Investment Process in Romania and Institutional Dysfunctionalities

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ABSTRACT
The concepts set out and the macroeconomic policies implemented during the past twenty years have been different and controversial. They have aimed at creating an economic environment conducive to the infusion of foreign capital and development of sectors considered as a priority at that time, which can ensure a sound macro-economic stability, taking into account the fact that there is not enough domestic capital to participate in achieving these objectives. In this paper we will focus on foreign direct investment (FDI) policies designed to promote them, their effects on national economy in general terms and features of investment in rural and agricultural sector, which we consider key elements of success in economic growth. Also, the institutional framework in which the investment process took place is thoroughly addressed given that most times the general investment climate of a certain market is influenced both by legislation and the institutions involved in economic life. The experience of transition and the experiences of other countries have shown how important are institutions created to coordinate, support and control of investment activity. We included in this analysis institutions and organizations in Romania with responsibilities in the investment field. Based on this analysis, and on the contributions of institutions to create the proper economic development, but also by investors' direct contribution to the creation of this framework by policy makers recommendations, it is obtained a profile of the business environment in Romania, including what is best but what is missing and it needs to be implemented. We consider that this approach is an important step in addressing the institutional investment process and it creates prerequisites of disseminating essential information and remedial implications to stakeholders.

KEY WORDS: *business environment, foreign direct investment, institutions, investments, Romania.*

JEL CLASSIFICATION: *G28, O11, Q19.*

INTRODUCTION

New opportunities have appeared in the capital market following the geo-strategic changes that occurred in Europe in 1989. Capital flows occurred in Europe in recent years and the importance of the Central and Eastern Europe for the future of the European Union (EU) have attracted attention of experts in all fields.

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Agro-food sector as a strategic sector of any economy, presents a unique dynamic, especially in this part of Europe. The characteristics of this sector and the role of new EU Member States allow us to focus with greater power over economic and institutional implications, which these investments generate, medium and long term (Cicea & Banacu, 2009). Analyzing developments and capital investment in recent years and regional differences we will be able to implement special programs to support and streamline economic activities in affected the most disadvantaged regions, which generally have a rural character.

The main objectives in this paper can be summarized as follows: Highlighting the direct influence of investment on economic activities, highlighting the institutional mechanisms for the conduct of investment in the best conditions, institutional failures occurred in the pre and post-accession.

We used the analysis of investment flows by source and destination using long series of statistical data, identifying the institutions responsible for attracting investors, for the determination of institutional failures, the issue of alternative assumptions of the conclusions and building Romanian agro-food sector development by attracting investment in a sound institutional framework, based on successful models used in other states.

The data used were provided by national institutions empowered to collect, compile and process these types of information, such as the National Trade Register Office (ONRC), the National Statistics Institute (INS), National Bank of Romania (BNR), specialized international institutions this area as the United Nations Conference on Trade and Development (UNCTAD) and other organizations, associations or specialized companies. Among these were very useful the data available from the Foreign Investors Council (CIS) and especially “White Book”, periodically published in evaluation and recommendation for business, or reports compiled by Transparency International (2009).

This paper aims to identify the gaps arising in the course of investment, which, after the assessments, are rooted both in the incomplete or erroneous legal framework built during the transition and in the institutional functioning. Once identified, the weak links of the system can be more easily controlled and fined. Proposals made at the end of the study can make a contribution to correct the failures of institutional functioning identified in the years previous of EU membership.

1. BUSINESS ENVIRONMENT IN ROMANIA

1.1 Evolution of FDI worldwide in 2008

According to estimates, global FDI flows in 2008 declined by 21%, reaching U.S. $ 1.4 trillion (as shown in Figure 1). This is due to the beginning of the global economic downturn, tightening credit conditions, lowering corporate profits and uncertain prospects for global growth in the short term. The effects of global crisis vary between regions and countries, thus giving a different impact on the geography of foreign direct investment flows.

