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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 April 2007 exchange rates were:

1 EUR = 3.3349 RON

1 USD = 2.4688 RON

Source: National Bank of Romania ([www.bnr.ro](http://www.bnr.ro))

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## Macroeconomics

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### **0.52% inflation in April 2007**

According to the data published by the National Statistics Institute the inflation was of 0.52% in April 2007.

### **March 2007 net average salary**

According to the data published by the National Statistics Institute, March 2007 net average salary was of RON 1,013, increasing by 7.7% as compared to the previous month.

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## Trade

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### **EUR 1.44 billion trade deficit in March 2007**

According to the data published by the National Statistics Institute, Romanian FOB exports amounted to EUR 2.7173 billion in March 2007, up by 16.2% as compared to the same period of 2006, while the CIF imports reached EUR 4.1607 billion, up by 26.5% as against March 2006. As a result, the trade deficit was in March 2007 of EUR 1.44 billion.

In total, Romania's trade deficit rose to EUR 4.0466 billion in the first three months of 2007, up with EUR 1.6955 billion reported in the same period last year.

Between January-March 2007, the value of the intra-communitarian (EU 27) goods exchanges was of EUR 5.017 billion for outgoings – representing 70.6% of total Romanian exports, and EUR 8.0254 billion for incomings – 71.9% of total Romanian imports.

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## Legislation

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### **New regulations on products conformity**

The Law no 608/2001 on products conformity evaluation has been amended. The law was establishing that after Romania's accession to the EU, the distribution of products containing the CS marking was banned. Under the amendment, products bearing the CS marking, which were placed on the market before Romania's accession to the European Union, may also be distributed (against compensation or free of charge) and/or brought into operation after the accession date.

### **Measures regarding export and import of dangerous chemicals**

Government Decision 305/2007 regarding the measures for implementing European Parliament and Council Regulation no. 304/2003 for the export and import of dangerous chemical products ("Regulation") has been published. The Decision assigns the authorities in charge of implementing the Regulation provisions and controlling the export and import of dangerous chemicals. The Decision also establishes the penalties for infringements of the Regulation. Exporters of dangerous chemicals which do not comply with the specific notification procedure, the annual reporting requirement or breach export requirements are liable to fines of up to RON 50,000.

*With thanks to PriceWaterhouseCoopers Romania – Tax Department*

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## Taxation

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### **VAT reimbursement to non-resident companies**

The Ministry of Public Finance has issued the VAT reimbursement procedures for non-resident companies established in other Member States or outside the EU. The reimbursement claims can be filed on a quarterly basis, but no later than 30 June of the year following the purchases bearing Romanian VAT. Companies established in other Member States must file the refund claims and related documentation with the Bucharest General Directorate of Public Finance. A company established outside the EU must appoint a fiscal representative for the purpose of reimbursement. These companies must have the refund claims and related documentation filed with the registry of the tax office where the designated fiscal representative is registered. The reimbursement claims shall be solved within 6 months from the date when the complete refund file is lodged.

## **Amendments to the Recapitulative Statement for intra-community supplies / acquisitions**

The model of "Recapitulative Statement for intra-community supplies / acquisitions Declaration" has been amended.

The most important amendments refer to:

- From now on it is possible to include intra-community acquisitions from EU suppliers that do not provide a valid VAT registration number
- For intra-community acquisitions performed under triangulation operations the letter "A" must be included instead of letter "Z".

## **Changes regarding VAT payment upon import**

As noted within "Taxation" section in our previous Newsletter, for the period 15 April 2007 – 31 December 2008 importers are required to pay the VAT for import of goods in the customs office, unless they secure a deferment certificate. The Minister of Public Finances issued Order no. 500 on 3 April 2007, regarding the procedure for the issuance of deferment certificate for VAT payments in customs for the import of goods. Deferment certificates can be requested from the National Customs Authority by companies which fulfil the following requirements:

- They are registered for VAT purposes for at least 1 year before submitting the request for the issuance of a deferment certificate,
- During the previous calendar year they performed imports from non-EU countries amounting to at least RON 150 million,
- They have no outstanding tax liabilities. For imports followed by intra-community supplies, importers benefit from VAT exemption on import if they deposit a guarantee at the customs office where they submitted the customs declaration for release for free circulation. The guarantee is equivalent to the amount of VAT due upon release of the goods for free circulation.

