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Romania – Economic Newsletter

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Tel.: +40-21-208 6030

Fax: +40-21-230 7620

BKR-EA@minbuza.nl

www.hollandtrade.ro

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 (Agerpres 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 December 2008 exchange rates were:

1 EUR = 3.9153 RON

1 USD = 2.9026 RON

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

Contents

MACROECONOMICS	3
0.23% INFLATION IN DECEMBER 2008 AND 7.9% INFLATION IN 2008.....	3
AVERAGE WAGE IN NOVEMBER 2008	3
5.4% UNEMPLOYMENT IN Q3 2008	3
FINANCIAL CRISIS	3
HARDWARE PRODUCERS ADOPT MEASURES TO COMBAT THE CRISIS.....	3
INTERNATIONAL TRADE	3
EUR 1.7 BILLION TRADE DEFICIT IN NOVEMBER 2008.....	3
LEGISLATION / TAXATION.....	4
MEASURES RELATING TO VEHICLES POLLUTION TAX	4
INTRASTAT THRESHOLDS FOR 2009.....	4
MODIFICATIONS TO EXCISE DUTIES RATES FROM 1 JANUARY 2009	4
VAT EXEMPTIONS FOR NATO PROJECTS.....	5
AMENDMENTS TO THE PROCEDURE REGARDING CESSION OF TAX CLAIMS ADMINISTERED BY ANAF	5
AMENDMENT AND COMPLETION OF THE TAX PROCEDURE CODE.....	5
INSTRUCTIONS FOR ARCHIVING ELECTRONIC DOCUMENTS	5
THE MINIMUM LEVEL OF EXCISE DUTY ON CIGARETTES FOR THE PERIOD 1 JANUARY TO 30 JUNE 2009	5
EU FUNDS	5
ROMANIA TO GET EUR 1.82 BILLION IN ADVANCE FROM EUROPEAN FUNDS FOR 2007-2009.....	6

NEARLY 800 PROJECTS SUBMITTED FOR DEVELOPMENT SUPPORT TO MICRO ENTERPRISES	6
PROJECTS WORTH EUR 200 MILLION APPROVED UNDER POS-CCE.....	6
INFRASTRUCTURE PROJECTS OF EUR 300 MILLION CONCLUDED WITHIN ROP.....	7
SMEs OF NORTH-WEST REGION OF ROMANIA, MOST INTERESTED IN STRUCTURAL FUNDS	7
INFRASTRUCTURE & TRANSPORT	8
DANUBE-BUCHAREST CANAL CONSTRUCTION TO START IN 2010	8
CONSTANTA SEAPORT HITS RECORD HIGH IN GOODS TRAFFIC.....	8
NATIONAL PACT FOR HIGHWAYS, THE PRIORITY OF THE 2009 - 2012 INFRASTRUCTURE PROGRAM	9
ENERGY.....	10
GOV'T APPROVES NATIONAL ENERGY EFFICIENCY PROGRAMME FOR 2009-2010.....	10
ENVIRONMENT & WATER.....	10
BUCHAREST CITY TO HAVE AN INTEGRATED AIR QUALITY MANAGEMENT PROGRAMME DEVISED FOR IT	10
DAM TO ENSURE BUCHAREST'S WATER SUPPLY, COMMISSIONED	10
FOREIGN INVESTMENT.....	11
FOREIGN INVESTMENT AT THE END OF NOVEMBER 2008	11
AGRICULTURE & FOOD	11
ROMANIANS SLAUGHTER 2.8 MILLION PIGS FOR CHRISTMAS	11
DAIRY FARMERS UNHAPPY WITH IMPORT OF RAW MILK	11
ROUGHLY EUR 139 MILLION AVAILABLE FOR THREE NEW RURAL DEVELOPMENT PROGRAMME MEASURES	12
RETAIL.....	12
RETAIL TRADE IN ROMANIA RECORDS THE HIGHEST GROWTH IN EU IN OCTOBER 2008.....	12
PRIVATISATION.....	12
PETROMIN COMPANY TO BE PRIVATIZED.....	12
HIDROELECTRICA SELLS 10 MICRO POWER PLANTS.....	13
IT&C	13
ALMOST 2.3 MILLION INTERNET CONNECTIONS, AT END JUNE 2008	13
DUTCH PRESENCE IN ROMANIA.....	13
INTERAMERICAN TO END THE YEAR WITH EUR 24 MILLION BUSINESS	13
EVENTS & USEFUL WEB LINKS.....	14
WEEKLY BULLETIN REGARDING WATER PROJECTS IN ROMANIA.....	14

Macroeconomics

0.23% inflation in December 2008 and 7.9% inflation in 2008

According to the data published by the National Statistics Institute the inflation was of 0.23% in December 2008, as compared to the previous month. For the entire 2008, the inflation reached 7.9%.

Average wage in November 2008

According to the data published by the National Statistics Institute, in November 2008, the net average wage was of RON 1,844, with 2.7% higher as compared to the previous month.

5.4% unemployment in Q3 2008

According to the data published by the National Statistics Institute, the unemployment rate reached 5.4% in the 3rd quarter of 2008.

BNR international reserves reduced by EUR 90 millio

Romania's international reserves have dropped by EUR 90 million, standing at EUR 27.22 billion as of November 30 this year compared to EUR 27.31 billion on October 30 this year, the National Bank of Romania (BNR) informed on December 2. Inflows in the shape of the modification of the minimum forex reserves made by the lending institutions, operations on the inter-banking market, revenues derived from the administration of the international reserves and others totalled EUR 1.619 billion. Outflows accounting for interest and rate payments toward the direct external debt, payments to the European Commission and modifications in the statutory reserves of the credit institutions and other similar organizations were in the amount of EUR 1.709 billion. The gold stock remained at 103.7 tonnes. However, following the developments in the world price of gold, its value is of EUR 2.112 billion. Romania's international reserves (foreign currencies plus gold) rose to EUR 29.340 billion compared to EUR 29.226 billion as of November 30 this year. In December 2008, payments due on public and publicly guaranteed external debt amounted to EUR 85 million. *Source: Agerpres.*

