

## THE IMPLEMENTATION OF „THE VIRTUOUS TRIANGLE” THROUGH THE RECOVERY AND RESILIENCE FACILITY: ROMANIA’S EXPERIENCE

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### **Abstract**

Over the past decade, the EU has notably reimagined the application of European funds to ensure they foster a conducive environment for coordinated investment stimulation, structured reform implementation, and the enforcement of responsible fiscal-budgetary policies. This framework, dubbed as the „*virtuous triangle*” by the European Commission (EC), has constructed an expansive conception of European public policy implementation over the past ten years. This case study delves into the application of the virtuous triangle approach via financial instruments crafted to counter the ramifications of the pandemic - specifically examining the Recovery and Resilience Facility (RRF). The RRF employs the European Semester (ES) to bolster and predetermined control mechanisms and set national priority agendas. The study further explores the resulting initial wave of institutional effects on Member States (MS) and provides an overview of Romania’s experience in formulating the National Recovery and Resilience Plan (NRRP).

**Keywords**

European Semester; Next Generation EU; Recovery and Resilience Facility; the National Recovery and Resilience Plan, the EU virtuous triangle

**1. INTRODUCTION**

The post-2020 EU policies aim to implement the European Green Deal provisions, promoting sustainable economic growth and upward convergence. The current EU's public finances contribute to common living and working conditions, by implementing the European Pillar of Social Rights and by operationalizing the Social Scoreboard.

The tools, methods and mechanisms specific for defining and implementing EU policies are currently being modified and adjusted to the objectives of the European Green Deal. The recent COVID-19 pandemic and Russia's military invasion in Ukraine underscored the necessity for rethinking EU policies and ensuring energy independence. A substantial part of the current European public finance is intended for institutional changes at MS level. As Dănilă (2023) shows, the European Green Deal also influences third countries, particularly those in the Eastern Partnership, to adjust their internal policies to those of the EU.

The EU introduced a stimulus regime based on conditionality to facilitate easier acceptance and implementation of reforms by MS. This involved rethinking previous instruments of intergovernmental cooperation and the coordination and monitoring of MS in the implementation of EU policies at subsidiary level. The strengthening of the coordination of economic and social policies, as well as the way the EU is financed (Bărbulescu 2015, 558) was made possible by the Lisbon Treaty. This allowed the EU to set up new temporary financing instruments to overcome crisis situations, such as the RRF.

The open method of coordination (OMC) and the economic semester (ES) facilitated the establishment of a growth concept termed „*virtuous triangle*” (COM (2018) 770 final, 3). As a metaphor, the *virtuous triangle* signifies the synergic action between the following three crucial elements:

1. coordinated stimulation of public investments from European or national funds;
2. linking investments with structural reforms or, as the case it may be, with adjacent systemic reforms;
3. guaranteeing the first two elements with responsible and predictable fiscal-budgetary policies for medium- and long-term approach.

Despite these efforts, the *virtuous triangle* rhetoric was largely ineffective until the enabling conditions were set and the EU had overcome the limitations of repeatedly trying to persuade MS to embrace the approach (Verdun and Zeitlin 2018; Zeitlin and Vanhercke 2018; Haas et al. 2020; Toderas 2024). A significant transformative influence on European society and MS could not occur without establishing the virtuous triangle concept within EU development. The COVID-19 crisis helped the EU convince MS to apply this concept. The EU responded rapidly and innovatively to requests for managing the pandemic's impact, and proposed a provisional financial framework of similar size to a multi-annual EU budget, with the RRF as its primary component. This served as a tool to stimulate and condition MS to adjust their domestic policies and to apply responsible fiscal-budgetary policies.

## 2. METHODOLOGICAL DESIGN

### 2.1 Aims, rationale and method

The main goal of our research is to investigate and discuss a series of issues related on how the EU institutions, especially the EC, has designed, promoted and captured the MS in the application of the virtuous triangle on EU development. For this reason, in the first part, the main characteristics of the current mechanisms for defining and implementing European policies are being analyzed, in the context of designing and implementing the RRF. In the second part, it is presented and analyzed how Romania responded to the RRF requirements by designing, negotiating and implementing the NNRP.

