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## THE INVESTMENT POLITICS AND THE DIVERSIFICATION OF FINANCING RESOURCES IN ROMANIA

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**Abstract:**

*A priority for Romania is to maintain an high investment rate, higher than the one of the EU member states, because these countries modernized their energetic, transport and public utility infrastructures, they developed their educational and the public health systems, they reduced the technological and informational differences, decades ago. Through the investment politics, Romania will continue to attract foreign investments, whose annual average was remarkable. For the financing of the investments, a diversification of the internal and external resources is necessary. The internal resources are based on the development of the saving instruments: the development of the market for transaction of state titles, public and corporative obligations, the settlement of the mortgage credit market; the stimulation of the public placement instruments, the fiscal instruments, the extension of the capital market, public-private partnership, initial public offers, a reduction in the usage of the public money. The external resources will also be diversified by using: European funds, credits from foreign funds, financial assistance from foreign governments, loans from the World Bank, the International Monetary Fund and the European Investment Bank. The purpose for any investment effort is the economic growth and development.*

**Keywords:** *direct foreign investments, investment effort, financial resources, saving money instruments, substantial economic growth*

We consider that in the solving of the world's major problems, the investments play an important role. These are essential in the evolution of every economic system because, through them, the economic growth is regenerated, bettered and stimulated.

The present and the specific needs of the economic development of Romania, that could help our country become an active, competitive and respected partner of the EU, need to involve, both actively and responsibly, the public institutions, central or local, the private system, the professional associations, the social partners and the civic society, in the maintaining of a favourable environment for the investments of local and foreign capital, destined for the modernizing and the developing of the

country. We need to underline the role of the investments destined for the productive economic activities because these stimulate the demand and the offer and create national riches.

For it to become compatible with the EU principles, norms, mechanisms and institutions, Romania is mainly concerned with a sustainable economic growth, with a promotion of a coherent investment politics and with the creation of a favourable business environment. The politics regarding the intensification of the investment process is one of the main priorities of the Romanian economic politics. The maintaining of an investment rate in Romania, which is than in the other EU member states, is necessary for the realization of a real convergence.

The modernization of the energetic, transport and public utilities infrastructures, the education and the public health systems, the rural development and the reduction of the technological and informational differences involve a great investment effort. While most of the EU members states faced the same problems decades ago, in Romania they presently represent essential priorities.

For the growth of the investment rate, for medium and long term, we need to continue the investment politics in order to attract direct foreign investments, especially those one that can substantially contribute to the growth of exports, so that this can become the main component of our economic development.

The main factors of the economic development are: the technological process, the scientific and the technological research, the innovations, the investments, the foreign trade, the population growth and others. We consider that, at the present development stage of Romania, the investments represent the most important factor that stimulates the economic growth, while the other factors are, at their turn, influenced by these investments. Any investment has as a purpose the realization of future advantages under the form of profit maximization and of riches growth. In the specialized literature, it is said that a sustainable economic growth is done through savings and investments.

In the present situation, that of a severe international financial crises, the strategic orientation of local and foreign investors supposes a good knowledge of the present and future social and economical environment and it demands identifying the causes of the permanently changing economical system in which these investors operate.

The restructuring of the national economy, the growth of the national production or the equilibration of the balance of foreign payments can be done through an ample investment politics and strategy, taking into consideration the economical, the social, the financial and the political impact, that these investments have. The public or the private investor puts into practice only those investment projects with huge chances of success, and which will generate beneficial effects for the entire life period of the project in question, adapting itself to the ever changing economic and social environment. This approach is important for the investments made in the field of the public urban equipment, where the major projects need to fit perfectly between the axis of the local and the regional strategies.

A priority for every Romanian government, regardless their political orientation, was the promotion of direct foreign investments for the establishing of an annual target, meant to align Romanian to the politics of the OECD countries. Because of this investment politics, that has been sustained all these past 4 years, 2004-2007, the evolution of the direct foreign investment politics with a annual average of 6.2 billion Euros, creates the premises for the its stabilization and, in the following years, to comparable levels, even under a huge absence of privatization by the attraction of Greenfield investments.

In order to sustain the present investment politics, the financing resources for the public investment s and for the private ones, need a gradual growth of the internal saving rate from 15.3% in 2007 to over 20% in the following years, because of the reduction of the consume tendencies. Mainly, the financing resources can be internal and external.

