Hammond, Bogaru & Associates

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Romania will not face the risk of losing European funds for rural development in 2012 if it maintains last year's pace of fund payment.

The absorption of rural development funds must be closely monitored, with a focus on both the amount of funds and the absorption quality. Romania must examine the impact investments financed through rural development programs have on the real economy of the areas where they are implemented. Romania has a standpoint on the Common Agricultural Policy and should participate actively in the discussions several EU member states are currently holding with the European Parliament on the propositions put forward by the European Commission.

Nine EU member states are expected to keep their labour markets closed to Romanians and Bulgarians until end-2013.

Economic and social insecurity fuelled by the financial crisis are to be presented as the leading arguments for most of these countries. EU states were allowed to keep labour market restrictions for Romanians and Bulgarians only if their respective markets had serious problems or ran the risk of such problems. The European Commission may decide to impose sanctions if it reckons this was not the case, but such option is deemed highly unlikely. The last nine EU Member States to restrict or partially restrict the access of Romanian and Bulgarian workers on their labour markets are Austria, Belgium, Germany, the Netherlands, Luxembourg, Malta, France, Great Britain, and Ireland.

Romanian Prime Minister Mihai-Razvan Ungureanu called on Cabinet ministers and heads of authorities fighting tax evasion.

The prime minister made this request during the meeting of the inter-ministry committee fighting tax evasion. Beside Cabinet ministers, the meeting was also attended by the head of tax regulator ANAF, as well as officials of the National Customs Authority, the Financial Guard, the Public Ministry, the National Anticorruption Department, the Anti-fraud Department, the Romanian Police and the Border Police. The Prime Minister called on competent authorities to carry on the fight against tax evasion, with the main focus on alcohol and farming product smuggling.

"Romania's budget revenues account for 33% of the GDP, below the EU average of 40%. I want your actions against tax evasion, mainly against contraband with alcohol and vegetal products, carried on while observing all legal provisions, to bring revenues to the state budget of at least 1.5% of the GDP," said Ungureanu, while assuring authorities of his unconditional support in applying all the necessary measures to this end, the press release also reads.

The Justice Minister said the Romanian legislation has all the instruments needed to fight tax evasion.

Budget revenues are estimated to reach 195.3 billion lei in 2012 (EUR44.8 billion), accounting for 33.7% of the GDP.

The scales used by notaries to fix the minimum fees paid for realty transactions in Bucharest was increased by up to 10% in the value of apartments.

The real estate value guide for 2012 classifies Bucharest apartments considering their number of stories, comfort and the year of construction. Notaries raised the estimated value of apartments, although, according to the guide, all available market data show the prices of fixed assets have dropped. The Romanian realty market faces additional risks due to transactions made in foreign currencies, the population decrease, as well as due to the market's lack of transparency and the low speed of transactions.

According to the new grid, the minimum value of a two-room apartment in central Bucharest, built between 1978 and 1997, is EUR45,750. Last year, a similar apartment, built between 1978 and 1990, was valued at EUR41,600. Semi-central two-room apartments are valued at EUR39,060, compared to EUR36,200 a year ago.

Uptown two-room apartments are valued at between EUR31,520 and EUR36,080 (in neighbourhoods Drumul Taberei and Ghencea); EUR26,200-EUR32,280 (in Militari neighbourhood); EUR32,280 (in neighbourhoods Calea Rahovei and Ferentari) and at EUR28,480 (in Giulesti).

The Romanian Government plans to ban the use of radar detectors, allow driving without a license, but only on certain roads, at specific time intervals and while accompanied by a driving supervisor.

All these measures were included in the National Road Safety Strategy for 2011-2020. The government will look into allowing driving certain vehicles, at specific time intervals and only on certain roads, before getting a driver's license for the first time. The procedure will be allowed after the driver has been trained and tested, and requires the learner driver be accompanied by a driving supervisor who is accountable for safe driving practices.

