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### **EUR / USD exchange rates against RON**

Average January 2008 exchange rates were:

1 EUR = 3.6930 RON

1 USD = 2.5116 RON

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

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## Macroeconomics

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### **Inflation in 2007 over BNR estimations**

The 2007 inflation in Romania stood at 6.57%, based on the data released on January 18 by the National Institute of Statistics, that is a level both much over the inflation target expected by the National Bank of Romania (BNR) for 2007, set at 4%, plus/minus one percentage point, and the latest forecast revised on inflation released by the central bank, which indicated an inflation level of 5.7%, late in 2007. Consumer prices advanced in December last year by 0.64%, compared to the previous month, with the highest raises being at food products (0.9%) and in relation to the fees charged for services (0.7%).

### **Unemployment in 2007**

According to the data published on the web site of the National Agency for Employment [www.anofm.ro](http://www.anofm.ro) the 2007 annual average unemployment rate was of 4.3%.

### **Consolidated budget deficit 2.4% of GDP in 2007**

In 2007 the consolidated budget deficit was RON 9.991 billion, accounting for 2.4% of the Gross Domestic Product (GDP), Minister of Economy and Finance Varujan Vosganian told a press conference on January 14. The cited official said that calculated according to European statistics, the 2007 budget deficit was 2.6 – 2.7% of the GDP, with revenues standing at RON 136.8 billion - that is 35% of the GDP - and expenditures amounting to RON 146.8 billion, that is 37.6% of the GDP respectively. According to the Finance Minister, the difference between the Romanian and European accounting procedures is given by non-reimbursable funds and particular loans engaged by the local authorities.

### **Romania's international reserves, above EUR 27 billion on December 31**

Romania's international reserves amounted at EUR 27.19 billion on December 31, 2007 Romania's National Bank announced on January 4. Foreign currency liquidity totalled EUR 25.307 billion and the gold reserves, of 103.7 tons, were in the value of EUR 1.879 billion, according to a Central Bank release remitted to Rompres. The international reserves declined by EUR 134 million, foreign currency outflows exceeding the inflows. The inflows totalled EUR 268.1 million and outflows EUR 402.1 million, representing installment payments and interest payments servicing for the foreign public debt guaranteed by the Ministry of Economy and Finance (MEF) as well as payments made into the European Commission's accounts.

### **0.86% inflation in January 2008**

According to the data published by the National Statistics Institute the inflation was of 0.86% in January 2008.

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## Legislation / taxation

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### **Intrastat thresholds for 2008**

Order no. 747/6.12.2007 has been issued by the President of the National Statistics Institute. The Order establishes the Intrastat thresholds for the collection of statistical data on intracommunity trade for the year 2008. The Intrastat thresholds for 2008 are the same as those for 2007 – i.e. RON 300,000 for arrivals and RON 900,000 for dispatches. Therefore, if the value of arrivals/dispatches of goods from/to other EU member states in 2007 exceeds the above-mentioned thresholds, traders have to submit Intrastat statements starting with the month of January 2008. If the thresholds mentioned above are not reached in relation to operations carried out in 2007, but are as a result of arrivals/ dispatches of goods in 2008 (compounded), traders should submit Intrastat statements for 2008 only, starting with the month in which the thresholds are exceeded. See: *Official Gazette of Romania no. 872/20.12.2007*

### **Norms on the status of the Authorised Economic Operator**

Order no. 9647/30.11.2007, establishing the technical norms regarding the granting of Authorised Economic Operator ("AEO") status, has been issued by the Vice-president of the National Agency for Fiscal Administration. The concept of the AEO was introduced in the customs legislation in June

2006. However, the process of authorisation as an AEO stands from 1 January 2008. Operators authorised as such will benefit from simplifications regarding customs inspections, obtaining customs authorisations and performing customs formalities. Moreover, through the AEO certificate the holder is recognised by the customs authorities as a reliable person, giving comfort as regards observance of the safety and security standards. The Order details the qualifying conditions that the applicant should meet to obtain the AEO status. It also contains the questionnaire to be filled in and submitted to the customs authorities by operators applying the AEO status. See: *Official Gazette of Romania no. 875/20.12.2007*

#### **Tariff quotas for agricultural and industrial products**

The European Council has issued Regulation (EC) no. 1526/2007 amending Regulation (EC) no. 2505/96 on the administration of Community tariff quotas for certain agricultural and industrial products. The Regulation establishes the tariff quotas for 2008, for which reduced duty rates are applied. The quotas applicable in 2007 are maintained in 2008 for certain products (e.g. unmanufactured tobacco, assembly for GPS systems, certain chemicals). However, in the case of some chemicals the volume of certain tariff quotas is now increased or reduced (e.g. the volume of the tariff quota for aqueous solution containing betaine and salts – reduced from 38 000 tones to 5 000 tones). Also, starting with 1 January 2008 new quotas are applicable for products such as refractory bricks, chemicals and electric engines. Starting with 1 January 2008, some quotas were eliminated for products such as flat screen colour cathode-ray tube, keypads for the manufacture of mobile radio-telephones. See: *Official Journal of the European Union No. L 349/31 December 2007*