Financial crisis

Hardware producers adopt measures to combat the crisis

Romanian hardware producers and IT distributors are considering cutting costs by lowering stocks and loans to minimize the effects of the financial crisis, daily Business Standard wrote on November 25. "We need to make more aggressive offers to attract clients and have a better relation with distributors. Though we are well-positioned in the entry and mid-level segments, we will not reach last year's growth rates in the near future, and we are considering a drop of 10-15% in stocks," said Bogdan Iftemie, Sales Manager of Acer Romania, the local subsidiary of the Taiwanese Acer company. Fujitsu Siemens Computers has revised its strategy and now targets the IT infrastructure service sector, which is estimated to make up 30% of the company's total sales in 2009. "We have lost a significant segment on the low-end products, in favor of Asian producers," said Dragos Nicolaescu, Country Manager of Fujitsu Siemens Computers Romania. "It is difficult now to make forecasts for the near future, unlike other years. We need good stock management and higher flexibility to adapt to possible market changes," said Horia Chitu, Chief Executive Officer of Scop Computers. Dragos Popescu, General Manager of R.H.S. Company, IT supplier for components, accessories and PC systems, said the firm did not register growth in November, compared to the previous month. "We are not currently affected by the crisis, but we may feel its effects by late February early March 2009," he added.

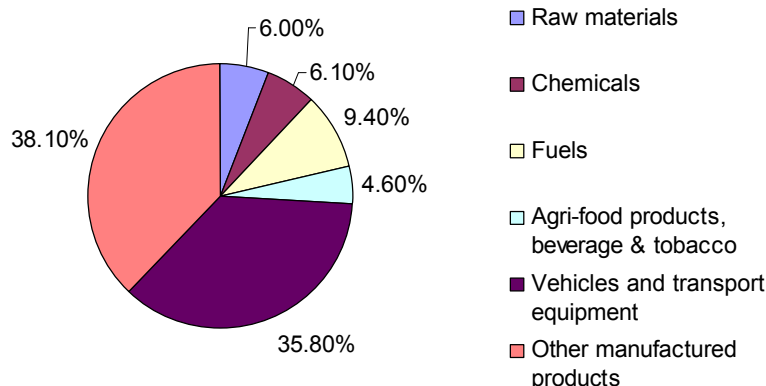
International Trade

EUR 1.7 billion trade deficit in November 2008

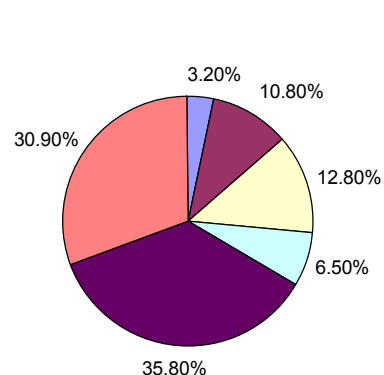
Estimated data published by the National Statistics Institute shows that FOB exports in November 2008 were in value of EUR 2.54 billion, down 9% as against November 2007, while the CIF imports were of EUR 4.22 billion, down 17% as compared to the same period of last year. As a result, trade deficit for November 2008 was in value of EUR 1.7 billion, with EUR 616 million lower as the trade deficit registered in November 2007. *See table and graphs below.*

January – November 2008								
Trade (bill. EUR)	FOB exports			CIF imports			FOB/CIF balance	
	2007	2008	'08/'07 - % -	2007	2008	'08/'07 - % -	2007	2008
Intra EU 27	19.7	22.24	112.9	33.45	36.15	108.1	-13.8	-13.9
Extra EU 27	7.56	9.35	123.5	13.37	16.4	122.7	-5.8	-7.1
TOTAL	27.26	31.59	115.9	46.82	52.5	112.2	-19.6	-21

**January - November 2008 FOB Exports
breakdown on main categories of goods**



**January - November 2008 CIF Imports
breakdown on main categories of goods**



Legislation / taxation

Measures relating to vehicles pollution tax

The Romanian Government has approved Ordinance no. 218 dated 10 December 2008 establishing measures related to the motor vehicles pollution tax.

The changes mainly refer to: • The tripling of specific pollution taxes, for some categories of vehicles; • The pollution tax exemption for vehicles with Euro 4 pollution standard, and a cylindrical

capacity of 2000 cm³ or less, and also for vehicles with Euro 4 pollution standard designed for goods transportation, and with a weight of under 3,5 tons. This exemption applies for vehicles registered for the first time in Romania or another EU country between 15 December 2008 and 31 December 2009; • The reimbursement of the surplus tax paid during the period 8 December 2008 – 10 December 2008, when the increased taxes were charged. See: *Official Journal no. 836/11.12.2008*

Intrastat thresholds for 2009

By Order no.683/09.12.2008 issued by the president of the National Institute of Statistics, the Intrastat thresholds from 2008 are being preserved for 2009 as well. See: *Official Gazette of Romania no. 826/09 December 2009*

Modifications to excise duties rates from 1 January 2009

The excise duty rate for some energy products will increase from 1 January 2009, as follows: • Unleaded petrol - EUR 436.00 euro / ton (EUR 335.72 / 1000 litre); • Gas oil - EUR 336.00 / ton (EUR 283.92 / 1000 litre); • Heavy fuel oil intended for heating business use - EUR 14.40 / 1000 kg; heavy fuel oil intended for heating non-business use – EUR 15.00 / 1000 kg; • Natural gas

intended for heating non-business use - EUR 0.27 / GJ; • Electricity intended for business use - EUR 0.42 / Mwh; electricity intended for non-business use - EUR 0.84 / Mwh; Also, as of 1 January 2009, the excise duty for some nonharmonised excisable goods (i.e. coffee, crystal articles, gold and / or platinum jewellery) will decrease, as follows: • Green coffee - EUR 306 / ton; roasted coffee (including coffee substitutes) - EUR 450 / ton; soluble coffee - EUR 1800 / ton; • Crystal articles - 15%; gold and / or platinum jewellery (except wedding rings) - 10%. *Source: Law 571 / 2003 regarding the Fiscal Code, with its subsequent amendments and completions*

