May 18th 2010

Rural Electrification in Romania requires RON 910 M investment

About thirty six per cent of this sum will be provided by the private power distributors, while Electrica's subsidiaries will cover the balance according to a report related to an emergency draft ordinance drawn up by the Economy Ministry, the owner of Electrica.

In June 2009, there were 97,805 households with no access to electricity, located in 2,284 localities. According to the draft, Electrica will connect 62,308 households in 1,223 villages to the power grid, while Enel, E.ON and CEZ will invest RON324 million in total to link 35,497 households in 1,061 localities to the national electricity system. The government and the local authorities will no longer provide money for these projects, as they will be paid for from Electrica's own funds and the dividends the company receives.

Romanian Institutions with overdue debts for more than 90 days to enter into insolvency

Romanian administrative-territorial institutions that can no longer pay debts overdue by more than 90 days and which exceed fifteen (15) % of the annual local budget, will undergo insolvency and will have to present plans for financial recovery and management reorganization. The insolvency procedure will also apply if the institutions can no longer pay salaries for more than 90 days, according to a draft act approved by the Romanian Government.

The act, which sets the general framework and procedures needed to cover the liabilities of administrative-territorial units undergoing insolvency or facing financial deadlock, was sent to Parliament for urgent debate.

Romanian Proprietatea Fund to pay dividends after legal amendments

Romanian investment fund Fondul Proprietatea has said it will pay dividends from the profits obtained in 2008 and 2009 at a value established after the amendment of a normative act relating to the compensation paid to Romanians whose assets were seized in the communist period.

Between the value of the fund's subscribed capital and that of the paid capital is a difference of 482 million lei (EUR1=RON4.1492), representing shares subscribed, but not paid for, by the Finance Ministry. This difference caused the postponement of the dividends payment in the past two years, the fund said. The ministry is supposed to pay the fund RON555.4 million in exchange for approximately half a million shares.

The budget-finance committee within the Chamber of Deputies has analyzed the amendments to Government Emergency Ordinance 81/2007 on the acceleration of compensation for the buildings abusively taken by the state under the communist regime. The Chamber of Deputies will debate the

report and, after enactment, the law will be sent to the Romanian President's for promulgation. Dividends could reach a value of RON0.04 per share for the net profit in 2008 and 2009, provided the state's unpaid shares are cancelled.

Fondul Proprietatea was set up to compensate Romanians whose properties were seized during communism. Romania's Finance Ministry holds about sixty (60) % of the fund's shares, while the remainder are distributed among private stockholders.

Romania to introduce mandatory Energy Certification as of June 15th

The draft normative act stipulates that pre-contracts signed before the emergency decree enters into force will no be affected. According to the normative act, by April 30, 2010, 767 experts had been granted authorization to perform energy audits.

The law on energy certification states that an energy certificate is required for all real estate transactions. The certificate advises the prospective buyer or tenant about the apartment's energetic efficiency, expressed generally through the total yearly energy consumption, in kilowatts per hour per square meter. The law was supposed to become effective on January 1, 2010, but the Government decided in December to postpone it until January 2011 after the notaries warned that mandatory certification would lead to a five to ten per cent price increase for old buildings and a blockage of the country's real estate market.

Afterwards, Romania learned it must observe the recommendations issued by the European Parliament and implement energy certificates starting March 1, 2010. The Cabinet deferred the decision saying the procedures to implement the system were not clear enough and the country lacked the required number of energy auditors. The Government asked the European Commission for derogation from the EU directive until June.

Romania to tax food vouchers, bank deposit interests

Romania's government will tax the food vouchers, the capital gains and bank deposits interests and, the compensatory payments, and will eliminate the exemptions from tax payment for IT programmers. It will also freeze early retirement starting June 1, 2010 until the country's new pension law is in force; pensions for incapacitated people will only be granted if they were previously approved by the Labour Ministry medical assessment teams.

The measures to extend the taxation pool are included in the supplementary Memorandum of Understanding agreed by Romania with the International Monetary Fund. The document also stipulates a twenty five (25) % reduction of salaries, bonuses and other indemnities for all employees in the public sector, starting with June 1, 2010. Moreover, the MoU specifies public job cuts will continue in the coming months.

Romania and the IMF have agreed to a budget deficit of six point eight (6.8) % of GDP in 2010, from an initial target of five point nine (5.9) % of GDP. The IMF will only disburse the fifth tranche of a EUR13 billion stand-by agreement after the government implements cost cutting measures. The government announced recently it would slash public salaries by twenty five (25) % and pensions by fifteen (15) % in order to keep the deficit within the new cap agreed with the IMF. Romania's loan

agreement with the IMF is part of a larger EUR20 billion package that includes funds from the European Commission, the World Bank and other foreign lenders.

Romanian State Companies, Public Institutions allowed to buy assets needed for their activity

Romanian autonomous regies and commercial companies, in which the state or an authority of the local public administration holds shares, as well as public institutions, will be allowed to buy assets needed in their business.

The measure is included in a draft Government Emergency Ordinance drawn up by the Romanian Economy Ministry, which amends an emergency ordinance of 1997 regarding the privatization of commercial companies. The existing legislation in the field of privatization limits the possibility of purchasing assets by commercial companies in which the state or an authority of the local public administration holds shares.

Assets are defined as goods or unfinished investments that can be separated and organized to operate independently, such as production units, trade units or service provision units, farms, land plots, as well as retail and accommodation spaces.

Romania postpones payment of salary increases won in court until 2012

Romania has postponed the payment of salary benefits won in court and to be granted by the end of this year, scheduling the first thirty four (34) % tranche, adjusted for inflation, for 2012.

As salary rights won in court thus far amount to RON2.163 billion or 0.4 of Romania's GDP, the Finance Ministry has made an attempt at maintaining the budget deficit cap set for this year, while at the same time upholding the rights of successful claimants. The Finance Ministry added that, according to previous cases tried by the Constitutional Court and the European Court of Human Rights, the state may postpone the payment, as long as the delay is well-founded and not abusive. The bill added that, according to the European court, a two and half-year delay is reasonable if the debtor is faced with an "obvious lack of funds".

Initially, the Finance Ministry had decided to pay all salary increases won in court at the end of 2009 and 2010 in three equal yearly tranches.

Judges and prison employees have been awarded the largest sums in court, but there are also several decisions granting teachers a fifty (50) % salary raise. The raise had been approved by a law adopted Parliament in late 2008, during the election campaign. The Government subsequently repealed the initial bill that put forth the raise.