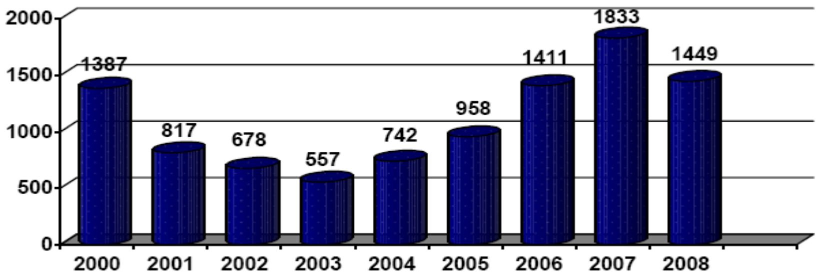

Figure 1. Evolution of global FDI, 2000-2008 (billion USD)
Source: UNCTAD (2011)

The current situation is very different from that generated by the last financial crisis that began in developing countries in Asia in 1997, having a negative impact on FDI inflows attracted by them, particularly in Indonesia. Unlike previous crises, the current was triggered in developed countries, rapidly expanding to developing countries and transition economies. The developed countries are the most severely affected by the global crisis; in developing countries were recorded in most cases only indirect effects, thus influencing the location characteristics of foreign direct investment. Preliminary data for 2008 reveal that in many developed countries the attracted foreign direct investment flow decreased significantly by 33% compared with 2007, due to the deepening problems facing the crisis of financial institutions and money market liquidity. The cutting down of transnational corporations revenue from developed countries and the lowering of bank loans granted by bank unions have significantly limited funding for investment.

In developing countries and in the transition economies, preliminary data for 2008 indicate a modest growth of 4% of FDI flows from the previous year, compared with 20% growth registered in 2007 compared with 2006. It is worth mentioning that in 2008, FDI flows attracted by Africa has exceeded USD 60 billion recording a growth rate of 16.8%, amid slowing economic growth worldwide and the negative impact on the region.

The flow of direct foreign investment attracted by East, South and Southeast Asia, the largest recipient of foreign capital in developing countries grew by 3.3% below those recorded in previous years. FDI inflows attracted by West Asia decreased significantly by 21.3% due to reduced growth in demand for petroleum products, increasing costs and lower revenue from exports. Contrary to this trend, FDI inflows attracted by Latin America and the Caribbean in 2008 registered an increase of 12.7% due to the increase of FDI attracted to South America. Because Central America and the Caribbean are traditionally dependent to a large extent on the U.S. economy, the attracted foreign direct investment flows has decreased slightly in 2008.

According to estimates, the flow of foreign direct investment attracted by the transition countries of Southeast Europe and the Commonwealth of Independent States has maintained an upward trend, marking an increase of 6.2%, despite the financial crisis and economic slowdown.

1.2 Evolution of FDI in Romania

In 2008, the inflow of foreign direct investment in Romania registered a value of Euro 9.024 billion (as shown in Figure 2), increasing by 24.4% compared with the previous year (Euro 7250 billion), according to the data provided by The Vienna Institute for International

Economic Studies (WIIW, 2011). Considering the period 1990-2008, the flow of foreign direct investment in Romania in 2008 is very close to the peak reached in 2006, being only 36 million lower compared to a record 9.06 billion Euros.

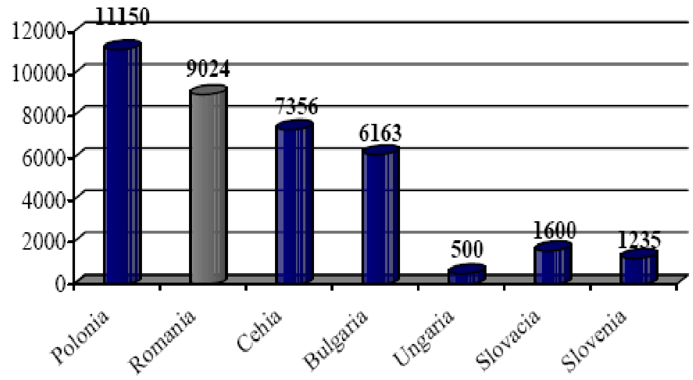

Figure 2. Evolution of FDI in Romania in the regional context, in 2008 (million)
Source: WIIW (2011)

However, in 2006, without including BCR privatization, foreign direct investment would have amounted to 6.900 billion Euros, which entitles us to consider 2008 as one of the exceptions in attracting FDI in the Romanian economy.
The structure of FDI attracted in 2008 was as follows:

- Equity capital **-** 2767 (30.7%);
- Profit reinvested **-** 1756 (19.4%);
- Other capital (intra-group loans) **-** 4501 (49.9%).