VAT exemptions for NATO projects

The Ministry of Economy and Finance has issued Order no. 3209/ 2008 approving the Norms regarding the VAT exemption for projects financed through the NATO Security Investment Programme. According to this Order, the VAT exemption is granted either directly based on a VAT exemption certificate or through reimbursement. VAT exemption certificates will be issued at the request of the contracting authority, for the contractors and their subcontractors. The certificate is valid for the entire duration of the project and limited to the amount stated thereof. *See: Official Gazette no. 776/19.11.2008*

Amendments to the Procedure regarding cession of tax claims administered by ANAF

Order no. 1,600 dated 2 December 2008 has been published. It modifies and supplements the Procedure regarding cession of tax claims administered by the National Agency for Fiscal Administration (ANAF). The Order also applies to pending procedures. *See: Official Gazette of Romania no. 805/16.10.2008*

Amendment and completion of the Tax Procedure Code

Emergency Government Ordinance no. 192 dated 25 November 2008 has been published. It approved some tax relaxation measures to enhance economic growth and job opportunities. It also contains a series of amendments to the Tax Procedure Code. *See: Official Journal no. 815/4.12.2008*

Amendments to the Fiscal Code

A series of amendments have been made to the Fiscal Code in the areas of corporate income tax, individual income tax, withholding tax, value added tax, excises and local taxes. The amendments were introduced to Fiscal Code Law 571/2003 by Emergency Ordinances no. 127, dated 8 October 2008, and no. 200, dated 4 December 2008. *See: Official Gazette of Romania no. 705/16.10.2008, Official Gazette no. 815/4.12.2008*

Instructions for archiving electronic documents

The technical and methodological provisions for archiving electronic documents were issued. These provisions set the procedure of accordance, suspension or withdrawal of the decision of certification from the National Authority for Communications for administrators of electronic archives. It establishes: • the required conditions for the certification of the administrator and the activity of administrating electronic archives; • the rights and obligations of beneficiaries of services of electronic archiving. The provisions of this Decision have entered into force on 13 December 2008.

See: Official Journal of Romania no. 831/10.12.2008

The minimum level of excise duty on cigarettes for the period 1 January to 30 June 2009

By Order no. 3,687/17.12.2008 issued by the minister of Economy and Finance, the minimum level of the excise duty on cigarettes set for the period 1 January to 30 June 2009 is EUR 44.64/1,000 cigarettes (i.e. RON 166.79/1,000 cigarettes). *See: Official Gazette of Romania no. 860/22 December 2008*

With thanks to PriceWaterhouseCoopers Romania – Tax Department

EU funds

New regulations on structural instruments beneficiaries' pre-financing

The Gov't passed on December 17 an emergency ordinance which modifies the definition of pre-financing stipulated by the Ordinance no 29 of January 31, 2007 on the way of allotment of structural funds, pre-financing and co-financing allotted from the state budget, including from the National development fund, to the budget of institutions involved in the management of structural

instruments and their utilisation for the convergence objective, reads a release issued by the government. The modification answers the need to extend pre-financing to the beneficiaries of structural instruments, for the projects, which benefit from the state aid, as well as the effect of stepping up the absorption of structural instruments through the granting of pre-financing to the beneficiaries of the private climate. According to the new definition, pre-financing is represented by the sums transferred from the state budget from structural instruments to a beneficiary by direct payment or indirect payment, usually in the initial stage of implementation of projects, according to a contract of financing concluded between beneficiary and the management authority / the intermediary institution in charge, with a view to ensuring the proper unfolding of projects, reads the same release. *Source: Agerpres.*

Romania to get EUR 1.82 billion in advance from European funds for 2007-2009

Romania will receive European funds in advance for 2007-2009 worth a total EUR 1.82 billion, with the bulk of this amount or EUR 768.52 million representing the advance for 2009 alone, the European Commission announced at the end of November 2008. Originally Romania was to get an advance of EUR 515.30 million from the funds allotted under the European Union's Cohesion Policy. Such amount now stands at EUR 768,521,468 following the extra money that the Commission was proposed by the Economic Re-launch Plan unveiled on November 27. European Commissioner for Regional Policies Danuta Hubner at a news conference urged the EU member states to take advantage of the flexibility offered by the Commission, which allows the co-funding rate of the projects from European funds to go up by as much as 100% in 2009; the Commission will return to lower co-funding rates after the economic crisis is overcome, she added. Hubner, in reference to Romania, but to other new member states too, suggested that another strategy for the assignment of the European funds might also be adopted. Especially in the new member states we see that such high co-financing rate is not used, since they prefer to have a higher national contribution, so that they may use the European funds for several projects. Certainly, this is tactics too, but a different strategy can also be adopted: less projects, but more concentrated and with a higher degree of co-funding from the EU budget. This is a flexibility that the member states can use in order to increase the number of projects with a greater European contribution, the commissioner explained. *Source: Agerpres.*

Nearly 800 projects submitted for development support to micro enterprises

Region 7 Center has submitted 169 projects in response to the first call for projects under the development assistance for micro enterprises field of the Regional Operational Programme (ROP), the largest number so far, which led to a postponement in the finalisation of assessment until October 30, from October 16, for the other regions. As many as 777 applications for funds have been submitted for this first call for projects: 7 Centre – 169 projects; 1 North-East – 142; 6 North-West – 130; 2 South-East – 80; West – 79; 8 Bucharest – Ilfov – 62; 4 South West Oltenia – 61, and 3 South Muntenia – 54. The technical and financial assessment of the applications for funds accepted for field 4.3 – “Assistance for the development of micro enterprises” of the ROP programme for the first call for projects ended on October 16. Because of the large number of projects in the Center region, project assessment happened on October 30. After the finalisation of the technical and financial assessment, the ROP intermediation projects submitted to the Management Authority the results of the process. The assessment process was conducted by independent evaluators at the ROP intermediary bodies. The Management Authority carries out its own analysis of the way in which the entire process has been conducted and issues an approval of the assessment outcome. After this stage, the intermediary bodies inform each applicant about the results of the technical and financial assessments. The Management Authority of the ROP 2007-2013 programme launched the first call for projects for intervention field 4.3 – “Assistance for the development of micro enterprises” on March 13, 2008. The deadline for the submission of the applications for fund was set at June 16, 2009. Acceptance of the projects following technical and financial assessment does not automatically determine project financing. The accepted applications for funding will enter the next stage in the process of assessment and selection.

