogue, as well as through the development of best practices incorporated in the Core Principles of Occupational Pension Regulation, adopted by the Council Recommendation on June 2009. The Core Principles and supporting guidelines are addressed to governments as well as pension fund regulatory and supervisory authorities worldwide. They were developed under the auspices of the OECD's Insurance and Private Pensions Committee (IPPC) in cooperation with other international organisations.

[R1] SCHNEIDER, Ondrej, "Reforming pensions in Europe: Economic Fundamentals and Political Factors", CESifo Working Paper 2572, March 2009.

The paper analyzes pension reforms by comparing long-term forecasts of pension expenditures for seventeen European countries. The analysis shows that only three EU countries EU reduced their expected spending on pensions in both reference periods. The factors that facilitate or hamper pension reforms are equally analyzed: quality of fiscal institutions, public debt, trade unions' influence, and demographic factors. Only the trade union power proves to be significant in explaining pension reforms. However, specific factors – lagged change in pension expenditures – are significant and suggest that European governments do reform their pension systems when faced with the threat of escalating pension expenditures. In conclusion, the author proposes a hypothesis of "bounded" economic rationale of European governments, as they seem to react to expectations of an increase in pension spending, but they seem to be content with the current spending levels.

[R1; H1; L] HAYASHI, Chiemi, OLKKONEN, Heli, SIKKEN, Mercer, YERMO, Juan, "Transforming Pensions and Healthcare in a Rapidly Ageing World: Opportunities and Collaborative Strategies", World economic Forum, 2009.

The report addresses the question of ageing societies from a perspective that integrates implications and solutions for both healthcare and pensions. This *integrated approach emphasises a multi-stakeholder collaboration, in order to tackle with the associated challenges. The report focuses on opportunities, rather than risks. The risks of ageing societies are widely apparent; however, there are positive sides to ageing as well. More people can expect to enjoy better health later in life, enabling a greater level of activity in old age that can, in turn, improve the quality of life and social outcomes. The report also provides an overview of a broad set of practical solutions, ranging from the existing, but underappreciated, to the highly innovative. The strategic options it presents are explored with sufficient specificity to enable their potential to be meaningfully evaluated.*

[R1; R2] TOADER, Stela Aurelia, "The public pension system: comparative study between Romania and Germany", Romanian Economic Business Review, Volume 4, Issue 2, 2009. Retrieved from: http://EconPapers.repec.org/RePEc:rau:journl:v:4:y:2009:i:2:p:59-66

The paper aims to build a comparative study of the main categories of pension granted in the public pension system. In an attempt to identify possible causes of the significant differences that exist today between the old age pension received by a Romanian and a German pensioner, the paper makes an analysis of key aspects regarding the settlement of public pension systems of the two countries. It is therefore a comparison between the main sources regarding the establishment of state social security, namely contributions due by employees and employers, how a pension is granted and how the public pension is calculated.

[R1; R2] KENNEDY, Liam, COATS, George, "Facing up to the challenges", EFRP (European Federation for Retirement Provisions) Conference, March 2009.

Despite some structural differences, the pension systems from the 'old' and 'new' member states of Europe share many common issues. Among them, a multi-pillar pension system is a prerequisite for the delivery of sound and sustainable pensions. The report is aimed to contribute to a better understanding of the specific challenges and issues that the private pension industry in the CEE region is facing today. The following country reports are presented: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Romania.

[R1; R2] ALLOT, Adrian, ATOMI, Cristina, ERNEST, Paul, GOLMBIECKA, Beata, KRZYKOWSKI, Marcin, MAZERANT, Anna, OFUTIN, Olexander, "Private Pension Systems in Central and Eastern Europe", Milliman Research Report, January 2010.

Private pensions have grown strongly in most countries in Central and Eastern Europe (CEE) in recent years. Although the pension systems in the region face important challenges from the current economic downturn, they continue to represent a significant growth opportunity for financial services providers. The report is aimed to offer a better understanding of the variety and current state of funded pension systems in the region, a decade on from the Polish launch, and the opportunities and challenges facing pension providers in these countries. The study is restricted to five markets, chosen to provide a representation of the diversity in the region: Poland, Romania, Russia, Hungary and Slovakia. An overview of the private pension systems in the other major markets is included for comparison (Czech Republic, Slovenia, Croatia, Serbia, Bulgaria, Estonia, Latvia, and Lithuania)

[R1; R2] CHYBALSKI, Filip, "Liberalisation of pension systems in Central and Eastern Europe", EVN Working Paper, July 2009. Retrieved from:
(http://europeanvalues.net/docs/PP_Liberalization_of_pension_systems_in_Central_and_Eastern_Europe_09.pdf)

The aim of the paper is to describe the process of liberalisation of pension systems in Central and Eastern Europe in terms of basic structure and regulations applied in relation to pension funds. The following issues are addressed: the universality of participation in the various pillars of the pensions system, the amounts of pension contributions, public engagement in the area of pensions provision, investment limits for pension funds, systems of remuneration for pension fund management companies, and guaranteed rates of return for pension funds. The paper concludes on both positive and negative consequences of the liberalisation of pension provision, and attempts to outline the changes which ought to occur in further reforms.

