# Annual National Report 2009

# Pensions, Health and Long-term Care

## Romania

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# List of Abbreviations

| | |
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| ANPH | Autoritatea nationala pentru Persoanele cu Handicap (National Authority for Disabled Persons) |
| APAPR | Asociatia Pentru Administratea Pensiilor Private din Romania (Association for the Administration of Private Pensions in Romania) |
| ASG | Agentia de Strategii Guvernamentale (Agency for Governmental Strategies) |
| BNR | Banca Nationala a Romaniei (National Bank of Romania) |
| DB | Defined benefit |
| DC | Defined contribution |
| CNAS | Casa Nationala de Asigurari de Sanatate (National House for Health Insurance) |
| CNP | Casa Nationala de Pensii si Alte Drepturi Sociale (National Pension House) |
| EC | European Commission |
| EU | European Union |
| EUR | Euro |
| GAE | Group of Applied Economics |
| GDP | Gross Domestic Product |
| GR | Government of Romania |
| ILO | International Labour Office |
| IMF | International Monetary Fund |
| IOPS | International Organisation of Pension Supervisors |
| ISSA | International Social Security Association |
| MLFEO | Ministry of Labour, Family and Equal Opportunities |
| MLFSP | Ministry of Labour, Family and Social Protection |
| NCFS | National Committee for Financial Stability |
| NHIF | National Health Insurance Fund |
| NIER | National Institute for Economic Research |
| OECD | Organisation for Economic Development and Cooperation |
| PAYG | Pay-As-You-Go |
| RON | Romanian New Leu |
| SI | Social Insurance |
| SSA | Social Security Administration |
| UC | Contributory Unit |
| UCM | Mutual Contributory Unit |
| USD | US Dollar |
| WB | World Bank |

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# 1 Executive Summary

The year 2008 was mostly spent preparing the parliamentary elections of 30 November, and, therefore, the reform process lost its importance significantly among governmental priorities.

In the pension sector, the private system (both mandatory and voluntary pillars) has rapidly gained in terms of performance and number of participants. However, the participation to the third pillar is slowing down because the global crisis induces a shift of priorities both for workers and for employers who initially planned to contribute for their employees. The good performance of the private pension system will be overshadowed in 2009 by the government decision to freeze the contribution rate to the second pillar, as a (strongly contested) anti-crisis measure, aimed to make some savings within the state budget. Equally contested is the current discussion to impose on private pension administrators a return on investment that will guarantee the inflation; however, no other defined contribution (DC) system in the world similar to the Romanian one, imposes such conditions.

In the public pillar, the Government introduced a minimum pension of RON 300 (which implies the use of the "social pension" concept), in order to help reducing the discrepancies in pension levels. The Law 263/2008 on introducing a pension system for people working in the agricultural sector (currently uncovered by a contributory scheme) was adopted; most probably, its implementation will start next year.

Despite notable progress, recorded since the 2000 reform, the Romanian pension system is still confronted with serious sustainability challenges, particularly due to the phenomenon of population ageing, but also linked to early retirements, a declining number of contributors, the increasing deficit of the public scheme, and low activity rates of seniors.

In the health care sector, the slowness and low efficiency of reforms prevail, in particular due to the lack of a reforming vision, coherence of programmes, excessive and unstable legislation, bureaucracy, lack of institutional coordination between central and local levels, and endemic corruption. Consequently, the Romanian health care sector offers very low quality of medical services in badly managed and poorly equipped medical units, despite a doubling of financial resources allocated. Access to health care has worsened – particularly in rural areas and small towns – as a result of increasing emigration of medical staff. Consequently, the population's perception of the health care system is not very flattering: 82% of people consider the main institution in charge (CNAS – National House for Health Insurance) not to represent their interests. Corruption and informal payments on one hand, and the manifested disinterest of medical personnel towards the patients on the other hand, are the key deficiencies of the system, according to public opinion.

Long-term care continues to be predominantly institutionalised and to focus on disabled persons who are in need of permanent medical assistance. The rest of potential beneficiaries, not fulfilling this condition, have no choice but to live alone or with their families. The main reform direction in this sector was the transfer of the major part of financial responsibility from central to local authorities.

The effects of the global crisis on the economy in general, and on the social protection sector in particular, are growing with exceptional intensity. Consequently, the Government has abandoned the exaggerated pre-electoral optimism in favour of a package of anti-crisis measures. Several social measures are included with a budget of EUR 0.26 billion, i.e. 2% of total resources, allocated for this purpose; the most important of them refer to the introduction of a minimum pension, exemption from paying social contribution in specific circumstances, respectively the extension by three months of the period for receiving unemployment benefits.

# 2 Current Status, Reforms as well as the Political and Scientific Discourse

Two years of EU membership and almost two decades of transition find Romania relatively advanced economically and politically, but far behind the hopes people had when communism was over. The country, together with its neighbour Bulgaria, monopolised the last EU positions in most of the indicators showing social, economic, and institutional developments.

Despite a high growth performance over the last few years, inflation continues to record well above the target rates (6.8%, as compared to the target of 3.8% in 2008[1]), while the budget deficit reached 5.2% in 2008.

On the political scene, the last two years were mostly consumed with interminable disputes between the parties that composed the DA coalition, which won the 2004 elections but fell apart after two years of governance. As a result, a minority government – composed of the remaining wing of the Liberal Party (after its own split, which sent half of its members into opposition) – has led the executive business of the country for the remaining period, until the November 2008 elections. Many legislative initiatives of the amputated Government have, therefore, been sent back systematically by the former coalition partners in the parliament for (not always necessary) revisions; this is the case, for example, with the health reform project submitted in 2008 for discussion and approval.

Corruption and bureaucracy have continued to flourish on this fertile political and institutional ground. Consequently, the EC has strongly criticised Romania for not doing enough to tackle corruption problems, particularly in the sector of justice. EC officials have even threatened with the possibility of freezing EU funds (Mediafax, 2009) if radical measures are not taken in this respect. Fortunately for Romania, the crisis is hitting the economy more and more severely; thus, the EC will probably continue to pump in the promised money and forget, for the time being, the corruption.

In these circumstances, little room has been left for pursuing reforms. In any case, with the EU integration being achieved, the economy growing fast thanks to the billions of euros injected every year through structural funds by the EU and the unemployment coming down to rates that make even the most developed EU country jealous, the Romanian authorities probably figured that they deserve a few years of reform break.

## 2.1 Pensions

### 2.1.1 Overview of the system's characteristics

The old-age pension system is based on social insurance (public) and individual accounts (private compulsory) and covers: employed persons with individual employment contracts, civil servants, judges, diplomatic personnel, certain officials within the executive, legislative, and judicial authorities, craft cooperative members, and recipients of unemployment benefits. Special schemes are in place for lawyers and other professionals, military personnel, and the clergy. The reform of the system started with the adoption of Law 19/2000, which replaced the former PAYG scheme with the first pillar. In 2004, the Law 411/2004 was passed, introducing the second (compulsory) pillar, privately administrated through individual

[1] BNR, 2009

accounts. Two years later, the adoption of Law 204/2006 allowed for the introduction of a third pillar, which is voluntary and privately administrated.

In parallel, the retirement age started to be increased to reach 65 (60) years for men (women) by the end of 2014, while the minimum contribution period will rise from 10 to 15 years for both genders, over the same period. Until December 2014, the complete contribution period will increase to 35 years for men and to 30 years for women. Lower age requirements apply to persons employed in arduous and dangerous activities, to disabled persons, visually impaired people, political prisoners of the communist regime, as well as teachers and mothers of at least three children (in specific circumstances).

The second pillar was introduced in 2007, with the first contributions paid in September 2007. The Romanian private pensions system, based on the WB model, is a variant of the Latin American scheme, with the public component managed to ensure social protection and offering rather low pensions.[2] The privately managed second pillar is compulsory for all persons below the age of 35 (as per 1 January 2008) and optional for the age group 36-45. It is a DC (defined contribution) system, where contributions are accumulated in an individual account.

According to the legal provisions in the field (Law 411/2004), the contributions were supposed to grow from the initial 2% rate in 2007 and 2008[3] to 6% by the end of 2016 (0.5% every year); symmetrically, the contribution to social insurance (public scheme) will decrease each year by 0.5% of gross earnings, until reaching 5.5% in 2016. However, the newly elected Government decided to suspend these legal provisions for 2009, which would have seen contributions to the mandatory second pillar rise from 2% to 2.5%. The authorities justify this measure by the necessity to maintain a sound state budget in 2009, whose balance is hardly threatened by the global financial and economic crisis. Officially, the measure is part of the spending rationalisation package and is supposed to translate into a budget saving of about EUR 80 million in 2009. According to APAPR – Association for the Administration of Private Pensions in Romania – this saving will nevertheless induce a corresponding loss for each participant to the system estimated between EUR 500 and 1,000, which seriously hampers the further development of the mandatory private pensions.

When the second pillar was introduced, the specialists based their forecasts on the following working hypotheses:

The number of participants will reach 3.5 million persons in 2008 and 4.5 million by the end of 2012.

This hypothesis seems well founded: 3.2 million participants were already recorded in May 2008 and their number further increased to 4.65 million in March 2009. Yet, there are still around 1 million empty accounts reported, of which about half are "white" accounts, with no contribution at all during the whole of 2008.

The volume of contributions will attain RON 310 million in 2008, and RON 7.9 billion for the entire period 2008-2012.

[2] The public pillar consumes the largest part of the SI budget: the pension expenditures represented 7.3% of GDP in 2008, compared to 5.7% in 2007. The average SI pension (pillar 1) represented EUR 161 in January 2009, compared to EUR 174 in December 2008, but this decline is exclusively the consequence of RON devaluation. In parallel, the ratio between net average pension and net average wage decreased from 50% in November 2008 to 45.8% in December 2008.

[3] The 2% rate was maintained in 2008 because the contributions started to be paid in May 2007; 2008 is, therefore, the first full year of contributions.

The working hypothesis is also correct, since in January 2009 the assets value of the 14 pension funds[4] was recorded as RON 949.6 million, three times higher than the expected amount. By the end of 2009, APAPR expects EUR 517 million in terms of net assets, more than double the amount recorded in the beginning of the year.[5] The overall performance (particularly the financial one) of the second pillar will be evaluated in May 2010.

The capitalised assets value will reach RON 75 billion in 2020, which is equivalent to EUR 22 billion at the RON exchange rate existing at the moment of making the forecasts.

Between September 2007 and February 2008, the eligible contributors to the second pillar had the possibility to choose the pension fund; once the delay was over, those who did not make a choice were automatically and randomly allocated to a pension fund (between 0.3 and 0.5 million, according to CNP estimations). Three months after this delay (May 2008), about 900,000 empty accounts were recorded in the system, out of four million eligible contributors. Three main reasons were given for this situation:

The lists of eligible contributors were elaborated by the employment offices before September 2007; within this period of time, a part of potential contributors emigrated abroad. In certain opinions, the lists were not accurately elaborated and they included a large number of persons who were not eligible (Nicolae, 2008).

Many persons were distributed to a pension fund after the deadline, but they were actually unemployed at that moment.

The largest share of empty accounts seems to be the result of inadequate recording of contribution transfers and accompanying documents. The mechanism of paying the contribution to the second pillar is particularly bureaucratic in Romania: every month the employer must send a declaration of contribution to CNP, and then make the transfer to the National Agency for Fiscal Administration (ANAF), which belongs to the Ministry of Finance. An account remains empty in two situations: when the employer sends the money but not the declaration (this was often the case in the first months of existence of the system, according to CNP); or when the declaration is lost by CNP or not matched with the transfer.

It is interesting to note that the National Pension House was not able to offer any explanation for the existence of such a high number of empty accounts. At that time, this anomaly was considered as an inherent but transitory problem of the system, which was linked to the inexperience of those involved in paying the contributions or recording those contributions. However, one year later, at the end of April 2009, the share of empty accounts increased to 27% in total.[6] Thus, the problem persists, and the costs associated with these empty accounts is estimated at EUR 40 million (Nicolae, 2008).