Projects worth EUR 200 million approved under POS-CCE

As many as 21 projects worth some EUR 200 million, out of the 2,400 submitted under the Sectoral Operational Programme for Growth of Economic Competitiveness (POS-CCE) were approved, with only one financing agreement having been concluded so far, Secretary of State with the Romanian Ministry of Economy and Finance (MEF) Eugen Teodorvici announced on December 9 at the Annual Conference on the implementation stage of the POS-CCE. 'The value of the projects submitted so far under the POS-CCE reaches RON 7.8 billion (more than EUR 2 billion). There were launched 25 calls for projects. As many as 21 projects, worth some EUR 200 million, were approved, with only one of these projects having concluded the financing agreement so far,' he said. According to the MEF's Authority for Management of POS-CCE, the total budget of

the calls for projects so far stands at approx. 33.7% of the total budget of the POS-CCE, which exceeds EUR 3 billion. The total budgets of the calls so far, exceeding EUR 1 billion, represents the projects for 2007, 2008, 2009 and 25.8% of the allotment for 2010. There were submitted 123 projects on the Priority Axis I, Productive Investments and Preparation for Market Competition, especially of SMEs - Support to Consolidation and Modernization of the Productive Sector through investments in large facilities. The total amount requested for the 123 projects reached RON 994.5 million. The average value of the amounts requested in the projects stood at RON 8 million. The Priority Axis II - Research, Technological Development and Innovation for Competitiveness attracted 140 projects, out of which 57 were selected. The amount requested for development of such projects reached RON 731 million, with the budget to be actually granted to stand at RON 657 million. The Priority Axis III - Information Technology and Communications for Private and Public Sectors, to support access to broadband technology and connected services attracted no less than 320 projects worth more than RON 15.5 million. There were in the end approved 285 projects, worth RON 14.3 million. There were RON 36.31 million requested for energy efficiency, with the total budget standing at EUR 173 million, RON 90.9 million requested for such projected aimed at cutting emissions of dust, with the total budget standing at RON 255 million, and RON 1.179 billion for energy renewable resources projects, with the total budget standing at RON 275 million, in the Priority Axis IV - Increase in Energy Efficiency and Durable Development of Energy Systems. 'A problem related to the implementation of the POS-CCE and absorption of the European funds by the SMEs, might be that, because of the long interval to pass between the approval of the projects and the sending of the money, the situation of some of the companies might change,' Eugen Teodorovici explained. The MEF representatives are currently taking into account the possibility to amend the system and structure of the POS-CCE programme and also to simplify the applicant's guide, the Secretary of State also added. *Source: Agerpres.*

Infrastructure projects of EUR 300 million concluded within ROP

A number of 19 financing contracts for investments into local and regional transport infrastructure, in value of EUR 300 million, were concluded within the Regional Operational Programme (ROP), by December 10, announced the director general of ROP Management Authority Gabriel Friptu in a seminar on the European funds absorption topic. "A number of 1,244 projects were submitted on all ROP axis by December 10. At present, 740 are active, with a total value of EUR 2.5 billion. The overall ROP allocated budget is EUR 3.72 billion over 2007-2013. On the local and regional infrastructure projects zone a number of 19 contracts in value of EUR 300 million were concluded", said Gabriel Friptu. A number of 21 projects in value of some EUR 200 million of the almost 2,400 submitted within ROP Competitiveness and Employment were approved till present, according to representatives of ECC/SOP Management Authority. "Two years since Romania's EU accession no bill was signed with the European Union for the spending of these allocated amounts. The big challenge next year is to spend the assigned European funds. The European funds absorption degree is ways too low", said the secretary general of the Romanian Employers' Association (AOAR), Cristian Parvan. AOAR representative proposed the separation of the management authorities from the ministries they are subordinated to and the setting up of a single management unit of the European financing programmes in charge with the management of all these programmes. Eu-Ro Clearing Funds platform of the Europe House has launched an appeal to the new Government and Parliament through which it asked them to do everything in their power to improve the absorption of the EU funds. Eu-Ro Clearing Funds maintains that for a better absorption of the European funds a unitary political coordination is needed, a higher creativity and innovation capacity of the applicants and simplification of the process of granting the national co-financing to such projects. As well, the organization proposes that the public institutions track down the vulnerable fields which might be affected by the financial crisis. *Source: Agerpres.*

SMEs of North-West region of Romania, most interested in structural funds

The Ministry of Communications and Information Technology (MCTI) closed on Dec. 12, the calls for projects for the Major Intervention Field 3 "Development of E-Economy", Priority Axis III of Sectoral Operational programme, "Increase in Economic Competitiveness, reads a release of the Ministry of Communications and Information Technology. For Operation 1, "Support for the implementation of IT integrated systems and of other electronic applications for business management, the overall value of projects registered on the web site was of about RON 103 million. The most interested in this operation were small and medium-sized enterprises (SMEs) of the Region North-West, which submitted 58 projects, whereas the institutions from the South-West region did not filed any project. Within this operation, projects may be financed for the enforcement or expansion of Enterprise Resource Planning systems, Customer Relationship Management, implementation of software solutions for design and/or production, for improvement of the management of products life cycle, of IT products of business intelligence systems. For

Operation 2 called "Support for development of e-trade systems and of other electronic business solutions," the overall value of the projects registered on the web site is of some RON 21 million. The most interested in this operation were small and medium-sized enterprises from the North-West region which submitted 13 projects, whereas institutions from the South regions did not submit any project at all. Within this operation, financing may obtain projects on the implementation of IT systems of e-commerce, electronic auctions, e-payment, implementation of e-learning systems for small and medium-sized enterprises and implementation of IT systems for development/optimization of the company's activity (Business 2 Business, Business 2 Consumer). Destined mainly to small and medium-sized enterprises, the two operations are a development factor for all SMEs which aim to increase the company's efficiency by the reorganization of all the processes based on an IT system, the introduction of modern TIC systems which encourage innovation and provide support for management's decisions, development of electronic trade, the expansion of utilization on-line teaching at business level. On December 15, the calls for projects for the Major Field of Intervention 1, operation 1.4 "Support for schools' connection to the internet through broadband connections and the major Intervention field 2, operation 3 "Support for Implementation of e-education applications ended.

