Foreign Direct Investment in Romania

Foreign Investors Council

2024 Edition

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1

Introduction

Foreign Direct Investment (FDI) is an essential pillar for Romania's economic development, playing a crucial role in accelerating modernization processes, boosting economic competitiveness and reducing the gap with the more advanced economies in the European Union.

The Foreign Investors Council (FIC) is the association that brings together 110 of the largest and most important Romanian companies with foreign capital, with a combined turnover representing one fifth of GDP. FIC member companies have always maintained that economic growth is based on a dialogue between policy makers and investors that can ensure transparency and predictability, develop free market mechanisms and facilitate the integration of the Romanian economy into the European market.

One of FIC's main objectives is to support the authorities in attracting foreign direct investment to Romania. To this end, FIC organizes meetings with authorities, develops recommendations to improve the legal framework for investment and provides examples of best practices existing in other countries in the CEE region. In 2017, FIC also started a project dedicated to assessing the contribution of foreign direct investment (FDI) to the development of the economy in Romania compared to countries in the CEE region. Thus, together with the Academy of Economic Studies (ASE), FIC has produced three editions of the Report on Foreign Direct Investment in Romania, the most recent edition being published at the end of 2023. The FDI Report provides analysis of foreign investment flows and how they have contributed to Romania's economic growth in recent years.

With this new edition of the study dedicated to FDI, FIC aims to present a detailed analysis of the evolution of FDI in Romania, starting from the economic transition in the 1990s to recent trends marked by structural economic changes in the growth model and geopolitical challenges. The report not only X-rays the evolution of FDI and its impact on the Romanian economy, but also offers a series of strategic recommendations aimed at maximizing the potential of foreign investment.

2

The evolution of FDI - Romania & EU

FDI in Romania

The evolution of the FDI stock as a percentage of GDP started from almost non-existent in 1990 and increased significantly in the following decades.

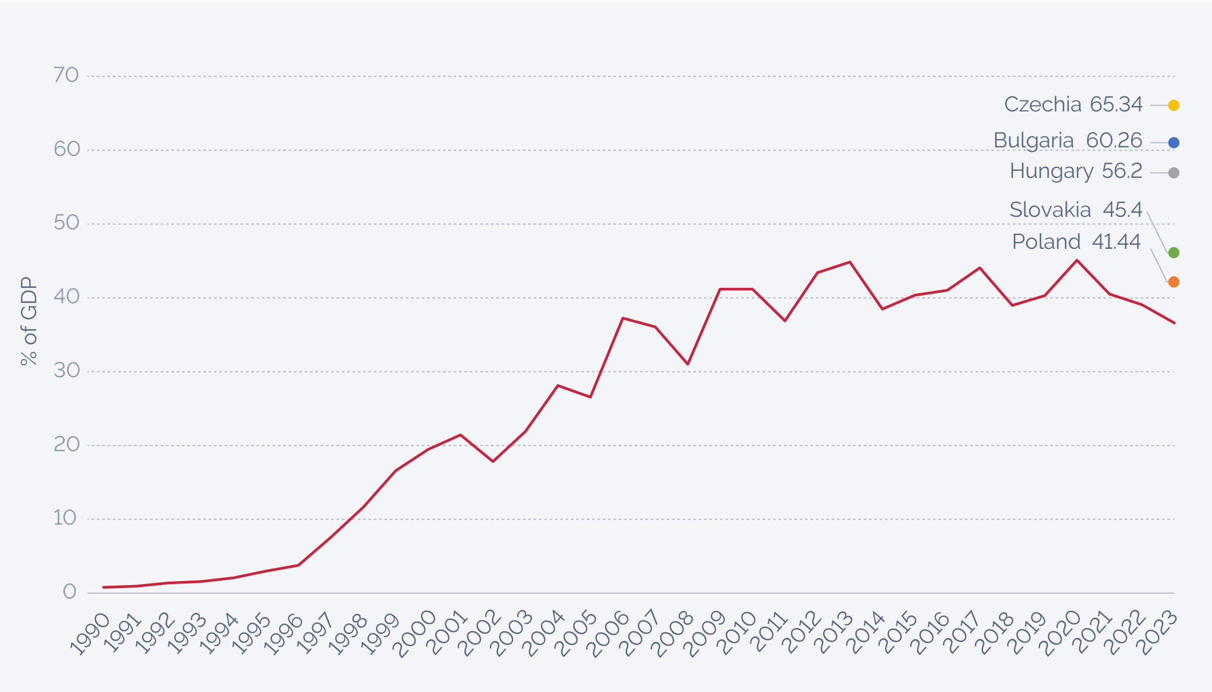
Since the 2000s, Romania has experienced a period of rapid FDI growth, reaching a peak of 40.4% of GDP in 2009. This period coincided with major economic reforms and the approaching accession to the European Union in 2007, which made the Romanian market more attractive to foreign investors.

After 2015, the share of FDI in GDP has been declining, with the amount of FDI attracted growing less than GDP in recent years, towards 35-36% of GDP.

Compared to other countries in the Central and Eastern European region, the stock of FDI is lower, even though many of these countries started from similar starting levels as Romania. Hungary currently has around 56% of GDP in terms of FDI stock, while Poland has 41-42% of GDP and the Czech Republic 65% of GDP. Bulgaria or Slovakia are also above Romania's level regarding FDI share.

FIGURE 1

Evolution of the stock of FDI in Romania (1990-2023)



Source: UNCTAD (October 2024)

