



**Koninkrijk
der Nederlanden**

Romania – Economic Newsletter

**Embassy of the Kingdom of the
Netherlands in Bucharest**

August 2008

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 August 2008 exchange rates were:

1 EUR = 3.5268 RON

1 USD = 2.3571 RON

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

Contents

MACROECONOMICS	3
-0.09% INFLATION IN AUGUST 2008	3
ROMANIA REGISTERS RECORD ECONOMIC GROWTH IN Q2 OF ALMOST 9%	3
END-JULY AGGREGATE BUDGET DEFICIT DOWN TO 0.64 PCT OF GDP.....	3
THE ANNUAL COUNTRY REPORT FROM COFACE CENTRAL EUROPE IS NOW AVAILBLE ONLINE	3
INTERNATIONAL TRADE	3
EUR 1.89 BILLION TRADE DEFICIT IN JULY 2008.....	3
LEGISLATION / TAXATION.....	4
NEWS REGARDING THE REPRESENTATION IN CUSTOMS.....	4
ENERGY EFFICIENCY AND PROMOTION OF THE USE OF RENEWABLE ENERGY RESOURCES BY END- CONSUMERS	4
EU FUNDS	5
EUR 126 MILLION FOR IT&C FROM STRUCTURAL FUNDS IN 2008	5
FOREIGN INVESTMENT	5
FOREIGN INVESTMENT AT THE END OF JUNE 2008	5
ENERGY.....	5
ELECTRICA TO INVEST EUR 650 MILLION IN GREEN ENERGY	5
PRODUCTION OF ELECTRICITY IN NUCLEAR POWER PLANTS RISES 66.4% IN H1	6
VOLUME OF WIND POWER PLANTS CAN REACH 2000 MW UNTIL 2013	6

INFRASTRUCTURE & TRANSPORT	6
MORE THAN 8,500 SHIPS IN TRANSIT IN DANUBE RIVER'S SEA PORTS LAST YEAR.....	6
AUTHORITIES START DREDGING BLACK SEA MARITIME PORTS BUCHAREST	6
NEW TOURIST PORT TO BE SET UP IN TULCEA BUCHAREST	7
CONTAINER TERMINAL IN GALATI BUCHAREST.....	7
BANEASA AIRPORT TO HAVE HELIPORT AND CARGO TERMINAL BY 2015.....	7
GOVERNMENT APPROVES BUILDING OF NEW AIRPORT NEAR BUCHAREST	7
ENVIRONMENT.....	8
GOVERNMENT APPROVES INVESTMENTS FOR COAST AREA PROTECTION AND REHABILITATION BUCHAREST.....	8
AGRICULTURE & FOOD	8
MINISTER CIOLOS: ROMANIA WILL HAVE A GOOD GRAIN PRODUCTION IN 2008.....	8
CONCENTRATION TREND ON THE SUGAR MARKET	8
SAPARD PAYMENTS TEMPORARILY SUSPENDED	9
EU FUNDS FOR RURAL DEVELOPMENT FINALLY ENTER THE ACCOUNTS OF THE ROMANIAN DEPOSITARY BANK.....	9
IT&C	9
E-COMMERCE SURGING IN ROMANIA.....	9
HEALTH.....	10
HEALTH MINISTER PROPOSES PROGRAM FOR CONSTRUCTION OF MEDICAL OFFICES IN RURAL AREAS.....	10
DUTCH PRESENCE IN ROMANIA.....	10
LUGERA&MAKLER STRIVES TO BE NO 1 HR AND RECRUITING COMPANY	10
ING APPOINTS ROMANIAN CEO TO THE HELM OF INSURANCE DIVISION	10
EVENTS & USEFUL WEB LINKS.....	11
DUTCH MINISTER OF EUROPEAN AFFAIRS FRANS TIMMERMANS - ON A TWO DAYS VISIT TO ROMANIA.....	11
MEETIN AND RABOBANK'S CONFERENCE ON ROMANIA.....	11
"SPREKSDAGEN" FOR ROMANIA AND BULGARIA BETWEEN 17 AND 19 SEPTEMBER	11
WEEKLY BULLETIN REGARDING WATER PROJECTS IN ROMANIA.....	11
RISK MAPPING FOR DOLJ COUNTY	11
BUSINESS OPPORTUNITY IN CRAIOVA	11

Macroeconomics

-0.09% inflation in August 2008

According to the data published by the National Statistics Institute the inflation in August 2008 was of -0.09%.