*With thanks to PriceWaterhouseCoopers Romania – Tax Department*

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## **EU membership**

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#### **Romania to pay some EUR 1.3 billion to EU budget in 2008**

Romania will pay in 2008 to the budget of the European Union as many as RON 4.239 billion, according to figures supplied to Rompres by the Ministry of Economy and Finance. Calculated at an exchange rate of 3.18 lei for one euro, stipulated in the Law on state budget for 2008, the contribution to the EU budget is of some EUR 1.33 billion. Of the contribution due to the whole year, in January, Romania paid to the EU some EUR 168 million and in February the estimated sum is of some EUR 124 million. According to the Law on state budget for last year, Romania paid in 2007 to the EU budget about EUR 1.1 billion, the sum being mainly calculated based on the revenues made from the VAT by the national budget in the previous year. Over 2007-2013, the European Commission will earmark Romania as many as EUR 19.67 from structural and cohesion funds. Of the overall sum EUR 12.661 billion will be allotted for the objective "Convergence", EUR 6.552 billion are earmarked by the Cohesion Fund and EUR 45.5 million for "European territorial cooperation."

#### **Protocol on absorption of EU funding**

The Ministry of Economy and Finance (MEF) and the Romanian Banks Association (ARB) signed a cooperation protocol to support the development of the Romanian business environment and the absorption of structural funds earmarked for Romania over 2007 - 2013. According to the document, ARB member banks can suggest MEF or the other institutions involved in the management of structural instruments (or which support the development of the Romanian business environment through other types of programs) the establishment of bilateral or multilateral protocols under which the parties pledge to set at the disposition of Romanian companies all available products, services and financing opportunities. Under the umbrella of the MEF – ARB protocol, the Finance Ministry, the Ministry of Small and Medium-sized Enterprises, Commerce, Liberal Professions and Eximbank signed a protocol aimed at boosting the development of the Romanian business environment and international transactions. The three signatory parties will support Romanian companies with the implementation of economic projects in areas such as the development of infrastructure, utilities of public interest, regional development, research and development, the protection of the environment, labour employment and training, the support of international transactions. The products, services and opportunities offered on the basis of this protocol comprise financing, insurance and guarantee products addressing Romanian companies, promotion and media advertising measures to support exports, financing opportunities that can be obtained by accessing structural and cohesion funds.

### **North-West Region to receive EUR 20 million for upgrading hospitals**

The Ministry of Development, Public Works and Housing (MDLPL) will earmark EUR 21 million for funding county hospitals and out-patient care facilities in Romania's North-West Region, according to a press release of the MDLPL. The project tender started on January 22, and the project will be financed under the 2007-2013 Regional Operational Programme. The aim of the project is to upgrade and equip county hospitals as well as to modernise, develop and equip out-patient care facilities at specialist hospitals. Qualifying for the tender are local public authorities, inter-community development associations or a leader designated under a partnership agreement between territorial administrative units. The Public Health Ministry has identified three county hospitals and their out-patient facilities of the North-West Region that are suggested for refurbishment under the Regional Operational Programme: Maramures, Satu Mare and Salaj. The total value of plans, both eligible and non-eligible costs, may range between EUR 200,000 and 25 million. Project beneficiaries will have to contribute at least 2% of the total eligible costs. Information is available on <http://www.mie.ro/stiri.php?s=499&lang=en>.

### **Legal Committees approve EU Reform Treaty**

The Parliamentary Joint Legal Committees approved on January 29 the legal proposal to ratify the EU Reform Treaty, signed by the presidents of EU member states in Lisbon. Government representative, Minister for the liaison with Parliament Mihai Voicu said that the EU Reform Treaty clearly defines the legal personality of the Union and establishes an accurate division between the Union and the states included. The EU Reform Treaty is due to be ratified by Parliament beginning of February, in a joint meeting of the two Chambers.

