



Doing Business in Romania: 2013 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Romania

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Market Overview

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Romania is a market with tremendous potential, a strategic location, and a business environment that offers opportunities amidst some risks. To successfully seize the business opportunities while reducing those risks requires a careful evaluation of the market, patience, and commitment. It is extremely difficult for U.S. exporters to accomplish this without an effective and qualified local partner.

After a 2.2% growth in GDP in 2011, last year Romania saw a growth of only 0.7%, which is 8% below the pre-crisis peak level of 2008. However, the EC Winter Forecast predicts a growth of 1.6% in 2013 and 2.5% in 2014, which will be fueled by domestic demand and gross fixed capital formation. Despite a 0.5% drop to €45 billion in 2012, exports are still 34% above the peak of the pre-crisis level. With exports continuing to lead the recovery in 2012, Romania has seen the tides turning for both business and consumer confidence.

Stabilization of the economy has been largely due to a €20 billion (\$27.4 billion) rescue package led by the International Monetary Fund (IMF). Romania has shown commitment to meeting the terms of the agreement with the IMF, implementing a tough austerity program to reduce its budget deficit. Romania will be eligible to receive nearly €40 billion under the EU's 2014-2020 Multiannual Financial Framework (MFF), with the possibility of an extension for an extra three years for funds usage, which will diminish the risk of automatic de-commitment of funds. With EU funding to rise 18% in 2014-2020 compared to 2007-2013 and its own contributions at €8.9 billion, Romania will see a benefit of net inflows of €31 billion over the period.

Despite the grim economic conditions, there are opportunities for American businesses in areas such as energy, agricultural equipment, environmental technologies, infrastructure, and ICT. As the economy recovers, additional opportunities will emerge in areas such as franchising, hotel and restaurant equipment, automotive parts, packaging, and other industrial equipment. The pace of implementation of infrastructure projects has quickened as Romania tries to absorb EU structural funds before they expire, and the Romanian Government, encouraged by private management of its largest pension fund, has shown new openness to partial or complete privatization of some industrial assets.

Successful entry into the Romanian market requires solid preparation, and market research is an important part of any business strategy. The balance of this report is intended to aid American companies in developing and executing new and increased sales to this important and promising – yet still transitional – EU market.

Romania removed its communist dictator more than twenty years ago, yet the Romanian government still plays an oversized role in the economy in terms of employment, ownership of assets, and influence on the business environment.

The public sector includes thousands of entities authorized to spend public funds, and consequently most sizable businesses rely on public sector demand. U.S. exporters cannot escape this aspect of the economy. State-owned enterprises shape many industries as dominant customers, suppliers, or in some cases, competitors. The deployment of private sector management principles is incomplete or unknown in some cases; - and political influence, opaque decision-making, conflicts of interest, questionable procurement practices, and problems of payment – even under contract -- are not infrequent issues when selling to the public sector.

The public sector is administered by a deep and inefficient bureaucracy, where few decisions can be made without several layers of approval. Even when fully authorized by their mandates, many Romanian government agencies seek a higher level of political approval, even informally, before making decisions. This phenomenon creates an environment in which fraud and corruption can occur. The Romanian government has sought to reduce these opportunities by moving some government processes to on-line platforms, replacing the human interaction with “e-government” in areas such as healthcare and government services. However, since these reforms threaten existing arrangements, they encounter internal resistance in some places. There are signs, however, that the Romanian government is starting to take the EU’s concerns about corruption seriously. Former Prime Minister Adrian Nastase was sentenced to two years in prison in January 2012 for misuse of public funds while in office. Additionally, several of the country’s ex-ministers resigned or were forced to resign as their parties lost seats in local elections. With the EU’s criticism of lack of corruption law enforcement, the Romanian government has begun taking steps to improve the business environment.

IMF oversight has brought greater accountability and discipline to public spending. This discipline includes some settling of arrears owed by the Romanian government, which has demonstrated commitment to meeting the conditions of the IMF. The poor condition of Romania’s physical infrastructure -- including roads, rail, airports, and water and wastewater systems – affects business costs, productivity, public safety, and the country’s ability to attract foreign investment. In many cases the national government owns the infrastructure (rail, as well as some airports), and in other cases (water utilities) county councils own the assets. The country’s connections to the rest of the EU’s transportation infrastructure are underdeveloped, keeping Romania from realizing its full potential for new investment, trade, and tourism.

In the current economic environment, American exporters must be aware of heightened commercial risks and consider their terms of trade carefully. Selecting the proper partner – whether as a distributor, licensee, or franchisee – is extremely important. Adequate due diligence can make the difference between a successful investment or distribution agreement, and a costly mistake.

Romania has not yet entered the “Euro Zone,” and so most income is paid in the local currency, the LEU. At the same time, many companies and consumers have debt denominated in euro, and most big-ticket consumer items (i.e. real estate, cars, and

major appliances) are priced in euro. In the last four years, most Romanian borrowers have been on the losing side of this exchange rate risk, with direct effects on their purchases and debt service.

Market Opportunities

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Despite these challenges, several underlying attributes of the economy allow it to keep positive momentum. These elements also create medium-term business opportunities for American companies with experience and expertise in the areas in demand.

Romania's membership in the European Union is one of its most persuasive advantages. As a member, Romania offers a sizable domestic market and a comparatively low-cost foothold for accessing the EU market as a whole. Most of the foreign investment in retail, and some manufacturing, have been based on these two elements. In addition to this larger market, Romania's membership makes it eligible for billions of euro in EU grant funding. The set of financial supports known as structural funds are available to support investment in physical infrastructure and many other types of projects, and require a co-financing component from the recipient, -- in addition to the national government.

Romania's location in Southeast Europe shortens the distance for export sales to areas such as Turkey, the Balkans, the Middle East, and markets such as Ukraine and Russia. Several foreign manufacturers have moved into Romania, despite its economic recession, for this reason. Romania's powerful concentration of high-end software development and services is almost entirely export driven, serving regional or global markets.

Romania's stage of development and its requirement to conform to the standards of the EU drive many of the business opportunities for U.S. firms. Whether in response to directives from Brussels, to simply "catch up" to the rest of Europe, or to meet market potential, the U.S. Commercial Service sees the best prospects for sales in the following sectors, each of which is developed in greater detail later in this report:

- Agricultural Machinery and Equipment
- Automotive Market
- Energy
- Environmental Technologies
- Healthcare
- Information Technology
- Packaging Equipment and Waste Recycling

The European Union and EU Funding

The EU has already allocated approximately €27.5 billion to Romania for projects in areas ranging from transport and rural development, to energy and the environment. However, Romania has a dismal record of making full use of the funds. While in 2012 Romania had its highest absorption rate in the Regional Operational Program (24.7% or €920 million, absorption of EU funds still remains problematic and a tough task for the

new cabinet in Romania. Access to these funds is set to expire in 2015 unless the EU approves an extension in the coming term.

Among the problems are overly elaborate regulations regarding access to EU funds, Romania's lack of administrative capacity, and a lack of money to "match" EU funds. Romanian authorities must improve their ability to design worthwhile projects meeting EU guidelines, as well as provide required co-financing. On some infrastructure projects, for example, expenses ineligible for EU funds (such as land acquisition) may equal up to half of the total project cost. A continuing challenge has been a lack of adequate administrative capacity and project management skills to plan, budget, obligate, and spend these funds in an efficient, transparent, and effective manner. Internal project review and approval procedures implemented by Romanian authorities are also multi-layered and cumbersome. In fact, these problems have produced a business opportunity for specialized consultants.

There are always more needs and projects than available funding in Romania. American companies should examine the reliability of a buyer's financing arrangements. One method for exploiting business opportunities is to find where one of the best prospect sectors (e.g., environmental) intersects with the buyer's ability to access EU funding and arrange co-financing.

U.S. exporters should monitor other recent developments in the European Union:

- The border free EU Schengen area now covers 25 countries, including some non-EU members, and greatly eases the movement of goods and people across air, land, and sea borders. Romania's membership in the Schengen area has not yet been approved by all of the existing 25 members.
- Enlargement of the EU continues, with Croatia having signed its accession treaty. It is scheduled to become a member as of July 1, 2013, once all 27 members have ratified the treaty. This will add an estimated 4.5 million individuals to the 500 million already in the single market. The EU is currently close to bringing Iceland into the fold and is in discussions with several other Balkan states, plus Turkey.
- With an increase in the size of the euro zone, now at 17 members, businesses face lower business transaction costs and more transparent pricing through the euro zone compared to the challenges and costs of dealing in multiple currencies before the introduction of the euro.

Discussions on a range of existing and proposed trade issues are ongoing, including: current and proposed EU restrictions on genetically-modified organisms, biotechnology, and nanotechnology; transparency in regulatory procedures; and the role of standards and their development. To ensure that U.S. companies get the full benefits of the trade agreements the United States has negotiated, the U.S. Government has developed a trade compliance initiative. U.S. trade agencies work closely and diligently with the business community to ensure that the EU and its member states comply with their bilateral and multilateral trade obligations, and to minimize market access problems affecting U.S. firms.

A local business presence is essential to success in the Romanian market, and this can take the form of a distributor agreement, subsidiary, joint venture, or acquisition. Regardless of the form of investment or entry strategy, American businesses considering the Romanian market should research their specific prospects thoroughly, perform due diligence, and be prepared to adapt their business models as necessary. Retaining legal counsel with solid knowledge of Romanian law is extremely important, and relationships with other service providers, such as banks and accountants, can provide excellent value as well. Selling through a local Romanian partner is a standard element of most entry strategies. Therefore, a U.S. company's success can hinge on identifying, qualifying, and selecting a partner with the resources and expertise to help accomplish its objectives.

The European Union market is a differentiated one, with specific supply and demand needs varying from member state to member state. While a pan-European business strategy is critical, exact market-entry strategies must be considered on a country-by-country basis. For details of these tactics, please consult the Commerce Department's Country Commercial Guides of the 27 EU member states found at the following website: [EU Member States' Country Commercial Guides](#).

To conduct a more thorough search for market research reports on specific industries and sectors within EU member states please consult the Commerce Department's Market Research Library at: <http://www.export.gov/mrktresearch/index.asp>.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/35722.htm>

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Using an Agent or Distributor

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Local agents, distributors and joint venture partners can contribute significantly to the success of an American company by bringing knowledge of the market, industry experience, access to key contacts, and other resources. Selecting a distributor is a serious strategic decision, with long-term business and legal implications. When establishing a contract with a distributor or joint venture partner, American companies are advised to seek legal advice to draft a distribution agreement that is compliant with local regulations and standard business practices.

U.S. Commercial Service Romania advises against relying on internet searches, association lists, or other passive methods for finding a partner. Through its International Partner Search and Gold Key Service, CS Romania helps U.S. companies find and qualify prospective agents, distributors or representatives, and can perform background checks on Romanian companies through the International Company Profile.

Key links: [International Partner Search](#), [Gold Key Matching Services](#), [Single Company Promotion](#) or [International Company Profile](#).

Establishing an Office

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Opening a local office in Romania involves several steps:

1. Choose the type of company

General Partnership (SNC): A general partnership can involve two or more partners. The partnership relationship is based upon a contract, and any person who is able to enter into a binding contract may enter into a partnership. The parties must register their partnership with the National Trade Registry Office in the Ministry of Justice.

Limited Partnership (SCS): As with other jurisdictions, a limited partnership consists of one or more general partners, who manage the business of the partnership, and one or more limited partners who contribute capital (money or other property) to the partnership, but do not participate in its management. Generally, limited partners are not liable for the debts and obligations of the partnership beyond their contributions to the registered capital.

Joint-Stock Company (SA): A joint stock company is a limited liability corporation with registered capital of at least \$960 and at least five shareholders. Shares can be nominative shares or bearer shares, and can be freely traded or pledged. A joint stock company may be set up privately or by public subscription. A privately held company is required to have a Memorandum of Association. At the time of the company's registration, each shareholder must pay at least 30% of his/her portion of the registered share capital, with the remaining 70% paid within a maximum of 12 months.

Limited Partnership by Share (SCA): The capital is divided into shares and the obligations are guaranteed by the capital and by the unlimited and joint liability of the general partners. The limited partners are liable only for the payment of their shares.

Limited Liability Company (SRL): A limited liability company is a company formed by a limited number of partners (no more than 50). The registered share capital of an SRL is normally divided into shares with a registered value of not less than 10 RON each. Shares cannot be freely traded, making limited liability companies similar to what are known as private companies in other legal systems. Shares of these companies cannot be pledged as collateral for loans.

Representative Offices: Foreign companies may open representative offices in Romania following registration with the Department of Foreign Trade in the Ministry of Economy. Representative offices cannot carry out commercial activities on their own behalf, but are entitled to promote and supervise the business of their parent organizations.

Branches: Foreign companies may establish branches in Romania. They must be registered with the appropriate trade registry, relative to the location of their office.

2. Determine location of headquarters

Foreign companies are required to have as a headquarters a physical location (not a postal address as in the United States) that is the property of or in use by one or more partners or shareholders.

3. Register the name of the company

The company's name is registered with the Trade Registry in the jurisdiction where the company is to be located.

4. Authenticate constitutive documents

General partnerships and limited liability partnerships are set up through a contract of company. Joint-stock companies, limited partnerships with shares and limited liability companies are set up through a contract of company and articles of incorporation. The signatories to the articles of incorporation are considered founders. The company must have a "Constitutive Document," (Articles of incorporation) which sets the rights and obligations of the shareholders, the object of activity of the company, the quorum required for the adoption of different resolutions, the dissolution procedure, and so forth.

5. Company's account

A company account is opened in the registered name of the company in order to deposit the share capital. The amounts depend on the form of business organization, but as an example, a limited liability company has a minimum starting capital of RON 200 (approximately \$60).

6. Other required legal documents

Other documents are required, such as fiscal records.

7. Submission of the complete dossier to the One Stop Office

Once the application, or *dossier*, is complete, it is submitted to the One Stop Office in the proper jurisdiction. The One Stop Office falls under the National Trade Register Office of the Ministry of Justice.

The forms of business most commonly used by foreign investors are limited liability company (SRL), the joint stock company (SA) and the branch of a foreign parent company. Representative offices are often used as a market entry tactic, allowing a company to assess opportunities before making a more substantial investment.

Companies who plan to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with European Union (EU) and Member State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. The Directive establishes the rights and obligations of the principal and its agents, the agent's remuneration, and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key Link:

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of such "vertical agreements." Most U.S. exporters are small- and medium-sized companies (SMEs) and are exempt from the regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting

competition at the EU level. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized. The EU has indicated that agreements that affect less than 10% of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

Key Link:

http://eurlex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU addresses the problem of payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. The Directive entitles a seller who does not receive payment for goods/services within 30-60 days of the payment deadline to collect interest (at a rate of 7 % above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key Link:

<http://ec.europa.eu/enterprise/policies/single-market-goods/fighting-late-payments/>

Companies' agents and distributors can take advantage of the European Ombudsman if they are the victims of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights.

Key Link: <http://www.ombudsman.europa.eu>

Franchising

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Franchising regulations in Romania are much the same as in other countries, basically granting the franchisee the right to operate or develop a business, product, technology or service. The contract, generally called a Franchising Agreement, reflects the interests of the members of the franchise network, and protects the franchiser's industrial or intellectual property rights by maintaining the common identity and reputation of the franchise network. The franchising agreement must define, free of any ambiguity, the obligations and liabilities of all of the parties, and must contain the following elements: object of the contract, rights and obligations of the parties involved, financial clauses, contract duration, clauses related to modification, extension, and cancellation of the agreement. The dramatic growth of franchises between 2000 and 2007 reflected the pent-up consumer demand, while the severe retrenchment between 2009 and 2010 in the face of a recession shows the importance of choosing the right franchise partner. In 2010, real estate franchises in Romania reported the most severe drop (70%). Fashion retailers were also heavily impacted by the economic downturn declining by 50%. Financial services franchises were not in demand either. The rest of the franchises reported an average decline of 20%.

If In 2007 and 2008 major international franchises included Romania among the Emerging Markets of Central and Eastern Europe, since 2009 and especially 2010,

Romania has been referred to as one of the “Balkan transition economies.” The countries in the Balkan area have been gravely affected by the financial and economic crisis and their transition economies are still struggling to overcome the effects of the crisis, such as growing unemployment rates.

Faced with tough austerity measures, the Romanian franchise market had a contraction of 20% in 2010. In 2011, the Romanian franchise market remained at the level of 1 to 1.2 billion euros and in 2012 is expected to remain steady.

The experts from Romanian Franchise Association believe that Romanian investors have become more cautious in deciding how to spend money, in the context of a generalized lack of liquidity. On the other hand, franchisors themselves have become more conciliatory and more willing to negotiate certain clauses in franchise contracts.

American Franchises in Romania

At present, American franchises still represent a large number of brands and strong market share. At the end of 2008, the American franchises accounted for 22% of all the international brands on the Romanian market, with European brands growing swiftly. European concepts prevailed in retail franchises, while American brands were most evident in fast food concepts, such as: Quiznos and Burger King, or Starbucks.

Important U.S. companies like McDonald's, Pizza Hut, and KFC (Kentucky Fried Chicken) currently have franchisees in Romania. Other American franchises present in the Romanian market include:

- Curves (as FitCurves)
- The GAP (clothing retail)
- Hertz
- Budget
- Pizza Hut
- American Life Insurance Company
- Howard Johnson Grand Hotel Plaza
- Four Star Pizza
- Daylight Donuts
- Ruby Tuesday's
- Pizza Inn
- Candy Bouquet
- Computer Troubleshooters
- Fastrackids
- Ramada
- Quiznos
- Starbucks
- Subway

The U.S. Commercial Service remains positive on the long term prospects for American franchises in Romania, especially in areas outside of food concepts. However, realizing success in the Romanian market usually requires the American franchise to modify its “standard” franchise agreement to reflect local market conditions. Timetables, minimum

numbers of units, and fees and royalties should all be evaluated against local market data. Even more important is finding the right local partner who understands the business concept and can execute it well. Finding local entrepreneurs with the capital to pay a franchisee fee is not as difficult as identifying those with the expertise and acumen to introduce and grow a new franchise successfully. Competition for the attention of this latter group is keen, and American franchises are evaluated against European rivals.

Direct Marketing

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The Romanian Direct Marketing Association (ARMAD) is a member of the Federation of European Direct Marketing (FEDMA) and the European E-commerce and Mail Order Trade Association (EMOTA).

There are more than 30 direct marketing companies who are also members of ARMAD. The direct marketing industry is just developing, but has been growing among Romanian companies for whom the methods offer a business marketing solution. Romania does not have a national "do-not-call list", but in 2007 a "do not mail" list was implemented by the Romanian Direct Marketing Association.

There is a wide range of EU legislation relevant to the direct marketing sector. Compliance requirements are most rigorous for marketing and sales to private consumers, and place an emphasis on the clarity and completeness of the information marketers provide consumers prior to purchase, and on their collection and use of customer data. The following gives a brief overview of the most important provisions of EU-wide rules on distance selling and on-line commerce. We recommend American companies consult the information available via the hyperlinks, and contact the U.S. Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Processing Customer Data

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

Distance Selling Rules

- Distance and Door-to-Door Sales

The EU's Directive on distance selling to consumers (97/7/EC) sets out a number of obligations for companies doing business at a distance with consumers. Before concluding a contract, direct marketers must identify themselves clearly, provide information about their supplier, full details of price and delivery, and the period for which an offer remains valid. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales).

Key Link: http://ec.europa.eu/consumers/cons_int/safe_shop/index_en.htm

- Distance Selling of Financial Services

Financial services are the subject of a separate Directive that came into force in June 2002 (2002/65/EC). This piece of legislation ensures that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key Link: http://ec.europa.eu/consumers/cons_int/fina_serv/index_en.htm

Direct Marketing over the Internet

The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the Directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software) must also collect value added tax (see the Electronic Commerce section that follows).

Key Link: http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing

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U.S. companies may enter the Romanian market as partners with Romanian counterparts or may operate 100% foreign-owned companies. Many foreign companies involved in local manufacturing do so under joint-venture agreements. The main advantages offered by joint ventures include quick market access through the knowledge, relationships, and existing capacities of the local partner. The potential disadvantages of joint ventures include the loss of complete control, the failure of anticipated synergies, and the costs and difficulties of integration.

Selling to the Government

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The Romanian Government adopted public procurement law, Emergency Ordinance 34/2006, in order to align its legislation with EU standards. This ordinance was amended in March 2009. The most recent update shortened the deadlines for contesting procurement procedures. The Government maintains an electronic system for public acquisitions in an effort to provide a fully transparent procurement process. A government decision passed in March 2010 requires public authorities to use the e-procurement system for at least 40% of their procurements.

The EU public procurement market, including EU institutions and Member States, is regulated by two Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The U.S. and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and some services and works contracts published by national procuring authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on contracts from European public contracting authorities above the agreed thresholds.

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in the EU coverage of the Government Procurement Agreement (GPA). The Utilities Directive allows EU contracting authorities in these sectors to either reject non-EU bids where 50% of the total value of the goods constituting the tender originates in non-EU countries, or to apply a 3% price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when no reciprocal access for EU companies in the U.S. market is offered. Those restrictions however were waived for the electricity sector.

For more information, please visit the website of the U.S. Commercial Service at the U.S. Mission to the European Union, and the section dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement.

Key Links:

<http://www.e-licitatie.ro>

http://www.buyusa.gov/europeanunion/eu_tenders.html

Distribution and Sales Channels

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Distribution of goods and services in Romania is similar to other European countries. Wholesale and retail tiers, and support services such as packaging, warehousing and merchandising, are fully developed in Romania. Retail outlets, franchisees, and value-added resellers serve as channels for the provision of services ranging from mobile phone service, consulting or software and IT.

Romania's range of retail outlets is likewise European and includes specialty shops, supermarkets, hypermarkets, cash and carry, department stores, gas station convenience stores, and do-it yourself shops, kiosks, street vendors, open-air markets

and wholesale centers. Despite the rapid growth of shopping malls and hypermarkets, many urban consumers still rely on small shops and markets for daily shopping.

Romania is one of the top targets in Eastern Europe for retailers like Metro, Carrefour and Selgros, whose local large-format stores provide the biggest sales increases for their chains. For several years the local market has been dominated by Carrefour and Cora on the hypermarket (or Big Box) segment, while Metro and Selgros have competed on the cash and carry market. Several of these have plans to continue their expansion, but on a scale tempered by the economic downturn.

Foreign supermarkets also have a share of the Romanian market. The first foreign company to enter the market was the Metro Cash & Carry chain in 1996, followed by Billa, Gima, Carrefour, XXL, Auchan, Kaufland, Mega Image (Delhaize Group), and Artima. Growth plans for the Romania market have been affected by the condition of these companies in their home markets.

Selling Factors/Techniques

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Price, payment conditions, value and quality are critical factors for success in Romania's business and consumer markets. In almost any business domain, European competitors exist and enjoy the advantages of tariff free status within the EU. American firms may not always compete on price but need to demonstrate a clear value proposition. Proven products or services with benefits that emphasize cost-savings, efficiencies or – for distributors – profitability and reliability, will stand the best chances of market success.

Romania has seen income growth in recent years, and an expansion in consumer credit, but average incomes remain relatively low. Comparing Romania to other nations on the basis of GDP per capita adjusted for purchasing power parity ranks the nation alongside Turkey and Bulgaria, trailing neighboring Hungary, but ahead of Ukraine. However, the small but relatively affluent segment of the population has driven retail development, real estate, and the sale of luxury or “premium brand” goods. The current economic conditions recommend prudence to the U.S. companies pursuing this segment of the market. Market entry plans should be informed by specific and timely intelligence, as well as a careful evaluation of a prospective partner's financial condition.

Electronic Commerce

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Statistics from Romanian integrator GECAD ePayment indicate that the main industries processing online transactions are telecom, tourism, utilities, services, retail and entertainment.

As in other countries, e-commerce solutions that rely on existing payment relationships have been successful in Romania. The country's large number of mobile phone subscribers provides a ready base of shoppers for telecom providers such as Orange, Vodafone, and Cosmote. Each provide the ability to check bank balances, pay bills and purchase calling credit online.

The use of online auction sites, even when not located in Romania, is growing. Online auctioneer eBay does a steady business among Romanians through its other European sites. In 2011, Apple opened its iBookstore to the Romanian Market.

The EU applies Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. American companies that are covered by the rule, such as those based in the U.S. and selling ESS to EU-based, non-business customers must collect and submit VAT to EU tax authorities. There are a number of compliance options for businesses. The Directive created a special scheme that simplifies registering with each member state, and allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based, but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

Despite the enthusiasm these studies revealed, two obstacles continue to retard the growth of e-commerce infrastructure and deployment: a relatively low rate of credit card ownership, and the prevalence of online fraud and cybercrime.

In March 2011, the Ministry of Communications and Information Society launched the National Electronic System for Online Payment of Taxes (www.ghiseul.ro). This is a platform that allows the citizens of Romania to pay their taxes online, no matter where they are in the world, eliminating as a result the lines at the tax offices. The system was supported by such companies such as VISA, MasterCard, the major banks in Romania, IBM. Until today, over 1,5 million RON in taxes have been transacted through Ghiseul.ro. The number will increase dramatically as more institutions join the system. Ghiseul.ro is a system delivered for free to the public institutions of Romania and operated by the Ministry of Communications and Information Society.

In January 2012, the Ministry of Communications and Information Society launched a call for projects, funded through European Funds, for e-commerce platforms, meant to promote the e-commerce business in Romania. The total budget of the call is over 50 million USD; the maximum amount per project is 750,000 USD.

Key Links:

[http:// www.ghiseul.ro](http://www.ghiseul.ro)

<http://fonduri.mcsi.ro/?q=node/232>

Trade Promotion and Advertising

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The economic circumstance left a bad mark on the evolution of Romania's advertisement market, but not as bad as in 2009. Due to the campaign election and due to an expected economical stability after it, the majority of players on the market were expecting a slight growth of the advertisement market. However, the declining trend has continued also in 2012, the declining of the market in 2012 in relation to the previous year remaining at a 5% level.

The diversity of media types and the fragmentation of the media market are the most important characteristics which we can observe in 2012 and because of this, the market's main objective becomes the tireless effort to find integrated creative and complex solutions which could cover as many means of public communication.

The main players in this market are as usual the international companies: advertising agencies (McCann Erikson, Lowe Lintas, Publicis, Leo Burnett, Ogilvy), media agencies

(Zenith Media, optimedia, initiative Media, Mindshare, Mediacom, Mediaedgeia), advertisers (Vodafone, Coca-Cola, Ing Bank...) and the biggest advertisement investments come especially from companies which work in fields such as telephone services, retail and fast moving consumer goods.

Television continues to attract the biggest media budget, its market share oscillating in the same ranges as in the previous years (65-70%) and this is thanks to its ability to provide the biggest coverage at a national level.

As expected, because the company which measured the ratings was changed and thus the measuring method changed as well, big fluctuations of rating statistics were noticed between the 2011 and 2012. However, there are no significant changes in 2012 in relation to the previous year regarding the TV station charts and this is how it is structured:

| Station | Owner | Rating (% of viewers) | Viewers in thousands |
|---------------|---------------------------------------|-----------------------|----------------------|
| Pro TV | CME/Adrian Sarbu | 3.18 | 333.92 |
| Antena 1 | Intact/Voiculescu Family | 2.51 | 264.00 |
| Antena 3 | Intact/Voiculescu Family | 1.78 | 186.75 |
| Kanal D | Dogan Media | 1.38 | 146.58 |
| TVR 1 | Public | 0.79 | 83.50 |
| Acasa | CME/Adrian Sarbu | 0.79 | 82.42 |
| Prima TV | SBS Broadcasting | 0.75 | 78.25 |
| Realitatea TV | Realitatea Media | 0.74 | 77.08 |
| B1TV | Sorin Oancea/ News Television Romania | 0.60 | 62.00 |
| National TV | Micula Brothers | 0.59 | 62.00 |

Source: Kantar Media Audiences, Copyright: ARMADA S.R.L; the data represents an annual average (01.01.2012-31.12.2012)

The number of TV networks has grown in 2012, by launching national, regional and local networks, and most of these belong to RCS&RDS company (Digi24m, Digi World, Digi Life). Besides these newly founded networks, the market has lost 2 networks. Due to bad financial situation, 2 networks which belong to the Romanian Television have been shut down, TVR Info (on August 15) and TVR Cultural (starting with September 15). At the end of the year, a new bill emerged claiming that the Audiovisual Law has been changed and it completely modified the way in which TV advertising space could be bought. This project was altered through a government emergency ordinance without consulting the industry. It was enacted by the government last week on April 10 and it was published in the Official Gazette on April 12 to become operative.

The press continues to be the most affected by the economical crisis. The budget cuts from the clients have determined the editors to cut expenses, but at the same time challenged them to find interesting solutions. Because of this, many publications have developed online titles and "mobile" apps and have sustained their sales of printed editions by introducing samples, books, dvds, cosmetics and so on.

Aside from selling Adevarul Holding to Cristian Burci, there are no major changes in this market. Once again, the emphasis has fallen on the tabloids and international headlines are present on the market and are an integral part of some multinational companies' portfolios such as Sanoma Hearst, Burda and even in the portfolio of some Romanian companies (Intact, Adevarul Holding).

Although 2012 is once again a year of downfall, the outdoor has maintained its market share in the average lines in 2011, at 10%.

The main players on the market continue to be Affichage, Defi Group, Euromedia Group, Getica, and Spectacular Ooh & Printing.

The status of out-of-home advertising on public domain has remained unchanged in 2012, the current legislative regulations have been broken and other new advertising billboards have emerged, crowding the urban landscape. After the closing of the election, the authorities have recommenced the discussions regarding the market's regulations by bringing under regulation laws suggested by the Ministry of Regional Development, starting from January 1st 2014. The terms of this law continues to be abusive. During the year 2012, no major auctions have been organized. The Bucharest transit was bought directly from RATB (Public Transport Services).

