



Romania – Economic Newsletter

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The Embassy of the Kingdom of the Netherlands in Bucharest publishes a monthly economic newsletter, distributed by e-mail. The material published in this newsletter is compiled by the staff in the Economic and Agriculture sections on the basis of publicly available information, from various sources (Rompres news bulletins, National Institute for Statistics, Nine O'Clock, Capital, Ziarul Financiar, Business Review) and reflects the developments of the month. It does not represent the opinion of the Embassy of the Kingdom of the Netherlands or any other official body. No responsibility for factual accuracy can be taken. Those interested in receiving the newsletter are requested to contact the above listed telephone and/or fax numbers or the e-mail address. Comments and suggestions are appreciated.

EUR / USD exchange rates against RON

Average January 2007 exchange rates were:

1 EUR = 3.3937 RON

1 USD = 2.6132 RON

Source: National Bank of Romania (www.bnr.ro)

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Macroeconomics

Average net salary in December 2006

December 2006 net average salary was of RON 1,099, increasing by 21.0% as compared to the previous month and 29.6% higher as against December 2005, shows the data published by the National Statistics Institute. The highest net average salary was registered for the activities concerning financial intermediating, i.e. RON 3,336, while the lowest net average salary was recorded in the garments manufacturing industry, i.e. RON 548. The increase of the net average salary was mainly determined by the 13th salary in the budgetary sector (public administration, education, health and social assistance), as well as to the Christmas bonuses and realization of bigger productions in sectors such as tourism, public administration, education, financial intermediation, tobacco, electrical power, gas and water production and supply, waste and used water management, radio equipment, television and communication, insurances, air transportation, health and social assistance, road transportation, medical equipment, etc.

5.2% unemployment rate at the end of 2006

Unemployment reached 5.2% at the end of December 2006, with a total number of unemployed people of 460,495. This rate is 0.7% lower than the one registered at the end of 2005 and 0.1% higher as compared to November 2006. The highest unemployment rate were registered in the following counties: Vaslui (11.2%), Mehedinti (9.1%), Gorj and Ialomita (8.7%). The lowest unemployment was recorded in Ilfov County (2.0%). *Source: The National Employment Agency, www.anofm.ro*

Convergence Program approved by the Government. Adoption of EURO in 2014.

On January 24 the Government approved the Convergence Program on medium term, 2006 – 2009. The Program presents the main directions that Romania will follow from the point of view of the reforms and measures to be taken so that a real convergence between the development of Romania and of the European Union is achieved. According to the Convergence Program, the adoption of the euro is going to be realized in 2014. *More information can be found only in Romanian at http://www.mfinante.ro/contribuabili/inf_publice/index.jsp?selected=1*

Romanian economy to grow by a yearly average of 6.4% in the next three years

According to the Convergence Program 2006 -2009, in the medium run, Romania's Gross Domestic Product (GDP) is expected to grow in real terms by a yearly average of 6.4%. The GDP is expected to grow 6.5% in 2007 and then slightly decline to 6.3% in 2008 and 5.9% in 2009. "As far as economic development is concerned, Romania is lagging far behind most European countries. In 2005, the GDP per capita expressed as the standard purchasing power has been one third of the EU-25 average and just 50 percent of the average reported by the new member states," reads the cited document. According to the Convergence Program, the GDP per capita expressed as the standard purchasing power is expected to reach 40% of the EU-27 average in 2009. The current account deficit projected for 2007 is 9.2% of the GDP, that will slide to 9.1% of the GDP in 2008 and 9% in 2009. According to estimations, the coverage of the current account deficit through foreign investments will decrease from 58% in 2007 to 46.1% in 2009, adds the document.

Long-term unemployment rate to drop 3.5% in 2009

The long-term unemployment rate (over a year) will drop to 3.5% in 2009, from 4% in 2005, according to the above mentioned Convergence Programme. The Government wants to reduce the unemployment rate (calculated by Bureau of International Labour Affairs) from 7.2% in 2005 to 6.5% in 2009 and the increase employment rate for old persons from 39.4% to 42.8% over the same interval. The Government considers of main importance the principle of equal opportunities on the labour market as well as the reintegration of young people, women, aged persons and underprivileged persons on the labour market. The goal of achieving a 59% employment rate and a 6.5% unemployment rate by 2009 needs reforms on the labour market to increase competitiveness and the employment safety. The Labour Code was modified so as to offer more flexibility on the labour market by eliminating restrictions on the labour contract, by promoting part-time jobs and work at domicile and by establishing the general register of the salaried persons.

Romania's international reserves at EUR 22.93 billion

Romania's international reserves stood at EUR 22.93 billion on December 31, 2006, the 104.7 tonnes of gold worth EUR 1.625 billion included, the National Bank of Romania (BNR) informed. The foreign currency reserve grew EUR 84.2 million in December. Receipts of EUR 509 million were registered in December, representing revenues from international reserve management, change in the foreign-exchange required reserves deposited by commercial banks and transfers to official forex reserves. Outflows reached EUR 428.8 million, representing principal payments and interest payments on the external public debt, direct and bearing the guarantee of the Ministry of Public Finance. The gold stock stood flat at 104.7 tonnes, but following the developments in the world price of gold its value fell to EUR 1,625 billion. In 2007, payments due on the external public debt, direct and bearing the guarantee of the Ministry of Public Finance, amount to EUR 1.032 billion.