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4 In fact, 18 pension administrators were initially licensed, but four of them left the market rather soon, without any major impact on the market structure, since their market share was very small.

5 The good financial performance relies to a large extent on government bonds. At the end of December 2008, the share of T-bills represented 60.5% of funds invested by the second pillar, and 65.16% for the third one. The return on this financial instrument reached very high rates in the beginning of 2009: 14.24% annual average return offered by the Ministry of Finance for one-month certificates during the second week of January, and 12.75% in the third week of the same month. It is obvious that the high returns cannot last forever and a diversification of investments is necessary, since the risk associated with T-bills has increased significantly. The good performance of the pension funds should, therefore, be assessed with certain caution when considering a long-term perspective.

6 See: http://www.bursaasigurarilor.ro/PESTE_UN_SFERT_DIN_CONTURILE_FONDURILOR_DE_PENSII_PRIVATE_OBLIGATORII_SUNT_GOALE-news16-i29329-l1.html.

Although the financial performance of the second pillar seems very encouraging and the utility of such a pension system is incontestable, it is interesting to mention the official position of the current Minister of Labour (Marian Sarbu) in this respect. The government official recently made a rather strange declaration in the mass media[7], affirming that the private pensions in Romania have been imposed by the European Union; personally, the minister has never wanted this system. This is a very curious position, both from a political and economic point of view.

The Romanian pension system includes a voluntary (third) pillar, introduced in May 2007, which is equally privately managed and of a DC type. The contributions, which cannot exceed 15% of the gross wage, are tax-deductible up to EUR 200 per year for each contributing party (employer and employee).

Between January 2008 and January 2009, the number of participants to the voluntary scheme increased from 59,000 to 158,800, while the net assets reached RON 92.6 million in January 2009 – an increase of 9.95% compared to December 2008.[8] However, only 3% of the potentially eligible population has subscribed to a voluntary pension fund. There is a constant tendency of postponing the decision to join the voluntary scheme, although surveys prove that many Romanians are aware of the utility of this saving instrument.[9] The reason for hesitating in taking the decision is that such a step is not yet considered as a priority.
The third pillar was introduced with the manifested intention to target, in principle, the self-employed and the farmers, although it is equally open to public and private employees. However, in January 2009, the proportion of farmers contributing to the third pillar represented only 0.51% (less than 800 persons). In the first quarter of 2009, 23.4% of the contributors to the voluntary pillar were employees of financial institutions; the industry was equally well represented (13.2%), followed by real estate and trade activities (accounting for 12% of the number of contributors). All the other sectors have a relatively modest share, the lowest being recorded by Hotels and Restaurants activity (0.37%).[10]

### 2.1.2 Recent reforms of the public scheme of pensions

The Law 19/2000 introduced a new calculation formula in the public system, based on pension points. The pension is based on the number of points accumulated during the insured's average lifetime, multiplied by the point value in force at the date of retirement. The number of pension points obtained in 1 year is equal to the insured's monthly average wage divided by the national monthly average wage. At retirement, the average number of pension points is calculated by dividing the insured's total lifetime accumulated number of pension points by the number of years of contributions. Benefits are adjusted periodically, according to changes in the pension point value, which is linked to the expected inflation rate for the coming period. Figure 1 shows the development of the point value over the last three years.[11]

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7 See Saptamana Financiara from March 27, 2009: http://www.sfin.ro/articol_15740/guvernul_se_incrunta_%28iar%29_la_pilonul_ii.html.

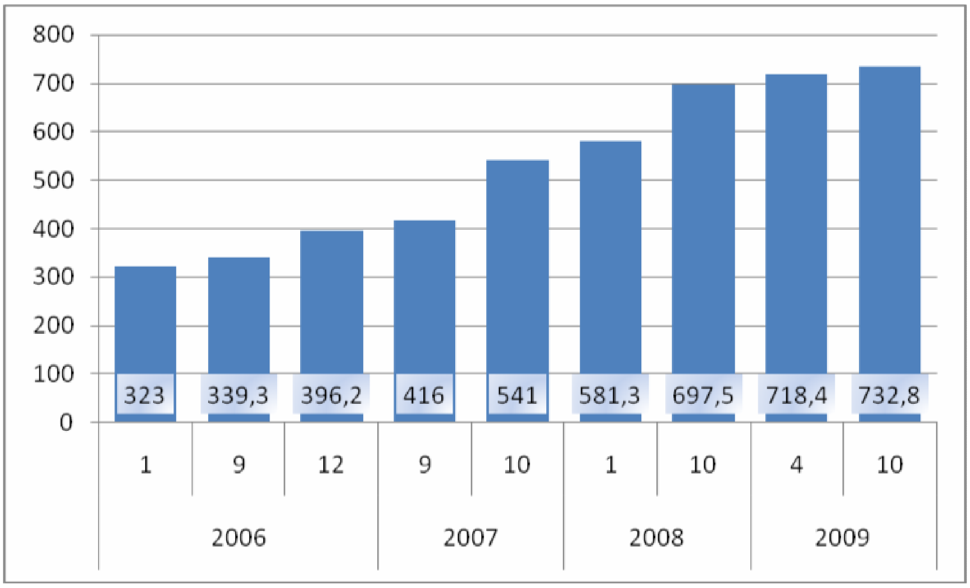
8 The overall performance of the third pillar will be evaluated in June 2009.

9 See "Criza sterge pensile facultative de pe lista prioritatilor?" on the PensiiPrivate RO website: http://www.pensiileprivate.ro/Criza-sterge-pensiile-facultative-de-pe-lista-prioritatilor-articol-17,9-34761.htm.

10 Source: CSSPP: http://w4.csspp.ro/ro/images/comunicare/buletin%20lunar%20feb.pdf.

11 On 1 October 2008, the Romanian Government decided to raise the first pillar public pension by 20%, by increasing the point value from RON 581.30 to RON 697.50. This measure was originally scheduled to come into effect on 1 January 2009, but the Government brought the increase forward – officially because of favourable economic conditions in Romania. In reality, taking into account the coming elections, the electoral character of the measure is obvious, particularly when knowing that the economic situation was already showing evident signs of deterioration.

Figure 1: The development of pension point value (RON)




*Source: CNP, http://www.cnpas.org/*

According to the 2009 Law on Social Insurance budget, the pension point will reach RON 718.4 (EUR 180) in April, and RON 732.8 in October (EUR 183). The measure aims to bring the pension point value to around 42 – 45% of the gross average salary[12] in the economy. This means that the average pension will increase by 5% in 2009: 3% in April and 2% in October. Since the SI budget for 2009 foresees a surplus of RON 0.5 billion (1.2% of revenues), the pension increase will be granted from higher contribution rates, which will be charged, starting in February:

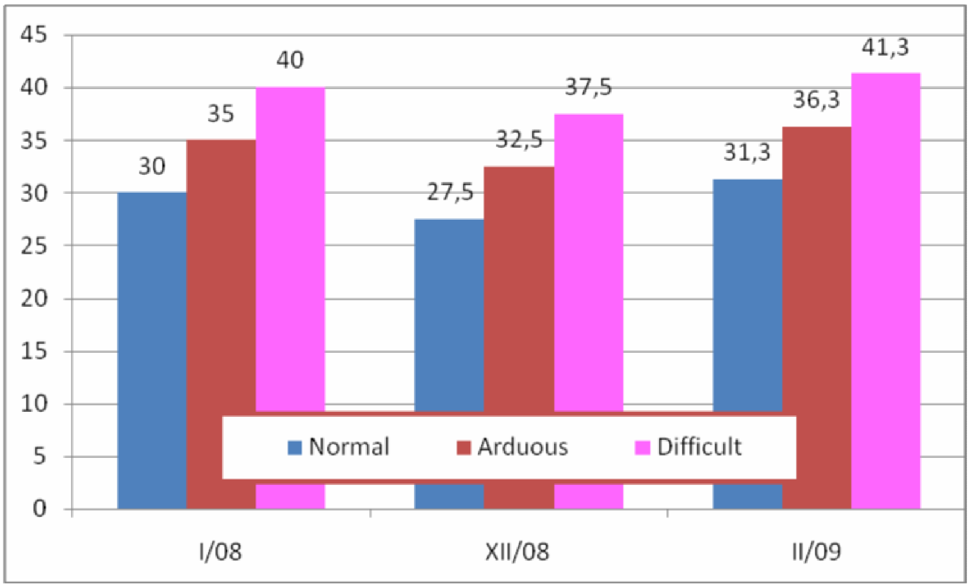
- for normal working conditions: 31.3%
- for arduous working conditions: 36.3%
- for difficult working conditions: 41.3%

These rates include the 2% that go to individual accounts of people contributing to the second pillar. In all cases, the employee will contribute up to 10.5%, while the difference is covered by the employer. The former government decided (just before the 30 November elections) that from December 2008 the contribution rates will be cut, in order to reduce the increasing labour cost in the economy. However, the new Government preferred to come back to the previous rates,[13] and even increase them by 1.3% (Figure 2).

12 The 2009 budget for Social Insurance was elaborated on the hypothesis that the average gross salary in the economy will reach RON 1,693 (around EUR 420).

13 The first reform initiated by the newly elected Government in the field was to change the name of MLFEO (Ministry of Labour, Family and Equal Opportunities), which became The Ministry of Labour, Family and Social Protection (MLFSP).

Figure 2: Recent development of Social Contribution rates




*Source: CNP, http://www.cnpas.org/*

The most important measure in this respect is the introduction – starting with 1 April 2009 – of the minimum pension, set at RON 300 (EUR 75) and supposed to increase by RON 50 in October. This policy measure implies, in fact, the adoption of the "social pension" concept, which is the difference to be paid by the state budget to those retired persons receiving a pension below the minimum. The amount allocated from the budget in 2009 for paying social pensions is rather significant (EUR 187.5 million); the most part of this sum will probably go to agriculture retirees, whose pension level is much lower than the SI pensions.

The low pensions (up to RON 600 per month) will also benefit this year from a 90% price compensation for a list of generic drugs, within the limit of RON 300 per month and per insured. Given the usual complications in effectively providing subsidised drugs to entitled beneficiaries, this measure will probably end with even higher drugs shortages in pharmacies, longer queuing, flourishing bureaucracy,[14] and more diversified forms of corruption to be used in order to benefit from compensations.

A crucial reform measure is the adoption in November 2008 of the Law 263/2008 on introducing a pension system for people involved in the agricultural sector, not included in the existing Social Insurance scheme. Several (fruitless) attempts have been made in the past to solve the issue of farmers' contributions and pensions: the mandatory special scheme inherited from communism was replaced in 1992 by voluntary contributions to a farmer's fund, where almost nobody contributed. As a result, the Government introduced a tax on food production and processing for alimenting the fund, but the revenues were much lower than expected and the budget had to cover more than half of the expenditures. In 1998, the farmers were attached to the SI budget, although no contribution was introduced for financing the benefits. The new system, proposed by Law 263/2008, is based on a two-fold contributory scheme:

[14] The Ministry of Public Health is already confronted with serious dilemmas related to these compensations: what kind of prescription template to be used by the doctors in this case; shall the doctor use different forms when both compensated and non-compensated drugs are prescribed; what the doctors shall do with the stock of blank prescriptions, used previously for 50% compensation, etc. There is even a project of an emergency government ordinance to solve these problems, but the various stakeholders involved have not yet agreed on the proposed solutions.

a part paid by the insured person, who can chose between 5 different levels of contributions,[15] a part granted by the state budget, called Mutual Contributory Unit[16] which is triple the contribution chosen by the participant: if the insured person opted, for example, for UC3 (RON 30), the state will add a UCM3 contribution of RON 90.

The UC and UCM levels are set each year by the Law on Social Insurance budget. The age limit for retirement is 63 years, both for men and women. The complete contribution period is fixed at 30 years, with a minimum contributory period of 15 years, which entitles the beneficiary to a pension. People aged 63 and above, without complete minimum period of contribution, can buy up the missing number of years.