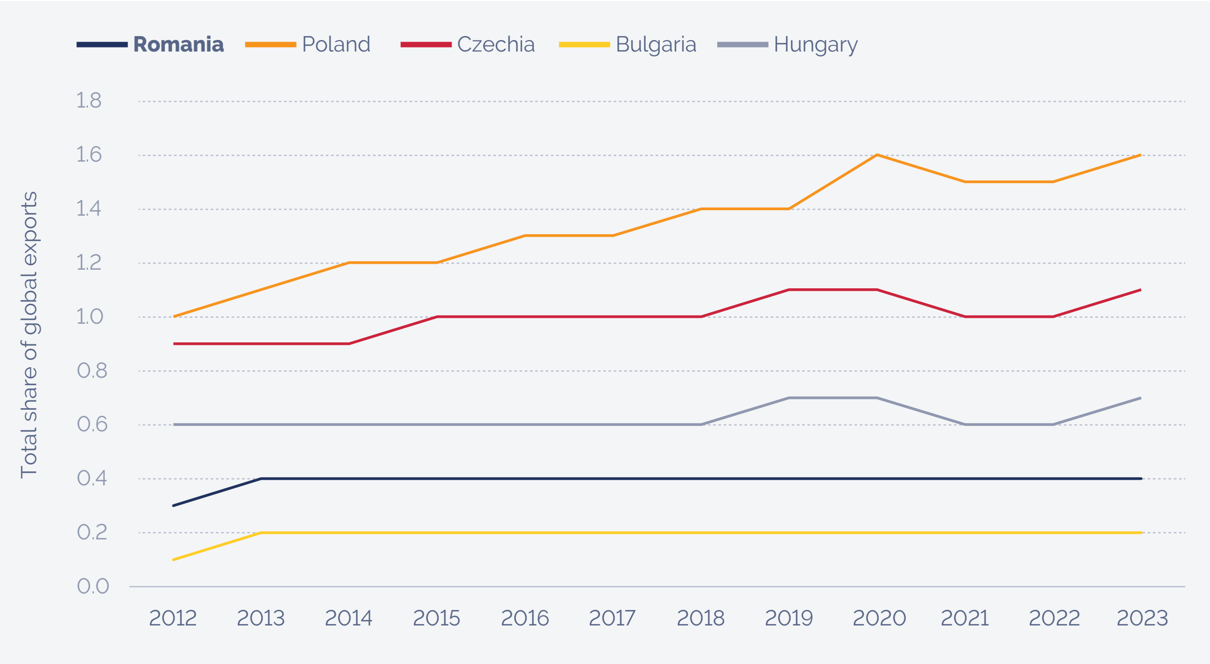
Competitiveness gaps. Romania's position in the regional context

From a competitiveness perspective, since joining the EU in 2004, Poland and the Czech Republic have demonstrated a remarkable rise in the global export landscape, fueled in particular by FDI inflows and financial capital flows from developed EU countries. Poland, in particular, has had a remarkable trajectory, going from a share of 0.8% in 2004 to 1.6% in 2023. This steady growth also shows a dynamic, booming economy with companies able to expand their influence in international markets and adapt effectively to global economic challenges. The Czech Republic also recorded a positive development from 0.7% to 1.1%, reflecting a gradual consolidation of its position in global exports.

Hungary and Romania, on the other hand, have had a more moderate path without spectacular leaps. Romania advanced slowly, from 0.3% to 0.4% between 2004 and 2023, and this progress was mainly due to foreign companies, which are more present and much more competitive in the global market (as shown in the next section). Last but not least, Bulgaria and Croatia, with constant values of around 0.1%-0.2% of global exports, have maintained a limited presence in foreign markets.

FIGURE 2

Evolution of the share of exports in the value of global exports



Source: World Bank, World Development Indicators

The economic landscape of Central and Eastern Europe in 2023 shows notable differences in terms of exports and FDI per capita. It can be observed that Slovenia, the Czech Republic and Slovakia have high values of both FDI per capita and exports, suggesting a strong economic ecosystem that is well integrated in international trade flows, especially in relation to Germany.

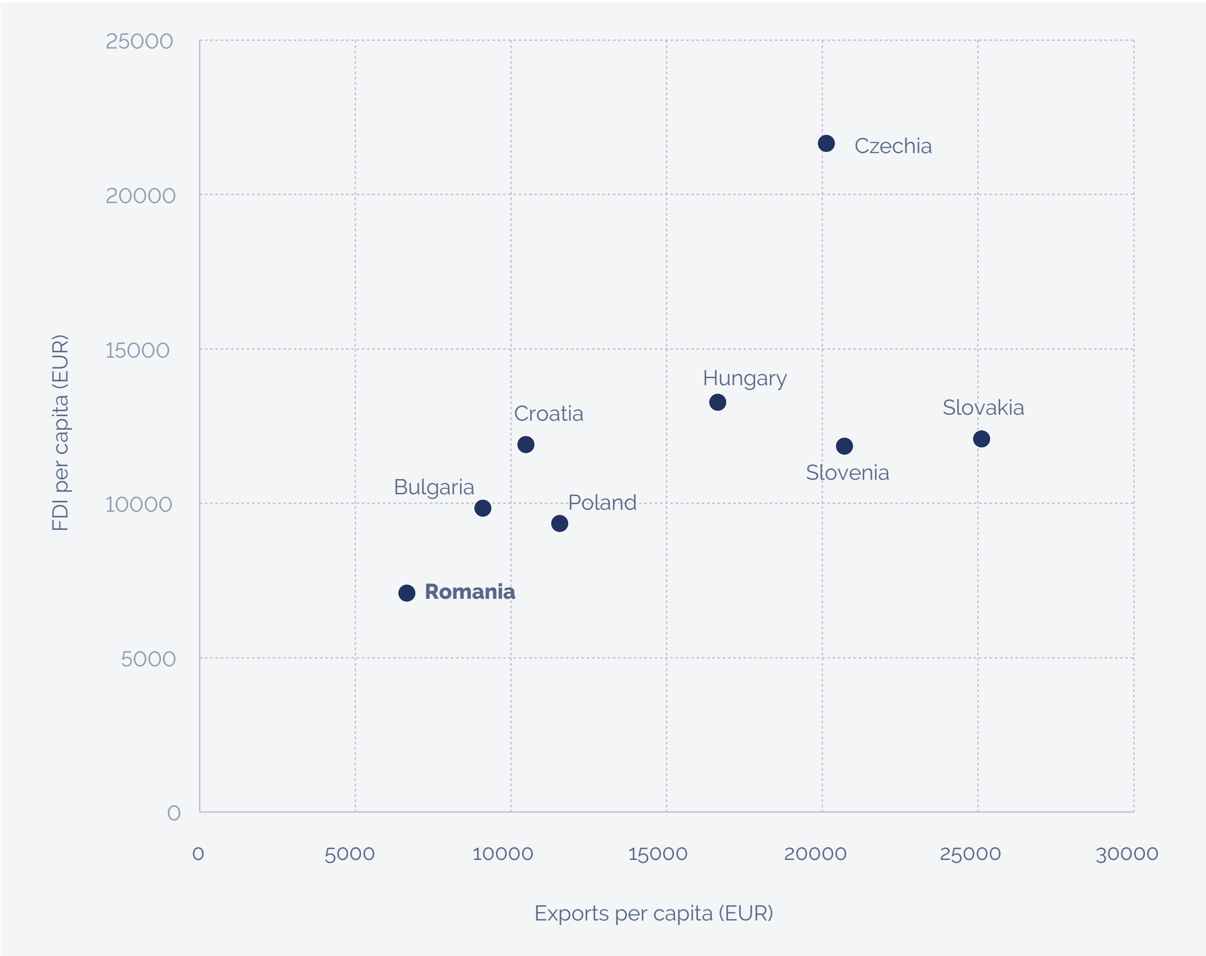
On the other hand, Romania and Bulgaria point to the need for stronger strategies to attract investment and boost exports, which are essential for sustainable economic development.