Regional development in the next two years

Western Romanian regions including counties such as Arad, Caras Severin, Hunedoara and Timis and south-western ones with counties like Dolj, Gorj, Mehedinti, Olt and Valcea will be the sole to export more than import, both in 2007 and in 2008, reads the National Prognosis Commission (CNP) survey on Regional Development – Present and Prospects. Thus, the western Romanian areas' FOB exports will total EUR 4.7 billion in 2007 and will exceed EUR 5.34 billion in 2008, whereas the CIF imports will amount to EUR 4.5 billion in 2007 and EUR 5.1 billion in 2008. As for the southwestern region, FOB exports will be higher than EUR 2 billion in 2007 and will attain EUR 2.32 billion in 2008, while CIF exports will amount to EUR 1.3 billion in 2007 and EUR 1.47 billion in 2008. As a matter of fact, the two regions scored a trade balance surplus during the last two years as well. As for Bucharest-Ilfov region the trade balance deficit will reach EUR 13.5 billion in 2008, by over EUR 1.5 billion more than EUR 11.9 billion as expected this year. The region's FOB exports will gross EUR 6.3 billion in 2007 and EUR 7.2 billion in 2008, whilst CIF imports are expected to stand at EUR 18.2 billion in 2007 and EUR 20.7 billion in 2008, CNP data says. The trade balance gap of the region represents over 75% of Romania's total deficit that CNP expects to attain EUR 13.2 billion in 2007 and EUR 15.5 billion in 2008. Bucharest avails of round 20% of Romania's exports and 40% of the imports. *More information can be found only in Romanian at <http://www.cnp.ro/site/user/repository/3ac10dc7e36ed8c0bee8.pdf>*

Trade

2006 trade deficit stood at EUR 14.9 billion

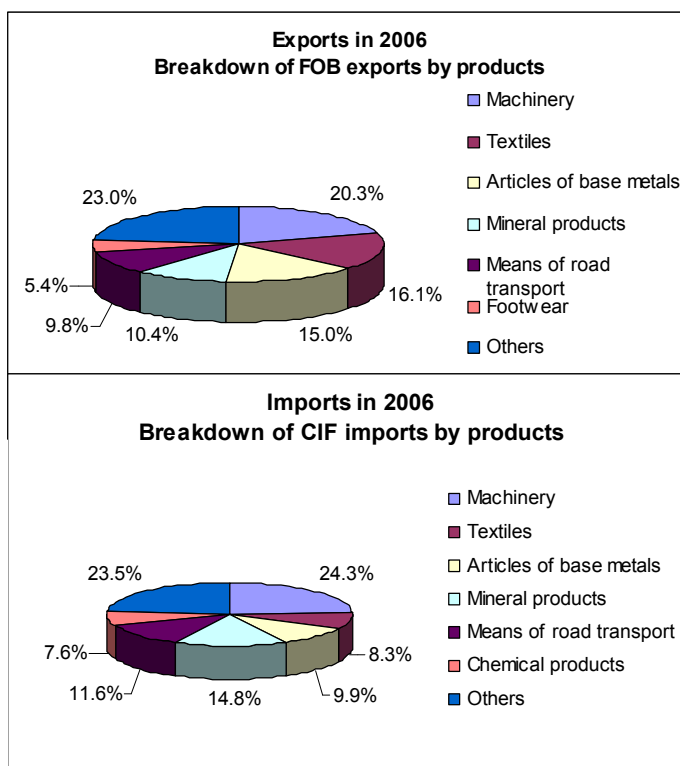
According to the data published by the National Statistics Institute Romania's trade deficit rose to EUR 14.9 billion in 2006, up by EUR 4.6 billion as compared to the previous year. See below.

Exports up by 16.2 %

According to the National Institute for Statistics, Romanian 2006 FOB exports totalled EUR 25.85 billion, up by 16.2% as compared to 2005. Exports to EU-25 increased by 16.3%, and reached the level of 67.7% in total exports. Top ten partner countries importing from Romania in 2006 were Italy (17.9%), Germany (15.7%), Turkey (7.7%), France (7.5%), Hungary (4.9%), Great Britain (4.7%), Bulgaria (2.8%), Austria (2.7%), USA (2.6%), and the Netherlands (2.5%).

Imports up by 25.1%

In 2006 CIF imports amounted to EUR 40.75 billion, up 25.1 % as against the previous year. As compared to 2005, the value of imports from the European Union countries (EU - 25) rose by 25.9%, accounting for 62.6 %



of the total imports. Top ten partner countries exporting to Romania during 2006 were Germany (15.2%), Italy (14.6%), Russian Federation (7.9%), France (6.5%), Turkey (5.0%), China (4.3%), Austria (3.8%), Hungary (3.3%), Kazakhstan (3.2%), and Poland (2.8%).

Legislation

General framework on the employee's report and consulting

Law no. 467/2006 regarding the general framework on the employee's report and consulting has been recently published. The provisions of this law will apply to all the Romanian companies having at least 20 employees. The number of the employees that should be calculated is the one from the moment when the report and consulting procedure begins. Law provides the obligation for the employers to inform and to consult with the employee's representatives, defines the term "report" and "consulting" and settles the way in which the report and consulting procedure shall take place.