In order to start the effective implementation of the system, the law stipulates that a special department for pensions in agriculture should be attached to the National Pension House with territorial branches at county level, in charge of administrating, managing, coordinating and controlling the new scheme. By the middle of April, the department was still inexistent, both at central and local levels. There is no indication whether the new Government will pursue this initiative, introduced by its predecessor. Most probably, as it happened with many other legislative initiatives effectively implemented a long time after their adoption, the law on farmers' pension system will need some time to be digested, amended by the new political regime, contested by the opposition and beneficiaries, and finally implemented in a slightly different form.

The law is based on very optimistic calculations: 1.6 million contributors from the first year of system implementation, i.e. 2015, as a time horizon for pensions paid exclusively according to the new system. The first hypothesis is exaggeratedly optimistic because the law does not specify what happens with the farmers who refuse to pay the contributions. The second hypothesis is true only if all beneficiaries of the current system will die until 2014, which is rather macabre as an assumption.

The law 263/2008 also sets rules for providing invalidity and survivor pensions, as well as other rights to beneficiaries (spa treatment and death grants). Given the lower rate of contribution, compared to non-agricultural social insurance, the farmers will get lower pensions, indemnities and grants than the SI beneficiaries. To some extent, this differentiation is justified by the fact that the cost of living is lower in rural areas than in towns and cities, since the large majority of people living in villages own home plots that provide them with self supply of basic agricultural commodities. However, it is surprising that the law discriminates between rural and urban invalidity because the personal needs of an invalid person are practically the same in villages and in urban localities. Moreover, given the poor infrastructure in rural areas and the lack of specific facilities for invalid persons, the actual needs may, in reality, be more complex, more numerous and more expensive for rural invalids than for their urban counterparts.

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15 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.

16 There are five Mutual Contributory 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.

### 2.1.3 Recent reforms of private pensions

In October 2008, the former government implemented two changes that affect the lump-sum distribution rules for the second pillar. The first concerns the participants who become disabled during the contribution period: they can now request a lump-sum distribution of their contributions in the private pension system. Previously, the only option for disabled participants was to draw a pension based on their contributions. The second change allows the survivors of a deceased participant to request a lump-sum distribution of the funds in the deceased person's account. Previously, the funds in the deceased's individual account were transferred to the individual accounts of eligible survivors, which in fact excluded those without an individual account, such as children or parents of the deceased participant.

In October 2008, the Government amended the Fiscal Code and increased the tax deductibility for the two parties, up to EUR 400 each. The exemption of the entire amount of contributions was envisaged for 2009, but the current Government does not seem in favour of such a measure.

The new Government came with two very controversial reforming initiatives in the private pension system. The first, already mentioned previously, postponed the increase of contribution rates this year.[17] The second refers to its announced intention to oblige the private pension funds to provide returns that cover the annual rate of inflation. This idea has generated strong reactions from national and international institutions dealing with private schemes of pensions.[18] The main counterargument is based on the worldwide experience, which proves that the measure is inappropriate because it is applicable only to a DB (defined benefit) system, while the Romanian private pensions are of a defined contribution type. In fact, there is no other DC system in the world, close to the Romanian one, which imposes returns that guarantee the inflation.[19]

It is worth mentioning that the previous government tried to impose this policy measure in autumn 2008, but it was rejected by the parliament of that time – mostly the opposition, which came with the same initiative after taking over the power. However, the current Government seems more determined than its predecessor: there is even an initiative to collect the necessary number of signatures for amending the Law 411/2004, and to, therefore, legalise the inflation guarantee. Surprisingly, the collection of signatures is done by the Group for Applied Economics (GAE), a think-tank that includes the Romanian Economic Society. The groups' position is very strange, knowing the professional quality of its young and well educated members: the proposal contradicts with the elementary rules in economics, since the decisional investment is taken (ex-ante) at the beginning of the year, while the effective inflation rate is communicated (ex-post) 12 months later. In addition, there is no financial instrument on the Romanian market that is adjusted to inflation; it is, therefore, almost impossible for any investor in the world to constantly record a return above the inflation rate. On the other hand, we do not understand why the Group does not propose the same rule for the state pension fund; by targeting only the private administrators, the proposal is evidently discriminatory and rather populist in essence.

Another anti-crisis measure planned by the Government in January 2009, but abandoned for the time being, was the introduction of a RON 1 commission per participant to the second

[17] See Section 3 for a more detailed discussion on this issue.

[18] In Romania, the strongest reactions came from APAPR, as well as from AAFBR (Romanian Association of Financial and Banking Analysts).

[19] In fact, the 14 private pension funds existing on the Romanian market already surpassed the rate of inflation in 2008: for their first seven months of operation (May – December), the funds posted a nominal weighted average rate of return of 6.96%. Annualised, the rate of return would be 11.29% for the whole of 2008, which is about 4% in real terms (Ghetu, 2009).

pillar. The initiative would have collected RON 4 million (almost EUR 1 million) for the state budget. This is probably in line with the political conception of the previous government, according to which the operators on the private pensions market should be taxed for the services offered by CNP (National Pension House). It is still not clear if the commission should be paid by the pension funds or by the contributors. It is also unclear if such a measure is indeed an anti-crisis initiative, or will remain a permanent charge – directly proportional to the number of participants in the private system – which will, therefore, bring more revenues to the CNP budget every month.

Two other reforms are currently under discussion, proposed by the authority in charge of regulating the private pension system.[20] The first concerns the introduction of a multi-fund system, implying that participants will have the opportunity to choose between several pension funds, with different investment risks. The reform, if adopted, will stimulate the market dynamics and diversify the choice between high returns (but risky investments) and more moderate returns of less risky investments. The second reform initiative refers to a draft law for introducing the Guarantee Fund for private pensions, which will compensate the losses incurred by participants due to the incapacity of administrators to pay the pensions.[21] This, too, is a useful legislative initiative, provided that specific measures for prevention, supervision, and minimum profitability rates for funds are equally adopted. The law, already promulgated by the Romanian president, is expected to be adopted by the parliament by the end of May 2009.

### 2.1.4 Remaining challenges

Despite the reforms undertaken in recent years, the pension system is still confronted with serious problems of sustainability. The most important one is of demographic nature: a clear tendency of rapid population ageing. Since 1990, the proportion of children (0-14 years) has significantly declined, whereas the share of elderly (over 65) has grown continuously. Consequently, while the youth dependency ratio has diminished, the 'grey dependency' has increased considerably and is projected to increase further from 21.3 in 2008 to 65.3 in 2060; for comparison, the same projections for EU-27 show an increase from 25.4 to 53.5 (Bobocea, 2008). Population ageing is more accentuated in rural areas, where the proportion of persons over 65 years is almost double compared to urban areas. In addition, around 40% of the active rural population is over 50 years of age.

A recent World Bank study (Holzmann, 2009), which assesses the performance of the pension system in several countries from Central, Eastern, and Southern parts of Europe, concludes that the relative income position of retirees will deteriorate by 5% after 10 years of retirement, and by 13% after 35 years of retirement. This deterioration is less significant than in other countries where price indexation is used for adjusting the retirement benefits.[22] Pensions for full-career workers are, therefore, adequate in Romania, but this is not the case in early retirements.

The second issue of concern relates to the declining number of contributors versus the increase of total number of beneficiaries. While in 1990 Romania recorded 8.2 million

[20] The Private Pension Supervisory Commission.

[21] In fact, the Guarantee Fund already exists, but the guarantee provided refers only to "unpredictable losses"; the new fund is aimed to guarantee the pensions even in the case of the administrator's default. The pension system will, therefore, dispose of the (former) Guarantee Fund of Pensions and the Guarantee Fund under the CSSPP Supervision for Payment Incapacity of Administrators. Most probably, the two funds will converge soon into a single instrument.

[22] Romania re-evaluates the pensions from the first pillar on the basis of changes in the point value, which maintains the pension level relative to the average wage.

contributors for 2.5 million pensioners, by the end of 2008 the system counted 4.6 million retirees[23] (see Table 1) against 5 million contributors (Balan and Mosoianu, 2009). Currently, less than half of the Romanian active population is insured; if these trends on the labour market remain the same,[24] by 2060 the number of contributors will be equal to the number of pensioners, and the dependency ratio will reach 99%.[25] Practically, in about 15 years every fifth Romanian will enter the old age category (GR, 2006).

A third factor affecting the sustainability of the system is the high proportion of early retirements: in December 2008, only half of SI pensioners (2.25 million) had their contribution period completed. This is the consequence of several early retirement schemes adopted during the first decade of transition, a policy aimed to solve the problem of increasing unemployment that ended up with an average retirement age of 53 years in 2000, when the reform was adopted. Although the conditions for earlier retirement became much more severe after the reform, the average age of retirement is still low because the number of persons pensioned for medical reasons is still elevated. By bribing the doctors, it is relatively easy to get the necessary medical certificate allowing the retirement before reaching the age limit.

Table 1: Number of pensioners and the average pension by categories (end of 2008)

| | **TOTAL** | **Social Insurance** | | **Agriculture** | |
|---|---|---|---|---|---|
| | ***Number (thousand)*** | ***Number (thousand)*** | ***Average pension*** | ***Number (thousand)*** | ***Average pension*** |
| ***Total*** | 5526 | 4686 | 681 | 840 | 290 |
| ***Completed period*** | 2260 | 1975 | 939 | 284 | 365 |
| ***Incomplete period*** | 1562 | 1119 | 536 | 454 | 275 |
| ***Anticipated retirement*** | 120 | 120 | 665 | | |
| ***Invalidity*** | 912 | 893 | 522 | 19 | 214 |
| ***Survivors*** | 670 | 586 | 336 | 84 | 135 |

*Source: CNP, http://www.cnpas.org/*

A fourth element causing instability in the system, and related to the early retirement problems, is the low activity rate of seniors. Although the Government elaborated the National Programme for Promoting the Employment of Elderly, which covers the period 2008 – 2011, nothing concrete has actually been done to keep the older people in the labour market. Consequently, their occupation rate remained practically stable during the last three years (44.7%[26]), in spite of high economic growth rates recorded during that period; the Lisbon target of a 50% employment rate of older workers is, therefore, still far away from being achieved.

The last important aspect of sustainability is the financial one. According to the World Bank assessment (Holzman, 2009), the Romanian public system will continue to generate growing deficits[27] for the next three decades, and then decline to 6.2% of GDP by 2050. The deficit

23 These are only the social insurance pensioners; if disabled persons and retirees in agriculture (financed form the state budget) are added, then the total number of retired amounts to 5.52 million.

24 The population decreased between 1990 and 2008 by 1.8 million persons (official figures). By 2050, the Romanian population will further diminish by up to 5 million people, reaching between 16 and 17 million inhabitants. More pessimistic estimations forecast only 13.3 million inhabitants in 2050 (APAPR, 2009). These forecasts are based on declining tendencies in birth rates (13.7‰ in 1990, and only 10‰ in 2008), and in fertility rates, which decreased from 2.3 in 1989 to 1 in 2008.

25 95.9% by 2050, according to Holzmann, 2009.

26 The rate is 50.3% for men and 33.6% for women.

27 Estimated as the difference between the present value of the scheme's expected future revenues (contributions and other income) and expected future expenditures (payment of benefits and administrative costs).

will be incurred by the cost of full transition to the private system, but mostly by the phenomenon of rapid ageing of the population.[28] The past and current generosity of governments in increasing the pensions will equally contribute to the deficits. The ageing is particularly important in this respect: if the age of retirement remains at 65 years, then the pension benefits of the first pillar should be cut by 59% on average[29] until 2050, in order to maintain the financial sustainability of the public system. As an alternative, the retirement age should be increased to above 70 years, according to WB findings.

## 2.2 Health

The Romanian health care system is still undergoing the long process of reforms initiated after the fall of communism. Timid and indecisive transformations took place during the first decade of transition; in 1999, the previously centralised – tax-based – system was replaced by a health insurance scheme. Although this change helped in introducing a decentralised and pluralistic system – based on contractual relationships between purchasers, health insurance funds and health care providers – the overall performance of the sector did not improve perceptibly. Consequently, in December 2001 the Government set four main priorities for reforming the system: drugs policy, improvement of health care financing, managerial reform of hospitals, and the health improvement of woman, child and family. In order to achieve these objectives, the Law 95 on reforming the health care was passed in 2006, which represents the basic document on which the reforms are still carried out. The four priorities were reiterated in the sixth chapter of the government programme for the period 2008 – 2010 (GR, 2008), which is currently the Strategic Master Plan of the Ministry of Public Health.