Romania registers record economic growth in Q2 of almost 9%

Romania hit a record economic growth of almost 9% in the 2nd quarter of this year, Minister of Economy and Finance Varujan Vosganian told a press conference on August 21. According to him, Romania's GDP growth stood at 8.6% in the January-June interval this year. Romania recorded an increase in the GDP by 8.2% in the 1st quarter of the year, with the increase in the 2nd quarter having accelerated up to 8.9%. In 2007, the country's economic growth stood at 6.1% in the 1st quarter and at 5.7% in the 2nd quarter. *Source: Agerpres.*

End-July aggregate budget deficit down to 0.64 pct of GDP

Romania's aggregate budget deficit was 0.64% of the GDP over January – July 2008, Minister of Economy and Finance Varujan Vosganian announced on August 21. "The deficit is sensibly below the mid-year result, when the gap was 1.12% of the GDP," said Vosganian. The Minister explained that revenues were fulfilled to an extent of 54.8%, and outlays – to an extent of 53.2%. January – July revenues to the general aggregate budget totaled RON 96.97 billion, outlays stood at RON 100.01 billion, and the budget deficit was RON 3.03 billion, said Vosganian. The Finance Minister mentioned that July saw two-decade record high revenues of RON 16.821 billion. The H1 budget gap has been RON 5,191 billion. After the first seven months of the previous year, the aggregate budget was running a surplus of 0.5% of the GDP.

The International Monetary Fund (IMF) recommended Romania a budget deficit of 1.75% of the GDP for this year. This year's GDP is estimated at RON 440 billion. *Source: Agerpres.*

The annual Country Report from Coface Central Europe is now available online

The annual Romania Country Report of Coface Central Europe is now available at <http://letter.eyepin.com/include/lcnt.php?ID=101201248010845026671>. The report provides up-to-date information on the economic situation, legal framework & other useful facts about Romania.

International Trade

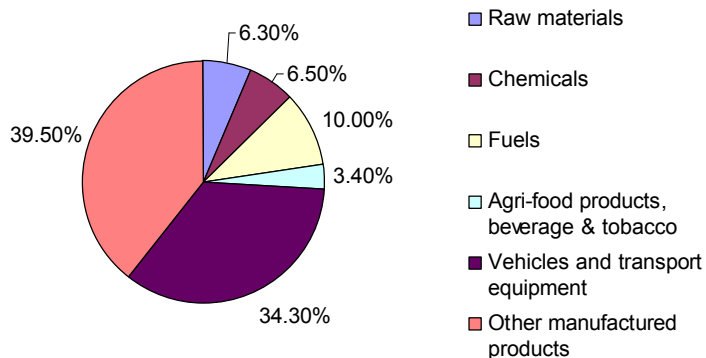
EUR 1.89 billion trade deficit in July 2008

Data published by the National Statistics Institute shows that FOB exports in July 2008 were in value of EUR 3.19 billion, up 20.8% as against July 2007, while the CIF imports were of EUR 5.08 billion, up 14.2% as compared to the same period of last year. As a result, trade deficit for July 2008 was in value of EUR 1.89 billion.

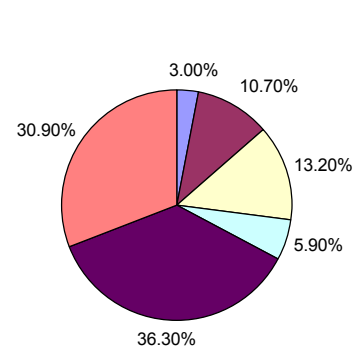
	FOB exports		CIF imports		FOB/CIF balance (billion EUR)	
	Value (bill. EUR)	% as against July '07	Value (bill. EUR)	% as against July '07	July 2008	July 2007
Intracommunitarian trade (EU 27)	2.25	117.8	3.39	107.0	-1.14	-1.26
Extra- communitarian trade (extra EU 27)	0.94	128.5	1.69	132.1	-0.74	-0.54
TOTAL	3.19	120.8	5.08	114.2	-1.88	-1.8

See graphs below.

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



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



Legislation / taxation

News regarding the representation in Customs

The National Agency for Fiscal Administration has issued Order no. 6521 dated August 14, 2008 amending the technical norms on the application of the right to be represented in dealings with the customs authorities, as stipulated in the Community Customs Code, approved by Order no. 4999/2007 issued by the same authority. Under these amendments, legal entities established in non-EU states can now declare goods by indirect representation. When the customs operations are only performed occasionally, the goods can be declared either by such entities or by direct representation, if the customs authorities consider this to be justified. Pursuant to Order no. 4999/2007, legal entities established in non-EU states were allowed to declare goods themselves or by direct representation for the transit and temporary importation customs regimes. Under the new Order, indirect representation can also be used for these customs regimes. *See: Official Gazette, Part I, no. 4999/20 August 2008.*

Energy efficiency and promotion of the use of renewable energy resources by end-consumers