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## **EBRD in Romania**

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### **EBRD to support Romania's efforts to boost economy**

The European Bank for reconstruction and Development (EBRD) is determined to support Romania in improving its economic development, competitiveness, potential to create jobs and integration of economy's regions, EBRD President Jean Lumierre said in an interview for "The Report: Romania 2008" published by Oxford Business Group (OBG). The bank is committed to attracting intelligent investment, both funds and business expertise, EBRD official said in the Report, the first direct foreign investment guide in the country's emergent economy, which represents various faces of Romania, including macro-economy, infrastructure, political environment, banking system and sectoral development. EBRD is ready to offer higher risk instruments to support restructuring, consolidation and expansion of local companies, Lamierre said. He underscored that a bank's crucial role in the post-accession period is to support the field of emergent and entrepreneurial medium and small-sized enterprises (SMEs), from the country's rural areas. A bigger number of loans for the IMMs will stimulate the setting up of new businesses and will create jobs and support the economic growth. The bank will also provide considerable support to the private field helping Romanian companies to expand abroad, Lamierre said. He mentioned that Romania needed an accelerated infrastructure development to support a supplementary economic growth and EBRD worked in partnership with the municipalities to improve services. Another important field in which the bank will work closely with the Romanian authorities is the energetic efficiency, a priority for Romania and the EBRD. Lamierre underscored that Romania and the EBRD are working together to promote a sustainable market so that the energetic efficiency should lead to the development of the renewable energy sources and a cut in carbon dioxide emissions.

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## **Energy**

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### **EBRD finances local energy efficiency projects**

The EBRD is launching the first credit facility for energy efficiency projects conducted by private industrial companies in Romania, according to the bank's statement. Under the new framework, the Bank will make loans worth up to EUR 100 million to the banking sector which will then provide credits to private firms. The loans are part of the EU/EBRD Energy Efficiency Facility which is a wider joint programme of the European Commission and the EBRD. Three loans have already been signed: EUR 20 million for the Banca Comerciala Romana (BCR), EUR 10 million for CEC and EUR 5 million for Banca Transilvania (BT). *Source: BR Daily*

### **As many as 37,703 RECs are traded in 2007**

As many as 37,703 green certificates also known as Renewable Energy Certificates (REC) were traded on the Centralized Green Certificates Market in 2007, the largest number, i.e. 18,541,

being transacted in January and the lowest, namely 182, in June. As many as 4,304 green certificates were traded in December, Romanian Energy Market Operator (OPCOM) web page informs <http://www.opcom.ro/portal/content.aspx?item=0&lang=EN&filterID=2>. Fifty-nine purchase and 240 sale offers were launched starting early this year. The green certificate is a document confirming that 1MWh electricity is generated using renewable energy sources. The mandatory quota system is the mechanism to promote electricity made out of renewable energy sources, with suppliers buying mandatory quotas of electricity using renewable energy sources and selling it to consumers. Suppliers receive a REC for each supplied MWh, which can be sold separately on the Green Certificates Market. In order to meet the legal provisions, the suppliers have to hold a number of green certificates equal to the imposed quota of electricity generated from renewable energy sources. The green certificates' price ranges between limits settled by Governmental decision. The minimal price is imposed for the protection of suppliers and the maximal price for that of consumers. The annual minimal and maximal trading value of the green certificates is worth EUR 24 per certificate, respectively EUR 42, over 2005 - 2012 (calculated at the BNR exchange rate for the last workday of December 2007).

### **Transgaz starts construction of Jibou-Gilau pipeline**

Transgaz Medias natural gas operator began in December the construction of Jibou-Gilau gas pipeline, involving a first investment of RON 39.5 million, the company informed the Bucharest Stock Exchange in a release. The natural gas pipeline will be 80 km long and will link in the first stage Jibou (Salaj county) and Gilau (Cluj county) localities, northwest Romania, and will then continue with the next stages according to the investment programme. Transgaz is the technical operator of the national gas transport and is responsible for the economic efficiency, quality and safety of the transport as well as of the environment protection.

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## **Environment**

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### **Romania to implement the reduced National Allocation Plan for CO<sub>2</sub>**

As part of its EU membership obligations, Romania has submitted last year to the European Commission the National Allocation Plan (NAP) for CO<sub>2</sub> emissions reduction under the EU Emission Trading Scheme, for the year 2007 and for the period 2008-2012. The European Commission approved in October a quota of 75.9 million tons of CO<sub>2</sub> emissions over 2008-2012, 20.7% short compared to Bucharest's request. For 2007 emissions, the National Allocation Plan has to be reduced by some 10%. Although the Romanian authorities decided to sue the Commission's decision, challenging pending the court ruling it will implement the reduced NAP, by proportionally reducing the CO<sub>2</sub> emission quotas for each economic operator. "This decision is up to the Romanian authorities. The European Commission is just asking for a reduction level for each country, but the modality to attain this threshold is to be decided by us alone", Dumitra Mereuta, Director in the Ministry of Environment and Sustainable Development (MMDD), has declared recently. The Romanian authorities also had another variant to attain the EU imposed target, namely to reduce the emissions level in a differentiated way, in line with the quantity of emissions of the respective producer or according to the production-to-emissions ratio.