The Law provides the non obligation for the employer to inform and consult with the employee's representatives if the report and consulting may cause damages for the employer. The employer refusal decision must be motivated and it may be charged in court by the employee's representatives. *See: Official Gazette 1006/18 December 2006*

Clarifications on use of certain forms for financial and accounting purposes

Starting 1 January 2007, the use of some forms for financial and accounting purposes is regulated by Order no. 2226. This order provides for the preparation and the use of invoices, delivery notes, other forms for financial and accounting purposes and the internal rules for numbering invoices. Invoice, fiscal invoice and delivery note forms in stock as at 31 December 2006 can be used after 1 January 2007 as well, providing that the provisions of the Fiscal Code are complied with. The R prefix in the VAT registration number, pre-printed on fiscal invoices in stock, shall be replaced by the RO prefix, either manually or by means of a stamp. *See: Official Gazette no. 1056/ 30 December 2006, Part I*

Final deadline for reporting surplus stocks of agricultural products – 15 March 2007

The Government of Romania has adopted Emergency Ordinance no.124/29.12.2006 which sets the deadline for the reporting of surplus stocks of sugar, sugar products and agricultural products (i.e.: meat, processed meat, milk and dairy products, margarine, orange juice) to 15 March 2007, and provides for additional obligations. Also, Order no. 5/18.01.2007 has been published which lists the specific quantities of food and farming products which, if exceeded, require reporting of surplus stocks. Failure to comply with this Ordinance is punishable by fines ranging between RON 10, 000- 100, 000.

Authorisation of producers or processors which use sugar and/or isoglucose as raw materials

For purposes of allocation of sugar and isoglucose quotas, the Ministry of Agriculture, Forestry and Rural Development ("MAFRD") has issued Order no. 815/28 December 2006 regulating the authorisation of producers of sugar from beet root and/or from raw sugar in sugar cane, processors of isoglucose, and operators which process sugar and/or isoglucose into products such as medicines, certain chemicals, ethyl alcohol, pigments and plastics. The applications for authorisation and the supporting documents must be lodged with the One-Stop Office within the MAFRD pursuant to the standard forms in the above mentioned Order. Moreover, the order establishes the deadline for issuance of the notice of approval and regulates the withdrawal of such authorisations. The Order entered into force on 18 January 2007.

Leasing operations ongoing at the Accession date

The minister of Public Finance has issued Order 84/17.01.2007 on leasing operations still on going at the Accession date. The main provisions in the Order concern:

1. Customs duties - Goods introduced in Romania before 1st January 2007 pursuant to Governmental Ordinance 51/1997 on leasing operations and leasing companies ("the Ordinance") can maintain the customs regime under which they were placed, if in view of EU Accession, the deadline for closing the customs operations is extended to the expiry date of the contract. For the above goods with Community customs status, no customs duties or compensatory interest amounts are due upon termination of the leasing operations by release of the goods for free circulation in Romania. For goods without Community customs status, released for free circulation after Accession date, customs duties are due at the rates in the initial customs declaration and computed at the residual value established under the leasing agreement, which cannot be lower than 20%. Moreover, for goods that were subject to crossborder leasing, compensatory interest from the Accession date becomes due.

2. Value added tax ("VAT") - For goods introduced in Romania before the Accession date under a cross-border leasing contract and purchased after this date, the lessee accounts for VAT, in the monthly VAT return both as input and output tax. For goods introduced in Romania by Romanian leasing companies pursuant to the Ordinance, VAT is due as per the provisions in force at the date when the leasing contract was initiated, meaning that VAT will be physically paid in customs.
3. Excise duties - Upon termination of the leasing contract for excisable goods subject to leasing contracts dated prior to the Accession date, excise duty becomes payable according to the relevant legal provisions at the moment when the leasing contract was initiated (e.g. excise duties is computed at the entry value of the goods, for leasing contracts initiated after 1st April 2005).

Land acquisition in Romania

Romanian legislation currently in force prescribes a specific legal status for the acquisition of real estate properties by foreign nationals (individuals and/or legal entities). As regards the acquisition of title to land, as a rule, European nationals (which includes residents of the European Union and of the European Economic Area) are able to acquire ownership under the same terms as Romanian citizens and entities, as from Romania's accession to the EU. Practice will decide how the acquisition process will work out with registration, etc.

European nationals will be allowed to acquire title to agricultural lands, forests and forestry lands within seven years as of Romania's accession to the EU (except for European farmers having Romanian residency, who are allowed to acquire ownership of this category of land as of Romania's accession to the EU). Likewise, European non-residents in Romania will be allowed to acquire land ownership for establishing a secondary residence or a secondary office, within five years from Romania's accession to the EU.

With thanks to PriceWaterhouseCoopers Romania – Tax Department

Taxation

Amendments to the Fiscal Code

Emergency Government Ordinance no. 110/2006, recently published, amended the Fiscal Code in force starting from January 1st 2007. Set out below are the main amendments:

- A micro-company becomes a profit tax payer company starting with the year in which its turnover exceeds EUR 100,000 or its revenue from consulting and management services exceeds 50% of the total revenue. The profit tax is computed and remitted starting with the quarter in which the above mentioned thresholds are exceeded, with no late payment penalties due. The revenues and the expenses from the beginning of the year must be considered when computing the profit tax and income tax payments made during the year are deducted.
- The special tax due for motor vehicles with an aggregate authorised weight exceeding 3.5 tonnes is updated.