The second objective of the research is to contribute to the internal debate on improving the policy-making framework at the level of central public

administration through the development of a case study focused on how Romania has designed the NRRP. This secondary purpose is justified by the fact that, even if insiders of the specific processes of public policy-making „*have no incentive to engage in a debate about policy change*” (Chaqués-Bonafont 2016, 207), they can nevertheless contribute to the development and testing of theories and approaches specific to institutional change, along with other categories of stakeholders (policy brokers, representatives of academia, think tanks etc.). The second objective is also supported by the fact that public policy and strategic planning documents underline institutional change at the level of public administration. Moreover, the implementation of policy concepts and strategic planning documents is largely ensured by the available financial incentives, whether from internal or external sources. In the case of Romania, the NRRP is currently considered as a replacement for the national development strategy. Since Romania’s accession to the EU, there has been no national development strategy to respond to the new economic and social realities as a member of the EU (Bărbulescu et al. 2013, 112). Therefore, it is essential to monitor how institutional change in the Romanian public administration is carried out in the context of implementing the NRRP and in the context of utilizing the virtuous triangle approach.

As an analysis focused on desk research, it employs the case study method specific to public policy evaluation (Simons 2009; Schwandt and Gates 2017; Yin 2018). Through the intensive analysis of collected data, including from fieldwork, the research is qualitative in nature. Thus, the case study focuses on breaking down the process into constituent elements, such as: analyzing the preceding context, describing and explaining the events and situations that took place during the conception phase of Romania’s NRRP. In-depth analysis is thus conducted on the first two stages of the implementation process of Romania’s NRRP: agenda setting and formulation. Additionally, based on a series of institutional predictors (performance-based implementation; capacity of coordination; resistance to change), the challenges and risks associated with the first two years of implementation are also assessed. This approach has proven useful in ensuring the plausibility, credibility, and relevance of the obtained empirical data.

The methodological limitations of the study lie in the fact that the frequent change of decision-makers in recent years has not favored the conduct of a quantitative type of research, in the sense of applying tools such as questionnaires. As insiders of the technical coordination process of the conception of Romania's NRRP, the authors acknowledge the limitations derived from their direct involvement in the elaboration of the NRRP, even though as much analytic neutrality as possible is ensured within the research.

## 2.2 Hypotheses and research questions

Our main hypothesis is that without a stimulating or constraining policy mechanism from the EU, the central public administration of Romania, like those of other MS in the region, will not carry out key systemic and structural reforms in accordance with the virtuous triangle approach. Historically, Romania has supported this hypothesis, given that transformative processes occurred sequentially, either in the wake of crises or due to external pressures from international institutions (Bărbulescu et al. 2013), or due to the presence of financial incentives, particularly those offered by the EU. For example, it has carried out key systemic and structural reforms coercively in the context of negotiating accession to NATO, and subsequently to the EU (Toderas 2023, 258). In contrast, as a counterfactual argument, during periods not characterized by these key moments of stimulation or constraint referred to above, it has been observed that transformation processes have significantly slowed down (Bărbulescu et al. 2013). Within this hypothesis, the research seeks to answer the following questions:

1.1 What are the characteristics of the current EU policy design and implementation mechanisms?

1.2 How does the EU transformative power based on a virtuous triangle approach reflect in the design of RRF and NRRPs?

The second hypothesis is that the influence of the EC in formulating Romania's PNRR has been heightened as a result of inconsistent fiscal and macroeconomic policies, as well as a lower administrative and strategic planning capacity

compared to other member states. Even if the RRP design process left considerable policy autonomy for governments, the constraints enforced by the Commission depended on domestic factors of fiscal and state capacity, as was the case for Romania (Oellerich and Simons 2023, 20). Thus, from this perspective, the research answers the following questions:

2.1 How have the central public authorities in Romania responded to the EC's requirements based on a virtuous triangle approach for programming the NRRP?