Slovenia stands out as a regional leader in exports per capita, with an impressive EUR 25.107, outperforming all other countries in the group, on the back of a strong export orientation and advanced industrial capacity, to which the high stock of FDI per capita supporting export activities also contributes. The Czech Republic and Slovakia also rank well, with high values for both FDI per capita (EUR 21.666 and EUR 11.862 respectively) and exports per capita (EUR 20.124 and EUR 20.710), as dynamic economies with a robust industrial sector and solid integration into European production chains. The Czech Republic also has the highest stock of FDI per capita in the region.

In the case of Hungary, although its stock of FDI is not among the highest, its exports per capita are relatively high. Croatia and Poland have relatively similar values of FDI per capita (EUR 11.910 and EUR 9.360 respectively), but they differ in exports per capita. Bulgaria and Romania are the least competitive economies in the region, with lower values for both FDI per capita (EUR 9.856 and EUR 7.101) and exports per capita (EUR 9.092 and EUR 6.662). Even though in recent years the FDI balance and the value of exports have been steadily increasing, they lag far behind other Central European countries in attracting investment and supporting exports, these dynamics being highly connected, as most foreign companies locating in the region are active in export.

FIGURE 3

Exports and imports per capita (2023)



Source: Authors' calculations based on Eurostat and UNCTAD data

Productivity gaps versus average

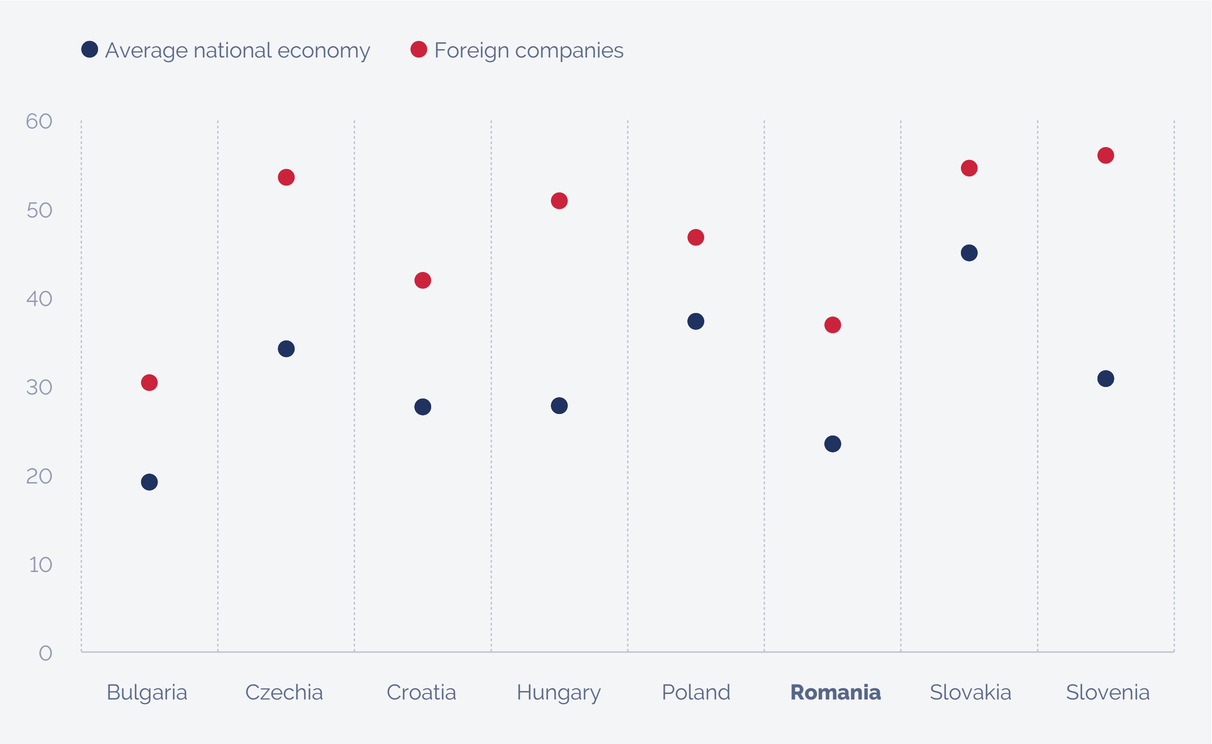
From a competitiveness perspective, average productivity per worker (gross value added per worker expressed in thousands of EUR) differs significantly between the economies of Central and Eastern Europe. At the same time, Eurostat data also show a clear contrast between average productivity in the economy and international productivity in all countries in the region.

This suggests that economic integration and the involvement of foreign investment are essential to increase productivity and competitiveness in the region, with Slovenia and Poland being regional leaders, while Bulgaria and Romania still have important deficiencies in terms of productivity and room for growth to improve their internal economic efficiency (efficiency reserves).

The biggest difference between the productivity of foreign-owned companies and the national average is observed in Hungary and Slovakia (1.8 times), while in Romania, Bulgaria, the Czech Republic and Croatia foreign-owned companies are about 1.5-1.6 times more productive than the average of the economy.