Governmental Ordinance no. 22/20.08.2008 regarding energy efficiency and promotion of the use of renewable energy resources by end-consumers has been published. The aim of the Ordinance is the establishment of the legal framework for drafting and implementing the national policy in energy efficiency. The beneficiaries of the Ordinance are: suppliers of energy services, through which measurements for the improvement of energy efficiency are attained, distribution system operators, energy sector retail companies, end-consumers and the military, with the exception of materials used for military purposes. Economic operators that annually consume an energy quantity exceeding the equivalent of 1,000 tonnes of petroleum, are obliged to: • annually perform an energy audit conducted by a natural or legal person, authorised by the Romanian Agency for Conservation of Energy ("ARCE"); • develop energy efficiency programmes; • appoint an energy manager authorised by ARCE or conclude a management agreement with an accredited natural or legal person that provides energy services. Economic operators that annually consume an amount of energy between 200 and 1,000 tonnes equivalent in petroleum, are obliged to elaborate an energy audit every two years, conducted by a natural or legal person authorised by ARCE. ARCE is the specialist authority contributing to setting up the energy efficiency policy and is responsible at a national level for the implementation and monitoring of this policy. The Ordinance

regulates financial and fiscal incentives for the improvement of energy efficiency and promotion of the use of renewable energy resources by endconsumers in observance with state aid legislation. See: *Romanian Official Gazette no. 628/29.VIII.2008, part I.*

With thanks to PriceWaterhouseCoopers Romania – Tax Department

EU funds

EUR 126 million for IT&C from structural funds in 2008

The public administration has at hand in 2008 more than EUR 126 million from structural funds destined to IT&C sector and for SMEs more than EUR 38 million, announced on August 12 Minister of communications Karoly Borbely in a press conference. "Total amounts which might be accessed based on appeals to be launched this year – eight operations out of 10 - are of approximately EUR 165 million, the highest amount, more than EUR 126 million euros being earmarked for the public administration", stressed Borbely. He mentioned that the Government's zero priority is the absorption of structural funds but, unfortunately, the local councils and authorities are "inhibited" by these funds and are not ready for their accession. "We will continue our actions launched in the territory for the promotion of these significant financing means for the activity at the local level because I do not expect a high absorption level this year", added the Ministry of Communications and Information Technology (MCTI) official. The first 3.1.1 operation - Facilitating the SME entrepreneurs access to knowledge regarding the management and development of the company - was launched in April 2008, and the beneficiaries could put forward their projects up to August 22. Till present, a number of 120 projects were submitted on this operation, the project value ranging between EUR 20,000 and EUR 25,000. Another six operations for European funds accession were to be launched on August 20 and projects will be received till November 28, with another two to be launched on September 2 and the deadline set on December 12, 2008. *Source: Agerpres.*

Foreign investment

Foreign investment at the end of June 2008

According to the provisory data published by the National Office of the Trade Registry, after the first semester of 2008, there were 154,343 companies registered in Romania with foreign participation in social capital, total foreign investment amounting to EUR 20.3 billion. The top of the first five foreign investors was led by the Netherlands, with 3,309 companies registered and total invested capital of EUR 3.78 billion, followed by Austria with 5,170 companies and a total investment of EUR 2.3 billion, Germany with 16,127 companies and a total investment of almost EUR 2 billion, France with 5,677 companies and an investment of EUR 1.6 billion, and Italy with 25,854 registered companies and a total investment reaching EUR 0.86 billion.

Energy

Electrica to invest EUR 650 million in green energy

State-owned electricity distributor and supplier Electrica plans to become a significant player on the renewable energy production market, through projects totaling 350 WM in wind, biomass and water plants. We are to invest more than EUR 650 million in clean energy,' daily Business Standard quotes the company's Development Manager, Bogdan Badea, as saying. The electricity supplier also considers solar energy, which the Romanian state is encouraging, by granting three green certificates for one MWh of solar energy. Badea said 'Electrica AIMS to become a vertically integrated company, to face extremely fierce competition in Romania. I am talking especially about the large players - (Czech group) CEZ and [German group] E.ON'. Electrica already launched production projects in biomass, wind and micro-water plants. It founded the Electrica Bio-heat company, in partnership with Austrain Warmebetriebe GmbH company, to develop biomass plants with a total capacity of 200 MW. 'The investment could exceed EUR 400 million. We hope to deliver the first MWh in 2010,' daily Business Standard quotes Badea as saying. *Source: Agerpres.*