An important event which must be mentioned is the launching of a platform which allows the monitoring of outdoor advertisement investments, made possible by Brat, the data can be accessed starting April 2012.

The radio has also kept its share constant in 2012, although it has registered a decline at the budget level. In 2012, international trusts such as Lardere (Europa FM, Radio 21, Vibe), ProSieben Sat.1 Media AG. (Kiss FM, Magic FM, Rock FM..), Media Pro (InfoPro, ProFM, ProFm Dance) have activated on the market, as well as local companies such as incat Media Group (Radio Zu, Radio Romantic). In the ratings chart , Radio Romania stands out as a local radio, which manages to raise big ratings thanks to a large number of stations and very good national coverage.

| Radio Station | Market Share % |
|---------------------------|-----------------------|
| Kiss FM | 17.8 |
| Radio ZU | 11.8 |
| Europa FM | 10.7 |
| Pro FM | 8.8 |
| Magic FM | 7.0 |
| Radio Romania Actualitati | 5.0 |
| Radio 21 | 4.5 |
| Rock FM | 1.9 |
| National FM | 1.8 |

Source: Romanian Association for Radio Ratings; the data represents a daily average between 16.01.2012-16.12.2012, with urban public with ages between 18 and 49 years old.

Pricing structures in Romania are similar to those used in most other countries: prices are increased by wholesale and retail markups as well as by taxes, especially the Value Added Tax (VAT) that climbed from 19% to 24% as of July 2010. Product pricing is influenced primarily by existing competition in the Romanian market, as well as by the liquidity of the market. Common consumer goods are price-sensitive, and competition can be fierce, as local producers compete with products from China, Southeast Asia, and Turkey. In the case of higher quality goods, the reputation of a brand – as well as technical specifications or length of warranties – can command a price premium in the market. However, U.S. companies should not take awareness of their brands for granted.

According to the National Bank of Romania – NBR's Inflation Report published in February 2013, at end-2012, the annual CPI inflation rate stood at 4.95 %, down 0.38 percentage points from end-Q3. This places the inflation rate 0.95 percentage points above the upper limit of the target band set for year-end, but marginally below the NBR forecast of 5.1 % in the November 2012 Inflation Report. The difference from the previous forecast can be accounted for by steeper-than-projected decelerations in the dynamics of volatile food prices and fuel prices, partly offset by slightly faster rises in administered prices and tobacco product prices.

The deceleration in the annual growth rate of consumer prices in 2012 Q4 was due to some factors that mitigated the effects of the adverse supply-side shocks that had triggered the substantial advance in inflation in the previous quarter. In this respect, a particular contribution was made by the significant slowdown in the annual dynamics of volatile food prices (VFE1), as a result of the monthly deflation posted by the prices of vegetables in October and November. Moreover, the decrease in international crude oil prices and the appreciation of the leu against the U.S. dollar in December led the annual growth rate of fuel prices to enter a downward trend in Q4.

The favorable influence of these components on the dynamics of the aggregate index in 2012 Q4 was partly offset by the prices for the other CPI basket components growing faster, in annual terms, than in the previous quarter. In the case of administered prices, this was mainly the result of the value of green certificates being taken into account in electricity bills for household end-users, while the faster annual increase in tobacco product prices in Q4 was accounted for by other factors than the rise in the excise duties, most likely by the attempt of market operators to cover their financial losses.

In addition to taking inflation into account, U.S. exporters should take the opportunity to assess the competitive strength of their currency strategies and terms of sale. The ability to quote prices in local currency, especially for U.S. firms with local accounts payable, could provide an edge for both existing and new accounts. Likewise, exporters offering credit terms instead of requiring Letters of Credit or cash in advance can realize greater sales success. There are numerous banks in the U.S. and Romania offering appropriate trade finance tools to manage both currency and payment risk. The U.S. Export-Import Bank and private providers offer credit insurance for Romanian buyers as well. The costs of these products should be factored into the export price.

Sales Service/Customer Support

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The concepts of after sales customer service and support are still developing among Romanian businesses, but large multinationals are providing leadership in this area. As

a consequence, Romanian consumers are increasingly sensitive to the quality of after-sales services in making their buying decisions. American firms generally hold an advantage in this area, but local partners may prove the weak link that damages brand perception. U.S. companies should be prepared to work closely with local partners (distributors, value-added resellers) to help them develop their service and support capabilities.

Legal provisions regarding sales, service and customer support are currently in line with European Union provisions. There have been discrepancies among EU member states in product labeling, language use, legal guarantees, and liability. The relevant EU institutions continue to pursue harmonization of national legislation, and this is an area that U.S. suppliers should monitor closely.

Product Liability

Under a 1985 directive on liability of defective products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

Key link: http://ec.europa.eu/enterprise/policies/single-market-goods/documents/liability/index_en.htm

Product Safety

The 1992 General Product Safety Directive was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product and provisions for its recall.

Key link: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm#gpsd

Legal Warranties and After-sales Service

Under the EU Directive on the Sale of Consumer Goods and Associated Guarantees, companies are required to provide a minimum two-year warranty on all goods sold to consumers. The remedies available to consumers in case of non-compliance are:

- repair of the good(s);
- replacement of the good(s);
- a price reduction; or
- rescission of the sales contract.

Key link: http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property ("IP") rights in Romania. First, it is important to have an overall strategy to

protect your IP. Second, IP is protected differently in Romania than in the U.S. Third, rights must be registered and enforced in Romania, under local laws. Your U.S. trademark and patent registrations will not protect you in Romania. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Romania. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Romanian law. The U.S. Embassy provides a list of local lawyers or go to <http://romania.usembassy.gov/acs/legal.html>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Romania require constant attention. Work with legal counsel familiar with Romania laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Romania or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)

- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché at: <http://www.uspto.gov/ip/global/attache/>.

Due Diligence

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Romania offers attractive opportunities for investment, acquisition, and business partnerships ranging from joint ventures and licensing agreements to distributorships and franchises. However, with these new opportunities come new risks. There are few activities more important in Romania than conducting due diligence on potential investments or business partners.

The U.S. Commercial Service advises American firms to engage reputable legal counsel, and maintains contact with such firms, both international and Romanian. Legal advisers are retained for the usual work of incorporation, obtaining permits, IPR registration, contract preparation, collection and commercial disputes, but are also an excellent resource for identifying potential problems based on their experience in the market.

Comprehensive due diligence should be performed whenever specific circumstances relating to a planned transaction clearly reflect a legal risk which could harm the parties.

The Romanian justice system continues to be slow and bureaucratic. Even though the New Civil Procedure Code entered into force at the beginning of 2013 the promises it comes along to speed up and ease the course of the lengthy court litigations are at present far from actual realization. Despite some progress the best strategy is to avoid commercial litigation if at all possible. When possible, contracts should provide for international arbitration.

Romanian bankruptcy legislation provides creditors the ability to force insolvent companies into either reorganization or liquidation. If a company is able to overcome its inability to pay its debts by reorganization, it may not have to go into liquidation. Nevertheless, if the reorganization is not successful, the judge will order the start of liquidation procedures. Unfortunately, the lack of specialization of judges and lawyers in the bankruptcy field makes it difficult to bring such cases to court, and to obtain consistent outcomes. This procedure has been reformed by a law passed in December 2009, which provides for a debt settlement mechanism- Company Voluntary Agreements- which may be used to establish debt servicing schedules without resorting to bankruptcy.

Even though due diligence is substantially based on the analysis of documents provided by the investor's counterpart, information from public sources should not be underestimated. There is a wide range of public sources such as the Trade Registry, the Land Book, the Electronic Archive for Pledge Agreements, State Office for Inventions and Trademarks and the Credit Bureau.

Perhaps the most complicated part of a legal due diligence is the review of information regarding assets, especially real estate. Apart from the fact that it takes time and skill to identify and collect the relevant documents, it is essential to fully comprehend their legal effects, in particular when it comes to the historical transfer of ownership, by spotting the deficiencies that might lead to legal hazards, and finally to advise the investor on the most effective approach of such data in negotiating the transaction.

The most complex legal due diligence operations have been in real estate transactions, banking transactions, mergers and acquisitions, and privatizations. As a consequence, Romanian law firms have acquired a considerable expertise, and a better understanding of U.S. companies their business culture and specific needs in complex transactions.

Finally, any due diligence process requires knowledge of applicable regulations, both primary and secondary Romanian legislation, as well as European Union law. Over the last twenty years, Romania's legal framework has evolved into a web of regulatory branches, many of them interlaced and ambiguous. Romanian lawyers have

considerable experience in dealing with such matters, and are able to offer a clear view and creative solutions on the way regulations apply to specific legal issues.

It is very important for American firms to know with whom they are doing business, whether selecting a consultant, distributor or deciding to extend credit terms. In addition to introductions to local legal counsel, the U.S. Commercial Service offers a service for investigating the background, financial status and references of Romanian firms. The International Company Profile includes findings from interviews with the target company, supplier and customer references, and a recommendation regarding the subject's reliability as a business partner.

(<http://export.gov/romania/servicesforu.s.companies/internationalcompanyprofile/index.asp>).

Local Professional Services

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A directory of local business service providers offering clear value to U.S. firms is available on the website of the U.S. Commercial Service in Bucharest, Romania:

<http://export.gov/romania/businessserviceproviders/index.asp>

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website: <http://www.export.gov/mrktresearch/index.asp> under the Market Research Library.

Web Resources

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Ministry of Justice's Trade Registry

<http://www.onrc.ro/english/services.php>

Ministry of Economy, Trade and Business Climate

<http://www.minind.ro>

Ministry of Finance

<http://www.mfinante.ro/>

National Agency of Fiscal Administration

<http://www.anaf.ro>

Chamber of Fiscal Consultants

<http://www.ccfiscali.ro>

European Union legislation database

<http://eur-lex.europa.eu/>

European Ombudsman

<http://www.ombudsman.europa.eu>

European Commission, DG Health and Consumer Protection, Consumer Affairs

http://ec.europa.eu/consumers/index_en.htm

European Committee for Electro-technical Standardization

<http://www.cenelec.org>

European Telecommunications Standards Institute

<http://www.etsi.org>

European Committee for Standardization

<http://www.cenorm.be>

American National Standards Institute

<http://www.ansi.org>

New Approach Standardization in Europe

<http://www.newapproach.org>

ETSI Collaborative Portal

http://portal.etsi.org/Portal_Common/home.asp

The CEN Information Society Standardization System

[http://www.cenorm.be/cenorm/workarea/sectorfora/isss\(ict\)/index.asp](http://www.cenorm.be/cenorm/workarea/sectorfora/isss(ict)/index.asp)

European Commission, Enterprise, Single Market, NANDO INFORMATION SYSTEM

<http://ec.europa.eu/enterprise/newapproach/nando/>

Government-to-Government Mutual Recognition Agreement Information

<http://ts.nist.gov/standards/conformity/mra/mra.cfm>

European Cooperation for Accreditation

<http://www.european-accreditation.org>

New Approach Standardization in the Internal Market

<http://www.newapproach.org/Directives/DirectiveList.asp>

European Commission, Enterprise, Technical Regulations Information Systems

http://ec.europa.eu/enterprise/tris/index_en.htm

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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- [Healthcare](#)
- [Information Technology Market](#)
- [Packaging and Packaging Waste Market](#)

Agricultural Machinery and Equipment

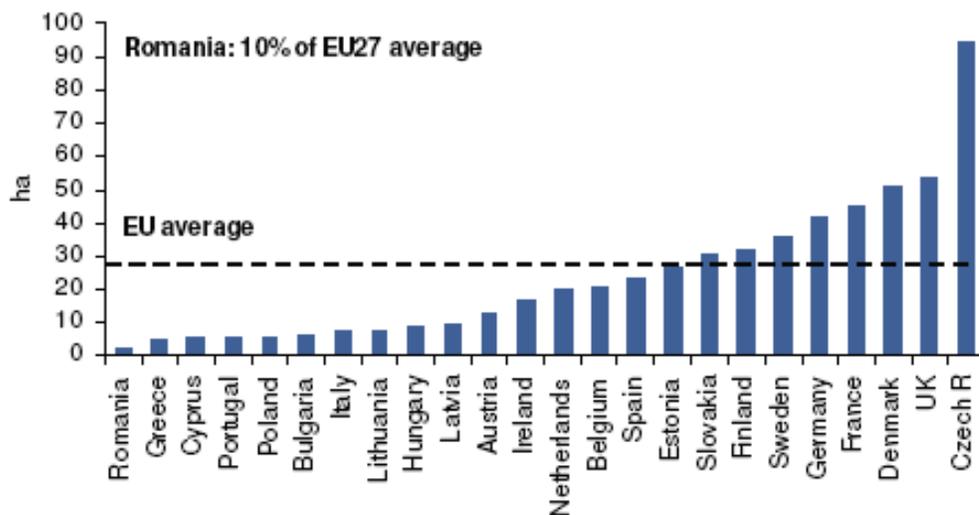
Overview

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U.S. manufacturers and exporters of agricultural equipment have good prospects in Romania, in both the short and long term. However, there are several structural issues that affect demand for this equipment.

Romania's highly fragmented agricultural land ownership prevents the accumulation of income and profits on the scale needed to increase productivity.

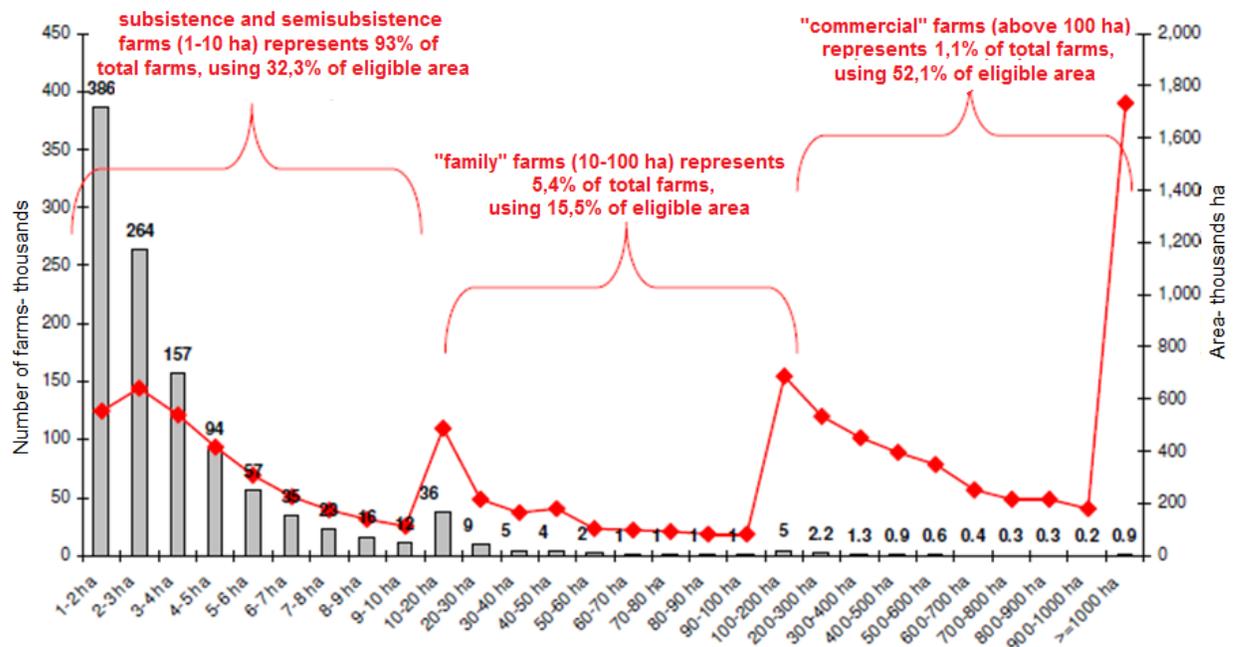
Arable land per holding



Source: Eurostat, BCR Research

While Romania has an abundance of rich soil, the predominance of subsistence farms means that the country has the lowest amount of arable land per holding. Some small commercial farms are realizing that their mutual self interest can be advanced through voluntarily forming associations or co-ops in order to aggregate production and marketing. However, the memory of enforced collectives and rampant cheating by co-ops in the communist days still presents an obstacle for many.

This imbalance means that a relatively few large farms coexist with many small ones, which influences the competitiveness of Romanian agriculture as shown in the next chart by the Ministry of Agriculture and Rural Development.



U.S. manufacturers of agricultural equipment and machinery will find strong demand in the Romanian market, but a limited, if growing, number of buyers. As the chart above shows, farms with more than 100 hectares or 250 acres make up a very small proportion of Romania's farms. However, this relatively small group of commercial farms (at the far right of the chart) are investing to increase productivity, and have become more adept at using both EU financing programs and the U.S. Ex-Im Bank's financing, insurance, and guarantee tools.

Productivity gains in agriculture have been erratic. To be economically viable in Romania, a farm must be considerably larger than in many European countries. A representative of an Austrian trading company active in Romania's farm machinery and equipment market noted that in Austria, a 40-acre farm is viable and has a tractor; whereas in Romania, a 250-acre farm is at the lower end of the commercially viable scale. This observation is not a sign of poor-quality soils, but lagging productivity of the land due to a lack of modern farming equipment, technologies, and practices.

Discounted land prices, good-quality soil, low labor costs, and the potential for large productivity gains through the application of more intensive methods form an interesting opportunity for well-capitalized foreign investors.

U.S. Agricultural Machinery and Equipment Supply on the Romanian Market

Romania's EU membership has given it access to European equipment free of import duties. Under communism, Romania had several state-owned companies that manufactured tractors and farm implements. Some were privatized more or less successfully, but most have not survived exposure to EU competition. In comparison to other markets, this lack of local competition leaves an open flank for U.S. suppliers of tractors and harvesting equipment, especially those companies that are already present in the Romanian market and have spare parts and service centers. Examples of these include AGCO, Case New Holland, and John Deere.

Romania's principal crops -- corn, wheat, and sunflowers -- account for about 15 million acres of farmland. In addition, the country's fertile soils and varied topography support forestry, pasture and rangeland, orchards, vegetables, and vineyards. These offer opportunities for silos, irrigation equipment, greenhouses, and agricultural inputs such as fertilizers and feed supplements.

In the silo equipment market, U.S. suppliers GSI and SCAFCO have developed silo construction projects through their local authorized dealers. The Romanian demand for grain storage silos is higher year by year as a result of the persistent lack of adequate storage, and recent strong harvests due to favorable conditions and marginal increases in productivity.

In its communist period, Romania had a large, national network of irrigation canals. However, this infrastructure has long since fallen victim to neglect, pilferage, and deterioration. Almost none of the network has been modernized, only a small amount of it is in use, and dramatically changed patterns of land ownership make some portions irrelevant. However, demand for irrigation remains large and a key to enhanced land productivity.

At least two U.S. suppliers of irrigation systems are active in the market. Valmont sells through a local, authorized dealer, and in 2011 the Toro Company built a factory in Romania to manufacture micro-irrigation systems. Toro expects production from its Romanian plant to serve the Central and East European region. Many of the applications for Toro's equipment, including vineyards, fruit orchards, and vegetable growing are prevalent across the region and poised for growth in Romania.

The livestock equipment market has also seen U.S. investment from companies Hog Slat and Smithfield. These two companies' efforts in Romania are concentrated in the swine industry. Smithfield Ferme, a wholly-owned subsidiary of Smithfield Foods, has operated integrated pig production in Romania since 2004. North Carolina-based Hog Slat opened a slat manufacturing facility in Romania in 2006. Originally, Hog Slat entered the market to work with Smithfield Foods. Through the efforts of not only Hog Slat Romania, but also Hog Slat, Inc., the investor's customer base has been expanded to include pork producers, small and large, throughout the European market.

CS Romania believes that agricultural machinery including tractors and harvesting equipment such as combines have excellent prospects for growth. There are additional opportunities in silos, grain storage and handling equipment, agricultural inputs such as fertilizers, and livestock equipment for poultry, swine, and cattle. Romania's vegetable production (including greenhouses), vineyards, and stone fruit are worth exploring. Dutch and Israeli companies maintain a strong presence in greenhouse technology.

More than 70% of this equipment has exceeded its normal functioning period and is fully depreciated. Equipment is used longer and with less attention to preventative maintenance. One tractor normally works 55 hectares of farming land, and a combine some 100 hectares. In the EU, the average is 13 hectares for a tractor and 79 hectares for a combine.

For the reasons mentioned earlier, the Romanian market has a ratio of tractors per hectare that is only one-third of the EU average (one tractor per 17 hectares). According to the Romanian association APIMAR (Romanian Association of Producers and Importers of Agricultural Machinery), in order to reach the European average concentration of tractors, the Romanian market would need to put into operation 30,000 tractors per year for more than a decade. Based on the Romanian "National Strategy for Sustainable Development of Agriculture and the Food Industry" and according to industry experts, if the country's farmlands were exploited with the intensity of the rest of the EU, Romania would need approximately 300,000 tractors, producing a bill of demand worth approximately \$14 billion.

Importance of Available Financing Tools for the Rural Development of Romania

Romania joined the European Union in January 2007, and all regulations of standards, safety, etc. are aligned with EU norms. The European Union and Romania's Ministry of Agriculture are important and influential sources of financing and grant assistance for Romanian farmers, to the extent that sometimes investment decisions are based on what financial support is available rather than what equipment and investments are needed.

The European Union has provided millions of dollars in grants annually to rural businesses, including farms, for investment in agricultural machinery and equipment, manufacturing facilities, and other agricultural purposes. This has been an important source of financing and an important driver of sales for equipment dealers. Between 2007 and 2013, a total of around USD 40 billion from the EU has been allocated to Romania in structural and cohesion funds, and American companies can participate directly in projects funded by the EU or in partnership with a company from an EU member country. A substantial percentage of this money (more than USD 11 billion) is destined for agriculture within the European Agricultural Fund for Rural Development. Farmers access this money by submitting eligible projects to the Ministry of Agriculture and Rural Development's Agency for Payments and Interventions in Agriculture, in accordance with the National Program for Rural Development. These EU structural funds for rural development offer Romanian farmers opportunities for investments in

modernizing local farms with high-level EU or non-EU agricultural equipments. This is also an increasing opportunity for U.S. suppliers of farming machinery to export their equipment to Romania.

The U.S. Export-Import Bank is also an important tool available to American exporters of agricultural machinery and equipment. Ex-Im Bank offers export credit insurance, loan guarantees, and direct loans on the Romanian market and has good working relationships with several local Romanian and European banks.

Events

The U.S. Commercial Service in Romania invites any American company involved in agricultural technology, machinery and equipment, or the agribusiness sector to contact us for more information about the following Romanian agricultural trade shows in 2013:

June 6 – 9, 2013: Expo AgriPlanta – RomAgroTec: Everything from Seed to Harvest, Open-Air Exhibition, Trial Fields & Machinery Demonstration, 3rd Edition, Fundulea, Calarasi County, <http://www.agriplanta.ro>

October 30 – November 3, 2013: INDAGRA - International Fair for Agriculture, Horticulture, Viticulture & Animal Husbandry, 18th Edition, ROMEXPO Exhibition Center, Bucharest, <http://www.indagra.ro>

Web Resources

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Ministry of Agriculture and Rural Development
<http://www.madr.ro>

Banca Comerciala Romana – BCR (Romanian Commercial Bank)
<http://www.bcr.ro>

U.S. Export Import Bank
<http://www.exim.gov>

Romanian Association of Producers and Importers of Agricultural Machinery – APIMAR
<http://www.apimar.eu>

Romanian Association of Tractors and Agricultural Machinery – PACTMAR
<http://www.inma.ro/pactmar>

Automotive Market

Overview

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Market size in Romania

| Car (New Motor Vehicles Market) | 2011 (EUR Millions) | 2012 (EUR Millions) | 2013 (estimated) (EUR Millions) |
|----------------------------------|------------------------|------------------------|------------------------------------|
| A) Total Market Size | 1,777.09 | 1,485.19 | 1,528.34 |
| B) Total Local Production | 4,860 | 3,771.95 | 5,355.24 |
| C) Total Exports | 3,415 | 2,648.99 | 3,454.03 |
| D) Total Imports | 1,463.41 | 1,274.76 | 1,318.87 |
| E) of which: Imports from the US | 145.166 | 104.828 | 11.6475 |

Another perspective is provided by the figures reported to the EUROSTAT unit. (Values are in euro.)

| | | Period | EU27_INTRA | EU27_EXTRA | US |
|---|--------|--------|---------------|---------------|------------|
| Motor Vehicles | IMPORT | 2011 | 1,321,258,023 | 127,026,116 | 1,443,371 |
| | | 2012 | 1,122,267,099 | 139,926,714 | 1,039,532 |
| | EXPORT | 2011 | 2,059,551,066 | 567,803,611 | 19,705 |
| | | 2012 | 1,804,986,586 | 819,223,820 | 32,450 |
| Bodies (coachwork) for motor vehicles; trailers and semi-trailers, other parts and accessories for motor vehicles | IMPORT | 2011 | 1,324,523,983 | 288,477,778 | 3,941,118 |
| | | 2012 | 1,451,133,221 | 291,152,044 | 9,016,297 |
| | EXPORT | 2011 | 1,726,408,281 | 758,737,185 | 24,769,651 |
| | | 2012 | 1,740,668,545 | 1,066,179,696 | 33,996,095 |

The international car market was affected by the global economic crisis, making all players rethink both their local and international strategies. In Romania in 2012, the impact of the economic downturn was visible at all levels of the Romanian car market: in the sales volume of new cars, profitability, layoffs, and stagnant financial results. Romania's car market registered the fifth consecutive year of decline, even though some segments experienced small gains. While domestic sales dropped by almost 21% compared to 2011, back to the same levels as in 2000, production increased by 0.8%. Exports also saw an 8.5% hike.

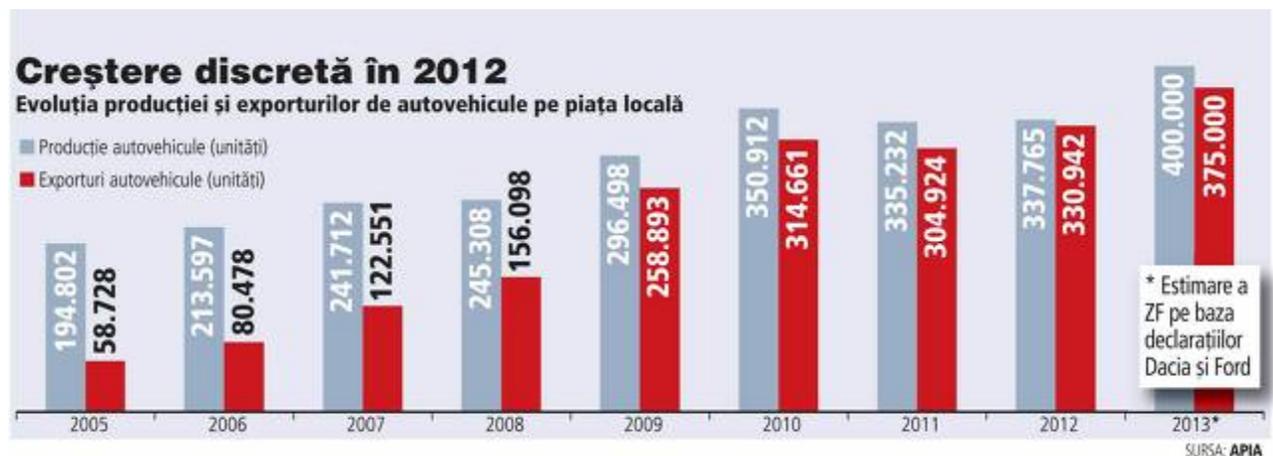
In 2012, after five years of consecutive decline, car sales volumes in 2012 were similar sales of new commercial cars and other vehicles totaled 87,500 units, a level similar to sales volume during 1994 and 1995. This represents a 20.9% drop from the previous year and one of the most severe slumps at the EU level. Car deliveries reported a 23.7% drop in 2012, with 72,200 units sold, and commercial vehicle sales dropped by 7.4%, with

at 14,100 units sold. According to APIA (the Association of Automobile Producers and Importers Romania), the drop in new car sales was a result of the inadequate implementation of the pollution tax – it was slashed by 25% compared to 2011 -- and by the elimination of the import tax on cars purchased in Romania. The faulty implementation of the Car Scrapping Program, limited access to car loans, harsh standards imposed by the National Bank of Romania, and the depreciation of the national currency were other factors affecting sales. Purchase for personal use accounted for 30% of sales, and the remaining 70% of sales were corporate purchases. Dacia Group Renault remained the leader in car sales, followed by Volkswagen, Skoda, Renault, Ford, and Hyundai.

Local Production and Romanian Exports

According to statistics provided by APIA, in 2012 domestic vehicle production increased by nearly 1% over 2011, to almost 337,800 units, the second highest level ever reached in Romania. This production level fell short, though, of initial market expectations of 400,000 units.

Last year's growth was supported primarily by the Ford factory in Craiova, since Dacia Pitesti in Mioveni manufactured 6% fewer cars in 2012 compared to 2011. Domestic vehicle production, estimated at about EUR 4 billion, has a direct impact on the Romanian economy, since Dacia's market share accounts for about 10% of Romania's exports and nearly 3% of its GDP. Since production at Ford in Craiova is expected to increase, these percentages are likely to boost too. In terms of employment, production growth results in the creation of more new jobs at the car manufacturing factory, including indirect jobs at its suppliers. For example, Dacia has 13,500 employees, but overall nearly 100,000 workers depend on continued production at Pitesti if the work force employed by the auto parts manufacturers (suppliers of Dacia) is taken into account.



Dacia manufactured over 307,000 units, and Ford manufactured the remaining 30,600+ cars in the second half of the year after series production of the new Ford B-Max began. The number of cars produced by Ford in Craiova was half the number of cars initially announced by Ford in June of last year, when the series production started. Total production of cars in Romania increased by 5.3% to approximately 326,600 cars. Production of utility vehicles, however, decreased 55% to 11,200 units, as Dacia

stopped manufacturing the Logan van and Logan pick-up utility vehicles in the summer of 2012.

