

# WHITE

# BOOK

# 2023

INVESTING IN  
THE FUTURE

May 2023, Bucharest, Romania



Foreign Investors Council



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# PREFACE

In recent years, the business environment has faced various crises and has been in a permanent state of adaptability and identification of solutions for the challenges related to COVID, inflation, the energy market crisis and the price of utilities, geopolitical context, bottlenecks in the supply chain etc. These crises have further highlighted the structural problems Romania is facing, the underfunding of the education and health system, bureaucracy, lack of infrastructure, transparency and consistency in policy implementation.

Romania as part of the European Union aims to address these structural problems by undertaking a series of reforms in key areas (digitalization, transport, taxation, health, education, energy etc.) through the National Recovery and Resilience Plan. At the same time, the country has committed to follow a roadmap for joining the Organization for Economic Cooperation and Development, aiming at implementing OECD best practices and standards. Fulfilling the reforms will mean not only attracting EU funds or joining the OECD but also the sustainable development of the Romanian economy and society.

The Foreign Investors Council (FIC) is working with the authorities to help identify strategic directions for the economy, implement best measures for sustainable development based on European best practices and adapted to the national reality. Our members are constant dialog partners and contribute with recommendations on the various sectors outlined in this White Book (Energy, Taxation, Environmental Protection, Technology and Digitalization etc.) to reach the best solutions for the solid and sustainable recovery of the Romanian economy.



# MACROECONOMIC OVERVIEW

The economic growth rate continues to be high in Romania. After the 3.7% contraction in 2020, the economy has made a strong recovery, growing by 5.8% in 2021. Preliminary figures point to a better-than-expected 4.8% growth in 2022, as a result of strong domestic demand. Just as in the second half of 2021, private consumption continued to be the main driver of economic growth in the second half of 2022 as well, while gross fixed capital formation had a bigger contribution in the second half of 2022, on account of decreased consumption. The increase in energy prices in 2022 was an important contributor to the accelerated increase of inflation, which reached 16% at the end of the year.

Activity in the services sector also continued to have a dynamic evolution in 2022. The construction sector grew, contributing 0.7% to GDP growth. Industrial production, on the other hand, suffered a contraction influenced by the conditions of an uncertain climate as a result of geopolitical tensions, blockages in production chains and rising prices of raw materials and fuel. The agricultural sector had a weak 2022, influenced by drought and year-to-year increases in fertilizer and energy prices.



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FIGURE 1

Components' contribution to GDP growth, % y/y



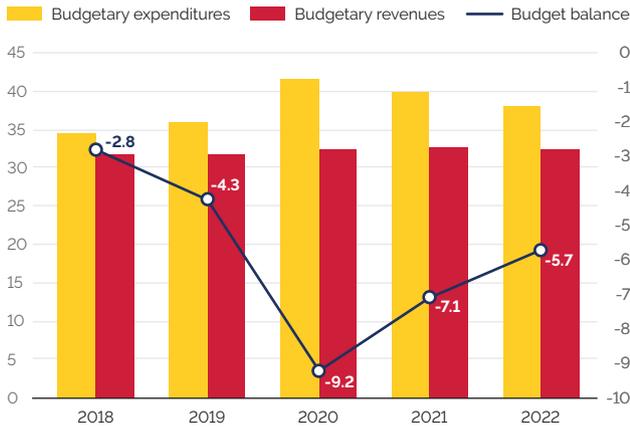
SOURCE: National Accounts (INSSE), National Bank of Romania

The budgetary consolidation process continued in 2022, supported by the better-than-expected evolution of the economy. The budget deficit decreased to -5.7% of GDP from -6.7% in the previous year, in the context in which certain categories of expenses, in this case public investments, were below the target level.

Public debt remained moderate in relation to European Union standards, despite massive government borrowing in 2020, reaching 48.9% of GDP at the end of 2021. The latest data from the Ministry of Public Finance shows a marginal decrease by November 2022 to 48.3% of GDP.

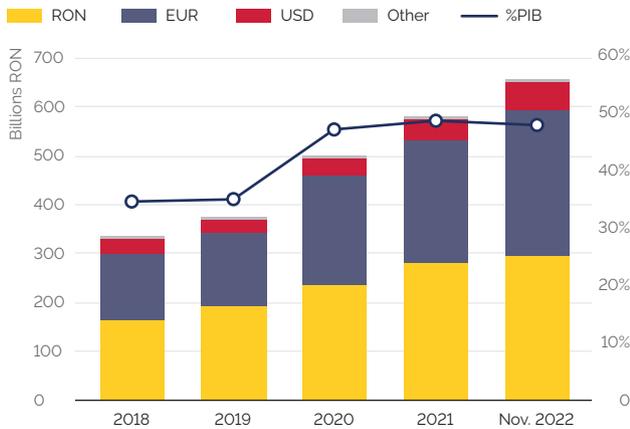
The rapid recovery of the economy in 2021 caused blockages in production and distribution chains, generating an increase in inflation. Consequently, the National Bank of Romania (NBR) reacted by increasing its policy rate from the historical minimum of 1.25% to 1.75% towards the end of the year. The increase in inflation gained momentum in 2022 also against the background of rising energy and food prices. The acceleration of inflation and the need for harmonisation with the other European central banks, including the European Central Bank, in order to maintain an adequate interest differential and avoid significant depreciation of the national currency, led to a significant increase in the monetary policy interest rate, which reached 6.75% at the end of 2022, generating chain reactions on all other rates in the banking system.

**FIGURE 2 | Budget balance as a % of GDP**



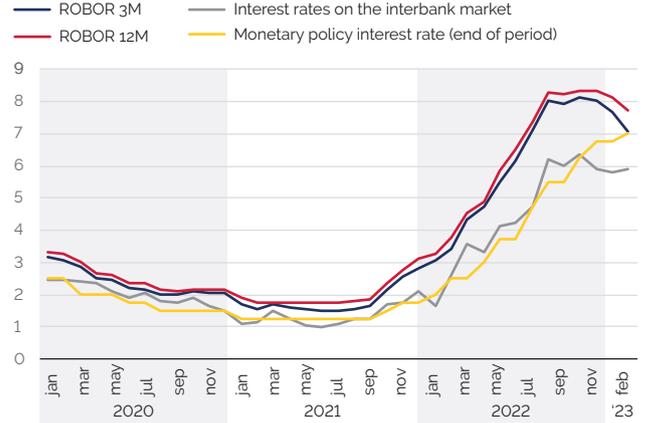
SOURCE: Ministry of Public Finance, Eurostat