Production of electricity in nuclear power plants rises 66.4% in H1

The production of electricity in nuclear power plants rose 66.4% in H1 compared with the same time last year, say data released on August 6 by the National Statistics Institute. But in thermal power plants, production fell 7.2%, or 1.38 billion kWh, while production in hydro-power stations climbed 28%, or 2.16 billion kWh. In H1, electricity resources advanced 8.7% compared with H1 2007, reaching 33.273 billion kWh. According to INS, the rise in electricity resources was mainly due to the rise by 2.819 billion kWh (or 9.4%) in production. In H1, primary energy resources rose 1.5% compared with H1 2007. The main resources of primary energy (coal, crude oil, natural gas etc.) totaled 20.532 million tonnes equivalent oil (teo). The domestic production stood at 12.222 million teo, up 1.8%, and import at 8.3 million teo, up 1.1%. INS mentioned that the energy balance is made on the basis of production and consumption data in the economy, and of data from Transelectrica energy transport company, and from energy distributors, regarding consumption for public lighting, by the population, own technological consumption in the grid and stations. *Source: Agerpres.*

Volume of wind power plants can reach 2000 MW until 2013

The maximal electricity capacity produced in wind power plants, which can be integrated by Transelectrica energy transport company into the national grid until 2013, is of 2,000 megawatts (MW) installed power, said on August 20 general manager of Transelectrica, Stelian Gal in a news conference. "At present, the volume of commissioned wind power plants is insignificant of 7MW alone, considering the volume of requests for installation exceeds 12,000 MW installed power and the peak consumption of 2007 was of some 9,5000 MW," said Gal. In the long run, until 2020, Transelectrica can integrate into the national grid some 3,000 MW. General manager of Transelectrica pointed out that at present the most significant project in this field is the installation of a wind power plant of some 600 MW in the first stage pending an expansion to over 2000 MW. The location of the power plant is in Dobrogea (eastern Romania) and the plant is made by Tomis Team. The power plant triggers the achievement of a new station by Transelectrica of 400 MW. The necessary investments for the installation of one megawatt in a wind power plant are appraised at about EUR 1 million. "We are estimating that the first wind generators in this area will be operational in the summer of 2009," said the general manager of Transelectrica. Transelectrica's general manager stressed that the integration of the wind power will impose a range of organizational changes. "The establishment of intra-day electricity markets, if possible 6 hours or less for the accuracy of the forecast of wind intensity or the setting-up of wind dispatchers is just one part of these changes," said Gal. Transelectrica general manager, Stelian Gal, emphasized that as regards the regulation framework of the sector, it should base on the principle of stability, predictability and profitability with a view to promoting the development of this type of electricity. *Source: Agerpres.*

Infrastructure & transport

More than 8,500 ships in transit in Danube River's sea ports last year

More than 8,500 ships were in transit in the Danube River ports of Galati, Braila and Tulcea last year, with some 14.4 million tonnes of goods being loaded on them, director-general of the Danube River Sea Ports Administration, Nicu Popoaca announced on August 18. Out of such ships, as many as 7,850 were river vessels, on which 12.5 million tonnes of goods were loaded, with the remainder 660 being sea ships. The bulk of such goods, i.e. 10 million tonnes, was operated in the port of Galati (southeastern Romania), being carried by 4,600 river ships and 548 sea ships. Remarkable activity was also carried out in the eastern port of Macin, where 2,000 river ships and 120 sea vessels were operated, totalling 2.6 million tonnes worth of products. The Administration director anticipated this year will see a slight increase in such operations, up to 8,900 river and sea ships, with the loaded goods being put at 15 million tonnes. *Source: Agerpres.*

Authorities start dredging Black Sea maritime ports Bucharest

The National Company "The Constanta Maritime Ports Administration" (CNAPM) (country south-east) on August 20 started maritime dredging works in the Black Sea port of Mangalia; the works are necessary because deep-draft vessels can no longer enter the port because of the sea becoming shallow. Dredging has not been performed for over 15 years in Romanian ports and the most severe situation is in the port of Mangalia, where the sea lost several meters in depth. "We started dredging works with Mangalia because the situation here is rather critical. The port entry is almost clogged because although the sea should be 9 m deep here, the effective depth is now only 5 m. Therefore ships with a draft over 5 m can no longer enter the port," the CNAPM director Constantin Matei explained a press conference. According to Matei, dredging works in the port of Mangalia will be completed in about one week and will then continue in the Midia and Constanta

ports. Winner of the bid for the maintenance dredging works in the three Romanian maritime ports was the Dutch company Van Oord Dredging and Marine Contractors, with the cost of the works standing at almost EUR 22.2 million. Financing is covered from CNAPM own resources and the deadline for the completion of dredging in the three ports is 18 months. The director of CNAPM Constanta said that the Dutch company operates high-performance equipment and that 3.4 million cubic meters of sand and mud will be removed from the sea bottom. "The navigable canals and berths will be thus brought to the rated operation parameters," said Constantin Matei. *Source: Agerpres.*