In 2008 direct foreign investments have financed 53.5% of the current account deficit compared with 43.5% last year.

Please note that in December 2008, Romania recorded a 20.5% increase in monthly flow of FDI attracted (593 million Euro), compared with the previous month (492 million Euro), in light of the economic crisis and the experience of recent years showing a lower monthly flow of FDI at the end of the year. The Number of companies with foreign capital participation newly registered in 2008 is 77.7% (12,265), compared to the similar period of the previous year. However, the subscribed capital of new foreign companies in 2008 had a share of only 36.3% compared to same period of 2007.

In the classification by country of residence of investors in companies on foreign direct investment, with the reference period 1991-2008 (Table 1), the first places are occupied, according to the capital subscribed by investors from the Netherlands with 3436 companies and subscribed capital of 4 billion, the 5375 companies of Austria and subscribed capital of 2.6 billion, Germany with 16,664 companies and 2.2 billion, France with 5873 companies and 1.7 billion Euro and Cyprus with 4255 companies and one billion Euro. The rating investors' countries of the issued share capital of companies with foreign participation illustrates on the one hand the economic integration of Romania into the European Union, on the other hand the interdependence between exports and direct foreign capital attracted by our country.

Table 1. Rankings by country of residence of investors in Romania 1991-2008

Origin country	No. of companies	Social capital (billion of Euros)
Netherlands	3456	4015
Austria	5375	2650
Germany	16664	2278
France	5873	1776
Cyprus	4255	1099
Italy	26984	935
USA	5755	724
Spain	3451	700
Great Britain	3940	660
Greece	4484	654

Source: Chamber of Commerce and Industry of Romania and Bucharest – National Trade Register Office (2008)

Whatever forms of FDI, coming from privatization, capital contribution of the Company, in cash or in goods, Romania lags behind other CEE countries as Poland, Czech Republic and Hungary, in a ranking of the capacity to attract foreign capital. Data provided by the Chamber of Commerce and Industry of Romania and Bucharest - National Trade Register Office (CCIRMB-NTC), shows the status of investment and attractiveness to foreign investors.

The structure of FDI in Romania (Figure 3) is clearly the result of the policy pursued in this area. Thus, we see a big discrepancy between the branches, a lack of concern for some of them, in many important respects the EU integration process and economic development (in agriculture 1% of total).

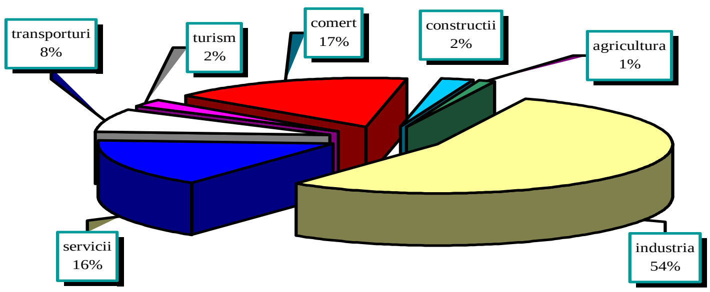

Figure 3. The structure of FDI in Romania

Source: Chamber of Commerce and Industry of Romania and Bucharest – National Trade Register Office (2008)

We would like to assert that the same tendency was observed during the last decades, the present situation being a reflection of the attitude of the Romanian governments in the past, a continuation of the investment policies promoted in the first years of transition (Anghel, 2002).