**FIGURE 3 | Public debt, as a % of GDP**



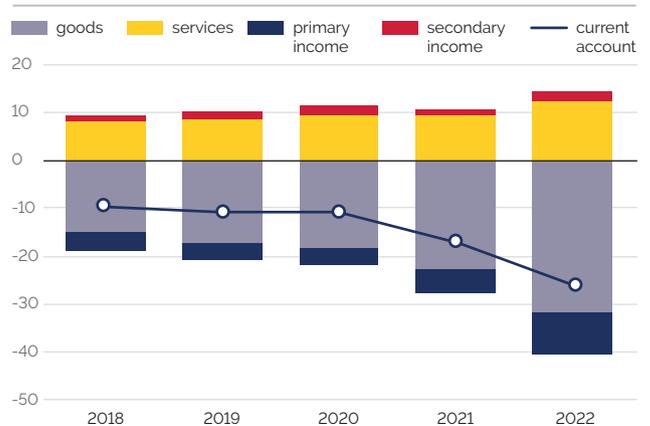
SOURCE: Ministry of Public Finance, Eurostat

**FIGURE 4 | Key interest rates, %**



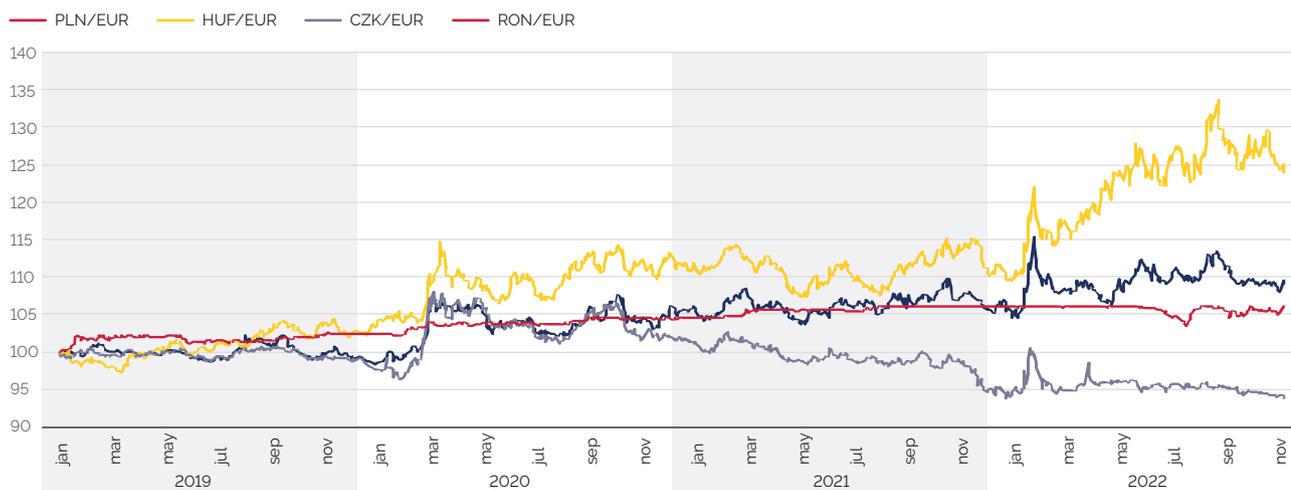
SOURCE: National Bank of Romania

**FIGURE 5 | The current account balance of the balance of payments (RON billion)**



SOURCE: National Bank of Romania

**FIGURE 6 | Exchange rate evolution in CEE countries (31 December 2018=100)**



SOURCE: NBR

In terms of external balances, the current account deficit continues to increase, against the background of the increase in the trade balance deficit. The current account deficit is estimated to have reached over 9% of GDP in 2022.

In nominal terms, Romania finished 2022 with a current account deficit of over EUR 26.5 billion, against the background of a deficit in the balance of goods and services of almost 20 billion (a deficit of EUR 32.3 billion in the case of the balance of goods and a 12.5 billion surplus of the balance of services) according to NBR data.

The Bucharest equity market has performed well since April 2020, with good results (in terms of growth and return) including in comparison with Romania's neighbours in the region. The Bucharest Stock Exchange fell by around 16% in March 2020, amid the financial shock in world markets caused by the COVID-19 pandemic. Following the upgrade to emerging market status in September 2020 and extra liquidity in the financial sector, the index increased significantly until the first part of 2022.

Even though the RON has been steadily weakening against the EUR over the past few years, in 2022 it was much more stable compared to the other currencies

in the region, where volatility was more pronounced, especially in Hungary. This stability has been maintained despite the significant pressures that characterize Romania's economy, i.e. the existence of twin deficits (the budget deficit and the current account deficit), as well as the context of high inflation, where the capacity and control of liquidity by the central bank were decisive.

It is important that the policy mix should have a balanced approach, in order to avoid the accentuation of imbalances at macroeconomic level. Fiscal policy will have to support monetary policy in combatting inflation while, at the same time, efforts need to be continued to reduce the budget deficit. Medium-term fiscal consolidation should also support private investment, as a driver of future economic growth.



# ATTRACTING FOREIGN DIRECT INVESTMENTS

FIC is a strong partner of the Romanian Government in identifying the most effective solutions and measures to attract Foreign Direct Investment (FDI). Attracting new FDI, as well as also stimulating investments already present in Romania, helps to stabilise and constantly grow the economy. Attracting and maintaining investment does not require significant financial resources from the public sector, and thus it is not a burden for the budget. Moreover, the economic activity resulting from these investments will generate additional revenue for the state budget in the future. The contribution of FDI to the Romanian economy has multiple ramifications: in addition to the direct impact consisting of the gross value added or the number of employees, there are also other effects, such as the impact of the transfer of know-how and technology on productivity.