Exports of vehicles were 14% higher last year due to weaker demand in the local market. Total vehicle exports in 2012 amounted to over 320,800 units. If Dacia had continued to produce 330,000 units, similar to the 2011 level, and Ford had assembled 60,000 units of the B-Max, then for the first time in Romania nearly 400,000 vehicles would have been produced in one year (a value of EUR 5 billion).

The most important factors that affected car production in Romania were: the changes in the pollution tax in 2012, which led to the more than 20% decrease to just 72,000 cars; and Dacia's 30% plummet in sales, to 20,000 units.

Sales

Total motor vehicle imports dropped 17.5% in 2012, reaching 65,821 units. Passenger car imports decreased 20.9% to 52,430 units. Sales of imported diesel passenger cars decreased just 5.4%, despite greater declines in the total market.

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Romanian Passenger Car Market Segmentation by Brand & Model

Overall, the new car market fell by over 20% in 2012. The Dacia Logan was the bestselling car in Romania, and the Dacia Duster SUV ranked second, according to data provided by Automotive Manufacturers and Importers Association (APIA). The Skoda Fabia and Renault Clio were the top-selling import models. More diesel cars than gasoline cars were sold.

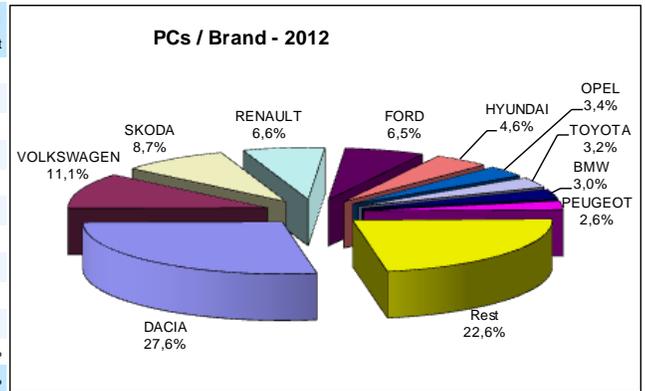
Total new cars sold in Romania in 2012 amounted to 72,179, four times lower than in 2007, the year of maximum new car sales.

By car class, class C-segment cars represented the largest share of sales (44% of the 72,000 units), and SUVs accounted for a fifth of the market due to Duster sales – well above the European average. Small class cars and the Monovolum segment accounted only for 3% of the total market in 2012.

In terms of total sales volumes, SUV sales dropped by just 5% while the overall market was experiencing bigger losses. Class E sales increased 17%, and Monovolum sales by 29%; these two classes represent a very small share of the market – less than 5,000 units – so the increases did not greatly impact total sales results. Class B and C car sales decreased 30%, a loss that significantly affected Romania's total car sales volumes.

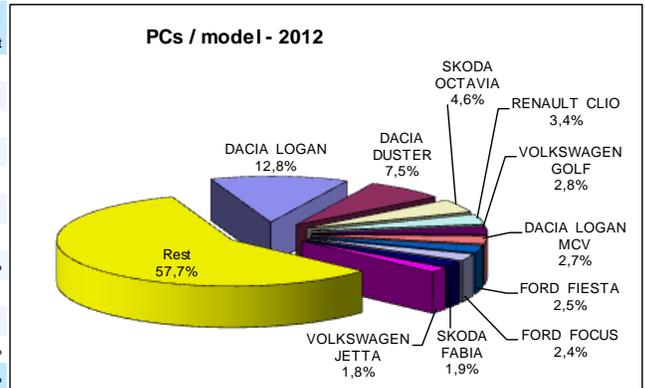
Passenger car top - by make

| BRAND | December | | Variation New | | 2012 | | Variation 2011 | |
|--------------|----------|-------------|---------------|---------------|----------|--------------|----------------|---------------|
| | position | units | position | percent | position | units | position | percent |
| DACIA | 1 | 1602 | 1 | ↘ -18.3% | 1 | 19948 | 1 | ↘ -29.6% |
| VOLKSWAGEN | 2 | 496 | 2 | ↘ -36.4% | 2 | 8046 | 2 | ↘ -19.9% |
| SKODA | 3 | 359 | 3 | ↘ -28.3% | 3 | 6291 | 3 | ↘ -23.8% |
| RENAULT | 4 | 357 | 4 | ↘ -5.6% | 4 | 4785 | 4 | ↘ -33.8% |
| FORD | 6 | 251 | 5 | ↘ -26.2% | 5 | 4682 | 5 | ↘ -15.6% |
| HYUNDAI | 7 | 241 | 6 | ↘ -10.1% | 6 | 3300 | 7 | ↘ -3.1% |
| OPEL | 10 | 190 | 8 | ↘ -11.6% | 7 | 2446 | 6 | ↘ -49.8% |
| TOYOTA | 8 | 202 | 9 | ↗ 11.6% | 8 | 2315 | 9 | ↘ -20.2% |
| BMW | 5 | 266 | 7 | ↗ 19.8% | 9 | 2161 | 12 | ↗ 6.6% |
| PEUGEOT | 15 | 95 | 10 | ↘ -41.4% | 10 | 1910 | 10 | ↘ -21.2% |
| Rest | | 1286 | | -6.7% | | 16295 | | -16.8% |
| TOTAL | | 5345 | | -16.3% | | 72179 | | -23.7% |



Passenger car top - by model

| MODEL | December | | Variation New | | 2012 | | Variation 2011 | |
|------------------|----------|-------------|---------------|---------------|----------|--------------|----------------|---------------|
| | position | units | position | percent | position | units | position | percent |
| DACIA LOGAN | 4 | 232 | 1 | ↘ -71.7% | 1 | 9207 | 1 | ↘ -41.8% |
| DACIA DUSTER | 2 | 323 | 2 | ↘ -30.5% | 2 | 5346 | 2 | ↘ -26.3% |
| SKODA OCTAVIA | 6 | 182 | 3 | ↘ -31.3% | 3 | 3350 | 3 | ↘ -22.4% |
| RENAULT CLIO | 5 | 219 | 6 | ↗ 9.0% | 4 | 2478 | 4 | ↘ -36.8% |
| VOLKSWAGEN GOLF | 7 | 115 | 5 | ↘ -52.1% | 5 | 1986 | 6 | ↘ -32.0% |
| DACIA LOGAN MCV | 35 | 33 | 8 | ↘ -76.6% | 6 | 1940 | 5 | ↘ -29.7% |
| FORD FIESTA | 22 | 56 | 9 | ↘ -58.8% | 7 | 1801 | 14 | ↗ 13.1% |
| FORD FOCUS | 10 | 101 | 12 | ↘ -10.6% | 8 | 1721 | 8 | ↘ -24.0% |
| SKODA FABIA | 15 | 78 | 14 | ↘ -25.7% | 9 | 1372 | 13 | ↘ -13.1% |
| VOLKSWAGEN JETTA | 19 | 64 | 11 | ↘ -50.4% | 10 | 1334 | 17 | ↘ -11.9% |
| Rest | | 3942 | | 4.5% | | 41644 | | -17.8% |
| TOTAL | | 5345 | | -16.3% | | 72179 | | -23.7% |



Source: APIA

While in 2011, gasoline-powered cars outsold diesel cars 55,500 to 39,000; in 2012 the trend was reversed. Total diesel car sales were 37,000 units, compared to the 35,000 gasoline-powered cars sold.

Fuel preference varied by vehicle type. Three quarters of Duster buyers chose diesel vehicles, compared to just 26% of Logan buyers. Two thirds of Skoda Octavia buyers and 57% of Volkswagen Golf buyers chose diesel options. Some 90% of Passat buyers chose diesel, and 49% of Ford Focus buyers purchased diesel vehicles.

Auto Parts

In 2012, the auto parts sector registered a growth of 7%. This growth was the result of several earlier investments that led increased exports.

For auto components manufacturers, the presence of the two carmakers is extremely beneficial: Renault's production has grown steadily for the last six years, and Ford is announcing similar ambitious plans for the future - a production capacity of 300,000 cars and engines in 2013 and an actual production of at least 200,000 units.

Given the required degree of integration of the cars produced at Dacia Renault and Ford the auto parts segment is expected to closely follow the trend of the overall vehicles market. In addition to the two major vehicle manufacturers currently producing in Romania, there are more than 800 companies – manufacturers of auto parts, sub-assemblies, and components (most of them SMEs) which have evolved as a result of the increased activity of the two companies mentioned above.

Most Romanian suppliers are not 100% owned by local entrepreneurs; rather they consist of joint ventures, in which the Romanians provided the production halls, utilities, and engineering services, and the major brands from the international car manufacturing industry brought in their know-how and raw materials. These joint ventures are producing for both the domestic market (mostly for Renault-Dacia) and the overseas markets.

Auto parts manufacturing companies are acting mainly in the area of metallic, plastic, and rubber components, in addition to electrical and electronic components production, as follows:

- *Electric and Electronic Systems*
Lisa Draxlmaier (Germany), Delphi Packard (U.S.), Kromberg & Schubert (Germany), Alcatel (France), Lear Corporation (U.S.), Alcoa Fujikura Inc. (U.S.-Japan), Leoni Wiring Systems (Germany), Sumimoto Electric Wiring Systems, Yazaki Corporation (Japan), Valeo (France), Siemens Automotive (Germany), Ruwel AG (Germany); Schneider & Oechsler International (Germany); Marquardt Schaltsysteme (Germany)
- *Heating /Air Conditioning Systems*
Continental (Germany), Valeo (France), Calsonic Kansei (Japan)
- *Exhaust Systems*
Borla (U.S.), (U.S.), Cortubi, Honeywell Garrett (U.S.)
- *Plastic and Rubber Components*
Baumeister & Ouslet (Germany), Solvay-Inergy (Belgium), Phoenix AG (Germany), Dow Automotives, AD Plastik (Croatia), Simoldes Plasticos (Portugal), BOS Automotive; Hutchinson (France)
- *Gear Boxes*
Daimler Chrysler (Germany), DCI Wallbridge (U.S.), Star Transmission (Germany)
- *Chairs*
Johnson Controls (U.S.), Faurecia (France)
- *Tires, Steel Cables*
Continental (Germany), Michelin (France), Pirelli (Italy)
- *Steering Wheels*
Takata Corporation (Japan), Eybl International AG (Germany), Momo (Italy)
- *Wheels*
Magneto Wheels (Italy)
- *Bearings*
Koyo Seiko (Japan), SNR Roulments (France), Ina Schaffer (Germany)
- *Springs*
Thyssen Krupp (Germany)
- *Chassis*
Auto Chassis International (France), Dura Automotive System (U.S.)
- *Casting Parts*
Lomond Continental Castings (Scotland)

A few players in the automotive market have proposed plans for development in the upcoming years. For example, the U.S.-based **Cooper Standard** has announced that it will establish a new manufacturing facility in Craiova, Romania, expanding its global automotive body sealing and fluid handling businesses. **International Automotive Components Group** has also started production at a new plant in Bals, near Craiova. The facility will produce instrument panels, door panels, headliners, and various other interior trim components to support Ford Motor Company's production of two new passenger cars at its plant in Craiova, Romania. Both companies will manufacture parts for carmaker Ford initially and will then serve other global customers. Cooper Standard has operations in 19 markets in Europe, America, and Asia.

In December 2012, tire producer **Pirelli** announced its intent to invest EUR105 million (US\$137million) in its facility in Slatina, Romania by 2017, EUR35 million (US\$45.8million) of which will come from the Romanian government as state aid. With this latest investment, annual production will increase from 8.5 million tires currently to 10 million tires by the end of 2013, and to 13 million by 2017. The added production capacity will increase employment at the site by 500, bringing the total to 3,500 workers. This latest capital injection from Pirelli comes on the back of ongoing expenditure in the Slatina facility, which is now the company's largest facility and has seen an investment of EUR450 million (US\$589 million) over the period 2004-2015.

In November 2012, German automotive component supplier **Continental** opened a new research and development (R&D) center in Timisoara. Continental has invested EUR20 million (US\$25.5 million) in the center, which can accommodate more than 2,000 workers. The center is in the same location as Continental's production facility, allowing for faster and more efficient manufacturing.

In October 2012, Canadian automotive parts supplier **Magna International's** wholly owned unit **Magna Exteriors and Interiors (MEI)** started operations at its first facility in Romania. MEI's 100 employees manufacture bumpers and exterior trim components at the Craiova facility, which is located within the Ford plant. Services offered at the new facility include injection molding, painting, and assembly.

German car maker **Daimler** officially announced its plans to invest EUR 300 million in Romania, where it will expand Daimler's existing Star Transmission production facility. The move comes to supplement production as Daimler's Stuttgart factory has reached maximum capacity. Star Transmission has two production units in Romania, at Cugir and at Sebes, where 800 employees have been manufacturing components for motors and transmissions for all Mercedes-Benz cars since 2001. Daimler will start production of the 5-speed automatic transmission from the middle of 2013 at the new location in Sebes until its discontinuation. Starting in 2014, the current generation of front dual clutch transmissions will also be assembled there.

Opportunities

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The Romanian car market has potential for growth. Car ownership rates are half the average rates posted by Western European countries – about 250 units per 1,000 individuals compared to 500 units per 1,000 in Western Europe. Specialists consider it

unusual for Romania to post sales of just 80,000-90,000 units a year, so in Romania all car brands have the potential of increasing their sales.

Romanian automotive market players anticipate that in 2013 the car market will be similar to that of 2012. While overall car production will increase in Romania, the local car market is unlikely to grow, so sales gains will be based largely upon exports. Dacia has rejuvenated its cars portfolio, and new Dacia models have affordable and competitive prices at the European level. In addition, Ford is likely to regain its upward trend in 2013 despite the difficult period is going through now.

As the European car market continues to decline, auto parts manufacturers on the Romanian market will likely reduce their production volumes but not dramatically. With nearly 800 auto parts manufacturers on the local market, Romanian auto industry suppliers achieved a collective turnover of nearly 7.7 billion euro in 2011, more than twice the EUR 3.5 billion that Dacia and Ford combined recorded for their parts divisions.

In 2012, the Ministry of Environment reduced the number of the cash for clunkers vouchers from 120,000 to 45,000. As a result, the car buying individuals segment dropped by 40% in 2012, while car sales to companies reached 70% of the market. Without foreign investment in the automotive industry, Romania would have completely disappeared from Europe's car production map. Thanks to foreign investment, in 2012 the turnout of Romania's automotive industry amounted to EUR 12 billion, two thirds of which came from auto parts production. A total number of 140, 000 employees work in the Romanian auto industry.

The Romanian Government cannot afford to let the auto industry fail, with the accompanying loss of jobs throughout the economy. To boost the Romanian car market in 2013 and ensure a 5% increase compared to 2012, the relevant Romanian automotive associations plan to draw up a mixed set of financial and fiscal instruments to boost purchases and ownership of less polluting cars and to make all transactions concluded by individuals subject to taxation. Specialists also plan to overhaul the flawed Car Scrapping Program, making it easier to seek tax deductions for VAT write-off cars used for business purposes. They also plan to maintain design protection on visible components of a car (GO 80/2000) and to amend the legal framework authorizing the operation of repair shops, in keeping with European legislation (GO 82/2000).

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Automotive Manufacturers and Importers Association (APIA)
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Association of Automotive Manufacturers of Romania (ACAROM)
<http://www.acarom.ro/en>

Energy

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Romania is one of the biggest Central and Eastern European oil producers, after Russia and the Caspian states. Romania's oil and natural gas reserves make the country less dependent (29%) on imports for its energy consumption than the European Union, which is almost 50% dependent on imports.

According to Europe's Energy Portal statistics, Romania has the following proven reserves:

- Oil: 0.5 billion barrels
- Natural Gas: 0.6 trillion cubic meters
- Coal: 398 million tons

The country dominates Southeast Europe's downstream petroleum industry with a refining capacity that exceeds its domestic consumption, ensuring potential export capability.

Romania also benefits from the largest power sector in Southeast Europe. According to BMI estimates, Romania's overall power generation is expected to increase by an annual average of 2.9%, reaching 75.6 terawatt hours (TWh), in the next nine years. The generation of electricity is primarily based on coal, large-scale hydro generation, and nuclear power. The power sector is currently unbundled into generation, transmission, distribution, and supply. Around 83.5% of the electricity market was liberalized by July 2005, and since July 2007 all customers have been able to choose their supplier.

Priorities for the Romanian power sector are partial privatization of the state-controlled nuclear and hydro generators, coupled with rapid growth in the renewable sector.

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Oil and Gas

The award of two offshore blocks to Russia's Lukoil, as well as a partnership between ExxonMobil and the largest company in Romania, Petrom, to explore deep water parts of the Neptun Block have spotlighted the Black Sea as a potentially significant source of oil. In addition, Chevron's acquisition of three coastal blocks on the Black Sea has drawn attention to the area's potential as a producer of shale gas. International oil companies are showing increased interest in Romania as a result..

Renewable Energy

Like other industrialized countries, Romania is seeking to derive more of its energy needs from renewable sources. Entry into the EU brought Romania the obligation to comply with EU directives on renewable energy. In addition, Romania's desire to increase its energy security and begin to develop its solar and wind resources has coincided with private investor interest in alternative energy. To facilitate the

development of these resources, the Romanian Government began introducing alternative energy incentives in 2005.

The 2005 incentives were based on the trading of “green certificates” and on mandatory purchase quotas. The mechanisms were amended in 2011 and vetted by the European Commission; they now represent the main driver for renewable development.

Romania is seen as the fastest growing market for wind energy in the region, with installed wind generation capacity skyrocketing from as little as 7MW in 2007 to 1941MW in January 2013 (source: the Romanian Wind Association). In 2013 the Romanian Government is attempting to adjust the green energy support scheme. According to a draft Government emergency ordinance, Romania will temporarily reduce the number of green certificates granted to renewable energy producers to rein in electricity price increases. The measure will take effect on July 1, 2013 and will be valid until December 31, 2016. According to the draft document, between July 2013 and December 2016 wind power producers will receive one green certificate for each megawatt of energy they produce, instead of the two certificates they receive currently. Hydropower producers with installed capacity not exceeding 10 MW will receive one certificate instead of three, while solar power producers will get four green certificates instead of six.

According to the draft act, solar power and hydropower producers will recover the green certificates taken away through the new regulations beginning in January 2017, and wind power producers will recover certificates starting in January 2018. As of publication of this document, the draft Government Ordinance has not yet been approved.

Opportunities

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In light of these priorities, the best prospects for American companies will be found in electrical power systems, and products and services related to the construction of new power generation capacity, particularly hydro, wind, and solar. These opportunities include design and construction, installation, upgrading, maintenance, and repair.

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Ministry of Economy

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Environmental Technologies

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As a member of the European Union, Romania is required to implement EU environmental protection standards by 2018, when all transitional periods negotiated with the European Commission will expire. The highest costs will fall under the “heavy environment investments” related to water and wastewater, solid and hazardous waste management, and large combustion plant air quality control.

Water and Wastewater

The water and wastewater services in Romania are being re-engineered, with the aim of establishing efficient regional water and wastewater operators. Regionalization is considered a key element in improving the quality and cost efficiency of local water infrastructure and services in order to fulfill the country’s environmental targets, but also to assure the sustainability of investments.

Waste Management

In urban areas, municipal waste management is carried out through specialized services, covering about 90% of the population. In rural areas there is no such system. There are 252 municipal landfills and approximately 2,686 small dumping sites in rural areas. The total number of industrial landfills in Romania is 169, of which only 15 are in compliance with EU standards. The rest will be gradually closed.

Air Quality Control

Particulate matters are the main pollutants in Romania, and the country continues to significantly exceed EU maximum admissible concentrations. The main sources of particulate matter are thermal power plants using solid fuels, the metal and steel industries, cement factories, road transport, waste dumps, and waste storage facilities. The Large Combustion Plants (LCPs) that produce power and heat represent the main source of air pollution in many municipalities. In 26 of the largest municipalities in Romania, LCPs are the most important source of thermal energy and household hot water. The main pollution sources from LCPs are fossil fuels (coal, fuel oil) that emit high concentrations of nitrogen and sulphur oxides, which cause acid rain and pose a significant health risk.

Sub-Sector Best Prospects

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The environmental sectors that will benefit most from investment are water and wastewater, and waste management, followed by integrated pollution control and risk assessment.

The Ministry of Environment and Forests has prepared an extensive portfolio of projects aimed at accessing EU Structural and Cohesion Funds. This portfolio includes projects for investment in infrastructure, water/waste water, waste management, and heat/floods, with a value of over 4 billion euros.

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- Technical assistance contracts (project management, site supervision)
- Works contracts, both Yellow FIDIC and Red FIDIC, aiming to rehabilitate and extend the water and wastewater systems (sewerage networks, water/wastewater treatment plants)
- Supply contracts for SCADA systems, meters, operational vehicles, laboratory equipments etc.

Web Resources

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The Romanian Water Association: <http://www.ara.ro>

Healthcare

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Healthcare in Romania is dominated by the public sector, which owns most of the hospitals and provides national health insurance to almost all Romanian citizens. Despite this access, the standard of healthcare in Romania is well below that found in other EU countries, due to a combination of systemic failures and chronic under-funding.

The public healthcare system includes national health insurance, covering almost all Romanian citizens, as well as a growing and parallel network of private healthcare. The National Health Insurance Fund (NHIF) is funded by a combination of employer (5.2% of gross wages) and employee (5.5%) contributions, and allocations from the national budget.

Driven by underfunding in public healthcare provision, Romania's private health system is expected to expand aggressively over the next five years. Private substitution is a critical component of the sector's development, as restricted access to publicly funded medical services drives patients towards private insurance and hospitals. It is also important to highlight the potential for public-private partnerships to support the provision of public medical services in the long term. We believe that while improved funding through a co-payment system will support publicly funded healthcare in the long term, it will also encourage patients to opt out of the public system altogether in the short term as co-payments make private medical services more attractive. After considerable delays, in April 2013 the Romanian Government introduced a co-payment mechanism for hospitals; it excludes services such as long-term hospital care and emergency services. Co-payment amount is established by each hospital and is between five and ten RON (USD 1.5 to 3).

Elderly Romanians with monthly pensions under RON 740 (US\$221), teenagers under 18, students under 26, and pregnant women will not pay any fees. The Ministry of Health says 8.6 million people – nearly half the country – will therefore be exempt from the co-payments.

The growth of private healthcare facilities has been rapid, catering to higher-income strata of the population who can afford to pay for these services. Private health insurance is often offered by private companies as an employment benefit. The development of private hospitals is closely linked to private insurance. In this regard some consolidation occurred in 2010 when local private provider Centre Medical Unirea (CMU) acquired Euroclinic, which had been developed by the Dutch insurer Eureko.

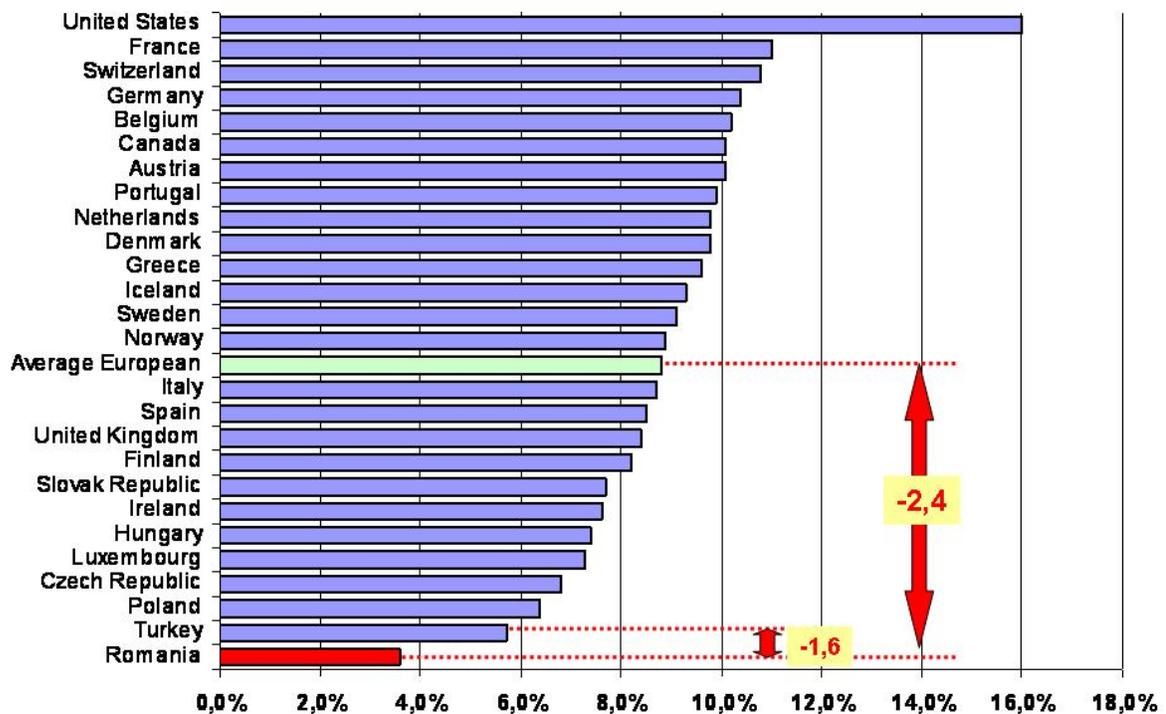
There are a few hurdles to the continued growth of private healthcare. The top 10 private clinics account for 35% of the private market, with the remainder made up of smaller clinics and laboratories, and individual medical practices. The Romanian Government has not defined the “basic package” of healthcare to which all citizens are entitled, and thereby left unspecified the services not covered by national health insurance. Without this signal, private providers and investors do not know which market gap to fill. Even as poor public health services reinforce demand for private healthcare, this sector's prospects must rely on rising incomes and the ability of consumers to pay out of pocket until such time as the Government defines a “basic

package” and extends national health insurance coverage for these services to private providers.

The Government has proposed redefining the basic package by September 2013. The basic package will be developed based on clinical guidelines, diagnostic and treatment protocols, and care regimens of patients for each type of pathology. The Government will simultaneously develop a legal framework to stimulate additional and supplementary private insurance, which will cover medical services not included in the basic package. The main incentive mechanism will be offering tax deductions up to a certain ceiling.

Overall spending on healthcare is insufficient for the needs of the population, and the quality and access to care varies between urban centers such as Bucharest and the countryside. Romania’s healthcare spending is difficult to measure. Statistics on public expenditure include the NHIF and Ministry of Health purchase of medicines, health services, preventive services, medical equipment, and capital investments. However, there are no reliable figures for private spending, including the “informal” payments made by patients and their families to healthcare workers within the public health system.

Despite these limitations, it is clear that Romania spends far less on healthcare, as a percent of GDP, than other OECD and EU countries. While in 2009 the European average was between 8-9% of GDP, Romania spent less than 4%, well below the next lowest EU member, Poland.



Source: OECD Health Data 2009 (www.oecd.org)

More recent (2010) statistical data confirm the low financing of the health system in Romania. Per capita income in Romania is well below the European average (5800 Euro compared to 24,500 in 2010). The percentage of GDP allocated to health is significantly lower (5.58% compared with the EU27 average of 8.3%), and total expenditure on health¹ amounted to \$811 PPP compared to the European average of \$2,233 PPP in the same year².

It should be noted that only 3.6% of GDP is used for public health spending, the rest of healthcare spending represents direct payments and co-payments by private individuals. In addition, the fact that Romania has one of the highest vulnerable population rates in the EU leads to a problem of equity and access to health services.

Public financing problems affect healthcare spending and have led to questionable policy decisions in areas such as pharmaceutical pricing and preventive medicine. Payment delays by the Government of Romania have led to extreme pressures on cash flow and the insolvency of some pharmaceutical distributors. This issue should be resolved in 2013 since on March 16th Romania began implementing Directive 2000/35/EC on combating late payment in commercial transactions, according to which payments to suppliers of medicines will be made within 90 days (currently 210 days). The Government has allocated about US\$ 1 billion to meet the payment terms of the Directive.

Despite this dire funding situation, American companies have secured a healthy market share in areas such as medical devices, disposables, and pharmaceutical products. Healthcare informatics and hospital management are two areas poised for growth, as Romania pursues “e-Health” solutions to improve the standard of care and control costs.

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The Romanian Ministry of Communications and Information Society (MCSI) announced in May 2009 that it had approved its first financing agreement in the field of e-Health worth a total of RON 88million (\$28 million).

In the e-Health sector, three important projects are being developed by the National Health Insurance House (NHIH): the National E-Prescription system and a model for Electronic Health Records funded by the EU, and an E-Card program that NHIH is financing on its own. All three projects are integrated in the existing centralized SIUI (Sole Integrated Information System) implemented at the NHIH and CHIH (County Health Insurance House) levels.

National Electronic Prescription System

The National Electronic Prescription System aims to improve the quality of medical services and optimize the costs of medical services through a national electronic prescription system. The system monitors (in real time) the prescription and consumption of medicines in Romania in order to eliminate errors and fraud in the prescription system. Through electronic transfer of the prescription to the pharmacist

¹ Total expenditure on health includes both public and private expenditure. It represents health service provision (preventive and curative), family planning, nutrition activities, and emergency services, but does not include the costs of water supply and sanitation.

² Eurostat and WHO/Europe, European HFA Database, July 2012

from the prescribing doctor, the system is creating a national database that electronically tracks the drugs that are prescribed and dispensed to patients.

The project participants are Romania's 44 health insurance houses, along with approximately 30,000 doctors and 5,350 pharmacies that have signed agreements with these health insurance houses. Approximately 12 million Romanian citizens now registered with Romania's health insurance system will benefit from the program. Although funded by the MCSI, the project will be administered by the National Health Insurance House.

The National Electronic Prescription System has been mandatory since January 2013 for all physicians and pharmacists dispensing medicines reimbursed under the health insurance system.

