

### **Romania's fiscal policy might still be procyclical.**

We are just coming out of the recession, and yet we still have inflationary expectations. I do not think that a more relaxed monetary policy would fix things. Monetary policy can control the demand, but preventing higher prices derived from supply shocks triggers wider fluctuations in production and unemployment rates.

The central bank's chief said Romania's effort to reduce its budget deficit to 3% of the gross domestic product from 9% of GDP pre-crisis has taken its toll on the economy and the monetary policies implemented during the recession were not enough to balance the fiscal policies.

### **Romanian housing permits rose 25.7% in February 2013.**

Compared with February 2012, new building permits increased 6.6%, the data showed. residential constructions in rural areas made up for 67.3% of the new housing permits issued in February. In January through February, Romanian housing permits reached 3,824 units, up 2.5% on the year.

### **Foreign currency deposits in Romania have risen in the past year.**

Foreign currency deposits reached EUR16.5 billion at the end of February, while savings in lei fell towards RON123 billion (EUR28 billion). The transfer of deposits in lei into foreign currency has remained the dominant trend on the market.

The trend favoring foreign currency deepened last summer amid exchange rate volatility, but continued in the past few months as well (when the leu appreciated), with some clients considering this a good time to invest in the euro at low costs.

### **In almost five years of decline a new kind of consultants has established itself.**

They are insolvency practitioners and the largest 34 companies in this business made more than 100 million lei (EUR22.7 million) in revenue last year, according to the data centralized by the National Union of Insolvency Practitioners (UNPIR).

### **Investors interested in Posta Romana have until May 28 to submit offers.**

According to the ministry, the International Monetary Fund consented to the deadline extension. The decision was taken following requests from investors, who demanded more time to analyze the company's growth potential. Romania is looking for a strategic investor to acquire 51% of Posta Romana.

### **Farmers allowed to purchase farmland and use it as collateral on bank loans.**

The ministry has stated that this could be an advantage for Romanian farmers after the liberalization of land transactions starting January 1, 2014, adding this procedure will be regulated in upcoming months. This move is not allowed at the moment, but if successful it would a first sign from banks that they are willing to be more open to the agricultural sector.

## **Bucharest Stock Exchange yesterday voted to dismiss Victor Cionga.**

The decision... came as a fact that, reported to the expectations of the board, the restructuring process of the Bucharest Stock Exchange did not progress sufficiently fast, at present being in an incipient stage. Cionga will continue to act as general manager for two more months before the board selects his replacement.

## **OMV Petrom will invest in the 2013-2015, EUR 200 million in redevelopment works.**

The works aim to unlock additional hydrocarbon reserves in the region. We operate very mature fields and over the last years we have been able to reduce the production decline rate to roughly 1% per year. Field redevelopment projects are and will be essential to keep production stable said Petrom. Petrom currently supplies approximately 40% of the oil and gas demand in Romania.

Suplacu is a mature oil field, in production for over 50 years, with a daily production of 10% of the total oil production of OMV Petrom in Romania. The redevelopment works will comprise drilling additional 105 wells, the implementation of state-of-the-art technology to increase hydrocarbon recovery rates, as well as the construction of a new water treatment plant and upgrades at the company's gas combustion and air compression systems.

## **No part of Romania has escaped insolvency in the last five years.**

Insolvency specialists say the number of insolvencies will remain high across the entire economy in 2013 and, probably, in 2014. This has to do with the trend of the non-performing loan portfolios of banks, and the news in the business media every week since the beginning of the year seem to confirm it.

Banks have been sweeping it under the rug for all these years and rolled over the loans to keep them from affecting their bottom line and where did it get us? Large and medium-sized companies are no longer able to cope because, the crisis did not end in three months, in six months, a year, two years and is still ongoing now. Companies like steel maker Mechel Targoviste, water industry and agriculture equipment supplier Romet Buzau, chemical plant Oltchim Ramnicu-Valcea, bakery producer Dobrogea Grup and office complex Swan in Pipera (northern Bucharest) have gone insolvent since the beginning the year. As a result, 2013 appears to be at least as difficult as 2012 was.