New tourist port to be set up in Tulcea Bucharest

Aeronautica Motors Bucharest company will build a new tourist port close to the town of Tulcea (eastern Romania, in the area of the Danube Delta), with the works to be completed in two years. The project of Marina port was put out for auction by the Maritime Sea Port Administration (APDM) of Galati almost two years ago. The APDM has recently announced the Bucharest company that won the auction. The tourist port is aimed at boosting tourism in the area, as it will be built on the Danube's right shore, at the sea mile 37-38. Aeronautica Motors has to make from its own funds the entire port infrastructure with a capacity of at least 75 ships, as well as commercial areas, offices, accommodation rooms and fuel stations. The investment estimated at 6,435,842 euros has to be completed in the following two years. Euronautica Motors will recover its money within the next 30 years, period in which it will take out the port's lease. *Source: Agerpres.*

Container terminal in Galati Bucharest

Managing director of the Administration of the Ports on the Maritime Danube (APDM) in Galati (eastern Romania) Nicu Popoaca informed on August 21 that the container terminal in the port of Galati was finalized. It will shortly be operational. Considered one of the most important regional projects, the terminal will operate 7,600 tonnes of goods a year. Galati thus becomes an important rival of the port of Constanta (south-eastern Romania) as regards the operation of goods in containers. Nicu Popoaca said that the terminal built in Galati was a first in Romania and APDM was in charge of arranging the port infrastructure and the rehabilitation of the wharf. The Ministry of Transports allocated funds amounting to about RON 8 million. The most substantial part of the project was ensured by the administration Metaltrade International, which was in charge of equipping the terminal (for instance, with a 45 tonne crane), and supplied the platforms, the rails, the storehouses, the water and electricity mains, sewerage, the installations and equipment. The container terminal in Galati will be operational in a few days. *Source: Agerpres.*

A major player in the exploitation of the terminal will be the Dutch company HTS Intermodaal. The company expects to start with regular services to Constanta (inland navigation) and Odessa (rail) in September.

Baneasa Airport to have heliport and cargo terminal by 2015

The Romanian capital's Aurel Vlaicu – Baneasa International Airport will have a new departures terminal by 2010, but also a cargo terminal and a heliport by 2015, says a Government Resolution on the Airport's development over 2002-2020. According the project changing the Airport's initial development strategy till 2010, the unexpected development in the passenger traffic triggers out the upgrading of the Airport's infrastructure. Thus, according to the new strategic programme, the Airport will have three new terminals, a general, a departure and a cargo one, by 2015. By the same year, the Airport will benefit from new air traffic control tower, a repair and maintenance hangar, a supermarket, parking, a flyover, a road passage, and an access road in the northern area. Likewise, the Airport will have a transit hospital an anti-terrorist platform, by 2020. The Airport needs upgrading, taking into account it was witnessing a considerable traffic growth, over 2004-2007 scoring figures the utilities designers failed to anticipate, Transport Ministry officials say. The passenger traffic grew by 812%, the cargo traffic by 221 percent and the flights by 269% over 2004- 2007. The annual passenger number is expected to reach about 2 million, and the flights to surge to 30,000 by 2015. The Baneasa Airport registered about 900,000 passengers, but once the airport enlarged its capacity went up to some 1.2 million – 1.3 million passengers. *Source: Agerpres.*

Government approves building of new airport near Bucharest

In its August 20 meeting, the Government approved the building of a new airport in the Bucharest area, following the increase in the number of passengers, said spokesperson for the Government Camelia Spataru at the end of the meeting. The programme referring to the work that goes with the new airport will be established on the basis of a feasibility study drawn up through the care of the Ministry of Transports and financed through the budget of the same ministry, out of the funds allocated from the state budget. As for the location of the airport, the delimitation of the plots of

land necessary for this investment as well as its architectural and town planning aspects will be established on the basis of the documentation on territory arrangement and town planning drawn up, endorsed and approved in keeping with the law. At present the city of Bucharest has two international airports: Henri Coanda at Otopeni and Aurel Vlaicu at Baneasa. In 2007 the number of passengers increased by over 40% on the two airports, which are situated in the northern part of the Capital City. Over 4.03 million passengers came to and went out of the Henri Coanda Airport, up by 41%, and almost one million passengers used the Aurel Vlaicu Airport, up by 43% as against 2006. The traffic analyses and predictions made by Eurocontrol, the European traffic control authority, reveal the fact that, over 2008-2014, Romania is to witness an annual average increase in the traffic on airports amounting to 6.9% with a growth rate that will be higher in the area of the city of Bucharest. *Source: Agerpres.*