FIGURE 4

Average productivity levels per worker among CEE countries



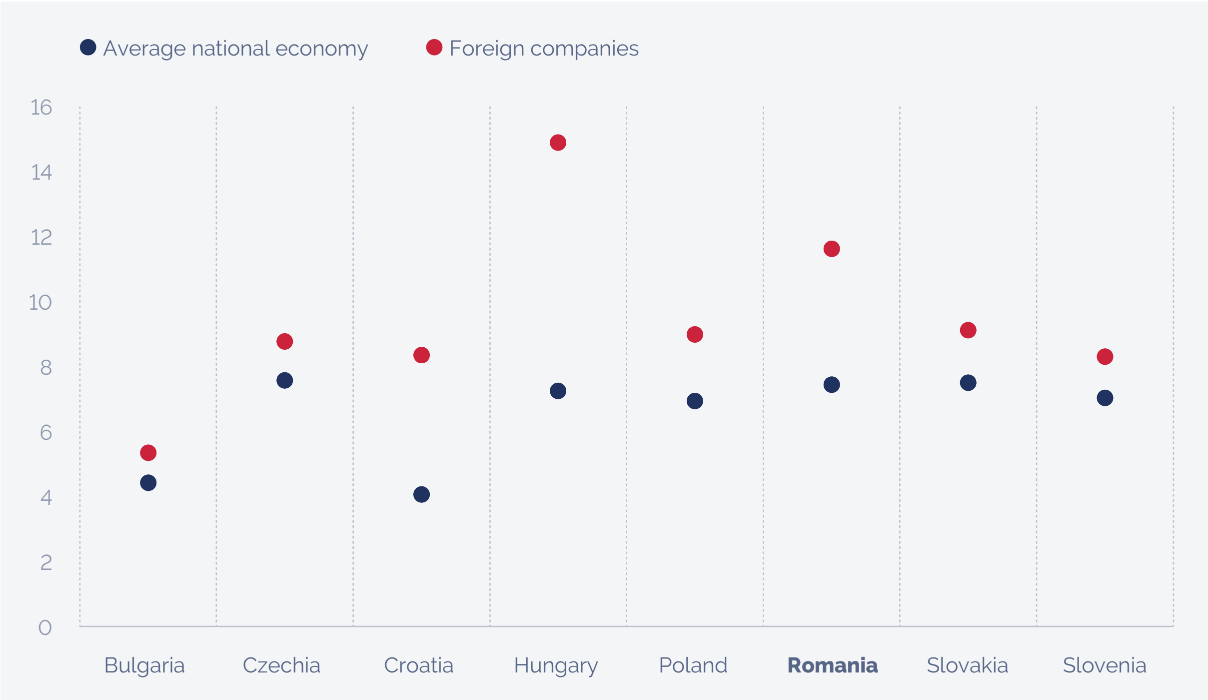
Source: Authors' calculations based on Eurostat data

The smallest difference between companies is observed in Slovenia, where there is not much difference in company performance. In terms of value, in the case of Romania, the average labor productivity of the economy is EUR 23.5 thousand, significantly lower than in the case of companies with international capital (EUR 36.9 thousand).

Other relevant indicators for foreign-owned companies are investment per employee and gross profit per employee. Here it can be observed that, in general, foreign companies make higher investments in employees, have higher productivity (as seen above), but also achieve higher profits per employee compared to the national average as a result of the economic activity carried out.

FIGURE 5

Investment per employee (2021)



Source: Authors' calculations based on Eurostat data

In Romania, the ratio of investment per employee is 1.6 times higher in foreign companies compared to the average of companies in the economy, and profitability per employee maintains a ratio close to this level, at 1.5 (as was also the case for labor productivity).

FIGURE 6

Gross profit per employee (2021)

Source: Authors' calculations based on Eurostat data

3

The impact of FDI on Romania's economy

Foreign direct investment is an important factor for economies in need of economic convergence and development, such as Romania, because of its potential to stimulate growth, create jobs and transfer technology and know-how to local companies.

Although lower compared to other countries in the region, the contribution of FDI to Romania's GDP growth is significant and is often considered as a main driver of economic growth. According to a study conducted by the European Commission, FDI has had a positive effect on economic growth in Romania, due to investments in strategic sectors, productivity growth, exports, but also by supporting domestic consumption - in general, the incomes of employees in foreign companies are higher than the national average.

Studies also show that external capital inflows contribute to economic and financial stability by increasing the amount of capital available for investment, which boosts productivity and innovation[1].

Impact on the labor market

FDI creates both direct jobs in multinational companies and indirect and induced jobs in related sectors. FDI attracts skilled workers and increases the demand for new skills, which can help reduce unemployment and raise wage incomes.

The number of employees in FDI companies increased by about 61 thousand between 2016 and 2023, in line with the GDP dynamics and the economic cycle (NBR report). The same evolution was also observed for the turnover, with a significant slowdown during the COVID-19 pandemic in 2020-2021, but reaching a peak of almost 274 billion lei in 2023.

Technology transfer and increasing competitiveness

Another major benefit of FDI is the transfer of technology and know-how, which contributes to increasing the competitiveness of the Romanian economy. FDI increases efficiency through the adoption of new technologies and the training of the local labor force, thus contributing to increasing innovation capabilities and improving competitiveness in foreign markets (International Monetary Fund, 2020).

1 Ștefănescu, Răzvan and Dumitriu, Ramona and Nistor, Costel, Impact of the Foreign Direct Investment on Romanian Exports (August 19, 2010). Available at SSRN: https://ssrn.com/abstract=2556537 or http://dx.doi.org/10.2139/ssrn.2556537 Blomstrom, Magnus; Kokko, Ari.

Impact on the trade balance

FDI has a positive influence on exports, helping to balance the trade balance[2].