## **Romania's unemployment rate inched up to 6.7% in February.**

In February 2012, the jobless rate was 7.3%. An estimated 674,000 people were unemployed and looking for work in February, up from 660,000 a month earlier.

## **First 100 days of the second Government led by prime minister Victor Ponta.**

From the day the Government was installed (December 21 2012) until its 100th day in office (March 31 2013) Ponta 2 Government issued 17 emergency decrees and 10 simple decrees, which compares with 16 emergency decrees and 3 simple ones in the first 100 days of the Ponta 1 Government. Ruling coalition USL, which has a majority in Parliament, received 81 draft laws for approval from the Government. But few of the decisions or laws endorsed by the Government during this time have had a major impact on the business world, say analysts and entrepreneurs.

## **Romania's Health Minister signs order halting the parallel exports.**

The reason behind this move is the fact that a drugstore purchased from medicine supplier three cancer treatment medicines which it subsequently exported. If the cancer drugs had not been exported, they would have covered the need in Romania for this type of medicines by August 2013.

## **Romania's government will temporarily reduce the number of green certificates.**

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 end-December 2016 wind power producers will receive one green certificate for each megawatt of energy they produce, instead of two certificates 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. Green energy producers will recover the green certificates taken away through the new regulations starting January 2017 (in the case of solar power and hydropower producers). Wind power producers will recover certificates starting January 2018, the draft act states.

### **Elliott Associates, wants a simpler procedure to replace Proprietatea's manager.**

The four-year term of the current manager, Franklin Templeton, expires in August 2014 and Elliott may not vote to extend it by another four years. Elliott's request to alter the corporate charter of Fondul Proprietatea clearly shows the main shareholder of the fund wants the procedure to replace the manager to be as simple as possible. Brokers say Elliott's request is perfectly normal and is not a declaration of war against Templeton.

### **TBI Bank, wants to grant loans of EUR60-70 million to individuals and firms.**

TBI Bank Bucharest started operations on March 22, as a subsidiary of TBI Bank EAD Sofia. Dutch TBIF also operates the TBI Leasing and TBI Credit companies in Romania. The bank will focus on retail services, which are expected to have a 60% share in its loan portfolio. It will offer loans for SMEs, and consumer loans as well as credit cards for individuals. The bank's portfolio will not include mortgage loans for the time being.

### **Measure Reducing green certificates will apply only to producers that enter Romania starting 2014.**

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.

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### **European Commission to finance works for the extension of Bucharest's subway.**

The Government has received a "verbal and secure" agreement from the Commission as regarding financing works for the two mainlines through the Transport Operational Program POST for 2007-2013.

### **Every Romanian drank 35 cups of instant coffee on average last year.**

Instant coffee consumption amounted to 1,319 tons in 2012, which includes sales through modern (supermarkets, hypermarkets and discount stores) and traditional retail. It takes eight grams to make one cup of coffee using ground coffee, and only two grams to make one cup of instant coffee.

### **Trade deficit narrowed in February to its lowest monthly level in 10 years.**

The trade gap reached EUR 208.2 million in February, down from EUR 300.8 million a month earlier and from EUR 509.3 million in February 2012. Exports rose 10% on the year to EUR 3.87 billion in February, while imports were up 1.3% to EUR 4.08 billion. In January through February, Romania's trade deficit improved to EUR 508.4 million, from EUR 969.5 million in the first two

months of 2012.

### **The priority of Labormed, is to make the company less reliant on the Romanian market.**

To do this, it will register and launch Labormed products in the CEE and the Commonwealth of Independent States. Alvogen announced that the Labormed plant would be used as a production, research, development, sales and marketing base for the region. Alvogen is a US company currently building a presence in the region and in Europe and is interested in expanding through acquisitions.

### **Secondary public offering of shares of Transgaz three times oversubscribed.**

Transgaz's secondary offering was launched April 4 and was due for completion April 16. The offering was priced at RON 171 to RON 230 a share (EUR 38.77 to EUR 52.15). Of the total 1.77 million shares offered for subscription, 7% were allocated to small investors (who underwrite between 10 and 1,000 shares), 8% to large retail investors while the remaining shares are reserved to institutional investors.