[R1; R2] DRAGOTA, Mihaela, MIRICESCU, Emilian, "Deficiencies of the Public Pension System in Romania. Some Reform Measures Derived from the EU Experience", Theoretical and Applied economics, Vol. 11(540), Issue 11, 2009. Retrieved from:
http://www.ectap.ro/articole/419.pdf

The European Union is currently confronted with major economic and demographic changes that are challenging its ability to maintain strong social cohesion. Some possible solutions can be considered, such as increasing the employment for older workers and for women. In a comparative analysis for ten European countries, Romania has the lowest life expectancy, of 72.2 years, and the largest difference between life expectancy and standard retirement age, of 9.7 years. The private administrated pension funds can be a solution for labour market crisis from Romania, as proved by the recently adopted and implemented regulations for this field.

[R1; R2] GOLINOWSKA, Stanislawa, KUROWSKI, Piotr, "Rational Pension Supervision - First Experiences of Central and Eastern European States in Comparison with Other Countries. CASE Network Reports, July 2009. Retrieved from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1434819

The study undertakes the analysis of pension fund regulations in five countries of Central and Eastern Europe, ranked according to their degree of risk. The instruments for safeguarding this risk are then proposed by analyzing the legal regulations, administrative standards, financial management standards, codes of ethics, the formula and competence of supervisory institutions, and the working of the market. The principles of balanced supervision over pension funds are defined as a trade-off between regulatory instruments and self-regulation. The practical experience of other countries is used to compare the selected countries with those with much more experience in this area.

[R1; R2] VIRJAN, Daniela, "Analysis of the Romanian Pension System from an European Perspective", The Journal of the Faculty of Economics, University of Oradea, Vol. 2, Issue 1, May 2009. Retrieved from: http://ideas.repec.org/a/ora/journl/v2y2009i1p616-621.html

The article analyzes the political, economic, social, cultural and demographic aspects that influence the pension system in Romania. The private pension system receives a particular attention in the study and it is argued that this scheme has been built according to EU standards and requirements of international institutions. The article concludes that, in spite of remarkable progress, the Romanian pension system is still far from achieving the EU social objectives.

[R1; R2] HOLZMANN, Robert, GUVEN, Ufuk, “Adequacy of Retirement Income after Pension Reforms in Central, Eastern, and Southern Europe. Eight Country Studies”, World Bank, 2009.

The former transition countries of Europe inherited defined-benefit public pension systems financed on a pay-as-you-go basis. Recognising that short-term fiscal pressures and incentives would worsen over the long term as a result of population aging, many of these countries introduced reforms focused on sustainability rather than benefit adequacy. The book contains individual studies for eight countries from the region. The aim of the study is to identify their motivations for reform against the backdrop of the trend toward multi-pillar arrangements, to document their key provisions and compare them in the context of WB five-pillar paradigm, to evaluate the sustainability and adequacy of reformed pension systems in the face of population aging, and to provide recommendations to address gaps and take advantage of opportunities for further reforms. Benefit adequacy was assessed by estimating future gross and net replacement rates along both income and contribution record dimensions under steady-state conditions approximated by the year 2040.

[R1; R4] CREMER, Helmuth, GAHVARI, Firouz, PESTIEU, Pierre, “Fertility, Human Capital Accumulation, and the Pension System”, CESifo Working Ppaer 2736, July 2009.

The paper analyzes the externalities associated with fertility and human capital accumulation, as they relate to pension systems, through a overlapping generations model in which every generation consists of high earners and low earners. This setup highlights the externality sources due to the effect of a parent’s choice of number and educational attainment of his children on the proportion of high-ability individuals in the steady state. The study concludes that: investments in education of high- and low-ability parents must be subsidised; direct child subsidies to one or both parent types can be negative; net subsidies to children to high-ability parents are always positive, and to low-ability parents can be positive or negative; using child subsidy alone entails a higher fertility rate and a lower ratio of high- to low-ability children, as compared to using education subsidies alone.

[R1; R4; R5] WORLD BANK, “Pensions in Crisis: Europe and Central Asia Regional Policy Note”, November 2009.

Despite the severity of the financial crisis, it pales in comparison to the demographic crisis the region will face. Therefore, countries are urged not to make long-term policy changes to address short-run fiscal concerns. The long-run focus should include (i) protecting the purchasing power of pensioners and fiscal sustainability of the system by shifting to inflation indexation of pensions, (ii) encouraging individuals to work more and longer by raising retirement ages, equalising retirement ages between men and women, and curbing early retirement, and (iii) enhancing public awareness of the increasingly limited capacity of publicly provided pensions as populations age. In addition, countries which complement their public pensions with funded pensions should focus on (i) providing better insurance for second pillar pensions through life cycle portfolios or guarantees, (ii) accelerating regulatory reforms to enhance the rates of return, and (iii) building a market for inflation-indexed bonds which will allow insurance companies to offer inflation-indexed annuities.

[R1; R5] IMPAVIDO, Gregorio, TOWER, Ian, "How the Financial Crisis Affects Pensions and Insurance and Why the Impacts Matter", IMF WP/09/151, July 2009.

The paper discusses the key sources of vulnerabilities for pension plans and insurance companies in light of the global financial crisis of 2008. It also discusses how these institutional investors transit shocks to the rest of the financial sector and economy. The crisis has re-ignited the policy debate on key issues such as: 1) the need for countercyclical funding and solvency rules; 2) the tradeoffs implied in marked based valuation rules; 3) the need to protect contributors towards retirement from excessive market volatility; 4) the need to strengthen group supervision for large complex financial institutions including insurance and pensions; and 5) the need to revisit the resolution and crisis management framework for insurance and pensions.

[R1; R5] FIAP (International Federation of Pension Fund Administrators), "Investments and Payouts in Funded Pension Systems", International Seminar on Investments and Payouts in Funded Pension Systems, Warsaw, May 2009.

