



CCE-R Newsletter

(No. 5 / May 2004)

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Editorial of the month

Securing the accession to the European Union in 2007 has become a real prospect for Romania against the backdrop of an acceleration of reforms. The two countries, Bulgaria & Romania, fell behind the process of economic development relative to the first wave candidates from the Central & Eastern Europe. They suffered more than the other Central European countries from the contraction of investments and exports in the early 90's. As the political environment was weak and the market reform poor, it took them longer to achieve macro-economic stability and to create the institutional framework that would secure high ratio of private investments.

The accession process was not an easy one for Romania, as reflected in the record of completing accession negotiations and closing chapters of the "acquis communautaire". Romania is still expecting to receive the status of "functioning market economy" and to close the remained 8 chapters out of 30. It will be very important for Romania to close as many chapters as possible before October 2004, when the term of the current European Commission will end. It will also be important for Romania to demonstrate progress in restructuring & privatizing sectors as energy and banks. But this decision is to be made at a time when key changes occur at the European Commission itself.

All these comments are not new for people working in Romania since 1994, as we are!

When *Fidexpert* was incorporated in early 1994, the Swiss people were regarded at home as strange, courageous and even unconscious, because they were going like in the "Far West"!

It was at a time when New Accounting Rules, more likely the European ones, were introduced in Romania. Our Swiss partners brought their experience in organizing, planning and administrating a business. They have taught the Romanians how to be hardworking, discreet and professionals. A new world was opening in front of a group of enthusiastic young Romanians. They have learned that the clients can be helped to pay less tax, in a legal and professional way.

Since 2001, a new challenge has appeared in Romania for Accountants and Auditors, but also for the Managers: conversion to a new basis of accounting & financial reporting – International Accounting Standards.

Part of European integration, this challenge has to make sense for all companies. The fact that today's companies operate in Romania in an environment of frequent changes does not make it any easier. A Manager can say that this is a technical matter for the Finance Department and he/ she does not have to worry about it. This is wrong! The change from local to generally accepted accounting principles - IAS/ IFRS involves the whole company as the new basis of performance measurement will affect how assets, liabilities and profit are presented or how a company explains the impact of a big new contract. These will be important not only for listed

Contact us:
CCE-R
4-10, Drobeta Str., Apt. 1
Sector 2, 020521 Bucharest
Tel./ Fax: +40 21 212 27 07
GSM: +40 745 63 53 83
E-mail: cce@pcnet.ro

companies but also for all firms that will need additional capital in the future. Under one Norm a company may report sound profit and a significant loss under another one. This could be a real crisis of confidence and loss of image in the message to external users of Financial Statements or to the Shareholders. Internally, too, there are many people, inside and outside the Financial Department, which will need to understand the basic implications of using this or that Norm. Understanding the basic concepts behind the new principles is something that will need to happen in the entire organization, while more sophisticated training will be required for staff in the Financial Department.

Only by doing things this way, the investors will receive greater confidence in the financial reports delivered by companies using the same Reporting Norms, so they could reduce the risk and will become more interested to invest. And that could be a chance for Romania to reduce the lagging behind.

Irina Bolomey - Managing Partner
FIDEXPERT
Accounting & Consulting

The CCE-R Board informs

CCE-R Board Meeting – May 11, 2004

The CCE-R monthly Board Meeting took place on May 11, at *BIOS Diagnostic's* headquarters. The meeting was chaired by Kurt Habersatter, *Holcim (Romania) SA*, President of the CCE-R. The following Board members attended the meeting:

-  Peter Bayard, *Helvetica Profarm*;
-  Jürg Hasler, *Swisspor*;
-  Thomas Landolt, *Ringier Romania*;
-  Dan Luca, *BIOS International*;
-  Ovidiu Mantho, *SGS*;
-  Jörg Menzer, *Nörr Stiefenhofer Lutz*.

The involvement of our Chamber in the organization of the *seco* mission in Romania next month was one of the important topics discussed. The Chamber will co-operate in this action with the Swiss embassy.

Based on the members' proposals, the Board decided that the next business clubs will be hosted by *Tuborg Brewery* in July, *Ringier* in September, *Helvetansa* in October and *Fidexpert* in November.

The Board revised the application procedure of the Chamber and made some changes according to the new developments in our activity.

 **The next CCE-R Board Meeting will take place on June 02, 2004, 17:30, at CCE-R headquarters.**

We are pleased to welcome our new member:

S.C. Parasuc Godovana S.R.L. who joined the Chamber on May 11, 2004. It is a Romanian producer of fruit natural juices based on organic agriculture. The company also develops research projects in the organic agriculture, especially in the apples growth and has tight business relationships with Swiss partners. It co-operates with the Research Institute for Organic Agriculture in Switzerland (FiBL) and is a member of the National Council of Small and Medium Size Enterprises in Romania. Its coordinates are:

S.C. PARASUC GODOVANA S.R.L.