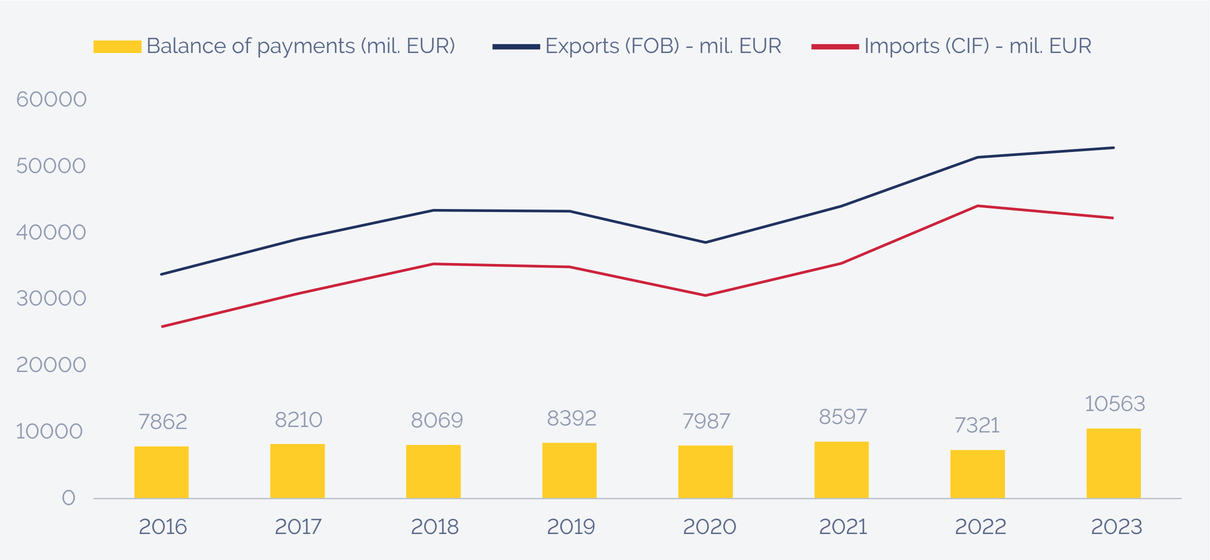
Overall, if we analyze the balance of international trade in goods by categories of goods, in 2023 there was a trade deficit of EUR 13.6 billion among FDI companies, generated, however, in a proportion of more than 50% of the deficit recorded in chemicals, plastics and rubber, where a deficit of EUR 7.66 billion was accumulated, while EUR 2.44 billion represents the deficit in food, beverages and tobacco. Trade in electrical machinery, apparatus and equipment also made an important contribution to the deficit, EUR 2.65 billion.

However, in recent years, Romania's exports have steadily increased, mainly as a result of the activity of FDI companies in the manufacturing industry, where a significant trade surplus has been consistently recorded, reaching over EUR 10.5 billion in 2023, mainly due to the automotive industry which contributed to this surplus with almost EUR 4.5 billion, plant products (+EUR 1.8 billion) and wood products (+EUR 765 million).

There has also been a significant surplus over time in the international trade in services carried out by FDI companies, with this surplus reaching more than EUR 11.24 billion in 2023, according to NBR data. The IT services area (exports of EUR 6.8 billion and imports of EUR 1.38 billion in 2023) contributes in particular to this surplus, but also more than EUR 900 million surplus in trade in professional and business consultancy services by FDI companies.

FIGURE 7

Evolution of the balance of international trade in services by FDI companies



Source: National Bank of Romania (2024)

The analysis of high-tech exports as a percentage of manufactured exports for several Central and Eastern European countries compared to euro area countries shows a significant variation in the degree of technological intensity of national economies and how well they have managed to in-

2 Ștefănescu, Răzvan and Dumitriu, Ramona and Nistor, Costel, Impact of the Foreign Direct Investment on Romanian Exports (August 19, 2010). Available at SSRN: https://ssrn.com/abstract=2556537 or http://dx.doi.org/10.2139/ssrn.2556537 Blomstrom, Magnus; Kokko, Ari.

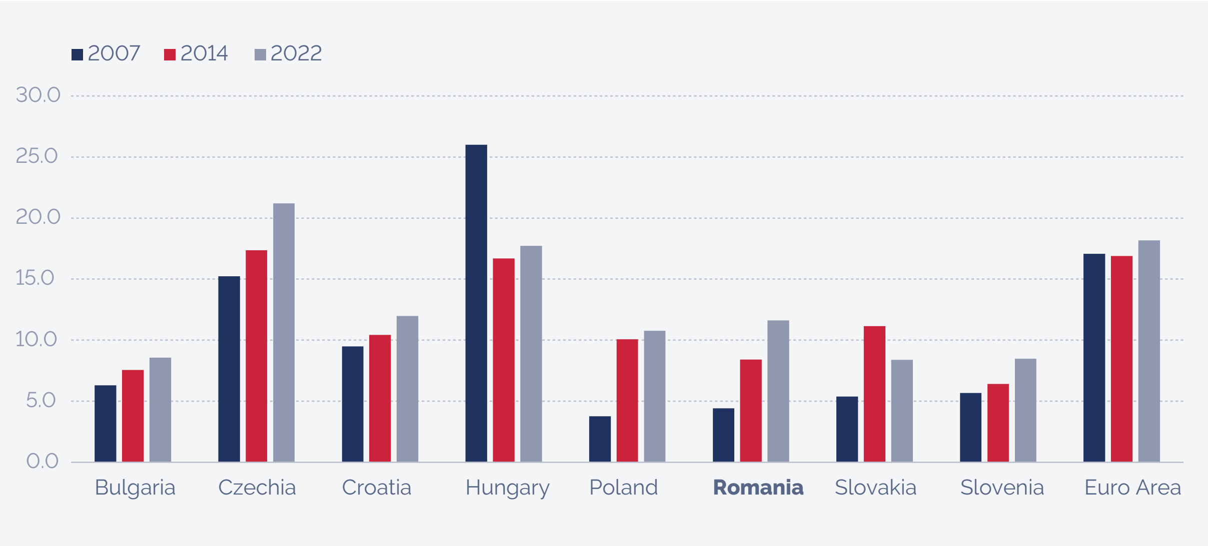
tegrate advanced technologies into their manufactured products, but also to what extent they are able to compete in international markets.

Countries like the Czech Republic and Hungary are outperforming in high-tech exports, while Romania and Poland show steady growth but at low levels. High-tech exports are not only influenced by attracting foreign direct investment, industrial and educational policies and innovation capacity also play an important role, as various studies such as those of the OECD and the European Commission show.

Romania has seen a notable increase from 4.4% in 2007 to a peak of 12.5% in 2010, with minor fluctuations to 11.6% by 2022. This indicates a significant improvement in technological capacity in the first part of the period under analysis, but a relative stabilization thereafter. The initial increase can be attributed to foreign direct investment and the net benefits of EU membership, but the stagnation in recent years indicates that additional policies are needed to support further development in this area.

FIGURE 8

High-tech exports[3] (% of exports of manufactured products)



Source: World Bank, World Development Indicators

3 High-tech exports are R&D-intensive products such as aerospace, computers, pharmaceuticals, scientific instruments and electrical machinery.