The publication attempts to point out the scope of current crisis and analyzes the long run effect on pension funds in terms of performance and profitability during accumulation and de-cumulation stages. The aim is to identify the main elements for dampening the effects of the crisis on pension funds by examining the issue of the multi-funds and investment diversification. Pension funds performed better than stock exchanges, due to the degree of diversification most countries have in pension fund portfolios. The book also analyzes the convenience of regulatory rules and regulations encouraging pension fund investments, in order to determine the optimal investment portfolios and what new instruments are available for improving the performance of the pension funds.

[R1; R5] GHIB, Marie-Luce, "Retraite et agriculture en Roumanie: une indemnité viagère aux objectifs ambigus", Economie Rurale, juin 2009. Retrieved from:
http://economierurale.revues.org/index2305.html
"Retirement and Farming in Romania: an Ambiguous Life Annuity Program"

Romanian agriculture still bears the marks of the former land policies. In the context of a strong will to stimulate the land market and to encourage competitiveness by modernising of the production systems, a specific national policy has been implemented in 2005: the life annuity subsidy. This consists in a subsidy in destination of old farmers who commit themselves to stopping agricultural activity. The paper deals with the first impact analysis of this measure by analyzing the context of policy implementation, and uses its apparent failure to underline some characteristics of Romanian farm structure. The analysis is based on the last data on farm structure (2002 and 2005).

[R1; R5] GLOMM, Gerhard, JUNG, Juergen, LEE, Changmin, TRAN, Chung, "Public Sector Pension Policies and Capital Accumulation in Emerging Economies" UNSW Research Paper 2009/ECON 10, June 2009. Retrieved from:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1425265

In many emerging economies pension programs of public sector workers are more generous than pension programs of private sector workers. The paper investigates public pension reforms that improve efficiency and welfare by reallocating government resources from non-productive public pensions to productive public education and infrastructure investments. The authors argue that the opportunity costs of running generous public pension schemes for civil servants are potentially large in emerging economies that often suffer from low public investments in education and *infrastructure. The savings distortions are quantified, as well as the tax distortions from running a generous public pension program. Calculating transitions to the post-reform steady state, the authors find that welfare losses for the generation born before the reform are offset by welfare gains by the generations born after the reform.*

[R1; R5] OECD, "Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries". Retrieved from: www.oecd.org/els/social/pensions/PAG

Pension and retirement policies have changed in recent years, as governments have tried to balance the goals of adequate retirement incomes and long-term financial sustainability of pension systems. The report provides a consistent framework for comparing pension policies between countries, by examining the implications of current crisis on pension systems (Chapter 1). Chapter 2 looks at incomes and poverty of older people over the past two decades, in many countries, the position of pensioners has improved relative to the population as a whole, but there remain pockets of old-age poverty. Chapter 3 updates the analysis of pension reform over the period 2004 – 2008. Chapter 4 considers coverage of voluntary private pensions, extending the analysis to look at how this varies with age and earnings. It also evaluates five different policies to expand coverage.

[R1; R5] HOLZMANN, Robert, "Aging Population, Pension Funds, and Financial Markets. Regional Perspectives and Global Challenges for Central, Eastern, and Southern Europe", World Bank, 2009.

Population aging is expected to affect the performance of financial markets in developed and emerging economies at a time when ever more countries are relying on funded provisions for old-age income support. For the former transition economies, this creates special challenges because the aging is well advanced, while the development of their financial markets is still in progress. The paper investigates the challenges faced by these countries in the context of international experience from OECD countries and Latin America under five broad topics: multi-pillar pension reform; how can the financial markets be developed to better support funded systems; can the financial markets generate sustained returns on a large scale; does investing in emerging markets help; will population aging impact rates of return. The overarching conclusion of this study is that these challenges can be addressed, but addressing them will require determined policy actions to complete financial market development and to promote financial literacy through education.

[R2] OECD, "Survey of Investment Regulation of Pension Funds", February 2010.

The report describes the main quantitative investment regulations applied to pension funds in OECD and selected non-OECD countries. Where regulations vary depending on the type of plan, the tables identify the types of plan that the investment regulations apply to. The information collected concerns all forms of quantitative portfolio restrictions (minima and maxima) applied to pension funds at different legal levels (law, regulation, guidelines, etc). The survey also includes information on investment regulations in some non-OECD countries that participate as observers to the Working Private Pension Party (Brazil, Chile, Colombia, Estonia, India, Israel, Russian Federation and South Africa).

[R2] ALLIANZ GLOBAL INVESTORS, "Defining the Direction of Defined Contribution in Europe: Results of an Expert Survey", International Pension Papers No. 4|2009.

One of the most important developments in retirement over the past years is the global trend away from DB towards DC plan s. This shift has taken many different forms and *shapes around the world and is having an immense impact on public policy, the retirement industry, and the retirement income security of future retirees. In Western Europe, occupational DC plans have also seen a strong upswing. This survey intends to contribute to a better understanding of current trends; its primary focus is on the expected future evolution of DC in Europe. Pension experts are invited to share their views on how they expect the retirement landscape to develop. Participants in the survey include pension experts from pension funds, academia, regulatory agencies, consultancies, international organisations, asset management firms, insurance companies and associations. The survey focuses on the six largest pension markets in Western Europe: France, Germany, Italy, Netherlands, Switzerland and UK.*

[R2] ANTOLIN Pablo, BLOME, Sandra, KARIM, David, PAYET, Stéphanie, PEEK, Jordy, SCHEUENSTUHL, Gerhard, YERMO, Juan, "Investment Regulations and defined Contributions Pensions", OECD Working Paper on Insurance and Private Pensions No. 37, July 2009.

