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Romanian Transport Ministry has signed an agreement with brokerage houses for the sale of a 20% stake in state-run airline Tarom.

Carpatica Invest and Swiss Capital will draft a preliminary prospectus for the initial public offering of Tarom's shares within 50 days after it receives all pertinent data. The IPO will be completed within three months after the brokerage contract enters into force. The consortium will receive a fixed commission of 1.99% for services rendered.

The International Monetary Fund Monday completed the third review of Romania's economic performance enabling the disbursement of a new EUR480 million tranche.

In March, 2011 Romania and the IMF signed a two-year precautionary loan agreement, successor to a EUR20 billion bailout package received during 2009-2011.

The new deal also includes EUR 1.4 billion financing from the European Union and a EUR 400 million loan from the World Bank. The IMF approved total financing to Romania worth around EUR1.5 billion under the new arrangement, but the authorities in Bucharest have not drawn any funds.

The European Commission wants to make extra financial corrections targeting Romanian EU-funded investments, by refunding only EUR400-500 million and withholding some EUR100 million, which will be disbursed later if no irregularities are identified.

The Commission decided Thursday to unfreeze EU funds going to Romania through the Regional Operational Program (POR). Romania has sent to the European Commission refund requests amounting to EUR43 million, after the EC unfroze EU funds allotted to the country through POR.

Refund requests for the other operational programs the country carries out amount to EUR470 million.

In July 2011, Romania decided to stop sending bills for EU fund reimbursements to Brussels until these bills are checked and management authorities make financial corrections. In October 31, Romania informed the EC that it meets the requirements for resumption of reimbursements for projects financed with structural funds.

According to the draft 2012 budget, the Government wants to absorb about EUR 6 billion in European funds. The regional operational program was launched in July 2007. Its budget stands at EUR4.4 billion, of which 84% is ensured by the European Union and the remainder from national resources (14% public co-financing and 2% private co-financing). Romania's structural fund absorption rate stood at 3.72% on November 30, according to data released by the Ministry of European Affairs. POR registered the highest fund absorption rate, of 7.53%. The lowest EU fund absorption rate was registered by the operational program for environment – 1.89%.

Romanian Government has set a list of 29 activity sectors for which collective work contracts may be negotiated and signed.

Romania currently has two different minimum wages, one proposed by the Government, of 670 lei (EUR155.6), and one stated in the national collective work contract, of RON710 (EUR165). The Government has recently decided to increase the minimum wage for next year to RON700 (EUR162.6).

The Bucharest court decided to cancel a shareholder decision from September 2010, which amended the statute of investment fund Fondul Proprietatea (FP.RO) and enabled the appointment of Franklin Templeton as fund manager.

The court's decision can be challenged in the court of appeals. A shareholder within the Proprietatea fund, challenged in October 2010 some of the decisions reached in the shareholder meeting setting up Franklin Templeton to become manager. The decision issued by the court on December 21 this year brings the fund back to its previous statute, with Ionut Popescu as manager.

Romanian state-run coal mining company Compania Nationala a Huilei (CNH) will transfer its non-viable mines to the national tax authority ANAF.

CNH's debt to the state consolidated budget will be written off, following the takeover by ANAF of the three non-viable mines, namely Petrila, Paroseni and Uricani. CNH, Romania's largest debtor, operates seven coalmines and employs 8,800 staff. Four of the seven mines were deemed viable and will continue to operate after the company's reorganization.

The agreement between the United States and Romania on the deployment of a U.S. ballistic missile defence system in southern Romania has taken effect Friday, December 23, 2011.

The U.S. base in southern Romania is a significant contribution of the two countries to NATO's antimissile defence efforts. The Romanian Parliament ratified the agreement on December 6 and President Traian Basescu signed it into law on December 15.

Raising the excise tax on diesel oil and property taxes are some of the provisions in Romania's new Tax Code that took effect on January 1, 2012.

Diesel oil excises will rise by 4.4% starting January 1. Romania will continue to apply excise taxes on coffee in 2012, although last year's Tax Code stated they will be eliminated starting January this year.

Romanian companies will pay 20% of the inventory value of buildings they own if the buildings have not been re-evaluated in the past three years, and the tax rises to 40% if buildings have not been re-evaluated in the past five years.

Companies may opt between paying the profit tax each quarter or once per year, but choosing the latter option will require an advance payment of 25% of the profit tax owed for the previous year.

Foreign residents in Romania will start paying tax on income gained both locally and abroad a year after obtaining residency. The current legislation states that foreign residents in Romania must start paying income tax three years after becoming residents.

The new Fiscal Code keeps the higher taxes paid by owners of two or more buildings, or cars with engines larger than 2,000 cc.

