

# BA-CA: Once privatisation process completed, FDI will decrease

Although the largest state in the region, Romania did not manage to attract more than a third of the total FDI in the zone

by Mihai George  
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The value of foreign direct investments (FDI) attracted by Romania will decrease in the medium run, as the privatisation process is drawing to an end, reveals a report released recently by Bank Austria Creditanstalt (BA-CA).

"In 2004, the foreign direct investments attracted by Romania amounted to EUR 5.2 bln, the highest level since the beginning of the transition period. (...) Similar levels are estimated for 2005 and 2006, as other privatisation projects will be finalised," reads the report.

According to BA-CA analysts, the higher FDI value was the consequence of the privatisation process of the past two years.

Privatisation of SNP Petrom, of utilities Electrica Banat, Electrica Dobrogea, Distrigaz Sud and Distrigaz Nord, as well as of the Romanian Commercial Bank contributed to a record-high foreign capital inflow attracted by Romania.

BA-CA analysts caution however that after completion of the privatisation process, green-field investments will play a key part in the final level of foreign direct investments.



"Romania will be a more attractive investment location and will win investors' attention only thanks to the nearing accession to the European Union, to the increase in received European pre-accession funds, to an investor-friendly tax environment and possibly to the relocation of European companies to countries with more favourable production costs," reads the report.

On the other hand, the financial institution explains that, although it has attracted record FDI levels in the past few years, Romania has benefited from a very low percentage

of the total foreign capital invested in Central and Eastern Europe.

"Although it is the second largest country in terms of size and population in the region, after Poland, only seven per cent of the total foreign direct investments entered Romania," the Austrian analysts say.

"Romania's weakness as a foreign investment destination is also evident if we look at the FDI share in the Gross Domestic Product (GDP) or at FDI per capita ratio. These indicators place Romania among the lowest positions in Central and Eastern Europe," the report also

explains.

According to the BA-CA data, the share of FDI in the GDP is 25 per cent, Romania coming out second last in the region in this respect. In Poland, Slovakia, Slovenia, the Czech Republic and Hungary, foreign direct investments account for 42.7 per cent in the GDP.

As for the FDI per capita in Romania, the amounts is around EUR 700, while in neighbouring states it reaches approx. EUR 2,520 per capita.

Romania doesn't perform particularly well in the domestic investments abroad either, as the total Romanian capital invested abroad is only EUR 200 M, i.e. 0.2 per cent of GDP.

In contrast, foreign investments carried out by companies from other countries in the region such as Hungary or Estonia account for 10 per cent of GDP.

BA-CA estimates for this year foreign direct investments of EUR 8 bln, consequently to the Romanian Commercial Bank privatisation, while the value is expected to drop to EUR 5 bln in 2007.

Bucharest authorities have estimated for this year a foreign direct investment level of EUR 5.8 - 6.2 bln.

## NEWS IN BRIEF

### Electroputere Craiova privatisation, again postponed

The privatisation strategy for SC Electroputere Craiova will be modified, the Government decided in its meeting yesterday. The Executive decided to withdraw the sale offer involving the stock held by the Authority for State Assets Resolution (AVAS) in Electroputere, with amounts paid by the prospective bidders for the presentation fee, participation guarantee and company access fee to be fully refunded. The decision is grounded on the company's economic-financial state, as well as in some prestigious investors' interest in specific functioning modules only, rather than the company as a whole, Government spokesperson Oana Marinica announced yesterday. The proposal to cancel the sale offer was made under Emergency Ordinance no. 88/1997 on the privatisation of trade companies. So far Electroputere Craiova has been put on the market four times, the procedure involving the whole state of €2.258 per cent of the equity held by the State. None of the previous attempts resulted in the signature of a sale-purchase contract. The latest privatisation attempt is dated November 21, 2005. The tender submission deadline, initially set at December 19, 2005, was several times extended, at the request of prospective investors.