The slowness and low efficiency of reforms are for the most part explicable by the lack of a reforming vision of the Romanian Government, which has never been able to develop a clear perspective for the future of the health system or to propose a solid project to be discussed and agreed with the main stakeholders. In fact, the strategic vision has changed frequently because of high turnover of decision-makers within the system. Each newly nominated ministerial team came with its own concept (always different from its predecessors[30]) of what the health policy should be. As a result, many projects – including those developed with international assistance – have been abandoned when a new political team took power. At the same time, certain areas of the health policy have only been marginally touched by real reforms; this is the case, for example, for developing the human capacity in hospital organisation, which is practically unchanged since 1989. Consequently, after almost 20 years of transformations, Romania has only succeeded in replacing the communist system that

28 The financial instability of the pension system is amplified by the current crisis, as remarked recently by a World Bank, note, 2009a.

29 Only 28% for full-career workers with completed period of contributions.

30 In November 2008, the Ministry of Public Health organised a public debate on a draft of a new governmental decision for establishing three new agencies responsible for public health, medical assistance and health programmes. The idea of this institutional reform was to dismantle the former institutes, health inspection units and public health authorities. The benefit of such institutional change was not clear, as the State Health Inspection, for example, would have become the State Health Control; i.e. a mere change of title, but not necessarily in substance. The minister also came up with the idea of creating an Agency for Medical Devices and Infrastructure, to monitor the needs of hospitals in equipment. The proposal, which was supposed to be implemented by the new Government issued from the November 2008 elections, seems to have been completely abandoned. In November 2008, another reform was initiated by the previous government: the complete transfer of hospitals to local authorities, with the exception of emergency centres and hospitals. The transfer was supposed to start in January 2009 with a pilot project in Bucharest; since a new political party took power in December – which was previously the main opposing political force of the pre-December government – the initiative seems to be abandoned, like the previous one.

functioned inappropriately by several successive health systems that have performed inadequately (Legido-Quigley et al., 2008).
The lack of reforms and vision is officially acknowledged by the current minister of health (Informatia medicala, 2009) as the main deficiencies of the system. However, the recent strategic measures proposed by the Ministry of Public Health – which are part of the 2009-2012 government programme (RG, 2008) – do not differ radically from similar documents elaborated in the past: the same vague actions are proposed for achieving the reform objectives: issuing additional legislation, increasing the involvement of local administration, providing better quality of services, etc. These are almost identical formulations used by the programmes of previous governments.

The essential instrument of reform for all successive governments has been the legislation: issuing new laws (and sometimes redesigning institutions[31]) has been perceived as the best solution for any kind of problem. In fact, the legislative abundance is a Romanian speciality in all domains of reform. Each transitional government has extensively used this tool in a variety of forms: government ordinances, ministerial decrees, emergency ordinances, laws, regulations, methodological norms, etc. In the specific case of the health sector, the legislation is not only unstable, but also very complex. The Law 95/2006, for example, was adopted in April 2006 but already amended four times until the end of the year; the law suffered six other rectifications in 2007, and another eight in 2008. Frequent legal changes complicate the decision-making process and hamper the adoption of a sound management of the system. Although the legislation is currently harmonised with EU standards, the implementation remains problematic because of poor administrative capacity at central level, lack of accountability mechanisms at local level, and inadequate coordination and communication among institutions (Vladescu et al., 2008).

The ambiguity of reforms and the lack of coherent legislation at macro level have contributed to the accumulation of deficiencies at micro level, which seriously affects the overall quality of the medical act. The hospital management is still very poor, the shortage of drugs is persistent, the medical centres are badly equipped, and the salaries of medical staff low and sometimes paid with significant delay. In spite of the efforts to decentralise the system, the local authorities have been unevenly involved in managing the sanitary units, leading to large discrepancies between counties, towns or villages.

Quality of care is not regulated by any specific legislation, which makes the evaluation and the assessment of the sector's performance very difficult; each new major law stipulates the ministerial responsibility for establishing quality criteria in cooperation with various commissions and committees under its subordination[32] (Parvu, 2008). To a certain extent, it seems that the quality of health care is a misunderstood concept in Romania: the chapter on quality (5.1.3) of the Romanian report on social protection and social inclusion (EC, 2009) defines quality in terms of the amount invested in equipment, availability of drugs, etc. The report divulges that the current governmental strategy in the quality domain lacks quantitative orientations for evaluating the progress of reforms; consequently, the strategy – too general in terms of objectives – will remain a simple declaration of good intentions.

However, in January 2008 the former minister of health announced that 2008 will be the year of quality reform in health care. He proposed two measures for solving the quality problem of the system: salary increase for medical staff, and higher investment in equipment for

[31] The new Government, issued from November 2008 elections, emitted the decision 1718/2008 that revises the institutional structure of the Ministry of Health. Although intended to bring a radical institutional modernisation of the ministry, the decision does not change essentially the structure, the organisation, and the role of the ministry.

[32] The most important ones are related to accreditation of hospitals and accreditation of health care providers.

hospitals. Obviously, by the end of his mandate (December 2008) the quality in the health sector was at least as bad as it was when the declarations were made: all through the year 2008, numerous hospitals were fined by the Sanitary Inspection because of extremely miserable conditions. In many opinions,[33] the reform carried out by the former minister Nicolaescu was unsuccessful and the situation of the health sector has not shown any improvement in terms of hospital management, sanitary and hygienic conditions, and quality of the medical service.[34]

In terms of financial resources, despite the increase of funds allocated (Vladescu et al., 2008),[35] the financial sustainability of the system remains questionable – even critical according to the CNAS president (Serb, 2009), who considers that the 2009 health budget is not enough to cover the needs (see Figure 3[36]). In current prices, the funds allocated from the Health Insurance budget increased more than five times between 2000 and 2008, but as a share of GDP they have oscillated around a rate of 3%. Although the Government understood the necessity to allocate enough funds for health,[37] in 2009 the sector received the lowest proportion in GDP within the last 10 years; the global crisis, which forced the Government to rationalise public spending, therefore, affects health care too. This policy will affect the financial sustainability, equally endangered by the decreasing number of contributors (about 5 million in 2007) compared to the number of beneficiaries (21 million in the same year).[38] Overall, the resources allocated for health care in Romania are still far from the European standards (Delautre et al., 2008): in per capita terms, Romania spends on health care only 16.8% of the amount spent in average by EU-27.[39] As a consequence, the system is not yet ready to face the coming challenges, particularly those related to the ageing population (GR, 2006). As demographic tendencies represent the major challenge for the system, particularly with respect to public spending, complementary private insurance has been envisaged by the Government. However, the access to such a system will be restricted to a relatively small proportion of the (wealthy) population, almost exclusively in urban areas.

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33 See, for example, Vintilescu, 2008.

34 The mass media announces almost every day new flagrant situations of extremely bad health conditions in Romanian hospitals. Among the most recent cases, in January 2009 a patient died in Slatina hospital after being transferred for four hours between several sections of the hospital, without receiving any medical care. A few days later, in Satu-Mare, a woman died in identical conditions, after being moved around several sections of the hospital (including the emergency unit) for two days, without medical checking. In February 2009, the gynaecology section of Comanesti hospital was closed after a pregnant woman died because the only specialist in town left the hospital after 30 hours of continuous activity. The same month of February, in Galati maternity unit, a doctor broke the leg of a new-born baby during delivery; the fracture was noted only a few days later by the child’s parents.

35 A major increase of health resources has been observed since 2007, when the taxes on alcohol and tobacco started to be allocated to the health fund.

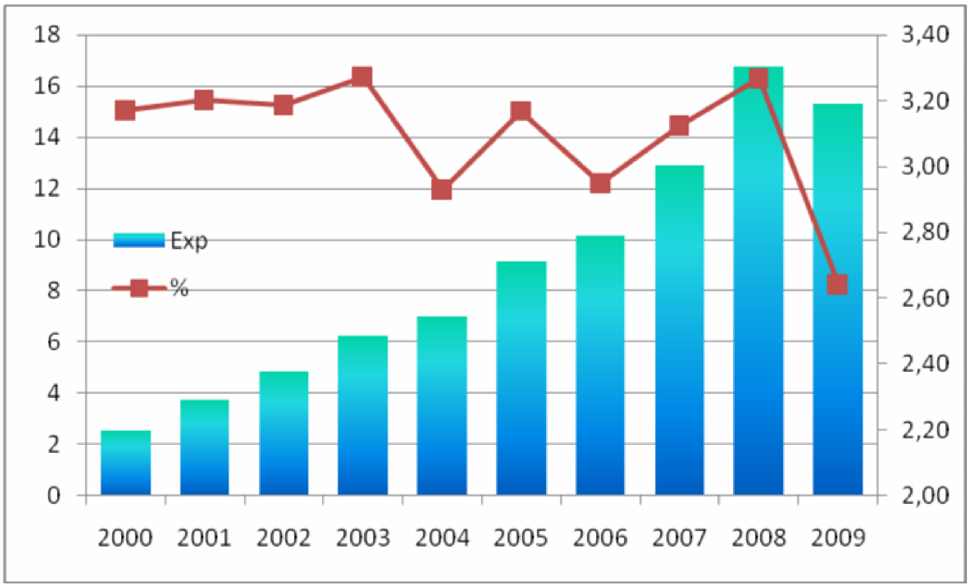
36 The figures represent only the expenditures allocated through the Health Insurance budget; they do not include the private payments.

37 The health budget passed from EUR 3 billion in 2004 to EUR 6 billion in 2008.

38 In some (political) opinions, the declining tendency of the number of contributors will translate into a corresponding increase of contribution rates. The opposition considers the current rates as being already high, as they were established according to the Government Emergency Ordinance 226 from December 2008: 5.5% paid by the employee and 5.2% by the employer (a rate of 10.7% is set for self employed).

39 It is interesting to note that the Romanian president agrees with the fact that the health budget – although double in 2008 compared to 2004 – is insufficient. However, he points out the fact that the expenditures are not appropriately allocated, which generates a considerable waste of money and inefficiency of those expenditures.

Figure 3: Health Insurance spending in billion RON (Exp) and as a percentage of GDP (%)




*Source: CNAS, http://www.cnas.ro/*

It should be mentioned that it is difficult to estimate the total amount of health expenditures because of the cost-sharing principle that allows for co-payment of certain services, which is not accurately recorded. The most recent estimations were done in 2004 by EUROSTAT: 5.5% of GDP, out of which public spending accounted for 66.1%.

The most severe problem of the sector remains, in our opinion, the uneven access to medical services, which is particularly acute for:

Roma minority, which is confronted with discriminatory barriers but also with restrictions related to its educational and cultural specificities (Romeurope, 2008); the latest figures show that only 34% of Roma individuals are covered by health insurance.

People living in rural areas and small towns, where the lack of medical personnel becomes stringent. According to the most recent rural barometer (ASG, 2007), in 25.1% of cases the family doctor does not live in the same village as the patients. This implies that only one rural locality out of four has a family doctor.

Uninsured persons, which represent about 5.7% of population (EC, 2009)

Poor individuals, who cannot afford the co-payment of drugs or medical services that are not covered by the health insurance.

Some recent efforts of the Government, particularly in 2008, have contributed to some improvement of the situation, mostly in quantitative terms. Ambulatory services have been expanded by acquiring additional ambulances, while certain health programmes (oncologic and diabetic treatment, maternal and infant programmes) were extended to cover equally the uninsured persons.