Infrastructure & transport

Danube-Bucharest canal construction to start in 2010

The company in charge of designing and construction of Bucharest-Danube canal will be selected at the beginning of 2010, and the works are estimated to take some four years, announced November 13 Sorin Ovidiu Cupsa, director of Navigable Canals Administration. "Mid-year 2009, we will finalize the feasibility study and by year-end we are going to select the company in charge of the design, construction and 49-year leasing of this canal", said Cupsa. He stressed that canal finalization works, constructed in a proportion of 70% at the end of the '80s, will exceed EUR 500 million. The project will link Bucharest to the Danube river, respectively by connecting the municipality to the Pan-European transport Corridor VII, through a navigable canal with a transport capacity of up to 20 million tons per year on Budesti - Oltenita segment, of which 16 million tons per year on Budesti - Bucharest Port - December 1 segment and four million tons per year on Budesti - Bucharest Port - Glina segment. As well, the project will lead to the elimination of flood effects on some 30,000 hectares agricultural land and 11 localities, will ensure the necessary amounts of water for the irrigation of more than 150,000 hectares of agricultural land and for water supply of the adjacent localities and the production of some 58 GWH electrical energy per year, to which another 15 GWH per year will be added, produced by the four micro hydro stations and hydro stations to be raised on this canal. As well, representatives of the Minister of Transport maintain that this project will secure the development of leisure activities and tourism in the zone. The Danube - Bucharest Canal Project provides two navigable ways on Arges and Dambovita rivers, as well as three ports: December 1 on Arges, Glina on Dambovita and Oltenita. The project was transferred from the Ministry of Environment to the Ministry of Transport. *Source: Agerpres.*

Constanta seaport hits record high in goods traffic

Year 2008 reached an all-time record high for the traffic of goods operated in Romanian maritime ports. General manager of the National Company for Constanta Harbours Management (CNAPMC) (south-east, at the Black Sea), Constantin Matei said on December 16 in a news conference that at the end of 2008 new values of traffic high will be reached for the last 20 years, the traffic of goods operated in 1988 considered a reference year for the ports' activity, at the seaside, worth 62 million tonnes, being exceeded. 'According to the economic figures of the first 11 months of this year, we registered 57.5 million tonnes of operated goods, up 9% as against the same period of the previous year. By December 14 the overall traffic drew near 60 million tonnes therefore we believe this is the best result ever registered in Constanta Seaport,' said Constantin Matei. According to provisional data, the maritime traffic reported a rise of 10% compared to 2007, within the overall traffic of goods, reaching a volume of goods of 47,2 million tonnes and river traffic grew 4%, reporting a value of 10.4 million tonnes compared to 9.93 million tonnes in 2007. The traffic of containers maintained relatively constant, exceeding by some 4,000 TEU the values registered over the same period of the previous year. The financial results in the first 10 months of this year point to a gross profit of RON 19 million, at an overall revenue of RON 35,076,866, the company reporting at the same time, investments worth RON 40,448,768 of which RON 27,533,886 from own sources and only RON 12,914,882 from budgetary allocations. Unfortunately for next year the economic forecasts are gloomy allowing for the global economic crisis, the

National Company for Constanta Harbours Management (CNAPMC) estimating a diminution by at least 30% in the seaport's activity. *Source: Agerpres.*

National pact for highways, the priority of the 2009 - 2012 infrastructure program

The promotion of the National Pact 'The Highways of Romania' aimed at ensuring the long-term consistency and seamless continuity of infrastructure works is the major priority of the 2009 - 2012 Governing Program in the sector of transports. The program's priorities include interconnecting and rendering Romania's road network interoperable with the European road network, the constant reduction of road casualty victims, increasing the term of guarantee for infrastructure improvement works, and revamping the national road network in line with European quality standards by 2012. The government envisages the coordinated development of rail and road infrastructure, according to European requirements, ensuring intercity fast connections and increasing the technical rated railroad speed by 25% in average, halving the travel time to 50% for passenger and commodity trains and doing away with train border stationing.

As far as the transport sector is concerned, the ruling program provides the renewal and modernization of the existing rolling stock, the modernization of rail stations with a view to increasing the passengers' comfort and long-distance piggyback auto rail transport. As for road transport, the government plans to reorganize the activity of road infrastructure construction and maintenance by the establishment of the National Highways Company and of the National Road Company. The Transport Ministry's highway program provides the completion, until 2012, of the 855-km long highway segment of the pan-European Corridor IV connecting Nadlac (west) to Constanta (south-east), except for the section Sibiu (center) - Pitesti (south) (120 km) that will be built under a leasing arrangement due for finalization at the 2013-2014 horizon. Due to be finalized is also the section between Bors and Targu Mures (254 km) of the Transylvania highway (total 415 km), whereas works on the section from Targu Mures to Brasov (161 km) will be carried out in 2013-2014. The Bucharest-Comarnic (110 km) section is set for completion, whereas the Comarnic-Brasov section (56 km) will be carried out under a leasing contract due for finalization in 2013-2014. Also scheduled is the building of the connection between motorways A1 and A2, by upgrading Bucharest's city belt - the north section until 2012 and the south section by 2014. Due to start are also the works on the Ploiesti (south) - Buzau -Focsani (east) highway (108 km), part of the pan European Corridor IX, the Focsani - Saboani highway (140 km), the Targu Mures-Iasi highway (300 km) and the South Highway Bucharest - Alexandria - Craiova (170 km). Scheduled for commencement in 2012 are the works on the Lugoj-Caransebes-Orsova-Drobeta Turnu Severin-Craiova-Calafat (south) highway, part of pan-European Corridor IV B. The Ministry of Transport will build by-pass highways for 47 cities and will remake 5,000 km of national roads in line with the European quality standards for roads.