Contribution for Medical Leave – important amendments

The law 399/2006 contained a provision regarding medical leave contribution that would become effective as of 1 January 2006. However by Emergency Ordinance no 91/2006 this provision was deleted and replaced by the following:

1) As of 1 January 2007:

- The contribution for medical leave increases from 0.75% to 0.85%.

- The employer's contribution to the state social security system decreases by 0.10%;

2) The reference amount for calculation of the indemnity for medical leave is capped at 12 times the minimum gross monthly salary;

See: Official Gazette no. 958, 28 November 2006

VAT return and VAT special return

The Ministry of Public Finance has published the new ordinary and special VAT return form and filling-in instructions. The new ordinary VAT return contains, among others, various new lines relating to intra-community transactions with goods. Further, all goods and services procured must be allocated to the following categories: goods for resale, goods and services for business purposes

and capital goods. Where a VAT liability arises for persons that have not been registered as a VAT payer, the special VAT return must be submitted. Such events may occur in the area of leasing of goods (other than means of transport), and services rendered by foreign companies with deemed place of supply in Romania. *More information can be found on the web site of the Ministry of Public Finance at*

http://www.mfinante.ro/link.jsp?body=/contribuabili/sistemul_fiscal/programe11.htm

Foreign investment

Foreign investment in 2006

According to the provisory data published by ONRC - The National Trade Registry Office at the end of 2006 the top 5 countries investing in Romania were the Netherlands, with a total subscribed share capital of EUR 3.2 billion and a number of 2,688 registered companies, Austria, with EUR 1.98 billion and 4,192 registered companies, France, with EUR 1.58 billion and 4,699 registered companies, Germany, with EUR 1.57 billion and 14,214 registered companies, and Italy with EUR 0.85 billion subscribed capital and 21,519 registered companies. *Source:* www.onrc.ro

Privatisation

AVAS plans to privatise this year 62 companies, in which it is majority shareholder

The Authority for State Asset Resolution (AVAS) will launch privatisation procedures this year of a number of 62 companies in its portfolio, in which the State is a major stockholder. Of the 62 companies, 27 were taken over from the Office for State Shareholding and Privatisation in Industry (OPSPI). AVAS President Teodor Atanasiu stated that the institution plans to cash EUR 600 million from these privatisation procedures. According to Atanasiu, the AVAS budget estimated for 2007 is EUR 1 billion, of which 60% from privatisation. Out of the 62 companies, stock sale procedures have already been launched in nine entities, while another 26 will be put on the market by Q3, 2007. The most important companies transferred from OPSPI, to be privatised this year, are Turceni, Rovinari and Craiova power plants and Electrica Muntenia Nord, Electrica Transilvania Nord, Electrica Transilvania Sud and Electrica Muntenia Sud. As for the debt execution procedures, AVAS intends to carry on debt recovery operations in 2007, to organize approx. 600 tenders and to reduce the number of debtors by approx. 20,000 companies. See www.avas.ro

Electroputere Craiova to be put up for privatisation by end-January

Electroputere company of Craiova will be put up for privatisation by end-January, Chairman of AVAS, Teodor Atansiu, told in a news conference on January 23. Although the outstanding debts of Electroputere exceed the value of the company's assets, the company is said to be fit for privatisation through share sale because it has a good selling market for its products and orders in excess of its production capabilities. AVAS has received 17 letters of intent for the privatisation of Electroputere in the autumn of 2006. The letters were submitted by four Romanian and 13 foreign companies, among which are prestigious investors. The 17 companies interested in Electroputere Craiova are the ELPAS Employees' Association (Romania); DAB - LTD together with Electromec SA (Greece); DAB LTD (Greece); Bombardier (Germany); Horvath Holding (Hungary); the Romanian Commercial Services (Romania); A-TEC Industries AG (Austria); Gieberei Huenisch GMBH (Germany); Skoda Holding (the Czech Republic); Goetzpartners Corporate Finance GMBH (Germany); Bhart Heavy Electricals Ltd. (India); Xedox Exim SRL (Romania); Pramac group (Italy); Zhuzhou Times Electric Group (China); Mytilineos Holding (Greece); Masterfield Investemnt Group (the US) and INDA SA (Romania). The letters submitted by the potential investors are not binding. At the same time, the participation of other investors in the privatisation of Electroputere is not conditional upon the submission of a letter of intent.

Environment

Romania to assign by 2015 EUR 6 billion for water quality improvement

Romania will earmark by 2015 some EUR 6 billion for the rehabilitation and expansion of water distribution networks, the improvement of water treatment technologies, potable water quality monitoring and the acquisition of equipment for getting compliant with the provisions of the EU Drinking Water Directive, reads a press release of the Ministry of Environment and Water Management (MMGA). For a three-year interval, Romania coordinates the activities aimed at implementing the programs for the prevention, control and prevalence-reduction of water-associated diseases, according to the proposition of the Parties to the Protocol on Water and Health. All these activities represent basic elements of the Protocol, which the ratifying states

need to implement at national level. At present, about 65% of the Romanians have access to potable water supplied in a public system; 90% of them live in urban areas and 30% in rural areas.