Emigration remains the main factor of medical staff shortage; more and more doctors and nurses leave the country to work in Western Europe because of low salaries and bad working conditions. During the first year of EU membership, 4,700 doctors (10% of total) asked for the necessary official documents required to work in the EU (Medical Post, 2007). More recently, 65% of hospital doctors, 30% of family doctors and 28.8% of pharmacists admitted that they envisage going abroad (Dadacus, 2008). Despite these tendencies, at the end of 2007, the Minister of Health (Eugen Nicolaescu) considered the emigration phenomenon of doctors as being a “minor problem”; a costly political myopia, since the emigration continued in 2008, and it is expected to remain significant this year. The staff shortage may therefore increase considerably, since the 2009 budget law stipulates that no hiring in the public sector will be made this year. In addition, the medical staff was told in March 2009 that the planned 10% increase of salaries, agreed last year with the former minister of health, is cancelled for the time being; wages may increase only after a new evaluation of the health system will be done – nobody knows when.

Not surprisingly, the public perception of the situation in the health care sector is unfavourable. The ASG (2008) surveyed separately the medical personnel and the patients with respect to the situation and the perspectives of the system. 20.6% of patients consider that the interest shown by the medical personnel is very low and this is the first element to be changed in the Romanian hospitals. Shortage of reimbursable drugs and insufficient financial resources in the system are the next most important issues of concern for the population. Overall, only 40% of interviewed patients are happy with the medical institutions, and only 36.2% consider the current reform to go in the right direction.

From the point of view of the medical staff, only 16.3% of doctors consider the health system as being adequate; 44.3% of them think that the health reform does not go in the right direction. Moreover, two thirds of interviewed doctors believe that the current reform will not reduce the corruption in the system. The main problems of the health care sector, in the opinion of the medical staff, are related to the low level of wages, insufficient financial resources, and the unfairness of the current method of recruiting and promoting personnel. These problems have led to a deterioration of the health status within the population (more than 31% of doctors consider that in 2008 the health situation of Romanians was worse than in 2007). This statement seems to be true: after the 2008 assessment of the health status within the population, 17.6% of Romanians discovered that they have health problems they completely ignored before.

Although 83% of interviewed individuals trust their family doctor, less than 70% of them paid him/her a visit within the last 12 months, which shows the inefficiency of the preventive part of the health care. On the other hand, the Romanians systematically avoid consulting the family doctor for minor issues: 60% of them prefer – in this case – to go directly to the pharmacy and buy drugs, or to use traditional methods of self-treatment. This attitude can also be explained (apart from insufficient preventive measures) by the lack of confidence the people may have in the health system, which is perceived by a considerable part of the population as the most corrupt sector of the Romanian society. Another survey, done by CNAS on its website, is conclusive when assessing the confidence in the health care system: at the end of March 2009, 82% of respondents considered that the institution does not represent properly the interests of the contributors.[40]

Corruption is probably the most persistent and difficult to eradicate hindrance of the Romanian society as a whole, and of the health sector in particular. In 2008, Transparency International ranked Romania as the second most corrupt country in the EU-27, just behind Bulgaria (Bilefsky, 2009). Among those facing corruption allegations, there have been more than 1,100 doctors and teachers, compared to only 170 police officers.[41]

The out-of-pocket money already has a high share in total health expenditures in Romania: 33.6% compared to 18.5% in EU-27, and 16.6% in EU-25. Out-of-pocket includes formal and informal payments. The formal category refers to: direct payments for goods or services that are not included in the health insurance benefit package; direct payments for private

[40] http://www.cnas.ro/default.asp?id=51.

[41] Until recently, the police was unanimously perceived as the most corrupt institution in Romania, together with the sector of justice.

providers; co-payments charged for certain medical services; and the difference between the actual price and the reference price of drugs. Formal payments are allowed by the cost-sharing principle, instituted by the Emergency Ordinance 150/2002, which allows co-payment for specific medical services in order to reduce the inappropriate demand for health care.

Informal payments, estimated in 2003 at 40% of total out-of-pocket expenditure, seem to be more prevalent in the health system than in other sectors. The World Bank concluded that in 2004 the informal payments amounted to USD 360 million annually. Low wages are often cited as the main reason for bribe-taking (WB, 2009b), but this is just a (rather insignificant) part of the vicious circle: because of low salaries, many doctors consider that they have the right to take bribes, but then this practice becomes so endemic that higher salaries are no longer as lucrative as the black market of informal payments. In fact, bribery has become such a common practice in Romania, that for 33% of persons living in urban areas[42] informal payments in the health care are legitimate. Moreover, a secondary bribery market has developed, with the cost of bribes (which depends, obviously, on the complexity of the treatment) being published and regularly updated on blogs and Internet sites, and an exchange of information within public hospitals to ensure that the same rates are charged for an identical intervention. In addition, the nature of bribery has diversified: the patient has the choice between cash payments and various types of bribery in kind.[43]

In such circumstances, it is explicable why Romania is still lagging behind most of the other EU countries with respect to health indicators. Although the level of these indicators has improved during the last few years, the health status of the population is still very poor; life expectancy is among the lowest in Europe (69.2 years for men and 76.2 years for women in 2006); infant and maternal mortality is one of the highest in the region; there is a high incidence of cardiovascular diseases,[44] cancer,[45] digestive and respiratory diseases.

## 2.3 Long-term care

The Romanian long-term care system concerns two categories of beneficiaries: elderly and disabled persons. Long-term care is defined as social and medical services delivered to dependent persons at home, in residential institutions and non-residential (day) centres.

The reform of the sector started in 1992 with a pilot project in four districts. In 1998, a National Programme for Mental Health and Prophylaxis in Psychiatric and Psychosocial Pathology was elaborated, and in 2000 the Law 17 was adopted,[46] which regulates the social care for elderly persons. Two years later, the Law 519/2002 on Protecting Persons with Mental Problems and Psychiatric Disorders was adopted, but in December 2006 it was replaced by Law 448/2006 on the Protection and Promotion of Rights of Disabled Persons. In 2004, a national mental health strategy was developed, covering the period 2006-2013. All the legislation in the field is part of the social protection, not of the health system. On the other hand, the medical treatment for acute diseases or for the majority of chronic diseases is not considered as part of the long-term care.

42 In rural areas, 25% of population consider informal payments in the health sector as being legitimate.
43 As an example, a doctor asked his patient to pay him a holiday in Dubai, in exchange of the requested medical intervention.
44 Responsible for 62.1% of deceases.
45 Responsible for 17.6% of deceases.
46 Re-published in November 2008 as Law 270/2008; the changes adopted concern only minor issues, like the free of charge juridical counselling offered to elderly, for example.

Initially, the quality of long-term care was regulated by an order of the Ministry of Labour issued in 2006, which set quality standards related to organisation and administration, human resources, access and provision of services, beneficiary rights, and ethics. In October 2008, the ANPH issued the Order 559/2008 on quality standards in residential care for disabled persons. The order stipulates the conditions to be fulfilled by providers in terms of access, hygienic and sanitary conditions,[47] medical treatment, and social reintegration. In December of the same year, ANPH issued another order (651/2008), which approves the methodology for monitoring and implementing the quality standards in centres for disabled persons. The methodology, which came into force in January 2009, is based on a questionnaire to be fulfilled by each provider of services; this is therefore mostly a self-evaluation of quality, which may be highly misleading in terms of its effective improvement. Field inspections may take place to check the exactitude of information provided in the questionnaire, but because of insufficient personnel these inspections are rare and in many cases pre-announced.

Different institutions are involved in managing long-term care: local (town) authorities are in charge of organising, financing and providing domiciliary and residential care for elderly persons, but in the case of disabled people the county authorities assess the right to services.

The main direction of reforms in the long-term care sector has been the transfer of a large part of financial responsibility towards 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 – which depends on the personal income. Only disabled persons with a severe disability 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 (NHIF), the state budget, and the local budgets: NHIF covers health services, the central budget the investment (trough the Ministry of Public Health), while the local budgets 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.

Since January 2009, disabled persons receive a monthly allocation which is independent of their income, but depends on the degree of their disability: RON 202 per adult (EUR 50) for people with a severe disability, and RON 166 (EUR 40) for an adult with an accentuated disability. In addition, complementary allowances are granted according to the degree of disability:

RON 91 (EUR 22) for an adult with severe disability;

RON 68 (EUR 17) per adult person with accentuated disability;

RON 33.5 (EUR 8) per adult with average disability.

These levels are set by the Government Decision 1665/2008. The same allowances are granted to families with disabled children, together with other specific facilities. In addition, disabled people continue to benefit in 2009 from a measure adopted by the Government in March 2008, which offers the possibility to take interest-free loans for buying a car. The beneficiaries are disabled persons with a severe disability and families having a child with a severe disability.

[47] Amongst other provisions, the order stipulates – for instance – that minimum 6m² per person must be provided in dormitories and maximum three persons should share a room, or that a bathroom for maximum 6 persons should exist in each centre.

In the case of institutionalised persons, the ANPH approved (order 619/2008) the average monthly cost for 2009 in case of disabled persons: RON 1,724 per beneficiary, which is equivalent to EUR 430. This sum is calculated on the basis of the cost in 2008, indexed for the expected inflation in 2009, and adjusted for various elements of medical and non-medical costs that are pre-determined annually.

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.

The category of disabled persons concerns mostly people with mental problems, for which the services are mainly hospital-based. Due to the insufficient number of mental health care facilities and their uneven distribution across the country, a number of clinic hospitals have been transformed into specialised institutions. Nevertheless, the establishments have not been adapted to the specific needs of their new patients and therefore the quality of services in those centres is still a major issue of concern. A programme for establishing community mental health centres is in progress, aiming at creating 140 new units in 2009. However, the development of mental health services is hampered by an acute shortage of psychiatrists, psychologists and psychiatric nurses, by the insufficient qualification of general practitioners to provide services to people with mental health disorders, and by the lack of qualified social workers, as wages are low and schooling and training of future personnel in long-term care are not attractive enough. In addition, there is a lack of continuity in care provision between psychiatric hospitals and out-patient care.

At the end of 2008, 613,924 disabled persons were officially recorded, out of which 59,164 were children. The proportion of people with a severe disability was 82.56% among adults, and 70% among children; out of those, 75 children and 95,000 adults were institutionalised in 349 centres by 31 December 2008. The rest of them are supported by their families or they live alone, since only those needing permanent medical treatment are entitled to institutionalisation, while community–based services are still underdeveloped. To some extent, the Orthodox Church is also involved, much more than in any other Christian country in Europe.

# 3 Impact of the Financial and Economic Crisis on Social Protection

Until very recently the Romanian authorities have been very optimistic with respect to the possible impact of the global crisis on the country's financial system and real economy.[48] This attitude is explicable by the fact that parliamentary elections were scheduled for the end of November 2008. Consequently, in October 2008 the Government forecasted a 6% growth of real GDP for 2009; less than three months later, the newly elected Government cut this optimistic prognosis significantly and brought down the forecasted rate to only 2.5% (Figure 4). The same large differences appear before and after the elections in estimating the effects of the crisis on unemployment (Figure 5).

The initial optimism was obviously unjustified, since the Romanian economy already showed clear signs of difficulties in August 2008, when unemployment started to increase and the

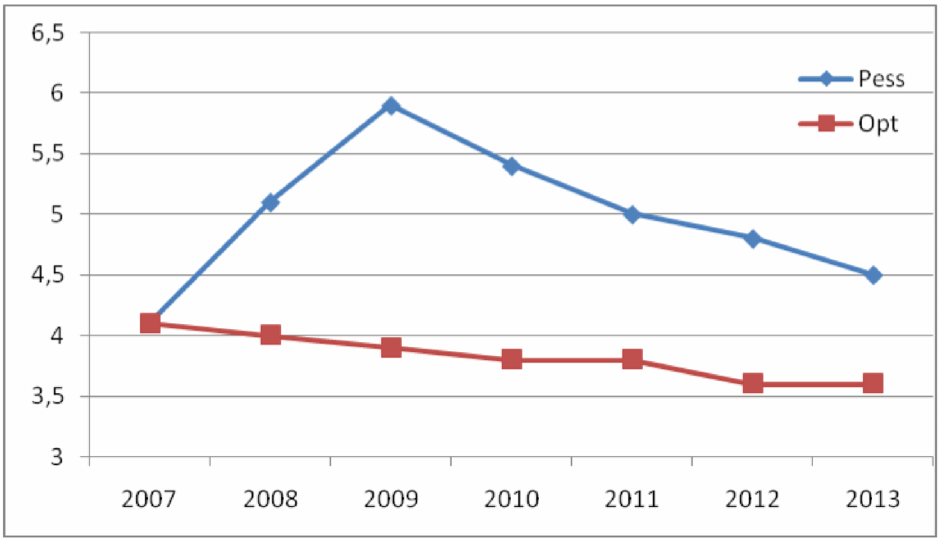
[48] Comache, 2009, for example, still considers (in February 2009) that the crisis will have a limited impact on the Romanian financial system.

number of employees entered a declining path. In December 2008, the number of jobless people was 18.5% higher than in July; the unemployment rate went, therefore, from 3.7% in July to 4.4% in December. In parallel, the number of salaried workers in the economy declined by 2.03% during the last three months of 2008, a tendency that continued in January and February 2009.

