

Is Romania's Recovery and Resilience Plan too good to believe? A NUTS2 Perspective

Topic: Input-Output Analysis: Regional policies (7)

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This paper uses a multi-regional input output model to estimate the impact of the Romanian Recovery and Resilience Facility Plan (NRRP), as it was designed, on the Romanian economy. We develop a multi-regional input-output model (MRIO) for the Romania' eight NUTS 2 regions, for 60 industries, using publicly available national IO tables, regional-sectorial data on gross domestic product, employment, wages and household consumption, and measures of intra- and inter-regional transportation costs. We construct the distribution of the impact across Romania's NUTS 2 regions and study the underpinning inter-regional effects. We estimate the employment effect by occupation and assess the extent to which NRRP could induce an occupational transition in the Romanian labor market.

Our results indicate that if all the funds were absorbed during the program's relatively short window of time, the Romanian PNRR would have a strong effect on the Romanian economy. The impact is especially large in several key sectors: professional services, construction, administrative and support services, mining and extractive industries, water and waste management, utilities, finance and insurance, information and communication.

All regions benefit and for all regions the impact is large relative to the relevant measures of economic activity. There are intense interregional transfers, and more developed regions have a higher ability to retain the impact of the funds originally allocated to them and absorb the impact generated by funds allocated to the other regions.

Roughly one quarter of the new jobs will be generated in high-skill occupations “ business and financial operations, management, computer and mathematical, architecture and engineering, legal, science “ which indicates that the plan could generate a substantial occupational shift.

The large impact of the program and its concentration in key sectors and occupations indicate that, to successfully implement the plan, resources allocated to these sectors and employment in these occupations would have to expand at rates that have not been previously attained and suggest that absorptive capacity may severely constrain the successful implementation of the plan.