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## **EU membership**

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### **Operational programmes for access to European cohesion funds to be approved by end-May**

The operational programmes for access to the European economic and social cohesion funds totalling EUR 19.7 billion during 2007-2013 will be approved by the end of May, the expert of the Management Authority for this EU support framework with the Public Finance Ministry announced on April 4. "After the six operational programmes are approved, we shall issue the guidelines required for putting forward the projects by the potential beneficiaries", Aurora Tranescu said at a round table staged by the Romanian Chamber of Commerce and Industry. The operational programmes were sent to Brussels for approval this January. Tranescu stressed that the European economic and social cohesion funds target the urban area, in sectors like transports, environmental protection, human resources, technical support, central and local administrations, increased economic competitiveness, with the remainder from up to EUR 31 billion being directed to the rural area, for farming and rural development. The main beneficiaries of the cohesion funds are the public administration, the NGOs, the business climate and the academic climate. The most important amounts will come by four operational programmes, namely EUR 4.5 billion each for transports and environment, EUR 3.7 billion under the regional operational programme and EUR 3.5 billion for human resources.

### **Partnerships between Southeastern Region, Romania and Black Sea countries financed with European funds over 2007-2013**

The first national conference on the new Black Sea Co-operation Programme was held on April 2 in Galati (eastern Romania), the Ministry of European Integration informed in a release. The conference aims to advertise the programme to the Romanian and foreign partners and show ideas of projects able to receive financing from the Co-operation Programme. Some projects of cross-border co-operations developed over 2000-2006 were shown during the conference. The programme, under negotiation with the European Union, will involve 10 countries. The Ministry of European Integration will manage the programme in co-operation with the eligible countries: Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Russia, Turkey and Ukraine. The programme will be submitted to approval to the European Commission in the second half of 2007, trying to involve county councils, prefect's offices, environment agencies, trade chambers, relevant NGOs, universities and research institutes. The budget is EUR 17 million. The programme aims at economic and social development, the improvement of environment in Black Sea countries by controlling the pollution, the promotion of cultural partnership among communities at the Black Sea coast. The programme promotes the European Neighborhood Policy aimed at establishing special relations between EU and the neighbouring countries, by strengthening the

political and economic co-operation on a common set of values. The organizations and persons interested can obtain more information from the website of the Ministry of Development Public Works and Housing ([www.mie.ro](http://www.mie.ro)) .

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## **Finance**

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### **Leasing market in Romania exceeds EUR 3.2 billion in 2006**

Leasing market in Romania amounted at the last year-end to 3.267 billion euros, according to the value of financed assets, accounting for a surge of 62% from 2005, the Association of Leasing and Non-Banking Financial Services (ALB) and the Association of Leasing Companies in Romania (ASLR) announced in a press release. The biggest market share is recorded by the sector of banks' subsidiary companies, with 75% of the total, followed by the sector of independent companies, with 17.5%. ALB and ASLR account for some 96% of the domestic leasing market.

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## **Foreign investment**

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### **Foreign investment at the end of March 2007**

At the end of March 2007, according to the data published by the National Office of the Trade Registry, there were 135,883 companies registered in Romania with foreign participation in the social capital, total foreign investment amounting to EUR 15.9 billion. The top five foreign investors was led by the Netherlands, with 2,787 companies registered and total invested capital of EUR 3.21 billion, followed by Austria with 4,357 companies and a total investment of EUR 2.2 billion, France with 4,877 companies and a total investment of EUR 1.57 billion, Germany with 14,569 companies and a total investment of EUR 1.56 billion, and Italy with 22,314 registered companies and a total investment reaching EUR 0.74 billion.