Figure 4: Forecasts of Real GDP growth in October 2008 (Opt) and January 2009 (Pess)


*Source: National Commission for Prognosis, http://www.cnp.ro/*

Figure 5: Unemployment under Optimistic and Pessimistic scenarios



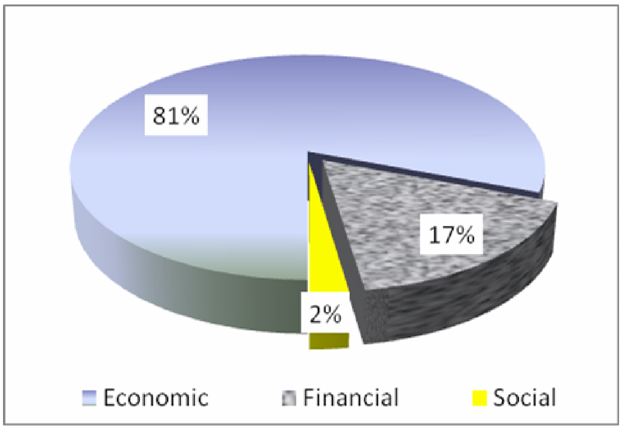

*Source: National Commission for Prognosis, http://www.cnp.ro/*

In January 2009, the BNR warned the Government of a decline in production in industry and construction and of the anticipated tendency of slowdown of activity in the two sectors for the coming period. Production capacities are shrinking, demand is falling, loans are becoming more expensive and more difficult to obtain, and consequently the investment appetite is diminishing. The currency is suffering from accelerated depreciation, increasing the inflationary pressures.

Due to these circumstances, in January 2009 the Government started to constitute an armoury of measures aimed to cope with the crisis. Although optimism still prevails and nobody expects a dramatic impact on the financial system (mainly due to large structural funds coming from Brussels), the 2009 budget was built on a drastic reduction of spending, through a careful rationalisation of public expenditures. The central objective of the public finances for this year is to keep the state deficit at 2% of GDP, an ambitious target (given the 2008 budget balance of -5.2% of GDP) which has little chance to be achieved.

Overall, the opinions regarding the financial and economic consequences of the global crisis are still oscillating between a moderate optimism – mostly at political level of the ruling coalition – and a catastrophic view, the latter predicting that economically Romania will go 10 years back in time. The pessimistic view is expressed, in general, by the opposition (EpochTimes, 2009[49]). As it is always the case, the reality lies somewhere in between. On the one hand, we believe that the Romanian financial sector is not completely out of danger, since the banking system is to a large extent just a branch of Western European banks. Given the huge problems in the West, it is hard to believe that those problems will remain exclusively with the mother banks. On the other hand, the real economy will be seriously affected, with a slowdown of growth more pronounced than the government forecasts. Unemployment will continue to increase, while inflationary pressures will become stronger – fuelled by the devaluation of the national currency. In addition, foreign investors will probably become more prudent, due to rating deterioration at the end of 2008 by Fitch[50] and Standard & Poor,[51] which placed Romania in the group of countries that are not recommended for investment.
The Romanian Government prepared a twofold programme of actions to combat the crisis:
Institutional: the creation of ministerial working groups in charge of implementing the anti-crisis measures adopted by the Government, and the extension and reinforcement of attributions, role and competences of NCFS (National Committee for Financial Sustainability), which was created in 2007.

The NCFS is constituted of high government officials, including the Minister of Finance, the Governor of the Central Bank, the President of National Commission for Securities, and the President of National Commission for Supervising the Private Pensions. The Council, as the only body responsible for crisis management, meets periodically to evaluate the economic and financial situation and to propose solutions to alleviate the consequences of the crisis. During the latest meeting of the council, its members concluded that the financial impact of the crisis will be rather reduced in the case of Romania.
Strategic: the adoption of an anti-crisis programme for which a budget of EUR 13 billion was allocated, consisting of 23 policy measures grouped in three categories: Economic, aimed to stimulate the economic recovery and growth; Financial, to increase liquidity in the economy; Social measures. The share of each category in the total budget allocated is presented in Figure 6.




[49] It is interesting to note that the same specialist (Daniel Daianu), who in February 2009 considered the effects of the crisis as being catastrophic, was rather optimistic in this respect one year earlier. Daianu, who is currently euro-parliamentarian on the list of Liberal party, expressed this optimism at the time when the Liberal party was running the government; the pessimistic view was expressed one year later, after the elections, when the same Liberal party entered the opposition.

[50] http://www.fitchratings.com.

[51] http://www2.standardandpoors.com.

Within the first category of measures, for which the Government allocated EUR 10.5 billion, public investment represents the major component (EUR 10.2 billion). The funds will be granted mostly to infrastructure projects, transportation and rehabilitation of dwellings.
The financial measures, which will consume EUR 2.2 billion, will consist, in principle, in paying back the Government debts to commercial companies (EUR 1.9 billion), accumulated in the past.

Eight social measures, for which EUR 260 million were allocated, were adopted within the package:

EUR 187.5 million will be granted as social pensions to retired people receiving low pensions; starting on 1 April 2009, the Government instituted a minimum pension of RON 300 per month (equivalent to EUR 75), which will be increased to RON 350 from 1 October this year.

A 90% price compensation of a list of drugs for retired persons whose pension is inferior to RON 600 (EUR 150) per month.

The budget will cover the social contributions for salaried persons during the period of technical unemployment[52] (up to three months).

Financing up to 50% of the cost of training and retraining for employees and unemployed persons.

The extension by three months of the period for which an unemployed person is entitled to receive unemployment benefits.[53]

Freezing the salaries of high officials from Government, parliament, and other state institutions;

The bodies in charge of vocational education will be granted the status of public utility.

Consultations with social partners to decide the necessary social measures to be adopted after April 2009, since no wage increase is allowed before that date.

Apart from the eight social measures, the 2009 budget has suspended the increase of contributions to the mandatory second pillar of private pensions, which was planned to pass from 2% to 2.5% this year. The decision will certainly affect both the interests of contributors (4.6 million) and pension fund management companies. The decision is supposed to translate into a budget saving of about EUR 80 million for the state, but at the same time will induce a loss of up to EUR 1,000 per participant according to APAPR estimations or, equivalently, to a 15% reduction of the average private pension. If APAPR calculations are correct, then the current EUR 80 million savings will become a future burden of almost EUR 4 billion for the budget of public pensions. In addition, the measure sends bad signals to investors, who perceived it as an increasing instability of the regulatory framework of the country. But the worst effect of this measure is the complete uncertainty regarding the contribution rate in 2010: the Government has not indicated if the rate will increase next year by 0.5%, as specified by the law, or by 1% - to recuperate the 2009 freeze of the contributions. There are

52 Technical unemployment is a French term (chômage technique) which refers to the situation when a company is forced to cease temporarily its activity for "technical" reasons: natural catastrophe, impossibility to buy inputs, impossibility to sell the production, etc. Over that period, the workers are sent home without payment, and they are not entitled to receive unemployment benefits.

53 The Government estimates (March 2009) that in 2009, the Romanian economy will record between 200,000 and 300,000 additional unemployed persons. The Ministry of Labour, Family and Social Protection asked for a budget supplement of RON 500 million for this year, which represents the cost of the additional unemployment benefits to be paid as a result of higher unemployment, and because of the extension of total duration for which unemployment benefits are granted.

even serious concerns about the possibility that the Government may repeat this measure next year, and keep the same 2% rate in 2010.

The crisis seems to have an important effect on the decision of many people to join the voluntary pillar of pensions. A recent survey[54] among employers and employees showed that a large number of individuals who planned last year to join the third pillar will postpone this decision. At the same time, many employers gave up their initial intention to grant voluntary pensions to their workers: if in 2008 25% of employers were willing to make such contributions, in February 2009 only 5% maintained their decision.

Apparently, the measures seem to be insufficient to eliminate the effects of the crisis, since in March 2009 the National Bank highlighted the need for external financing – officially as a preventive measure to secure the country's economic development. Discussions started with three international organisations (IMF, WB, and the EBRD). The IMF was the first institution to respond to this request; preliminary negotiations tabled a loan of up to EUR 20 billion, an amount that shows the extent of difficulties which the Romanian authorities are confronted with. On 25 March, the IMF (2009b) announced that USD 17.5 billion are eventually accorded, to help the country in offsetting the effects of a sharp drop in private capital inflow, as a consequence of the crisis. The programme will include measures to address external and fiscal imbalances and to strengthen the financial sector. A first tranche of USD 6.75 billion of the two-year loan will be immediately available after Board approval,[55] to help the banking sector to maintain adequate capitalisation and the financial markets to avoid liquidity problems.

On the same day, the World Bank also announced that a EUR 1 billion loan[56] will be granted to Romania (Informatia, 2009) as part of the multilateral financial support to address the effects of the crisis and to promote the reform agenda of the Government. The WB support will focus on structural issues in three key areas, which will support the long-term stabilisation and economic restructuring:

Public sector reforms, notably in fiscal/public financial management to improve the transparency and predictability of public spending and the quality of public services. The programme will also include measures in the health care and education sectors, in order to improve the quality of service delivery and to promote a more equitable access to those services.

Strengthening social protection (social assistance and pensions), to cushion the impact of the crisis on vulnerable people and to improve the efficiency and viability of these programmes. The measures will involve the increase of funding of well-targeted programmes, together with the improvement of targeting, design and management of social protection programmes. In the case of the pension system, the WB will support measures to protect the living standards of retirees by improving the fiscal sustainability of the public scheme and protecting and strengthening the integrity and equity of the multi-pillar system.

Financial sector reforms, to enhance the resilience and functioning of the sector. The World Bank will focus on medium-term reforms that complement the IMF programme.

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54 See http://www.pensiileprivate.ro/Criza-sterge-pensiile-facultative-de-pe-lista-prioritatilor-articol-17,9-34761.htm.

55 The loan was approved on 27 March (see IMF Press Release No.09/86) http://www.imf.org/external/np/sec/pr/2009/pr0986.htm.

56 The loan will be disbursed over 24 months: one part in 2009 and the remaining part in 2010, provided that progress is made in achieving the reform measures.

With respect to the impact of the crisis on social protection in general – and on the pension system in particular –opinions converge to the conclusion that the defined-benefit type of systems will be more affected than the DC ones, where pensions depend on the market value of the assets held in individual accounts (OECD, 2009). Romania, from this point of view, seems to be in a safe position, as long as – beside the DC system in place – the pension funds have not invested in toxic assets. The private system, on the other hand, is very recent, and consequently there is no risk that benefits would be affected. In general, the European pension system is considered sufficiently robust to resist the crisis (EC, 2009b), although no pension system in the world is completely immune to the crisis (EC, 2009c). However, in other opinions (IDS, 2009) the crisis may have a more serious effect on social security – and therefore pensions: Lindert and Schwartz (2009) consider three types of countries, according to their capacity to respond fast to the crisis; in this classification, Romania seems to be better situated (in category A – countries having potential to build on existing social programmes) than, for example, Hungary – included in category B (i.e. adequate spenders with inadequate social programmes).