Electronic Health Record System

The Electronic Health Record System aims to improve the workflow of medical documents between medical service providers. Right now medical documents are transferred between medical service providers either in hard copy or not at all. The new system will allow a doctor to access the medical history of a patient and have at his/her disposal all the medical information s/he needs to provide the best possible service, reduce costs, and avoid unnecessary medical procedures.

E-Card System

The E-Card system will allow every insured person to access healthcare packages from medical service providers with an electronic card. It aims to improve the quality of medical services in compliance with the E-Prescription and Electronic Health Record systems. Project participants will be Romania's 44 health insurance houses, along with all medical service providers and insured people. The project is being undertaken with the help of the State Printing House, which will issue the health cards. The technology behind the system has been established, and technical testing and a pilot launch have already been completed. The next steps are production, distribution, and gradual introduction into operation of the cards nationwide.

These three new projects will complement and enhance the already proven SII system under which they are housed.

Opportunities

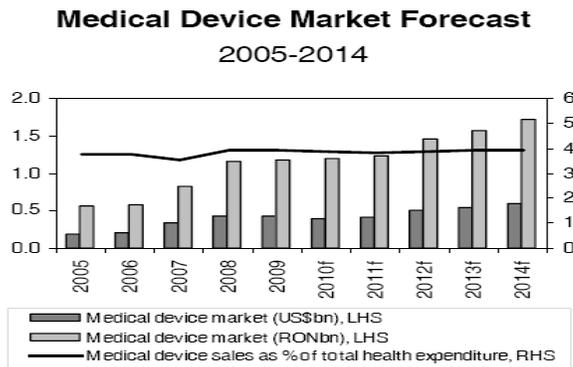
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Medical Device Market Forecast

In 2011, the **Romanian market for medical equipment and supplies** was estimated at US\$373 million, or US\$17 per capita. The value fell back somewhat in 2009, due to the effects of the economic downturn and the delay of planned investments. The market is expected to grow by an average 8.9% annually between 2011 and 2016, bringing the total to approximately US\$571 million (US\$27 per capita) by 2016.

Healthcare funding in Romania is largely through the National Health Insurance Fund. Healthcare provision is predominantly managed by the state, although the private health sector is starting to grow. Government health expenditure is very low, even by Eastern European standards. Romania spends around 5.58 % of GDP on healthcare (3.6 % of GDP represents public expenditure on healthcare).

Around 90% of the medical device market is supplied by imports. These have risen sharply in recent years, as the general level of health spending increases and new diagnostic equipment has been purchased for hospital refurbishments. (Imports in these areas had fallen between 2009 and 2010.)



f = forecast. Source: United Nations Commodity Trade Statistics Database, Eucomed, World Health Organization, BMI Research. For data, see Forecast Tables section below.

Procurement of medical devices has traditionally been performed centrally from the state budget, though greater hospital autonomy is expected to reverse this trend as a decentralization program is implemented. Hospitals gained greater autonomy in managing finances at the start of 2010, and as a result can arrange their own tender procedures for equipment. In the end of 2012, in an attempt to eliminate the discrepancies in payments made by different hospitals for similar products and ensure more efficient use of public funds, the Romanian Government issued a Government Ordinance establishing the Ministry of Health as the central public authority for procurement of materials, medicines, and equipment in the public hospital sector. This measure should result in higher predictability and normalization of supply in the health sector. The Ministry of Health has also pledged funding to provide better equipment for primary care. The growth of the private hospital market over the next five years is also likely to boost spending, as demand for private healthcare grows with improvements in economic growth and income. Demand for medical equipment in Romania is almost entirely met by imports, with a number of smaller domestic manufacturers holding a market share of less than 10%. GE Healthcare, Siemens, and Philips hold the majority market share in the country.

In line with the Romanian National Health Strategy 2014-2020, the overall objective of the health sector is to facilitate access to better and safer healthcare for the general population, with particular emphasis on vulnerable groups. Four specific priorities and areas of intervention have been identified, namely: Development of the Healthcare Infrastructure; Research and Development in the Health Sector; Access to e-Health; and Strengthening of Public Healthcare and Medical Assistance.

Development of the Healthcare Infrastructure. Health infrastructure in Romania is obsolete, with an architecture that does not meet current healthcare demands; the infrastructure is unequally distributed geographically and poorly responds to the healthcare needs of the population. Ensuring public health infrastructure (i.e. monitoring

environment hazards, etc.) and extending the population's access to new, modern health services such as new modern hospital buildings, integrated emergency services, long-term care and community care services, new diagnostic and therapeutic procedures, etc. are priorities of the National Health Strategy 2014-2020 that require immediate attention and intervention.

Research and Development in the Health Sector. In the health sector, the directions for research development focus on: fundamental research (where Romania has a strong tradition); health services research (poorly developed at present, with a lack of appropriate decision-making in the health policy area); and research on the state of the population's health. Of particular emphasis in the National Health Strategy 2014-2020 is the development of the Health Technology Assessment (HTA) field.

Although discussions about introducing the HTA concept and practice in Romania date back to the early nineties, little has been done in this area, and as a result, high variability in the clinical practice of both diagnosis and treatment protocols is still pervasive in the healthcare system. Applied research in these fields will enhance the evidence base for policy decisions, maximize health gains, and help reduce healthcare costs.

Access to e-Health. E-Health and ICT for Health aim to ensure efficiency and cost effectiveness in the health sector, through a dedicated e-Health network and cooperation among electronic patient registries. They will strengthen the link between technological innovation and its uptake and commercialization while fostering security, quality, and efficiency of healthcare. Considering the different technologies already implemented, the interoperability of these existing systems is a priority. Investment in telemedicine will help ensure that high quality basic services, such as integrated emergency services and primary health services, can reach even outlying rural areas, contributing to increased equity of access by populations in remote areas.

Strengthening of Public Healthcare and Medical Assistance. In this area, the National Health Strategy 2014-2020 has a strong focus on prevention and health service reorganization. Measures in this area include; strengthening health program management and effectiveness with regard to both infectious diseases (TB, HIV/AIDS, etc.) and non-communicable diseases; and organizing screening programs (following the European Guidelines) for cervical cancer, breast cancer, and colo-rectal cancer.

Service reorganization aims to decrease the use of hospital services (Romania is ranked with one of the higher hospitalization rates in Europe) and enhance the role of alternative types of care such as community care, community mental health services, primary health care, etc. Other actions aim to increase the quality of healthcare services and enhance institutional and professional capacity and performance across the system. County level and regional level healthcare plans are to be revised with technical assistance. Policy developments in areas such as human resource policy, pharmaceutical policies, and health technology assessment shall be developed and gradually implemented. Alignment with the European Community Health Indicators is also on the agenda.

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Information Technology Market

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| Software and IT Services Market, 2010-2013 | | | | |
|--|-------|-------|---------------------|---------------------|
| Million USD | 2010 | 2011 | 2012 (estimates) | 2013 (estimates) |
| Total Market Size | 1,165 | 1,230 | 1,330 | 1,370 |
| Total Local Production | 711 | 750 | 811 | 855 |
| Total Exports | 351 | 370 | 401 | 415 |
| Total Imports | 805 | 850 | 920 | 930 |
| Imports from the U.S. | 483 | 510 | 552 | 560 |

Data Sources: Ministry of Communications and Information Society

After a modest recovery in the past three years, the Romanian IT market started with a growth driven by public spending and by the end of 2012 reached USD 1,330 million. The economic crisis in the country impacted private consumers and companies, which reduced IT budgets. Public IT spending also declined, but the ability to access EU structural funds did save some of the IT projects of Romanian authorities.

In 2011-2012, there were some growing niches and product groups in Romania, including portable computers, servers, BI and CRM solutions, and IT security software, but these growing segments did not boost the market as a whole.

Market Structure

The Romanian IT market had a late start due to the difficult economic situation in the last decade. Therefore, the structure of IT expenditures in the country is more relevant for emerging markets, where hardware dominates the IT spending of the private users and companies. Customers are buying mainly hardware and spending almost nothing on software and services. The high piracy rate, which was approximately 60% in 2012, is another indicator that explains the modest share of software in the structure of the market.

Finally, the relatively modest share of IT services is explained by the fact that in Romania IT maintenance and operations are usually done by in-house IT divisions. Companies have just started to look at externalization and outsourcing of maintenance and support in an effort to optimize costs.

The public sector and private companies managed to buy the hardware they needed before the crisis in 2009 and in 2010-2012 were investing their limited IT budgets in the optimization of their IT infrastructure to get maximum value. The shares of IT services and software in total IT spending in Romania were almost equal in 2012: 27% and 23% respectively.

Key Features and Market Trends

The key characteristics of the Romanian IT market include:

- The decline in computer hardware sales in 2010 - 2012 damaged the business of IT distributors and retailers. Several of them, including eMag, Tornado Systems, Flanco, and Scop Computers were acquired by competitors or partners.
- The crisis caused both retailers and customers to cut expenses, and as a result the number of retail computer outlets declined. Internet sales quickly took over.
- Decreased demand for computer hardware caused prices to drop. The average prices of laptop computers, servers, and monitors in 2012 was as much as 25-30% lower than in 2010.
- Romanian companies started to look again at the possibility of offering software development outsourcing services in order to survive.
- Many Romanian system integrators, including Scop Computers, Siveco, Assesoft, S&T, and Ness, began exploring the nearby export markets of Macedonia, Bulgaria, Republic of Moldova, Serbia, and Hungary. Therefore, the sales growth they often reported includes exports and is inflated.
- Public spending and EU structural funds saved the market; however, primarily large companies had the capacity to win the tenders. As a result, there was a wave of insolvencies and closures in small Romanian IT businesses.
- The crisis caused vendors of ERP solutions to lose sales as demand for CRM and BI solutions grew.
- Finally, Romania is a very centralized country, with most of its economic, political, and administrative power located in Bucharest; there is a rather limited range of business, which is completely autonomous, in other cities or regions, especially taking into consideration the opportunities for IT projects. The crisis made the importance of Bucharest market even greater because of the growing role of central government in IT spending.

Among other characteristics of the Romanian IT market, it is important to emphasize that the country is known for its strong computing and language skills coupled with a relatively cheap IT labor force. In 2010-2012, the wage of IT professionals in the country dropped by 20-40%. Businesses have no particular skills shortages, and companies mention they have a huge number of applications for each open position.

90% of some 1,000 IT companies in Romania are foreign-owned. Foreign companies backed up the big investors in the Romanian automotive and energy sectors, providing support and a broad range of different IT services. Many companies, such as HP, Siemens, or IBM have development and support centers in Romania, which are designed to serve the entire region of CEE or global operations. There is still a growing interest by global IT names such as Google and Intel in launching R&D and support activities in Romania to serve their business needs. Romania remains an attractive place for IT investments due to the skills of the labor force and affordable wages. Similarly, the relatively low level of use of IT systems by Romanian business makes the IT market in the country one of the most attractive in the region.

IT Expenditure

The Romanian IT market was corporate-oriented before the economic crisis in 2009. The corporate sector accounted for approximately two-thirds of total market spending,

and investments financed by public administration bodies and state-owned enterprises made up another 17%. In the business segment, the vast majority of IT spending was by the largest Romanian enterprises employing more than 250 people. The SME sector still had a relatively small share of IT spending in Romania.

In 2011 and 2012, the situation changed. Almost 80% of the demand for computer hardware in the country came from private users who bought PCs and peripherals in retail outlets. In the software and services segments, the public sector as well as state-owned monopolies like the Romanian Post and railways saved the market from an even bigger decline.

In regards to the corporate spending, telecommunication companies and banks that were important players on the Romanian IT market reduced their IT budgets, and most of corporate IT spending was shaped by utilities and transport.

For the period 2009-2013, the EU allocated Euro 190.5 million for the implementation of IT systems by the Romanian public authorities. The Romanian Government decided to facilitate IT spending and allocated Euro 500 million for eRomania projects, which will be financed from EU funds (40-50%), the central budget (20%), and public private partnerships (30-40%).

In 2011-2012, the Romanian Ministry of Communications and Information Society also approved Euro 147 million for financing of several IT projects in the SME sector, 70% being covered by EU funds. This budget makes government an important player on the Romanian IT market, which will shape the demand for products and services in the next three years.

Forecasts for the IT market

Customers facing credit availability problems and price increases, as well as uncertainty about future income and availability of employment, will continue to cut their IT spending, although most Romanian households would prefer to postpone their purchases rather than abandon them. There will, therefore, still be relatively significant demand from individuals when the crisis ends.

The market structure will likely move toward greater emphasis on IT services and software and a decline in the share of hardware in the overall IT market value. This should cause the Romanian IT market to begin to follow the path of more mature IT markets (both in other CEE countries and Western Europe). Both the software and IT services sectors will grow significantly more quickly than the hardware segment over the long term.

The decline of hardware's contribution to the Romanian IT market in favor of services and software will reflect the demand structure for IT products and services in Romania over the next several years.

In the public and corporate sector, which will play a more important role in IT spending in the country during the next few years, and more money will be spent on software solutions, development, and maintenance services than on purchases of new computers and servers. Despite a decrease in the hardware market share in the whole IT market, demand for computers will keep hardware at the center of the Romanian IT market even

over the long term. Growing access to broadband connections and development of 3G and 4G networks is positively influencing the volume of computers sold. A growing base of computers being in used forces companies and individuals to replace them in the future, which will also have a positive impact on the market

A new market, Cloud Computing services, has emerged in the last 2 years, especially in the SMB sector. As a result, large global players like Revevol and local companies like Start Storage, YMens, and SIVICO strongly expanded their presence in this field.

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The perspectives for the IT industry in 2013 and the next few years remain uncertain. IT vendors are attributing the recovery of the demand for IT products and services to the overall economic improvement. The public authorities and the eRomania program will remain the most important sources of demand for IT in the next years.

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The software and IT services market depends on corporate and public sector customers. The biggest purchasers of software and IT services are in production, telecommunication, banking, and public industries. Spending takes the form of licenses, consultancy, system integration, specific applications development, training, and external services. Demand from verticals like utilities, government, retailers, manufacturers, and telecommunications providers will continue to grow significantly as economic conditions improve.

National scale projects to be supported in 2013 and the next years by the Romanian Government total USD 105 million. These projects include:

- Implementation of the health eCard project. The Romanian government plans to allocate USD 57.1 million for the creation of IT infrastructure for serving individual health cards.
- The Ministry of Communications plans to implement a project partially funded by The World Bank, worth USD 49 million, for registering all Marital Status procedures and documents online;
- The Ministry of Communications plans to build and purchase an electronic system for handling agricultural records worth USD 70 million, funded by European funds;
- The Ministry of Finance plans to implement a project funded by the World Bank, worth USD 70 million, to optimize tax collection.
- Internet access support for SMEs. The project will be managed by the MCIS, which will allocate USD 21.3 million for co-financing of Internet connection and network infrastructure development projects of SMEs.
- Upgrading of the IT equipment of Romanian customs. The project will assume delivery of hardware and software solutions for USD 15 million.
- The Administration of National Reserve of the Danube River plans to spend USD 6.2 million on the development of its information system.
- Development of the IT system in the Romanian Police, which assumes USD 5 million in investments for the acquisition of computer hardware.

Other investments are expected to come from state-owned companies and agencies including the Romanian Post, Radiocom, ANCOM, and others.

- Radiocom announced a tender for procurement of billing solutions, with a total budget of USD 3.1 million.
- ANCOM plans to buy software licenses for USD 2.52 million.
- The Romanian Post continues its USD 158 million investment project, which includes USD 31.5 million for the implementation of an ERP system and procurement of computer and printing hardware.
- Central and regional authorities have announced many smaller projects.

In the private sector, the greatest hopes for new investments are connected to agriculture, the energy sector, and with the development of private health services. IT vendors express a growing interest in improving the efficiency of Romanian businesses and a clear focus on cost reduction. These will dominate Romania in the next several years.

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- Ministry of Communications and Information Society - <http://www.mcsi.ro>
- National Regulatory Authority for Communications and Information Technology - <http://www.anrc.ro/index.aspx>
- National Association of Software and IT Services (ANIS) - www.anis.ro
- Association for ICT Industry in Romania (ATIC) - www.atic.org.ro
- National Association of Internet Service Providers in Romania (ANISP) - www.anisp.ro
- National Association of the Public Administration IT providers (ANIAP) – www.aniap.ro

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Packaging and Packaging Waste Market

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Packaging consumption in Romania is recovering from the effects of the economic downturn in 2009 and 2010.

According to preliminary data presented by the National Agency for Environmental Protection, the quantity of packaging used for placing packaged goods on the market in 2011 reached an estimated 992,500 tons (52kg) per capita, which is significantly below the average consumption in the European Union of 157kg per capita.

The preference of material remains relatively unchanged, with a slight tendency to replace glass packaging with plastics and cardboard:

| Type of Material | % |
|------------------|-----|
| Glass | 14 |
| Plastics | 28 |
| Paper/Cardboard | 29 |
| Metal | 5.5 |
| Wood | 22 |

Composite packaging is accounted for based on the predominant material by total weight. Composite packaging means packaging made of different materials, which cannot be separated by hand, none exceeding a given percentage by weight. Usually either paper or plastics have the highest percentage. Other materials are marginal.

Based on 2011 official preliminary reports and the evolution of the economy, the Romanian Association for Packaging and Environment (ARAM) estimates that the consumption of packaging in 2012 increased by 3% and amounted to around 1,050,000 tons. These quantities do not include small cross border shoppers and free rides across the border that are not included in the report, estimated at up to 10%.

Projections for the coming years indicate that packaging consumption will be 1–2% higher than the GDP, mainly due to changes in consumer behavior.

Producers and importers of packaged goods or packaging material have the legal responsibility for reaching packaging waste recovery and recycling targets. The responsible industry has set up separate organizations in order to accomplish their obligations using the model of the “Green Dot” system used in most of Europe, Turkey, and Canada. These organizations do not collect packaging waste, but have contracts with collectors and waste operators. There are 7 licensed companies, ECOROM AMBALAJE S.A. being the largest one and holding the “Green Dot” rights in Romania, with a market share of around 70%.

The amendments to Environmental Fund Law, which were adopted in 2010, set higher packaging waste recovery and recycling targets for producers and covered more types of materials than those provided by Romania’s Accession Treaty to the European Union. Starting with 2012 these targets are:

| Recycling Targets/Type of Material (%) | | | | | | | Overall Recycling Target (%) | Overall Recovery or Incineration in Facilities with Energy Recovery (%) |
|--|----------|--------------------|-------|--------|-------------------|------|------------------------------|---|
| Paper and Cardboard | Plastics | | Glass | Metals | | Wood | | |
| | Total | % of Which Are PET | | Total | % of Which Are Al | | | |
| 60 | 22.5 | 55 | 60 | 50 | 21 | 15 | 55 | 60 |

Until now, targets have been met mainly in terms of recovery and recycling of packaging waste resulting from industrial and commercial streams (C&I) and, to a lesser extent, from household waste.

The separate waste collection system, including the collection of packaging waste from the population at collection points, is driven mainly by the waste possessor's potential to make a profit. Scavenging of landfills is also present and contributes to the quantity of packaging waste collected. Scavenging of collection points in urban areas is driven by the relatively high value of the material and targets mostly PET and Aluminum.

In order to meet the increased targets, industry has to focus to a greater extent on household packaging waste and collaborate with municipalities and solid waste management companies to improve sorting and separate waste collection.

The major part of the waste that is collected separately, packaging waste included, is recycled in various facilities around the country.

Existing Recycling Capacities in Romania:

| Type of Waste | Capacity [tons/year] |
|-------------------|----------------------|
| Paper & Cardboard | 315,000 |
| Glass | 62,000 |
| Plastics | 110,000 |

A 120,000 ton/year glass-sorting facility is planned to be operational by the end of this year. Metal waste can be processed by the metallurgical industry in any amount. Export of scrap metals is also well-developed.

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European Union funding is granted for the implementing of integrated waste management systems at county level. The projects are financed through the Sectoral Operational Plan for Environment and average 30 million Euros (40 million USD) per county.

Projects for integrated municipal solid waste management systems have in general the following components:

- Service Provision:

- Supply of goods – the majority of the counties need: containers for selective collection of recyclables, both packaging and non-packaging waste; individual composting units; waste transport trucks; treatment facilities; and landfills.
- Technical assistance to support the Project Implementation Units, supervision of construction works, and public information/awareness campaigns.
- Construction Contracts:
 - Construction of landfills (1-2 landfills/county);
 - Construction of transfer stations;
 - Construction sorting stations;
 - Construction of composting and mechanic-biological treatment stations;
 - Closure of existing non-compliant landfills.

Some of the counties that have been approved for financing approved and have either begun implementing the projects or awarding contracts for different components in 2013 are: Mehedinti, Gorj, Dolj Covasna, Iasi, Maramures, Galati, Harghita, Hunedoara, Sibiu, Suceava, Valcea, and Vaslui.

To view published contract notices and project status, please visit <http://www.e-licitatie.ro/Public/Common/Notice/CNotice/CNoticeList.aspx> and enter “%deseuri%” next to “Contract Name.”

After finalizing the investments, each county will delegate municipal waste management to service providers (public open tenders):

- Waste collection and transport (3-5 collecting zones/county);
- Operation of Waste Management Installations (1- 2 operators/county).

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The need to comply with EU requirements, combined with Brussels’ pressure on Romania to solve the problems related to non-compliant landfills, creates pressure for both local industries, which need to meet the annual packaging waste recovery and recycling targets; and on local authorities, who are compelled to close existing landfills and use only landfills in conformity with the EU standards and to reduce by the amount of collected municipal waste that is land filled by 15%. This has led to increased interest in implementing integrated municipal waste management systems quickly and affordably.

Failure to meet EU targets will lead to consistent penalties both for the responsible industry and for local authorities.

Additional recycling capacities are needed, especially for sorted glass and for wood.

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Overview

Agriculture's share of GDP dropped to 5.3 percent in 2012 from 6.5 percent in 2011, and 6 percent in 2010 (EU average is 1.7 percent) as a result of poor crop conditions. Agriculture's share of GDP exceeded 10 percent most recently in 2004.

Romania's arable land for agricultural purposes is 39.5 percent of total area, which places Romania sixth in the world in terms of potential arable land. In terms of employment, about a third of Romanian population is employed in agricultural related activities, compared to the 5.4 percent EU average.

Romania is among the Member States with the least efficient farms, mainly as a consequence of the highly fragmented land distribution, although some progress towards consolidation has been recorded in recent years. According to the latest Agricultural Census (December 2010), the total number of agricultural operations declined over the 8 year 2002-2010 period by 14 percent, which may reflect a certain consolidation trend. Despite this reduction, the average agricultural area per holding remains low at 8.52 acres/holding (7.68 acres in 2002). On the other hand, the total number of commercial holdings grew by 34 percent, but the total area owned by this class of operators declined, leading to a reduction in the average area per company, 470 acres/company as compared to 677 acres/company in 2002. Commercial farm size varies 12-25 acres and may go up to 100,000-123,000 acres.

Reduced profitability in sectors such as construction and industry during recent years has shifted interest of local and foreign investors to the agricultural sector. Land price continues to be attractive, but available plots are small and often buyers need to complete the process of establishing ownership rights. Nevertheless, as small parcels consolidate and efficiency climbs, land prices are expected to follow a rising trend.

In 2012, the Romanian Government amended the tax regime for agricultural farms. Previously farms were not required to be registered as commercial companies although they administered large land areas (in the range of few thousands hectares) and were entitled to receive EU and national payments. The income tax applied to this type of holdings was 2 percent on sales, while now the income tax will be 16 percent applied on different income classes. This new tax is viewed as a mean for encouraging small farmers to form associations and for improving the fiscal monitoring.

Excellent crop conditions in 2011 are reflected in the value of agricultural sector, which reached a record of RON 76.5 billion (\$ 25 billion), 24 percent more compared to 2010. The share of crop value in total agriculture grew from 67 percent in 2010 to 71 percent in 2011, mainly as a result of higher yields and acreage. About 28 percent of the agriculture value originated from animal and animal-derived production, a drop from 33 percent the previous year.

Unlike the previous year, climatic conditions were less favorable in 2012, heat and lack of rainfall negatively affecting crops development, especially for corn, sunflower and soybeans. Weather damaged spring crops severely, declines between 30-50 percent being registered. The rapeseeds crop was drastically affected by the harsh winter, thus

almost three quarters of acreage were replanted in the spring leading to a drop in production by 80 percent.

Although farmers achieved lower yields for most of crops, high prices compensated for their losses in volume. Considering the improvement in soil moisture and the mild winter, both grains and oilseeds have good prospects for 2013.

In terms of financial support, Romanian farmers are entitled to direct payments under the EU CAP program, although in a lower value amount than EU counterparts. Financial compensations for investing in bio-security measures at farm level in poultry and swine sectors are also provided to farmers but the partial compensation for the fuel price was eliminated in 2013.

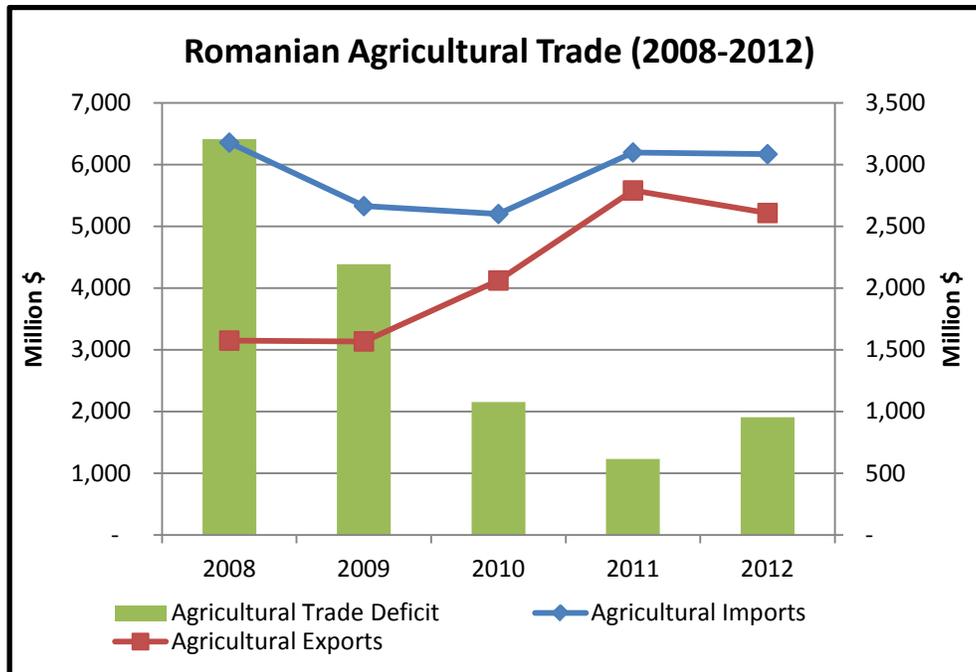
In terms of EU funding for agricultural sector, absorption continues under the National Plan for Rural Development (NPRD) 2007-2013. In 2008 the European Commission approved for Romania an overall budget of 10 billion Euros, of which 8 billion Euros funded by the European Union through the European Agricultural Fund for Rural Development. The balance was covered under the national budget. In March 2013 total payments reached about 4.8 billion Euros, meaning a rate of absorption of 60 percent of EU funds during the 2007-2013 timeframe. Although the rate is low considering the fact that the timeframe is approaching its end, the rate is higher in agricultural field compared to other sectors.

In 2011 the agricultural trade deficit continued to improve dropping to 0.6 billion USD. However, in 2012 poor crops were reflected in the level of exports which declined by 6.5 percent. Lower exports in corroboration with stagnant food imports led to a 55 percent increase in the agricultural trade deficit in 2012 (please see Table 1).

Table 1 – Total Agricultural trade - Romania (2008-2012)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------------|---------------|---------------|---------------|---------------|
| Agricultural Imports (\$) | 6,356,182,311 | 5,327,839,515 | 5,199,856,297 | 6,196,751,644 | 6,169,402,656 |
| Agricultural Exports (\$) | 3,148,677,395 | 3,135,713,909 | 4,122,077,287 | 5,581,343,979 | 5,216,008,275 |
| Agricultural Trade Deficit (\$) | 3,207,504,916 | 2,192,125,606 | 1,077,779,010 | 615,407,665 | 953,394,381 |

Source: Global Trade Atlas



Meat, sugars, seeds, and protein meals accounted for a third of Romania’s agri-food imports while grains and seeds accounted for more than half of the country’s agri-food exports. The major trading partners for agricultural goods continue to be European Union member states. About 80 percent of imports originated from the European Union, mainly from Hungary, Germany, and Bulgaria. In terms of exports, about two thirds of exports go to the European Union, mainly to Italy, Bulgaria and Hungary.

U.S. food exports to Romania continued the rising, expanding by 16 percent, from \$77.0 million in 2011 to \$89.1 million in 2012. Imports mainly consisted of soybean meal (\$29.3 million), grains and oilseeds (\$24 million), food preparations (\$15 million), and beverages (\$8.6 million).

Sub-Sector Best Prospects

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• Soybeans and products

Soybean meal remains the leading protein meal used in the livestock, poultry and dairy sectors. Although Brazil has been confirmed as the leading supplier on the Romanian market, soybean meal exports from the United States are notable as they reached about 45,000 MT in 2012 after registering no trade the previous year. This expansion reflected the US competitiveness versus the Brazilian/Argentinean origins which were more expensive (Table 2).

Biotech soybean cultivation was prohibited when Romania became an EU member in 2007, thus the soybean acreage remained flat in Romania during the past 5 years. The drought of 2012 affected soybean yields which dropped by 35 percent compared to the previous year. Therefore soybeans crushers are expected to partially cover needs through imports from neighboring countries such as Moldova and more recently, Ukraine, but other sources are feasible too.