The paper assesses the impact of different quantitative approaches to regulate investment risk on the retirement income stemming from DC pension plans. It looks at how such regulations affect the spectrum of investment policies available and, through this channel, how they affect the retirement income that an individual may expect from a DC pension plan. The analysis shows that there is a trade-off between potential retirement income and protection from bad outcomes. Reducing the downside risk on retirement income from DC pension plans requires moving into relatively conservative investment policies where the share of assets allocated to bonds may be quite large. However, this comes at the cost of renouncing potentially higher replacement rates that are attainable but at a higher risk of unfavourable retirement income outcomes. Less risk adverse regulators and supervisors would aim at lower probability requirements as regard the downside risk, which will increase the range of investment policies available and thus the share of riskier assets.

[R2] ASHCROFT, John, "Defined-Contribution (DC) Arrangements in Anglo-Saxon Countries", OECD Working Papers on Insurance and Private Pensions No. 35, March 2009.

The paper provides a comparative analysis of defined contribution (DC) pension systems in Australia, Ireland, the United Kingdom and the United States. There are considerable similarities in the systems which have evolved out of employer sponsored trust-based defined benefit (DB) systems and have expanded at different rates as DB has declined. The plans predominantly offer individual accounts with a choice of funds, with virtually no guarantees of performance and few regulatory restrictions on investment. Most funds are heavily invested in equities, although there is a move in some of the countries to life-styling investments in the run-up to retirement. The paper finds notable contrasts between fiduciary requirements, the regulation of transparency and charges and the approach to the pay-out phase, which raise some important public policy questions.

[R2] BLOMMESTEIN Hans, JANSSEN, Pascal, KORTLEVE, Niels, YERMO, Juan, "Evaluating the Design of Private Pension Plans: Costs and Benefits of Risk-Sharing", OECD Working Papers on Insurance and Private Pensions No. 34, March 2009.

The purpose of the paper is to analyze the trade-off between uncertainty in contributions and benefits, which is embedded in different pension arrangements, by using the funding ratio (ratio of assets to liabilities) and the replacement rate (ratio of benefits to salaries) as key criteria for evaluating the risk sharing characteristics of a private pension plan from the perspective of the plan member. The stochastic *simulations performed show that hybrid plans (those in between traditional DB and individual DC) appear to be more efficient and sustainable forms of risk sharing than either of the other two. Of the three main hybrid plans analysed, conditional indexation plans appear to have the greatest potential as sustainable forms of risk sharing.*

[R2] BURTLESS, Gary, "Lessons of the Financial Crisis for the Design of National Pension Systems", CESifo Working paper 2735, July 2009.

The recent financial crisis and historical record suggest important lessons about the design of national pension systems. First, wide fluctuation in asset returns makes it hard for well informed savers to select a saving rate or a sensible investment strategy for DC pensions. Workers who follow identical investment strategies but who retire a few years apart can receive DC pensions that are startlingly unequal. Second, it is hard for ordinary workers, as opposed to optimal planners, to make sensible choices about portfolio allocation. Their investment errors mean that actual returns fall short of the theoretical returns that could be earned by a well-informed, disciplined investor.

[R2] FIAP (International Federation of Pension Fund Administrators), "Description and Analysis of the Multi-Funded Systems in the Latin American and Eastern European Pension Systems", Santiago, January 2010.

The document describes the regulations governing the multi-funds systems (or multiple portfolios) in 8 countries that have adopted pension programs based on individual funding. There is a limit on the number of multi-funds authorised in these countries, but in all of them the main difference between the authorised portfolios is their variable income investment percentage. In 7 countries the regulations set out default rules and regulations for members who do not choose a fund type on joining the system, while in Slovakia the regulations do not stipulate a default fund: workers must necessarily choose a fund type in order to be able to join the pension system. The available evidence shows that in Latin America most of the accumulated funds and members are in balanced investment strategies, while in Eastern Europe more aggressive investment strategies are preferred.

[R2; R3] MLFSP, "Lege priving sistemul unitar de pensii publice", January 2010. Retrived from: http://www.mmuncii.ro/ro/articole/2010-01-26/proiect-de-lege-privind-sistemul-unitar-de-pensii-publice-1512-articol.html

"Law on the unified system of public pensions"

The draft law stipulates the new reforms initiated by the government in the public pension system. These reforms concern: the unification of retirement age for both genders; the inclusion of parallel regimes in the public system (administrated through the first pillar); new conditions for early retirement; a mechanism for assessing the disability in case of disability pensions; increasing the retirement age to 60 years for military and police personnel; the introduction of contributions for professional categories that are currently exempted from paying them. Additional provisions refer to the general organisation of the system, obligations of insured persons, the mechanism of pensions' indexation, etc.

[R2; R4] UTUREANU, Simona-Luize, NICODIM, Liliana, "Pension system and the financial crisis", Analele Universitatii Oradea, Tom XVIII, Volume I, 2009. Retrieved from: http://steconomice.uoradea.ro/anale/volume/2009/v1-international-relations-and-european-integration/78.pdf

The paper tries to demonstrate how the pension fund assets are affected by the financial crisis. It also proposes some policy options for avoiding abrupt policy changes in response to the crisis, particularly with respect to the provision adequate income levels to retired people. Although the proposed solutions are intended not to modify the current design of the pensions system, but only the diversification of the multi-pillar scheme, it is not clear from the paper what exactly this diversification should imply from policy making point of view.