4

Examples of factors influencing investment attraction

Companies' decisions to invest in a country or region are based on a number of components, including: geographical location, stability, consistency and predictability of public policies, level of bureaucracy and regulatory burden, membership of different international organizations, country rating, taxation, infrastructure, skilled and adequate workforce, quality of public services (health, education), available financing mechanisms, energy security, etc. An integrated approach and a long-term strategy at the national level are needed to maximize the chances of attracting investment. In the following, we will highlight just some of the elements that have an impact on FDI.

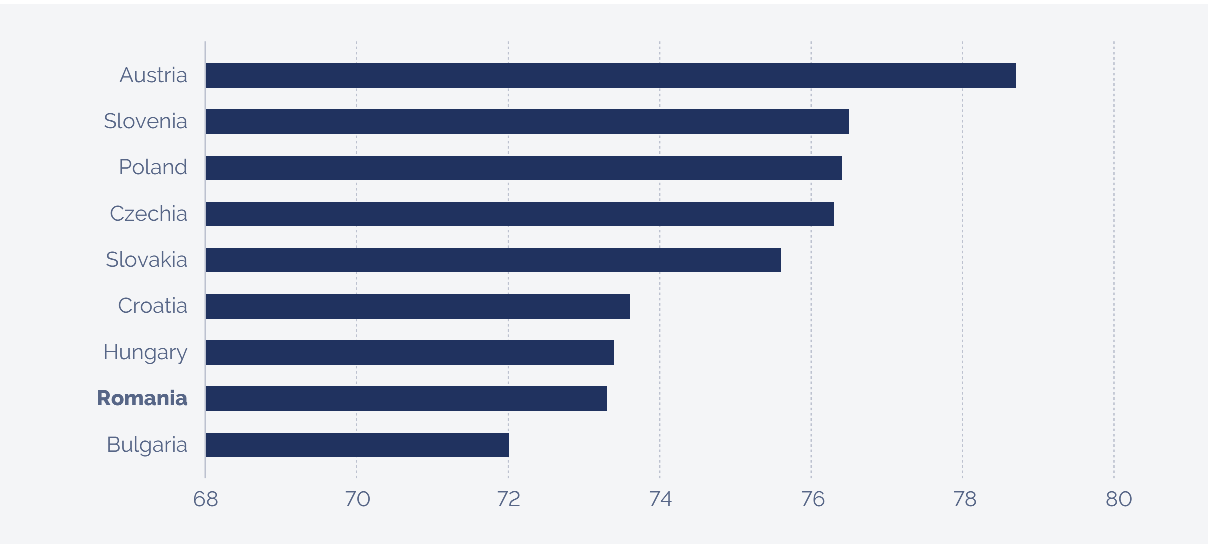
Impact of institutional factors on investment attraction

The quality of public policies, the legislative framework and the ease of doing business have a significant influence on the flow of investment that locates in an economy, with poor public governance being associated with lower levels of FDI due to reluctance of foreign investors. In choosing where to invest, companies need a firm, long-term commitment from governments to ensure a stable and predictable investment climate, which are key factors in the investment process in addition to other factors such as tax incentives, financial support schemes or other elements of cost competitiveness (labor costs, raw material prices, energy costs, etc.).

According to the *Doing Business* index (Figure 9), conducted by the World Bank in 2020, Romania ranks second last among the neighboring countries. This index reveals the difficulties of public policies in creating a business environment that ensures the smooth conduct of business and, at the same time, the level of regulatory complexity that investors may face.

FIGURE 9

Doing Business 2020 Index



Source: World Bank, World Development Indicators

The direct relationship between the legislative environment and FDI is also observed in the *Business Sentiment Index* questionnaire, which represents the perception of foreign investors towards the business environment in Romania. In the October 2024 edition, 67% of the FIC members who responded to the questionnaire believe that the legislative environment has worsened, which is also correlated with their tendency to reduce investments (22% of respondents).

Transport, energy and telecommunications

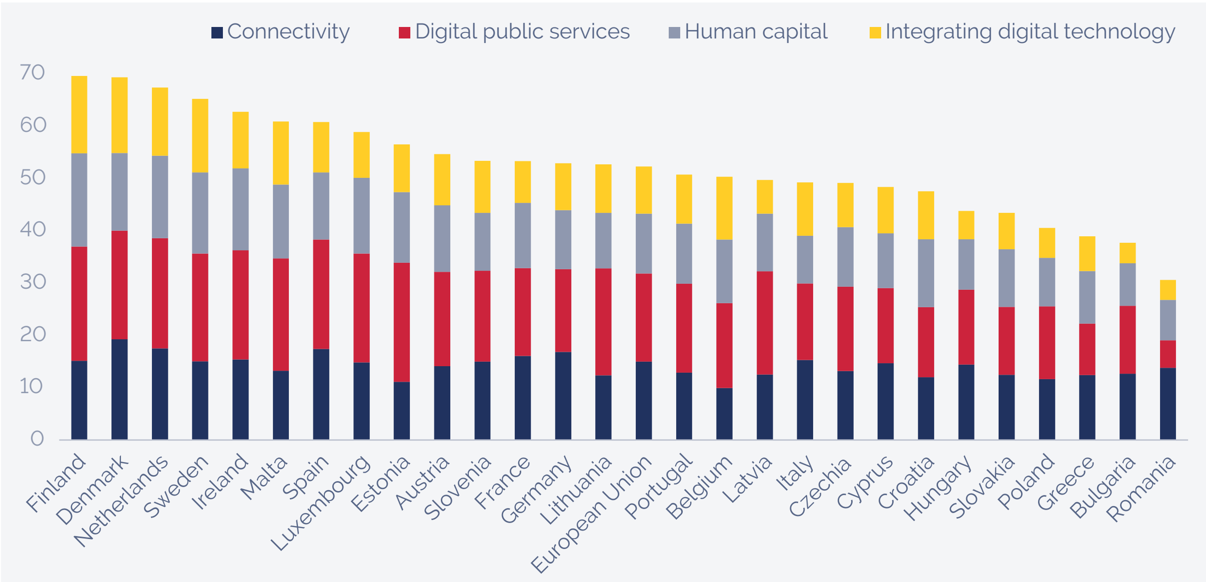
The quality of the transportation infrastructure influences the decisions of foreign companies in choosing the destination of their future investments, being a key element in the conduct of business. After joining the European Union, Romania has seen improvements in logistics according to the World Bank's Logistics Performance Index[4]. It reached a level of 3.2 in 2022, similar to Bulgaria and Hungary, but still below the average of the Eurozone countries (3.7). Out of the Central and Eastern European region, only Poland has a logistics performance index close to the euro area average. Linked to the country's energy security, access to competitively priced energy is of strategic importance for investors. In order to attract as much foreign investment as possible, Romania needs to be part of the energy transition movement (Box 1), with foreign companies being part of this phenomenon. FDI can help address climate change risks by financing low-carbon energy infrastructure and other mechanisms through which foreign investment can influence the green transition. A legislative framework to this effect ensures the quality of decarbonizing FDI.