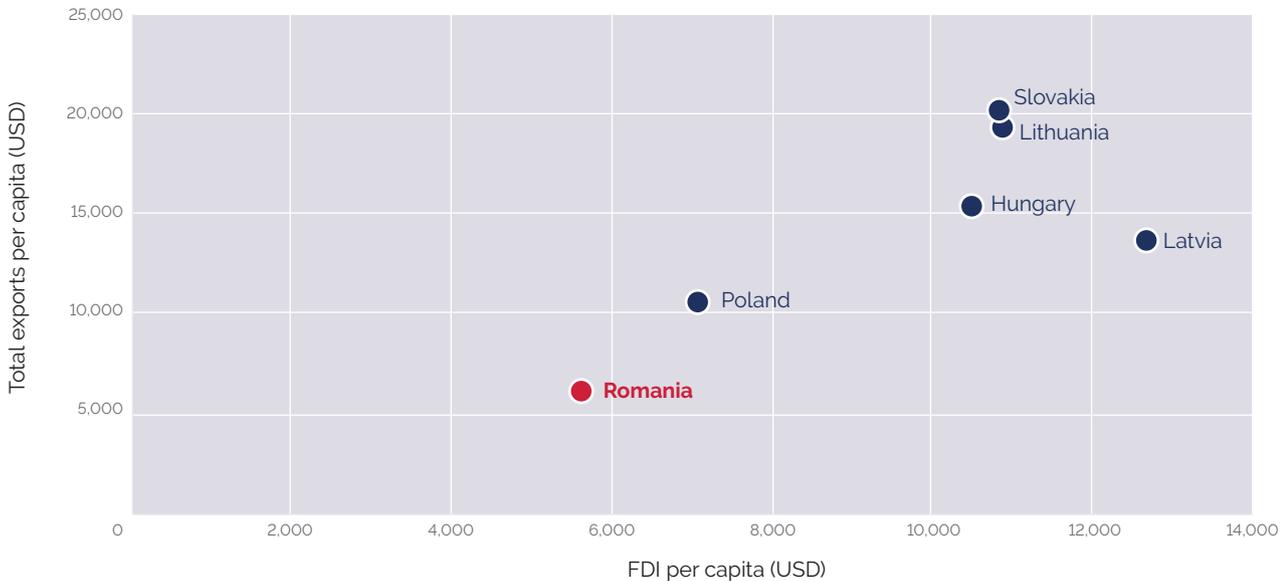
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## ATTRACTING FOREIGN DIRECT INVESTMENTS

Even though, from some perspectives, there are also costs in attracting foreign investment (for example, providing state aid or providing facilities for large investments, greater exposure to the global business cycle, and decreased power of automatic stabilisers), foreign investment has proven both globally, and in the case of Romania, the beneficial effects it brings and the way in which it can have positive effects on the domestic economy.

Compared to the other countries in the region, the level of FDI stock attracted by Romania in relation to both GDP and the number of inhabitants is one of the lowest. Furthermore, the speed with which the per capita FDI stock is growing is much lower than in other countries in the region. This not only has direct effect in terms of missed opportunities for growth of the Romanian economy but also indirect effect in terms of sending a negative signal about Romania's competitiveness as an

**FIGURE 7 | FDI and Exports per capita (2021)**



**SOURCE:** World Bank, UNCTAD, Eurostat

investment destination, which could impede inflows of foreign capital.

Romania must shape a medium and long-term strategy to attract and support investments in key areas and enhance economic growth to remain competitive with other countries in the region.

In terms of attracting FDI by Romania, it is important to ensure a legal framework that will stimulate the attraction of FDI and avoid tax and bureaucratic burdens for FDI examination, so that it remains competitive with the countries in the region. Also, collaboration between authorities and private investors is necessary: association with the main groups of investors (foreign and domestic) in Romania, to facilitate the links between foreign and Romanian private companies, universities and with local and central public authorities. This can also contribute to the reduction of Romania's trade balance deficit – mainly generated by the import of intermediate goods and capital, with a pronounced structural character. At the same time, it is necessary to create and update the sectoral presentations (automotive, IT, agriculture, bioeconomy, aeronautics, creative industries etc.) with information relevant to investors based on the recurring data they request in the questionnaires submitted to the agency, including the dynamics of these sectors in recent years or highlighting post-pandemic opportunities, government support policies, competitive advantages in the region etc.



# SUSTAINABLE CORPORATE GOVERNANCE

The outlook for economic development constantly evolves, with a stronger commitment to society and nature. Companies increasingly integrate the components of sustainability into their activity. International forums have outlined responsibility for the environment and society as the main pillar of the economic future, and Romania has taken important steps in transposing these values at the legislative level (Romania's National Sustainable Development Strategy 2030, the National Action Plan, the 2021-2030 Integrated National Energy and Climate Plan, the National Circular Economy Strategy, the Code of Sustainability).

The business environment is involved in the sustainable development of the Romanian economy through active cooperation with public authorities. Identifying legislative gaps and addressing them is a priority for establishing solid foundations that accelerate efforts to develop a well-performing economy based on principles of sustainability and transparency.



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## SUSTAINABLE CORPORATE GOVERNANCE

The 2030 Agenda for Sustainable Development was adopted by all Member States of the United Nations (UN) in 2015. Romania, as part of the international community and a Member State of the European Union, supports this global agenda through Romania's National Sustainable Development Strategy 2030 (SNDDR 2030). The business environment appreciates the efforts made so far to establish an adequate strategic and institutional framework and supports the application of an integrated and multidimensional approach in the SNDDR 2030 and in the National Action Plan. However, the business environment considers that more actions should be taken to adapt the education system to new developments and better connect it with the labour market requirements, including support for developing dual training poles and professional reconversion programmes.

The 2021-2030 Integrated National Energy and Climate Plan (INECP) includes Romania's objectives and contributions to achieving the EU's goal to be a leader in terms of energy transition and to provide clean energy. For attracting investments in new renewable energy production capacities, the decision-making process referring to the use of available European funds should be accelerated, and the various strategic documents at the national level harmonized, providing a high level of predictability on legislative developments.

In September 2022, the Romanian Government adopted the National Circular Economy Strategy, supporting Romania's transition towards a circular economic model, in accordance with the EU's Circular Economy Action Plan. The business environment considers that the Action Plan for implementing the National Circular Economy Strategy provides an adequate framework for cooperation between the public authorities and the relevant stakeholders, which should allow the achievement of more ambitious specific objectives.

Moreover, the report "Limiting climate change and its impact: an integrated approach for Romania" is an important milestone in the national efforts to fight climate change and strengthen public policies to make the climate transition possible. FIC recommends including specific measures in this document, which encourage the early formation of responsible behaviours, including more financing resources for the educational system, as a priority in areas where the current financing level is insufficient to meet needs (e.g. preschool education or remedial education).

Following the transposition of the provisions of Directive 2014/95/EU amending Directive 2013/34/EU on disclosure of non-financial and diversity information by certain large undertakings and groups (NFRD), as well as by the appropriate national authorities, a relatively small number of undertakings have started to publish non-financial/sustainability reports/

**FIGURE 8 | Corporate Sustainability Reporting Directive implementation timeline**



statements. Consequently, FIC recommends legislative improvements to strengthen the application of the existing provisions, such as introducing more significant penalties for not publishing a report/statement. Moreover, a public institution should be set up to monitor and enforce compliance.

The initiative of the Department for Sustainable Development (DSD), within the Romanian Government, to launch, through the Code of Sustainability, a platform that facilitates compliance by organisations with the reporting obligations and, at the same time, the access of interested players to such information, is a step in the right direction. For the Code to be successfully implemented, account needs to be taken both lessons learned by Germany – the model for the DSD project – and the current national and European conditions.