Firms that pay off debts to the state by mid-2012 will have penalties reduced by 50% and late payment interest by 25%, reads the new Tax Code. Starting 2012, Romanian banks will report according to international financial reporting standards (IFRS).

Romania's telecom regulator will organize in the first half of 2012 an auction to grant mobile telephony licenses for radio frequencies in the 900 MHz and 1,800 MHz bands, currently used by operators Orange, Vodafone and Cosmote.

The regulator will start procedures to make available the 800 MHz and 2,600 MHz bands, currently used by the Defence Ministry.

The new licenses will take effect on January 1, 2013 (for the frequency bands currently used by Orange and Vodafone) and on April 6, 2014 (for the frequency bands currently used by Cosmote).

Granting the right to use radio frequencies in the 900 MHz and 1,800 MHz bands through competitive selection procedures observes both national and EU regulations on the matter. The procedure will allow for new competitors to enter the market. The licenses for the 890-915 MHz and 935-960 MHz frequency bands were awarded at the end of 1996 to the companies that currently operate as Orange Romania and Vodafone Romania. They were valid for 15 years and expired on December 21, 2011. Each of the two mobile operators paid $75 million for the GSM licenses.

Orange Romania and Vodafone Romania are leaders on the local mobile telephony market. Together they have about 20 million clients. They are followed by Cosmote Romania, with over 6 million clients.

Gabriel Resources is waiting for Romania's Government to explain if its decision to increase royalties on precious metal extraction from 4% to 8%.

Romania's Government double the royalties on gold, silver and platinum extraction, from 4% to 8% of the value of production, and increased royalties on other mineral products, such as coal and mineral water, from 4% to 6%, with 20% of the fees to be transferred to the local budgets. The decision was taken through an emergency ordinance.

An official document at the end of October states the Romanian Government is in negotiations with Gabriel Resources to increase its stake in Rosia Montana Gold Corporation from 19.3% to 22.5%. Private investors rejected the increase of royalties for mining, as well as sharing control with the state. They also conditioned the increase of the state's stake in RMGC on the adoption of laws supporting mining companies.

The two parties involved in negotiations discussed three scenarios: keeping royalties for gold mining at 4% and the state's stake at 19.3%; keeping royalties on gold extraction at 4% and increasing the state's stake to 25%; increasing royalties to 8%, double compared with the current level, and keeping the state's stake in RMGC at 19.3%.

The biggest gold deposit in Romania is located in Rosia Montana, Alba County, and is leased to the Rosia Montana Gold Corporation. The deposit is estimated to contain around 300 tons of gold and 1,600 tons of silver.

Romania's Government has limited the number of work permits for foreigners to 5,500 in 2012 (the same as this year), and has reduced the number of authorizations for permanent and trans-border workers.

Inj2012 foreigners will be issued no more than 5,500 work permits, including: 3000 authorizations for permanent workers (compared with 4000 approved 2011 and 5,500 in 2010), 700 for dispatched workers (600 in 2011, 1000 in 2010), 100 for seasonal workers (200 in 2011, 400 in 2010), 100 nominal work authorizations (like in 2011 and 2010), 200 for interns (100 in 2011, 200 in 2010), 300 permits for athletes (300 in 2011, 500 in 2010) and 100 for trans-border workers (200 in 2011, 300 in 2010).

A further 1000 work permits have been reserved for highly skilled workers. The 5,500 foreign workers that may be employed in Romania through work authorizations would make up 0.13% of the total number of employees in the economy – 4,195,700, registered at the end of July 2011.

Issuing 5,500 work authorizations would earn the state budget around EUR1.1 million. One authorization costs EUR200, except those issued to students or seasonal workers, which cost EUR50.

Data from the Romanian Immigration Office says that, on June 30, 2011, there were 59,566 foreigners registered as residing legally in Romania, including 49,301 temporary residents and 10,256 permanent residents. Of the foreigners with rights of temporary residence, most are members of the families of Romanian citizens (21,394), students (12,718) or employees (6,151).

Most foreigners with temporary residence come from Moldova (16,172), Turkey (6,854) and China (4,438). The majority of foreigners with permanent residence in Romania come from China (2,543), Turkey (2,052) and Syria (975).

Romania’s new Civil Procedure Code will take effect on June 1, 2012.

The European Commission’s July 2011 monitoring report on the country’s justice system noted Romania’s efforts to improve legal procedures and hailed the adoption of its new Criminal and Civil Codes, and their respective procedure codes, which are to be implemented in 2012.

Nine of the eleven EU member states that applied work restrictions informed the European Commission that they will not open their labour markets.

Eleven EU states that had their labour markets closed for Romanians and Bulgarians at the end of 2011 are: Belgium, the Czech Republic, Germany, Ireland, France, Italy, Luxemburg, Malta, the Netherlands, Austria and the UK.