In the current global and European context, Romania can become an important player in the energy sector with the help of R&D and security-oriented investments. 5.3% of the FDI balance recorded at the end of 2023 was dedicated to the electricity, gas and water industry, 0.1% more than in the same period of 2022 and 0.4 percentage points more than in 2021 (4.9%) (NBR report). These data highlight the upward trend of FDI in the energy sector, based on the potential and strategic role Romania can play in Europe.

In terms of digitization, Romania ranks last in the European Union, according to the European Commission's DESI (*Digital Economy and Society Index*), which looks at the level of development in four key pillars of a digital economy: human capital, connectivity, integration of digital technologies and digital public services.

FIGURE 10

Digitization Index (DESI) (2022)



Source: DESI 2022 Index, European Commission

4 The index ranges from 1 to 5, with a higher score representing better performance. Data are from Logistics Performance Index surveys conducted by the World Bank - link https://lpi.worldbank.org/

Only in terms of connectivity, Romania ranks in the top half, but in the rest of the rankings it has the lowest score in the European Union. In the era of digitization, technology integration is an indispensable element for both the private and public sectors, and especially for facilitating efficient relations between them through digitization.

Moreover, the performance of the integration of digital technologies is another point where Romania ranks among the last countries of the European Union, only Luxembourg and Latvia (Figure 14). This phenomenon is caused by the lack of efficiency of the digital structure through investments but also, in some cases, by its complete non-existence.

The role of government and local authorities: government programs and initiatives to stimulate FDI

Public policy plays a central role in creating an environment conducive to attracting foreign direct investment, through a stable and transparent legislative framework, but also by presenting investment opportunities at national, regional or local level. The distribution of the current stock of FDI is in favor of a few counties. Bucharest accumulates about 50% of FDI, followed by Ilfov, Timis, Prahova and Brasov counties according to data published by the NBR.

OECD and UNCTAD studies emphasize that the availability of modern infrastructure - roads, ports, telecommunications and energy networks - can be a determining factor in investors' decisions to enter a market, while at the same time creating industrial parks in less economically developed areas.

Governments and local authorities can use policies to attract foreign investors to less developed regions. At the same time, policies promoted through European non-reimbursable funds have played a significant role in Romania in financing investment projects in the manufacturing and energy sectors.

According to a report by the World Bank Group, national branding strategies that emphasize skilled labor, tax pressure and lower costs in general, as well as strategic geographic location, are key to attracting FDI. In Romania, the government agency (ARICE) can play a crucial role in publicizing investment opportunities by organizing direct meetings between foreign investors and government and local authorities. These efforts contribute not only to attract foreign capital, but also to integrate the local economy into global production and trade networks.

BOX 1

Va urma - private-public and domestic-foreign investment needs in the context of Net Zero 2050

The project „Va Urma" developed by the Foreign Investors Council estimates the investment needs from all sources (public, private, non-reimbursable funds, etc.) for Romania until 2040 to support economic development, namely the volume of investment needed to maintain a high rate of economic growth in the new context guided by sustainability, emission reduction (achieving the net zero target in 2050 at EU level).

Thus, „Va Urma" project identified two important timeframes of the investment effort:

1. **Annual investment effort of about 34-35% of GDP (period 2024-2030**). In this period it can be observed that the necessary investments start to increase significantly, with a massive mobilization of financial resources. Estimates show that, by 2030, this additional investment effort will amount to around 34-35% of GDP. This period suggests that substantial additional investment will be needed in Romania to sustain economic growth and to reduce economic gaps amid the shift in the growth paradigm. Also, compared to the estimates in the previous edition, the additional investment required amounts to 10-11% of GDP over this period, mainly on the back of increased ambitions to reduce emissions by implementing existing environmental measures.
2. **Average annual additional investment effort of around 28-31% of GDP (period 2031-2040).** From 2031 onwards, there will be a relative stabilization of investment needs, but still with a significant effort, estimated at between 28-31% of GDP per year depending on the scenario. This represents a period of long-term consolidation and sustainable development, in which the economy will be in a maturing phase, requiring moderate investment to maintain the growth momentum, while benefiting from the positive multiplier effects of earlier investments. Moreover, it is important to note that the additional investment needed compared to the previous estimate amounts to around 7-8.5% of GDP.

This steady increase in investment flows indicates that, in order to sustain the desired economic growth while meeting the sustainability and decarbonization criteria, Romania will have to improve its capacity to absorb and manage funds, find ways to coordinate investments from all available sources (public funds from the state budget, European funds, foreign and domestic private funds) and invest strategically in key sectors of the economy.

BOX 2

FIC members' investments and contributions to the state budget

According to the most recent **analysis of the Foreign Investors Council on taxes paid by FIC member companies and their employees in Romania**, in 2023, the investments of FIC companies amounted to 17 billion lei, representing 43% of public capital expenditure according to the execution of the consolidated budget for 2023. FIC members have contributed directly to Romania's economic growth through the investments made available and the salaries paid directly to their employees and indirectly through the supply chain.

Turnover of all FIC member companies accounted for about 22% of nominal GDP in 2023, or almost 348 billion lei. The contributions of the 110 FIC member companies to the consolidated general budget was estimated at 82 billion lei, which represents more than 18% of the current revenues collected by the state last year.

The total number of FIC member employees exceeds 190.000. In 2023, the amount of contributions and taxes paid monthly (RON 6,472) out of the average wage for a FIC employee covered by the sample exceeded the average net wage for the whole economy (RON 4,584) and was almost twice as high compared to the level of taxes and contributions paid by an average employee in the Romanian economy.