Viorel Rați, General Manager

Address: 237, Calea Romanului, RO-600378 Bacau, Romania

Tel. / Fax: +40 234 582 674

E-mail: fructex@mido.ro

Seco mission in Romania (June 23-25, 2004)

The Swiss State Secretariat for Economy (**seco**) will organize an economic mission to Romania during June 23 - 25, 2004, in co-operation with the Chamber of Commerce Switzerland - Central Europe and the Swiss Organisation for Facilitating Investments (SOFI). The mission will be lead by Ambassador Jörg Al. Reding, chief of the Bilateral Economic Relations Department in seco.

The goal of the mission is to obtain a general overview on the second largest market of the Central Europe. The members of the delegation will get acquainted with the local economic practice and will evaluate the potential and the risks of the Romanian market. The Swiss investors already present in Romania will share their experience concerning the legal and economic framework in the trade, investment and co-operation fields. The members of the delegation will also contact Romanian companies.

In order to better understand the possibilities of the Romanian economy and to be able to make a good comparison, the delegation will visit three main Romanian cities: Bucharest, Timisoara and Brasov. In each of them, the local chambers of commerce will inform the participants on the local economic potential and the trade and investment terms offered by the respective region. Swiss investors from each city will present their own business experience in Romania.

The Swiss Ambassador, Mr. François Chappuis, will receive the entire delegation on June 24th, in the evening.

The draft programme of the mission is available in German and French under the following link: <http://www.seco-admin.ch/wirtschaftsmmissionen/00135/index.html?lang=de>.

SIPPO Training on Export Promotion, May 03 – 14, 2004

During May 03 – 14, 2004, SIPPO (Swiss Import Promotion Programme) organized a training on export promotion for all its collaborators in the target countries, in four continents: Europe, Asia, Africa and South-America.

The training was aimed at improving the performances of the SIPPO representatives in these countries, giving an overview on export promotion tools and on Swiss economic and social environment.

The course was composed of three main stages:

The seminar itself: The participants became better acquainted with SIPPO and OSEC's activity, met experts from these organizations and discussed on bilateral basis further projects in the target countries. The SIPPO programmes on textiles, organic food, machinery, handicrafts, and wine were introduced in detailed to the participants. The OSEC business hubs were the subject of a very interesting presentation.

SOFI (Swiss Organisation for Facilitating Investments) gave an outlook on the importance of a business plan and on the methods to create it. This is the basis on which SOFI grants its funds to Swiss exporters.

Visits to Swiss companies: KASAG/ Langnau; NATURAL/ Basel; SGS/ Geneva, BOBST/ Lausanne; ALPROSE/ Lugano

They are Swiss success stories for being now worldwide recognized or for being one of the most courageous ones that invested in the Central Europe. Our Chamber, as a SIPPO representative, is involved in the match making process between Romanian companies as subcontractors for Swiss companies.

Visits to national and international organizations: *Federation of Swiss Importers and Wholesale Traders/ Basel; International Trade Centre/ Geneva, Swiss Customs Administration/ Bern, World Trade Institute/ University of Bern, Embassies/ Bern*

The International Trade Center in Geneva is willing to co-operate more closely with our Chamber and involve it in export development programmes in Romania.

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CCE-R Business Club

Each month, the CCE-R organizes a monthly meeting of its members, giving them the opportunity to receive more information on each other. These monthly meetings have been traditionally known as the "CCE-R Business Clubs".

CCE-R Business Club, May 11, 2004

The Business Club in May was organised and hosted by *BIOS Diagnostic* SRL, a brand new medical tests laboratory, which joined CCE-R in January 2004 as our 51st member.

The event was an excellent networking opportunity for the numerous members and guests present in Bucharest, at 39 Roma Street, the location of our host.

The modern laboratory was presented to the participants by the owners/ managers of the company, Mr. **Dan LUCA** – President of the Board and Mrs. **Mihaela LUCA** – General Manager and Head of Laboratory, that covered both the challenging genesis of the project, and the even more challenging objectives for the present and future. The audience was impressed by the coherent approach supporting the vision of the laboratory, "High Quality for Healthcare – HQ4Hc", where the performant infrastructure, the professional team, the efficient operational approach and the relaxing environment contribute synergically to state-of-the-art medical services.