On 28 November 2022, the Council of the European Union issued its final approval of the Corporate Sustainability Reporting Directive (CSRD), endorsing the position of the European Parliament. Compliance with the CSRD provisions will require considerable effort by companies, especially those that have not been required to report up to now. At the same time, in their turn, the authorities will have to make their own efforts to ensure the necessary resources and the necessary level of competence to verify compliance, while considering other relevant European regulations for the CSRD implementation to ensure a consistent application.



# TAXATION

Consultation between the state authorities and the business community is essential to review both draft legislation and the implementation of existing legislation. This enhances the quality of legislation and supports its uniform application. To achieve this, FIC considers that the Ministry of Finance (MF), in collaboration with the Ministry of Justice should set up a free-of-charge database of existing national jurisprudence on tax issues, allowing traceability of legal actions from one court to another.

Clarity, stability, and predictability in fiscal legislation as well as in its implementation and interpretation are critical conditions in investment decisions. Any change in legislation, including its interpretation, should be adopted after consultation and duly applied by the tax authorities only for the future and not retrospectively. The FIC recommends a more regular and consistent dialogue between the business community and MF and National Agency for Fiscal Administration (ANAF) representatives on the predictability of the law and its uniform application.

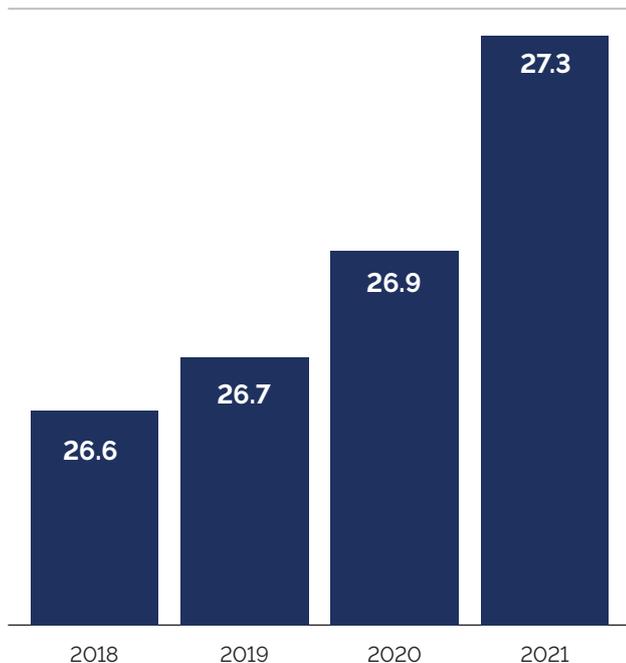


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## TAXATION

The FIC considers that improving transparency should be a top priority for the authorities, as this would lead to an increase in the predictability of the Romanian tax environment and would enhance trust among current and future investors. Lack of transparency in the legislative process seriously compromises the potential for economic development, mainly because it acts as a deterrent to the attraction of foreign direct

**FIGURE 9 |**  
**Fiscal income %GDP for Romania during the period 2018-2021**



SOURCE: Eurostat

investment. A consistent and coherent interpretation of legal provisions, aimed inter-alia at eliminating situations where different views have been expressed, in relation to sometimes controversial retroactive application of certain legal provisions, would greatly contribute to improving transparency.

Tax evasion creates unfair competition, putting those who comply with the law at a disadvantage, and reducing state budget revenues. The FIC welcomes and supports the ongoing efforts of the Ministry of Finance and ANAF to combat tax fraud and evasion, smuggling, and counterfeiting. However, tax inspections are not always focused efficiently, so as to improve the level of tax collection to the state budget. Tax evasion and smuggling, which affect both direct and indirect taxes, continue to be a problem. As an additional effort in combatting tax evasion and increasing voluntary compliance, FIC recommends a proactive and consistent approach for individuals based on the OECD's Update on Voluntary Disclosure Programme: A Pathway to Tax Compliance, 2015.

As of 2021, the corporate tax consolidation regime was introduced for the Romanian entities, a long-expected regime, which may contribute to the attraction of investors (groups of entities) in Romania, by creating a true and authentic holding regime. Although corporate income tax consolidation was a long-expected reform which benefits Romanian groups of companies, the existence

of certain restrictive eligibility criteria to be considered a member of a corporate tax group and the potential penalties applicable, in certain specific conditions, to the fiscal group once it has been constituted, have resulted in an extremely low number of group entities applying the corporate tax consolidation system, which means that in practice few have derived the benefits of this reform. Additional tax measures should be adopted in terms of minimum holding quotas, late payment charges for exit from the group, tax audit initiation in case of reorganization in order to increase the attractiveness of the consolidation.

R&D activity is considered a national priority as it has a significant role in the sustainable economic development strategy. The FIC appreciates the authorities' efforts to clarify/improve the legislation related to tax incentives for R&D, considering that the existence of a transparent, objective and predictable framework for the application of these incentives will stimulate companies to make investments in this type of activity.

Reinvested profit is an extensively utilized tax incentive and FIC welcomes the latest developments of the tax framework. To further boost investments of the taxpayers, certain adjustments to the framework should be performed in terms of extending the list of qualifying assets, carry forward of the potential incentive.



# FINANCIAL INSTRUMENTS

The European institutions currently shift their focus from the initial approach encouraging funds disbursement by Member States towards the financial instruments that aim to increase emphasis on distribution through reimbursable aids. As a direct consequence of the negative impact of the COVID-19 pandemic on public health, supply chains, and the overall economy, the institutions of the European Union decided to establish a complex package of interventions aimed at alleviating the negative effects specifically and boosting economic recovery generally: NextGenerationEU; most funds being spent through the Recovery and Resilience Facility (RRF) program.

The allocation for Romania under the RRF based on its National Recovery and Resilience Plan (PNRR) is a mix between non-reimbursable aid amounting to approximately 12 billion euros and reimbursable aid exceeding 14 billion euros.



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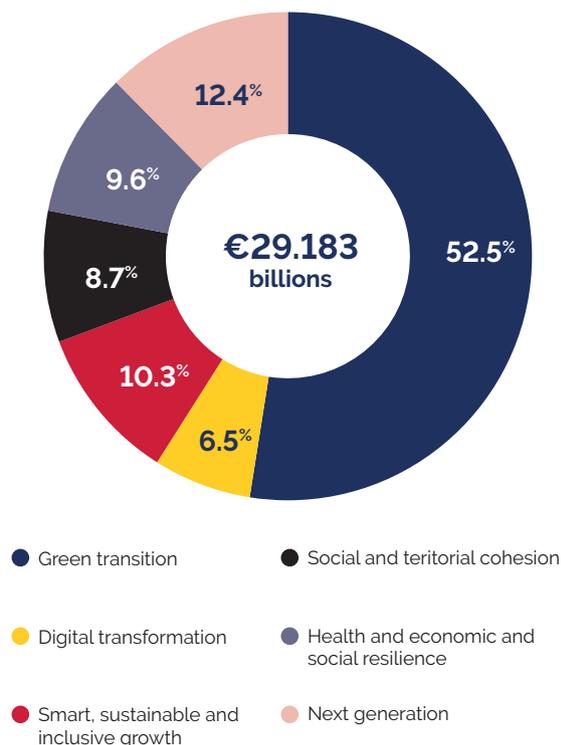
## FINANCIAL INSTRUMENTS

A comprehensive reform of the public administration at all levels - national, regional and local – could enable Romania and its business environment to gain the full benefit of the EU funding opportunities. The financial resources should be deployed more through financial instruments, enabling the leverage and revolving effects to fully materialize. An urgent clarification on the implementation mechanisms would generate a higher leverage effect, which, together with the revolving effect, could enable much greater benefit to be gained from allocated funds.