Table 2 - Soybeans and products imports, Romania, 2010-2012

| Imports into Romania | 2010 | | 2011 | | 2012 | |
|------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
| | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) |
| Soybeans | 8,722,341 | 17,165 | 17,985,822 | 34,388 | 38,523,832 | 63,325 |
| Of which United States | 1,214,307 | 1,103 | 2,977,180 | 2,207 | 2,270,757 | 1,630 |
| Soybean meal | 175,433,715 | 435,226 | 195,222,334 | 455,343 | 237,932,605 | 481,563 |
| Of which United States | 8,397,123 | 20,613 | - | - | 28,711,302 | 45,010 |

Source: Global Trade Atlas

• Distilled Spirits: Whiskey

Distilled spirits imports grew by 15 percent in 2012 in volume but remained flat in value, which is an indication of consumers' preference for mainstream brands. The United States continues to be a significant whiskey supplier on the Romanian market, being the leading provider of Bourbon whiskey (See Table 3). Recent regulatory action involving distilled spirits to allow importers to enjoy the financial advantages of the bounded warehouse regime for storage of excisable goods including the duty-deferment benefit until product's release are viewed positive by local importers. Imports of distilled spirits should show moderate growth in 2013.

Table 3 – Distilled spirits imports, Romania, 2010-2012

| Imports into Romania | 2010 | | 2011 | | 2012 | |
|---------------------------------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|
| | Value (USD) | Quantity (liters) | Value (USD) | Quantity (liters) | Value (USD) | Quantity (liters) |
| Distilled Spirits | 59,396,708 | 3,209,270 | 67,110,415 | 3,282,589 | 67,149,882 | 3,787,527 |
| -Of which Whiskey | 35,762,386 | 1,850,466 | 39,452,667 | 1,865,183 | 37,057,467 | 1,935,598 |
| - Of which Whiskey from United States | 8,251,349 | 334,110 | 8,619,438 | 322,729 | 8,545,639 | 330,515 |

Source: Global Trade Atlas

• **Nuts**

In 2012 imports of tree nuts declined in both volume and value, reflecting a decline in consumer demand and an abundant supply of more affordable alternatives such as fresh fruits. The United States remains the leading supplier of almonds in volume with a share of 60 percent in total trade and is enjoying a rising trend in trade. Although available on the Romanian market, products like dried plumes and pecans are not imported directly from United States, but through other European countries.

Table 4 – Nuts imports, Romania, 2010-2012

| Imports into Romania | | 2010 | | 2011 | | 2012 | |
|----------------------|------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
| | | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) |
| Nuts | Total | 18,637,084 | 4,931 | 17,978,932 | 5,262 | 15,689,403 | 4,861 |
| | Of which United States | 2,015,670 | 363 | 2,102,717 | 529 | 661,660 | 562 |

Source: Global Trade Atlas

• **Dried vegetables**

In 2012, local vegetables production fell by 17 percent as a result of unfavorable weather conditions. Tomato, cucumbers, peppers, and carrots were the most affected, their volume declining percentage-wise between 19-28 percent. Peas and beans production dropped by 22 percent, thus it is expected that imports in the first part of 2013 to rise in order to cover local demand. Dried lentils and dried peas remain the most promising markets for U.S. suppliers, although declining consumer buying power in a weakening economy challenges emerging interest for higher quality U.S. product (Table 5).

Table 5 – Dried vegetables imports, Romania, 2010-2012

| Imports into Romania | 2010 | | 2011 | | 2012 | |
|----------------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
| | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) | Value (USD) | Quantity (MT) |
| Dried vegetables | 18,966,334 | 30,677 | 20,808,155 | 30,672 | 29,027,625 | 35,229 |
| -Of which from the United States | 1,214,307 | 1,103 | 2,977,180 | 2,207 | 2,270,757 | 1,630 |

Source: Global Trade Atlas

Opportunities

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Fish and seafood demand in different forms (frozen, dry, and smoked)

Wines

Fruit and vegetables juices

Beef

Web Resources

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www.fas.usda.gov Click on Read Attaché Reports (GAIN)

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Since January 1st, 2007, Romania has applied the common EU tariff system. Tariffs are particularly high for certain items, such as cigarettes and alcohol.

The primary basis for determining customs value set out in Articles 29 of the Customs Code is: "... the transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community..." Article 29 lists the following conditions, which must be met in determining customs value:

- There are no restrictions as to the disposal or use of the goods by the buyer, other than restrictions which are imposed or required by a law or by the public authorities in the community, limit the geographical area in which the goods may be resold, or do not substantially affect the value of the goods;
- The sale or price is not subject to some conditional consideration for which a value cannot be determined with respect to the goods being valued;
- No part of the proceeds of any subsequent resale disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with Article 32; and
- The buyer and seller are not related, or, where the buyer and seller are related, that the transaction value is acceptable for customs purposes.

The "price actually paid or payable" in Article 29 refers to the price for the imported goods. Thus the flow of dividends or other payments from the buyer to the seller that do not relate to the imported goods are not part of the customs value.

Articles 32 and 33 provide for adjustments to the value for customs purposes. Article 32 lists charges that are added to the customs value, such as, commissions and brokerage, costs of containers, packing, royalties and license fees, and the value of goods and services supplied directly or indirectly by the buyer in connection with the production and sale for export of the imported goods. Article 33 lists charges that are not included in the customs value, such as, charges for transport, charges incurred after importation,

charges for interest under a financing arrangement for the purchase of the goods, charges for the right to reproduce imported goods in the Community, and buying commissions.

Article 147(1) of the Implementing provisions, as amended, affects valuation in the case of successive sales. This amendment "defaults" valuation to the last sale, but allows the value of an earlier sale if it can be demonstrated that such a sale took place for export to the EU. The evidentiary requirements to support the bona fides of any earlier sales will be based upon commercial documents such as purchase orders, sales contracts, commercial invoices, and shipping documents.

Also, according to Article 181a of the Implementing Provisions and Article 57 of the Romanian Customs Code, when the customs office has reason to doubt the accuracy of the information supplied or documents presented for the purpose of customs valuation, it can require the importer to submit additional documents or evidence.

If such documents fail to prove the declared value, the Customs Authority may decline to apply the transaction value method, providing the importer with a written decision upon request. In such cases, provisional customs clearance may be granted on condition that the importer submits a guarantee for the maximum amount that the customs debt could be. If, within 30 days of such provisional clearance, the importer fails to present the requested documents to Customs, the clearance is deemed final.

Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

For contact information at national customs authorities, please visit:
http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm

Regulation 648/2005 is the "Security Amendment" to the Customs Code (Regulation 2913/92) and outlines the implementing provisions for Authorized Economic Operators, risk management procedures, pre-departure declarations, and improved export controls.

Entry Summary Declaration - Obligation to lodge an ENS

Without prejudice to the exceptions, EU legislation requires that an ENS must be lodged before the arrival of goods in the customs territory of the Community or before loading containerized cargo in deep sea traffic (cases referred to in Article 184a (1) (a) CCIP) at the first point of entry into the customs territory of the Community. The customs office of entry may waive the lodging of an entry summary declaration in respect of goods for which an electronic customs declaration is lodged within the deadlines for an ENS, provided the customs declaration contains the particulars of an ENS. A practical example would be the lodging of a transit declaration (Article 36c (1) CC) at the eastern land border under NCTS or NCTS-TIR.

In accordance with Article 183 (1) CCIP the ENS shall be lodged electronically. It shall contain the particulars laid down for such declaration in Annex 30A CCIP and shall be completed in accordance with the explanatory notes in that Annex.

The ENS shall be authenticated by the person making it.

Exit Summary declaration - Obligation to lodge an EXS

EU legislation requires, as a general principle, that all goods brought out of the customs territory of the Community, regardless of their final destination, shall be risk assessed and subject to customs control before departure or – in the case of deep sea containerized maritime shipments – before commencement of vessel loading. All such goods must therefore be covered by a declaration of some kind either by a customs declaration, e.g. for export, re-export, transit etc. or, wherever any of the former is not required, by an EXS.

This in principle means that an EXS is required in cases where goods are brought out of the Community without a customs declaration (Art. 842a CCIP).

All normal, incomplete or simplified export declarations (as well as declarations for outward processing and re-export after a customs procedure with economic impact) must contain the safety and security data defined in Annex 30A CCIP for the exit summary declaration.

The standard rate of value-added tax (VAT) is 24% and applies to the base of taxation for any taxable operation that is not exempt or that is not subject to the reduced rate of value-added tax. A reduced rate of 9% applies for services and goods such as prostheses of any type and accessories to them, with the exception of dental prostheses, deliveries of orthopedic products, medicines for human use and veterinarian use, accommodations within the hotel sector or with a similar function, such as campgrounds. A reduced rate of 9% applies to books, newspapers and tabloids, including textbooks, except for those used for advertising.

Romania has signed a significant number of bilateral Double Tax Agreements (DTAs).

Most of these agreements follow the OECD model. The Double Tax Agreements prevail over domestic legislation, provided that a certificate confirming the foreign fiscal residency of the taxpayer is presented to the Romanian tax authorities. The DTAs also contain provisions related to withholding taxes. Companies based in countries with which Romania has signed DTAs benefit from a reduced level of withholding taxes.

The revision made for the harmonization of the Fiscal Code with the VAT Directive no. 112/2006 by Law no. 343/2006 applicable from 01.01.2007 (since 01.01.2007 the Fiscal Code was revised several times the last revision being made by Governmental Ordinance no. 8/2013) and a Fiscal Procedure Code entered into force in January 2004. The Fiscal Code provides for a significant simplification of taxation procedures as well as for harmonization with European Union fiscal practices.

Trade Barriers

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For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website: <http://www.ustr.gov/about-us/press-office/reports-and-publications/archives/2007/2007-national-trade-estimate-report-fo-0?ht>.

Information on agricultural trade barriers can be found at the following website: <http://www.ers.usda.gov/Publications/TB1876/>.

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://tcc.export.gov/> or the U.S. Mission to the European Union at <http://export.gov/europeanunion/>.

Import Requirements and Documentation

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Beginning with July 1, 2009 customs or other authorities designated by the member states will provide businesses with a unique registration and identification number (the EORI number) to be used for all customs activities they undertake within the European Union.

If a business (or “economic operator”) is not established within the EU customs territory and does not have an EORI number, it will have to be registered by the designated authority of the member state where it conducts one of the following activities for the first time:

- Submits, within the Community territory, a short customs declaration, other than:
 - A customs declaration done in accordance with Articles 225 - 238 from the Community Customs Regulation (Commission Regulation no. 2454/93)
 - A customs declaration solicited within the temporary admission regime.
- Submits, within the Community territory, a short statement of entry or exit.
- Manages a warehouse for temporary deposit based on Article 185, 1st paragraph, from the Community Customs Regulation.
- Submits an authorization request based on the Articles 324a or 372 from the Community Customs Regulation.
- Requests an economic operator certificate, authorized according to Article 14a from the Community Customs Regulation.

For more information see the web page: <http://www.customs.ro/ro/e-customs/eori.aspx>

The Customs Office requires standard documents for release for free circulation. The import SAD (Single Administrative Document) which also applies to exports, must be submitted for acceptance and registration to the Customs Authority, supported by the following documents: According to Article 218 of Regulation (CE) No 2454/93 and its last amendments:

1. The following documents shall accompany the customs declaration for release for free circulation:
 - a) the invoice on the basis of which the customs value of the goods is declared, as required under Article 181;
 - b) where it is required under Article 178, the declaration of particulars for the assessment of the customs value of the goods declared, drawn up in accordance with the conditions laid down in the said Article;
 - c) the documents required for the application of preferential tariff arrangements or other measures derogating from the legal rules applicable to the goods declared;

- d) all other documents required for the application of the provisions governing the release for free circulation of the goods declared.

2. The customs authorities may require transport documents or documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged. Where a single item is presented in two or more packages, they may also require the production of a packing list or equivalent document indicating the contents of each package.

3. However, where goods qualify for duties under Article 81 of the Code, the documents referred to in paragraph 1 (b) and (c) need not be required. In addition, where goods qualify for relief from import duty, the documents referred to in paragraph 1 (a), (b) and (c) need not be required unless the customs authorities consider it necessary for the purposes of applying the provisions governing the release of the goods in question for free circulation.

Goods under duty suspension require the authorization of the Customs Authority, and relevant contracts should also be presented for clearance purposes.

At the re-export, the Customs Authority may require documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged. The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Many EU Member States maintain their own list of goods subject to import licensing.

For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will issue the relevant license. The Import List also indicates whether the license is required under German or EU law. For information relevant to Member State import licenses, please consult the relevant Member State Country Commercial Guide.

Import Documentation

Non-agricultural Documentation

The official model for written declarations to customs is the Single Administrative Document (SAD). European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. However, other forms may be used for this purpose. Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

Additional information on import/export documentation can be found in Title III, of Council Regulation (EEC) No. 2913/92 of October 12, 1992, establishing the Community Customs Code (Articles 37 through 57). Goods brought into the customs territory of the Community are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a s declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union entered into force in June of 2008 aiming to replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more, but it is not yet applicable. However, the Commission decided to amend the MCC by adopting The Union Customs Code (UCC) which will enter into force on 24 June 2013 at the latest. The UCC will become applicable 30 months after entry into force. Check the EU's Customs website periodically for updates:

http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

Batteries

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). The updated Directive applies to all batteries and accumulators put on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium

(with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. EU Member States must implement the EU Directive into their national law by September 26, 2008. For more information, see our market research report:

http://www.buyusainfo.net/docs/x_8086174.pdf

Imports of residues from the manufacture of starch from maize from the USA

According to Reg. 1375/2007 imports of residues from the manufacture of starch from maize from the USA into the Community are subject to laboratory analysis to verify their conformity with the tariff definition. The Federal Grain Inspection Service (FGIS) of the United States Department of Agriculture and the USA wet milling industry, under the regular review of the USA authorities, will certify that imports of these products from the USA into the Community are in conformity with the agreed definition.

A laboratory analysis shall be carried out to verify the conformity of residues from the manufacture of starch from maize imported into the Community from the USA under CN code 2309 90 20 with the definition of this code for all shipments not accompanied by a certificate issued by the Federal Grain Inspection Service (FGIS) and a certificate issued by the USA wet milling industry.

Shipments from the USA which are accompanied by the two certificates are subject to the customary measures for checking imports.

REACH

REACH is a major reform of EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU Member States in June 2007. Virtually every industrial sector, from automobiles to textiles, could be affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization of Chemicals." REACH requires all chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. The full registration period for chemicals which are pre-registered ranges from three to eleven years depending on the volume of the substance and its hazard properties. Substances not pre-registered must be registered to stay on the market. Chemicals of very high concern, like carcinogens, will need an authorization for use in the EU. U.S. exporters to Europe should carefully consider this piece of EU environmental legislation. For more information, see the CSEU REACH webpage at:

<http://export.gov/europeanunion/reachclp/index.asp>.

Waste electrical and electronic equipment are included in the Regulation (CE) no. 1013/2006 by the European Parliament and the Council on the transfers of waste. Importing waste electrical and electronic equipment in Romania is subject to the notification *form for circulation / shipments of waste* (Annex no. 1A to the Regulation (CE) no. 1013/2006) and to the *form of circulation for transportation / shipments of waste* (Annex 1B to the Regulation (CE) no. 1013/2006). The *form for circulation / shipments of waste* will be completed, submitted and stamped by the National Agency for Environmental Protection.

RoHS products are discussed in Directive 2002/95/CE of the European Parliament and Council (dated March 27 2003), concerning restrictions on the use of certain hazardous substances in electronic and electric equipment. Directive 2002/95/EC was transposed into national legislation by Government Decision no. 992/2005 on limiting the use of certain hazardous substances in electrical and electronic equipment.

Under Romanian law, lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE's are not allowed.

U.S. exporters seeking more information on WEEE and RoHS regulations should visit: <http://export.gov/europeanunion/weeerohs/index.asp>.

U.S. Export Controls

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Exports of goods and services are currently not subject to customs duties or VAT, and for the majority of goods, no export license is required. Authorizations are, however, required for exports of unfinished wood products, exports of dual-use items and technology, export refunds for agricultural products or carrying out operations with precious metals and stones.

Temporary Entry

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Labeling and Marking Requirements

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Manufacturers should be mindful that in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes. Manufacturers are advised to take note that all labels require metric units. The European Commission has encouraged the use of multilingual information on labels, while allowing member states to require the use of the local language. The EU has mandated that certain products be sold in standardized quantities. Council Directive 80/232/EC provides permissible ranges of nominal quantities, container capacities and volumes of a variety of products: http://europa.eu.int/eurllex/en/consleg/main/1980/en_1980L0232_index.html

The EU adopted legislation in 1992, revised in 2000, to distinguish environmentally friendly production through a labeling scheme called the Eco-label. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar such products. This "green label" also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and regulations.

There are concerns in the United States that the EU Eco-labeling program may become a de facto trade barrier; may not enhance environmental protection in a transparent, scientifically sound manner; may not be open to meaningful participation by U.S. firms;

and may discriminate unfairly against U.S. businesses. The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/ year for the use of the label, with a reduction of 25 percent for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at:
http://www.buyusainfo.net/docs/x_4171929.pdf.

The subject has also been covered in the section about standards (see below).

Prohibited and Restricted Imports

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Prohibited imports include products such as firearms, ammunition, illegal drugs and other similar items that can affect national security, public health or “good morals.”

The EU’s online customs tariff database, also called the TARIC, is a multilingual database in which are integrated all measures relating to tariff, commercial and agricultural legislation. The TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

| | |
|-------|---|
| CITES | Convention on International Trade of Endangered Species |
| PROHI | Import Suspension |
| RSTR | Import Restriction |

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Customs Regulations and Contact Information

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An important objective of the European Community is the protection of the Member States companies from imported goods being dumped or subsidized. Accordingly, the EU has introduced anti-dumping duties for goods imported at very low or dumping prices and countervailing duties for goods that have received subsidies. Safeguard measures can also be implemented to assist domestic producers adversely affected by imports, and may consist of additional customs duties or quantitative restrictions (quotas).

Anti-dumping measures

On 18 February 2013, the EU Commission adopted ‘Council Implementing Regulation (EU) No. 157/2013 imposing a definitive anti-dumping duty on imports of bioethanol originating in the United States of America’ (see the link below).

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:049:0010:0028:EN:PDF>

Standards

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Overview

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EU standards development is a process based on consensus initiated by industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. Non-governmental organizations, such as environmental and consumer groups, are actively encouraged to participate in the process of European standardization.

Standards Organizations

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Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (<http://www.cenelec.org/Cenelec/Homepage.htm>)
- ETSI, European Telecommunications Standards Institute (<http://www.etsi.org/>)
- CEN, European Committee for Standardization, handling all other standards (<http://www.cen.eu/cen/pages/default.aspx>)

Standards are developed or amended by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the Member States, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual Member States standards bodies after their implementation at the national level. ETSI is different in that it allows direct participation in its technical committees from non-EU companies that have interests in Europe and gives away its individual standards at no charge on its website.

In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non-governmental organizations, such as environmental and consumer groups. The Commission also funds standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical Regulations. In the last year, the Commission began listing their mandates on line and they can be seen at http://ec.europa.eu/enterprise/policies/european-standards/index_en.htm.

All the EU harmonized standards, which provide the basis for CE marking, can be found on <http://www.newapproach.org/>.

CEN's National Members are the National Standards Bodies (NSBs) of the 27 European Union countries, Croatia, The Former Yugoslav Republic of Macedonia and Turkey plus three countries of the European Free Trade Association (Iceland, Norway and Switzerland). There is one member per country.

The standardization system in Europe is based on the national pillars, which are the National Standardization Bodies or the members of CEN. A National Standards Body is the one stop shop for all stakeholders and is the main focal point of access to the concerted system, which comprises regional (European) and international (ISO) standardization.

It is the responsibility of the CEN National Members to implement European Standards as national standards, which is unique in the world. The National Standards Bodies distribute and sell the implemented European Standard and have to withdraw any conflicting national standards.

Due to the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its business development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members such as Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Republic of Moldova, Montenegro, Serbia, Tunisia, Ukraine, Morocco.—Another category, called "partner standardization bodies" includes (in CEN) the standards organizations of Australia, Mongolia, and Kyrgyzstan, which has an interest in participating in specific CEN technical committees. Partners agree to pay a fee for full participation in certain technical committees and agree to implement the committee's adopted standards as national standards. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical Regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "business domain" page provides an overview by sector and/or technical committee whereas CENELEC offers the possibility to search its database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

European standards organizations have been looking for "new deliverables" which are standard-like products delivered in a shorter timeframe in order to respond and grow their market share. While few of these "new deliverables" have been linked to EU Regulations, expectations are that they will eventually serve as the basis for EU-wide standards.

Key Link: <http://www.cenorm.be/cenorm/workarea/sectorfora/index.asp>.

New website offers easy access to information on European Standards

The European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) have joined forces to launch a new website - cencenelec.eu – which went online on January 18, 2012.

This new joint website complements the existing websites of CEN and CENELEC by providing easy access to general information about European Standards. It is intended to serve as a starting point for anyone who wants to learn about or participate in the European standardization system.

* ETSI is the European Telecommunications Standards Institute (www.etsi.org)

The full press release can be found on the new CEN CENELEC website:
http://www.cencenelec.eu/news/press_releases/Pages/PR-2012-01.aspx

Video message from the Director General of CEN and CENELEC:
<http://www.cencenelec.eu/news/videos/Pages/vo-2012-001.aspx>

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Conformity assessment is a mandatory step for a manufacturer to comply with specific EU legislation. The purpose of conformity assessment is to ensure consistent compliance during all stages of the production process. A positive assessment facilitates acceptance of the final product. EU product legislation gives manufacturers some choice in conformity assessment, depending on the level of risk involved in the use of their product. These choices range from self-certification, type examination and production quality control system, to a full quality assurance system. A list of conformity assessment bodies by country are listed at this link:

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the European Standard Agreement Group. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

Product Certification

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In order to sell products on the EU market, as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE mark legislation offers manufacturers some choices but also some decision trees to determine which safety/health concerns must be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. Obtaining a CE mark is a complex process and the following is offered as general guidance.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE mark and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence. The U.S. Commercial Service mission to the EU watch for such situations.

The CE mark addresses the requirements of national control authorities of EU Member States, and simplifies the task of market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may perceive it as a quality mark.

The CE mark is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE mark, but rather on the declaration of conformity, the certificate of conformity, or the documents accompanying the product.

Accreditation

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Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified

bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs for assessments in the U.S. are often significantly lower. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.

Accreditation is handled at Member State level. "European Accreditation" (http://www.european-accreditation.org/default_flash.htm) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN ISO/IEC **17011**.

Key Link: <http://ts.nist.gov/Standards/Global/mra.cfm>

Publication of Technical Regulations

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The *Official Journal* is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and related content (http://publications.europa.eu/official/chapter_en.htm). It lists the standards reference numbers linked to legislation: <http://www.newapproach.org/Directives/DirectiveList.asp>.

National technical Regulations are published on the Commission's website <http://ec.europa.eu/comm/enterprise/tris/> to allow interested parties to comment.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical Regulations that could affect trade with other member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical Regulations that can affect your access to international markets. Register online at Internet URL: <http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Labeling and Marking

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In addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly valued by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric. The EU encourages multilingual labeling information, but preserves the right of Member States to require the use of local language in the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: http://ec.europa.eu/enterprise/prepack/packsiz/packsiz_en.htm

The Eco-label

EU legislation distinguishes environmentally friendly products and services through a voluntary labeling scheme called the Eco-label. Currently, the scheme applies to seven product groups: cleaning products, appliances, paper products, clothing, lubricants, home and garden products and tourism services. The symbol, a green flower, is a voluntary mark to encourage consumers to buy “eco friendly products”. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and Regulations.

Key Links: http://buyusainfo.net/docs/x_4284752.pdf
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
<http://www.eco-label.com/>

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<http://www.cenelec.org/Cenelec/Homepage.htm>
<http://www.etsi.org/>
<http://www.cen.eu/cen/pages/default.aspx>
<http://ec.europa.eu/>
<http://www.newapproach.org/>
<http://www.cenorm.be/>
http://www.european-accreditation.org/default_flash.htm
<http://ts.nist.gov/Standards/Global/mra.cfm>
http://publications.europa.eu/official/chapter_en.htm
<http://tsapps.nist.gov/notifyus/data/index/index.cfm>
http://buyusainfo.net/docs/x_4284752.pdf
<http://www.eco-label.com/>

Trade Agreements

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Romania has signed a significant number of bilateral Double Tax Agreements (DTAs). Most of these agreements follow the OECD model. The Double Tax Agreements prevail over domestic legislation, provided that a certificate confirming the foreign fiscal residency of the taxpayer is presented to the Romanian tax authorities. The DTAs also contain provisions related to withholding taxes. Companies based in countries with which Romania has signed DTAs benefit from a reduced level of withholding taxes.

The revision made for the harmonization of the Fiscal Code with the VAT Directive no. 112/2006 by Law no. 343/2006 applicable from 01.01.2007 (since 01.01.2007 the Fiscal Code was revised several times the last revision being made by Law no. 188/2010) and a Fiscal Procedure Code entered into force in January 2004. The Fiscal Code provides for a significant simplification of taxation procedures as well as for harmonization with European Union fiscal practices.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Encouraging Investment

Actively seeking direct foreign investment, Romania offers 19 million consumers, a well-educated workforce at competitive cost, a strategic location, and abundant natural resources, making it an attractive marketplace. To date, favored areas for U.S. investment include IT and telecommunications, energy, services, manufacturing, and consumer products.

Romania has taken steps to strengthen tax administration, enhance transparency, and create legal means to resolve contract disputes expeditiously. Mergers and acquisitions are subject to review by the Competition Council. Romania's accession to the European Union (EU) on January 1, 2007 has helped solidify institutional reform. However, judicial, legislative, and regulatory unpredictability continue to negatively affect the investment climate.

The new Civil Code came into effect in October 2011, abrogating the Commercial Code and consolidating the provisions applicable to companies and contracts into a single piece of legislation. The Civil Procedure Code is scheduled to come into effect in February 2013. Romania has also passed a judicial reform law with the objective of improving the speed and efficiency of judicial processes, including a plea bargaining

procedure to shorten trials and provisions to reduce delays between hearings. The Mediation Law, revised in October 2012, provides alternative dispute resolution options.

Prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering any investment. The Government of Romania (GOR) has, on occasion, allowed political interests to supersede accepted Western business practices in ways harmful to investor interests. Struggling to reduce its budget deficit, the GOR in 2010 instructed state-owned energy companies, including those with private shareholder interests, to transfer a portion of their cash reserves to the state budget as a “donation,” without consulting private shareholders in advance. An emergency ordinance establishing corporate governance standards for state-controlled enterprises (SOEs) passed in December 2011 was a positive step to bring these companies in line with standard business practices, but efforts to introduce private management in SOEs has been delayed and even ignored, through the continued use of politically appointed management.

U.S. companies establish a local presence in the Romanian market in several ways. Many sign distribution agreements with local Romanian firms, which bring experience, expertise and access to the partnerships. Other firms cover Romania through a regional distributor or sales representative. Still other American companies choose Romania as a base for manufacturing or distribution, and establish a subsidiary directly in the country. The choice of strategy depends on the industry, the nature of the customer (government buyer or retail trade), and the business case. Companies relying on regular access to government authorities, or which have a significant service component, generally seek to establish a subsidiary, sometimes through acquisitions.

Investments involving the public authorities (central government ministries, county governments, or city administrations) are generally more complicated than investments or joint ventures with private Romanian companies. Large deals involving the government – particularly public-private partnerships and privatizations of key SOEs – can become stymied by vested political and economic interests, or bogged down due to a lack of coordination between government ministries. Although the Public-Private Partnership (PPP) Law was revised in 2011 to remove anticompetitive provisions, the law still lacks clear terms on risk sharing, PPP project management, and investment recovery. As a result, investor interest in PPPs has been weak. How the new PPP law is eventually implemented will be of considerable interest to investors over the next few years.

EU Accession

Romania became a member of the European Union on January 1, 2007. The country has worked assiduously to create a legal framework consistent with a market economy and investment promotion, and has largely concluded its efforts to enact EU-compatible legislation. At the same time, implementation of these laws and regulations frequently lags or is inconsistent.

Legal Framework

Romania's legal framework for foreign investment is encompassed within a substantial body of law, largely enacted in the late 1990s, and subject to frequent revision. Major changes to the Civil Code were enacted in October 2011, replacing the Commercial

Code and harmonizing Romanian legislation with international practices. Among other things, the new Code introduces the principle of good faith and stipulates that negotiating a contract without intent to conclude is bad faith. Under the hardship provisions, if the parties fail to agree on an amicable renegotiation of a contract, the court can mandate changes or even terminate the contract if it is deemed detrimental to one of the parties. The Civil Procedure Code, which provides detailed procedural guidance for implementing the new Civil Code, is scheduled to come into force in February 2013. In the meantime, Romanian authorities and legal professionals are in the process of exploring how best to implement the Civil Code. Given the state of flux of these legal developments, investors are strongly encouraged to engage local counsel to navigate the various laws, decrees, and regulations, as several pieces of investor-relevant legislation were challenged in both local courts and the Constitutional Court in 2010 and 2011. Legal and economic education and the training of judges and lawyers lag behind law-making, which often results in inconsistent outcomes.

This body of legislation and regulation provides national treatment for foreign investors, guarantees free access to domestic markets, and allows foreign investors to participate in privatizations. There is no limit on foreign participation in commercial enterprises. Foreign investors are entitled to establish wholly foreign-owned enterprises in Romania (although joint ventures are more typical), and to convert and repatriate 100% of after-tax profits. Foreign firms are allowed to participate in the management and administration of the investment, as well as to assign their contractual obligations and rights to other Romanian or foreign investors.

Foreign investors may engage in business activities in Romania by any of the following methods:

- Setting up new commercial companies, subsidiaries or branches, either wholly-owned or in partnership with Romanian natural or legal persons;
- Participating in the increase of capital of an existing company or the acquisition of shares, bonds, or other securities of such companies;
- Acquiring concessions, leases or agreements to manage economic activities, public services, or the production of subsidiaries belonging to commercial companies or state-owned public corporations;
- Acquiring ownership rights over non-residential real estate improvements, including land, via establishment of a Romanian company;
- Acquiring industrial or other intellectual property rights;
- Concluding exploration and production-sharing agreements related to the development of natural resources.