2.2 What specific challenges and risks emerged during the first two years of implementing the Romania's NRRP?

Starting from the research hypotheses, the analysis reveals various deductive elements which indicate that acceptance of institutional change based on virtuous triangle approach is incentivized by the provision of financial resources. The funds not only stimulate acceptance of transformative measures but also serve as compensation for factors that favor maintaining the *status quo*.

### 2.3 Source of data

In the initial stage, the research was based on primary experiential data, resulting from the professional activity of the authors in the field of programming, implementation, and evaluation of European funds. Therefore, considerations resulting from the authors' involvement in the design, negotiation, and implementation of the NRRP are discussed in the second part of the article.

In conducting the research, data from secondary sources were also used. The academic literature was thus examined, especially articles, monographs, and chapters from specialty volumes presenting and analyzing various case studies specific to the studied phenomenon. In addition, a series of administrative documents were examined, such as the main national and EU strategic documents that underpinned the conception of the NRRP, the annual country reports prepared by the EC within the ES, as well as various analyses and reports from the grey literature category. The research also relies on an

interpretation of the relevant legislative and regulatory framework, both European and national.

### **3. THE CHARACTERISTICS OF CURRENT EU POLICY DESIGN AND IMPLEMENTATION MECHANISMS**

The EU needs to establish a new economic, social and cultural model to facilitate climate neutrality, which implies deepening the European integration not only for exclusive and shared competences but also for supporting competences. To do so, EU must strengthen the power of determination over MS to implement the European Green Deal's ambitious goals. In this regard, in the first version of the proposal concerning the multiannual financial framework (MFF) for the post-2020 period, the EC services suggested a reform support program, composed of a reform delivery tool, one technical support instrument; and the convergence facility for the euro-area membership preparation (COM (2018) 391 final). These instruments were intended to promote sustainable growth and upward convergence. However, in March-May 2020, due to the impact of the Covid-19 pandemic, they were repurposed into the RRF as a part of a swift response economic recovery plan. The RRF is a component of the NextGenerationEU (NGEU) financial package, together with other smaller financial instruments. The package's scope is comparable to that of the MFF, but its implementation logic is different. With the RRF, as opposed to the European funds associated with the cohesion policy, the emphasis is on the implementation of some investments resulting from structural or systemic reforms, assumed by the MS and covered by responsible and predictable fiscal-budgetary policies over the medium and long terms. In other words, the swift response of the EC was to persuade MS to support the implementation of the virtuous triangle concept within the development in the EU (Toderas 2024, 53). The implementation of the new MFF and NGEU required profound adjustments at domestic level, representing an engine for the reform and modernization of MS. These two frameworks aim to support sustainable reforms based on public

investments and to maintain stable fiscal policies. At subsidiary level, both instruments are conditioned by a series of adjacent rules transposed up to the project level. Compliance guidelines were introduced to ensure funding allocation contributes to climate and environmental goals, such as the „*Do no significant harm*” (DNSH) principle.

The EU created a regulatory polity as it was developing and enacting its policies (Heidbreder and Brandsma 2018, 807). The funding that the EU has available in connection to the scope of the initiatives to address the numerous issues that together affect the MS' supply of welfare policies is what led to the strengthening of the regulatory framework (Majone 2011, 35). Moreover, through regulatory processes together with the conditionalities of European funds, but also through the adoption of a distinct style of policy making, EU uses its transformative power on the MS in an incremental, but iterative way. The MFF for 2014-2020, 2021-2027 and the NGEU highlight this approach, urging MS towards implementing the virtuous triangle of economic recovery and growth. The promotion of direct EU management within the NGEU for RRF is an additional argument for increasing EU conditionality on the funds allocated to each MS. By using this method within the RRF, new management and control rules are imposed on MS, for the implementation of national reforms and investments, under the direct control of EC or of other EU institutions. EC supervises the RRF implementation, reinforcing results-orientated performance and maintaining credible fiscal policies.