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## **Small and medium size enterprises**

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### **Grants for small and medium-sized enterprises**

The National Agency for Small and Medium-Sized Enterprises and Cooperatives has approved certain procedures for implementing programmes to support small and medium-sized enterprises ("SMEs"). Among them we mention:

- Multi-annual National Programme for the 2006 – 2009 period for helping small and medium-sized enterprises to access advisory and training services (Order no. 48/2007);
- Multi-annual National Programme for the 2006 – 2009 period for supporting small and medium-sized enterprises in developing export activities (Order no. 51/2007);
- Programme for developing and modernising activities for trading market products and services (Order no. 52/2007).
- Programme to support the development of SMEs with funds from the State Budget within the limit of the amount paid for profit tax related to the reinvested profit has also been approved (Order no. 54/2007).
- Multi-annual National Programme for the 2006 – 2009 period for supporting craft-making businesses (Order no. 55/2007)

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## **Infrastructure & transport**

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### **Romania's National Airport Corporation to become operational this May**

Romania's National Airport Corporation SA will become operational this May, following the coming into force of a Government decision published on April 12 in the Official Gazette. The two airports operating under its authority - the Otopeni Airport and the Baneasa Airport - will be jointly managed in order to improve activities and support investment plans, but the merger of the two airports will not trigger any rises in airport fees or air fares. The majority stake of 80% in the two airports is currently held by the Romanian Government through the Ministry of Transport, Construction and Tourism and the remaining shares are contributed toward the Proprietatea Fund. Following Romania's accession to the European Union on January 1, 2007, Romanian airports are now expected to record an average passenger increase of 30%, making investments necessary for capacity increase.

The Henri Coanda Airport at Otopeni has been recording rising traffic since 2000. In 2004, some 2.6 million passengers transited through this airport, while in 2005 the number advanced 15%, to some 3 million, and the 2006 figures are expected to read 3.5 million passengers, another rise in excess of 15%. The airport's management is estimating passenger traffic to reach approximately 4.5 million in 2007.

Officials of the Aurel Vlaicu Airport at Baneasa say the number of passengers using this airport should near 1 million, which would be 30% more than in 2006.

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## **IT & C**

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### **Romanian IT services market up 18.4% in 2006**

Romanian IT services market in 2006 went up 18.4%, accounting for USD 239.4 million, at a more sustained pace than other countries in Southeastern Europe, reads an IDC Romania study. According to the study, the expenses in the field still target the traditional vertical markets, namely production, utilities and telecommunications. The study also reads that the lack of budgets slows down the increase in the expenses with IT services in the public field, but, on the other hand, will boost expenses with these services in the field of the small and medium-sized companies. The IDC Romania study reveals that the market is relatively fragmented but there are strengthening signs through acquisitions and fusions. Tendencies show that the demand for value added services and outsourcing will grow. Also, system integration services and application customizing will go up faster than support and installation services, reads the IDC study. The Romanian IT market in 2006 stood at USD 1,32 billion with USD 1.9 billion being estimated for 2009.

### **As many as 75 million phone numbers on Romanian market**

Out of the 75 million phone numbers allotted in Romania, 56.2% are provided to landline telephony services and the remainder to mobile telephony operators, the National Regulatory Authority for Communications and Information Technology (ANRCTI). More exactly, there are 42 million mobile phone numbers which operators plan to sell in the upcoming period and out of the other 33 million numbers for the landline telephony, Romtelecom operates about 4 million numbers, with the remainder being operated by other operators. Activating in the landline telephony are there 420 operators nationwide and 126 companies activate as carrier-operators, which practically facilitate the traffic of minutes and data for other operators. About 72 companies unfold telephony activities through mobile public networks and other 20 companies provide telephony services by satellite, say officials of ANRCTI. Of the respective companies, and of the ones that announced intention to release telephony services in the upcoming period, most are present in the area of international calls: about 145. Of these, 129 companies activate in the field of phone calls nationwide between counties and 125 companies provide calls at local level. About 122 companies intend to set up in Romania public phones, besides the ones already held by Romtelecom and RCS&RDS.