Foreign investor participation can take the form of: foreign capital, equipment, means of transport, spare parts and other goods, services, intellectual property rights, technical know-how and management expertise, or proceeds and profits from other businesses carried out in Romania. Foreign investment must comply with environmental protection, national security, defense, public order, and public health interests and regulations.

There have been few hostile take-over attempts reported in Romania and as a result, Romanian law has not focused on limiting potential mergers or acquisitions. There are no Romanian laws prohibiting or restricting private firms' free association with foreign investors.

In 2010, Romania extensively revised its competition legislation, bringing it closer to the EU *acquis communautaire* and best corporate practices. Companies with a market share below 40% are no longer considered to have a dominant market position, thus avoiding a full investigation by the Romanian Competition Council (RCC) of new agreements, saving considerable time and money for all parties involved. Resale price maintenance and market and client sharing are still prohibited, regardless of the size of either party's market share. In a positive move, the authorization fee for mergers or takeovers has been capped at 25,000 euros. Under previous legislation, the fee was 0.04% of total turnover in Romania for all entities involved in the action, not exceeding 100,000 euros. The law now also requires companies to front a deposit equal to 30% of the fine while awaiting a court decision on the merits of the complaint.

To increase the absorption of EU funds, revisions to the public procurement law in December 2012 raised the open tender threshold for public projects to 5 million euros. Government projects falling under the 5 million euro threshold have the option of being tendered through a "call for bids" to at least three companies. Additionally, the amendments stipulate that public procurement awards can only be challenged with the National Complaint Council (NCC). The NCC's decision is binding, even if the contracting authority or a bidder challenges the decision in court. If the complaint against an award decision is determined to be unfounded, the contracting authority can withhold a percentage of the challenger's bid participation fee as a penalty.

Privatization

The State Asset Resolution Authority (AVAS) is responsible for privatizing state-owned industrial assets and managing them during the privatization process. The Ministry of Economy oversees energy assets. Romania's privatization law permits the responsible authority to hire an agent to handle the entire privatization process, though ultimate decision-making authority remains with the Government.

Major energy sector privatizations remain stalled, leaving many state-owned energy producers struggling to stay out of the red. National hydropower producer Hidroelectrica entered insolvency proceedings in June 2012, resulting in the cancellation of damaging, non-transparent bilateral energy contracts the company concluded with distributors and traders at below market prices. Despite ongoing legal challenges of the contract terminations under the oversight of a judicial administrator, Hidroelectrica has renegotiated contracts with large industrial energy consumers to bring prices more in line with the market. Throughout the insolvency process, Hidroelectrica has continued to produce energy and conduct sales through the public energy exchange OPCOM.

Joint ventures between state-owned energy companies and private investors for electric power production have been stalled due to the absence of a liberalized energy market and unattractive conditions offered by the GOR. The Government's attempt to sell a 9.84% minority stake in OMV/Petrom, Romania's largest oil company in 2011 was unsuccessful due to the GOR's insistence on dictating price. In 2011 and 2012, the GOR approved agreements for onshore and offshore oil and gas exploration for both domestic and international companies that won tenders issued in 2010.

The terms of Romania's pre-cautionary agreement with the IMF include the sale of minority stakes in several state-owned energy companies through initial public offerings (IPOs) and secondary public offerings (SPOs). To date, the only successful transaction has been a 15% SPO for electricity transmission operator Transelectrica in March 2012. IPOs planned for a 15% stake in natural gas producer Romgaz and a 10% stake in nuclear power producer Nuclearelectrica have been repeatedly delayed. Hydropower producer Hidroelectrica was also slated for a 10% IPO before the company entered insolvency in June 2012; the offering is now delayed until after insolvency proceedings are concluded. A 15% SPO for natural gas transmission operator Transgaz has been postponed to 2013.

The GOR announced in 2012 its intention to privatize chemical manufacturer Oltchim and the copper mine Cupremin; both transactions failed.

Encouraged by the IMF and private investors, the GOR agreed to bring in private management for a select number of SOEs, many of them in the energy sector, but the selection and appointment of private professionals has been delayed for most companies. Managers and board members, appointed for an indefinite "interim" period, continue to be selected for their political associations, often in a non-transparent manner. Tarom, Romania's national airline, was the first state-owned company to introduce private management in October 2012, although several appointees were not part of the public recruitment process.

Romania is still in the process of implementing the EU's Third Energy Package, which requires market liberalization for electric energy and natural gas.

Prospective investors are strongly advised to conduct thorough due diligence before any acquisition, particularly of state-owned assets. Some firms have found it advantageous to purchase industrial assets through AVAS's budget arrears recovery process rather than through direct privatization. Through this method, AVAS uses the proceeds from the sale of state assets to cover any outstanding arrears of the company. By acquiring the assets and not the company itself, buyers may avoid assuming historical debt or encumbering labor agreements.

As a member of the EU, Romania is required to notify the European Commission's General Directorate for Competition regarding significant privatizations and related state aid. Prospective investors should seek assistance from legal counsel to ensure compliance by relevant government entities. GOR failure to consult with, and then formally notify, the European Commission properly has resulted in delays and complications in some previous privatizations. Some investors have also experienced problems due to the occasional failure of GOR entities to fully honor contractual obligations following conclusion of privatization agreements. Investors receiving state aid, whose investments have been affected by the global economic crisis, have found renegotiation of their state aid agreements to be cumbersome, in part due to local authorities' failure to acknowledge that market conditions have changed.

Romanian law allows for the inclusion of confidentiality clauses in privatization and public-private partnership contracts to protect business proprietary and other information. However, in certain high-profile privatizations, parliamentary action has compelled the public disclosure of such provisions.

Property and Contractual Rights

Romania recognizes property and contractual rights but enforcement through the judicial process can be lengthy, costly, and difficult. Foreign companies engaged in trade or investment in Romania often express concern about the Romanian courts' lack of expertise in commercial issues. Judges generally have limited experience in the functioning of a market economy, international business methods, intellectual property rights, or the application of Romanian commercial and competition laws. Even when court judgments are favorable, enforcement of judgments is inconsistent and can lead to lengthy appeals.

According to the Heritage Foundation's Economic Freedom Report, Romania lags behind other countries in the region in the areas of labor freedom, property rights, and freedom from corruption, and the judiciary remains vulnerable to corruption and inefficiency. The World Bank's Doing Business report indicates that starting a business in Romania has become more difficult, due to an additional requirement that new companies obtain a tax clearance certificate before the company can be registered. Romania continues to rank below the world average in paying taxes, dealing with construction permits, and setting up utility services.

| Measure | Year | Index/Ranking |
|---|-------------|----------------------|
| Transparency International Corruption Perception Index | 2012 | 66 |
| | 2011 | 75 |
| | 2010 | 69 |
| | 2009 | 71 |
| | 2008 | 70 |
| | 2007 | 69 |
| | 2006 | 84 |
| | 2005 | 85 |
| Heritage Foundation Index of Economic Freedom score | 2012 | 62 |
| | 2011 | 63 |
| | 2010 | 63 |
| | 2009 | 71 |
| | 2008 | 70 |
| | 2007 | 69 |
| | 2006 | 84 |
| World Bank Doing Business ranking | 2012 | 72 |
| | 2011 | 65 |
| | 2010 | 55 |
| | 2009 | 45 |

Conversion and Transfer Policies

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Romanian legislation does not restrict the conversion or transfer of funds associated with direct investment. All profits made by foreign investors in Romania may be converted into another currency and transferred abroad at the market exchange rate after payment of taxes.

Romania's national currency, the Leu, is freely convertible in current account transactions, in accordance with the International Monetary Fund's (IMF) Article VII. Proceeds from the sales of shares, bonds, or other securities, as well as from the conclusion of an investment, can also be repatriated. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital gains, returns on intellectual property, or imported inputs.

In 1997, the GOR implemented new regulations liberalizing foreign exchange markets. The inter-bank electronic settlement system became fully operational in 2006, eliminating past procedural delays in processing capital outflows. Commission fees for real-time electronic banking settlements have gradually been reduced.

Capital inflows are also free from restraint. Romania concluded capital account liberalization in September 2006, with the decision to permit non-residents and residents abroad to purchase derivatives, treasury bills, and other monetary instruments.

Expropriation and Compensation

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The law on direct investment includes a guarantee against nationalization and expropriation or other equivalent actions. The law allows investors to select the court or arbitration body of their choice to settle disputes. Four cases against Romania are pending with the International Center for Settlement of Investment Disputes (ICSID). Several cases involving investment property nationalized during the Communist era also remain unresolved.

Dispute Settlement

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Arbitration

Romania increasingly recognizes the importance of arbitration in the settlement of commercial disputes. Many agreements involving international companies and Romanian counterparts provide for the resolution of disputes through third-party arbitration. Romania is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Romania is also a party to the European Convention on International Commercial Arbitration concluded in Geneva in 1961 and is a member of ICSID.

Romanian law and practice recognize applications to other internationally-known arbitration institutions, such as the ICC Paris Court of Arbitration and the Vienna United Nations Commission on International Trade Law (UNCITRAL). Romania also has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania. Arbitration awards are enforceable through Romanian courts under circumstances similar to those in other Western countries, although legal proceedings can be protracted.

Mediation

Mediation as a tool to resolve disputes is gradually becoming more common in Romania. Mediation became a legal profession in 2006 when the Romanian Parliament passed legislation recognizing it and establishing a certifying body, the Mediation

Council, to set standards and practices. The professional association, The Union of Mediation Centers in Romania, is the umbrella organization for mediators throughout the country. There are recognized mediation centers in every county seat where court-sanctioned and private mediation is available.

There is no legal mechanism for court-ordered mediation in Romania but judges can encourage litigants to use mediation to resolve their cases. If litigants opt for mediation, they must present their proposed resolution to the judge upon completion of the mediation process, who must then approve the agreement. The Union of Mediation Centers is a member of the European Mediation Network Initiative, and is recognized by the European Union and other regional bodies.

Bankruptcy

Romania's bankruptcy law contains provisions for liquidation and reorganization that are generally consistent with Western legal standards. These laws usually emphasize enterprise restructuring and job preservation. To mitigate the time and financial cost of bankruptcies, Romanian legislation provides for administrative liquidation as an alternative to bankruptcy. However, investors and creditors have complained that liquidators sometimes lack the incentive to expedite liquidation proceedings and that, in some cases, their decisions have served vested outside interests. Both state-owned and private companies tend to opt for judicial reorganization to avoid bankruptcy.

In December 2009, the debt settlement mechanism Company Voluntary Agreements (CVAs) was introduced as a means for creditors and debtors to establish partial debt service schedules without resorting to bankruptcy proceedings. The global economic crisis did, however, prompt Romania to shorten insolvency proceedings in the past year.

Performance Requirements and Incentives

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Incentives

Currently, customs and tax incentives are available to investors in six free trade zones. State aid is available for investments in free trade zones under EU regional development assistance rules. Large companies may receive aid up to 50% of their eligible costs (limited to 40% in Bucharest and surrounding Ilfov County), while small- and medium-sized enterprises (SMEs) may receive assistance of up to 65% of their eligible costs. Prospective investors are advised to thoroughly investigate and verify the current status of state incentives.

In 2007, Romania adopted EU regulations on regional investment aid, and instituted state aid schemes for large investments and SMEs. Both Romanian and EU state aid regulations aim to limit state aid in any form, such as direct state subsidies, debt rescheduling schemes, debt for equity swaps, or discounted land prices. The EC must be notified of, and approve, GOR state aid that exceeds the pre-approved monetary threshold for the corresponding category of aid. To benefit from the remaining state aid schemes, the applicant must secure financing that is separate from any public support for at least 25% of the eligible costs, either through his own resources or through external financing. The applicant must document this financing in strict accordance with Ministry of Finance guidelines. Amendments made in 2010 to the state aid scheme for regional projects score applications based not only on the economics of the project, but

also on the GDP per capita and unemployment rate for the country of intended investment.

In practice, GOR budget constraints and a less-than-fully transparent application process have limited access to these forms of state aid. Different ministries and government entities manage the various state aid schemes, and the rules and procedures are complex. Companies interested in state aid are encouraged to seek competent counsel and when developing a business plan, to set aside a generous amount of time for moving through all the bureaucratic stages required for state aid scheme approvals.

To reduce initial startup costs, a system of industrial and technological parks is being created. Tax incentives are available for the park operator, while companies establishing themselves in the park benefit from access to utility hookups and infrastructure, as well as from potential local tax rebates under regional development aid schemes. There are 62 such parks throughout Romania.

In July 2011, the European Commission approved the GOR's revised Green Certificate System, part of the Renewable Energy Law, which provides incentives for certain types of renewable energy. The Green Certificates are traded in parallel with the energy produced, providing an additional source of revenue for renewable energy producers. The revised system includes provisions to prevent overcompensation. Renewable energy projects that are eligible for other types of aid, such as EU structural funds, receive a smaller number of green certificates. Any renewable energy investment with an installed capacity over 125 megawatts must be notified to the European Commission. In order to ensure that the national energy grid remains balanced, renewable energy no longer enjoys priority access to the grid under the revised law.

As a member of the EU, Romania must receive European Commission (EC) approval for any state aid it grants that is not covered by the EU's block exemption regulations. The Romanian Competition Council acts as a clearinghouse for the exchange of information between the Romanian authorities and the EC. Specifically, the Council screens state aid notifications and provides an initial opinion to state aid grantors as to whether the request is consistent with EU directives, allowing for an opportunity to revise or withdraw a request before it is submitted to the Commission. Even after submission, the Council retains jurisdiction over competition and antitrust matters. The failure of state aid grantors to notify the EC properly of aid associated with privatizations has resulted in the Commission launching formal investigations into several privatizations. Investors should ensure that the government entities with which they work fully understand and fulfill their duty to notify competition authorities. Investors may wish to consult with EU and Romanian competition authorities in advance, to ensure a proper understanding of notification requirements.

Companies operating in Romania can also apply for aid under EU-funded programs that are co-financed by Romania. When planning the project, prospective applicants must bear in mind that the project cannot start before the financing agreement is finalized; the application, selection and negotiation process can be lengthy. Applicants also must secure financing for non-eligible expenses and for their co-financing of the eligible expenses. Finally, reimbursement of eligible expenses – which must be financed up front by the investor – is often very slow. Procurements financed by EU-funded programs above a certain monetary threshold must comply with public procurement

legislation. In an effort to increase the rate of EU funds absorption, Romania has amended regulations to allow applicants to use the assets financed under EU-funded programs as collateral. However, understaffing and a lack of expertise on the part of GOR management entities, cumbersome procedures, and applicants' difficulty obtaining private financing still remain significant obstacles to improved EU funds absorption by Romania.

Tax System

Since 1999, Romania has been revising its tax system to bring it closer to both EU models and the recommendations of the World Bank and IMF. In 2004, Romania adopted a flat tax of 16% on both personal income and corporate profit taxes, and simplified the tax code. The GOR reduced employers' payroll taxes by 2% in 2007 and by an additional 6%, in three stages, in 2008. In 2009, the newly-elected Government rolled back some of these reductions. For employment taking place in normal working conditions, payroll taxes are now 31.3%, with 10.5% payable by the employee and 20.8% by the employer (up from 27.5%, 9.5%, and 18%, respectively). For jobs with high mortality or disease rates, total payroll taxes are 36.3%, with employees paying 10.5% and employers 25.8% (compared to 32.5%, 9.5%, and 23% previously). For certain professions such as mining and aviation, where workers may be exposed to high levels of radiation, the current rate is 41.3%, with 10.5% paid by the employee and 30.8% by the employer (an increase from 37.5%, 9.5%, and 28% respectively). Accident and risk fund contributions range from 0.15% to 0.85%, depending on the company risk class (previously 0.4% to 2%). Rates for medical and unemployment insurance have remained unchanged; 5.5% medical and 0.5% unemployment for employees, and 5.2% medical and 0.5% unemployment for employers.

In July 2010, Romania increased the standard value added tax (VAT) rate from 19% to 24%. Investors should be aware that due to budget constraints, the GOR has regularly delayed VAT reimbursements owed to foreign companies for extended periods of time, especially if the amount to be reimbursed is large. The country is fully integrated with EU customs, excise tax, and VAT transfer systems.

Tariff Preferences

Upon EU accession, Romania implemented the EU Common Customs Tariff, the Generalized Preference Scheme, EU commercial safeguards, preference agreements and cooperation agreements concluded by the EU with third countries, as well as other EU commercial commitments vis-à-vis the World Trade Organization (WTO).

Right to Private Ownership and Establishment

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The Romanian Constitution, adopted in December 1991 and revised in 2003, guarantees the right to ownership of private property. Mineral and airspace rights, and similar rights, are excluded from private ownership. Under the revised Constitution, foreign citizens can gain land ownership through inheritance. With EU accession, citizens of EU member states can now own land in Romania, subject to reciprocity in their home country.

Companies owning foreign capital may acquire land or property needed to fulfill or develop company goals. If the company is dissolved or liquidated, the land must be sold

within one year of closure, and may only be sold to a buyer(s) with the legal right to purchase such assets. For a period of seven years after Romania's accession to the EU, foreign investors may not purchase agricultural land, forests, or forestry land (except for farmers acting as commercial entities). Investors can purchase shares in agricultural companies that lease land in the public domain from the State Land Agency.

Mortgages

In early 2006, the Parliament passed legislation that regulates the establishment of specialized mortgage banks, including the possibility of transforming existing non-banking mortgage credit institutions into specialized mortgage banks. The law also makes possible a secondary mortgage market, by regulating mortgage bond issuance mechanisms. Mortgage loans are offered by commercial banks, specialized mortgage banks, and non-bank mortgage credit institutions. Romania's mortgage market is now almost entirely private (although the state-owned National Savings Bank, or CEC Bank, also offers mortgage loans).

The primary mortgage market demonstrated robust growth until the third quarter of 2008. Since then, credit has tightened in response to the international financial crisis and the implementation of much stricter national regulations on borrower qualifications. For loans denominated in Romanian lei (RON), standard banks charge six-month ROBOR (currently 6.3%), plus a spread of interest and commission fees, for up to 30 years. For euro-denominated loans, banks currently charge six-month EURIBOR, plus a 6.0% spread of interest and commission fees, for up to 30 years.

Protection of Property Rights

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Romania is a signatory to international conventions concerning intellectual property rights (IPR), including Trade-Related Aspects of Intellectual Property Rights (TRIPS), and has enacted legislation protecting patents, trademarks, and copyrights. Romania has signed the Internet Convention to protect online authorship. While the IPR legal framework is generally good, enforcement remains weak and ineffectual, especially in the area of Internet piracy. The once-flagrant trade of retail pirated goods has largely been eliminated, but unlicensed use of software and personal use of pirated audio-video products remains high. The recording and film industries have expressed concern over increasing levels of Internet-based piracy. Romania has passed broad IPR protection enforcement provisions, as required by the WTO, yet judicial enforcement remains lax.

Patents

Romania is a party to the Paris Convention for the Protection of Industrial Property, and subscribes to all of its amendments. Romanian patent legislation generally meets international standards, with foreign investors accorded equal treatment with Romanian citizens under the law. Patents are valid for 20 years. Romania has been a party to the European Patent Protection Convention since 2002.

Trademarks

In 1998, Romania passed a trademark and geographic indications law, which was amended in 2010 to make it fully consistent with equivalent EU legislation. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks

and the Geneva Treaty on Trademarks. Trademark registrations are valid for ten years from the date of application and renewable for similar periods. In 2007, Romania ratified the Singapore Treaty on the Law of Trademarks.

Copyrights

Romania is a member of the Bern Convention on Copyrights. The Romanian Parliament has ratified the latest versions of the Bern and Rome Conventions. The Romanian Copyright Office (ORDA) was established in 1996, and promotes and monitors copyright legislation. The General Prosecutor's Office (GPO) provides national coordination of IPR enforcement, but copyright law enforcement remains a low priority for Romanian prosecutors and judges. Many magistrates still tend to view copyright piracy as a "victimless crime" and this attitude has resulted in weak enforcement of copyright law. Due to increasing online piracy, copyright infringement of music and film is widespread throughout Romania.

Semiconductor Chip Layout Design

Romanian law protects semiconductor chip layout design. In order to benefit, designs must be registered with the Romanian Inventions and Trademark Office. Romania is a signatory to the Washington Treaty.

Transparency of Regulatory System

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Cumbersome and non-transparent bureaucratic procedures are a major problem in Romania. Foreign investors point to the excessive time it takes to secure necessary zoning permits, environmental approvals, property titles, licenses, and utility hook-ups. National and local officials often cannot provide potential investors with clear and comprehensive information on what permits or approvals are needed, or how they are to be obtained. Set fees for certain services, such as utilities, may not exist or may be subject to "negotiation" with local authorities or utility providers. Romania enacted a "Silent Approval" Law in 2003 to reduce bureaucratic delays, but it has yet to be universally enforced or recognized. Additionally, regulations can change frequently, often without advance notice or proper analysis of the impact the changes will have on the economy and business environment. Modifications can also be vaguely worded and/or poorly explained. These unforeseen changes add to the costs of doing business and can alter an investor's business prospects overnight.

Romanian law requires consultations with the private sector and a 30-day comment period on legislation or regulation affecting the business environment (the "Sunshine Law"). Unfortunately, not all government entities adhere to this requirement consistently. In many cases, even when the comment period is respected, public input does not appear to be considered seriously or incorporated into the final version. There have also been cases of authorities posting one version for public comment, but adopting a different version in the final instance.

Efficient Capital Markets and Portfolio Investment

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Capital Markets

Romania seeks to develop efficient capital markets. The National Securities Commission (CNVM) is responsible for regulating the securities market. In order to protect investors, the CNVM implements the registration and licensing of brokers and financial intermediaries, the filing and approval of prospectuses, and the approval of market mechanisms.

The Bucharest Stock Exchange (BVB) resumed operations in 1995, after a hiatus of 50 years. The BVB operates a three-tier system that, at present, lists a total of 81 companies, with 27 companies in the highest tier. The official index, BET, is based on a basket of the 10 most active stocks listed, while the BET-C index follows the trend of all stocks listed on the BVB. The BVB also has an “over-the-counter” market (RASDAQ) that currently lists 1,090 different stocks. The BVB allows trade in corporate, municipal, and international bonds, and in 2007, the BVB opened derivatives trading. The BVB’s integrated group includes trading, clearing, settlement, and registry systems. The BVB’s Alternative Trading System (ATS) allows trading in local currency of 26 foreign stocks listed on international capital markets, of which ten are U.S. blue chip stocks.

Despite lower trading fees and a diversified securities listing, the situation on the international capital and financial markets has adversely affected the Romanian capital market. Country funds, hedge funds and venture capital funds continue to participate in the capital markets. Minority shareholders have the right to participate in any capital increase. Romanian capital market regulation is now EU-consistent, with accounting regulations incorporating EC Directives IV and VII.

Banking Sector

There are 41 banks and credit cooperative national unions currently operating in Romania. The largest, Romanian Commercial Bank (BCR), was privatized in 2006 by sale to Erste Bank of Austria and has a 19.9% market share. The second-largest is the French-owned Romanian Bank for Development (BRD-Société Générale) with 12.9% market share, followed by state-owned CEC Bank (7.8%) and privately-owned Transilvania Bank (7.8%). Other large banks include Austrian-owned Raiffeisen (6.8%), Italian-controlled UniCredit Tirioc Bank (6.1%), and Austrian-owned Volksbank (4.8%)

According to the National Bank of Romania, overdue and doubtful loans now account for 17.3% of total bank loans and interest; the solvency rate of the banking system is 14.7%.

The GOR has encouraged foreign investment in the banking sector, and there are no restrictions on mergers and acquisitions. The only remaining state-owned banks are the National Savings Bank (CEC Bank) and EximBank, comprising 9.1% of the market combined.

While the National Bank of Romania must authorize all new non-EU banking entities, banks and non-banking financial institutions already approved in other EU countries need only notify the National Bank of plans to provide local services.

Competition from State Owned Enterprises

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Private enterprises compete with public enterprises under the same terms and conditions with respect to market access and credit. Energy production, transportation,

and mining are majority state-owned sectors, while the government retains a monopoly on electricity and natural gas transmission.

While state-owned oil and gas companies received exploration and extraction licenses through direct allocation before 1989, they are now required to compete in transparent tenders organized by the National Agency for Mineral Resources. The most recent tender was held in May 2010, and foreign companies successfully competed for awards against consortia including Romanian state companies.

SOEs are required by law to publish an annual report. Majority state-owned companies that are publicly listed, as well as state-owned banks, are required to be independently audited. If properly implemented, legislation on corporate governance of SOEs should ensure the professional selection of board members and managers, and bring more transparency and accountability to the management and oversight of SOEs. In October 2012, Romania's national airline Tarom was the first state company to introduce private management.

Corporate Social Responsibility

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Corporate social responsibility (CSR), as a concept, is slowly becoming more common in Romanian business, driven primarily by multinational companies infusing their corporate culture into the local market. Virtually all foreign enterprises in Romania have some kind of CSR program, and most follow generally accepted CSR principles, such as the OECD Guidelines for Multinational Enterprises. Romanian legislation allows companies to allocate part of their corporate income tax (a maximum of 0.3% of turnover and 20% of total corporate income tax due) to CSR under the sponsorship law.

Political Violence

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There have been no reported incidents of politically-motivated damage to foreign investments (projects and/or installations) in Romania. Major civil disturbances are not expected to occur in the country in the near future.

Corruption

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Despite some improvement, corruption remains a serious problem. Romania was the fourth-lowest ranked among EU member states in Transparency International's 2012 Corruption Perception Index. According to the EC's 2012 Report on Progress under the Cooperation and Verification Mechanism in Romania, there are still obstacles to making progress in the fight against corruption. The report recommends establishing a clear coordination and monitoring mechanism between police, prosecution and administrative control authorities, with specific responsibility for ensuring effective cooperation and communication on corruption. The report also calls for improved results in the prevention and sanctioning of corruption, fraud, and conflict of interest in public procurement across all sectors of government activity. International organizations such as Transparency International and local non-governmental "watchdog" organizations are present in the country.

U.S. investors have complained of both government and business corruption in Romania, with the customs service, municipal officials, and local financial authorities

most frequently named. In some cases, demands for payoffs by low- to mid-level officials reach the point of harassment.

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. Corruption is currently punishable under a variety of statutes in the penal code. Prison sentences are sometimes imposed, but powerful and influential individuals have often evaded prosecution or conviction. Under pressure from the EU, the GOR is attempting to prosecute several current and former high-level political officials; to date, the highest-level government official to be found guilty of corruption – a former Prime Minister – was convicted and imprisoned in June 2012.

The Ministry of Justice published in late 2011 a national anti-corruption strategy for 2012-2014, focusing on strengthening administrative review and transparency within public agencies, preventing corruption, and implementing anti-corruption legislation. The objectives include increased and improved financial disclosure, conflict-of-interest oversight, more aggressive investigation of money laundering cases, and passage of legislation to allow for more effective asset recovery.

In December 2002, Romania passed an anti-money laundering and terrorism financing law, which was amended in April 2008. With U.S. assistance, in September 2002 the GOR established the National Anti-Corruption Prosecutors' Office (PNA) under the Prosecutor General, staffed by prosecutors and police; the PNA was upgraded to the National Anti-Corruption Directorate (DNA) in 2005 and given significant autonomy, though it still formally reports to the Prosecutor General. A new Criminal Code was passed in 2003 and the revised Civil Code came into effect in October 2011. Romania is in the process of training its prosecutors, judges, and attorneys to ensure they are completely familiar with the new legislation.

In 2007 Romania also established the National Integrity Agency (ANI), which is tasked with collecting, managing, and auditing compulsory comprehensive financial disclosure statements submitted annually by some 100,000 politicians and public sector employees at all levels. ANI has administrative powers only to identify conflicts of interest and questionable increases in personal assets. It must then forward such cases to prosecutorial authorities for further legal action. In 2010 a Constitutional Court ruling brought into question ANI's legal status, but after a contentious battle involving all three branches of government, the GOR succeeded in passing legislation that allowed ANI to retain its jurisdiction and authority.

Bucharest hosts the 12-member Southeast European Law Enforcement Center (SELEC), and Romania is one of the three members of the SELEC Joint Cooperation Committee. Romania has signed and ratified the Agreement on Cooperation to Prevent and Combat Trans-border Crime of May 1999.

In March 2002, to reduce corrupt practices in public procurement, the GOR inaugurated a web-based e-procurement system (<http://www.e-licitatie.ro/>). Initiated with seed money from the U.S. Agency for International Development (USAID), the system provides a transparent listing of both ongoing and closed solicitations, with the names of the winners and the closing prices made available to the public. The use of "e-licitatie" has increased government efficiency, reduced vulnerability to corruption, and improved fiscal responsibility in government procurement. Initially the system was used solely for basic, straightforward procurements but now more complex projects are included, such

as EU-funded programs. State entities, as well as public and private beneficiaries of EU funds, are required by law to follow public procurement legislation and use the e-procurement system, but compliance is inconsistent.

Romania's public procurement law, passed in 2006 and amended several times, establishes ex-ante controls on public procurement processes, stricter rules on eligible participants, and an appeals mechanism for complaints against the process. The National Agency for Public Procurement has general oversight over procurements and can draft legislation, but procurement decisions remain with the procuring entities. Procurements for projects receiving EU funding above a certain monetary threshold must comply with the public procurement law.