After being presented the medical staff of *BIOS Diagnostic*, the participants were given the occasion to see during the tour of the laboratory the organizational structure, the brand new medical equipment used for the tests and the impressive IT support that guarantees full confidentiality of the patients' data and high speed processing power, all of them subordinated to the HQ4Hc concept.

As in the previous Business Club, special guest speakers covering interesting topics for our members were invited.

Mrs. **Oana OLARU**, Project Manager at DEBizz – Deutschsprachiges Wirtschaftsmagazin, made a concise and attractive presentation of the magazine as the only bilingual business periodical targeting the German-Romanian speaking community in Romania, Germany, Austria and Switzerland, edited jointly by the German-Romanian Forum, IBD-GTZ and the German Business Club.

Invited by our hosts, Mr. **Guglielmo FRINZI**, President of *Camera di Commercio Italiana per la Romania* (CCIpR) and Mr. **Giovanni VILLABRUNA**, Vicepresident of CCIpR, represented a highlight of the evening with an impressive presentation of CCIpR as one of the most active and powerful bilateral organizations on the Romanian business scene. The consistent data and the personal touch of the two guest speakers, as true representatives of the Latin spirit, created an excellent mood among the participants.

At the end of the evening all participants were invited by the hosts to a cocktail while continuing the discussions and sharing the relaxed atmosphere of the event.

 **The next Business Club will be hosted by the Restaurant "Mica Elvetie", on June 02, 2004, in 36, I.L. Caragiale Str., Bucharest, at 19:00.**

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This month's member / Company Profile

This column gives our members the possibility to present themselves to the other companies and to highlight important aspects of their activity. Our initiative goes together with the invitation for subscribing to this facility: **if you want to present your company to the other members in one of the next issues of the Newsletter, please contact us at ccer@pcnet.ro.**

LaDorna Group

In 1998, LaDorna Group has begun its activity in the field of dairy production with the building of the UHT dairy factory in Dorna Candreni village, Suceava county. This was a 8.5 million USD "green field" investment that benefited immediately of the already existent own Group's logistics in the area of dairy products direct distribution.

Our products UHT milk, UHT cream, pressed cheese, emmental (conventional and Ecologic-biologic) and butter are the first Romanian products recognized by the European Commission as being biological-ecological items. Already since 2001, Dorna Lactate S.A. has been awarded a "Master Certificate" issued by the prestigious certifying body BCS OKO Garantie in Nuernberg, Germany, that controls and certifies the ecological-biological processing of the milk collected in the Dornelor Basin as well as the conformity of the processing methods used by LaDorna Group.

LaDorna Group intends to develop the dairy production in Romania by observing both the new millennium standards and the local tradition.

By respecting the Romanian and the European consumers, LaDorna Group will continue to offer a European level agricultural food production and world-wide recognized final products by using only high production standards.

In conformity with the European Union norms, S.C. Dorna Lactate S.A. has been authorized to export milk and dairy products in the EU member states since 2001.

LaDorna Group consists of 8 companies that develop different activities in the dairy and cheese production as well as in the agricultural food field as a whole. They count in total 12,000 micro-farms and family businesses involved in the raw materials collecting system.

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Legal&Financial issues

All CCE-R members acting in the legal and financial fields are invited to contribute to this column.

Amendment of Law concerning the Work Permit

For the purpose of adapting the Romanian legal provisions regarding the work permits of foreigners in Romania to the requirements of the EU law, Law No. 130 from April 21, 2004 for the modification and amendment of Law No. 203/1999 concerning the work permits was endorsed and published in the Official Journal of Romania No. 364 from April 26, 2004.

In respect of the validity period of work permits, this period was extended from 6 months to 12 months both for the first issue and for further extensions.

Moreover, a new regulation was enacted, according to which the Ministry of Work approves the issue of work permits for persons who exercise activities with significant effects on the economical development of Romania ex officio with the assent of the Ministry of Interior and Administration and on basis of an individual labour agreement.

The provisions of art. 80 para. 3 and of art. 82 para.1 of the Code of Labour concerning the limitation of extension of a temporary labour agreement only to further 36 months are not applied in case of foreign employees.

According to Law No. 203/1999 regarding the work permits, modified at the beginning of 2003, the number of work permits which are to be issued to foreigners by Government Resolution is established each year in consideration of the situation on the labour market. This provision was henceforth amended so as not to be applied in case of the following categories of persons:

- foreign citizens originating from countries for which no visa obligation is imposed in Romania on the basis of unilateral or bilateral agreements;
- foreign citizens, who visit Romania only for the purpose of family reunification;
- foreign citizens who visit Romania for study purposes. Nevertheless the law provides a limitation, namely these persons can be employed only half-time, for not more than 4 hours a day, on the basis of an individual labor agreement;
- foreign citizens, who are members of families of Romanian citizens.