According to weekly Saptamana financiara, other 42 specialized companies provide companies and individuals ISDN lines (Integrated Services Digital Network).

The most recent data reported by mobile telephony operators show that at the end of last years, Orange had about 8.043 million customers, whereas its main competitor Vodafone, registered about 7.7 million customers. At the same time, Cosmote, that has recently entered the market, had, at the end of 2006, over 1.2 million customers.

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## **Agriculture & food**

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### **Livestock numbers on the rise in first 11 months of 2006**

The livestock numbers (cattle, pigs, sheep, goats) grew while the number of poultry dropped on December 1, 2006 compared to the same period of 2005, according to figures of the National Statistics Institute. The overall number of cattle on December 1, 2006 reported a growth of 2.5% up to 2.93 million heads. The total number of poultry dropped by 1.56 million heads to 8.4 million heads (1.8%) while the egg-laying poultry grew by 1.1%.

In Romania, most of the cattle are in the north-east region with 682,182 heads, followed by the north-west with 498,607 heads. As regards pigs nationwide, ranking first is the south region (Muntenia) with 1.21 million heads, followed by the north-west region with 991,521 heads.

The centre region has most of the sheep in Romania, with 1.6 million heads, followed by the south-east region with 1.4 million heads.

Late in 2005, Romania had a share of 3.2% of the overall number of cattle and 4.2% of the pigs in the EU. At the same date, goats and sheep in Romania accounted for 7.6% of the overall goats and sheep held by the EU.

### **Food Producers and European Standards**

Only around 1,000 Romanian food producers, representing less than 7% of the total number of 14,941 units, meet at the moment European food safety standards, and some other 10,750 units have to improve their processing conditions in order to be EU approved, according to the data of the National Sanitary Veterinary and Food Safety Authority. The Authority has already closed down 3,183 food industry units that failed to meet European food safety norms. Out of total 367 red meat processing units (pork, beef and mutton), only 101 correspond to the European standards. In the case of dairy producers and processors, 96 out of the existent 278 units observe the European legislation. However, just 17 of these can sell their products in the EU. As regards fish processors, 19 of the 27 existent units meet European norms.

### **Romania risks losing part of EU funding**

Romania might lose part of the agricultural funds granted by the European Union, due the low number of applications for direct payments submitted by farmers and deficient administrative procedures, according to the Minister of Agriculture and Rural Development Decebal Traian Remes. By mid-April only 68-70% of the Romanian farmers submitted such applications. The requests for payment can be submitted until May 15, and after this date the sums granted by the European Union are reduced by 1% for each day of delay in registering applications.

### **Some 350 hypermarkets and discount stores to be opened in next seven years**

As many as 350 hypermarkets and discount facilities will be opened over the next seven years if the plans announced by retailers in Romania materialize. Total investments for the territorial expansion of the commercial networks are estimated at EUR 1.5 billion while the labour force demand stands at 35,000 people. However, investors are now faced with new difficulties: sudden increase in the prices of land, lack of qualified personnel and bureaucracy. Despite these obstacles, investors still make profit. Carrefour and Selgros will each reach a turnover of EUR 1 billion within two years if they maintain their growing pace while Metro is the only retailer reaching this threshold since 2004.

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## **Dutch presence in Romania**

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### **ISDC opens new headquarters in Cluj-Napoca**

Tuesday, April 17, 2007, the Minister of Communications and Information Technology, Zsolt Nagy, was present at the inauguration of the new headquarters of Integrated Systems Development Corporation (ISDC) in Cluj, reads a press release on the web site of the Ministry.