As far as the internal financing resources are concerned, these are linked to the population possibility and will to save money. The factors that influence the saving rate are the PNB/citizen, the growing rate of their income and the income distribution. The will to save money depends on the existence of a developed monetary-financial market and of solid and reliable financial institutions. The economic theory shows that in a market economy, for a net revenue, the saving rate is reflected by the reserve of the saving instruments, by the bank system credits, by the market interest and the degree of macro-economical stability.

The financial environment, which favours saving money, is an important factor for the mobilization of resources, for the creation of the necessary investment capital. The development of the saving instruments, bases for the successfully applied practices in the other EU member countries, can include:

- the development of a market that can freely make transactions of state titles, public and corporative obligations, long term placement instruments to which the population can also have access.
- a settlement of a mortgage credit market that can freely make transactions with the bank rights and guarantees;
- the stimulation of the collective placement instruments, respectively of the supplementary pension funds and of life insurance, which can attract important sums of money through long term commitments;
- the encouraging of the saving banks to extend their activity towards the rural environment.

The internal financing can be done from the state budget, only if the budget investments are bigger while the budgetary deficit is smaller. Usually, the budgetary deficit is financed through the loan method or through the printing of money.

If the government gathers more money than it consumes, on goods and services, the budgetary surplus can be invested by the government in infrastructure, state enterprises, private companies, etc.

The growth of the taxes under any form or the good collection of those taxes can not sufficiently help the growth of the budget for the financing of the investments.

On short term, the reduction of the taxes determines the increase of the budgetary deficit, because the number of those that are subject to taxation does not grow immediately.

Because of the reduction of the tax level, the economic agencies keep a large part of their gained profit, so they will raise their revenues, the savings grow and in the same time the investments grow.

In order to increase the investment degree, Romania needs to adopt a tax reduction policy. Also, it would be useful to examine the costs and the benefits of using the fiscal instruments for the realization of such politics by:

- the reduction and the annulment of the interest for the bank deposits of the population, because the maintaining of the present rate discourages the saving of money, the buying power of such deposits is, in many cases, smaller than at its beginning;
- the reduction of taxes on the reinvested profit in the purpose of stimulation of capital expenses for the growth of product and services competitiveness and for the diminishing of the present consumption generated by the spending of the money coming from the dividends.

Another source for financing investments can be realized by the extended use of the capital market. This can be done by the listing of the companies where the state still holds significative stock packages and trying to make things better in this area by attracting a considerable amount of capital in order to assure a supplementary financing for the great infrastructure projects and help them end earlier than intended.

By its investment politics, the state sustains the development of public, private partnership, that do not need to limit themselves only to concessions. Even though, these concessions need to be encouraged under the favourable economical and the financial conditions to sustain investments.

The financing of new companies, only partially capitalized by initial public offers, in which the state or the local authority holds the minor package by listing it to the stock market, this can constitute another solution to reduce the the initial budgetary effort and the expenses made on maintenance after being give for exploitation, in the case of infrastructure investments.

Other investment financing method is represented by the external resources. These are: the direct foreign investments, credits taken from foreign banks, financial assistance from foreign countries, long term loans from the World's Bank, short and medium term loans from the International Monetary Fund.

The direct foreign investments have beneficial effects on the development of the economy by: technology transfer, a better quality for the products given to the consumers, new income resources for the budget, a higher export capacity of the economy.

In the theory of the monopole advantage and in the theory of internalization, one can find the theoretical fundaments of the impact of the direct foreign investments on the receiving companies and on the companies that are fully dependable on local capital.

The new member states of the EU accept the idea of a positive impact of the foreign investments in the process of transition from a controlled economy to a market economy.

The motivation for the flux of foreign investments is linked to the existence of some competitiveness and internalization advantages, that come from operating in an organizational structure and in a unique property.

Based on these advantages, the foreign companies overcome their difficulties of working in a foreign environment, having to deal with local competition and be profitable in the same time. In this context, by the investment politics, the Romanian state is interested and forced to create the conditions, to stimulate the foreign investors in the process of saving and investing money in the purpose of sustaining their own economy.

The second foreign financing category are the credits taken from the foreign banks. Generally, the economic agents take credits from foreign banks, money that are used for investments. The other forms of external capital, such as: financial assistance from foreign governments, long term investments from the World's Bank and short and medium term loans from the International Monetary Fund, are contracted by the state as investment resources which contribute to the economic growth or for economic crises.

The complete and effective use of the European funds allocated through the EU programs, can substantially contribute to the growth of the investment rate and to a deficit reduction, taking into consideration their PIB value of 2.5% in 2008 and of 3% that will be in 2010-2013, while the Romanian contribution to the community budget is reduced from 0.98% from the PIB in 2008 to 0.70% in 2013

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