### **Improved system for the national inventory of greenhouse gas emissions**

The Government approved, in 17-23 December 2007 week, the national system for the assessment of greenhouse gas emissions level, in accordance with the Kyoto Protocol. The system regulates the institutional, legal and procedural aspects on the reporting and recording of information included in the national inventory. The implementation of the system allows Romania to fulfil the eligibility criteria for its participation in the flexible mechanisms provided by Kyoto Protocol, and will allow the observation of specific reporting requirements assumed at EU and international level. Moreover, the correct assessment of the greenhouse gas emissions is an essential instrument for the drawing up of Romania's policy on climate changes.

Romania was the first country to ratify the Kyoto Protocol, pledging to reduce the greenhouse gas emissions with 8% over 2008-2012, as against 1989.

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## **Infrastructure & transport**

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### **Ministry of Transport to assign EUR 555 million for 2 railways**

Ministry of Transport plans to allot EUR 406.36 million from the National Development Fund for the construction workings at Transylvania railway on Brasov-Bors route while the Bucuresti Brasov

railway will get EUR 148.5 million from the same source, according to the ministry's reporting. The Ministry's plans involve some EUR 700 million worth investment in infrastructure, the money source being the National Development Fund. Brasov-Bors route project started in 2004 following a EUR 2.2 billion worth contract signed with Bechtel. The constructor will get EUR 520 million in 2008 for the railway workings from the Ministry of Transport.

#### **Work on the motorway stretch connecting Comarnic to Brasov**

Work on the motorway stretch connecting Comarnic (southern Romania) to Brasov (central Romania), which will be made on a lease, will start in September 2008, Transport Minister Ludovic Orban has said recently. "On June 1, 2008 we shall sign the execution contract with the company that will do the work, which is going to begin in autumn next year," said Minister of Transport. The Comarnic-Brasov stretch will be built in the DBO (design-build-operate) system, which means that the company to win the tender will ensure the design, the funding and the execution of the stretch. It will be leased to the company in question for a span of time ranging between 25 and 30 years.

#### **Over 800 km motorway to be under construction in Romania in 2008**

National Company of Motorways and National Roads (CNADNR) will supervise the building of 809 km motorways, according to the Transport Ministry's priority investment projects. Over 127 km are to be commissioned this year. The main motorways projects currently under construction regard Transylvania Motorway (linking Brasov to Bors) where two segments are in progress, namely 64 km between Suplacu de Barcau and Bors and 34 km between Campia Turzii and Gilau. Intensive works will be made this year on the road segments between Moara Vlasiei and Ploiesti, along 42 km of the Bucharest - Brasov motorway and works on Bucharest- Moara Vlasiei (19 km) segment will start in February. The works in the Comarnic Brasov segment are expected to start in autumn. Works for the ring roads in localities which do not have a ring road will also start in 2008, with the programme including over 40 ring roads covering 474 km. The main ring roads to be built in 2008 are Ploiesti-Ploiesti West, the ring road in Constanta, that in Northern Bucharest to link the Sun Motorway (Bucharest-Constanta) and Bucharest-Ploiesti Motorway. It is also this year that the building works of the ring road of Constanta Municipality and the Cernavoda-Constanta segment start and are due finished by 2009 and 2010, respectively. Also under construction will be segments of the Transport Corridor IV between Constanta and Bucharest and Romania's western border between Sibiu and Nadlac. Due to be completed in 2008 are the segment Campia Turzii - Gilau on Transylvania Motorway and several other ring roads, CNADNR data says. More 80 km motorway are to get operational, and more 682 will be under construction in 2009, while 907 km will be built and more 238 are due completed in 2010, the Transport Ministry says. According to the Transport Ministry's plan for infrastructure development, over 784 km motorway were built in 2007, with 58 of them opened. Works were carried out both on Transylvania Motorway and Bucharest - Brasov Motorway in 2007. There were also completed 14 km of Pitesti ring road and the Drajna -Fetesti on Bucharest - Constanta Motorway. In 2013 Romania will benefit from 2,139 km motorway and 507 km expressway, ministerial figures show. The 1,798 km motorway to be built over 2007- 2013 require investments worth EUR 12.8 billion, EUR 1.5 billion of the amount from the European Union, EUR 600 million from financial institutions (5%), EUR 6.5 billion from the state budget (51%) and EUR 4.2 billion in the motorways leasing system (31%).