Although the whole Romanian economy is heavily affected by the crisis, the scientific community does not seem very much concerned about mobilising its capacities to propose a coherent programme for minimising the consequences. The reactions of specialists are mostly individual and look isolated, giving the impression of personal opinions, rather than the statement of specialists. This attitude, which goes along with certain timidity in expressing opinions, reduces appreciably the weight of the scientific discourse. This is probably because Romanian economists hesitate to make strong statements about a highly uncertain phenomenon, especially after the uninspired and overoptimistic prognosis made at the end of 2008. This optimism has not faded completely, since the most important forecasting institution of the country – The National Institute for Prognosis – stated recently that the crisis will "burn out" completely in 2009 (Florescu, 2009). The institute intends to work over the period 2009-2010 on a project aimed at evaluating the national economy, but the conclusions risk to be known too late to be used by the authorities to fight the crisis.

The key governmental institution responsible for predicting the future of the economy – the National Commission of Prognosis – does not have any plan, programme or project related to the monitoring of future economic developments of the country. The institution limits its activity in this field to updating its annual forecast of basic macroeconomic indicators on a quarterly basis. The forecast is far from being a reliable basis for policy-making: the real rate of GDP growth rate in 2009, for example, estimated in November 2008 to be 6%, was revised in January 2009 to 2.5%, and recently downgraded to -4%.

Other government institutions (the Central Bank, the Ministry of Labour, the Ministry of Finance), which in other countries carry out an effervescent activity of evaluation, estimation and prognosis of crisis consequences, make almost no reference to the crisis. The monthly bulletins of the Ministry of Labour, for example, continue to be as impersonal as they were in the past. The National Committee for Financial Stability, which is the country's brain in the case of critical economic situations, does not offer any major orientation or direction to follow. The general sentiment in Romania is that the crisis came from abroad, is therefore external, and there is not very much to be done at national level; a fatality for which the best fighting strategy would be to wait and let it pass.

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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.

**[R1]** DELAUTRE, Guillaume et al., «La protection sociale: un aperçu de la situation en Bulgarie et en Roumanie'», Solidarité & Santé, N° 3, 2008.
"Social Protection: an Overview of the Situation in Bulgaria and Romania"

*The paper reviews the development of social protection policies in the two most recent member states of EU – Bulgaria and Romania. After a brief historical analysis of the reforms undertaken in the social protection domain since the fall of communism, the article details the situation with respect to unemployment, poverty and level of economic development in recent years. A special chapter is dedicated to social expenditures in the two countries, insisting on the share of health care and pensions, in total spending for social protection. This chapter concludes that the two countries are still far from the EU standards in terms of the funds allocated for health (which in Romania represents only 62.5% of the EU25 average), and pensions (on average 2.12 times higher in EU25 countries than in Romania). The two sectors – health care and pensions – are then separately analysed.*

**[R1; R2]** DIACONU, Oana, "Pension Reform in Romania: How Far Should It Go?" in: *Taxation and Public Finance in Transition and Developing Economies*, Robert W. McGee editor, Springer, December 2008, pp. 519 – Chapter 28.

*This particular chapter of the book analyses the recent reform of Romanian pensions along a multi-pillar system; the author considers that the corresponding legislation defining the second and third pillar raises a number of issues regarding the most effective way of introducing, regulating and stimulating the private pension market. At the same time, the paper evaluates the economic implications of the reform, given the fact that Romania has one of the lowest replacement rates in Europe and that the demographic perspectives look rather sombre.*

**[R1; R2]**GHELLAB, Youcef, "Social dialogue on pension reform in South Eastern Europe: A survey of the social partners", ILO Sub-Regional Office for Central and Eastern Europe, Paper N° 20, Budapest, November 2008.

*The paper presents the results of a survey of employers' and workers' organisations in the countries of the Stability Pact for South-Eastern Europe, focusing on their role in national deliberations on pension reform. The survey takes as a starting point the assumption that through open social dialogue employers' and workers' organisations can make a major positive contribution to the pension reform. The study concludes that in fact social partners play a weak role in shaping pension reforms. They are quite often marginalised, despite the fact that the Government has a passive attitude towards social dialogue; this is because of short-sighted views of governments regarding pension reform processes and governance in general, according to which pension schemes can be reformed at a faster pace if decisions are taken without protracted consultations and negotiations.*

**[R1; R2]** GALASSO, Vincenzo, GATTI, Roberta, PROFETA, Paola, "Investing for the Old Age: Pensions, Children and Savings", SP Discussion Paper No. 0838, World Bank, December 2008.

*The paper argues that the interplay of pension generosity and development of capital markets is crucial to understand fertility decisions. Since children have traditionally represented a form of retirement saving for parents, particularly in economies with limited or non-existent capital markets, an exogenous increase of pension spending provides a saving technology alternative to children, thus relaxing financial (saving) constraints and reducing fertility. Cross-country regression analysis supports this hypothesis: an interaction between various measures of pension generosity and a proxy for the development of financial markets consistently enters the regressions positively and significantly, suggesting that in economies with limited financial markets, children represent a (if not the only) way for parents to save for old age, and that increases in pensions amount effectively to relaxing these constraints.*

**[R1; R3]** HOLZMAN, Robert (ed.), "Aging Population, Pension Funds, and Financial Markets. Regional Perspectives and Global Challenges for Central, Eastern, and Southern Europe", World Bank 2009.

*The publication investigates the challenges faced by Central, Eastern, and Southern European countries in five broad areas of the multi-pillar pension reform: were the financial systems prepared for the challenges?; 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 ageing impact rates of return? The overarching conclusion of the 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.*

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

*The report analyses adequacy issues in Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia. It concludes that fiscal sustainability has improved in most of the countries, but only few of them are fully prepared for the inevitability of population ageing. The linkage between contributions and benefits has been strengthened, and pension system designs are now better suited to market conditions. Levels of income replacement are generally adequate for all but some categories of workers (including those with intermittent formal-sector employment or low lifetime wages). Further reforms to cope with population ageing should focus on extending labour force participation by the elderly to avoid benefit cuts (which could undermine adequacy), or very high contribution rates (which could discourage formal-sector employment). More decisive financial market reforms are needed for funded provisions to deliver on the return expectations of participants.*

**[R1]** HOLZMAN, Robert, MACKELLAR, Landis, REPANSEK, Jana, "Pension Reform in South-Eastern Europe", World Bank, October 2008.

*The publication examines the long-term sustainability of pension systems in South-Eastern Europe. The report stresses the need for strategic pension reforms, together with reforms in the labour and financial markets, to ensure the old-age income security of retiring citizens throughout this region. According to the report, by 2050 the countries of South-Eastern Europe will see a doubling in the elderly dependency ratio because of low fertility*

*rates, increase in life expectancy, and negative net migration. To ensure the long-term sustainability of pension programmes, the report recommends reforms designed to delay retirement and to diversify the sources of retirement income. Although significant progress has been made in both areas, the report argues that considerable work remains, mostly in equalising retirement ages for men and women. More attention needs to be given to reforming the labour market (reducing incentives for early retirement, creating demand for elderly).*

**[R3]** MINEFI - DGTPE, <<Emploi et Législation Sociale en Roumanie>>, Ambassade de France en Roumanie – Mission Economique, Fiche de Synthèse, Février 2009.
"Employment and Social legislation in Romania"

*The article analyses the current situation of the labour market in Romania, particularly the new labour code adopted in 2003. The sector of social protection is then described in the light of Government Emergency Ordinance 226/2008, which announces specific budgetary and financial measures for the year 2008. The new contribution rates, which became effective from 1 January 2009, are equally presented by categories: pension, health insurance, unemployment, etc.*

**[R1]** MITRA, Pradeep, "Innovation, Inclusion and Integration. From Transition to Convergence in Eastern Europe and the Former Soviet Union", World Bank, 2008.

*The report examines issues the countries in Eastern Europe and the former Soviet Union are faced with in their effort to maintain economic growth, but also addresses issues arising from countries' ageing populations. The report points out that most of those countries are projected to have some of the oldest populations in the world by 2025, while their working-age populations are expected to decline rapidly. To counteract the negative impact of the declining workforce on growth and old age pension finances, the report urges the Governments to take action to increase productivity and economic growth. The report suggests that equilibrium of the region's workforce could be achieved by allowing workers from countries with rapid population growth to migrate to the countries with declining populations. The report recommends raising and equalising the retirement ages for men and women and reforming pension and health care systems to reduce future fiscal pressures.*

**[R1; R2]** OECD, ISSA, IOPS, "Recent Developments in Foreign Public and Private Pensions. International Update", September 2008. Retrieved from:
http://www.issa.int/aiss/Resources/ISSA-Publications/Complementary-and-Private-Pensions-throughout-the-World-2008

*The publication provides a cross-national comparison of mandatory and voluntary private and supplementary pension systems in 58 countries. The country profiles contain details on laws, coverage, financing, investments, benefits, participants' pension rights, tax treatment, and regulatory and supervisory authorities. This new volume, which updates the 2003 edition, highlights the increasingly important role that complementary and private pension schemes play in national social protection systems and in providing for an adequate income in retirement. It constitutes a unique reference guide for policy makers, pension regulators, supervisors and practitioners, pension funds, academics and other specialists in the areas of economics, law, finance, actuarial science, and social protection.*

**[R1]** SSA, “Social Security Programs Throughout the World: Europe, 2008.” Social Security Association, March 2009. Retrieved from:
http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2008-2009/europe/index.html

> *The Social Security Administration has released the first part of a four-volume series that provides a cross-national comparison of the social security systems in 44 countries in Europe. It summarises the five main social insurance programmes in those countries: old-age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances. The second part of the report contains the Country Summary of all the 44 countries described in the first part. The other regional volumes in the series focus on the social security systems of countries in Asia and the Pacific, Africa, and the Americas. The publication is updated at six months interval.*

**[R1; R2]** STEGAROIU, Valentin, <<O tratare complexa a sistemului de pensii din Romania>>, MPRA Paper N° 12718, November 2008. Retrieved from:
http://mpra.ub.uni-muenchen.de/12718/1/MPRA_paper_12718.pdf
“A complex study of the Romanian pension system”

> *The paper starts from the (rather curious) hypothesis that the pension system in Romania needs to be adapted to cope with the complete removal of restrictions to the free movement of goods, capital and services, as a result of the country’s EU integration. The author proposes, therefore, an original formula for calculating the pension, which is based on employer’s income, wage level of a particular contributor as a ratio to the average wage in the economy, and the duration of contribution. In the end, the paper runs through some mathematical exercises without any relevance for the pension system, policy making in the field, or any other economic or social implications.*

**[R2]** STEGAROIU, Valentin, “The Adjustment of the Romanian Public Pension Plan in the Context of European Integration”, MPRA Paper N° 12720, January 2009. Retrieved from:
http://mpra.ub.uni-muenchen.de/12720/1/MPRA_paper_12720.pdf

> The paper tries to undertake a combined analysis of economic and social objectives in the context of Romanian EU membership. More concretely, the study attempts to propose a way of harmonising the legislation in Romania with EU standards in the pension system. A second objective of the paper is to find a mechanism of social insurance coverage – principally pensions – for Romanian emigrants living in the European Union, and for foreigners who have immigrated to Romania from non-EU countries. The author proposes a mathematical formula for calculating the pension in these circumstances, which, unfortunately, is of no economic use for reaching the declared objectives.

[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

**[H4; H5]** ANDREI, Tudor et al., "Quantitative Methods in Medical Sciences. Applying the Statistical Survey Method in Evaluating the Public Health Care System in Romania", Journal of Applied Quantitative Methods, Volume 3, Issue 4, December 2008, p. 304.