One of the critical steps in increasing the financing available for both the business environment and public infrastructure is the establishment of a National Development Bank (NDB), its objective being to target the numerous and persistent market gaps, by providing financial resources to projects developed by city halls, local administrations as well as SMEs and other local entities to develop infrastructure, support exports, and other needed actions. A closer orientation of financial resources towards providing leverage for the business sector would be beneficial for the general progress of the country.

Moreover, Romania should make significant efforts to develop the administrative capacity of public authorities in administering financial instruments and in designing and implementing public infrastructure projects financed by way of financial instruments.

**FIGURE 10 | PNRR Allocation for Romania**



**SOURCE:** data from MIEP

The rather limited resources of the state budget should be used in a more rational manner, i.e. to finance projects which generate revenue for public authorities through financial instruments and/or through a mix of financial instruments and grants based on careful analysis of the business plans for such projects.

This approach should be duly reflected in the relevant policies, strategies and especially in the financing programmes where the use of financial instruments is still very limited, despite the positive experience accumulated so far in Romania and - at a much larger scale - in other European countries.

Moreover, besides the establishment of a National Development Bank, Romania should make significant efforts to develop the administrative capacity of public authorities in administering financial instruments and in designing and implementing public infrastructure projects financed through financial instruments.



# TECHNOLOGY AND INNOVATION

Digital society is facing major changes. As more and more of our day-to-day activities go electronic and digital, very large volumes of data about us become available. This phenomenon is aggravated by both technological and behavioural factors (e.g.: increased use of online services such as e-commerce, e-government, social media etc.). This has been accelerated even more by the pandemic.

One of the FIC recommendations is that in order to build trust in electronic transactions, which is key to economic and social development, relevant national law-makers within the Government and Parliament, need to speed up the consultation and approval process for the draft legislation on electronic signatures, for the benefit of consumers, businesses and public authorities. A flexible and equilibrated approach shall be followed, the advanced electronic signature being conferred legal effects not only if it is issued by a public institution or authority from Romania, but also if it is issued by private law entities, as long as requirements meant to ensure an adequate level of security are met.



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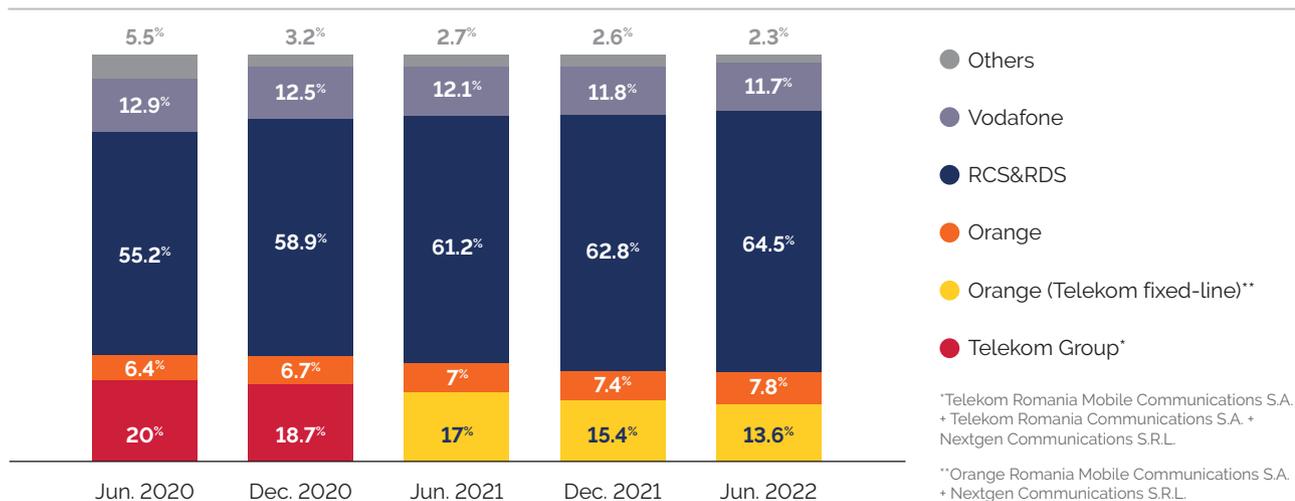
## TECHNOLOGY AND INNOVATION

Also, the benefits and convenience offered by digital services (the digital economy) also need to be facilitated through the adoption by the authorities of an approach which is open to innovation. Innovation may involve new authentication and identification technologies and procedures which use responsible security procedures and trustworthy systems

The evolution of the retail markets for broadband and TV retransmission services is worrying in terms of the degree of competition and, by implication, in terms of the future consequences for users. Both markets have been dominated by one operator with an increasing

market share for a long period of time and which will continue to evolve in the same direction and, relatively soon, monopolize the markets. The market shares we are referring to were, in mid-2022, 64.5% of the broadband market and 76% in the cable TV retransmission services market. Both market shares are above what the law considers a presumption of dominant (or significant) market position and require the application of measures to facilitate the development of other players. In the absence of such measures and having in view the current strategy of this operator (higher prices in less competitive areas than in competitive areas), all customers will be soon left without choice.

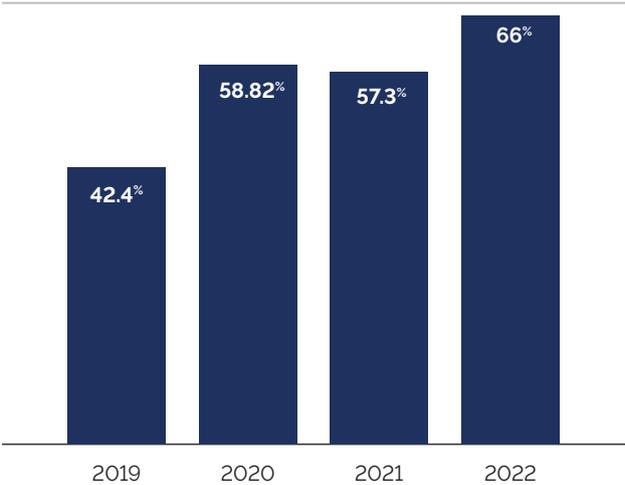
**FIGURE 11 | Evolution of fixed internet market shares**



SOURCE: ANCOM - Electronic services market in Romania – Q1, 2022

The FIC recommendations in this field are that the access to network at cost-oriented prices should be imposed on the dominant operator in the broadband and TV retransmission markets, as well as separate accounting for the fixed broadband business, in order to ensure competition in these markets (wholesale).