Energy

Record production for Nuclearelectrica

Year 2006 meant an increase of 11.5% in the turnover of Nuclearelectrica. The company reported last year a turnover worth EUR 192.05 million, up 11.6% compared to 2005, according to a January 17 release. The results were determined by the increase in electricity production. Also, the exploitation rate of the power installed in the nuclear plant from Cernavoda exceeded last year, for the second year in a row, the level of 90%, reaching 91.37%, according to the data supplied by the company. Moreover, the works on Unit 2 of the Cernavoda plant were 98% finished at the beginning of January. Nuclearelectrica has also issued the feasibility study for Units 3 and 4 from Cernavoda. The Ministry of Economy and Commerce intends to establish a consultation commission with likely investors in the project company for reactors 3 and 4, in order to resume the talks with the companies that submitted letters of interest last year. Thirteen companies and consortia showed their interest in participating in the capital of the company that will build the two reactors. These are AES Corporation USA, Alro Slatina, TESS Conex-ASAM Iasi consortium, Ansaldo Italy-AECL Canada consortium, Unit Investments Luxembourg – Dogan Enerji Yatirimlari/Dogus Holding Turkey consortium, Electrabel Belgium, Electrica Bucharest, ENEL Italy, E.ON Energie Germany, Gabriel Resources Canada, Iberdrola Spain, KHNP South Korea Republic and RWE Power Germany. The costs of the project are estimated at EUR 2.2 billion and will be ensured by the project company. The second reactor is due to be exploited as of July. When the Unit 2 is put into effect, the plant will provide some 18% of the national electricity production.

Tourism

Sibiu expects 1 million tourists in 2007

Local officials of Sibiu (282 km north-west of Bucharest) expect the city to attract about 1 million tourists by its status as European Capital of Culture. Tourism operators believe the figure is possible to be attained because other countries' cities that played host to important cultural or sports events had considerably grown in the tourism market. This year, Sibiu will benefit from a better promotion abroad, which is to bring a rise in the number of tourists to come and visit the city, the Cotidianul daily reads, citing National Association of Travel Agencies (ANAT) spokesperson Traian Badulescu. The event will be also beneficial to Romania, because the tourists coming to Sibiu will also visit other areas of the country, Badulescu opines. Sibiu is a city that has been included in the tourism circuits for foreigners ANAT president Gheorghe Fodoreanu says. Starting January 1, 2007 and all along the year, Sibiu is European Capital of Culture. Sibiu mayoralty has invested over EUR 100 million, from the local budget, to rehabilitate 40 streets, three squares, buildings of historical importance and public lighting and architecture in the city's historical center and because tourists will be a genuine treasure trove for Sibiu, seven hotels are planned to open early this year, while prices for spaces-to-let have soared in the real estate market.

Market of business tourism to grow 30% this year

The market of business tourism will grow by some 30% in 2007 versus 2006, estimates National Association of Travel Agencies (ANAT). "For 2007, we estimate a 30% rise in revenues versus 2006. The market's present turnover is some EUR 400 million", ANAT spokesman Traian Badulescu told Rompres on January 18. Compared to 2004, the 2005 revenues in Bucharest from business tourism were by 35% bigger. Moreover, 2005 was the first year in the history of the Romanian tourism when the money spent by Romanian business tourists abroad was lower than the money spent by foreign tourists in Romania. In 2006, the rise was similar. ANAT estimates business tourism will grow some 20-30% yearly in a short term.

Infrastructure & transport

Investments for modernization of European rail corridors crossing Romania

The modernization of Pan-European railway Corridor IV, its southern branch included (running along the route Arad-Timisoara-Craiova-Calafat) and of Corridor IX - that joins Moldova with the

south of the country - will cost over EUR 10 billion till 2020, Claudiu Dumitrescu, director of the Transportation Ministry's Railway Infrastructure Department, told Rompres. Funding will be mainly ensured from European funds and the State budget (co-financing according to EU regulations.) Corridor IV will be revamped between 2007 and 2010 and Corridor IX will undergo modernization between 2010 and 2020. "We consider that the Romanian railway transport is ready to face the challenges of accession as of January 1, 2007, given the relevant experience with the enforcement of the rail reform, the encouragement of competition and the enforcement of a non-discriminatory treatment," explained the representative of the Transportation Ministry. Apart from the national railway operators, Romania also has more than 30 private rail transport operators that account for a substantial share in freight (some 18% of the rail freight in 2005), in comparison with EU neighbouring countries Hungary and Bulgaria, that have only 1 - 2 private operators with a minor market share. According to the Transportation Ministry, in the interval 2007 - 2013, the European Union will support the development of the Romanian railway sector with over EUR 2 billion. All in all, European structural funds disbursed for the railway and road sectors in the aforementioned period will total some EUR 5 billion, whereas the co-financing provided by the Romanian party will be around EUR 1 billion. After accession, European funds will be mainly directed towards railway Corridors IV (Curtici-Simeria-Brasov-Constanta) and IX (that joins Moldova to the country south).

Tenders for motorways management

Transport Ministry will organize by early summer tenders to appoint companies to manage Bucharest-Pitesti Motorway and Autostrada soarelui (Sun Speedway) Transport, Building and Tourism Minister Radu Berceanu said in an interview with Rompres on January 16. "Bucharest Motorway will undergo repair works in spring and afterwards we plan to hold tenders to select a company to keep it in good quality conditions for several years. The tender agreement can be for 5 or even more years, Minister Berceanu explained. A similar tender will be organized for Autostrada soarelui (Sun Speedway), by summer, said Berceanu. The same will happen for the remaining km of motorway between Bucharest and Cenavoda, and Drajna-Fetesti segment will be inaugurated by the beginning of summer, Minister Berceanu added.