*The paper revises the key issues to be taken into account when reforming health care, and analyses some aspects of the reform process in Romania, based on a survey conducted in 2007 among medical doctors. Several primary and secondary variables are defined, based on the 52 questions of the survey, measured on a scale from 1 (low importance) to 5 (very high importance). Two aspects are analysed: the opinion of medical personnel regarding the quality of the reform process in the public health care system, and the opinion regarding the quality of the factors that interact to ensure the quality of medical services. Two aggregated variables were defined in both cases, each based on five primary variables. The results show significant differences in opinions according to gender, age group and personnel category of the interviewed medical doctors.*

**[H2; H4]** BELU, Loredana Marina, "The Reform of the Romanian Public Health System in the Context of European Union Integration", Paper prepared for the NISPAcee 2009 Annual Conference on State and Administration in a Changing World, May 2009, September 2008. Retrieved from: http://www.nispa.sk/_portal/homepage.php

*The paper revises the role, functions and responsibilities of the Romanian Ministry of Public Health, and reviews the reforms that have taken place in the health sector. The analysis is accompanied by a critical evaluation of those reforms, listing the most important deficiencies of the system. The issue of decentralisation is equally discussed, with several recommendations proposed for improving the situation in this respect. The paper closes the analysis by a review of main recent legislative initiatives of the Government in the health care sector and tries to evaluate the extent to which those initiatives may have a positive effect on improving the situation in the health system.*

**[H1]** DELAUTRE, Guillaume et al., «La protection sociale: un aperçu de la situation en Bulgarie et en Roumanie'», Solidarité & Santé, N° 3, 2008.
"Social Protection: an Overview of the Situation in Bulgaria and Romania"

*The paper reviews the development of social protection policies in the two most recent member states of EU – Bulgaria and Romania. After a brief historical analysis of the reforms undertaken in the social protection domain since the fall of communism, the article details the situation with respect to unemployment, poverty and level of economic development in recent years. A special chapter is dedicated to social expenditures in the two countries, insisting on the share of health care and pensions, in total spending for social protection. This chapter concludes that the two countries are still far from the EU standards in terms of the funds allocated for health (which in Romania represents only 62.5% of the EU25 average), and pensions (on average 2.12 times higher in EU25 countries than in Romania). The two sectors – health care and pensions – are then separately analysed.*

**[H3; H6**] LEGIDO-QUIGLEY, Helena et al., "Assuring the quality of health care in the European Union. A case for action", Observatory Studies, Series No 12, 2008.

*The report addresses the major challenge facing the EU's legislators of how to fully align two goals: that goods and services provided across borders are of appropriate quality, and that freedom for people to move is not constrained, by ensuring that they can obtain health care when outside their home country. The policies to promote quality are analysed in each of the 27 members of the EU. The study concludes that the EU has a very limited role in quality of care, except in terms of pharmaceutical care. In other areas, there are fundamental differences in health systems and the interests and influence of the various stakeholders.*

**[H4; R1]** SSA, "Social Security Programs Throughout the World: Europe, 2008." Social Security Association, March 2009. Retrieved from:
http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2008-2009/europe/index.html

*The Social Security Administration has released the first part of a four-volume series that provides a cross-national comparison of the social security systems in 44 countries in Europe. It summarises the five main social insurance programmes in those countries: old-age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances. The second part of the report contains the Country Summary of all the 44 countries described in the first part. The other regional volumes in the series focus on the social security systems of countries in Asia and the Pacific, Africa, and the Americas. The publication is updated at six months interval.*

**[H1]** PARVU, Daniela, "The Reform of the Health Financing System in Romania", ISRICH Working Paper Series, WP No. 07, 2008. Retrieved from:
http://www.andrassyuni.hu/deutsch/admin/data/00000004/_fix/00000000/_fix/00000004/_subpage/files/_0000pirvu.pdf

*After a brief introduction regarding the international experience with financing the health care, the paper summarises the main characteristics of the health sector in Romania in terms of resources allocated, in a comparative perspective that includes developed European countries. The analysis touches other relevant aspects of access to medical services, social indicators related to health care, and the endowment of the Romanian sector of health care. The paper discusses in details the reform of health care financing in Romania and evaluates the effects of this reform by comparing the situation with other countries in Europe; the main conclusion of the article is that the up to now reforms have not been sufficiently effective.*

**[H6]** PHARMA, "Pharmaceutical Market in Romania. Developments Forecasts for 2008 – 2010", October 2008.

*Pharma is a multi-national company that provides news, articles and market data on the pharmaceutical market, from manufacturers and distributors to medical devices and research developments. The book paints a comprehensive portrait of the Romanian pharmaceutical market and its path of growth and development during the period from 2002-2008, together with data, analysis, and detailed forecasts for the period 2008-2010. The data presented is accompanied by expert analysis of the market's most influential factors, including epidemiology, demographics, and prevailing conditions in the Romanian health care and legal systems. It also provides a comprehensive source of information concerning the market's major players, their market shares and finances, along with detailed profiles of the ten top performers. Given the complicated nature of the wide variety of products available on the pharmaceutical market, the report breaks them* *down by therapeutic category, exploring the largest groups and defining their respective market shares.*

**[H3]** ROMEUROPE, <<Raport 2007 – 2008 : Janvier 2007 – Juillet 2008>>, Retrieved from www.romeurope.org September 2008.
"The 2007 – 2008 Report: January 2007 – July 2008'"

*After their EU integration, Bulgaria and Romania became an important source of Roma emigration. The Romanian Roma minority is particularly present in Western Europe. The report analyses, therefore, the situation of Roma immigrants in France, insisting on the social rights of this community in terms of residence, employment, housing, and the access to social services – particularly health care. The report is in fact a list of claims coming from various associations defending the Roma rights, which constitute the Romeurope group of human rights. The report insists in particular on the right to medical care and proposes several solutions for covering these populations, given the frequency of a multitude of pathologies among Roma people and a worrying health status.*

**[H1 to H7]** VLADESCU, Cristian, SCINTEE, Gabriela, OLSAVSZKY, Victor, "Romania: Health system review", Health Systems in Transition, Vol. 10, N° 3, 2008.

*The report reviews the status of the health care sector in Romania in terms of organisational structure, central versus local responsibilities in delivering services, financing aspects of health care, coverage and access of population, legislation, human resources, types of health services delivered and aspects of long-term care. The study lists the main reforms that have taken place in Romania and concludes by an overall assessment of the system. The authors find that the main problem with the Romanian health care system is the lack of a clear vision of its future and the lack of a coherent project for its health system, which is shared and accepted by the main stakeholders.*

[L] Long-term care

**[L]** CARENZI, Angelo, "Health and Long-Term Living: Trends and Best Practices in Europe", European Papers on the New Welfare, Paper N° 9/2008, February 2008. Retrieved from: http://eng.newwelfare.org/?p=360

*The author raises the issue of increasing life expectancy in Europe, combined with an accelerating phenomenon of population ageing, which will pose serious problems in terms of financial sustainability of the health system, but equally with respect to long-term care. The paper starts by reviewing the developments of the last 3 decades in the sector and the changes that took place in Central and Eastern European countries after the fall of communism, including Romania. The most important differences between the two groups of countries are underlined, followed by a description of the main EU initiatives aimed to reduce those differences. The paper concludes with a prognosis of the long-term living and the financial sustainability of welfare systems in Europe until 2050, proposing a list of policy measures that would strengthen the Lisbon "open method of coordination" for reforming social security systems.*

**[L]** VLADESCU, Cristian, SCINTEE, Gabriela, OLSAVSZKY, Victor, "Romania: Health system review", Health Systems in Transition, Vol. 10, N° 3, 2008.

*The report reviews the status of the health care sector in Romania in terms of organisational structure, central versus local responsibilities in delivering services, financing aspects of health care, coverage and access of population, legislation, human resources, types of health services delivered and aspects of long-term care. The study lists the main reforms that have taken place in Romania and concludes by an overall* *assessment of the system. The authors find that the main problem with the Romanian health care system is the lack of a clear vision of its future and the lack of a coherent project for its health system, which is shared and accepted by the main stakeholders.*

# 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: Tel. 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 programmes at national and sectoral level (VIASAN)*[58] *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)** – The 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 recent of such impact analysis (October 2008) concerns the situation of the health care sector*[59] *in Romania.*

**Asociatia pentru Pensiile Administrate Privat 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 interests 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. Currently, APAPR hold a 97% market share of the Romanian market for 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: Doina Micsunica Dretcanu
Address: Calea Victoriei 194, Sector 1, Bucuresti
Phone: 021 2125438 0212125439
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*

[58] Life and Health: http://www.viasan.ro/.
[59] http://www.publicinfo.ro/library/sistemul_sanitar/0_raport_populatie_generala.pdf.

*disabled persons. ANPH is also empowered to elaborate the standards and norms required in residential institutions for disabled people.*

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

Contact person: Irinel Popescu
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 health insurance. CNAS has county branches and includes the special departments of Transport, Defence, Interior, and Justice. The institution offers a wide range of information (studies, statistical data, budget execution, legislation), but most of them are not updated. The most recent activity report, for example, concerns the year 2007, 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: Doina Parcalabu
Address: Str. Latina 8, Sector 2, Bucuresti
Phone: 021 3169111 0800826727
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 varied information to beneficiaries, but very little is provided in terms of studies, reports, or statistical data. The most recent activity report is for the year 2007.*

**Centrul de Cercetare si Evaluare a Serviciilor de Sanatate (CCESS)** – The Centre for Research and Evaluation of Health Services

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 centre, founded in 2006, functions within the National School for Public Health and Sanitary Management. It is the main body involved in evaluating the administrative and financial management of hospitals. The centre also carries out research on the development of health indicators of the population, managerial consulting to medical units, and training of hospital managers. The centre has its own editorial house (Public H Press), a quarterly bulletin (Health Management Review), and various publications in the form of working papers, studies and articles.*

**Centrul de Cercetari Demografice "Vladimir Trebici" (CCD)** – The Centre for Demographic Research "Vladimir Trebici"

Contact person: Prof. Dr. Vasile Ghetau
Address: Calea 13 Septembrie 13, Sector 5, Bucuresti
Phone: 021 3188106
Webpage: http://www.ince.ro/ccd.html#Istoric

*CCD is a structure of NIER, created in 1995, to deal exclusively with demographic issues related to population trends, internal and external migration, and the economic consequences of demographic characteristics of the country. The centre has several occasional publications and a periodical – The Population and Society Bulletin. Nevertheless, due to very limited* *research capacity, publication of the bulletin was stopped after less than 10 years of existence.*

**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's degree programmes are also delivered in cooperation with the university Babes-Bolyai in Cluj-Napoca in the fields of Ecotoxocology and Environmental Risk Assessment, Industrial Hygiene, and Management of Ecological Security.*

**Centrul Roman de Economie Comparata si Consens (CRECC)** – The Romanian Centre for Comparative Economy and Consensus
Contact person: Acad. Tudorel Postolache
Address: Calea 13 Septembrie 13, Sector 5, Bucuresti
Phone: 021 4116075
Webpage: http://www.ince.ro/ecc.htm

*CRECC is a think-tank founded in 1999 by several researchers belonging to the National Institute of Economic Research, whose initial objective was to make periodical evaluations of reforms and transformations taking place in the Romanian economy, and to elaborate a medium-term development strategy for the country. However, most of its activity represents in fact the research done by its members within their respective sub-institutes of the NIER. No publication can be found on the CRECC website, just a list of papers that can be also found on the sites of the respective institutes to which their authors de facto belong.*

**Centrul Roman de Politici Economice (CEROPE)** – Romanian Centre for Economic Policies
Contact person: Lucian Croitoru
Address: Calea Serban Voda 90-92, Sector 4, Bucuresti
Phone: 021 3301035 / 021 3301037
Webpage: http://www.cerope.ro/default.aspx

*CEROPE is an independent think-tank created in 1998 as a non-political organisation, bringing together the most important Romanian economists of that time. The main role of the centre is to enhance dialogue on most relevant issues of social and economic policies and reforms. The research activity of the institution has included social protection aspects; however, within the last three years CEROPE has considerably slowed down its activity and its role has become marginal in academic and research circles.*

**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 / 021 3301037 / 021 3301046
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 (http://www.revistacalitateavietii.ro/) – biannual, and the Social Innovation Review (http://www.inovatiasociala.ro/index.php/jurnal) – in electronic form).*

**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 –* http://www.incsmps.ro/documente/Sistem%20Indicatori.pdf)*) and strategic documents (The Reform of Social Security in Romania (*http://www.incsmps.ro/documente/Lucrari%20Sesiune/INCSMPS%20ses%20com%202006.pdf*).*

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(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.

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