Inevitably, rural development in Romania is closely correlated with the development of agriculture, food industry and all associated or related activities with them. Romania's structural characteristics require the development of a national policy aimed at sustainable development of rural areas and promoting regional national or international development according to European principles. According to them, rural development policy must be closely linked to sector policies (agriculture) and regional policy, aimed at three dimensions: the restructuring and development of agriculture, promoting economic and social cohesion of regional type and integrated rural development. Throughout this equation, foreign investment and especially foreign direct investment plays a primarily position since the funding sources are currently limited. Agro-food sector is of particular macroeconomic importance due to its connections with other branches of the economy. For Romania, this sector has even greater significance due to the Romanian domestic market size (population 22 million), rural population (47%), or because the number of people in agriculture (about 30% of the population). For these reasons, but not exclusively, rural area development is an important and challenging target.

Unfortunately, the place of this sector in the investors' strategies is negligible due to lack of attractiveness, high risk and weak profitability (Table 2). This is complemented by institutional failures and lack of transparency in decision making.

Table 2. Romanian agro-food sector attractiveness for foreign investors

Year 2008	**Total FDI**, of which:	
	Agriculture	**Food Industry**
Number of investors (%)	4.1	5.1
Investment Value (%)	1.0	9.0

Source: Voicilaș, D. M. (2010), p. 92

2. INSTITUTIONAL PROBLEMS

In this part of the work we intend to present the main features of the Romanian business environment from the perspective of foreign investors as they perceive Romania by the experience accumulated during the transition years. First, we want to refer to factors that, in my view, contribute to the characterization of business today and had a decisive effect on the evolution of FDI in the past.

At the macroeconomic level, the overall risk of the country has several components: political, social and economic. These are the defining features of a country in terms of investment decision. The decision to invest should be based on a real analysis of its potential risk. Rating is an aggregate indicator which is based on several components of risk (political, financial, and economic). Based on these components, the rating agencies have assessed Romania's country risk in high risk classes. Most indicators used were unfavorable to Romania, meaning that the country was placed in a gray area still unstable and unsafe for foreign investment.

We can identify several factors that led to the accumulation of many "black balls" in the evaluation of Romania: the slow pace of privatization, reform hesitation in all sectors, legislative and institutional instability, high levels of taxation and its lack of transparency, widespread poverty and low purchasing power, lack of a clear and stable policy of priorities on the national economy, tax evasion and underground economy, bureaucracy, corruption, transfer of ownership and legal condition of the land (buildings), lack of information and unfavorable information, miners crusades, ethnic conflicts, religious conflicts mysteries of the Romanian Revolution, lack of professionalism and independence of the judiciary system, the problem of institutionalized children, the issue of adoption, political clienteles, dubious business nationwide with international implications, etc. In the following we will refer only to some of the causes which, in my view, have had and still have a negative impact on investment activity in Romania.

2.1 Foreign Investors Council

Foreign Investors Council (CIS) or FIC (Foreign Investors Council) analyzes the most critical aspects of the current economic climate, both in terms of overcoming the financial crisis and for adopting the measures required to strengthen administrative capacity of state institutions. Over 115 member companies of the FIC are important players in the Romanian economy by contributing to the creation of over 30% of national income and investment of about EUR 30 billion.

FIC's main objective is to promote dialogue between investors and policy makers to improve the business environment in Romania. Consistent with this objective, members of the FIC, based on international experience, make recommendations to improve the business environment and are partners in both institutionalized dialogue with the Romanian authorities and with international financial institutions, IMF, EU, World Bank.

Last year the international financial crisis has reached the Romanian economy and the measures adopted by the Romanian Government and Parliament could not avoid recession, signs of deteriorating financial and economic situation were quickly apparent, a decrease of 7% over the economy. In response to these conditions, the private sector responded in the sense that every company has revised its internal processes to reduce costs and streamline their activities. The result was reflected in particular in reducing staff costs and staff, increasing productivity and allocating financial resources available for productive investments. Now, when the analysts suggest that it is possible to move the crisis from the private sector to the Government and Parliament of Romania they will also have to consider such measures. FIC President stated that there are still significant challenges regarding the economy, damaged by the international financial crisis and structural issues related to maintaining the competitiveness of Romanian economy (Foreign Investors Council, 2010). Now, once again, the administration must give evidence of its ability to determine the short and medium term strategy for its priorities and in particular to find in the shortest time, the necessary levers for economic recovery.