### **Price-based strategies promoted by insurance companies in Romania will fail.**

Dumping is no longer a solution for promoting insurance companies, not even on the car insurance segment. According to CSA data, the Romanian car insurance market contribute about 50% of overall premiums underwritten locally, which rose 5.8% last year to 8.27 billion lei (EUR1.87 billion). Underwritten premiums on the car insurance segment amounted to RON4.1 billion, with RON2.13 billion generated by mandatory car insurance policies (RCA).

Fewer car insurance contracts meant fewer requests for damages, but not necessarily lower, he highlighted, adding that the increase in damages paid by insurers should have been offset by an increase in RCA policy prices.

### **Average electricity price dropped almost 40% in the first quarter of the year.**

Spot transactions are becoming more and more important, as the amount traded is almost 25% higher than in the first three months of last year. Companies would rather take their chances now with day-ahead transactions than seek protection in form of long-term contracts at almost 30% higher prices. The main reason for this drop of electricity price is the introduction of the wind power into the system.

The electricity generated by the wind farms, which produced more than the two reactors of the nuclear power plant in Cernavoda (SE Romania) at times is not the only factor that that caused the price to plummet. Power consumption dropped in the first two months of the year, with demand for electricity in February down about 11% on the year-ago period. Moreover, hydropower production is picking up after two years of severe drought.

### **Foreign insurers brought capital to Romanian subsidiaries.**

Last year alone, foreign shareholders paid EUR180 million out of their pockets to bolster insurers' capital. Insurance companies have to pay 10 lei out of their pocket for very 100 lei they get from clients. There were companies that made a profit, but the positive results were completely overshadowed by the [overall] losses. 2012 results might look better.

About half of insurance companies reported profit constantly during the crisis years, but the earnings were very low and did not manage to compensate for the huge losses of the other insurers. General insurance policies, in particular auto policies, generate the biggest losses for insurance companies, considering that sales fell during the crisis years, while damage claims continued to rise.

## **Twenty years have not been enough to create a generation of business people.**

The main reason for the large number of insolvencies among Romanian entrepreneurs is that they did not start off well capitalized. The development of the largest Romanian companies was done through loans, and the second reason for the insolvencies would be the lack of management. Romanian legislation on insolvency has been modeled on the American one and in general is favorable to rescuing companies. Romanian companies need support because widespread bankruptcy is not the best solution.

This non-payment of debts to the state budget comes from the interpretation of a legal provision which says that if a company goes insolvent, penalties, which in some cases amounted to as much as 36% per year, are no longer added to overdue debts to the state budget. But there were companies which interpreted the law differently and said they would not even pay penalties charged on their current debts, which piled on after the start of insolvency proceedings.”

## **Private equity investors estimate transactions will increase slightly this year.**

Most private equity investors expect to focus this year on developing companies in their portfolio. Most of them expect that the pharma, retail, energy/utilities and technology/media sectors will see a very high number of M&A transactions with private equity involvement in 2013. A low number of private equity transactions is expected for the construction and automotive sectors.

According to European Private Equity and Venture Capital Association (EVCA) data, investment funds invested EUR910 million in Romania between 2007 and end-June 2012. Higher investments were registered in Poland (EUR2.79 billion), the Czech Republic (EUR2.29 billion), Hungary (EUR1.2 billion) and Bulgaria (EUR920 million).

## **European Commission approves an investment of EUR54 million for a project meant to prevent floods in Romania.**

According to the Commission, the project targets to upgrade the equipment used to prevent floods and associated risks, reduce the impacts of flooding, including pollution, and optimize the country's existing water management infrastructure.

## **Government considers the restitution of property has degenerated.**

Romania has returned 9,026 buildings, including schools, kindergartens, and hospitals, and nearly one million hectares of land and forests. The state has also paid compensation of EUR5 billion and requests for extra EUR8 million are pending settlement. The government will seek a confidence vote in Parliament on a new bill regulating the restitution of property, which says that former owners of nationalized homes in Romania who cannot get back their homes will receive points with a face value of 1 leu (EUR0.22), considering the value of the building, which they can use to buy other homes at auction or change them into currency after 2017. Former owners whose claims have already been settled will receive cash compensation within five years starting January 2014, in equal annual tranches of at least RON 5,000.

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