Environment

Government approves investments for coast area protection and rehabilitation Bucharest

The government approved on August 20 the economic indicators for five priority investment objectives related to the environmental and sustainable infrastructure, specifically the harnessing of the Dorna river on the Poiana Stampei - Vatra Dornei stretch and the protection and rehabilitation of the southern part of the Black Sea Romanian seaside, sectors Eforie Sud 1, Eforie Sud 2, Eforie Centru and the Eforie Nord area. According to a government release, the proposed works deal with development priorities for two major implementation areas: flood fighting and coast erosion. In order to have the first goal accomplished, the government aims to prevent the destructive effect of flooding, secure exiting economic facilities and remove the risk of human life loss. Coast protection and rehabilitation works will contribute to the development of tourism by expanding beach areas. A first effect will be a rise in the number of seaside tourists, with positive impact on the business of tourist operators. This will also enhance the locals' safety, setting the conditions in place for the sustainable development of the area by encouraging investments and generating new jobs, and also setting the grounds for the establishment of new SMEs. These investment goals approved in government's meeting will be included in a strategic plan of action for the rehabilitation and protection of the Black Sea, that comprises works on medium and long term. *Source: Agerpres.*

Agriculture & food

Minister Ciolos: Romania will have a good grain production in 2008

Although no final data have been announced yet, Minister of Agriculture Dacian Ciolos is optimistic about the 2008 grain production. Not all estimates are ready, because of the damage caused by the recent drought to maize and sunflower. Although drought has not been as severe as in 2007 (when Romania registered the lowest crop production in the last 50 years), maize and sunflower have suffered, notably in southern Romania. Farmers also expect the 2008 wheat production to be much better than in 2007, with an average production higher than 3,000 kg/ha. As many as 7.7 million tonnes have been harvested by the end of August. Maize production could stand at around ten million tonnes this year, estimates say. Analysts expect the agricultural production to be around EUR 15.8 billion this year, up some ten percent from last year. In volume terms the fall of production was much higher, but the high prices increased its value. The European Commission has recently announced that the total grain production could reach 301 million tonnes in the European Union, up 43 million tonnes from 2007, due to better weather this summer and also to an increase in the cultivated area. For wheat, the EC estimates show an average production in the EU of 5.6 tonnes/ha, 4.8% higher than the average of the past five years. In the case of Romania, the average production is estimated at 2.8 tonnes/ha in 2008, up 75.6% from the previous year, and 14.3% higher than the average of the past five years. For maize, the European Commission estimates an average production of 6.9 tonnes, higher than the level of the past five years. Romania is expected to register one of the highest relative increases in the EU in maize production per ha, of 3.5 tonnes in 2008, compared with 1.6 tonnes/ha in 2007, that is an increase of 122.9%. *Source: Agerpres.*

Concentration trend on the sugar market

Sugar producers in Romania expect a concentration of the sugar market, two-three players being expected to cover the entire production in the future. In 1990 Romania had 38 processing plants for sugar obtained from sugar beet, with a production capacity that covered the domestic

consumption and allowed for exports. This year (October 2007-September 2008) the Ministry of Agriculture granted production quotas to 8 companies only. The first concentrations through acquisitions and mergers have already occurred. Even if in the case of sugar production from beet nothing has changed yet, it is expected that soon the picture will change, with one or several producers being expected to sell their quota in Brussels or to the competition, or even go bankrupt, according to the representatives of the Austrian company Agrana in Romania. Gheorghe Bejan, CEO of the Romanian Sugar Employers' Association deems that only 2 producers will remain in 2010 and they will cover the entire consumption demand of Romania. According to Bejan, a natural tendency of concentration on the sugar market can be noticed, based on the criteria of economic efficiency. Experts deem that Romania's advantages in the sector are the still cheap labour force, retail and rising consumption, as well as an increase in the production facilities of industrial sugar consumers (producers of soft drinks, sweets, wine and alcohol). In the negotiations with the European Union, Romania obtained a quota of 109,164 tonnes for beet sugar, plus the quota for sugar processing from sugar cane (329,636 tonnes), as well as a quota of 9,900 tonnes for isoglucose – a raw material for the soft drinks industry as well as for other industries. According to the Sugar Employers' Association, during 1998-2003 (the reference period used in the calculations for the negotiations of production quotas) poor productions were reported. In that period several plants were not operational, the privatized plants were under reconstruction and following the relaxed import policies, many units had already switched to the production of sugar from imported raw sugar. The sugar consumption in Romania is of over 600,000 tonnes a year, the average per capita being of 28 kg, compared to 35 kg in the European Union. The area under sugar beet this year is 23,000 hectares and decreasing. *Source: Agerpres.*