FIC believes that reducing staff costs, while increasing the efficiency of services provided by state institutions are a direct and immediate measure to restore the balance between revenue and spending. Immediate results can be achieved by a priority allocation of financial resources, of the existing availability, to certain categories of expenditure, primarily by investment especially in infrastructure. It thus creates jobs, it stimulates other sectors of the economy and in the end is a signal to business that the economy can return to growth.

The evolution of the economy in the early months of 2010 was still under the signs of recession. Therefore, increasing revenues as a means of balancing the budget is very difficult to estimate and a tax increase would have little chance to bring additional revenue to the state budget. FIC believes that better results could be achieved by measures to encourage taxpayers who have a high degree of tax compliance on the one hand, and tougher penalties for default and evasion, on the other hand.

For business the transparency and predictability of tax rules in the economy are the most important elements of business plans for short and medium term. The President of FIC concluded in an interview that the FIC considers it essential that governments and political parties should be aware of the seriousness of the situation and implement a coherent plan quickly and reliably. Measures envisaged, even if they also have social impacts must be taken without delay. The lack of firm action or postponing decisions will continue to induce a state of uncertainty in the business environment and will delay Romania's chance of overcoming the crisis (Foreign Investors Council, 2010).

2.2 World Bank

The World Bank reports (WB), have often criticized the defective mechanisms of functioning of institutions and the relationships with entrepreneurs. The focus is primarily on the Ministry of Finance (MF) and National Agency for Fiscal Administration (ANAF). According to the World Bank, the main challenges of ANAF are particularly the improving of the collection system and the increase of the voluntary compliance of taxpayers. WB experts warn about an extensive network of territorial directorates of finance network that increase the costs of collection and waste much of the resources in routine processes. The World Bank, the payment of taxes in Romania is a pretty big burden for the taxpayer, in an institution's report, Romania being ranked 149 in the world out of 183 countries in terms of time spent on paperwork and pay taxes. Total fees to be paid in Romania are 113, say international experts. Although the Financial Guard carried out annually a large number of controls, only very few end up in court.

According to World Bank experts, more precisely, out of a few thousand cases a year, very few end up in court, and in 2009 there were only three convictions. This indicates that there are serious problems in the selection of cases, either in quality investigations.

Among some suggestions we can include:

- Reducing the number of separate payments of tax. Develop a system to reduce face to face interaction with the taxpayer.
- When there will be a well-tuned system, the services of the territory to be replaced with information on the Internet and call center services.

Another important aspect is concerned by reports WB state companies and their relations with the authorities. Thus, one can notice that state companies should be controlled directly by the MF. The Ministry of Finance control over state-owned companies is limited, according to WB report. The World Bank report states that corporate budgets are presented for approval to the MF, and it is unclear how these budgets were constructed strategically. The financial situation of public companies with losses can create imbalances that affect the state budget, say experts of the World Bank. An example is such debt accrued by these companies to the state budget and to private providers.

Other suggestions mentioned:

- Medium-term MF should play a direct role in managing state assets, especially in organizing state companies and monitor debts. WB report states that Romania could improve monitoring of the state on the companies to which it is a shareholder by setting up a government body to deal strictly with their monitoring. The new entity may be a direction of the Ministry of Finance, or a new agency under the Ministry.

• The new institution will be responsible for the efficient management of state companies and will provide regular reporting on their performance.

The World Bank also notes that MF personnel are oversized so that Romania may have to get more employees than the Ministry of Finance of France and Germany. Ministry of Finance has currently, according to the report, authorized 1867 positions of which 1432 are employed. The number of employees of the facility far exceeds the number of employees of ministries of finance from other European countries like England, Germany or France. The World Bank suggests that the number of employees in MF should be reduced by about 200-300 people, structure enabling the ministry to work. According to the World Bank, the clearing system at the MF is unfair and not transparent. Numerous bonuses are granted and they are unevenly distributed within the ministry; they represent about 30% of staff bill of the institution. According to World Bank experts, ministry staff allocation is in line with current needs. Distribution of personnel in the ministry departments is rather a consequence of an organizational history than a reflection of current needs; attention is drawn into the report.

The suggestions offered in the report:

- Reduction in staff by about 200-300 employees.
- Rearrangement of human resources based on strategic priorities.