As far as rail transport is concerned, the governing program provides the completion, by 2009, of the modernization of the Bucharest - Constanta rail sector and the finalization - by 2011 - of the Campina - Brasov section, which are all integrated into pan-European Corridor IV. The Bucharest Northern Station will be rebuilt and the rolling stock of passenger rail transport company CFR Calatori will be renewed and modernized; the government will acquire 100 new motor carriages, 500 new carriages and will modernize 700 carriages and 300 engines of the current fleet, carrying also on with the "Blue arrow" high-speed train acquisitions with another 50 units. Also in the pipeline are the completion of the 1 May - Laromet underground track (3.1 km long, with two stations) by 2010 and the start, in 2009, of works on underground Mainline 5: Ghencea - Dr. Taberei - Heroes' Monument - Pantelimon; completion of the first section, connecting the Ghencea neighborhood to the Heroes' Monument, is scheduled for 2012. As far as naval transport is concerned, the bridge across the Danube-Black Sea canal will be built in the area of Agigea, linking highway A2 with the Constanta city belt. In the air transport sector, the Ministry will ensure a competitive management by the establishment of the Bucharest National Airport Company (Otopeni and Baneasa facilities) and of the Banat National Airport Company (Timisoara - Arad, west). The passenger terminal of the 'Henri Coanda' Bucharest International Airport will be completed so as to ensure an annual capacity of five million passengers for the hub. Air carrier TAROM will be put into private hands and listed with a view to increasing its efficiency. The position of public corporation ROMATSA will be strengthened under the European Single Sky program by setting in place a multi-functional air traffic management bloc in cooperation with Bulgaria. *Source: Agerpres.*

Energy

Gov't approves national energy efficiency programme for 2009-2010

The Government passed on December 10, the National Energy Programme in the public sector for years 2009-2010, which provides financial support by non-repayable financing from state budget for a range of objectives of investments in the energy field, reads a release of the Government. The programme is aimed at making significant savings of energy and fuel and at reducing the pollution of the environment. At the same time it will provide an example to follow for other public or private institutions or organizations. The national programme for increase of the energy efficiency and utilization of renewable energy sources in the public sector is a continuation of the drives of implementation of the measures to boost energy efficiency, deployed over 2005-2006 by the Romanian Agency for Energy Conservation (ARCE) with the diversification of the types of works to increase energy efficiency and use renewable energy sources, which will obtain financial support from the state budget. ARCE is the relevant authority for the implementation of the programme and in this capacity performs the specialized technical analysis to determine the eligibility of projects and it also the authority for the selection based on technical-economic criteria. Through its territorial branches, the Romanian Agency for Energy Conservation collects data on investments projects and provides the monitoring of their implementation, throughout the works as well as subsequently their commissioning, for the checkup of fulfillment of project parameters. For the financing of the programme as many as RON 32.2 million are allotted for 2010 and RON 40 million for 2009. The financial support for the co-financing of projects is provided by the state budget through the Economy and Finance Ministry, through transfers between units of the public administration. According to the European Union's legislation it is necessary the public sector hold an exemplary role in the field of efficient utilization of energy and energy resources, besides the enforcement of the most modern modernization and upgrading solutions. The national programme for the reduction of costs for population's energy, by the increase in the energy efficiency and the utilization of renewable energy was successfully enforced in 2007. Out of 37 selected and co-financed projects, 17 were completed. *Source: Agerpres.*

Environment & water

Bucharest City to have an integrated air quality management programme devised for it

Bucharest municipal councilors on November 25 approved a draft decision concerning an integrated air quality management programme to be implemented in the city over the next five years. The programme was drawn up July 2007 – July 2008 by a technical board made up of Bucharest Mayoralty specialists, district mayoralties, sanitary authorities and environmental authorities, Romanian Car Registry, the Cadastres Office and the Road Police. Head of the Bucharest Environmental Protection Agency Adrian Catrina says the programme will be carried out in the next five years, with the first measures to be introduced in 2009. Among the measures under the programme is the establishment of a single lane for RATB public transport, ambulance and firefighters, the grassing of unbuilt land and 30% of the built areas, as well as turning hypermarket parking lots in residential parking lots. The programme also includes the carrying out of a "Life air aware" project that entails the implementation of a pollution forecast and warning system to allow uniform reaction in such cases. The programme encourages bicycle driving, which will place public and private employers under an obligation to set up special parking lots for bicycles by the end of 2012. Constructors will also be placed under the obligation to provide green areas and plant trees on 30% of the land under their ownership. The programme also suggests an increase in the parking fees levied in the central areas of the city. *Source: Agerpres.*

Dam to ensure Bucharest's water supply, commissioned

A dam with a capacity of 7.6 million cubic meters that can ensure the entire water supply for Bucharest has been commissioned on December 4 in Ogrezeni, Giurgiu county (southern Romania) by the Romanian Waters National Administration (ANAR). "This is the first achievement in this field after 1990, a very important one as it can ensure the necessary water supply for the entire capital city in case of phenomena like flooding or accidental pollution, with a flow of 26 cubic meters per second," ANAR general director Marius Postelnicescu said. Moreover, the dam can protect from flooding localities located upstream Ogrezeni, in the Arges river basin. Works on the dam have started in 1992, were ceased in 1997 and then resumed in 2004. The investment was financed from the national budget. Planned for the next period is the construction of a 4.5-km long connection segment between the dam and the water accumulation in Crivina (south). *Source: Agerpres.*

Foreign investment

Foreign investment at the end of November 2008

According to the provisory data published by the National Office of the Trade Registry, at the end of November 2008, there were 159,144 companies registered in Romania with foreign participation in social capital, total foreign investment amounting to EUR 21.73 billion. The top of the first five foreign investors was led by the Netherlands, with 3,437 companies registered and total invested capital of EUR 4.96 billion, followed by Austria with 5,347 companies and a total investment of EUR 2.95 billion, Germany with 16,600 companies and a total investment of EUR 2.55 billion, France with 5,841 companies and an investment of EUR 2 billion, and Italy with 26,826 registered companies and a total investment reaching EUR 1.14 billion.