In line with our first hypothesis, the Treaty on the Functioning of the EU (TFEU) outlines, in articles 2 through 6, precise procedures for transferring authority from the MS to the EU, offering the mechanism to determine the central public administration of MS to carry out key systemic and structural reforms in accordance with the virtuous triangle approach. In this context, EU interventions have an impact, directly or indirectly, on the policies that are still the attribute of the MS (Börzel and Risse 2007; Saurugger and Radaelli 2008; Bărbulescu 2015). The implementation of the policies that fall under the EU's exclusive power is mandatory at the European level, and MS' compliance is guaranteed by appropriate legal instruments. In the case of policies specific to areas for which EU competences are shared or supporting, incentives, especially

financial ones, have a fundamental role in determining national authorities to act convergent in the implementation of those interventions at subsidiary level. Voluntary compliance can be conditioned by financial incentives and/or obtaining facilities during the negotiation phase between MS and EC' services. Before the financial crisis of 2008-2012, it was uncommon for the EC to use mandatory compliance with the requirements put forward at the EU level as an approach, especially in relation to the European funds available to MS through the cohesion policy. After the entry into force of the Treaty of Lisbon, the implementation mechanisms have become much more restrictive. For instance, under the 2014-2020 MFF, MS were required to meet 36 ex-ante conditionalities conditions before their operational programs could be approved. On the other hand, for the 2021-2027 MFF, MS are required to fulfill 20 enabling conditions, which are significantly more detailed and stringent, throughout the implementation period. Reimbursements are contingent on fulfilling these conditions. Despite initial resistance from MS to these introduced constraints, the incentives offered through European funds ultimately encourage compliance.

Post-2011, the approach underlying EU methodology prioritizes problem-identification (the stage of setting the agenda), policy design (the stages of formulation and adoption), and intervention evaluation at a supranational level. While the MS handle implementation, the EC conducts close monitoring, interwoven with a variety of compliance mechanisms. This applies to both cohesion policy funds (Iorgulescu-Aioanei 2021) and those accessible through the RRF. The EC has fortified control functions under the RRF through several subsequent acts, such as financing agreements, operational arrangements, and regular monitoring. In May 2020, the MS accepted this approach as it offered increased flexibility and budgetary support without linking costs to the reimbursement of EU money. However, the first two years of implementation revealed a higher level of control and regular verification missions fulfilling milestones and reform and investment targets, compared to those of the EU's cohesion policy funds. Despite the seemingly flexible shared management system, many mechanisms – including decommitment of funds – are in place to sanction non-compliance.

Based on the aforementioned points, the first question related to the first hypothesis was analyzed. Consequently, current EU policy design and implementation mechanisms condition MS to implement and maintain transformative processes in accordance with the virtuous triangle approach, aiming to achieve a higher degree of institutional convergence at the EU level.

#### **4. RECOVERY AND RESILIENCE FACILITY - A FINANCIAL INSTRUMENT FOR DETERMINING KEY POLICY REFORMS OF MEMBER STATES**

Prior to the pandemic, MS expressed criticism towards EU institutions for mandating the implementation of reforms and investments in accordance with the Country-Specific Recommendations (CSR), without providing any associated funding. The EC presented the RRF in response, as a financial instrument to impose and finance desired policy reforms, in line with CSR (Van der Veer 2022; Vanhercke and Verdun 2022; Corti and Vesan 2023). EU institutions perceive the RRF as a tool to generate achievements with a long-lasting impact, responding to challenges outlined in the ES context.

The RRF operationalizes the virtuous triangle concept to achieve EU level upward convergence and meet the European Green Deal objectives. The EU institutions presented the RRF as an exceptional opportunity to set the public agenda and to initiate policy reforms within a policy window generated by the COVID-19 pandemic. At MS' level, the RRF was perceived rather as an instrument of economic recovery following the crisis generated by COVID-19, especially as a way of supporting the current needs of economic and social recovery.

The RRF's primary role was to provide necessary funding to accelerate the green and digital transitions, based on the 2019-2024 EU priorities set during the June 2019 European Council meeting. A mandatory budget allocation was imposed, requiring at least 37% for the green transition and 20% for the digital transition.

Also, compliance with the DNSH principle was required, as per Regulation no. 2020/852, facilitating sustainable investments for climate neutrality.

