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# INFOPOLITIC

## Romanian Politics

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### IMPORTANT DEVELOPMENTS

1. **FINANCE.** The draft of the IMF agreement will be presented to the Parliament in September.
2. **AGRICULTURE.** The agricultural sector receives increased Government attention.
3. **FINANCE.** The Government increases its support for SMEs.
4. **POLITICS.** The USL Government responds to the PDL's proposals.
5. **INFRASTRUCTURE.** The contract for the Brasov-Comarnic highway will be signed.



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## THE AGREEMENT WITH THE IMF WILL BE SUBMITTED TO THE PARLIAMENT IN SEPTEMBER

Prime Minister Victor Ponta said, during the weekly meeting of the Government, **that he will submit to the Parliament in September, at the beginning of the session, the provisions of the new agreement with the IMF.** Victor Ponta said that this agreement does not have to be just a government decision, but one of all responsible parties, regardless of their "irresponsible members" in Parliament and at Cotroceni.

**"At the beginning of the parliamentary session, I will ask the Presidents of the two chambers with the request to be able to present to the Parliament the elements of a new agreement, so as to be a not only a Government decision, but also a Parliament one and one of all political forces responsible" the PM stated.**

Victor Ponta also said that he extended an invitation to dialogue from the USL to the PDL, and if the Democrat Liberals will accept, he will go together with Finance Minister Daniel Chitoiu, and the Minister for Budget, Liviu Voinea, to discuss on the state budget for 2014 and the agreement with the IMF.

**"I want it to be a different kind of Government, as I actually tried last year - more dialogue, less stubbornly, if there are good ideas," said the PM.**

## THE AGRICULTURAL SECTOR REMAINS A PRIORITY FOR THE USL GOVERNMENT



At the request of the Ministry of Agriculture, the Competition Council investigates the cartels in the grain trade

Agriculture remains a priority for the USL Government. The checks made by the Competition Council at the grain traders, through which it was checked if they set unfair prices and conditions for trading agricultural products are a result of the request made by the Ministry of Agriculture!

**The USL's interest is that all the actors in agriculture who use anti-competitive practices to make profit from the manufacturers to be identified and punished.** The Competition Council will consider all the evidence collected from the checked companies and, if irregularities are identified, they will be sanctioned.

This year's results in agriculture, and also the political decisions that the Government took speak for themselves: In the first six months of 2013, compared to the same period in 2012, production has increased as follows: **meat 2.4%, eggs +7.6%, honey +25.9%, wool 7%**. For 2013, significant increases in vegetables, fruits, nuts and potatoes are also projected. Grain growth is estimated at about 60%.

Romania also obtained 220 million Euros from the EU for the main irrigation modernization, which covers 200,000 hectares. **Coupled with the reduction of the VAT on bread from 24% to 9%**, which aims to reduce tax evasion in the field and reduce prices of all bakery products, the Government's policies have **managed to create over 28,800 jobs in agriculture**, following completion of NPRD projects.

Moreover, in 2013 the Government gave direct and **complementary payments worth 2.8 billion euros**. More than **50 projects** for storage of vegetables and fruits, designed for purchasing, sorting, storage and packing products have been supported.



## THE MINISTRY OF FINANCE WILL INCREASE THE BUDGET FOR THE MINIMIS SCHEME FOR SMES

Ministry of Finance published a draft budget which concerns the budget **increase for the aid scheme of SMEs, from RON 400 million to RON 500 million**, due to the special interest of businessmen towards the minimis aid scheme. The estimates of the Finance Ministry predict an increase in the number of SMEs receiving de minimis aid to about 2,000.

Through the new minimis aid scheme is introduced the condition to create up to the completion of the investment and maintain for a period of 3 years from the completion of the investment: **five jobs, of which at least two jobs for people who had no labor contract in the past 3 months, including in the case of a minimis aid up to € 100,000; seven jobs, of which at least three jobs for people who had no labor contract in the past 3 months, including in the case of a minimis aid from € 100,000 to € 200,000.**

## THE GOVERNMENT RESPONDS CONSTRUCTIVELY TO THE PDL'S PROPOSALS

Prime Minister Victor Ponta replied to the economic proposals coming from the PDL, saying he took note of the proposal to reduce the single rate tax and the social security contributions. **"We do not reject these ideas in principle. If there is, beyond the announcement, concrete measures that can be supported by the opposition, we are willing to talk.** To meet with Mr. Blaga, with Mr. Predoiu to see to what extent they can be applied. There is a policymaking problem: **lowering the single rate tax for absolutely**



**everyone would imply an increase in the income gap between those with low wages and those with high salaries,"** said Victor Ponta.

The Prime Minister insisted that the USL wants to keep a budget equilibrium and a normal ratio between low and high income. "But there is the issue of budgetary impact. The reduction from the 1<sup>st</sup> of January of the single rate tax, of the CAS and the increase of the minimum wage involves a deficiency of revenues of 6 billion lei for the single rate, a deficit of £ 5.7 billion more to the CAS, and to the increase of the minimum wage another 535 million lei. **Basically, the budget starts with a hole, a deficit of 12 billion lei, which can be covered by either cutting expenses, salaries and pensions can be cut back again or increase of taxes. There is no other third option,**" said the PM. From a macroeconomic perspective, Romania cannot afford to reduce its single rate tax, the PM added. He also ensured that the USL is willing to discuss with PDL constructive proposals.

Official government representatives added that if sustainable, **the PDL proposal would make the poor and middle class Romanians not earning anything, the measure being strictly in favor of the highest earners.** In addition, without a measure of compensation, the result would be to increase the budget deficit, to increase interest rates that Romanians will pay, and to increase inflation as well.

## **THE CONTRACT FOR THE BRASOV-COMARNIC HIGHWAY WILL BE SIGNED**

**This fall the Comarnic-Brasov motorway contract will be signed, Prime Minister Victor Ponta declared. Work on the**



**project is expected to start next spring.** The Comarnic-Brasov section is one of the fundamental objectives of the USL this year, which Prime Minister Victor Ponta has personally committed to.

**Government figures added that the USL Government intends to prove that work can begin and be carried out on a highway very quickly if there is a political will.**

Regarding the South Beltway of Bucharest, **the Government wants the documentation to be signed in November, so that the works will start in March-April 2014.** In order to go on the new highway that will link the cities of Pitesti and Constanta, **drivers will have to pay a fee, but its value will be small.** Until the completion of the South Beltway, the Government will approve, next week, through a Government decision the launch of the procedures for the creation of a bridge in the Ghencea extension area, which could be opened in 2014, in order to ease traffic.