The Government also plans to ban the use of radar detectors, in a bid to crack down on "aggressive driving," reduce the validity period of a driver's license at a certain age, ban all-terrain vehicles on public roads, except for communal roads, and condition driving license privileges on the completion of compulsory education. Romania is committed to reduce by 50% the number of car crash victims by 2010.

The European Commission has authorized around EUR 270 million of Romanian public funding for the closure of three uncompetitive coal mines.

The state aid is in line with EU rules because production aid will decrease over time and Romania is committed to carry out accompanying measures to mitigate the social and environmental impact of the closure. CNH, Romania's largest debtor, operates seven coal mines and employs 8,800 staff. Four of the seven mines were deemed viable and will continue to operate after the company's reorganization, while the three non-profitable units are to be shut down in the next years.

The closure plan notified by Romania results in a gradual decrease of the overall amount of aid granted to cover production costs, in line with the EC decision. Moreover, the plan includes measures to mitigate the environmental impact of the production of coal. Romania has also committed to support miners who are to be laid off and their readjustment in order to help them find new jobs outside the coal industry. According to Romania's latest letter of intent to a EUR3.5 billion loan deal with the International Monetary Fund, the government is to launch liquidation proceedings for CNH by end-September 2012. The document shows

CNH must transfer its non-viable assets to the national tax authority ANAF by the end of February.

Romania will postpone the ratification of the Anti-Counterfeiting Trade Agreement (ACTA) until the European Court of Justice decides on this matter.

The European Commission has asked the European Court of Justice to determine if ACTA breaches freedom of speech and intellectual property rights. Several European states are against the agreement and blocked its ratification until the situation is clarified.

Romania's Government has allotted 750,000 lei (EUR172,000) for the urgent purchase of morphine necessary for the treatment of cancer patients.

The President of the National Health Insurance House (CNAS), said that morphine supplier Mundipharma is being restructured, but this would not affect deliveries of their products. There were more than 10,000 registered cancer patients in January.

Mundipharma recently announced that the restructuring is a consequence of tougher conditions on the Romanian pharmaceutical market, the considerable increase in exposure to financial risks and intolerable taxation.

There will be a two-stage privatization scheme to sell 54.8% stake in state-run chemical plant Oltchim Ramnicu-Valcea (OLT.RO).

The two-stage method comprises a competitive, non binding negotiation round, followed by a first-price sealed bid auction. Additionally, interested investors can negotiate directly with oil company OMV Petrom (SNP.RO) to purchase its Arpechim refinery, which is Oltchim's main supplier of raw material.

Oltchim has a share capital of 34.2 million lei (EUR7.8 million), split into 343.2 million shares with a face value of RON0.1. Minority stockholders include Germany's PCC with a 17.47% stake and UK-registered investment fund Carlson Ventures with 14.02%. The European Commission has authorized the conversion into shares of public debt amounting to around EUR135 million for Oltchim. Following the operation, the Romanian privatization authority AVAS will become majority holder in the chemical producer. The debt-to-equity swap would force minority shareholders to contribute tens of millions of Euros to the operation in order to preserve their current stock in the company. According to the above-mentioned document, four companies have already expressed interest in buying the majority stake in Olcthim. The potential buyers are Russia's energy producer TISE, Romanian Rompet Rogas, Forte of the United Arab Emirates and Germany's PCC.

The European Commission decided to end legal proceedings against Romania concerning the implementation of the Blue Card Directive.

The Commission noted that three EU member states have not yet eased the access of highly skilled workers to the EU labour market. Austria, Cyprus and Greece have not yet transposed the rules of the Blue Card Directive, which should have been implemented before 19 June 2011.

According to the press release, the Commission also decided to end the proceedings against Malta, Romania and Luxembourg. The EU Blue Card states norms that help highly qualified migrants outside Europe work in the EU. The Directive was adopted on May 25, 2009 and EU member states had until June 2011 to transpose it into their national legislation.

The European Commission has sent Romania a reasoned opinion urging compliance with the legal obligation of liberalizing the electricity and natural gas markets.