[R4] HOLZMANN, Robert, MACKELLAR, Landis, REPANSEK, Jana, "Pension Reform in South-eastern Europe. Linking to Labour and Financial Market Reform". World Bank, 2009.

The diverse reform needs of pension systems in aging societies, which are further stressed by the pressures of globalisation, require parallel reforms of labour and financial markets. Faced with aging populations, countries have to reform both their pension systems, to promote longer working lives, and their labour markets, to ensure that people can actually work longer. At the same time the working population, including youths, has to be motivated to start contributing to the pension scheme. Diversifying the great spectrum of risks through a multi-pillar scheme could answer these needs and allow more flexibility in individual retirement decisions. To do this on a large scale, however, a well-developed financial market is required. The book begins with an analysis of new social risks of ageing, and continues with a part on aligning and linking the reforms on pensions, labour market, and financial market.

[R5] HOLZMANN, Robert, ROBALINO, David, TAKAYAMA, Noriyuki, "Closing the Coverage Gap. The Role of Social Pensions and other Retirement Income Transfers", World Bank, 2009.

The book investigates the possibilities of increasing access to voluntary savings instruments for old age and the various forms of retirement income transfers that aim to prevent poverty and guarantee a minimum level of income during old age. Well-known, and less well-known, examples of such general budget-financed income transfers include social pensions, minimum pension guarantees, and matching contributions. The analysis is in fact a compilation of Tokyo 2008 conference aimed to assess the need for retirement income transfers, to take stock of the international experience with social pensions, to review design and implementation issues, and to explore the scope for subsidised contributory systems.

[R5] ROSOIU, Felicia, "La relation entre l'âge et la pauvreté en Roumanie ", Law Faculty of University Babes Bolyai, Cluj Napoca, 2009. Retrieved from: comptrasec.u-bordeaux4.fr/anim/.../Rosoriu2009.doc
"The relationship between age and poverty in Romania"

The paper aims at identifying the main determinants of poverty in Romania, as compared to other countries of the European Union. The age categories are analyzed in this perspective; the study concludes that 65% of old persons (above 65 years) suffer from material deprivation in Romania, women being affected more than men by this situation. The policy measures implemented by the government to cope with poverty among old-aged persons seem to be insufficient in the opinion of the author, who affirms that a certain degree of inequality have been induced across pensioners by the past governmental policies.

[H] Health

[H1] INSTITUTE FOR THE FUTURE, "Health and Health Care 2010: The Forecast, the Challenge", Second Edition, Josey Bass ed. San Francisco, 2010.

The book summarises the results of a wide range of health care forecasts, including demographic indicators (population, number of patients), health care cost, number of hospitals, size of medical staff and pharmacists, drugs and technology. Forecasts are based on three scenarios, which serve for projecting the demand for health care services. A three-tiered model is used for forecasting health insurance indicators. Various type of medical services are analyzed in separate chapters (children health, mental health, health care of elderly, chronic health, etc.).

[H1; R1] EUROPEAN COMMISSION, "2009 Ageing Report: economic and budgetary projections for the EU-27 Member States (2008-2060)", European Economy 2/2009.

The report presents the expenditure projections covering pensions, health care, long-term care, education and unemployment transfers for all Member States. This is the third assessment of the impact of ageing population since 2001. This projection exercise builds on, updates and further improves the previous exercises so as to enhance comparability across countries, consistency across expenditure items and the economic basis for the underlying assumptions. The report is structured in two parts. The first describes the assumptions underlying the population projection, the labour force projection and the other macroeconomic assumptions. The second part presents the projection of expenditure on pensions, health care, long-term care, education and unemployment transfers. A statistical annex gives a country-by-country overview of the main assumptions and results.

[H1; R1] EUROPEAN COMMISSION, "Sustainability Report – 2009", European Economy 9/2009.

The report takes into account the crisis context and its impact on public finances. As long as the recovery is not sustained and the discretionary measures deployed by governments are not withdrawn, the effect of the crisis on public finances cannot be fully determined. However, given the large impact of the crisis on public debt, it provides a timely input at a stage where fiscal policies must progressively be reoriented towards sustainability and exit strategies need to be designed and implemented in a coordinated manner. The fiscal cost of the crisis and of projected demographic developments compound each other and make fiscal sustainability an acute challenge. The available projections show that, in the absence of ambitious efforts to implement structural reforms and consolidate government accounts, there would be very large increases in expenditure on debt interest and public pensions, as well as on healthcare and long-term care during the coming decades.

[H1; R1; L] HAYASHI, Chiemi, OLKKONEN, Heli, SIKKEN, Mercer, YERMO, Juan, "Transforming Pensions and Healthcare in a Rapidly Ageing World: Opportunities and Collaborative Strategies", World economic Forum, 2009.

The report addresses the question of ageing societies from a perspective that integrates implications and solutions for both healthcare and pensions. This integrated approach emphasises a multi-stakeholder collaboration, in order to tackle with the associated challenges. The report focuses on opportunities, rather than risks. The risks of ageing societies are widely apparent; however, there are positive sides to ageing as well. More people can expect to enjoy better health later in life, enabling a

greater level of activity in old age that can, in turn, improve the quality of life and social outcomes. The report also provides an overview of a broad set of practical solutions, ranging from the existing, but underappreciated, to the highly innovative. The strategic options it presents are explored with sufficient specificity to enable their potential to be meaningfully evaluated.