Nine decided to keep work restrictions and notified the EC in time, namely by December 31, 2011: the UK (November 24), Ireland (December 15), Germany (December 21), Belgium (December 22), France (December 23), Luxemburg (December 22), Malta (December 22), the Netherlands (December 23), and Austria (December 22). They do not need the EC approval to prolong the ban.

Romanian President Traian Basescu signed the decree which raises the limit on ownership in the five regional investment funds (SIFs), from 1% to 5%.

The act was adopted in the Chamber of Deputies on December 15, with 170 votes for and 63 against. After the decision is published in the Official Journal, the SIFs have 60 days to call shareholder meetings and change their constitutive literature to include the new ownership limit.

Romanian central and local authorities in 2010 caused 3.2 billion lei (EUR 735 million) in damage to the state budget.

An investigation by the Court of Accounts has revealed authorities made payments without supporting documents, compensated certain entrepreneurs for fictional work, paid more than the limits approved for service supply contracts, paid excessive per diem to their employees, carried out improper fiscal and financial controls, and failed to check up on all the taxpayers' debts to the budget.

Romanian state-owned railway company CFR SA illegally spent EUR13.4 million from a foreign loan in 2010, an audit by the Court of Accounts has found.

The loan was granted by the Japanese Bank for International Cooperation for the upgrade of the Bucharest-Constanta railway line. Of the total amount spent illegally, EUR 10.65 million was used to buy 16 railway maintenance vehicles, which were not stipulated in the contract, and EUR 2.81 million went illicitly to constructors.

The Court of Accounts says CFR illegally changed the destination of funds from refundable foreign financing, and will refer the case to criminal investigation authorities.

Romania's Court of Accounts has found losses of 325.8 million lei (EUR74.8 million) at state-owned railway companies CFR SA and Electrificare CFR.

The Court ran checks on CFR SA's central office, as well as six regional branches – Brasov, Bucharest, Cluj, Galati, Iasi and Timisoara – discovering that accounting misconduct responsible for RON151.58 million and errors that caused RON60.25 million in losses.

CFR's central office did not compute or collect penalties for non-execution of the contracts for feasibility studies necessary to implement Schengen Area accession requirements, did not charge the guarantees provided by railway operators that had not paid the infrastructure use fee, and retained stocks of materials and equipment older than 1-7 years for investments that have not been begun. The regional branches were responsible for misdeeds ranging from claiming bogus expenses and revenue, or paying for fictitious work, to failing to register property inflows and outflows.

The Court suggests CFR should analyze the clauses of contracts running in 2009-2010, rectify its books, develop and implement the code of conduct on internal control, and analyze its pending court cases.

Romanian Constitutional Court ruled constitutional a law regarding the disciplinary liability of magistrates.

According to the law, the Judicial Inspection will act independently and will be tasked with checking magistrates' activity. The law widens the scope of disciplinary actions.

Failing to observe the decisions ruled by the Constitutional Court and the High Court of Justice, negligence, violating legal provisions regarding incompatibilities are some of the disciplinary breaches stated by the act.

The Romanian authority has started procedures to sell 130 realties, including apartments in central Bucharest, shopping centres, land, hotels and villas.

The list of properties to be sold in a first stage does not include valuable real estate assets such as Floreasca Club and hotels Triumf and Mara. The list of assets for which auction procedures have started includes over 90 apartments and 10 shopping centres located in central Bucharest, a 3,066-sqm plot of land belonging to hotel Robinson in mountain resort Predeal, the tennis court and golf course of hotel Arad in seaside resort Neptun-Olimp (14,414 square meters) and other such assets in Bucharest, Snagov and Cluj-Napoca.

A 48,315-sqm farm in Magurele, the Muntenia compound in Snagov (with a 11,403-sqm plot of land), restaurant Dunarea (on a 6,800-sqm plot of land), hotel Dacia in Neptun-Olimp, several villas in resorts Mamaia, Eforie Nord, Predeal and Snagov, hotel Gloria and guest house Bradet in Suceava are also on the list of properties to be sold in a first stage.

According to the 2012 state budget, the Government hopes to get 706 million lei (EUR160 million) this year from the sale of state-owned buildings managed by RA-APPS, compared with the RON1.8 million it estimated for last year.

Reimbursement requests for EU farming aid will be processed within 45 days.

The Executive recently decided that fund management authorities would have to check refund requests within 45 days, before they are sent to the European Commission.

This year, the Government aims to attract around EUR6 billion in EU funds, corresponding to an absorption rate of 20%.

Romanian government approved the legal framework that will allow the central bank to create a bridge bank to manage and insulate financially troubled lenders.

The bridge bank will be financed by the central bank's deposit guarantee fund and will be empowered to take over assets and liabilities of any insolvent bank for a period of up to two years or until ownership cane transferred to a suitable investor.

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