#### **Over 500 km. of express roads to be carried out by 2013**

Over 500 km. of express roads will be built over 2008-2013, the financial effort being appraised at some EUR 1.5 billion, according to the strategy of the Ministry of Transport. The authorities opted for the variant of express roads because they are cheaper than highways, by some 40%, and have many of their characteristics, two-lane a way, allowing high-speed traffic. The most important express roads will connect the cities of Oradea-Arad, Sebes-Turda, Baia Mare-Satu Mare and Craiova-Pitesti being designed to cut traffic congestion. The four express roads are priority and will most probably be finalised by 2010. A 70 km-long express road will be built between Sibiu and Fagaras and will be connected to the Corridor IV (Nadlac-Sibiu-Bucharest) and Bucharest-Brasov highway. The express roads will be built in leasing, the constructing company will finance and build the respective section and will afterwards operate it for 25-30 years.

#### **Over 4.5 motor vehicles registered in Romania in 2007**

Over 4.5 motor vehicles were registered in Romania by the end of 2007, namely 4,501,266, of which more than 1.2 million in Bucharest, up almost 400,000 from 2006. As many as 383,422 vehicles were new ones. According to the Communication Department of the Ministry of the Interior and Administrative Reform, from the new motor vehicles, 198,696 were registered in

Bucharest alone. In 2007, registered were over 300,000 cars, 33,521 commercial vehicles of up to 3.5 tonnes, 9,322 heavy commercial vehicles, buses and coaches of over 3.5 tonnes. 1,000 motor vehicles are registered on a daily basis in Bucharest, so, estimates say that in 2010, as many as 1,450,000 motor vehicles will be registered in that city.

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## **IT&C**

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### **Phone numbers go portable by end-2008**

By the end of 2008, the clients of landline and mobile phone operators who want to migrate to another operator will be able to keep their number, yet for a certain fee, provides a project of the National Communication and Information Technology Regulatory Authority (ANRCTI) on the implementation of number portability. For the time being, the transfer process called 'number portability' is in the stage when technical and commercial implementation requirements need to be established, that should come in effect within nine months after the publication, in the Official Gazette, of the final decision of the ANRCTI president. According to the project, the clients will pay EUR 13 for each landline ported number, and EUR 11 for a wireless ported number. The centralized database for Romanian number portability is being built by UTI Systems, and by Porthus BV Belgium and Microsoft Romania as subcontractors, respectively. The implementation of number portability is one of the commitments assumed by Romania according to Chapter 19 of the negotiations on EU accession and is an efficient measure for stimulating competition in the sector of electronic communication.

### **E-commerce market reaches EUR 34.8 million in 2007**

The value of the e-commerce market with online payment advanced 263% in 2007 as against the previous year, reaching EUR 34.8 million, according to RomCard. The total number of transactions reached 449,000 in 2007. According to GeCad ePayment, the Romanian online stores using ePayment solution registered 344,000 transactions in 2007, worth of EUR 29.5 million. "We estimate a total value of EUR 70 million and 780,000 transactions for 2008. We also expect the share of online payments to grow from 15-20% to 25%," said Carmen Sebe, CEO of GeCad ePayment. The increase in competition, the development projects and the consumer's behaviour determined companies to look for new ways to increase sales. The possibility to promote products and offer services with added value at low costs, to a wide but directly interested public, as well as the possibility to develop a business with a small investment are the advantages of the online environment. According to GeCad, main companies entered the market of e-commerce in 2007, with a strong increase in online stores. During the holidays, Romanians buy tourism offers, IT&C products, home appliances, toys and presents. GeCad Payment is a solutions integrator for online trade, leader on the Romanian market of online payments. The company develops and owns three solutions: ePayment, Avangate and myAvangate. ePayment is developed exclusively for the domestic market, to all legal persons with an online business. Avangate and myAvangate is developed for the domestic and international markets of software electronic distribution. ePayment and Avangate are trade marks of GeCad ePayment International and Avangate BV, member of GeCad Group and major shareholder of Avangate BV.

### **IT market in Romania – EUR 1.37 billion in 2008**

Value of IT market in Romania could attain EUR 1.37 billion in 2008, a surge of some 11% from 2007, according to IDC company's first outlook. IDC stressed that in 2007 the market recorded a higher growth, of some 16.7%. Hardware will continue to be the most important component of the IT market in Romania, in 2008, following the big demand for PCs. According to IDC, this will be the effect of a gradual developed market and a decline in PCs prices. Whereas prices and the penetration rate maintain the development of PC market's value close to 10%, investments in IT services are to surge by 19.6% - in euros - up to this yearend, representing an increase of two points above the last year rate. IDC study also reveals that on the software market competition is to be also very fierce, in 2008. Growth rate is estimated to continue close to 11% in 2008 and the players will directly compete for the new opportunities on this market. As a recently European Union member state, Romania is an attractive market for software vendors from all over Europe, as well as for the multinational companies interested in new opportunities. IDC publishes more than 25 studies annually, plus quarterly analysis and databases containing essential information as regards the IT market in Romania.