### New regulations in genetically-modified foods and fodder

Bucharest - The Executive adopted in yesterday's meeting the specific requests for the foods and fodders that are modified genetically. The decision is planned to ease the proper labelling, the monitoring of the effects on sector, and, depending on the case, on people and animals' health. At the same time, the decision aims at applying the appropriate measures of risk management, which include, if necessary, the withdrawal for the market of certain products. The operators on the market who produce or sell the products genetically-modified have the obligation to mention it on their labels. In the case of the unpacked products destined to the end consumer, there must be displayed an announcement, near the place where the products are sold, which should read: "This product contains genetically-modified components." Not respecting the directives regarding the information display, not labelling the products, the operators' refusal to allow the access of authorised inspectors, the refusal to provide requested information are considered offences. These deeds will be sanctioned with fines ranging between RON 200 and RON 10,000. An informative act that was adopted yesterday by the Government and which comes into effect on June 30, 2006 is part of the process of harmonising the Romanian legislation with the European one.

## Braneti Group entered Romanian advertising market

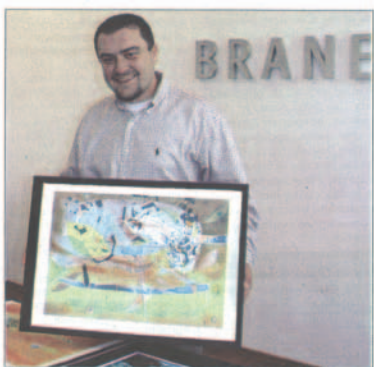
Local, European and EU lobbying expertise to ensure the company a competitive edge

By Sebastian Hubati  
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**BUCHAREST** - Austrian owner-managed full-service communications agency Braneti officially entered on the Romanian market, accordingly having recently opened an office in Bucharest. Romanian by birth, Marius Braneti (see photo), CEO of the Braneti Group explains the company's expansion as a natural consequence of the increased presence of Austrian companies on the domestic market, respectively exactly the targeted clients of the advertising company, aside of top international firms and Romanian companies that are looking for the highest quality services. "Austria is by far the most significant investor in Romania. International companies are looking for responsible partners who deliver professional work in both Vienna and Bucharest. Therefore, it was clear that Braneti will open its own full-service office in Romania.

With the launch of our Bucharest branch we are continuing our strategy to offer national and international clients integrated communication solutions that lead to success."

Braneti started operations in Romania in Q4 of 2005 but over the pre official launch period, it has already managed to contract



relevant clients. "Even though we have only started working in Romania in the 4th quarter of 2005, in the last three months we have acquired clients like Casino Austria Bucharest the Austrian Business Club Bucharest and Puzmo." While delivering specialised services to domestic clients, Braneti Group also counsels worldwide clients from many different business sectors including the automobile industry, the

financial services and telecommunications sectors, the cosmetics and beauty industry, the health-care sector, the home appliances and furnishings sector as well as NGOs. In this respect, top clients include Renault Nissan Austria, RCI Bank, Nokia, Research Centre Schibensdorf, Federation of Austrian Industry and the LAEA (International Atomic Energy Agency). According to company representatives, the Bucharest branch is going to follow the

There are two sorts of clients on the domestic advertising market. International firms are looking to enter the Romanian market and are looking for the necessary international and local know how while the Romanian companies want to improve their image in Romania, Europe and worldwide.

Another company's organisational model by providing consulting services in advertising, PR and digital media, alongside brand management, CI development, logo design, NGO relations, corporate social responsibility, media relations and media trainings, positioning and image management, CMS and CRM.

Braneti puts a great emphasis on their expertise implemented both locally and Europe wide, accordingly representing a main driver of their results and certainly offering them a competitive edge on the market. "Because of the uniqueness of being specialists both in Romania and Europe, we can serve both groups of clients. To even further broaden our offering, we have for example recently added an EU lobbying specialist to our team. I am sure that this will improve our Romanian client's performance," also underscored Braneti CEO.