[H1; H5] MINISTRY OF HEALTH, "Nota cu privire la definirea pachetului general de servicii medicale din sistemul asigurărilor sociale de sănătate si introducerea tichetelor pentru sănătate", May 2010. Retrived from: http://www.ms.ro/?pag=14
"Note on defining the general medical services oft he health insurance system and the definition of health ticket"

The note, approved by the Prime Minister, represents the basic document for introducing the co-payment mechanism in the Romanian health care sector. It contains the list of medical services provided through the system of health insurance, as well as the tariffs introduced as co-payments, by type of service. It also contains the categories of persons that are exempted from paying the health ticket, respectively those categories for which the co-payment will be borne by the state budget or health insurance budget.

[H1; H5] CORNESCU, Viorel, IANOLE, Rodica, OPREA, Denise, "An Overview of the Romanian Health Economics", International Conference on Economics and Administration, ICEA – FAA Bucharest, November 2009.

The paper offers a general understanding of the evolution, present situation and future challenges of health economics in Romania. The approach is a synthetic one in terms of underlying the importance of this new field and the potential benefits of specific analysis on the Romanian health sector. In view of these facts, the paper analyses some of the most problematic areas of the sector: financing aspects and human and technical resources – medical staff and facilities, respectively the relationships between physicians and patients, and also the general attitudes towards health care.

[H2; H4] LEIVE, Adam, "Economic Transition and Health Care Reform: The Experience of Europe and Central Asia", IMF WP/10/75, March 2010.

The paper exploits the staggered adoption of major concurrent health reforms in countries in Europe and Central Asia after 1990 to estimate their impact on public health expenditure, utilisation, and avoidable deaths. While the health systems all derived from the same paradigm under central planning, they have since introduced changes to policies regarding cost-sharing, provider payment, financing, and the rationalisation of hospital infrastructure. Provider payment reforms produce the largest impact on spending, with fee-for-service increasing spending and patient-based payment reducing it. The impact on avoidable deaths is generally negligible, but there is some evidence of improvements due to fee-for-service.

[H2; H4; H5] RG, "Strategia de descentralizare in sistemul de sanatate", May 2009. Retrived from: http://www.gov.ro/guvernul-a-aprobat-strategia-de-descentralizare-in-sistemul-de-sanatate__l1a105127.html
"The decentralisation strategy in the health care system"

The strategy serves as fundament for the adoption of the law on hospital decentralisation. It therefore sets the main principles and objectives for passing the administrative responsibilities to local authorities in terms of hospital management. The document stipulates the conditions of this transfer of responsibilities, as well as the new mechanism of financing the hospitals. The criteria for classifying the

hospitals, which will serve as a basis for deciding at which level of authority the transfer will be done, is equally mentioned in the strategy.

[H3] PREJMEREAN, Cornelia, “Study regarding Customer Perception of Healthcare Service Quality in Romanian Clinics, Based on their Profile”, Amfiteatru Economic Journal, Vol. 11, Issue 26, 2009. Retrieved from:
http://econpapers.repec.org/article/aesamfeco/v_3a11_3ay_3a2009_3ai_3a26_3ap_3a298-305.htm

The paper presents the differences in patient perception on healthcare services quality, on a sample of ten Romanian clinics. The evaluation is based on three variables: perceived competence of physicians, perceived competence of nurses, and the empathy of hospital personnel. The data is processed through PROXSCAL (multidimensional scaling) in SPSS (Statistical Package for Social Sciences), in which proxy variables were created for expressing patient satisfaction, which served then for grouping the clinics based on their similarities. The conclusions serve as an orientation tool on the healthcare services market.

[H4] LEWIS, Maureen, PETTERSON, Gunilla, “Governance in Health Care Delivery. Raising Performance”, Policy Research Working Paper 5074, World Bank, October 2009.

The impact of health care investments in developing and transition countries is measured by inputs and general health outcomes. Missing from the health agenda are measures of performance that reflect whether health systems are meeting their objectives, public resources are used appropriately and the priorities of governments are implemented. The paper suggests that good governance is central to raising performance in health care delivery, and provides a definition of good governance in health and a framework for improving performance in the health sector. Performance indicators that offer the potential for tracking relative health performance are proposed, and provide the context for the discussion of good governance in health service delivery in the areas of budget and resource management, individual provider performance, health facility performance, informal payments, and corruption perceptions.

[H5] PMR, “Private Health Care Market in Central and Eastern Europe 2009. Development forecasts for 2009 – 2011”, PMR corporate publications, 2009. Retrieved from:
http://www.pmrpublications.com/online_shop/en_Private_healthcare_market_in_Central_and_Eastern_Europe_2009.shtml

The report presents and analyses the latest findings in the private healthcare sectors in Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria and Russia. The report provides current data on market size and structure within these countries, while providing analysis of major trends and offering projections to 2011. The report also features an examination of major players in the private healthcare market in CEE countries. It provides profiles of providers and consumers of private healthcare services as well as data on spending trends for various market segments such as inpatient services, dental care or dialysis care. It also summarises the main characteristics and the expected changes of the legal environment related to health insurance.

