What is the situation in Romania?

Romania has high investment levels, supported by EU structural funds, at 25% of GDP, compared to the 18% of GDP average among the 28 EU Member States. This reflects both the development of Romania’s productive capacity and the high share of public investments. Investment levels fell sharply in 2009 and remained subdued in the subsequent recovery in GDP growth. More recently, in the first half of 2014, the pace of real GDP growth slowed down to 2.4% compared to the same period in 2013, largely due to a steep fall in private investments and to the limited capacity to take full advantage of EU structural funds.

Fig 1: Non-performing loans (%)

The necessary reinforcement of banks’ balance sheets and the high amount of non-performing loans make it difficult to extend credit to the private sector, thereby hampering investment. Relatively weak demand for credit and weaknesses in the business environment also constitute a challenge. Finally, investment levels in Romania would greatly benefit from a more stable tax policy environment and a more conducive business environment. Indeed, Romania ranks 48th in the 2015 World Bank’s ease of doing business report and 20th amongst the 28 EU Member States.

Opportunities for Investment

Over recent years, Foreign direct investment has been channelled increasingly to energy, machinery, transport, IT and communication (ICT), and agriculture – sectors where investors see future potential. Investments in these areas and in transport, energy and healthcare infrastructure may help the country to progress towards its EU 2020 targets, notably in R&D spending and improvements in energy efficiency.
Reforms for investment

In the Country Specific Recommendations Romania, the European Union recommended:

- Implement the EU-IMF financial assistance programme by fully addressing the policy conditionality
- Reduce poverty, increase the efficiency and effectiveness of social transfers. Pay specific attention to disadvantaged communities, such as Roma
- Implement the budgetary strategy and significantly strengthen the budgetary effort to ensure reaching the medium term objective in 2015
- Strengthen the capacity of public administration. Improve quality and efficiency of judicial system and fight corruption
- Step up reforms in the healthcare sector
- Promote competition and efficiency in energy and transport industries
- Improve functioning of the labour market
- Accelerate the corporate governance reform of state-owned enterprises in the energy and transport sectors and increase their efficiency
- Increase the quality and access to education and training
- Improve and streamline energy efficiency policies
- Improve the cross-border integration of energy networks and enable physical reverse flows in gas interconnections

EU funding for investment

2014 - 2020 in billion EUR

- Institutional capacity
- Innovation and R&D
- ICT
- SMEs support
- Low-carbon economy
- Climate change adaptation
- Environment
- Education
- Social inclusion
- Employment
- Network infrastructure

Source: Partnership Agreement
http://ec.europa.eu/contracts_grants/agreements/index_ro.htm

Past or ongoing projects for investment

Transport interconnections

Connecting Europe Facility: 'Orient – East Med' core network corridor
(Germany, Czech Republic, Austria, Slovakia, Hungary, Bulgaria, Romania, Greece)

Connecting Europe Facility: 'Rhine - Danube' core network corridor
(France, Germany, Austria, Czech Republic, Slovakia, Hungary, Romania, Bulgaria)