### **Hardware market to grow by 25%**

The Romanian hardware market (desktops, portables and servers) is to pass 1 million units sold, that is an increase by 25% on the deliveries last year, estimated to stand at 800,000 units, President of the Association of Information Technology and Communications Equipment Producers and Distributors (APDETIC) Valentin Negoita said. The portables recorded the most significant increase in 2007, by almost 100%, with the growth pace seen to keep steady this year too. On the other hand, the growth by 25% in the deliveries of hardware equipment is to result in an increase by up to 15% of the market value. Thus, while the estimation for 2007 of the APDETIC stands at EUR 467 million, in 2008 Negoita considers the market will attain 537 million euros. As regards the hardware sales, Valentin Negoita stressed the most significant deliveries, in terms of value, were operated to the residential market, 37%, while the corporations generated 28% of the sales. Closely related to the hardware market, but with a smaller volume is the "print" market: copiers, printers and multifunctional equipment, on which market Negoita expects a surge by 25% this year in the volume of deliveries, and by 15% respectively in value. Thus, there is estimates the print market will reach EUR 77.6 million in 2008.

### **EU membership makes Romania an attractive destination for IT investment**

Romania's entry into the European Union in January 2007 has catalysed interest in the country's software industry, according to a feature of the Electronic Engineering Times cited by Mediafax. Romania is attractive for a variety of reasons, including an ample supply of graduates from a university system strong in math and physics, relatively low costs, a time zone and distance favourable to European companies and an eager, multilingual work force. For example, Wirtek A/S, a software outsourcing firm based in Denmark, first looked at India to move there its offshore operation, but management instead decided to acquire Romanian company CodeWizards, based in Cluj-Napoca. According to the analysis made by the Electronic Engineering Times, among other companies making recent acquisitions in Romania, there are Adobe Systems that purchased InterAKT and Wind River Systems that acquired Comsys of Galati, for USD 1.4 million. "All of those businesses are attracted by the skilled people coming out of the universities," Goodhind said. Every year, Romania produces 5,000 graduates in software and related disciplines. Currently, 2,500 graduates are employed in the software industry, according to figures from the state's Foreign Trade Department. *Source: Nine o'Clock.*

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## **Agriculture & food**

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### **Area payments for Romanian farmers to start soon**

An expert team of the European Commission has carried out an audit mission into the activities of the Paying and Intervention Agency for Agriculture (APIA) at the end of January. The aim of the mission was to test the operation of the APIA system and assess the progress achieved in its preparations for the payments which will be disbursed out of the European Agricultural Guarantee Fund (EAGF). APIA was expected to report to the European Commission by January 31 the total area eligible for direct payments so that a reduction coefficient may be worked out for computing and authorising the payments. The total area eligible for EAGF payments is set to 8.6 million hectares, but the area so far registered for payments is by 1 million hectare larger. According to the APIA management, the most likely period for the start of the area payments to Romanian farmers will be the second half of February, and the action is expected to take three months to complete, at the most. APIA will also start off in late February an information campaign for the submission of the 2008 area payment requests. The submission campaign is scheduled to start on March 1, 2008. The European Commission is expected to earmark this year some EUR 443 million for direct (area) payments to Romanian farmers, which is similar to the amount in 2007. The allocations would then increase to EUR 533 million in 2009, EUR 624 million in 2010, EUR 713 million in 2011, EUR 891 million in 2012 and to EUR 1.069 billion in 2013. Romania is to receive over EUR 12 billion in agricultural and rural development funds, during 2007-2013, 4.2 billion of which for direct payments and 8 billion for rural development.

### **Romanian dairy market up 10-15% in 2008**

Romania's dairy processing market will grow by about 10-15% in 2008, and could reach around EUR 1 billion, according to the president of the Romanian Dairy Industry Employers' Association (APRIL) Valeriu Steriu. "In 2007, the production industrially processed milk was 1.1 billion litres, with a value higher than EUR 900 million. I expect the market to grow by at least 10-15% in 2008, as a result of the many farms under construction, and of the new veterinary rules aimed at increasing milk quality," said Steriu. In 2007 the unprocessed milk market reached 1.8 billion litres and was worth approximately EUR 1 billion. Steriu specified that the European dairy processing industry undergoes radical changes that will also show on the Romanian market.