2.3 Transparency International

Romania ranks in 2010 last in the EU Member States as regards the general perception of corruption on a par with Bulgaria and Greece. Thus, our country is perceived as the most corrupt country in the EU, given that 2009 is the first of the last seven years that has not made any progress in fighting corruption, says the report “Corruption Perceptions Index”, published by Transparency International and mentioned in The National Corruption Report 2009 under the coordination of Alistar, V. (2009).

Romania scored 3.8 points out of 10 score equal to that of the previous year, back in last place in the rankings, which it disputes with Bulgaria and Greece. Bulgaria has achieved the same score for Romania as a result of an increase of 0.2 points and Greece reached this position due to the loss of 0.9 points compared to 2008. Score obtained in 2009 indicates capping Romania, this being the first year since 2002 that has not shown any improvement in the results obtained in the fight against corruption. Stagnation is the result of a lack of strategic leadership in the legislative and institutional measures, which led to excessive vulnerability of all the pillars of integrity and to damaging the credibility of reform and Romania in general.

Globally, the 2009 Transparency study analyzes 180 countries, Romania being at 71 and being overtaken by countries such as Barbados (ranked 20th), Botswana (37th), Namibia (no.56), Cuba (no.61) and Ghana (69th). Ranking first is New Zealand in an index of 9.4 followed by Denmark 9.3 and Sweden and Singapore, both with 9.2. In contrast, the lowest score was recorded in Somalia (1.1), followed by Afghanistan and Sudan 1.3 on a par with Iraq, 1.5.

We notice that the Corruption Perception Index of Transparency International is a composite index, based on data on corruption in specialized surveys conducted by several independent and reputable institutions and ranks countries according to the degree that corruption is perceived among public officials and politicians. It reflects the view of businesspeople and analysts from around the world, including experts from the assessed countries.

CONCLUSIONS

At the end of 2010 FIC has launched an action plan with 80 measures, entitled "*Economic Growth Program - Priority Actions for Restart of Economy*", which aims to rapidly restore the Romanian economy on an upward trajectory. The action plan for "*Economic Growth Program - Priority Actions for Restart Economy*" is the result of collective and voluntary contribution of members of the Foreign Investors Council. In June 2010, the organization has conducted extensive research among its members and has resulted in over 100 measures that the authorities and the private sector can take to improve the business climate in Romania. Eighty actions were included in the measure plan, while 12 of them are a priority for short-term economic recovery.

The solutions proposed by the document have been structured in 10 fields of action corresponding to the key goals of today's economy. These are: to stabilize the macroeconomic environment, the implementation of better governance, support the development of small and medium enterprises (SMEs), supporting investment in the economy, access to financing from EU funds, developing the necessary infrastructure for a modern economy, realizes the potential in agriculture, the pursuit of tax policies which stimulate growth, legal reform and public sector modernization.

Foreign Investors Council prioritized the most urgent and important 12 steps that can bring economic growth in a short time. Only by implementing these priority solutions by 2015, Gross Domestic Product (GDP) of Romania will grow in real terms by 11.6% cumulative, the labor market will have 250,000 new jobs and revenue will increase by 8.5%. Additional cumulative projected budgetary costs for the 12 urgent actions will be only 0.7% of GDP. In the long run, it is expected that these measures should generate additional indirect economic growth of approximately 15-20% of the direct impact. FIC President said: *We are convinced that the Romanian economy can get back on a path of short-term growth with minimal costs, if we follow a clear strategy, supported by both Government and business environment. To ensure that this happens, we are ready to provide our expertise to work together with authorities and to allocate substantial financial resources to support priority measures* (Foreign Investors Council, 2010).

In our opinion and according to FIC, there are a few priority measures, as follows:

Macroeconomics
According to the document, priority actions to stabilize the macroeconomic environment in the Ministry of Finance are introducing a register of the claims made by the state budget and start the "First Home 3" to revitalize the real estate and construction. By 2015, it is expected that these measures should generate aggregate credit of 1.4 billion euros, representing a cumulative increase of 0.6% of GDP. Moreover, measures are expected to lead to the creation of 12,000 new jobs which will be reflected in an increase of 0.5% of budget revenues. Budgetary costs are estimated at 70 million euros and will only correspond to the implementation of the "First Home 3" (Foreign Investors Council, 2010).