Agriculture & food

Romanians slaughter 2.8 million pigs for Christmas

It is estimated that Romanians slaughter 2.5-2.8 million pigs during this Christmas, more than in 2007 and 2006 when they slaughtered 2.13 million and 2.42 million pigs respectively, according to the figures of the Ministry of Agriculture and Rural Development. Over 75% of the pigs are slaughtered in the people's rural households and the difference comes from commercial pig farms. The sale of pork from pigs bred in households is banned by law. Under the European legislation referring to the animal welfare, before the traditional slaughter people must stun the pigs. This time, the stunning can be performed by any pig breeder. "This year, the stunning will not be done compulsorily by the veterinarian only, but also by the pig owner or people authorized by the mayor's offices", said the president of the National Sanitary Veterinary and Food Safety Authority (ANSVSA), Radu Roatis. Romania asked the European Commission (EC) to receive a 3-year derogation for the application of animal stunning before slaughtering. This derogation was necessary because the number of pigs bred in households is much bigger than in any other EU member state and stands at over 2 million heads. EC said in 2007 that the stunning is mandatory before the slaughtering of animals and demanded Romania to draw up a 3-year action plan aimed at improving the situation. "It very hard for us to control the observance of these European norms in such a large number of households, and the stunning cannot be introduced overnight. We have started the national information campaign on the necessity of stunning and I believe people will realize in time the importance of stunning", added Radu Roatis. At present, according to MADR, the pigs are bought by slaughterhouses for RON 5.3-5.5 /kg (some EUR 1.4). Romania does not import from the EU live pigs for slaughter. Only the pigs bred locally are slaughtered. The only imports of live animals are for reproduction. Romania imported 161,404 tonnes of pork from the EU until the beginning of September 2008. *Source: Agerpres.*

Dairy farmers unhappy with import of raw milk

Head of the Federation of Cattle Breeders of Romania Costel Caras recently said that 1,200 farmers who are breeding cows have received notifications from big milk processors, saying that their production is no longer accepted, because the processors are using milk from import. The cow breeders said that the milk imported by the big processors is not of the best quality, because its area of origin is not known and it is not subject to veterinary checks. Milk producers are asking the observance of the legal norms in the trade between EU member countries. Romanian farmers are afraid they will go bankrupt if the milk production is no longer purchased by processors; they said the imported milk is much cheaper. Cow breeders are asking the state to take action, to make veterinary checks on the milk entering Romania, tests that are currently being done by processors only. Subsidies have also be considered to support farmers. Otherwise, the over 1,200,000 dairy farmers will go bankrupt, and some three million people will suffer. The unions of dairy cattle breeders protested in late December at the customs in Nadlac, Petea and Bors. At the same time, according to the Association of Milk Processors - APRIL, once Romania entered the EU the free movement of goods between the member states has become one of the benefits got by Romania. "As of January 1, 2007, the Romanian products have free access on the EU market, to the same extent to which European goods have free access on the local market, all of this in the context of increased competition, with the observance of the legal norms in the field. Trade in raw materials are made with the observance of all the legal norms valid in the EU, including the ones regarding the administration of national milk quotas and the sanitary-veterinary requirements for the quality of milk," said APRIL following protests by milk producers. APRIL brings together some 45 dairy companies. The processing activity is generally based on the milk supplied by local

farmers, while the imports of raw materials (raw milk) are aimed at completing the processing needs, for a continuous flow of dairy products on the market. *Source: Agerpres.*

Roughly EUR 139 million available for three new Rural Development Programme measures

About EUR 139 million of European funds are available until 2013 to back semi-subsistence farms, setting up producer groups and support young farmers to take up their farms, the Ministry of Agriculture and Rural Development announced in the beginning of December. The available funds for measure 141 on the Support of Semi-Subsistence Farms total EUR 47.60 million; the highest non-repayable amount that can be granted for funding a project under this measure is EUR 1,500 per annum per semi-subsistence farm. The funds made available for measure 142 on The Setting Up of Producer Groups total EUR 6.94 million. The maximum non-repayable sum that can be applied for is EUR 100,000/year and depends on the value of the traded production; it is granted on an annual basis over five years. The specific purpose of this measure is to encourage the establishment of producer groups in the agricultural and forestry sector so as to generate high quality products that meet community standards, by applying consistent production technologies and supporting the members' access to the market. The funds for measure 112 meant to assist the Young Farmers to take up their farms are more than EUR 84.3 million. The maximum non-repayable amount that can be granted for a five-year period depends on the farm size, but it cannot exceed EUR 25,000 per farm. The projects within measures 141 and 112 can be submitted over December 3 - February 27; the projects for measure 142 can be put forward in an open session starting December 3. Potential beneficiaries can submit projects for measures 141 and 142 to the county Directorates for Agriculture and Rural Development and on measure 112 to the county Paying Offices for Rural Development and Fisheries. *Source: Agerpres.*

Retail

Retail trade in Romania records the highest growth in EU in October 2008

Romania recorded the highest growth of retail trade in the European Union (EU-27) in annual terms, for the fifth consecutive month, but the growth rate stood below 10%, at 9.4%, according to preliminary data released on December 3 by the Eurostat official statistics office of the EU. Although a leader, Romania is shown to witness a significant slowdown in the growth of retail trade over the past months. In June 2008, Romania posted a rise of 23.6% in retail trade on an annual basis, but the growth slowed down to 18.5% in July, a decline that continued into August (16.8%) and September (15.3%), and reached below 10% in October. In October, Romania was followed by Poland (5.1%) and Slovakia (4.6%). Retail trade in the EU-27 grew in eight member states and declined in 10. The widest decline, of 14.4%, was recorded in Latvia, Estonia (8.5%) and Spain (7.8%). In October 2008, compared with September 2008, the volume of retail trade fell by 0.8% in the euro area (EA15) and by 0.3% in the EU27. Likewise, Eurostat data show that in October 2008, compared with September 2008, Romania was among the member states with the most significant declines in retail trade in EU-27. The highest decline was observed in Spain (-2.3%), followed by Latvia (-2.2%), Romania (-2.1%) and Luxembourg (-2.1%). Among the member states for which data are available, total retail trade rose in five, fell in eleven and remained unchanged in Bulgaria and Denmark. In October 2008, compared with September 2008, the volume of retail trade fell by 0.8% in the euro area (EA15) and by 0.3% in the EU27. In September, retail trade remained unchanged in both zones. Data with the National Statistics Institute of Romania indicate that trade workers are the most productive, earning their companies big profits. Labour productivity per retail trade worker - the business turnover divided to the staff size - was nearly EUR 98,000 in 2007, compared with an average EUR 53,000 overall in the case of the other companies operating in Romania. Profit per worker in 2007 was EUR 3,600 in retail trade, compared with EUR 3,000 elsewhere in the economy. *Source: Agerpres.*