**FIGURE 12 |**  
**People who have ordered / bought goods on the internet (% in total people aged 16 to 74 who have used the internet in the last 12 months)**



SOURCE: INSSE

Regarding the e-commerce sector in Romania, it has experienced rapid growth in recent years, offering numerous benefits to both consumers and businesses, reaching an estimated turnover of EUR 6.5 billion in 2022. The convenience, accessibility and variety of products and services offered through e-commerce platforms have made them a popular choice among Romanian consumers. According to the National Institute of Statistics, in 2022, a record percentage of 66% of Romanian internet users placed at least one online order. We have also seen a spectacular year-on-year increase in the number of rural consumers, of approximately 23% compared to 2021. In addition, the e-commerce sector has created new employment opportunities and contributed significantly to the Romanian economy, while at the same time proving to be an efficient and much less energy-intensive alternative to traditional commerce.

FIC considers that Romania should create the right conditions and a level playing field for the digital economy to flourish. This will require full alignment of national legislation with EU regulations in a form that does not generate additional burdens on companies operating in Romania.



# ENVIRONMENT

The legal and institutional framework for environmental protection continues to raise difficulties for the business sector, despite continued efforts to engage with public officials on environmental legislation and institutional topics. The disproportionate regulation and enforcement of the waste management rules for private companies, as opposed to entities responsible for municipal waste collection, continue to disproportionately affect the business sector, including in terms of how liability is allocated in the field and the costs incurred to meet legal obligations. Thus, a uniform and coherent legislative framework based on EU principles should be created and legislative predictability should be ensured.

The FIC is concerned about the lack of impact assessments of draft laws, which are so urgently needed to enable new legislation to be enacted and implemented, and about the authorities' lack of swift reaction to regulatory needs. There is an urgent need for consistency in terms of legislative provisions interpretation assured by all public authorities at the central level and local levels, together with an engagement in effective dialogue with all stakeholders on new regulations from the earliest stages of the decision-making process in sufficient time prior to the adoption of new environmental regulations or the amendment of existing ones.



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## ENVIRONMENT

Often, the legislation does not contain sufficient transitional terms before the application of new requirements with significant impact, and the transitional terms that exist are usually insufficient to avoid negative impacts on the business environment and society. Secondary legislation, which is most important for the correct understanding and application of primary legislation, is adopted only after significant delays, having a negative impact on the business environment.

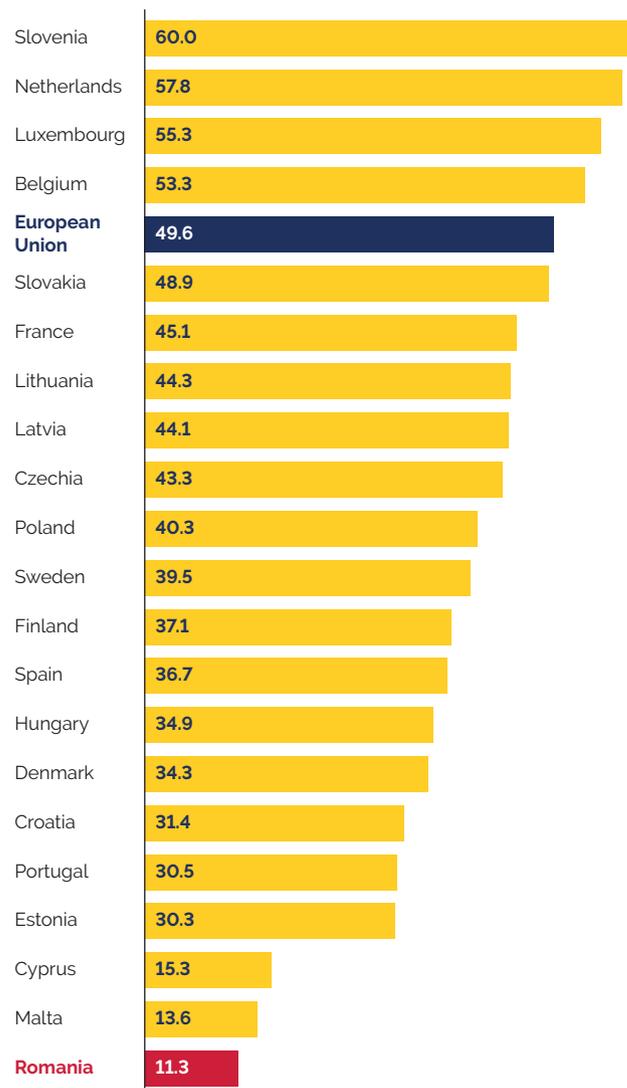
A central element of the policy framework for future years remains the "Green Deal" presented in December 2019 as the plan to make the EU's economy sustainable. To achieve the EU's new goal of ensuring a climate-neutral by 2050, an action plan "Fit for 55" was proposed in July 2021 for the revision of the EU-ETS Directive, the Energy Efficiency Directive, and the Renewable Directive, as well as for a Renovation Wave and a Carbon Border Adjustment Mechanism. Financial support and technical assistance will also be given to smooth the transition to a Net Zero and green economy. In addition to the Modernisation Fund and the Innovation Fund, which were already envisaged in the post-2020 EU-ETS directive, the Green Deal also brings the "Just Transition Mechanism", which will help mobilize at least 100 billion euros over the period 2021-2027 in the most affected regions.

The FIC appreciates the efforts and transparency demonstrated by the Ministry of the Environment and the representatives of the National Environmental Policy Act (NEPA) during the transposition and implementation of the revised post-2020 EU-ETS legislation, the definition of the "Fit for 55" package, as well as on the revised Monitoring and Reporting Regulation (MRR) for greenhouse gases. FIC remains a partner for the authorities, offering the technical support needed for their active participation in the discussions held at the European level. FIC considers that particular attention should be paid to regulations dealing with climate laws, ETS revision, the Carbon Border Adjustment Mechanism, state aid and financing to support the achievement of the Green Deal aims with a fair international level playing field.

Improving waste management remains a constant concern for FIC. In this context, between May and July 2022, a new FIC initiative took place which involved organizing a series of consultations with representatives of various actors with responsibilities in the field of waste management. The result of these consultations has been reflected in the document "Difficulties in applying waste legislation and proposed solutions", which includes recommendations to remove some existing blockages, the objectives being to improve the legal framework in the field, to ensure a higher level of clarity, coherence, predictability and fairness of legal regulations.