ISDC Romania has 160 employees and 120 of them are working in Cluj. The management of the company announced that the number of employees will increase to 250 in 2008. The new headquarters has a surface of 2,500 square meters. A part of it is financed through an investment credit and the rest is the company's own investment.

### **Investment of EUR 2.5 million made in milk-processing unit at Sambata de Sus**

Romanian - Dutch company Gouda Gold at Sambata de Sus, center of Romania, invested EUR 2.5 million in a milk-processing unit, with 50% of the money coming from the Sapard programme. "The rest of the sum are own funds, as well as a credit worth EUR 700,000 bearing an interest of 4.4%, under the Farmer programme," said the project's manager and one of the shareholders, Viorel Ionita. The unit at Sambata de Sus starts processing four varieties of Goudi cheese, processed following Dutch recipes. "Our Goudi cheeses will enter the market after April 15, at home for a start but we will soon have an authorization for export. We intend to go starting in 2008 to EU countries such as Poland and Germany," Ionita said. In the second half of this year, the shareholders of the company at Sambata de Sus want to buy a technological line for special cheese, worth EUR 1.5 million. In the coming years, we intend to get involved in a project for the improvement of buffalo breeds in the county of Brasov and to invest in a goat farm," Ionita said. According to him, the two breeds have less stricter rules in the EU, because of the low amounts of products got from milk of buffalo cows and goats, which have instead qualities the cow milk does not.

### **TNT Romania launches Balkan-dedicated courier service**

Fast courier services provider TNT Romania launched the Balkan Express service for the direct transport of commodities or parcels from Romania to Bulgaria and Greece, Ziarul financiar reports on April 12. The new direct link service allows 'door-to-door' deliveries in two or three days at the most, to all destinations in Bulgaria and Greece. The Romanian courier service market went up from EUR 100 million in 2005 to EUR 130 million in 2006, and the Romanian Association of Courier Operators expects a further growth by 30 – 40% this year.

This evolution occurs on the background of the surging number of companies in the fast courier business, that rocketed from about 20 in 2005 to tenfold at present. The amount of dispatches also increased in one year by some 20%, reveals data supplied by the local association of courier operators. 'The steep upward evolution of the Romanian market is mainly the result of intensifying commercial exchanges between the local market and the rest of the world,' says a TNT Romania representative. He adds that as multinational companies develop important production capacities in the area, there is a chain of positive reactions for the local partners of these companies. In 2006 TNT registered a turnover of over EUR 25 million on the local market, up by almost 25% in comparison with the year before. For this year the company expects the figure to rise anew by some 30% to an estimated EUR 32.5 million.

### **RO Holland invests EUR 1.5 million in plant**

Medias-based RO Holland Trans, part of the Dutch group De Greef, will invest this year EUR 1.5 million in a refrigerating storage facility, which will become operational at the beginning of 2008. The company also intends to expand its fleet by 15 trucks to a total of 40. The company posted last year a turnover estimated at EUR 5 million, close to that seen in 2005. The revenue per lorry increased, since the company operated with 18 vehicles less, but reached a similar turnover. *Source: Business Media Group – BR Daily.*

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## **Events & Useful web links**

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### **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
  - Agency for International Business and Cooperation -EVD
  - The Netherlands – Romanian Chamber of Commerce
  - Romanian Government
  - Romanian Ministry of Agriculture and Rural Development
  - Romanian Ministry of Communications and Information Technology
  - Romanian Ministry of Environment and Sustainable Development
  - Romanian Ministry of Economy and Finance
  - Romanian Ministry of Transport
  - National Institute for Statistics
  - Agency for Small and Medium Sized Enterprises
- [www.netherlandsemb.ro](http://www.netherlandsemb.ro)
  - [www.evd.nl](http://www.evd.nl)
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