Upgrade contracts for important railway segments

Romanian Railways Company (CFR) concluded on January 18 with several foreign and domestic companies modernization contracts for several Bucharest-Constanta railway segments, project in the value of more than EUR 820 million. Fetesti-Constanta segment's upgrading is programmed to be implemented over 2006-2008 and funds in the value of EUR 453.6 million are needed. From this amount, EUR 165 million represent a credit from the Japanese Bank for International Cooperation (JBIC) and the difference comes from budgetary funds and a supplementary loan made by the Government. Bucharest-Baneasa-Fundulea and Fundulea-Lehliu-Fetesti segments are to be upgraded over 2007-2010, this project's overall value being of EUR 366 million. Respective funds have been allocated through ISPA program - EUR 231.7 million and the remainder of the needed amount is to be covered by the Government. Bucharest North-Baneasa railway segment is to be modernized, as well. "With Romania's integration, the European Union has set its outer borders on the Black Sea coast and I think incoming and outgoing freight traffic between Asia and Europe's center and western parts will be oriented toward this route, representing an advantage for Romania", pointed out Minister of Transport, Constructions and Tourism Radu Berceanu.

Upgrading strategy of Bucharest subway

The draft upgrading strategy of Bucharest subway consists of extending the present network in the 2007 - 2021 period. The feasibility study for unfolding the first development phase of main line no. 5 (Universitate - Eroilor - Ghencea) has been approved. The works may be finalized in five years after obtaining the money, said a Metrorex official. He said that EU cohesion funds were expected for this investment. The value estimated by the company for making the Universitate - Drumul Taberei line and buying the necessary trains amounts to some EUR 700 million. This line will be 9-km long and will have 13 stations. The Universitate - Pantelimon line (7-km long) will have 11 stations. The investment in this case is estimated at EUR 550 million. The extension of main line no. 4 (Gara de Nord - Gara Progresul), with a length of 11.3 km and 14 stations, is another objective included in the Metrorex strategy. The estimated value of the investment reaches EUR 650 million. As to main line no. 6 (Alexandriei Road - Rahovei Road - Unirii Square - Mosilor Road - Obor - Colentina), it will stretch on 14.8 km and will have 28 stations. The works and rolling stock will require EUR 900 million. *Source: Rompres.*

IT&C

Internet connections up 40% in 2006

Competition in the market of electronic communications developed a lot in 2006, with the Internet connections up 39%, according to the President of the National Regulatory Authority in Communications and IT Dan Cristian Georgescu, quoted by the public radio. In mid-2006, the number of broadband connections was higher than one million. "We have a record of the Internet connections, and not necessarily of the number of people accessing the Internet, and the rise stands at 39%. The rise is high also for broad-band, high speed connections," Georgescu said. He added that Romanians use district networks more, for files, music and films. When it comes to the business market, the Internet services firstly regard the e-commerce, the e-offers of companies, even contracts signed electronically. "In point of using voice via the Internet, the development is not impressive, although most Romanians know now that they can speak via the Internet in Romania or abroad free of charge, by using the Messenger, Skype, etc," Georgescu said.

Value of Romanian exports of IT products to reach some EUR 1 billion in next two years

The export of Romanian software and IT services will reach, in the next two years, some EUR 1 billion, said on January 23 minister delegate for Economy and Commerce, Iuliu Winkler. "The 2007 IT exports are estimated to grow some 50%, almost similarly to the growth recorded in the first 11 months of 2006, which stood at 46%", said Winkler. He said the IT exports recorded the highest growth since Romania's 2006 total exports grew 17%. The Ministry of Communications and IT and the Ministry of Economy and Commerce recently launched the first export brand for the IT sector, "IT Romania." According to Winkler, three similar projects for launching the export brand are at the Ministry of Economy and Commerce for vine-wine, ready-mades and furniture sectors.

Small and medium enterprises

EIF – a new SME funding source

On January 23, Minister for Public Finances Sebastian Vladescu signed with the European Investment Bank (EIB) a memorandum on the establishment of the European Investment Fund (EIF), amounting to EUR 100 million, intended to finance small and medium enterprises (SMEs). The Fund will most likely become operational in May, and will be an open-ended entity. "The Fund will bring to Romanian financial products addressing SMEs, and will operate as an investment fund with several components: equity contributions, including risk capital, micro crediting, guarantee schemes," Vladescu explained. The amounts will be provided by the European Commission and will qualify as European fund absorption. The Fund will initially operate on EUR 100 million, but amounts granted for financing will be re-used, as the EIF will be a revolving fund. Depending on the destination of funds, amounts vary from one case to another. Thus, big-sized companies can access up to EUR 5 million for real estate acquisition, machine and equipment, transport means purchases, on condition that they are strictly used in the production cycle (proportionate with the actual output), but also for software, patent, brand, license and know-how purchases. For SMEs, the funding varies from EUR 200,000 to EUR 1.5 million. *Source: Nine O'Clock.*