Moreover, the aforesaid law provides that the implementation rules to Law No. 203/1999 shall be likewise modified and amended within a 30 days period from the intended re-promulgation of the above mentioned law.

NÖRR STIEFENHOFER LUTZ
Rechtsanwälte Steuerberater Wirtschaftsprüfer
28C, G-ral C-tin Budişteanu Str.
Sector 1, Bucharest
Tel.: +40 21 312 58 88
Fax: +40 21 312 58 88
E-mail: nslbuc@noerr.ro

The Tax Column

By Serge R. Gonvers, Senior Partner, Audiconsult Srl

The purpose of this "tax column" is not only to highlight major recent changes in the field of taxation, but, as well, to give some updated trends and opinions prevailing in the business community.

As expressed before, the Romanian Ministry of Public Finance had the initiative to take advice from the business community, and especially the foreign business community. This call for consultation has a double advantage to feel the pulse of the Community and to beneficiate from foreign expertise on taxation matters.

Several organizations, such as FIC and some Chambers of Commerce have set-up tax committees which keep on studying proposed changes, making comments and suggestions.

Our Chamber has been closely associated to this process through the undersigned and through the active AmCham tax committee.

One of the highly appreciated changes introduced with the new fiscal code as a long awaited reply to the predictability request is that any change in the fiscal code must be advised at least six months before its introduction.

Based on the above, comments and suggestions have been submitted lately to the Ministry of Public Finance, who shall propose before July 1st amendments to enter in vigour from next year 2005.

Hereafter are the main requests exposed:

- General reduction in tax rates (below 20%), which are not competitive versus other countries in the Region, can only favour business and economic developments;
- In the field of corporate tax, deductibility of bad debts and inventory write-offs levels shall be improved;
- Thin capitalization rules shall be applied more reasonably (3 to 1 proposed from 2006);
- Proposed treatment of reinvested profits for investments is too discriminatory;
- Advance payments on a yearly taxation shall be considered instead of the current quarterly taxation;
- Taxation of civil partnerships ("Societate civila", such as law practices) should be taxed like corporate taxpayers.

Two issues remain largely open, as opinions of professionals are divergent:

- The microenterprises status and its specific taxation is supposed to disappear in 2007. The various options are to fight to keep them as it is now, to propose both simplification of the tax regime and significant lowering of present rate, or a mixture of that.
- The so-called "flat tax" or unique income tax rate for individual and its level appear as a political decision rather than a fiscal or even social one.

Any comments or questions are welcome at serge.gonvers@audiconsult.ro

Audiconsult Srl

Public accountants & consultants

Bd. Dimitrie Cantemir 2A, Bl. P3, sc. 2 ap. 39, 040241 Bucharest 4

Tel: 021 336 90 88, 336 90 89 / Fax: 021 336 90 98

E-mail: office@audiconsult.ro

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Business News

Transilvania Bank gets 20 Mln. EUR from IFC

Transilvania Bank is to obtain a 20 million EUR credit line from The International Finance Corporation (IFC) to be used for mortgage loans, the bank's general manager Robert Rekkers announced.

He added that the substantial demand for mortgage loans had depleted the 10 million EUR that the bank had obtained from EBRD in December 2003 for the same purpose.

Other plans for the future include expanding to 100 branches by end-2004 and then to 150 by end-2005. The bank concluded last year with a market share of 2.5% and estimates to reach 3% this year. EBRD is a shareholder with 15%. (by Gardianul, May 18, 2004)

BRD net profit up 136% in Q1

The Romanian Bank for Development (BRD) – Groupe Société Générale concluded Q1 with a net profit of 839 billion ROL, up by 135.6% year-on-year. Gross operating profit increased by 32% to 1,298 billion ROL.

Throughout this interval, the aggregate volume of loans disbursed by the bank reached 51,438 billion ROL, up by 30% against March 2003. Individual loans accounted for 27% of the total volume of loans taken from this bank. Deposits attracted from individuals and corporate customers reached 63,106 billion ROL, up by 18%. The bank's expenses increased by 13% according to international accounting standards or 8% according to Romanian accounting standards.

The bank concluded last year with a net profit of 2,358 billion ROL (some 62.7 million EUR) down by 8.2% in real terms against 2002. BRD has a share capital of 4,181.41 billion ROL divided into shares with a face value of 3,000 ROL. Shares are traded on Bucharest Stock Exchange, Monday's closing price being 23,600 ROL. (by Gardianul, May 18, 2004)

Howard Johnson hopes to develop eight-hotel chain

The Howard Johnson hotel chain plans to develop a franchised network in Romania and affiliate eight more hotels in the next six years.