[L] Long-term care

[L] DAYTON, Kim, "Global Perspectives on Financing Long-Term Care", SSRN Working Paper Series, January 2009. Retrieved from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=939830

The world will experience an enormous increase in the number and percentage of elderly relative to non-elderly population: in 25 years, 1.5 billion persons will be 65 years old, compared to less than 500 million today. The number of persons above 80 will increase by more than 500% during that period. Global aging will generate a crisis with regard to financing the LTC for disabled elderly. The paper describes how three particular nations - Japan, US, Italy - currently deliver and pay for the principal components of LTC for and suggests how these mechanisms may or may not offer solutions to the world's future need to provide quality of life to all citizens, including the oldest of them. It proposes what should be regarded as the minimum components of an economically sustainable, gender-neutral, and inter-generationally just system of providing LTC to disabled elderly.

[L] FUJISAWA, Rie, COLOMBO, Francesca, "The Long-Term Care Workforce: Overview and Strategies to Adapt Supply to a growing Demand", OECD Health Working papers 44, March 2009. Retrieved from: http://ideas.repec.org/p/oec/elsaad/44-en.html

The paper offers an overview of LTC workforce and reviews country responses to the growing demand for LTC workers. In OECD countries LTC expenditure are projected to reach 2% to 4% of GDP by 2050, while the population over 80 years is expected to triple between 2005 and 2050. Trends in severe disability among elderly across OECD countries do not show a consistent sign of decline, while the number of elderly needing assistance is growing. Societal changes (reductions in the importance of informal care due to rising labour market participation by women and declining family size, as well as growing expectations for more responsive, quality health and social-care systems) create pressures to improve value for money in LTC systems. These factors add pressures on the workforce of this highly labour-intensive sector. Adding to this are the difficulties in attracting and retaining caregivers to a physically and mentally gruelling profession.

[L; R1; H1] HAYASHI, Chiemi, OLKKONEN, Heli, SIKKEN, Mercer, YERMO, Juan, "Transforming Pensions and Healthcare in a Rapidly Ageing World: Opportunities and Collaborative Strategies", World economic Forum, 2009.

The report addresses the question of ageing societies from a perspective that integrates implications and solutions for both healthcare and pensions. This integrated approach emphasises a multi-stakeholder collaboration, in order to tackle with the associated challenges. The report focuses on opportunities, rather than risks. The risks of ageing societies are widely apparent; however, there are positive sides to ageing as well. More people can expect to enjoy better health later in life, enabling a greater level of activity in old age that can, in turn, improve the quality of life and social outcomes. The report also provides an overview of a broad set of practical solutions, ranging from the existing, but underappreciated, to the highly innovative. The strategic options it presents are explored with sufficient specificity to enable their potential to be meaningfully evaluated.

[L] NAHP, “Plan de actiune 2010“, Ministry of Labour, Family and Social Protection, Retrived from: http://www.anph.ro/anph.php?m=anph&ida=4
“Action Plan for 2010”

The document represents the annual disaggregation of the policy measures envisaged by the National Strategy for Protection and Inclusion of Disabled Persons, adopted in 2005. The plan contains 36 activities to be implemented over the whole year, with the main aim of improving the lining conditions and social inclusion of this category. Nevertheless, the plan is very vague in terms of achievable results; no performance indicators are provided, as the main envisaged activities are related to the elaboration of new legislative norms, standards and methodologies that concern in principal the daily activity of the institution, and very little the situation of beneficiaries.

5 List of Important Institutions

Academia de Stiinte Medicale (ASM) – The Academy of Medical Sciences

Contact person: Prof. Dr. Nicolae Manolescu
Address: Splaiul Independentei 99 – 101 Sector 5, Bucuresti
Phone: 021 3115380 021 3115381
Webpage: http://www.adsm.ro/index.html

The institution, created in 1935, is subordinated to the Ministry of Public Health. It undertakes medical and pharmaceutical research, and coordinates various research programs at national and sectoral level (VIASAN[39] is the most important one). No publication is available on ASM site, although three scientific departments coexist within the institution: Biomedical Fundamental Sciences, Internal Medicine, and Clinic Surgery.

Agentia pentru Strategii Guvernamentale (ASG) – Agency for Governmental Strategies

Contact person: Gabriel Badescu
Address: Piata Victoriei 1, Sector 1, Bucuresti
Phone: 021 3180350 021 3143400
Webpage: http://www.publicinfo.ro/pagini/index.php

ASG is a governmental institution, established in 2003, responsible for assisting the government in the process of decision making. The institution carries out studies and analyses aimed to evaluate the impact of governmental policies in various fields. The most important refers to the impact of the crisis on private companies (August 2009), respectively on population (December 2009). A periodical is also available on the website – the Review European Romania.

Asociatia pentru Pensiile Administrate Private din Romania (APAPR) – The Association of Privately Administrated Pensions from Romania

Contact person: Crinu Andanut
Address: Str. Ion Slatineanu 6, Sector 1, Bucuresti
Phone: 021 2072100
Webpage: http://www.apapr.ro/

APAPR is a professional non-governmental structure whose objective is to defend the interest of institutions and persons involved in the private pensions system. It is very active in formulating legislative proposals in the field and promoting the private system of pensions. In 2008, APAPR integrated the European Federation of Pension Funds and the International Federation of Multi-Pillar Private Pensions. The website offers good and up to date information on the privately managed funds – second and third pillar.