The implementation of the economic instruments required for incentivizing municipal waste recycling continues to be low. In order to achieve waste management objectives and assign responsibility to actors involved in the waste management chain, FIC recommends: the increase of the collection containers and collection points (including for WEEE), stricter control based on performance indicators for all waste management services, the implementation of the coordination mechanism (clearing house) at the national level, the adoption of the technical rules on composting and anaerobic digestion, together with tackling the practical difficulties of the “pay as you throw” system and other interrelated tools. Concerning the new required actions, textile waste collection should be regulated and investments in recycling capacity should be capitalized. Also, the responsibility and role of each actor in the waste management flow should be clearly defined, complementing the legal framework where appropriate. FIC recommends the implementation of a mechanism from the waste generator, to the collector and transporter, to the operators that provide temporary storage or pre-treatment, and to the operators that recover or finally dispose of the waste for all categories of waste.

**FIGURE 13** | Recycling rate of municipal waste in 2021



SOURCE: Eurostat, 2021



# ENERGY TRANSITION

Europe is facing an unprecedented energy crisis, with 3 main challenges to be tackled quickly: reinforcing energy security, accelerating the energy transition, and improving cost competitiveness in international competition. The main priority is to identify those balanced measures and tools for viable and sustainable solutions that support all actors, reduce cost pressure and protect vulnerable consumers. At the same time, large investments in the energy system are needed to ensure energy security and independence in the future.

A vital criterion for large investors remains stability, predictability, and transparency of legislation. FIC considers that efficient coordination and cooperation between public authorities and private investors is necessary. This in turn requires a well-structured medium-term strategy, giving a clear definition of the duties of each party and ensuring the rights of each stakeholder. It is necessary that the Romanian authorities ensure a transparent consultation and decision-making process involving all interested parties and establish appropriate measures and public policies.



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## ENERGY TRANSITION

The business environment is ready to work alongside the Romanian authorities to identify the best measures to protect vulnerable consumers, facilitate the implementation of activities to promote energy efficiency, support the continuity and resilience of the business sector and preserve Romania's competitiveness in terms of investments.

Recently adopted legislative measures both in gas and electricity which set obligations for gas and electricity producers requiring priority supply to certain categories of market participants at regulated prices impact cross-border trading and flows, undermining price and investment signals. The FIC underlines the importance of stable and efficient framework conditions, the removal of regulatory and technical barriers while maintaining a stable and secure energy system, the exchange of best practices, and measures aiming to reduce the cost of capital.

With the publication of the REPowerEU plan in May 2022, the European Commission stressed the importance of Member States opting for a set of policies that are to help them move away from Russia's fossil fuel imports and further promote the objectives of the Green Deal. In this regard, focusing on building new renewable energy capacities, energy-saving measures, and diversifying energy sources are key actions. In view of this agenda, a

regulatory system should be defined that takes account of specific market conditions, to ensure transparent and non-discriminatory access to infrastructure and regulatory activities to stimulate investment and not hinder the establishment of long-term competitive markets.

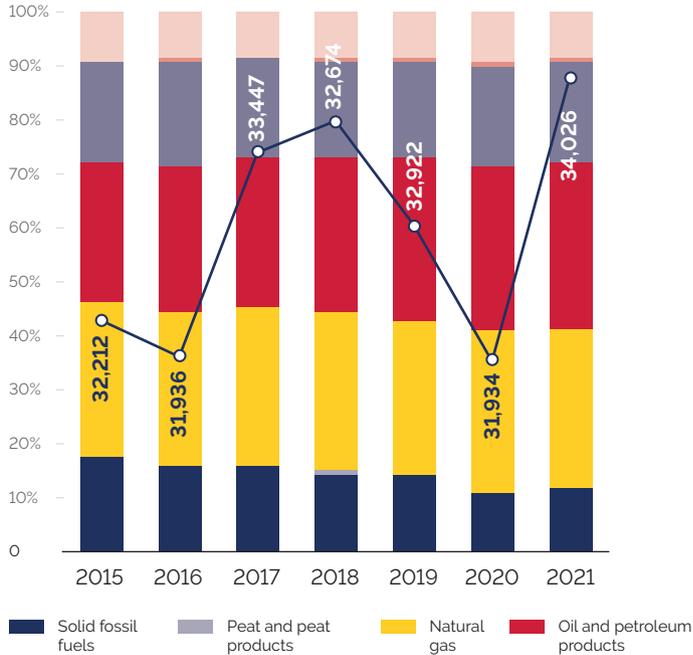
Moreover, it is necessary that Romania plans carefully and implement the RePowerEU Roadmap towards 2030. Investments in the energy sector need reliable, stable and predictable public policy and legislation that allows investors to foresee a long-term economic plan. It is recommended that Romania invests in renewable energy not only to meet its commitments at the EU level but also to maintain the competitiveness of the power and industrial energy-intensive sector. In 2019 and 2020, Romania became a net importer of electricity, which is a sign that the domestic infrastructure is no longer economically competitive or technologically fit to meet internal demand.

FIC supports innovative technological solutions and emphasizes the need for developing the required secondary legislation. Urgent attention should be given to the disparities between the NECP as a strategic document and the existing development plans. Given that the European Union provides Member States with significant funding, and requires only a concrete

FIGURE 14 |

Energy supply structure (2015-2021)

Thousand tonnes of oil equivalent

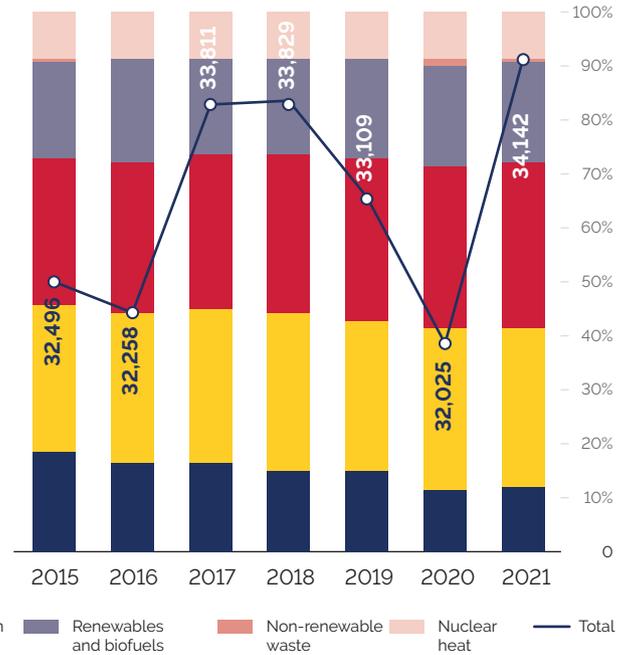


SOURCE: Eurostat, 2021

commitment, a clear strategy should be provided by the Romanian authorities, setting out the areas in which the authorities encourage investments from the private sector to fulfill its strategic targets and detailing the resilient measures to supports new investments from the private sector.

