

# ROMANIA'S LONG ROAD TO ECONOMIC RECOVERY - FÚSTER GARCIA-BEDOY

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“ What is required to encourage wider finance participation is new ways of sharing the benefit of projects. If the aim is to get a stronger grip on the equity then infrastructure projects are not yet so attractive. The benefit traditionally has been in favour of the constructor and not who controls the end product. ”

Fernando Bernad, Cuatrecasas Gonçalves Pereira



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## Spanish and Portuguese investors who look beyond Romania's short-term economic challenges will see continuing and new opportunities

Romania may have experienced severe economic difficulties over the past year, as a result of the global and regional economic downturn, but investment opportunities continue to exist for Spanish and Portuguese companies in the country, says Jaime Fúster of Madrid's Fúster García-Berdoy (Fúster & Partners), which operates in association with leading Bucharest firm Țuca Zbârcea & Asociații.

"The global downturn was felt significantly in Romania as there was simply not the economic scale to absorb the shocks of the crisis. But in many respects the reduction in foreign private investment has been balanced by EU funds – there remains a strong focus on areas such as infrastructure projects and the expansion of the country's energy sector."

Fúster García-Berdoy was launched last year by Fúster – formerly head of Garrigues Central and European practice – and Pablo García-Berdoy, the former Spanish Ambassador to Romania. The firm's aim is to help channel Iberian investment both into and out of the country.

Notable are the emergent opportunities in Romania's water and waste treatment sectors, says Fúster. "Membership of the EU is not only bringing new sources of finance, but also new obligations. There is a focus on compliance with the EU's environmental rules and particularly the Water Framework Directive, and the development of water treatment schemes on both a local and national level."

There are however notable differences in dealing with central and local government authorities. "Local projects may be on a smaller scale, but the result is that they are often much more carefully managed and progress at a significantly faster rate."

Opportunities also exist in the highway sector, he says. Transport connections are under construction or planned to better connect cities with a number of Spanish companies, including FCC, already winning contracts.

He also points to renewable energy as one in which clearer opportunities are also now emerging. "There had been a large degree of uncertainty, with a virtual stop in activity as a result of regulatory confusion particularly in relation to the applicable remuneration schemes."

International interest is though returning following the confirmation by the Romanian Parliament of new rules and tariff regimes. "Investors had moved to different markets but we are again seeing both Spanish and Portuguese companies looking at opportunities to develop projects." Energy is now one of the most dynamic economic sectors in the country agrees Florentin Tuca, Managing Partner of the firm in Romania. "We are seeing growing interest across the wind, oil and gas and even nuclear sectors. Energy is currently our economic el dorado," he says.

Spanish and particularly Portuguese companies are already among the most prominent investors in the country, they say, with significant activity across the construction, banking and distribution sectors, and a number of Iberia's largest retail chains also well-established.

Nonetheless challenges still exist for investors, cautions Tuca, and there are evident differences in economic and structural needs within and outside the capital, Bucharest. "There are clear challenges around the instability of national legislation, and while we have been waiting for new 'methodological' norms to be agreed much regulation meanwhile remains confused."

The transposition of EU regulations into domestic law is not helping matters either, he says, with some confusing decisions issued by the domestic courts.

"What investors want more than anything is legal and regulatory certainty – much more than mere tax incentives. They want to know that the fiscal regime that applies to their investments is certain."

Nonetheless, the country continues to attract investors, and on a significant scale. In 2008 Ford acquired the Automobile Craiova factory, formerly owned by Daewoo, where it now produces its Transit Connect range. Renault similarly now operates a plant at Dacia.

"While Spain may have felt the effect of the relocation of some production to Romania, it has benefited in other ways, including prompting the relocation of a significant number of secondary Spanish suppliers – Ford's operation in the country is even led by a Spaniard," says Fúster.