The EU transformative power was reflected by taking advantage of the exceptional moment to boost the coordination of economic and social policies at the EU level by maximizing and ensuring the effectiveness of CSRs (Argyroulis 2023; Corti and Vesan 2023). It was also intended to strengthen the social justice framework in the transition to a green and digital economy (Petmesidou et al. 2023). The RRF explicitly sets conditions for granting financial support to the MS on the basis of achieving measurable and irreversible results. Through its purpose, the RRF could in time become a predecessor of a new paradigm of economic governance (Buti and Fabbrini 2022). The intention to condition European funds with ES was made public by the EC' services in 2017 in the Reflection Paper on the future of EU finances (COM (2017) 358 final, p. 17). This conditioning aims to enable a just transition that adheres to the European Green Deal's principle of „no person and no place left behind“. Similarly, the cohesion policy's common regulation (Regulation 2021/1060) obliges national authorities to consider CSR when drafting programmatic documents, thereby, reinforcing the incorporation of CSRs into the execution of programs financed by EU cohesion policy funds. Considering the numerous CSRs delayed by MS over the past decade, the EC, through its approach of conditional reinforcement, has ensured the means to accelerate the implementation of key European agenda topics, thereby promoting its approach of the virtuous triangle.

The RRF influences the MS's priority agenda, narrowing the reform and investment areas addressed in their CSR recovery and resilience plans. The national interests of MS couldn't be lightly asserted, and at times, their perspective was restricted by evaluation criteria assessing how their proposed plans addressed most or all challenges outlined in their respective CSRs.

The EC acquires discretionary power regarding the RRF's strategic and operational implementation. The discretionary power resides in the provisions of art. 8 of Regulation 2021/241, of Financial Regulation 2018/1046, as well as of Regulation 2020/2092 on the general conditionality regime for the protection of the EU budget. Given its responsibilities, the EC is inherently empowered to protect EU interests through its role in implementing the RRF. It effectively acts

as a policy entrepreneur during the formulation of the MS's NRRPs. The EC plays a pivotal role in supporting ideas to define challenges and deliberate solutions for executing structural changes aligning with current European policies. While interventions included in the MS's NRRPs were negotiated with the EC, MS had to confine themselves to the preset operations within the ES, especially regarding intervention options in country reports. Considering its role as the RRF administrator, the EC ambitiously integrated EU visions and objectives into these preset operations, imposing the application of the virtuous triangle concept at the MS level.

The EC maintains its discretionary power during the plan implementation, contingent on compliance with economic governance regulations, the rule of law (Regulation 2020/2092), and EU funds payment rules. Non-compliance with articles 10 and 24 of Regulation 2021/241 may result in suspension or termination of financing agreements. Through this mechanism, EU institutions, especially the EC, have established a system of normative and procedural enforcement to ensure RRF objectives are met, penalizing MS who fail to achieve associated reform and investment milestones and targets. This underlines the EC's guarantee of CSR implementation by the MS, maintaining fiscal and macro-budgetary stability at the community level. It is ultimately the EC's analysis, rather than the MS' self-assessment, that determines satisfactory progress, deciding whether to suspend or make RRF payments.

Based on the aforementioned points, the second question related to the first hypothesis was analyzed. Consequently, it was confirmed that the EU's transformative power, based on a virtuous triangle approach, is reflected in the design of the RRF and NRRPs.

## **5. ROMANIA'S RESPONSE TO THE REQUIREMENTS OF THE RRF**

The EC set up a collaborative framework with the MS for designing the NRRPs that align with EU expectations and standards. During informal and formal

negotiations with the EC, Romania went through several revisions of its NRRP's reforms and investments. The Romanian authorities had to design interventions based on change theories converging with EU strategies and policies, while embracing the virtuous triangle development approach. They had to design and connect interventions to stable fiscal-budgetary policies and predictable reforms, which required time, persuasive skills, and continuous learning and experimentation.

At the onset of dialogue between Romanian authorities and EC services, the EC had set strategic negotiation milestones. The goal was to extensively cover the specific CSRs for 2019 and 2020. Given Romania's intention to request all grant and loan allocations, the NRRP needed to address all nine 2019 and 2020 CSRs. These strategic milestones aimed to establish admissibility limits for what the EC was willing to support via the RRF for Romania, while also reconciling national priorities misaligned with the respective priorities, such as investments in highways and primary level irrigation channels.