Court System

The Romanian judicial system, although improved in recent years, still suffers from bouts of corruption, inefficiency, lack of expertise, and excessive workloads. Divergent and often contradictory rulings are not uncommon, complicating normal commercial activities. Companies routinely complain that commercial disputes take too long to resolve through the court system and, once a verdict is reached, court orders may not be enforced. Courts are overburdened and errors in court procedures, whether peripheral to the outcome or not, may result in complete retrials, further delaying verdicts. Litigants in virtually all cases have a right to two appeals, contributing to clogs in court dockets throughout the system and lengthy delays. Final judgments are not binding until all appeals are exhausted. Clerks, attorneys and judges reportedly remain susceptible to bribes or other "extra-judicial" payments, most commonly to "speed up" litigation, to assure a particular judge is assigned to a case, or to create intentional procedural errors leading to retrial. In December 2011, the World Bank published an Analysis and Assessment Report as part of its 42-month court optimization program, intended to address many of the shortcomings listed here.

Cyber Crime

Romania has one of the world's highest occurrences of Internet fraud. The problem is illustrated by a growing stream of complaints, some of which involve U.S. companies and their customers being defrauded of millions of dollars. The most common problems result from the use of stolen credit card numbers for the purchase of goods online, fraudulent use of online auction platforms, and sophisticated phishing schemes to defraud customers of legitimate e-commerce companies.

Romanian hackers also have gained notoriety for hacking into U.S. companies' servers and stealing proprietary information, including customer credit card data. There have been cases where Romanian hackers have offered to sell the method by which they hacked into a U.S. company's server back to the victim. On other occasions, hackers have attempted blackmail by threatening to release sensitive data or the means to hack the system, unless a specific amount of money is paid.

An e-commerce law that defines and punishes cyber crime came into force in July 2002 and in 2004, an e-privacy law was passed that outlines responsibilities of the telecommunications industry to help safeguard consumers' personal electronic data from cybercriminals. In 2012, a data protection law also came into force that requires telecom and internet service providers to retain for six months data that law enforcement

investigating cybercrimes can request via court order. Law enforcement efforts are still not commensurate with the scale of the problem but enforcement activities have increased notably in recent years, thanks in part to the assistance U.S. law enforcement agencies have been providing their Romanian counterparts. Romanian law enforcement has been encouraged, when appropriate, to leverage U.S. courts and the existing extradition treaty to prosecute criminals guilty of crimes impacting U.S. companies and citizens.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of

corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and

corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The U.S.-Romanian Bilateral Investment Treaty (BIT) on the Reciprocal Encouragement and Protection of Investment (signed in May 1992 and ratified by the U.S. in 1994) guarantees national treatment for U.S. and Romanian investors. The agreement provides a dispute resolution mechanism, liberal capital transfer, prompt and adequate compensation in the event of an expropriation, and the avoidance of trade-distorting performance requirements. The U.S. Government negotiated an agreement with the EU and eight accession countries, including Romania, to cover any possible inconsistencies between pre-existing BITs and the countries' future EU obligations. This revised BIT was ratified by the U.S. Senate and the Romanian Parliament in 2004, and went into effect on February 9, 2007. Other bilateral trade agreements with third countries were terminated upon Romania's EU accession.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) began operations in Romania in late 1992, and continues to actively finance projects in the country. Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Labor

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Romania has traditionally offered a large, skilled labor force at comparatively low wage rates in most sectors. The labor pool has tightened in highly skilled professions, despite growing unemployment overall. The university system is generally regarded as good, particularly in technical fields, though foreign and Romanian business leaders have urged reform of outdated higher education curricula to better meet the needs of a modern, innovation-driven market.

The quality of work of Romanian craftsmen, engineers, and software designers is well regarded by foreign managers. With appropriate on-the-job training, local labor performs well with new technologies and more exacting quality requirements. However, labor shortages have appeared in certain sectors, resulting in strong upward pressure on wages in recent years. Outward labor migration and the number of students graduating without the practical skills needed for the modern workplace are considered the main

causes for this trend. Slowing growth and recession in Western Europe were expected to alleviate domestic labor market shortages somewhat, with some Romanian workers returning from abroad. Although Romanians have not returned in large numbers, the country has experienced a marked increase in unemployment as the recession has deepened. Unemployment officially stood at 6.9% in October 2012, representing 695,000 people, slightly lower than the 7.3% reported in October 2011. Underemployment is also a significant problem.

Since Romania's revolution in December 1989, labor-management relations have occasionally been tense, the result of economic restructuring and personnel layoffs. Trade unions, much better organized than employers' associations, are vocal defenders of their rights and benefits. In January 2012, after extensive negotiations between unions, employers associations, and the government, the national minimum wage was set at 700 RON (about USD 196) for full-time employment of 169.333 hours per month, or approximately 4.13 RON (USD 1.156) per hour. The GOR adheres to the International Labor Organization (ILO) convention on protecting workers' rights. According to Eurostat, 40% of Romania's population was at risk for poverty or social exclusion in 2011, second only to Bulgaria among the EU countries.

In May 2010, a new Labor Code was passed, giving employers more flexibility to evaluate employees based on performance, and significantly relaxing hiring and firing procedures. The revised Labor Code eliminated national collective labor contracts, extended the maximum duration of temporary contracts from 24 to 36 months, and introduced new collective layoff regulations.

Payroll taxes remain steep, resulting in an estimated 25-30% of the labor force working in the underground economy as "independent contractors," where their salaries are neither recorded nor taxed. Even for registered workers, under-reporting of actual salaries is common.

Current legislation makes it very costly to engage non-EU citizens in Romania. Foreign companies often resort to expensive staff rotations, special consulting contracts, and non-cash benefits. Work permits are issued for a maximum of one year for a fee of 200 euro (payable in the RON equivalent of that day's exchange rate), except for students and seasonal workers, who pay 50 euro. These permits are automatically renewable with a valid individual work contract. There are 41 Romanian Immigration Authority offices – one in each county – to issue work permits for foreign citizens. Since Romania acceded to the EU, citizens of other EU countries can work in Romania without work permits if their own country does not impose restrictions on Romanian citizens. Although several companies hire non-EU citizen employees, mainly from Turkey, China, India, Pakistan, Serbia, the Philippines, Sri Lanka or Moldova, most Romanian businesses are still reluctant to bring in large numbers of foreign employees. In 2012, the Romanian Immigration Office was authorized to issue 5,500 work permits to non-EU citizens; only 1,551 work permits were actually issued, out of which 804 were for permanent employment.

Foreign-Trade Zones/Free Ports

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Free Trade Zones (FTZs) received legal authority in Romania in 1992. General provisions include unrestricted entry and re-export of goods, and exemption from customs duties. The law further permits the leasing or transfer of buildings or land for

terms of up to 50 years to corporations or natural persons, regardless of nationality. Foreign-owned firms have the same investment opportunities as Romanian entities in FTZs.

Currently there are six FTZs, primarily located on the Danube River or close to the Black Sea: Sulina, Constanta-Sud Agigea, Galati, Braila, Curtici-Arad, and Giurgiu. The administrator of each FTZ is responsible for all commercial activities performed within the zone. FTZs are under the authority of the Ministry of Transportation.

Foreign Direct Investment Statistics

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Romania did not attract significant foreign direct investment (FDI) until after the 1990s, due to delays in post-Communist economic reforms. According to data provided by the National Office of the Trade Registry, the cumulative net stock of FDI from January 1990 to October 2012 totaled USD 46.67 billion, about 24.5% of Romania's GDP. Romanian direct investments abroad from January to September 2012 totaled USD 201.3 million.

Major sectors for foreign investment include:

- Automobile and automotive components (Renault, Daimler Benz, Ford, Siemens, Continental, Alcoa, Delphi Packard, Johnson Controls, Honeywell Garrett, Michelin, Pirelli);
- Banking and finance (Citibank, Société Générale, MetLife, Royal Bank of Scotland, ING, Generali, Volksbank, Raiffeisen, Erste Bank, Unicredit, Alpha Bank, National Bank of Greece, Intesa Sanpaolo, Millenium Bank, Garanti Bank, Credit Agricole, Allianz, AXA);
- Information Technology (Hewlett Packard, Intel, Microsoft, Oracle, Cisco Systems, IBM);
- Telecommunications (Orange, OTE, Telesystem International Wireless Services, Vodafone, Liberty Media/UPC);
- Hotels (Hilton, Marriott, Best Western, Howard Johnson, Sofitel, Crowne Plaza, Accor, Ramada, Radisson);
- Manufacturing (Timken, General Electric, Cameron, LNM, Marco, Flextronics, Holcim, Lafarge, Heidelberg, Plexus, Lufkin, Toro);
- Consumer products (Procter and Gamble, Unilever, Henkel, Coca-Cola, PepsiCo, Parmalat, Danone, Smithfield Foods);
- Retail chains (Metro, Delhaize, Dm Drogerie, Carrefour, Cora, Billa, Selgros, Auchan, Kaufland).

Officially, the value of U.S. direct investment in Romania as of September 2012 was about USD 1.1 billion. The U.S. is the 12th-ranked foreign investor nation, after the Netherlands, Austria, Germany, France, Cyprus, Greece, Italy, Spain, Panama, Switzerland, and Luxemburg. U.S.-source investment represented 2.3% of Romania's

total FDI. As official statistics do not fully account for the tendency of U.S. firms to invest through their foreign, especially European-based, subsidiaries, the actual amount of U.S. FDI is higher. Romanian statistics also over-emphasize physical, capital-intensive investments, while overlooking the impact of foreign investment in services and technology. Significant U.S. direct investors (including investments made through branches or representative offices) include:

- Advent Central and Eastern Europe - investment fund;
- AECOM - engineering and design;
- Chartis - general insurance;
- Alico (Met Life) - life insurance;
- Alcoa - automotive, aluminum processing;
- Bunge - grain trading;
- Cargill - grain export and food processing;
- Citibank - banking;
- Coca-Cola - beverage, food;
- Cooper Cameron - gas field equipment manufacturer;
- Delphi - automotive parts;
- EuroTire - mining and heavy equipment tires;
- Flextronics – medical, telecom, automotive;
- Ford - automotive assembly;
- General Electric - diversified industrial products;
- Hewlett Packard - IT equipment, services;
- Hoeganaes - iron powder for automotive;
- Honeywell Garrett - automotive;
- IBM - IT equipment;
- Intel – software development services
- Johnson Controls - automotive;
- Kodak - film processing;
- McDonald's - food;
- Microsoft - software services;
- New Century Holding - investment fund;
- Office Depot - office and business supplies;
- Oracle - IT services, consulting;
- Pepsico - beverage;
- Philip Morris - tobacco products;
- Procter and Gamble - consumer products;
- Qualcomm - telecommunications;
- Sigma Bleyzer - investment fund;
- Smithfield Foods - food production and distribution;
- Timken - industrial bearings;
- Liberty Media UPC - cable television operator;
- Visa - financial services;
- URS - engineering.

In addition to these companies, the European Bank for Reconstruction and Development (EBRD) remains the single largest investor (debt plus equity) in Romania, with some USD 7.3 billion invested. The U.S. is a 10% shareholder in the EBRD.

The largest amounts of investment in Romania come from the following countries:

- The Netherlands - USD 9.46 billion (20.4% of total FDI): IT, banking, insurance, consumer products, food;
- Austria - USD 6.52 billion (14.0%): banking, insurance, construction materials;
- Germany - USD 5.69 billion (12.2%): insurance, food, machine construction, chemicals, cement;
- France - USD 3.16 billion (3.12%): food, IT, automotive, manufacturing, cement, agriculture, banking, insurance, hypermarkets;
- Cyprus - USD 2.78 billion (6.0%): banking, retail, services;
- Greece - USD 2.41 billion (5.2%): banking, food, consumer products, retail;
- Italy - USD 2.26 billion (4.9%): footwear, textiles, food, banking, insurance;
- Spain - USD 1.41 billion (3.0%): manufacturing, consumer products, banking;
- Panama - USD 1.36 billion (2.9%): services;
- Switzerland - USD 1.30 billion (2.8%): food, manufacturing, consumer products;
- Luxemburg - USD 1.25 billion (2.41%): retail, constructions, food;
- U.S. - USD 1.06 billion (2.3%): IT, automotive, banking, insurance, hospitality, manufacturing, consumer products.
- U.K. - USD 1.03 billion (2.2%): tobacco, pharmaceuticals, banking;

Web Resources

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Romanian Government

<http://www.guv.ro>

The Authority for State Assets Recovery

<http://www.avas.gov.ro>

Ministry of Public Finance

<http://www.mfinante.ro>

Ministry of Economy, Trade and Business Climate

<http://www.minind.ro>

International Centre for Settlement of Investment Disputes

<http://www.worldbank.org/icsid>

Romanian Copyright Office

<http://www.orda.ro>

Ministry of Communications and Information Technology

<http://www.mcti.ro>

National Securities Commission

<http://www.cnvmr.ro>

Bucharest Stock Exchange

<http://www.bvb.ro>

National Bank of Romania

<http://www.bnro.ro>

National Anti-Corruption Prosecutors' Office

<http://www.pna.ro>

Romanian Government's Web-Based e-Procurement System

<http://www.e-licitatie.ro>

Overseas Private Investment Corporation

<http://www.opic.gov>

Ministry of Labor, Social Solidarity and Family

<http://www.mmuncii.ro>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The least risky for the American exporter and most widely accepted method of payment is by confirmed, irrevocable letter of credit. However, this method is not necessarily the most competitive for winning sales in Romania. An L/C represents a credit obligation for the Romanian buyer, who may not be willing (or able) to borrow at a cost-effective rate. Cash-against-documents or open-account terms entail more risk for the exporter, but may be preferable for the buyer. Each exporter has to weigh the element of risk in a transaction against the relationship with the buyer and degree of competition.

Commercial banks offering international trade services can describe the risks and merits of each payment method, but American exporters are well advised to establish payment policies for international sales based on their business strategy. In addition to the due diligence tools discussed in Chapter 3, there are other forms of U.S. Government support for managing risks. The U.S. Export-Import Bank (Ex-Im Bank) offers a program of export credit insurance to enable U.S. exporters to extend credit terms with protection against the risk of non-payment.

Key link: <http://www.exim.gov/>

How Does the Banking System Operate

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The number of Romanian and foreign banking institutions has increased from 5 in 1990 to more than 40 in 2012, and all are authorized to engage in a full range of traditional banking functions.

Romania's membership in the EU and greater integration into world financial markets exposed its economy to the international financial crisis starting from 2008. The dominant role of foreign banks in the market has brought benefits, but also made Romania a captive to the decisions of these banks' home offices, especially in the Euro zone, and their shareholders. However, Romania has proven a profitable market for these banks, and none have expressed plans to exit the market. There are only a few Greek banks operating in Romania that are affected by the debt crisis in their home country. They are interested in mergers plans, but not to exit Romania.

Foreign-Exchange Controls

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Romania has no foreign exchange restrictions. The local currency, the **RO**manian **N**ew **LEU**, (abbreviated **RON**) is fully convertible for business (current account) purposes, with a fully liberalized capital account, and a central bank applying a managed float to reduce currency fluctuations. Foreign investors may freely repatriate profits and dividends in hard currency.

U.S. Banks and Local Correspondent Banks

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All commercial banks now operating in Romania have international correspondent relationships, and all are members of the domestic inter-bank payment-settlement system.

Citibank is the most well known U.S. bank in Romania, represented by Citibank Romania S.A. since 1996. Citibank Romania S.A. has 8 only corporate banking branches in the following major cities: Brasov, Bucharest, Cluj – Napoca, Constanta, Iasi, Ploiesti, Sibiu, and Timisoara.

The Romanian financial landscape includes a substantial number of European bank subsidiaries, and several major Romanian banks. Most of these have parent corporations other countries such as Austria (Erste Bank, Raiffeisen Bank, Volksbank, and Porsche Bank), France (BRD – Societe Generale and BNP Paribas), Italy (Unicredit Tiriatic Bank, Banca Italo Romena, and Intesa Sanpaolo Bank), Greece (Alpha Bank, Bancpost – EFG Eurobank, Piraeus Bank, ATE Bank, and Emporiki Bank) the United Kingdom (Royal Bank of Scotland), Cyprus (Marfin and Bank of Cyprus), Israel (Leumi Bank), the Netherlands (ING Bank), and Portugal (Millennium Bank).

Project Financing

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Project financing from public and quasi-public institutions is an important source of investment capital for infrastructure projects in Romania and other countries in the region. Especially as the tide of private investment ebbs, or at least becomes more selective, the roles of international financial institutions such as the International Monetary Fund (IMF) and the European Union (EU) in cooperation with the World Bank Group (International Bank for Reconstruction and Development - IBRD, International Finance Corporation – IFC and Multilateral Investment Guarantee Agency – MIGA), the European Bank for Reconstruction and Development – EBRD, and the European Investment Bank – EIB become even more important. This section outlines the major international financial institutions, their mechanisms, and their priority areas for Romania. American companies seeking to participate in these projects should become familiar with these organizations and their operations.

International Monetary Fund – IMF

From 2009 to 2011, Romania successfully completed a 24-month IMF Stand-By Arrangement – SBA of USD 17.4 billion (of which the authorities decided to treat the last

tranche as precautionary). The total financial support program was USD 26.8 billion and included a USD 6.7 billion EU balance of payment support program, a USD 1.3 billion World Bank loan (three Development Policy Lending, or DPL, loans) and a commitment from the EBRD to invest over USD 1.3 billion in Romania over the two-year period (the actual amount committed by the Bank was USD 1.7 billion).

In 2011, a new 24-month, USD 4.7 billion, precautionary SBA was approved by the IMF in conjunction with a new USD 1.9 billion EU program (also on a precautionary basis) and the third World Bank DPL loan of USD 0.5 billion, which was not disbursed during the first program period and is still pending some prior actions. Under the new arrangement, in addition to maintaining macroeconomic and financial stability by, among other things, ensuring the necessary fiscal adjustment, sustainable growth will also be promoted by better absorption of EU structural funds and reforming the state-owned enterprises to becoming a driver of growth. Continued reforms include improved tax collection, better control over public expenditure (particularly in the health sector) facilitated by advice from functional reviews prepared by the World Bank and financed by the European Commission, and reducing arrears at both the national and local levels, including in state owned enterprises.

European Union - EU

The EU provides cohesion funds to member states and sub-state regions whose level of development is below the EU average. Now that Romania is a member of the EU it will benefit from approximately USD 25.2 billion in structural and cohesion funds from 2007 to 2013.

The EU Structural and Cohesion funds are provided through Sectoral Operational Programs (SOPs) managed by Romanian authorities and overseen by the European Commission. The SOPs include Transport, Environment, Regional Development, Economic Competitiveness, Human Resources, Technical Assistance, and Administration Development. American companies can participate directly in projects funded by the EU or in partnership with a company from an EU member country.

As of March 31, 2013, the Romanian Ministry of European Funds specified that payments made by the European authorities amounted to USD 3.2 billion, representing a 13% absorption rate of structural and cohesion funds. The Romanian authorities are now discussing with the EC the 2014 to 2020 grant funding program.

In 2011, a request was made by the European Commission and Government of Romania to the International Financial Institutions (IFIs) to support the Managing Authorities and beneficiaries through various Technical Assistance projects financed through Structural Funds to improve the strategic and management capacity and increase absorption of Structural and Cohesion Funds and to prepare the 2014-2020 programming period. This is currently under evaluation, and discussions are being held between Directorate General REGIO, the Ministry of European Affairs, and the IFIs on the best ways of responding to this request.

One of the central issues facing the country is its very poor record of developing projects, obtaining EU funds, and administering projects successfully. Romania's public sector is still developing its capacity for these tasks, the potential beneficiaries do not know how to apply, and the majority of applications are unsuccessful. This low EU fund

“absorption rate” has become a frequent political criticism, and an industry of consultants has grown up around this problem.

The main sources of information for applicants, consultancy firms, and journalists are the websites of the EU programs and the guides for beneficiaries. Consultants specialized in obtaining EU funds cite the complexity of the guides and their language as problems that lead to either mistranslations or poorly prepared applications. At the same time, those Romanian authorities launching new projects have no dedicated distribution channel, and mainly use press releases.

Romania will have to take immediate action in addressing these problems, since 2013 will certainly bring new challenges to the economy. Improving the administrative capacity of public authorities, the clarity of communication between public and private sectors, increasing transparency, and accelerating the entire decision process will have to be top priorities for the government, in order to ensure a higher absorption rate of EU funds. These funds, translated into effective infrastructure projects, will be an important support for GDP growth.

Financing packages for Romanian projects generally include at least one multilateral lender such as the World Bank (or its International Finance Corporation), the EBRD, the European Investment Bank, or foreign and Romanian commercial banks. Priority projects supported by multilateral institutions are usually related to infrastructure modernization in transportation, power generation, telecommunications, and environmental protection.

World Bank Group Program

Romania joined the International Bank for Reconstruction and Development (IBRD) in 1972, the International Finance Corporation (IFC) in 1991, and the Multilateral Investment Guarantee Agency (MIGA) in 1992. The World Bank has been active in Romania for almost 40 years. Lending was discontinued in the early 1980s and resumed in 1991. Up through 2012, IBRD has committed US\$8.954 billion through 60 projects. Bank lending after 1991 was extended in four main stages: (i) support to the transition of Romania’s command economy to a market economy, FY91–94; (ii) support to reforms in energy, education, infrastructure, and the land market, FY94–04, and to poverty reduction, reform of the state, and environmental protection, FY97–04; (iii) support for institution building, governance reform, and EU accession, FY05–10; and (iv) support to systemic reforms and EU convergence (public finances, public administration, financial sector, judiciary, education, health, social assistance, social security, mobilization of EU funds) and alleviation of the economic and financial crisis, FY11–13. The lending program was complemented by US\$41 million in grant financing.

A change in Government priorities has reshaped the use of Bank instruments during the last three fiscal years. Through FY05–08, policy-based lending represented 11 percent in new Bank approvals, and investment operations the remaining 89 percent. Through FY10–13, policy-based lending represented 79 percent of the new approvals, including a large deferred drawdown option development policy loan (DDO DPL) representing a fiscal buffer to the Government equivalent to four months of budget financing. The remaining 21 percent represent a results-based operation to support Government reforms in the social assistance sector. An important new development of

Bank assistance is the increased emphasis on knowledge sharing via an evolving package of fee-based technical assistance (TA) programs that support EU convergence reforms in public administration.

The ongoing FY13 Bank Portfolio consists of 10 lending projects and seven pieces of analytical and advisory work. The share of investment lending projects in the portfolio is declining sharply and the Bank program of analytical and advisory (AAA) work is growing. As of September 2012, the net undisbursed commitment of the active portfolio was US\$2.129 billion, of which undisbursed specific investment loans (SILs) total US\$298 million. The portfolio also includes one co-financing Global Environment Facility for nutrients pollution control, one Prototype Carbon Funds, one Japanese grant for policy making for people with disabilities, and one Institutional Development Fund (IDF) grant for the monitoring and evaluation (M&E) of policy making. The Bank analytical work program includes a Country Economic Memorandum (CEM) shared as a sequence of thematic Policy Notes on long-run fiscal sustainability, increasing the competitiveness of the business environment and reforming the labor markets and the infrastructure sector for competitive growth; the modernization of public administration (judicial system, public investment framework, competition); and a Citizens Report Card on social accountability.

The Bank's support to Romania is focused on three EU-related cross-sectoral themes.

Theme 1: Policy reforms to reap the benefits of EU membership and meet the objectives of the Europe 2020 strategy.

Supporting ongoing structural reforms and new policy actions in line with the National Reform Program (NRP) will be critical for Romania to achieve greater convergence with EU member states.

Reforms in health, education, the financial sector, and budget processes were supported in 2011 via development policy lending. The 2012 Government Program reconfirms that policy reforms in social assistance, health, tax administration, energy, transport, and SOEs must continue, and these are likely areas for a new budget support operation that is under preparation. Issues on macroeconomic stability and building blocks for sustainable growth may be considered. Also, inclusion and participation require attention, especially on the significant challenges to providing opportunities for Roma while overcoming prejudice and stigma. The set of *Policy Notes on Growth and Competitiveness (CEM)* provides a framework to orient policy dialogue concerning challenges to EU convergence, and to propel Romania's growth and competitiveness.

Theme 2: Modernization of public institutions to enhance resource allocation and the absorption of EU funds.

As mentioned above, over the past one and one-half years, the Bank has carried out Functional Reviews (FRs) of 12 public institutions in Romania. The reviews are providing operational recommendations on strategic management, organizational structure, sector governance, budgeting, and human resources management to help guide structural reforms. Phase 1 FRs (presented to the Government in October 2010) covered Transport, Pre-University Education, Agriculture and Rural Development, Public

Finance, the Center of Government, and the Competition Council. Phase 2 FRs (presented to the Government in March 2011) analyzed Environment and Forestry, Energy and Economy, Health, Labor and Social Protection, Regional Development and Tourism, Higher Education, and Research and Innovation. In December 2010, the Government approved the action plans derived from the recommendations of the first phase, part of which the Bank may support under the EU-financed *Modernization of Romanian Public Administration Program* (see below). The Government has also approved the action plans derived from the second phase of the FRs' recommendations and submitted them to the EC.

The Bank engaged with the Government in strengthening administrative capacity through the Modernization of Public Administration (MAP), including the promotion of better policy coordination and monitoring and evaluation (M&E) activities. So far, the Bank has been asked to provide technical support to the Government to implement its action plans derived from the Phase 1 FRs' recommendations, currently 16 projects under a MAP package that has provisionally been agreed upon. The Bank has also received a request for similar assistance in the justice sector (this TA has been signed and implementation has begun), procurement, and EU funds absorption as part of the MAP. The MAP package supports several interventions, both on policy reforms and institutional capacity building. Government action plans for the second phase have been approved and the Bank is ready to support their implementation upon request. However, the key current issue is to finalize the signing of the MAP activities in order to start implementation.

The Bank has been asked to provide TA for facilitating the absorption of EU funds.

The

Government aimed to achieve a 20 percent EU funds absorption rate in 2012, which was an ambitious agenda. The Plan of Priority Measures for strengthening the capacity to absorb structural and cohesion funds could significantly reduce barriers to absorption. One of its key components is to identify the 100 top project priorities, and concentrate counterpart funding and administrative capacity on these projects. The Government, through its Ministry of European Affairs and in agreement with the EC, requested Bank support (on a fee basis with EU financing) to implement a series of actions, including an analysis of policy impediments constraining EU funds. On this matter, a memorandum of understanding (MoU) between the Government and the Bank was signed on January 26, 2012, which covers priority areas of intervention.

Efforts have also been made to strengthen the center of government to prioritize, monitor, and proactively manage the reform process. A successful reform program and medium-term strategy requires the center of government to be strengthened in order to fulfill core functions: the prioritization and coordination of reform initiatives that are fully incorporated into the National Reform Program (NRP) and the Government Program, and the monitoring, evaluation, and reporting of their results and impact.

Theme 3: Complement to EU funding.

The availability of Structural Funds makes Bank financing a minor instrument for Romania. However, the Bank can complement EU support by financing activities that are not covered by Structural Funds or alternative instruments. For example, development policy lending and results-based operations can support improved outcomes and provide additional financing to the current budget. Sub-national activities, access to financial markets via guarantees, and areas of national responsibility (i.e.,

education, health, justice) for which Structural Funds are not typically allocated could be explored.

The IFC is investing in Romania on a selective basis. The IFC has withdrawn from sectors and business lines where the private sector is ready to take over; however, the IFC will assist local companies to become competitive in the domestic market and expand to other countries in the region, and promote South-South investments. The IFC will continue to support projects of high development impact, such as in infrastructure, frontier regions, and climate change-related projects.

Additional lending operations were envisaged for the following two years, mainly focusing on budget support operations (Development Policy Loan - DPL) and key sectors such as tax administration and health (see table below). This potential new lending is indicative, and actual delivery will depend on the Government's request, Bank resources, Romania's performance, and global economic developments. The Government expressed interest in a new budget support operation (DPL) in 2012, with a deferred drawdown option (DDO). This would focus on key reform areas being supported by IFIs, such as tax administration, health, energy, state-owned enterprises (SOEs), transport, corporate governance, and the financial sector.

IBRD Lending (US\$ M estimates)

| Project | Commitment |
|----------------------------------|--------------------------|
| FY2011 (approved) | |
| DPL2 (disbursed) | 300 (US\$426) |
| Social Assist System Mod Project | 500 (US\$710) |
| TOTAL | €800 (US\$1,136) |
| Project | Commitment |
| FY2012 | |
| DPL 3 (disbursed) | €400 (US\$560) |
| DPL DDO | €1000 (US\$1,333) |
| TOTAL | €1400 (US\$1,893) |
| Project | Commitment |
| FY2013 (tentative) | |
| Tax Admin | €76 (US\$100) |
| Health | €250 (US\$344) |
| TOTAL | €326 (US\$444) |

International Finance Corporation

Since the start of operations in Romania in 1990, IFC has invested a net total of US\$1.58 billion in 72 projects, supporting roughly US\$3.7 billion in investment. IFC's Committed Portfolio in Romania stands at US\$611 million (US\$600 million outstanding). At present, Romania is IFC's fifth largest country exposure in the Central and Eastern Europe region after Russia, Turkey, Ukraine, and Serbia, accounting for 1.6 percent of its outstanding global portfolio. Portfolio composition is 87% debt and loan type quasi-equity, 6% equity and quasi-equity, and 7% guarantees. There are currently 1% nonperforming loans (NPL) out of a total of 33 projects with 19 sponsors, equivalent

to about 0.5% of outstanding debt. IFC has played an active crisis response role in Romania. From FY09 to FY12, IFC invested approximately US\$640 million of its own funds and mobilized an additional US\$242 million in 21 projects in various sectors. Particular support was provided to the financial, renewable energy, and health sectors.

FY12 was a record year for IFC in Romania, with commitments of US\$221.5 million for its own account in eight projects, and mobilization of US\$93 million.

Commitments included: (i) trade finance lines with Bancpost, Garanti Bank, and Banca Romaneasca, and a US\$32.5 million senior loan to Garanti Bank to provide on-lending to the SME market, with 50 percent of the loan earmarked for women-owned enterprises; (ii) a US\$75 million A&B loan package for Cernavoda & Pestera wind power plants and US\$16 million equity in TTS, a river transport company; (iii) a US\$57 million B loan to support Medlife, a leading private sector provider of health care services and long-term client of IFC; (iv) a US\$67 million A loan to Lidl, a discount grocery chain with strong linkages to Romanian suppliers; and (v) a €12.5 million A loan to Agricover Credit IFN, a non-bank financial institution, to finance the investment and working capital needs of farmers.