SAPARD payments temporarily suspended

On the 9th of July, the European Commission sent a letter to the Romanian authorities (Ministry of Finance) informing that following a DG AGRI audit mission carried out during 3-10 June, some deficiencies - potential risks - were identified in the control system related to payment authorization of SAPARD funds within the Paying Agency for Rural Development and Fisheries. As a consequence, SAPARD payments for 2008 have been suspended. Bucharest was requested to submit an action plan to solve those deficiencies, so that new control elements would be introduced in the procedures for payment approval. The action plan was drafted and according to the Romanian authorities most of the measures have already been implemented. On August 31, the Ministry of Agriculture sent a report on the implementation of the action plan to the Ministry of Finance, the one responsible for informing DG AGRI. The Paying Agency is confident that SAPARD payments will resume by the end of September.

EU funds for rural development finally enter the accounts of the Romanian depository bank

In mid August, the European funds for rural development and fisheries for the year 2007 - almost EUR 577 million - have finally entered the accounts of BancPost, the Romanian depository. Romania has now funds worth EUR 561 million from the European Agricultural Fund for Rural Development and EUR 16 million from the European Fisheries Fund in the accounts of BancPost which will be used to finance projects under the National Rural Development Programme (NRDP), as well as for the single area payments and for the operational programme for fisheries. The Paying Agency for Rural Development and Fisheries has so far evaluated only the projects submitted in the sessions of March and April this year and it has started the procedure of contracting the first projects. In late August, the applicants selected to receive European funds have been officially invited to sign the financing agreements at the offices of the Paying Agency. The projects submitted in May are still under evaluation and the signing of the financing agreements will take place in the weeks to come. Some 678 projects were selected in the March-April sessions. *Source: Agerpres.*

IT&C

E-commerce surging in Romania

E-commerce in Romania is witnessing expansion times. With an annual growth rate in excess of 40% so far this year, the e-commerce business might overshoot the 50-million-euro mark, a value from which transactions that are not performed on electronic banking cards but by cash on delivery or banking transfers, are excluded. Payments on card are now accessible virtually to everybody. As of end-2007, there were 10 million cards in use, according to data with the National Bank of Romania (BNR), and the number is estimated to increase by some 500,000 in 2008. Romanians are said to have performed 448,779 e-commerce transactions in 2007, and the

number of such transactions is said to have reached 298,868 in the first half of 2008. There are approximately 2,000 shops in Romania carrying on-line business, but only some of them accept on-line payments. There are two e-transaction processing methods in use involving cards: 3D Secure (an Internet-based payment system under which transactions are performed by aid of a username and a password, initiated by Visa and MasterCard), and Secure Socket Layer (SSL), an older and less secure standard, which nonetheless has a wider coverage. Total on-line transactions on cards conducted in the first half of 2008 neared EUR 26 million, compared with EUR 35 million in the entire year 2007 and EUR 9.5 million in the entire year 2006. Out of the 26 million euros in the first half of 2008, 15.75 million euros were generated by euro-denominated cards, and most of the transactions originated abroad. *Source: Agerpres.*

Health

Health Minister proposes program for construction of medical offices in rural areas

Public Health Minister Eugen Nicolaescu announced on August 15, at the debate titled "Governmental and European programs in support of the sustainable development of the Mures Valley" that the Ministry is about to finalize a program for the setting up of medical offices in rural areas. "This is a program we want to propose to the government, providing the construction in each community of a medical office capable of providing village citizens medical assistance under the same conditions as in urban areas. I am referring here to medical facilities including an office for the family doctor, room for the collecting of biological samples for analyses and room for dentistry care," said Nicolaescu. The Minister said that he wants pharmacy counters and accommodation room for the doctors and medical assistances to also be arranged. "We pursue two goals; on one hand - getting medical offices in line with standards, because they cannot be accredited otherwise and won't be allowed to function in the next years - and in the second place we are trying to attract doctors to rural areas and also provide good quality services," said the Health Minister. Nicolaescu said that 3,000 medical offices will be set up nationwide, but in order to check if the program produces the desired effects, the Ministry will implement it first in several pilot-counties. The Minister said that at a first assessment, an office would cost some EUR 200,000. "According to the law, we need to accredit all suppliers of medical services in five years. So in five years a governmental program needs to be in place to make such investments possible," said Eugen Nicolaescu. For the success of the program, the Public Health Minister says that local communities will also have to contribute funding for the maintenance of the medical offices and also grant facilities to doctors and assistants. *Source: Agerpres.*