"We want to develop a franchised network in Romania and sell the Howard Johnson brand to other hotels in Bucharest and the provinces. We are already in talks with hotel owners from Bucharest, Sibiu, Braila, Craiova and Poiana Brasov. We will have eight Howard Johnson hotels in Romania within six years," stated Antoni Kuhnen, general manager of the Howard Johnson Grand Plaza Hotel in Bucharest.

This is actually the former Dorobanti Hotel, completely refurbished and reopened to the public this February. Romania is the first and only SE European country where a Howard Johnson licence has been sold, and Kuhnen says the chain wants to consolidate its position on the Romanian market first before tapping into the markets of nearby countries.

The owner of the Howard Johnson Grand Plaza Hotel in Bucharest is Grand Plaza Hotel SA, a company that uses the brand under a franchising contract. Its shareholders, all of whom are Romanian individuals, are the same as in the case of Parc Hotel SA, which owns the Parc and Turist Hotels in Bucharest. They plan to make the same refurbishment investment in the Turist Hotel, which will be similarly included in the Howard Johnson chain under a franchising contract.

"The Turist Hotel will be closed this summer when refurbishment works are scheduled to begin. The investments will reach 22 million euros - money which will come from the company's own resources and from banking loans, mainly from BRD," Kuhnen added.

The Parc Hotel is already part of the Best Western chain, the largest foreign hotel chain operating in Romania at the moment. Howard Johnson Grand Plaza, the former Dorobanti Hotel, currently sees a 70% rate of occupancy, compared with the average yearly target of 62%.

"Most of our clients are foreign business people that come from the US, UK, France, Germany and Austria," Kuhnen said. The hotel has hosted about 12 events thus far. Kuhnen did not reveal any figures as to the revenues of the Howard Johnson Hotel until now, but specified the full-year turnover target was some 10 million euros for 2004. (by Ziarul Financiar, May 27, 2004)

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The CCE-R Events Calendar

This calendar informs you on the next CCE-R events and is constantly up-dated.

Events to be organized by the Chamber of Commerce Switzerland – Romania

Month	Day	Action	Place
June 2004	June 2	Board Meeting	CCE-R's office Bucharest
	June 2	Business Club: Visit to the Restaurant " <i>Mica Elvetie</i> "	Restaurant " <i>Mica Elvetie</i> "
July 2004	July 6	Board Meeting	<i>TUBORG BREWERY</i>
	July 6	Business Club: Visit to <i>TUBORG BREWERY</i>	<i>TUBORG BREWERY</i>
September 2004	September 7	Board Meeting	<i>RINGIER ROMANIA</i>
	September 7	Business Club: Visit to <i>RINGIER ROMANIA</i>	<i>RINGIER ROMANIA</i>

 Board Meetings are only for the Board Members.

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This is a monthly Newsletter, released at the end of each month. Should you have any suggestions concerning it or should you want to contribute to its realization, please send us your proposals at:

CCE-R; Contact person: Gentiana Bulau
4-10, Drobeta Str., Apt. 1; RO-020521 Bucharest
Tel. / Fax: +40 21 212 27 07; GSM: +40 745 63 53 83
E-mail: ccer@pcnet.ro

Become a CCE-R Member

If you want to help our Association grow, one of the best ways is to make it known and accessible. Invite interested companies to become members of CCE-R. They may fill in this form and return it to the head-office of the CCE-R.

MEMBERSHIP APPLICATION FORM

You are kindly requested to fill in the application form in block letters

COMPANY DATA		
Full Name		
Scope of Activity		
Registered Address		
Mailing Address (if different from above)		
Phones	#1	#2
Fax	#1	#2
E-mail	Website	
Reg. Com. No.	Fiscal Code	
Bank		
Account No.		
REPRESENTATIVE OF THE COMPANY		
Full Name	<input type="checkbox"/> Mr.	<input type="checkbox"/> Mrs.
Position		
Direct Phone	Direct Fax	
Mobile Phone (optional)	E-mail	
ADDITIONAL INFORMATION (optional)		
Links with Switzerland		
Specific interests within the CCER		
Any other relevant information		

Signature and stamp

CCE-R 4-10, Drobeta Str., Apt. 1, 020521 Bucharest Tel. /Fax: +40 21 212 27 07 GSM: +40 745 63 53 83 E-mail: cceer@pcnet.ro

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