FY13 commitments to date total US\$51 million in four projects. US\$40 million in three trade finance lines with Garanti Bank, Bancpost, and Banca Romaneasca, and a US\$10.4 million loan (local currency equivalent) to Patria Credit, the largest microfinance institution in Romania. Proceeds from the loan will be used to finance the expansion of lending to micro and small entrepreneurs.

IFC is targeting commitments between US\$100–200 million in FY13. While external vulnerabilities remain elevated, IFC will continue to play a countercyclical role through selective private sector investments. In the real sector, this includes supporting projects that create jobs, increase investment in underserved frontier regions, contribute to the growth and competitiveness of local firms in sectors such as agribusiness and IT, improve resource efficiency, and increase private sector participation in developing infrastructure and municipal utilities. It is anticipated that IFC will invest increasingly selectively as Romania's recovery progresses and external vulnerabilities recede. IFC has also implemented 25 Advisory Services projects in Romania since 1990 in a variety of sectors. IFC currently has no active advisory programs in Romania, but is developing a possible public private partnership (PPP) advisory project in the health care sector.

IFC will continue to play a short-term countercyclical role, primarily in the financial sector, while pursuing longer term strategic priorities as described below. There are two predominant short-term strategic priorities. First, Crisis Response and Recovery. Romanian financial institutions and businesses continue to struggle with the fallout from the 2008 crisis, and are faced with new threats stemming from Western Europe's debt crisis and a prolonged global economic slowdown. In this context, IFC will continue to support existing banking sector clients as necessary, including through (i) provision of short-term finance, such as trade finance, to address immediate liquidity concerns, (ii) mezzanine and equity investments to strengthen bank capitalization, and (iii) micro, small, and medium enterprise (MSME) finance to sustain funding to the most vulnerable businesses. If there is demand, IFC may also explore opportunities to invest in distressed asset platforms to assist banks with NPL resolution. Second, IFC is working with other IFIs on a second Vienna Initiative which, in the case of market need in Romania and other countries of Central and South Eastern Europe, would provide

additional liquidity for subsidiaries of Western European banks, and would allow IFIs to play a role in any eventual sectoral consolidation.

Long-Term Strategic Priorities. The overarching long-term objective of the FY09–13 World Bank Group Country Partnership Strategy (CPS) for Romania is to support Romania’s convergence with the EU through robust, sustainable, and equitable growth and enhanced competitiveness. IFC has a role to play in supporting growth and enhancing economic competitiveness through selective financing of private sector projects, with an emphasis on helping the country to absorb EU funds in priority areas like agriculture, health, and infrastructure, plus ongoing financial sector support.

In agriculture, IFC will seek opportunities to work with financial intermediaries to provide financing to farmers and SMEs in the agriculture sector, which has been largely neglected by commercial banks. More generally, IFC will help develop the country’s competitive advantages in the sector through selective investments in primary production, food and beverage processing, and retail, such as the 2010 investment in the Lidl discount grocery chain.

In health, in addition to advisory, IFC has made a number of investments in the private health sector, including three with MedLife, a leading player in the Romanian market. Most recently, IFC mobilized a US\$57 million B loan to MedLife to support expansion of its network of hospitals and clinics into underserved regions. Going forward, IFC will invest selectively, focusing on opportunities to support similar projects outside of the capital. As the market develops, opportunities may arise for IFC to invest in health insurance.

On infrastructure, IFC is focused on addressing bottlenecks to growth and improving access to markets, goods, and services through infrastructure investments, particularly in the energy sector and in transport and logistics. In FY11 and FY12, IFC provided over US\$135 million (including US\$36 million in mobilization) to develop wind power in Romania, and it is seeking additional investment opportunities in renewable energy to reduce carbon emissions and make progress towards renewable energy targets under the EC framework. IFC is also seeking to invest in sub-national infrastructure, including through PPPs, having supported Romania’s only successful PPPs to date in the water and health sectors. The IBRD has signed an agreement with the Romanian government to increase EU funds absorption, including through PPPs in the transport sector, an area where IFC has significant global experience and could potentially play a role.

On financial markets, in the banking sector, which is largely dominated by foreign banks (about 90 percent of banking assets), IFC’s longer term strategy is to work with local banks to strengthen their capacity to provide loans to underserved sectors such as MSMEs and agribusiness and to promote products such as local currency and renewable and energy-efficiency finance. In FY12, IFC made its first investment to support lending to women-owned SMEs in Romania and will seek additional opportunities of this type. IFC is also looking at potential investments in the private health insurance and pension industries.

Multilateral Investment Guarantee Agency

MIGA has guaranteed 13 projects in Romania, including Raiffeisen Zentralbank, Austria's equity investment in Banca Agricola. It also guaranteed the loans accommodated by Volksbanken Austria to modernize Colțea Clinical Hospital and those provided by Raiffeisen Bank for enlarging loan operations for SMEs. MIGA's outstanding guarantee portfolio in Romania consists of three contracts in the financial sector. At the end of FY10, the agency's gross exposure in Romania was about US\$102 million (equivalent to 1.4 percent of MIGA's gross exposure), while the exposure net of reinsurance amounted to roughly US\$55 million (also equivalent to 1.4 percent of MIGA's net exposure). As an investor country, Romania's gross exposure is US\$9.6 million, representing one project in Moldova's financial and leasing sector.

European Bank for Reconstruction and Development

Romania Factsheet

According to the last EBRD's Romania Factsheet Report published in September 2012, the Bank's main focus in Romania is support for the private sector (both local companies and foreign investors), energy (including improving energy efficiency and renewable energy) and infrastructure development. The Bank also provides loans via local banks to support the real economy.

In 2011, the EBRD signed 30 projects in Romania worth around \$ 589 million, mostly in the private sector with about 40 per cent of these focused on energy efficiency investments. In addition the Bank syndicated over \$ 222 million and mobilized more than €1.4 billion of financing.

In the renewable energy sector, the Bank made three syndicated loans worth almost \$393 million in total (\$183 million financed directly by the EBRD). These loans went to EDPR to fund wind projects in Cernavoda and Pestera, and to Hidroelectrica to rehabilitate the Stejaru-Bicaz hydropower station. In addition, \$26 million was lent to BCR-Erste and to Raiffeisen Romania to finance energy efficiency projects under the EBRD-EU Finance Facilities.

In the corporate sector, the EBRD participated in mezzanine financing to Industrial Mecano, a local packaging company, and made an equity investment in one of Romania's few waste recycling businesses. The Bank also signed its first Romanian Energy Services Company (ESCO) project – a \$ 13 million loan to Energobit which will help both municipalities and private companies, including SMEs, to save energy.

Two agribusiness loans totaling \$ 46 million were signed in 2011. These included a \$20 million syndicated financing package to increase capacity and efficiency at Expur, an oilseed crusher and processor in south-eastern Romania; and a loan to Agripoint Port Terminal, a leading US grain supplier, enabling them to acquire and expand a grain logistics facility in the port of Constantza.

In the municipality sector, the EBRD signed nine projects totaling \$163 million, including seven loans under the EU Cohesion Fund Water Co- Financing Framework (Brasov, Iasi, Sibiu, Buzau, Dambovita-Targoviste, Braila and Bistrita) to co-finance projects in Romania's water and wastewater sector. The seven water and wastewater loans mobilized over \$837million of EU funds.

In the finance sector, the Bank signed seven transactions totaling \$ 135 million. These included a \$196 million syndication (\$ 52 million was financed by the EBRD) to Raiffeisen Bank Romania, which was the first syndication to a bank in Romania since 2008. The EBRD also carried out a capital increase in Procredit (microfinance) and continued to assist the non-banking financial institutions sector, via a \$ 39 million loan to Raiffeisen Leasing.

Country Strategy

The financial sector, the energy and infrastructure sectors and the production side of the economy are the focus areas of the EBRD's new country strategy for Romania. As outlined in the strategy – approved in February 2012 – the Bank will maintain its role in supporting the banking and non-banking financial sectors, continue to support renewable energy and energy efficiency investments, and expand its municipal infrastructure activities in transport, water, and wastewater projects, including co-financing with EU structural funds.

In addition, the EBRD will support local businesses and foreign-owned companies, through direct investments and loans to small and medium-sized enterprises (SME) via private equity funds, focusing particularly on value-added sectors such as manufacturing, agribusiness, and technology.

Bringing New Life to the Recycling Industry in Romania

The EBRD is helping Romania tackle the effects of the global economic downturn by supporting the private sector, especially the production sector, and is also keen to support the recycling of waste. In December 2011, the Bank made an equity investment of \$ 8.9 million in Green Group, an integrated recycling park based in Buzau. The EBRD invested alongside a private equity group, Global Finance, in which the Bank is also an investor in its South East Europe Fund.

Green Group was set up by Romcarbon (a plastics processing company listed on the Bucharest Stock Exchange). The investment will enable Green Group to manage, operate, and expand its existing recycling services. The recycling park will focus on the collection and recycling of packaging, electrical, and electronic waste.

The EBRD's financing will be used to invest in new infrastructure and technologies, including special reverse vending machines that will be installed in supermarkets to collect plastic bottles and other recycled material.

The project aims to demonstrate the viability of recycling in Romania, to set higher environmental standards, and to help the country increase its waste collection and recycling quotas in line with EU requirements.

At a glance

Cumulative number of projects

314

Total project value

\$ 21.6 billion

Net cumulative business volume

\$ 7.4 billion

Cumulative disbursements

\$ 6.1 billion

Private portfolio share

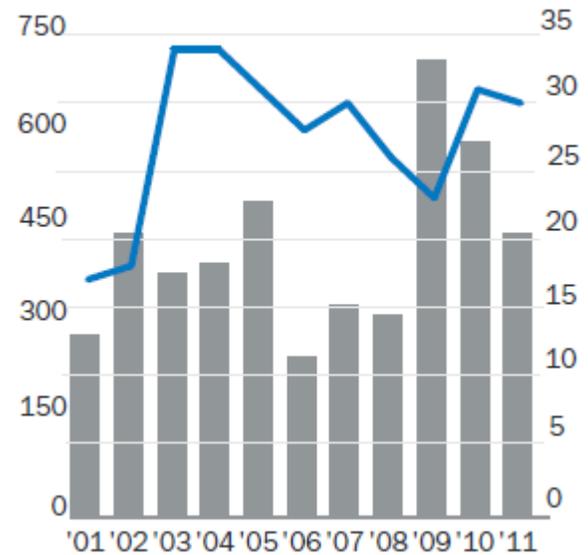
76%

Portfolio

\$ 3.8 billion

EBRD projects 2001-11

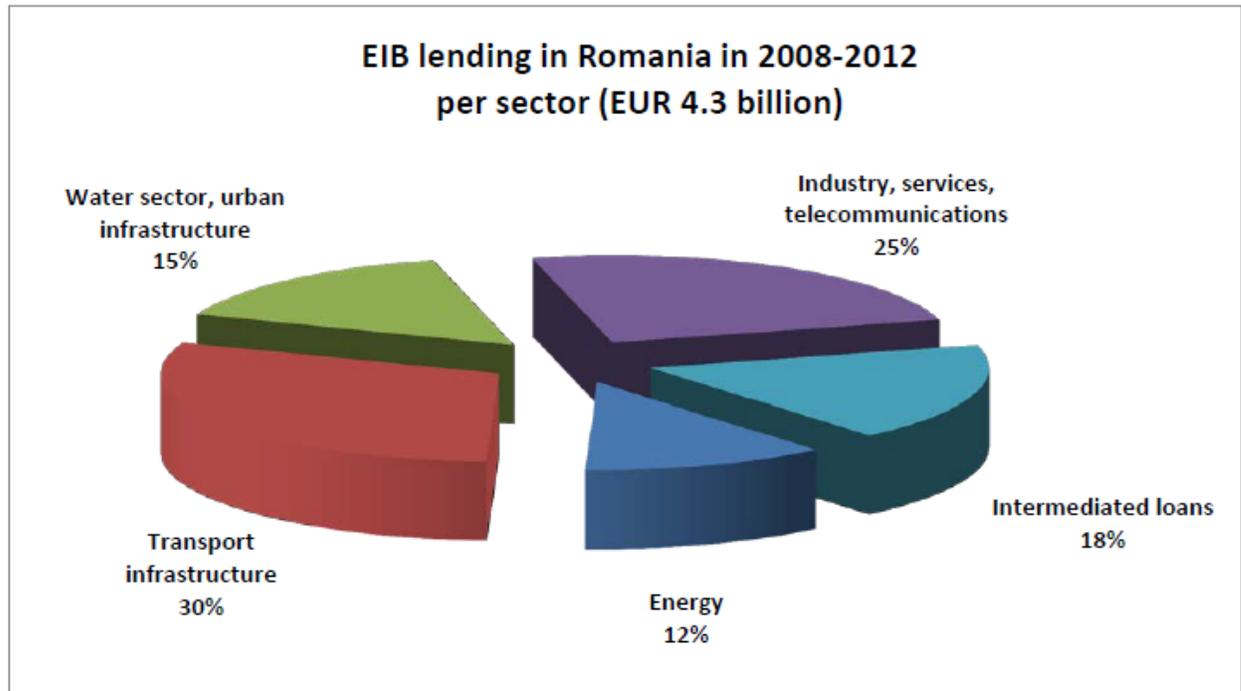
Volume (€ millions) Number of projects



European Investment Bank – EIB

The European Investment Bank's (EIB) lending operations in Romania cover all major sectors of the economy, ranging from basic infrastructure in the fields of transport, communications, energy and the environment, to manufacturing and services, including support for small and medium-sized companies via local financial institutions, and the development of a knowledge economy.

Loan signatures in 2012 amounted to USD 438 million, bringing the total EIB lending commitment in Romania to some USD 5.6 billion over the past five years (2008–2012). The total portfolio of loans provided by the EIB since the beginning of its activities in Romania in 1990, amounts to over USD 12.1 billion.



The EIB is the long-term lending institution of the European Union owned by its Member States. It makes long-term financing available for sound investment in order to contribute towards EU policy goals, particularly in the areas of climate action, support for SMEs, innovation, and cohesion.

In 2012, the EIB lent USD 68.4 billion for projects promoting the European Union's policy objectives. Finance for the EU-27 Member States represented 86% of its activities and amounted to USD 58.7 billion.

In its financing activities in the EU, the EIB pursues six priority objectives:

- Support for economic and social cohesion;
- Support for small and medium-sized enterprises (SMEs);
- Environmental sustainability;
- Innovation and the knowledge economy;
- Development of the trans-European transport and energy networks (TENs);
- Sustainable, competitive and secure energy supplies.

Financing projects supporting economic and social cohesion and convergence and contributing to economic progress in EU-assisted areas remains the key activity of the EIB. As an EU Member State Romania can benefit from EIB loans covering all sectors of the economy, and its entire territory is eligible for receiving European Union grants from the Cohesion Fund.

In 2012, the EIB continued to support **energy savings in residential buildings** through two loans totaling USD 114 million to finance the energy efficiency refurbishment of residential buildings in Sectors 2 and 4 of the Municipality of Bucharest. The reduction of atmospheric pollution, particularly CO₂ emissions, and a substantial decrease in the energy consumption of the refurbished buildings resulting in significant annual energy savings, will help to mitigate climate change.

To increase the access of small and medium-sized enterprises (SMEs) to long-term financing the EIB cooperates closely with well-established Romanian financial institutions. Through these intermediary banks and leasing companies, the EIB co-finances smaller projects, mostly in the areas of industry and services, including tourism, energy and energy savings, and environmental protection, as well as infrastructure in the health, education, urban renewal, and social housing sectors.

In 2012, the EIB provided seven loans totaling USD 321 million to finance the projects of small and medium-sized businesses and midcap companies in Romania, increasing the number of EIB partner financial institutions in Romania from six to eleven.

Last year, the Bank supported **research, development, and innovation (RDI)** activities in the automotive sector with a loan of some USD 4 million to finance in Romania CIE's research and development investment program for automotive parts, the company's core area of activity.

The European Investment Fund (EIF) is a specialist arm of the EIB, providing risk financing solutions to financial intermediaries to support SMEs and foster innovation in Europe. In 2012, it committed a total of USD 1.8 billion of equity in 63 deals, which managed to mobilize USD 9.3 billion of capital from further investors. On the guarantees side, the EIF committed USD 1.6 billion in 57 transactions, which catalyzed USD 6.8 billion of new loans to benefit SMEs across Europe. In Romania, the EIF committed USD 9.8 million in guarantee transactions through which USD 19.6 million of new loans for SMEs could be made available.

The European Commission and the EIF launched the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises) with a view to promoting increased access to finance for the development of SMEs in the European Union.

In Romania a JEREMIE Holding Fund (USD 131 million) was established. During 2012, the EIF expanded its reach to the Romanian SME market, with well over 1,000 small and medium-sized businesses now benefitting from the JEREMIE program. This financing proved to be critical for Romanian companies at a time of particularly difficult market conditions.

Export-Import Bank of the United States

U.S. Ex-Im Bank provides guarantees and direct loans for U.S. exports to Romania. Although most of the credit has been for exports to the Romanian government, private sector and sub-sovereign financing is available as well.

Insurance - Ex-Im Bank issues short-term (180 days) coverage for exports to Romania. Medium- and long-term coverage is only available for public sector transactions. Ex-Im Bank provides insurance through its affiliated agent, the Foreign Credit Insurance Association.

U.S. Overseas Private Investment Corporation (OPIC)

OPIC offers U.S. project financing and insurance through direct loans, loan guarantees, and political risk insurance, as well as equity financing through OPIC-supported investment funds. OPIC can co-finance with other bilateral and multilateral development finance institutions, such as the EBRD and IFC.

U.S. Trade and Development Agency (USTDA)

USTDA provides non-reimbursable funds for feasibility studies, pilot projects and orientation visits covering many sectors of the Romanian economy. The agency is very active in Romania.

Romanian Ministry of Public Finance (MFP)

MFP issues Romanian government guarantees for projects up to USD 66.7 million. The Ministry must submit guarantees for larger projects to an inter-ministry committee and the cabinet for approval. Government guarantees are approved on the basis of feasibility studies, which must contain a clear description of the financial package for the project. The government and IFIs may jointly support viable private sector projects.

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U.S. Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

U.S. Overseas Private Investment Corporation: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

World Bank, Multilateral Development Bank: <http://www.worldbank.org>

International Financial Corporation: <http://www.ifc.org>

European Bank for Reconstruction and Development: <http://www.ebrd.com>

European Investment Bank: <http://www.eib.org>

Romanian Ministry of Public Finances: <http://www.mfinante.ro>

Citibank Romania: <http://www.citibank.ro>

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Business Customs

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Special customs do not figure significantly in business dealings in Romania; Western business standards apply. Romanians generally have positive attitudes toward America, but also draw on their own and other European cultural references.

Romanian nationals are friendly, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting (sometimes a man, usually from older generation, may kiss the hand of a woman in greeting); normal courtesies are observed when visiting a person's home. It is important to take business cards to meetings and to give a card to each person present.

Flowers are very popular in Romanian culture, and are given for almost every occasion, including name day celebrations, weddings, and visits to Romanian homes. Always buy an odd number of flowers (even numbers are used at funerals). Casual wear is the most suitable form of dress for most social occasions, but attire may be more formal when specified for entertaining in the evening or in a restaurant or theater. The Romanians use the formal addresses of "domnul" (sir) and "doamna" (madam) when addressing one another, although first names are used among younger people and in business with English-speaking partners. It is customary to say "pofta buna" (bon appétit) before eating, and "noroc" (cheers) before drinking.

Travel Advisory

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General and country-specific travel information can be found on the U.S. Department of State's web site: http://travel.state.gov/travel/travel_1744.html

Visa Requirements

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U.S. citizen visitors are granted 90 days of stay without a visa within a given six-month period. For stays longer than 90 days, you must obtain an extension of stay from the [Romanian Office for Immigration](#) in the area of your residence. If you stay too long you

will need an exit visa. We do not recommend the practice of attempting to “extend” the 90-day period by traveling to another country for a short period and then returning to Romania. More people are being denied re-entry to Romania because the Romanian Government is enforcing visa regulations more vigorously than in the past. Visit the [Embassy of Romania](#) website for the most current visa information or contact the Romanian Embassy at 1607 23rd St. NW, Washington, D.C. 20008, telephone number (202) 232-4747, or the Romanian Consulates in Los Angeles, Chicago, or New York.

Foreigners are required to carry identification documents at all times. Americans who obtained a temporary or permanent stay permit must be able to present the document upon the request of any “competent authorities.” Foreigners who do not have a stay permit should present their passports. The Embassy recommends carrying a copy of the relevant document.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Telecommunications

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Local wired-telephony service is reliable. There are several mobile telephone operators, all of which have extensive coverage of the country and also offer roaming services in a large number of countries, the United States included. International telephone connections via fixed or mobile telephony are generally good. Romania is seven time zones ahead of U.S.-Eastern standard time. Internet service is widely available in hotels and Internet cafes. Broadband Internet access is expanding in Romania but still represents a minority of available Internet service.

Transportation

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TAROM, the Romanian national airline, serves major points in Romania and Europe. The airline has joined the Sky Team Alliance for the purposes of marketing, code share, and group communication. Other international carriers currently serving Romania include Aeroflot (Russia), Air France, Alitalia, Austrian Airlines, Bulgaria Air (Bulgaria), British Airways, CSA (Czech Republic), Delta Airlines (USA), El Al (Israel), KLM (The Netherlands), LOT (Poland), Lufthansa (Germany), MALEV (Hungary), Olympic (Greek), Swiss and Turkish Airlines. Qatar Airways has recently entered the Romanian market with a new route.

Most major cities of Romania have airline service which connects to Bucharest. In addition to Henri Coanda, Bucharest’s main international airport, Bucharest-Baneasa, Timisoara, Constanta-Kogalniceanu, Cluj-Napoca, Sibiu, and Targu Mures airports are also ports of entry.

In Bucharest, hotel chains such as Radisson, Marriott, Hilton, and Crowne Plaza provide scheduled shuttle bus service to and from the Henri Coanda Airport; rental car service is also available. All taxis are required to have meters.

Romania is well served by an international and domestic rail system, though the country's rail infrastructure is in need of update. The domestic motorway network is extensive, but the road quality is poor. Roads in Bucharest are in a near-constant state of construction. Winter driving in Romania often requires navigating sometimes-hazardous mountain passes. Driving after dark at any time of year requires care because of pedestrians, animals, or slow-moving vehicles often encountered on the roadway.

Romanian traffic laws are very strict. Any form of driver's license or permit can be confiscated by the Traffic Police for 1-3 months and payment of fines may be requested at the time of many infractions. Some examples are: failure to yield the right of way, failure to yield to pedestrians at crossroads, or not stopping at a red light or stop sign. Romanian traffic law provides for retention of licenses and possible imprisonment from 1 to 5 years for driving under the influence (alcohol level over 0.1% limit) or for causing an accident resulting in injury or death. In spite of these strict rules, however, many drivers in Romania often do not follow traffic laws or yield the right of way. Therefore it is strongly recommended that defensive driving be the rule of thumb while driving throughout Romania.

U.S. driver's licenses are only valid in Romania for up to 90 days. Before the 90-day period has expired, U.S. citizens must either obtain an international driving permit in addition to their U.S. driver's license or a Romanian driver's license.

Language

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The official language of Romania is Romanian. This language, which uses the Latin alphabet and is a Romance language, evolved from the Latin used in the Roman colony of Dacia. English, French and German are also widely spoken.

Health

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Medical care in Romania is generally not up to Western standards, and basic medical supplies are limited, especially outside major cities. Some medical providers that meet Western quality standards are available in Bucharest and other cities but can be difficult to identify and locate. Travelers seeking medical treatment should therefore choose their provider carefully. A list of hospitals and physicians is available on the website of the U.S. Embassy in Bucharest.

<http://romania.usembassy.gov/acs/health4.html>

Information regarding health threats or other medical issues affecting visitors to Romania can also be found at this site. The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Romania.

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see our information on [medical insurance overseas](#).

Americans who wish to extend their stay in Romania must present proof of health insurance that applies overseas for the duration of their intended stay in Romania. Useful information on medical emergencies abroad, including overseas insurance programs, is provided on the Department of State's web page, [Medical Information for Americans Traveling Abroad](#).

For more details, please consult this web link:

<http://romania.usembassy.gov/acs/health4.html>

Local Time, Business Hours, and Holidays

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Local time is Standard GTM + 2 hours.

Business hours are usually between 9 a.m. and 5 p.m.

Holidays:

2013

| Date | Day | Holiday | Type |
|---------|-----------|-----------------------------------|---------------------|
| Jan. 1 | Tuesday | New Year's Day | American / Romanian |
| Jan. 2 | Wednesday | Day After New Year's Day | Romanian |
| Jan. 21 | Monday | Martin Luther King, Jr's Birthday | American |
| Feb. 18 | Monday | Washington's Birthday | American |
| May 1 | Wednesday | Romanian Labor Day | Romanian |
| May 5 | Sunday | Orthodox Easter Day | Romanian |
| May 6 | Monday | Orthodox Easter Monday | Romanian |
| May 27 | Monday | Memorial Day | American |
| Jun. 23 | Sunday | Pentecost Day | Romanian |
| Jun. 24 | Monday | Pentecost Monday | Romanian |
| Jul. 4 | Thursday | Independence Day | American |

| | | | |
|---------|-----------|-----------------------|---------------------|
| Aug. 15 | Thursday | St. Mary's Assumption | Romanian |
| Sep. 2 | Monday | Labor Day | American |
| Oct. 14 | Monday | Columbus Day | American |
| Nov. 11 | Monday | Veterans' Day | American |
| Nov. 28 | Thursday | Thanksgiving Day | American |
| Nov. 30 | Saturday | St. Andrew's Day | Romanian |
| Dec. 1 | Sunday | Romanian National Day | Romanian |
| Dec. 25 | Wednesday | Christmas Day | American / Romanian |
| Dec. 26 | Thursday | Day After Christmas | Romanian |

Temporary Entry of Materials and Personal Belongings

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Romania's customs authorities may enforce strict regulations concerning temporary importation into or export from Romania of items such as firearms, antiquities, and medications. Romanian law allows travelers to bring cash into or out of Romania. However, sums larger than 10,000 Euros or the equivalent must be declared. It is advisable to contact the Embassy of Romania in Washington or one of Romania's consulates in the United States for specific information regarding customs requirements.

Embassy of Romania in Washington DC

Address: 23rd Street NW, Washington DC 20008

Phone: (01 - 202) 232.36.94; (01 - 202) 332.48.46; (01 - 202) 332.48.48; (01-202) 332.48.29; (01-202) 232 6634; (01-202) 387.69.01

<http://www.roembus.org/>

Romania customs authorities accept the use of an ATA (Admission Temporaire/Temporary Admission) Carnet for the temporary admission of professional equipment, commercial samples, and/or goods for exhibitions and fair purposes. ATA Carnet Headquarters located at the U.S. Council for International Business, 1212 Avenue of the Americas, New York, NY 10036, issues and guarantees the ATA Carnet in the United States. For additional information call (212) 354-4480, send an e-mail to atacarnet@uscib.org, or visit <http://www.uscib.org> for details.

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U.S. Department of State

http://travel.state.gov/travel/travel_1744.html

Embassy of Romania in Washington DC
<http://www.roembus.org/>

U.S. Embassy in Bucharest
<http://bucharest.usembassy.gov/main.html>

Ministry of Communication and Information Society
<http://www.mcti.ro>

Ministry of Transportation and Infrastructure
<http://www.mt.ro>

Ministry of Public Health
<http://www.ms.ro>

National Customs Authority
<http://www.customs.ro/en.aspx>

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- [Trade Events](#)

Contacts

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U.S. Commercial Service Bucharest – U.S. Embassy

<http://export.gov/romania/>

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Industries: Advertising Services, Air Conditioning/Refrigeration Eq., Apparel, Architectural/Constr./Engineering SVC, Audio/Visual Eq., Building Products, Commercial Fishing Eq., Composite Materials, Construction Eq., Consumer Electronics, Dental Eq., Drugs/Pharmaceuticals, Education/Training Services, Films/Videos, Footwear, General Consumer Goods, Giftware, Health Care Services, Hotel/Restaurant Eq., Lawn/Garden Eq., Leather/Fur Products, Medical Eq., Pleasure Boats/Accessories, Railroad Eq., Sporting Goods/Recreational Eq., Textile Fabrics, Textile Machinery/Eq., Toys/Games, Travel/Tourism Services

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Industries: Automobile/Light Truck/Vans, Automotive Parts/Services Eq., Books/Periodicals, Cosmetics/Toiletries, Franchising, Furniture, Jewelry, Regulations, Packaging Equipment and Materials

Maria Nitoiu, Commercial Specialist

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Industries: Coal, Electrical Power Systems, Mining Industry Eq., Oil/Gas Field Machinery, Oil/Gas/Mineral Prod/Explor Serv., Pollution Control Eq., Port/Shipbuilding Eq., Renewable Energy Eq., Used/Reconditioned Eq., Water Resources Eq./Services

Gabriel Popescu, Commercial Specialist

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Industries: Accounting Services, Agricultural Machinery & Eq., Chemical Production Machinery, Financial Services, General Industrial Eq./Supplies, Industrial Chemicals, Insurance Services, Investment Services, Iron/Steel, Leasing Services, Machine Tools/Metalworking Eq., Materials Handling Machinery, Non-Ferrous Metals, Oil/Gas Field Machinery, Paper/Paperboard, Photographic Eq., Plastics Materials/Resins, Plastics Production Machinery, Printing/Graphic Arts Eq., Process Controls - Industrial, Pulp/Paper Machinery, Tools - Hand/Power, Used/Reconditioned Eq.

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Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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