Privatisation

Petromin company to be privatized

The Privatization Authority (AVAS) put up for sale the company CNM Petromin Constanta, for a reserve price of RON 39.35 million, shows AVAS data sent to Agerpres. Some 70.011% of the company's share capital, namely 15,743,901 shares, is to be sold at auction. The company's main activity is sea and coastal water transport. AVAS retains the right to change / cancel its offer depending on the possible effects the financial situation of the company might have on the offering price. The bidding documentation is to be submitted by February 16, 2009. It will be

verified and examined by February 17, 2009, when the list of the accepted bidders will be drafted and made public. The auction is due on February 17, 2009

Hidroelectrica sells 10 micro power plants

State-owned company Hidroelectrica announced the organisation on February 16, 2009 of two open-cry auctions for the sale of 10 micro-power plants in Suceava county (northern Romania) for an overall price of RON 43.37 million (some EUR 11.1 million). The first lot is made up of six micro power plants, for whose upgrade the future owner will have to invest RON 7.47 million, without VAT (about EUR 2 million). For the second lot, the buyer will assume investments for upgrade totally worth RON 11.47 million, namely the equivalent of some EUR 2.9 million. The sale of micro power plants is part of a commitment which Romania took before the European Commission, during the EU entry talks, pertaining to the privatisation of 150 such units which were held at that date by Hidroelectrica. So far the company has sold 81 micro power plants for which it received EUR 60 million. For the remainder of units, which are to be sold, Hidroelectrica estimates to obtain between EUR 120 and 160 million. Hidroelectrica's representatives deem that probably, by the end of next year, all the micro power plants, which are now held by the Romanian state, will be sold. Last year, Hidroelectrica covered 25% of the consumption of electricity at national level, producing 15.6 TWh, down 12.1% compared to the level of 17.7 TWh reported in the previous year. The installed power of the power plants operated by the company cumulate 6,325 MW, which account for some 40% of the total capacities of the Romanian electricity production system. Hidroelectrica will be included in a holding which includes electricity supplier and distributor Electrica and two energy complexes of Oltenia (south), Turceni and Rovinari. In October, the government decided that the electricity distribution company Electrica take over the entire package of nominative shares held by the state in Hidroelectrica and in the two Oltenia-based energy complexes. *Source: Agerpres.*

IT&C

Almost 2.3 million Internet connections, at end June 2008

The number of connections for Internet access, at fixed points, stood at 2,29 million, at the end of June 2008, they were 450,000 more than in the same period last year, with Romania having reported the highest growth rate in Europe, in this segment, according to data reported to the National Communications Authority by Internet users. "Romania has the highest growth rate in Europe as regards the Internet connections. The growth pace will be kept next year. The WiMAX services that are launched in 2009 will ensure access to the Internet in areas not covered at present," said ANC head Liviu Nistoran. According to data released by Internet users, at the level of June 2008, in Romania, there were some 2.29 million fixed point access connections, 450,000 more than in the same period last year, when there were 1.84 million. At that date, there were over 1.2 million connections at mobile points for which services of Internet access were billed, up some 80% from June 30, 2007. From a total of 2.29 million fixed point access connections, some 99% are broadband Internet ones, whose number increased 50% from mid 2007. So, the penetration rate for 1,000 dwellers of the broadband Internet access connections reached 10.52%, while the penetration rate in 100 households stands at 27%. According to ANC, over June 30, 2007-June 30, 2008, the number of broadband connections by xDSL rose 190%, while the number of broadband connections for households rose 53%. The highest percentage in the total number of connections for fixed points continues to be held by cable connections, 52.5%, followed by xDSL connections, 22.5%. At the end of June 2008, registered were 1,202 active Internet suppliers, which accounts for 99% of those who reported data to ANC. *Source: Agerpres.*

Dutch presence in Romania

Interamerican to end the year with EUR 24 million business

Interamerican, the insurance company controlled by Dutch group Eureko, expects to end this year with business worth EUR 23-24 million, said Frans van der Ent, CEO of the insurer. This would correspond to a 15% rise in gross underwritten premiums against the EUR 20.8 million posted in 2007. "Over the next few years, we expect to see significant increases on the life insurance and health insurance segments," says van der Ent. According to him, Interamerican is the largest player on the health insurance market, where it currently has 10,000 clients, while the entire market is put at 30,000 clients. In terms of financial results, the head of Interamerican says the company will end this year with losses, too. "One needs volume sales in order to become profitable, these are not losses prompted by any business line in particular," he explains.

Events & Useful web links

Weekly Bulletin regarding water projects in Romania

The Embassy of the Kingdom of the Netherlands in Bucharest started publishing, in partnership with EVD and NWP, a weekly bulletin regarding water projects in Romania, distributed by e-mail. The material published in the bulletin is compiled on the basis of publicly available information, from various sources (the Electronic Systems for Public Acquisitions, the national press, the websites of the relevant Romanian authorities, etc.).

Those interested in receiving the bulletin are requested to contact Violeta Cozianu, at +40-21-208 6039 or bkr-ea@minbuza.nl.

- Economic network of the Netherlands in Romania
 - 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
 - The Dutch Romanian Network
 - 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
 - Ministry of SMEs, Trade, Tourism and Liberal Professions
 - Exhibitions in Romania
 - Information on EU funds
- www.hollandtrade.ro
 - www.netherlandsemb.ro
 - www.evd.nl
 - www.netherlands.ro
 - www.nederland.ro
 - www.dutchromaniannetwork.nl
 - www.mapam.ro
 - www.mefromania.ro
 - www.mmediu.ro
 - www.mt.ro
 - www.insse.ro
 - www.mimmc.ro
 - www.romexpo.org
 - www.fonduri-structurale.ro