The 61 FIC members that responded to the questionnaire have transferred to the Romanian budget VAT and excise duties amounting to approximately 43 billion lei, e.g. 31% of the total VAT and excise duties collected by the state (approximately 142 billion lei). In addition, almost 1 billion lei were dividends paid to the state.

5

Conclusions and recommendations

Summary of main conclusions

A central aspect of the report is the competitiveness gap with other Eastern European countries. The report also addresses the major challenges that limit the attraction of new FDI or the expansion of existing FDI, including red tape, low quality of infrastructure and digitization, and a regulatory climate often perceived as unstable, unpredictable. Clues such as Doing Business and DESI place Romania at the bottom of international rankings, highlighting the need for significant structural reforms to put Romania on a sustainable growth trajectory.

- Compared to other countries in the Central and Eastern European region, the stock of FDI is lower, even though many of these countries started from similar starting levels as Romania.
- Romania advanced slowly, from 0.3% to 0.4% between 2004 and 2023, and this progress was mainly due to foreign companies, which are more present and much more competitive on the global market.
- The results for Romania point to the need for stronger strategies to attract investment and boost exports, which are essential for sustainable economic development.
- Romania still has important deficiencies in terms of productivity and room for growth to improve its internal economic efficiency (efficiency reserves).
- In Romania, Bulgaria, the Czech Republic and Croatia, foreign-owned companies are around 1.6 times more productive than the average economy.
- In Romania, the ratio of investments per employee is 1.6 times higher in foreign companies compared to the average of companies in the economy, and profitability per employee maintains a similar ratio of 1.5 (as was the case for labor productivity).
- The number of employees in FDI companies increased by about 61 thousand between 2016 and 2023, in line with GDP dynamics and the business cycle. The same evolution was also observed for turnover, with a significant slowdown during the COVID-19 pandemic in 2020-2021, but subsequently reaching a peak of almost 274 billion lei in 2023.
- In terms of the balance of international trade in goods by categories of goods, in 2023 there was a trade deficit of EUR 13.6 billion among FDI companies, but more than 50% of this deficit was generated by the deficit in chemicals, plastics and rubber, where a deficit of EUR 7.66 billion was accumulated.
- In recent years, Romania's exports have steadily increased, mainly due to the activity of FDI companies in the manufacturing industry, where a significant trade surplus has been consistently recorded, reaching more than EUR 10.5 billion in 2023, especially on the back of the automotive industry which contributed to this surplus with almost EUR 4.5 billion.
- Romania has seen a notable increase in high-tech exports, from 4.4% in 2007 to a peak of 12.5% in 2010, with minor fluctuations to 11.6% by 2022.

Measures and policies that could boost foreign direct investment in Romania

Policy recommendations aimed at maximizing the potential of foreign investment include improving transport infrastructure and digitization, stimulating public-private partnerships, increasing investment in STEM-oriented education, and implementing more predictable fiscal and legislative policies in partnership with the business community. These measures, linked to global trends and local needs, could make Romania a more attractive destination for foreign capital and a competitive player in the region.

Recommendations for attracting FDI:

- **Stimulating high value-added, high-tech, knowledge-intensive foreign direct investment** in priority sectors where Romania can create competitive advantages and move up the value chain, with high productivity per worker. This requires selective tax incentives, co-financing for research, development and innovation, simplified administrative procedures and modernization of the IT&C infrastructure.
- **Position Romania as a center for environmentally sustainable FDI in areas such as renewable energy, green mobility or circular economy.** In this respect, there is a large market potential at local and regional level. It is therefore imperative to adopt comprehensive and competitive legislation and regulations covering carbon pricing, pollution control, green product standards, fair competition in energy markets, etc. - to reduce risks and ensure stable returns throughout the life cycle of these projects.
- **Improve absorption of public funds and management efficiency.** Therefore, the continuation and, in particular, the implementation of governance and fiscal consolidation reforms, together with e-governance solutions and transparency measures are essential to signal Romania's commitment to sustainable development.
- **Human capital development.** Romania still benefits from cost advantages, but higher value-added activities require advanced skills. Education and training systems therefore need to be modernized to meet investors' expectations, while also facilitating technology transfer.
- **Promote Romania's unique capabilities abroad through consistent promotion of FDI and exports.** Efforts should target those European countries that are important regional investors in order to raise awareness of Romania's specialized competences and favorable conditions for establishing export-oriented operations.
- **Monitor the impact of EU-level regulations and policies on location decisions and cross-border investments,** while learning from regional best practices, in order to seize emerging FDI opportunities in a timely manner.
- **Romania needs to define and implement a coordinated strategy, mobilizing all responsible public and private actors,** to turn high FDI inflows into sustainable growth, competitiveness and convergence with the EU. Attracting quality FDI starts with specific incentives, but depends crucially on domestic capacities and integrated policies that enhance competitiveness.
- **FIC believes that the effectiveness of the Foreign Investment Agency can be maximized if it reports to an oversight board** that includes representatives from all relevant institutions involved in attracting foreign investment (Ministry of Finance, Ministry of Economy, Ministry of

Foreign Affairs, Presidential Administration) and even representatives from embassies and the private sector that could bring added accountability, efficiency and promote Romania's image as an investment destination. Direct reporting to the Prime Minister and the existence of a supervisory board with multi-institutional representation would be a signal that the whole government is oriented towards performance and reforms towards attracting FDI, and not just a consequence of the efforts of a small unit or private sector representatives. Collaboration with private investors: association with the main groups of investors (foreign and domestic) in Romania, so as to facilitate links between foreign and Romanian private companies and, further, with universities, local and central public authorities. This can also help to reduce Romania's trade deficit.

- **FIC recommends providing a minimum set of tools available for each municipality in Romania** - sectoral overviews, opportunities, industrial base, potential suppliers and the dynamics of the economy in recent years (e.g. relevant indicator groups: labor force, supply chain, taxation and incentives, crime, tax and legal issues, macroeconomics).
- **FIC recommends the strategic use of sectoral state aid schemes,** focusing on a selection of areas that (i) are locally competitive and/or (ii) have high potential to bring high value added to the economy - growth up the value-added chain towards R&D, Design, After-service segments.

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