Agriculture & food

Romanian dairy products market to grow by 8% per year until 2010

Romania's dairy products market will register an annual growth rate of 8% until 2010, determined by the growth of purchasing power and retail sector development, according to a survey of the research company Research and Markets. The growth will be determined by the evolution of local currency in comparison with the Euro and the growth of consumption of dairy products with large VAT, especially in the sector of cheese, fresh yoghurts and fruit yoghurts. Also, the annual growth rhythm of 3-4% of the purchasing power and the development of modern retail channels – supermarkets, cash & carry and discounters, will contribute to the market growth. The yoghurt and cheese sectors registered the most significant development. The favourite dairy product of Romanians is cheese, while milk bought directly from farmers is on the last place, on a scale from 1 to 10, according to the study. Currently, 25% of the total Romanian milk production of six billion litres is delivered to processors and the rest of the quantity is sold directly or meant for own consumption. In 2006, 14-15% of the milk production was in conformity with European norms, the study shows. The first ten producers on the market accounted together for 58% of the total

sales, and only two of them, Friesland Foods and Danone, had an individual market share of more than 10%.

Romanian pork deliveries to EU could be resumed in February 2008

Romanian pork producers could resume deliveries to EU countries no sooner than February 2008, six months after the European Commission recognises the first areas free of classical swine fever, according to officials of the veterinary authority. A delegation of the European Commission will come to Romania in August to check on the development of the classical swine fever vaccination programme, and if results are positive, the commission will recognise the areas declared free of swine fever. Six months after that, Romania could resume exports from the respective areas. Romanian pork exports to EU countries have been banned since 2003, and resuming exports was conditioned by the wipe-out of classical swine fever without using vaccines. Following a new strategy, ANSVSA started vaccinating pigs in households on December 20, 2006 and pigs in farms in January 2007. Farm owners who do not want their livestock vaccinated should file a written request with the sanitary-veterinary authority and in case of a classical swine fever outbreak they will not receive any compensations. Vaccination in households is free, while farm owners must pay veterinarians some RON 3.8 for each animal.

Until the end of January, ANSVSA vaccinated some 300,000 pigs, representing 20% of the total number of pigs in commercial farms. For the vaccination of pigs in households, the sanitary-veterinary authority received one million doses from the European Commission. The vaccines have already been used and the authority is to resume vaccinations in February, after acquiring another 3.8 million doses. Romania breeds 5.1 million pigs, of which approximately 3.8 million in households and 1.4 million in commercial farms.

Romanians spend 2 billion euros on imported food

Romanians spent about EUR 2.1 billion on imported food products in the first 11 months of 2006, according to data supplied by the Ministry of Agriculture, Forests and Rural Development. In the same period Romania exported food products accounting for EUR 764.3 million, three times less than the value of imports. Therefore, Romania's deficit resulted from the trade in food products went up by 19.1%, up to EUR 1.4 billion. The deficit is mainly generated by the high volume of imports of products for which the domestic production does not cover the demand and not by the supply of goods specific to other countries. Thus, the pork, cigarettes and sugar cover over one third of the total value of imports. On the other hand, Romania exports mainly livestock, wheat and sunflower seeds, with these groups of products covering almost half of the total value of the exports. Wheat exports went up in 2006, from EUR 24.2 million to EUR 80.6 million.

Dutch presence in Romania

Aegon and Banca Transilvania to invest EUR 5 million in a private pensions company

Banca Transilvania and Dutch life insurance company Aegon will invest EUR 5 million in a company that manages mandatory private funds, which will start its activity in 2008. "Talks started a year ago. The new company will be based in Cluj-Napoca and will be equally controlled by Banca Transilvania and by Aegon. We hope to get the licence from the regulating authority in March or in April this year at the latest," the general manager of Banca Transilvania, Robert Rekkers, stated upon the signing of the agreement on setting up a joint BT Aegon company. He added that the main reason for setting up BT Aegon is the importance and the strong growth potential of the private pensions and life insurance sectors in Romania. "Through the Banca Transilvania network, which numbers 340 territorial branches, we will make sure the employees contributions to private mandatory pension funds are collected properly (...)," said Rekkers. *Source: Ziarul Financiar.*

Dutch Spar Group to open 5 more stores in Bucharest in 2007

Dutch Spar consumer goods store chain will open 20 more stores in Romania, 5 of them in Bucharest, in 2007, and its total investment will amount to EUR 20 million, according to a Spar press release. The company's medium term development goal is to set up a 55-store chain. In the long run, Spar plans to open 250 shopping centres in all the important cities and towns of Romania. The Spar Romania network currently numbers 7 supermarkets. At global level, the Spar chain is made up of over 15,000 centres in 34 countries, on 4 continents, with a turnover worth EUR 27.9 billion in 2005.