FIGURE 15 |

The energy available for final consumption (2015-2021)





# HUMAN CAPITAL (WORKFORCE, EDUCATION AND HEALTHCARE)

The human capital of a country is a strategic resource to be developed for well-being, and the current and projected downward trend in terms of the population of Romania is making the prospects of economic development vulnerable. The business environment continues to monitor and act upon the developments of education, workforce, and healthcare topics.

Recent years have been marked by a sharply aging population, data from the National Institute of Statistics show that in 2021 the active population was 8,214,682 of which 7,755,487 were employed, down from 2020. The negative demographic trend has an important impact on the indicators of demographic and economic dependence and generates significant pressure on the active population, which has to support economic growth on the one hand and the dependent population on the other. Measures to combat the negative demographic trend are needed to calibrate the demand for and supply of work and manage the labour shortage (such as simplifying the process of hiring non-EU workers, and staff training).



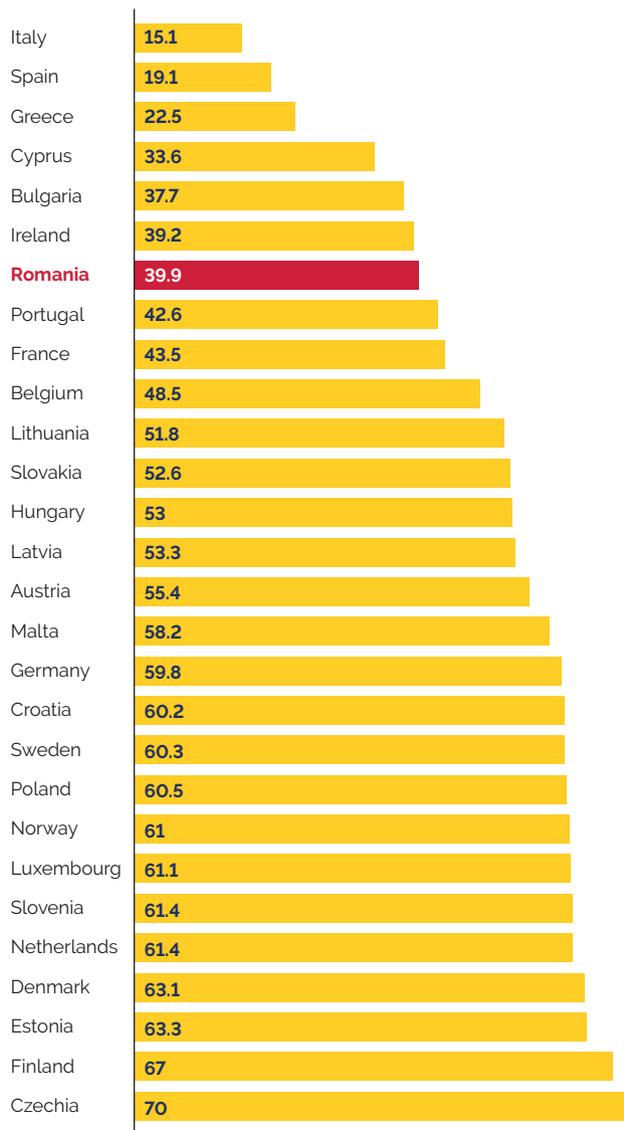
Find out more at  
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## HUMAN CAPITAL (WORKFORCE, EDUCATION AND HEALTHCARE)

Moreover, the imbalance in demand for and supply of labour in Romania is also influenced by the poor performance of the education system. In 2022, according to the European Skills Index, which measures the performance of EU competence systems, Romania ranks 25th, with the lowest scores for skills development and activation. On the other side, it registers good performance in terms of adapting skills (the degree of their use and the extent to which skills are adapted to the labour market) for which the country is ranked 7th out of EU Member States. FIC recommends involving the business environment in initial and continuing education, together with adult participation in vocational training programmes (dual vocation education, improved technical and professional education, digital skills and re-professionalization).

Although the COVID-19 pandemic served as a magnifying glass on the Romanian health system's existing structural challenges, and significant progress has been made, we continue to face demographic challenges, poor population health, a lack of financial resources, and limited access to medicines. Through cross-sector collaboration (public & private entities included), Romania can rethink and transform its health policies to increase patients' access to healthcare. Important structural changes are needed, including an increase in financing and investments in the healthcare system, development of preventative, screening, and early diagnosis programmes, employment of more health workers, enhancement of technology as well

FIGURE 16 | European Skills Index 2022



SOURCE: CEDEFOP

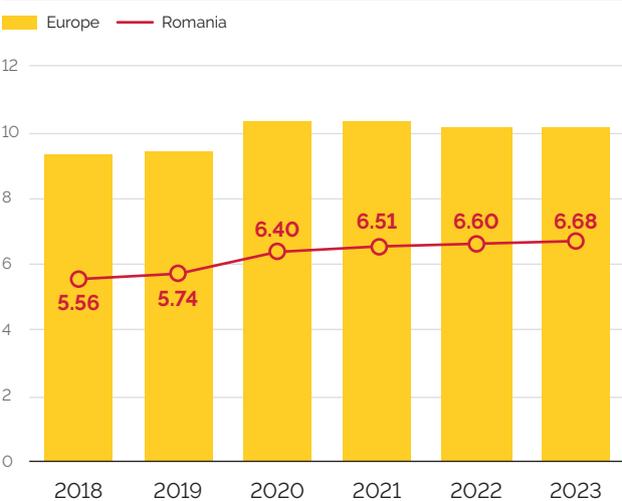
as improvement of the infrastructure, coverage, and accessibility of health services to existing patients and citizens, in general.

Healthcare authorities should change their perspective and realise that healthcare is an investment in the country's future and prosperity given that health affects economic growth directly through labor productivity and the economic burden of illnesses, and indirectly since aspects such as child health affect the future income of people through the impact health has on education.

In order to contribute to the reform of the health system,

FIC continued the projects dedicated to medical staff, and also to medical students and residents, which were initiated in 2013 in partnership with the Ministry of Health to draw attention to the exodus of doctors. In 2019, 2021, and 2022, FIC organized courses for hospital managers through the "Leaders for Excellence in Healthcare" project.

**FIGURE 17 |**  
**GDP share of average health expenditure in Europe & Romania 2018-2023**



SOURCE: Statista, World Bank, WHO

# MEMBERS





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