"Biodiesel production, that takes up more maize, will trigger a fodder crisis that will affect costs and consumer prices, even if Romania will not be as seriously affected as other EU countries,' said Valeriu Steriu. The local market will also be influenced by state support for cattle breeders, which is now unsatisfactory. "For the time being, the price for milk stays unchanged, because consumption is low and no producer will proceed to price changes at such times,' said the APRIL president. Romanian dairy processing plants - around 200 - process some 1.1 billion litres of milk per year, whereas direct sales on the peasant market stand at 1.8 billion litres. Dairy producers Napolact/Friesland, Albalact, LaDorna, Brilact and Danone have a combined share of 77% of the processed milk market. More than half of the amount of milk supplied for processing in Romania (52%) comes from the Cluj and Brasov areas; the figure rises to 60% if the Timis county is also added. Romania produces more than five million tonnes of milk every year, but over 40% of the quantity produced by small farms (household farms) does not meet EU requirements. Romania was given a transition period for the quality of milk until 2009, when producers are still allowed to sell non-compliant milk, but after this date all the milk must meet EU norms. Romania negotiated with the EU a total milk quota of three million tonnes a year, although it produces over five million tonnes. Exceeding this limit results in penalties of EUR 278.3 for each tonne of milk above the quota and a lower production results in a quota cutback for the coming years. The European Commission suggested in early December a two percent increase in milk quotas starting with April 1, 2008, so as to meet the higher demand of both the EU and the global market. The increase, representing a total of 2.84 million tonnes, would be equally shared among the 27 member states. Romania will thus have a milk quota of 3.11 million tonnes. In 2006 there were 1.15 million household farms and 1.7 million cows in Romania, with more than 90% of the households having just two cows. At the end of 2005 there were just 163 farms with more than 100 cows.

#### **Romania registers EUR 1.7 billion deficit in agricultural trade**

In the first 10 months of 2007 Romania registered a deficit of EUR 1.7 billion in the agricultural trade with EU and non EU states, according to the data of the Ministry of Agriculture and Rural Development. Imports exceeded EUR 2.59 billion, while exports reached only EUR 902 million. The main imported product is the pork meat, with 157,411 tonnes worth EUR 263 million, followed by poultry meat worth EUR 124.2 million, food products of EUR 120 million and sugarcane worth EUR 105.7 million. Romania exported tobacco products worth EUR 108.9 million, live animals of the bovine species worth EUR 74 million (41.549 tonnes), sunflower seeds (EUR 82.8 million), rape seeds (EUR 68 million) and maize (EUR 60 million). The agricultural deficit in 2006 reached EUR 1.57 billion, up 16.5% as against 2005, imports reaching EUR 2.4 billion. EU remained Romania's main partner in agricultural trade, both for exports and imports.

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### **Foreign investment**

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

At the end of November 2007, according to the provisory data published by the National Office of the Trade Registry there were 146,507 companies registered in Romania with foreign participation in social capital, total foreign investment amounting to EUR 17.4 billion. The top of the first five foreign investors was led by the Netherlands, with 3,093 companies registered and total invested capital of EUR 3.21 billion, followed by Austria with 4,847 companies and a total investment of EUR 2.2 billion, Germany with 15,472 companies and a total investment of EUR 1.78 billion, France with 5,340 companies and an investment of EUR 1.75 billion, and Cyprus with 3,494 registered companies and a total investment reaching EUR 0.87 billion.

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### **Privatisation**

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#### **Companies to be privatised by AVAS in 2008**

The list of companies where the Authority for State Assets Recovery (AVAS) is a major shareholder and which are to be privatised in 2008 is available on the web site of the Authority, at [http://www.avas.gov.ro/upload\\_files/documente/Lista%2060%20de%20societati\\_jsnctssdb11321\\_91kfbg2vtq34.pdf](http://www.avas.gov.ro/upload_files/documente/Lista%2060%20de%20societati_jsnctssdb11321_91kfbg2vtq34.pdf).

#### **Transelectrica plans to privatise three subsidiaries**

Transelectrica, electricity transport state company, plans to privatise in 2008 three subsidiaries. More precisely, Transelectrica estimates it is going to finalize in the first half of next year privatisation of Formenerg, Icemenerg and Icemenerg Service subsidiaries, which are not part of

the energy transporter's basic activity. Employees, whose last job was with this company could participate in the privatisation of Research and Energy Modernization Institute Icemenerg, in the Formenerg Energy Staff Formation subsidiary and in Icemenerg-Service Transelectrica. They can acquire 10% of the stock, at the most. The company has another three subsidiaries, respectively OPCOM energy market operator, the maintenance services company of Smart and Telegrans networks, the branch of telecommunications and information technology services. According to Transelectrica director general Stelian Gal, a strategy for Smart and Telegrans is to be established. In 2008, Transelectrica is to invest EUR 126 million in technology renewal projects of transforming stations. In 2007, investments in stations' technology renewal amounted at EUR 115 million. Company's investment manager George Visan says that the society will stay within the net profit targeted for this year, of some 18 million euros, after it reduced the spending by approximately EUR 2.8 million. According to the company, the Energy Regulatory Authority is to recognize next year supplementary spending allocated to network congestion elimination of approximately EUR 8.4 million. Transelectrica Co. capital is controlled by the Ministry of Economy and Finance (MEF), accounting for 73.7% of the stock, Property Fund, with 13.5% and other shareholders, cumulating 12.8%. The company has a 10% share package listed on Bucharest Stock Exchange (BVB) and, in 2008, it plans to supplement the shares traded on BVB by another 10%.