Conversely, Romanian authorities, including the coordinating Ministry of European Funds, did not establish similar strategic benchmarks. In the initial phase from July to September 2020, strategic milestones were hurriedly developed within a limited framework (at the level of the Prime Minister's office and the Ministry of European Funds) later imposed via the Government Emergency Ordinance no. 155/2020. A broader defining phase ensued, albeit with significant inter-institutional opacity. From January to May 2021, the paradigm for plan components underwent modifications, establishing a participatory framework including key ministries, authorities, agencies, and economic and social representatives. The fluctuation in establishing strategic milestones is due to Romania's central public administration's lack of fully functional strategic management. Though a legal framework exists for strategic management application, informal practices primarily dictate priority intervention substantiation and ranking.

Romanian authorities managed to propose national priority topics for investment adjustments. Most of these stemmed from investments unimplemented or incomplete from the 2007-2013 and 2014-2020 MFFs, including railway modernization, highway construction, and primary level

irrigation system upgrades. Proposals also included investment obligations to the state budget, such as state reserve investments, agricultural product usage, and seismic risk building consolidation. Adjusting and negotiating Romania's NRRP proposals resulted in an intersection between supporting European priorities (top-down approach) and pressing domestic priorities (bottom-up approach).

In establishing a compromise, the EC agreed to include marginally exceeding strategic milestone interventions in exchange for more ambitious public system reforms. Notably, Romania secured approximately 3.5 billion euros for highway investments (roughly 12% of the initial RRF allocation) after intense negotiations, despite not directly contributing to environmental and climate change objectives. The EC also accommodated other national priority investments, such as funds for local administrative units, tourism and culture investments, and gas network extensions.

Primarily, national agenda topics approved for funding by EC services were included in the corresponding RRF loan application submitted simultaneously with the grant request. While Romania could request loan support until 31 August 2023 under Regulation 2021/241, it opted for an integrated NRRP component design, facilitating integrated planning of all available European funds to Romania until 2030. However, this required additional fiscal-budgetary discipline guarantees from the Romanian Government, covered by distinct systemic and structural reforms.

The requirements for transition to climate neutrality and digital transformation introduced the need for specific interventions and additional requirements during negotiations. These initially appealing additions proved challenging to implement at the technical substantiation stage, primarily due to the early-stage, unreliable technologies involved, such as hydrogen-based engines, still predominantly in experimental production.

The EC services stepped in to address the chronic stalemates in implementing internal public policies and programs. Their focus was to ensure symbiosis between reforms and investments and alignment with EU strategies, policies, and programs. Romanian authorities prioritized maintaining their proposed

investment arrangements, with less emphasis on following a reform theory of change.

The EC's stance used imposition tactics, firstly ensuring the NRRP's consistency with the RRF scope and relevant challenges identified in the ES context for Romania. They also examined how Romania's proposed reforms and investments align with operational papers transposing EU strategies. Emphasis was placed on complying with the EU's horizontal objectives as per TFEU's articles 8-18, the principles of the European Pillar of Social Rights, and the Sustainable Development Goals.

After aligning EU and national interests, Romania's NRRP resulted in 15 components, encompassing 64 reforms and over 100 investments. With Romania's plan divided into 507 milestones and targets, it's one of the most intricate plans proposed by MS within the RRF. This complexity stems from the domestic political ambition to subjects of national interest defended by „*partisan profiles mediated through coalitional politics*” (Oellerich and Simons 2023, 3). The complexity also lies in the EC determination to ensure proper and irreversible implementation of reforms and investments within predefined time limits. Romania's administrative capacity under the implementation deadlines was also taken into account.

The EC acted as a policy entrepreneur, disseminating innovative policy practices, most notably through the virtuous triangle approach. To achieve the EU's 2030 and 2050 targets, the EC advocated for a high level of ambition in addressing national reforms and investments. Romania's NRRP, according to the theory of change, is anticipated to trigger a societal spillover effect through significant reforms in areas like taxation, pension management, business environment debureaucratization, private environment licensing system modifications, state-owned enterprises' governance rethinking, integrated public service promotion in functional urban/metropolitan areas, and legislative systematization in the construction field, to name but a few.