Holland's Mega Valves invests EUR 1million in storehouse in Romania

Hydrosystems - pipe distributor in the town of Petrosani, south Romania - controlled by Holland's Mega Valves, has invested some EUR 1 million for a pipes and tube fittings storehouse to be used

in the hydro-technical industry, Vasile Capris, general manager of the company announced. "The new spaces with a 10,000 square meter surface will deposit Mega Valves products, which will be afterwards distributed on the internal market as well as Ukraine and the Republic of Moldova," Capris said. Hydrosystems was set up in 2004 and is controlled by Holland's Megavalves International group that in 2006 bought 80% of the company's shares. The company imports and distributes pipes and tube fittings used for irrigations. According to the general manager the company intends to invest in 2007 some EUR 500,000 to build another storehouse in Constanta or Bucharest. For 2007 Hydrosystems expects EUR 1.5 million in sales on the domestic market, up against the EUR 800,000 registered in 2006 and EUR 1.5 million from export sales. Mega Valves holds 16 branches in 12 countries and has recorded in 2006 over EUR 100 million revenues. *Source: Mediafax.*

ABN Amro revives brokerage company

Dutch bank ABN Amro's local branch decided to re-enter the domestic brokerage market, after seven years of absence. ABN, the system's tenth bank by assets, is betting on the investors' appetite for investments in domestic currency, especially for investments in fixed income instruments such as bonds. ABN Amro Securities is pending authorisation from the National Securities Commission (CNVM) and could become operational as of next month, after it buys the right to trade on the Stock Exchange. ABN Amro Securities ceased operations in 2000, following a strategic decision made by the group worldwide. "We noticed an interest in the Romanian capital market, both from domestic and foreign clients. ABN Amro has a tradition in brokering the issuing of shares and we want to use this experience on the local market, as well," Claudia Butac, the company's manager told ZF. ABN Amro was the financial adviser for the biggest bond issue on the local market, through which World Bank issued bonds in RON, worth some 150 million euros. ABN Amro could not broker the issue, as it was not authorised by CNVM. Intercapital Invest was chosen for the job instead. According to ABN Amro Securities' manager, one of the factors that prompted the bank to re-enter the capital market was the success registered by World Bank's issue, one of ABN's traditional clients. Claudia Butac also said the company was in talks with several clients who want to raise funds by issuing bonds, but the main impediment for such a funding method were the high commissions levied by the Stock Exchange and by CNVM. ABN Amro Securities will become one of the few brokerage firms active on the market that will not hold shares in the Bucharest Stock Exchange. The manager of ABN Amro Securities says the company does not target a certain market share, but plans to attract the big and medium-sized clients on which the bank focuses its operations. *Source: Ziarul Financiar.*

Events & Useful web links

UNICEF's 60th Anniversary

On the 17th of February 2007 a TV show is organized by the Romanian National Television and UNICEF Romania in celebration of UNICEF's 60th anniversary. The show will have a special guest, Mrs. Nana Mouskouri, International UNICEF Good Will Ambassador and will include a telethon to raise funds in the benefit of the Romanian children with disabilities , to improve their situation and fight against one of the biggest issues they have to face – discrimination. *For details please contact Mrs. Despina Andrei, Fundraising Manager, at phone 201 78 58, or e-mail: dandrei@unicef.org or Mrs. Codruta Hedesiu, Communication Officer, at phone 201 78 64, or e-mail: chedesiu@unicef.org.*

Dutch mission in Romania in March 2007

Between 25 and 30 March 2007 the Dutch Association FME – CWM, Association of Enterprises in the Technological Industrial Sector, is organising a mission to Romania. The mission will focus on production in Romania for the metal and plastics industry and the members of the mission will visit Bucharest, Timisoara, Cluj-Napoca and Brasov. As this mission was fully booked, the FME - CWM anticipates a second mission between 8 - 12 October.

Business delegations from the Netherlands are visiting Romania in April 2007

Between 15 and 20 April 2007 a delegation of the Ministry for Economic Affairs from the Netherlands together with a business delegation is visiting Romania. The delegation is headed by the Director of the International Business Directorate, Mr. Bart van Bolhuis and official and business meetings will take place both in Bucharest and Timisoara. Mr van Bolhuis will welcome Romania as a new EU Member state and he will discuss the strengthening of bilateral relations in the economic field.

In that same period a business delegation from the metal sector is also visiting the Timisoara region. This delegation is organized by the Netherlands Metaalunie. Both business delegations are looking for Romanian partners while the main objective of the metal companies is focussed on Romanian outsource partners.

Koninginnedag in Bucharest on April 26

The Embassy of the Kingdom of the Netherlands will invite the Dutch community to celebrate the National Day on Thursday, the 26th of April 2007, in Bucharest.

Dutch transport & logistic trade mission in Romania in May 2007

With the support of EVD, Transport en Logistiek Nederland is organising a trade mission in Romania, between 20th and 24th of May 2007. The objective of the mission is to give support to the Dutch entrepreneurs involved in the transport & logistic sector during their orientation on the Romanian market, as well as putting them in contact with interested Romanian partners. Meetings are going to take place both in Bucharest and Constanta.

- Embassy of the Kingdom of the Netherlands in Bucharest - www.netherlandsemb.ro
- Agency for International Business and Cooperation -EVD - www.evd.nl
- The Netherlands – Romanian Chamber of Commerce - www.netherlands.ro
- Romanian Government - www.gov.ro
- Romanian Ministry of Agriculture, Forestry and Rural Development - www.maap.ro
- Romanian Ministry of Communications and Information technology - www.mcti.ro
- Romanian Ministry of Economy and Commerce - www.minind.ro
- Romanian Ministry of Environment and Water Management - www.mmediu.ro
- Romanian Ministry for European Integration - www.mie.ro
- Romanian Ministry of Public Finance - www.mfinante.ro
- Romanian Ministry of Transports, Constructions and Tourism - www.mt.ro
- National Institute for Statistics - www.insse.ro
- Agency for Small and Medium Sized Enterprises - www.animmc.ro