Dutch presence in Romania

Lugera&Makler strives to be No 1 HR and recruiting company

The Romanian-based branch local subsidiary of the Dutch Lugera&Makler Group, currently the second biggest on the Romanian market in terms of personnel selection and placement, posted a turnover worth EUR 9.8 million, in the first six months of 2008, by 75% higher than in H1 2007, and almost double compared to the market growth, the Business Standard reads on August 20. The company could become market leader, as its growth was significantly above the current leader, the Romanian -based branch of Swiss Adecco Company. In Q1, Lugera&Makler registered a 60% increase in turnover, compared to 35% that Adecco posted. 'We did not set a target to outrun Adecco, and have not made plans for the coming three years, so far. Our performances depend a lot on the market developments, so I would rather not make long-term estimates,' Company's Managing Partner, Cristina Savuica told the Business Standard. This year, some 30% of the Company's turnover came from recruiting operations, 60 percent from personnel leasing, and the remaining 10% from payroll services. Lugera&Makler has one office in Bucharest and more six elsewhere in Romania. Its main competitors are Adecco, Manpower, Professional and AIMS Human Capital, the business Standard concluded. *Source: Agerpres.*

ING appoints Romanian CEO to the helm of insurance division

Cornelia Coman has been appointed to the helm of the largest life insurance company on the local market, ING Asigurari, with turnover worth EUR 150 million last year, and will replace Dutch-born Bram Boon. Coman, 33, entered the company in 1999 as an actuary, going on to be chief actuary, actuarial and investment management director, and deputy CEO. Since the beginning of July, when Bram Boon left his position as CEO of ING Asigurari to take over at the helm of the ING's

insurance company in Greece, Coman has held the position of interim CEO. *Source: Ziarul Financiar.*

Events & Useful web links

Dutch Minister of European Affairs Frans Timmermans - on a two days visit to Romania

The Minister for European Affairs of the Kingdom of the Netherlands, Mr. Frans Timmermans, will pay a working visit to Bucharest on 9 and 10 September 2007, as part of a wider European tour that includes also Germany, Bulgaria and FYR Macedonia. Minister Timmermans will have talks with the Romanian Minister of Foreign Affairs, Mr Lazar Comanescu, and with State Secretary for European Affairs, Mrs Raduta Matache. The agenda of the bilateral discussions include bilateral cooperation, the Co-operation and Verification Mechanism (an EU mechanism to monitor the necessary progress on judicial reforms), regional affairs (Georgia, Russia, Turkey) and EU general topics such as the Lisbon Treaty, European Neighbourhood Policy (Moldova Republic and Black Sea), Mediterranean Union, the EU budget review and energy and climate policy.

MeetIn and Rabobank's conference on Romania

Dutch organisation MeetIn, together with Rabobank, organises on Monday 22nd of September a conference in Novotel, Bucharest. The aim is to give an introduction on the economic situation and the business climate in Romania, through presentations and inter active discussions. The participants will be investors, owners and directors of Dutch SMEs. The companies are mainly active in the producing sectors in the Netherlands, some with activities in Eastern Europe. The conference will be part of a bigger mission to Romania and Ukraine, which will offer to the participants the opportunity to investigate these markets and make contacts with potential business partners.

"Spreekdagen" for Romania and Bulgaria between 17 and 19 September

During September 17-19, the Agency for International Business and Cooperation (EVD) is organizing in the Hague and in Apeldoorn the annual "Spreekdagen". The event is meant to help Dutch businessmen interested in doing business in the two countries. From Romanian side, support is provided by the Embassy of the Kingdom of the Netherlands in Bucharest - Economic and Agricultural Affairs Departments, and by the Netherlands Business Support Office in Cluj-Napoca.

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.

Risk Mapping for Dolj County

On 2 September, the Dutch company RPS presented in Craiova the application it developed for improving the access of information on chemicals stored at large industrial sites. This information is necessary in case of emergencies such as fires or floods to allow a good response of the authorities. The application can also be a helpful tool for other organisations, such as the Environmental Protection Agencies, and for other counties. For more information, you may contact martijn.van.velthoven@rps.nl or Oscar.van.Dam@rps.nl. The project was financed by the Dutch government programme "Partners voor Water" and includes a component for identifying sources of funding for acquiring the application.

Business opportunity in Craiova

Undergarment production facility for sale, due to retirement plans of Dutch owners, sale including client portfolio with well known western brands and 170 experienced workers. Suitable for producing your private label at cost price. Directly available production capacity of 40.000 units of children, men or ladies underwear weekly. Buildings in ownership. contact: tis-schretlen@wanadoo.fr.

- 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
 - 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.mapam.ro
 - www.mefromania.ro
 - www.mmediu.ro
 - www.mt.ro
 - www.insse.ro
 - www.mimmc.ro
 - www.romexpo.org
 - www.fonduri-structurale.ro