As a conclusion, related to research question no. 2.1, the central authorities in Romania collaborated with the EC to align Romania's NRRP reforms and investments with EU strategies and policies. The process involved numerous revisions and the application of change theories substantiated in the EC's

virtuous triangle approach. The Romanian authorities focused on stable fiscal-budgetary policies, proposed national priority investments, and worked with the EC to reconcile strategic milestones. Despite challenges including weak strategic planning and a lack of public programs that align with the EU's strategic priorities, the overall objective remained to meet EU expectations and achieve desired recovery and resilience outcomes.

## **6. CHALLENGES AND RISKS IN THE EFFECTIVE IMPLEMENTATION OF ROMANIA'S NRRP**

The implementation of the RRF adheres to the principle of sound financial management, emphasizing effective prevention and combating of fraud, tax evasion, corruption, and conflicts of interest. The EC direct accountability to the Council and European Parliament augments its monitoring and control mechanism, reflecting both the frequency and monitoring/reporting requirements. So far, the EC has not employed this approach in cohesion policy, but rather in cooperation instruments with third countries (macro-financial assistance) or in pre-accession instruments for candidate countries.

In the NRRP's implementation phase, Romania is challenged to demonstrate a robust management and control system aligned with the standards of executing a result-oriented, performance-based reimbursement program. Implementation should prioritize efficient use, result generation, and added value (Miron et al. 2022, 13), ensuring the necessary flexibility for a mixed financing instrument (grant and loan), and considering different rules and implications for maintaining medium and long-term public finance sustainability.

One challenge for implementing the RRF is the need to maintain consistent semi-annual payment request submissions and approvals, ensuring continuous cash-flows. Disruption to this half-yearly pattern threatens payment security for project implementers, causing potential delays in investment-specific activities, and leading to difficulties in meeting milestones and targets. Such scenarios

could risk the solvency of economic operators or even the state budget, due to exhausted pre-financing resources.

Another crucial challenge in implementing Romania's NRRP is completing all operations by August 31, 2026. The RRF's design as a temporary instrument necessitates this timeframe, significantly shorter than the usual 9-10 years under the cohesion policy (based on the n+2 or n+3 principle). Romania and other MS, following the approval of their NRRPs, have lobbied for an extension to the NRRP's implementation period, particularly for components linked to energy transition investments. However, both the net contributor MS and the EC firmly maintain their stance against extending the implementation period.

Implementing the NRRP involves numerous sectors and authorities, some of which lack experience in managing European programs, necessitating national level coordination. Various reforms in the plan, especially those concerning complex systems like pensions, taxation, budget, and education, generate expansive inter-ministerial coordination mechanisms, supporting European integration's deepening. As reforms that support the deepening of European integration, their coordination is the object of European affairs. Such extensive institutional changes in Romania have not occurred since EU accession, and the field of European affairs has steadily declined since then.

The complexity and ideological charge of systemic reforms result in a slow implementation conducted through successive exploratory phases, testing the EC's tolerance and the receptivity of target populations or stakeholders. Any delay in implementing systemic reforms can lead to subsequent delays for other reforms and investments. Due to their complexity, systemic reforms need broader structuring and a longer timeframe. Postponing to 2025 or 2026 raises the risk of inadequate implementation, leading to potential suspension of associated payments and financing agreements.

Adjusting from implementing European programs financed by EU cohesion policy, which does not necessitate structural reforms or responsible fiscal-budgetary policies, to understanding the specifics of the RRF presents a challenge. From June to November 2020, political actors depicted the NRRP as a facility through which the EU provides support to MS without imposing stringent standards or conditions for economic recovery. This perception

contradicted the virtuous triangle approach. Throughout the NRRP's implementation phase, political decision-makers prioritized boosting investments, while the accompanying reforms and fiscal-budgetary responsibility were sidestepped. This revealed the resistance to change is more prevalent in sectors concerned with public resource distribution. The evident risk involves unfulfilled milestones linked to crucial reforms corresponding to CSRs, and this risk is gradually appearing in several critical reforms such as the pension sector reform, governance of state companies, the public sector wage system, and public administration reform.