Public investment
Public investment will be supported further by setting a clear, transparent and accelerated timetable for the privatization of state-owned companies through capital market. It is also

necessary local and international listing of the property fund. All proceeds obtained from the sale of majority and minority packages of shares still held by the state, estimated at two billion euros should be invested in infrastructure. This will increase GDP by 2% and revenues by 1.6% advance (Foreign Investors Council, 2010).

Infrastructure

The document further defines two priority actions to provide the Romanian economy with modern infrastructure. For instance, Romania could join Bulgaria or Hungary in the application for organizing the European Football Championship in the next years. Action would lead to the development of the country's infrastructure at a total cost estimated at 10 billion euros, which will be distributed over ten years, meaning an annual GDP growth of one percent. First estimates show that the number of tourists coming to Romania will increase by one million during the Championship and half a million every year thereafter (Foreign Investors Council, 2010). The National Arena, built in Bucharest, where is going to be organized the UEFA Final League in 2012 is a good example in this case. Secondly, the FIC believes that co-financing models for infrastructure development are beneficial to speed up the process; the private sector is prepared to help bear the cost of starting a large infrastructure project proposed by the Government.

Fiscal policy

The central priority is related to fiscal policy; it focuses to controls taxpayers who have a high risk of tax evasion. The private sector is willing to financially support the fight against tax evasion, hiring security companies to improve customs control. By lowering evasion, approximately 460 million euros will be available annually for investment, it is expected to show 46,500 new jobs over the medium term, which in turn will lead to an increase of 1.8% of budget revenues (Foreign Investors Council, 2010).

EU funds

In terms of improving the absorption of EU funds, priority actions are either outsourcing or centralizing the management process of accessing funds, or revision of state employee bonus schemes working with EU funds, linking revenue to performance. The first solution will result in attracting annual structural funds worth 400 million euros, representing a 3.6% GDP growth by 2015 (Foreign Investors Council, 2009; Foreign Investors Council, 2010). Moreover, the 75,000 new employees expected on medium term will contribute, in turn, to an increase of 2.9% of budget revenues. First action costs are estimated to reach 400 million euros (0.3% of GDP). The second measure is expected to bring 144 million euros annually from the absorption for agriculture, resulting in a cumulative increase of 1.3% of GDP. The 26,000 new jobs are expected to increase revenues by 1%, while medium-term costs are expected to be of 140 million euros. Bonuses for 8,000 employees are expected to reach 2-3 million per month (Foreign Investors Council, 2010).

Government

Performance and efficiency principles are at the basis of the proposed reform of public administration. The efficiency of structures by evaluating the quality service skills of employees through the implementation of e-Government is expected to have a positive social and financial impact.

Agriculture

In agriculture, the main priority is to accelerate investment in infrastructure by attracting EU funding of 150 million euros annually. The measure will reduce the trade deficit and inflation and will cost around 40 million. Furthermore, the document strongly recommends setting clear strategies in the field to increase the predictability and investment.

SMEs.

Priority Action to support SME development is the creation of subsidized credit facilities through the joint contributions of the public sector and the banks. 250 million loans or an increase of 0.5% of GDP and 9,000 new jobs are projected. The latter will be reflected on the increased revenues by 0.4% (Foreign Investors Council, 2010).

Legal system

The most urgent action to reform the legal system is to adjust the labor law in the sense of making it flexible and of preparing it to be more adaptable to changes in context. The result will be a decrease by a percentage of unemployment and the creation of 84,000 temporary and permanent short term jobs (Foreign Investors Council, 2010).

Governance

Finally, a more effective management of Romania will be guaranteed by creating a consultancy body for economic strategies and development. It can play an active role in assistance and designing the main ways of economic development, according to the EU needs and requirements. The consultancy body would include renowned professors and researchers in their field of expertise and public and private sector representatives and the employers. Alternatively, the consultancy body could act as an advisory entity arising from the private and the presidency or the government to provide ideas for growth.

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