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## **Dutch presence in Romania**

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### **TNT Romania expecting 25% growth in 2008**

Turnover of TNT Romania, one of the main couriers in Romania, could amount to EUR 39 million in 2008, 25% more year-on-year. "Our achievements in the first post-accession year achievements have contributed to the consolidation of our lead position on the international express courier market in Romania. The evolution of our turnover was mainly due to the finalizing of several important projects, such as the range of services offered," according to a declaration for Business Standard by TNT Sales & Marketing Manager, Bogdan Zafiu. According to Zafiu, deliveries, mostly in the European Union, increased 30% in the past few years. "We expect that the evolution in 2008 will be similar due to the new post-accession economic climate and a rise in the number of Romanian companies interested in rapid access to new markets," said Zafiu. Bogdan Zafiu said that TNT has invested up to 15% from turnover in new projects, such as an operational infrastructure. "This year we will build a new headquarters in Otopeni, and a hub in Timisoara," added Zafiu. Of the total deliveries, 80% are to and from the European Union. The local market was estimated by experts to be worth EUR 200 million in 2007, 40% higher year-on-year. TNT Express has 54,000 employees worldwide and delivers 4.1 million packages to over 220 countries every week. TNT Romania is part of the Dutch company TNT N.V., world leader in courier, transport and logistics. The company came to Romania eight years ago, when it acquired Romcargo. Its main competitors in Romania are DHL, UPS and FedEx. Bogdan Zafiu claims that TNT has the lead position with 49% of the market.

### **ISDC among the most wanted employers by people in Cluj Napoca**

Daily Ziua de Cluj has published an article on the most wanted employers in Cluj Napoca, based on the information received from the different recruiting companies. Dutch company ISDC ranks 6th in this top of the employers. ISDC is an experienced and dynamic provider of business critical software solutions and services for the European market, specialized in custom-made software development for large and medium-sized companies. Since 1990, ISDC delivers software solutions and services to business areas as trade, industry, logistics, healthcare, warehousing, business services, banking and insurance, mainly on the Dutch, British, and Swiss markets. In 2007, ISDC ranked 21 in Top 100 Best Employers of Romania, a yearly study on employee satisfaction realized by Capital together with GFK International Research Institute.

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## **Events & Useful web links**

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### **Trade mission on environmental technology in Romania between 2 and 6 June 2008**

For the EVD, agency of the Netherlands Ministry of Economic Affairs, Rocon organises together with the Chambers of Commerce of North West Holland and East Netherlands and Syntens a trade mission to Romania. This mission takes place from 2 – 6 June 2008 and is targeted at all Dutch businesses that are related to the environmental technology industry. The goal is to link Dutch businesses to Romanian businesses in the same sector and to intensify cooperation. Due to the financial support of the EVD, the participants only have to contribute EUR 500 and travel expenses.

For more information: [www.rocongroup.com/handelsmissieroemenie](http://www.rocongroup.com/handelsmissieroemenie) or via Rocon:

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- Embassy of the Kingdom of the Netherlands in Bucharest
  - Agency for International Business and Cooperation - EVD
  - The Netherlands – Romanian Chamber of Commerce
  - The Dutch-Romanian Association
  - Romanian Ministry of Agriculture and Rural Development
  - Romanian Ministry of Economy and Finance
  - Romanian Ministry of Environment and Sustainable Development
  - Romanian Ministry of Transport
  - National Institute for Statistics
  - Agency for Small and Medium Sized Enterprises
- Information on EU funds - [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro)
- [www.netherlandsemb.ro](http://www.netherlandsemb.ro)
  - [www.evd.nl](http://www.evd.nl)
  - [www.netherlands.ro](http://www.netherlands.ro)
  - [www.nederland.ro](http://www.nederland.ro)
  - [www.mapam.ro](http://www.mapam.ro)
  - [www.mefromania.ro](http://www.mefromania.ro)
  - [www.mmediu.ro](http://www.mmediu.ro)
  - [www.mt.ro](http://www.mt.ro)
  - [www.insse.ro](http://www.insse.ro)
  - [www.animmc.ro](http://www.animmc.ro)