To achieve desired results within set timelines, involved actors such as responsible ministries must employ strategic agility allowing for efficient and proactive problem-solving. The overseeing entity plays a crucial role, in Romania's case, the Ministry of Investments and European Projects (MIPE). Given the experiences from the Plan's first-year implementation, some ministries initiated legislative projects, affecting the NRRP's commitments, resulting in potential reversibility of reforms or investments and limiting the MIPE's coordinating ability. Thus, the MIPE's ability to act with agility and strategy to ensure performance is curbed under current institutional frameworks, posing a significant risk to the Plan's coherence and the irreversibility of reforms and investments.

The Interministerial Coordination Committee (CIC), chaired by the Prime Minister and encompassing representatives from all implementing ministries, reviews implementation progress and initiates measures in case of significant delays. While CIC decisions are collectively taken, the committee lacks sanctioning power for delays or non-compliant implementations. Without sanctions, implementing ministries are not pressured to perform to achieve expected results.

The role of the NRRP Monitoring Committee, a guarantor for civil society and social partners overseeing progress towards milestones and targets, is somewhat restricted. It can only make recommendations to prevent NRRP implementation challenges. Although legally mandated to convene quarterly, its activities and impact in promptly flagging implementation roadblocks have been limited.

The implementation phase also unveils unanticipated challenges or issues that warrant separate discussions or evaluations. One underappreciated aspect during the plan's conception was the impact of fake news on the formulation, adoption, and implementation of reforms. Two years after the plan's approval, fake news has considerably influenced the determination of the implementation of reforms, like the phenomena of political hesitancy caused by electoral fears. As a conclusion, related to research question no. 2.2, the implementation of Romania's NRRP faces challenges including fiscal-management, short completion deadlines, and inexperienced sectors. Additionally, the resistance to systemic and structural reforms and the impact of misinformation impacts the implementation. Tackling these issues is essential for an effective, timely roll-out of the NRRP.

## 7. CONCLUSIONS AND PERSPECTIVES

After the financial, economic, and social crisis from 2008-2012, the EC's advocacy for a virtuous triangle of development - centered around stimulating coordinated investment, implementing structural reforms (including systemic ones where necessary), and enforcing responsible fiscal-budgetary policies - saw limited success in terms of promoting responsibility among MS. However, in response to the European Green Deal's approval and the socio-economic recovery from the COVID-19 pandemic, the EC adopted an agile approach to these ensuing challenges. The EC strategy focused on its transformative power over the MS, imposing the virtuous triangle approach by linking economic recovery with investment, reform, and fiscal responsibility via a financial mechanism that allowed direct control over allocated resources.

As analyzed above, the distinct and innovative nature of the RRF, coupled with its ambitious framework and formulation strategy, stem from:

1. Coercion mechanisms tied to ES and EU objectives of advocating climate neutrality and digital transition, guided by the virtuous triangle approach.

2. The EC's strategic role as a policy influence among MS during a unique health crisis scenario, fueling MS's ambitions and ultimately their compliance with EU objectives.

Contrary to the EU's discourse, Romanian decision-makers viewed the RRF as a funding tool akin to traditional European funds under the EU's cohesion policy, without similarly stern regulations. The initial implementation phase of Romania's plan underscored many challenges and risks that derived from both resistance to change and the persistence of weak administrative capacity. Regardless, it's anticipated that by the implementation's end domestic public policies and interventions will be carried out much more thoroughly. The EU's transformative influence is manifested in Romania by transposing the virtuous triangle approach within NRRP - funded reforms and investments, anticipating a gradual spillover into all public interventions.

This case study paves the way for more intensive research into Romania's public administration's institutional transformation due to external conditions and stimuli. Such analyses would largely benefit from process tracing approaches. Without a doubt, comprehensive evaluations of the shifting political, economic, and social context specific to the NRRP's implementation phase in Romania are necessary.

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