The Commission sent 15 Reasoned Opinions to Member States to urge them to comply with their legal obligation. The Member States now have two months to respond. If they fail to comply the Commission may refer them to the Court of Justice of the European Union. The Directives on electricity and natural gas were supposed to be transposed into national legislations by March 3, 2011.

"As to date Bulgaria, Cyprus, Spain, Luxembourg, Netherlands, Romania and Slovakia have not informed the Commission of any transposition measures for the two Directives and Estonia has not done so as regards the Gas Directive," according to the Commission.

Romania's agriculture payments agency (APIA) will launch the 2012 campaign to receive requests for payments per area.

Farmers have until May 15 to submit per-hectare payment requests. APIA will apply penalties for requests filed after this date. Requests submitted after June 11 will not be taken into account.

Payment per area schemes are financed through the European Agricultural Guarantee Fund, the European Agricultural Fund for Rural Development and with funds from the state budget, allotted though the Agriculture Ministry. For the 2012 campaign, Romania has been allotted EUR1.087 billion from the European Agricultural Guarantee Fund for the single payment scheme. Romania was allotted about EUR8.2 billion for payments to farmers for the 2007-2013 interval. Between January 2011- and February 2012, APIA made payments of about EUR2.9 billion, of which EUR1.93 billion were EU funds.

Romanian insurers that issue natural disaster relief policies will determine the capital needed to cover loses.

The draft put up for public debate introduces a unitary formula to estimate damages to be paid by insurers that issue natural disaster insurance policies. The new formula is similar to the one applied by the European Insurance and Occupational Pensions Authority (EIOPA) and used in the Quantitative Impact Study 5 (QIS 5).

The new formula may determine the capital needed by insurers to cover losses caused by earthquake and floods, considering estimations regarding premiums underwritten on this segment and reinsurance programs. The draft normative act is important for insurers operating in Romania, as it helps implement the principles required by Solvency II, meant to harmonize insurance regulations in the European Union.

Romanian Prime Minister has notified prosecutors about the irregularities identified at the Property Restitution Authority (ANRP).

Of the 38,000 compensation requests submitted between 2005 and 2007, about 21,000 have not been distributed to be analyzed, while the remaining 17,000, although distributed, have not been analyzed and settled. Some 80% of the files for which compensatory certificates have been issued did not include legal heir certificates. ANRP is in charge with distributing Fondul Proprietatea (FP.RO) shares in compensation for property seized in the communist era.

The Government has decided to suspend for six months the issue of certificates whereby the people whose property was abusively seized during the communist period receive compensation. The measure is necessary to "consolidate" the normative frame needed to enforce the legislation in the field. The measure was taken as a result of an internal audit, the decision of the European Court of Human Rights (ECHR) compelling Romania to tackle the issue of compensations within an 18-month deadline, which expires soon, and the fact that the state holds only few shares in Fondul Proprietatea. The state currently owns 2.69% of the fund's shares, via the Finance Ministry, and also a mere 0.04%.

The Romanian government will deregulate electricity tariffs for both industrial and household clients.

Price deregulation is set to unfold in six separate rounds for corporate clients, between September 2012 and January 2014, according to an official document. In the case of household consumers, the deregulation scheme will include 10 stages, between July 2013 and December 2017.

The government plans to eliminate a social tariff applicable to vulnerable consumers, the document noted. The social tariffs, aimed to protect low-income consumers from expensive electricity bills, will be lifted in three stages, between 2013 and 2015. Vulnerable consumers will benefit from state aid to compensate the higher bills. The state aid will be granted only to individuals or families whose net income is smaller or equal to the minimum wage. Romania's minimum wage is currently at 700 lei (EUR160.5) a month.

Romania's Agriculture Ministry is working on a project to set up a land bank.

The land bank will have pre-emption right to merge the farmlands put up for sale by private individuals, adding this is the only way to merge and preserve these plots.
In 2011, ministry officials said the Agency of State Domains might be reorganized as a land bank tasked with purchasing lands to further merge, lease or sell them.

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