Autoritatea Nationala pentru Persoanele cu Handicap (ANPH) – National Authority for Disabled Persons

Contact person: Ioana Mihaela Lese
Address: Calea Victoriei 194, Sector 1, Bucuresti
Phone: 021 2125442
Webpage: http://www.anph.ro/

ANPH is a specialised governmental body, subordinated to the Ministry of Labour, Family and Social Protection, in charge of coordinating the policies related to the protection of disabled persons. ANPH is also empowered to elaborate the standards and norms required in

[39] Life and Health: http:// www.viasan.ro.

residential institutions for handicapped people. There are two bodies under ANPH subordination: The Institute for Preventing the Social Exclusion of Disable Persons, respectively The Commission for Evaluation of Disabled Adults.

Casa Nationala de Asigurari de Sanatate (CNAS) – National House for Health Insurance

Contact person: Lucian Duta
Address: Calea Calarasilor 248, Sector 3, Bucuresti
Phone: 0800800950
Webpage: http://www.cnas.ro/

CNAS is an autonomous public institution responsible for the overall coordination and management of the health insurance. CNAS has county branches and includes the special regimes of Transport, Defence, Interior, and Justice. The institution offers a wide range of information (studies, statistical data, budget execution, legislation), not all of them updated. The most recent activity report, for example, concerns the year 2008, and the budget execution ends in 2006.

Casa Nationala de Pensii si Alte Drepturi de Asigurari Sociale (CNP) – National House of Pensions and Other Social Insurance Rights

Contact person: Domnica Doina Parcalabu
Address: Str. Latina 8, Sector 2, Bucuresti
Phone: 021 3162830
Webpage: http://www.cnpas.org/portal

CNP is an autonomous public institution in charge of administrating the public system of pensions, as well as the work accidents scheme. The institution offers various information to beneficiaries and statistical data regarding the first and second pillar, but no studies or reports.

Scoala Nationala de Sanatate Publica si Management Sanitar (SNSPMS) – The National School of Public Health and Sanitary Management

Contact person: n.a.
Address: Str. Vaselor 31, Sector 2, Bucuresti
Phone: 021 2527893
Webpage: http://www.snspms.ro/index.html/articles?articleID=114

The institution offers training in various medical fields, while doing research through the Centre for Research and Evaluation of Health Services. It also undertakes activities for health promotion and offers expertise to interested parties. The school has its own editorial house (Public H Press), a quarterly bulletin (Health Management Review), and various publications in form of working papers, studies and articles.

Centrul de Mediu si Sanatate (CMS) – The Environment and Health Centre

Contact person: Sorin Gurzau
Address: Str. Busuiocului 58, Cluj-Napoca
Phone: 264 432979 264 5322972
Webpage: http://www.ehc.ro/

CMS carries out activities of research, education, and consulting in environmental issues and occupational health. The centre undertakes studies in the field of environmental monitoring, assessment, and health impact evaluation. Master degree programs are also delivered in cooperation with the university Babes-Bolyai from Cluj-Napoca in the fields of Ecotoxocology and Environmental risk Assessment, Industrial Hygiene, and Management of Ecological Security.

Comisia de Supraveghere a Sistemului de Pensii Private (CSSPP) – Commission for Monitoring the System of Private Pensions

Contact person: Mircea Oancea
Address: Calea Serban Voda 90-92, Sector 4, Bucuresti
Phone: 021 3301035 0213301037 0213301046
Webpage: http://w4.csspp.ro/ro/

Founded in 2005, CSSPP is directly subordinated to the Parliament and is responsible for prudential regulation and control of the private system of pensions. The institution also delivers the necessary permits to pension funds, administrators, depositors and auditors. In the legal domain, CSSPP adopts private pension norms, and elaborates and approves normative acts.

Institutul de Cercetare a Calitatii Vietii (ICCV) – The Research Institute for the Quality of Life

Contact person: Catalin Zamfir
Address: Calea 13 Septembrie 13, Sector 5, Bucuresti
Phone: 021 3182461
Webpage: http://www.iccv.ro/

ICCV was founded in 1990 as a branch of the National Institute for Economic Research – a group of several public research institutions affiliated to the Romanian academy. It is the main institutional structure dealing with social policies, including health care, poverty alleviation, standards of living, pension system, regional development, minorities, etc. The institute publishes two periodicals (The Quality of Life Review – biannual, respectively the Social Innovation Review – electronic form). Unfortunately, the site has not been updated since April 2008.

Institutul de Economie Nationala (IEN) – The Institute of National Economy

Contact person: Prof. Dr. Gheorghe Zaman
Address: Calea 13 Septembrie 13, Sector 5, Bucuresti
Phone: 021 3182467
Webpage: http://www.ien.ro/

IEN is the oldest public institution of Romania undertaking economic research, created in 1953. As a part of the National Institute for Economic Research, IEN is affiliated to the Romanian Academy. It covers a wide range of research areas, including social protection. IEN publishes the biannual Romanian Economic Review (RER) and many studies and reports. Nevertheless, the most recent issue of RER available on the website is from 2005, while the section "Reports and Studies" is completely empty.

Institutul National de Cercetare Stiintifica a Muncii si Protectiei Sociale (INCSMPS) – The National Scientific Research Institute for Labour and Social Protection

Contact person: Vasilica Ciuca
Address: Str. Povernei 6 – 8, Sector 1, Bucuresti
Phone: 021 3124069
Webpage: http://www.incsmps.ro/index.php?lang=romanian

Founded in 1990, the institute carries out surveys and research in the area of human resources management, social development and social protection. It has been involved in elaborating several important studies (National Human Development Report 2007, The System of Social Protection Indicators in Romania) and strategic documents (The Reform of Social Security in Romania).

This publication is financed by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme was established to support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. The Programme has six general objectives. These are:

(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en