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# INFOPOLITIC

## Romanian Politics

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### IMPORTANT DEVELOPMENTS

1. **ECONOMY.** The Ponta Government takes left-wing measures.
2. **FINANCES.** Reforming the tax collection system starts yielding results!
3. **EUROPEAN FUNDS.** Romania RANKS 1<sup>ST</sup> at the reimbursement of European Funds.
4. **FINANCES.** PM Victor Ponta calls for stronger measures to combat tax evasion.
5. **FOREIGN POLICY.** Victor Ponta attended the opening of the Marmaray tunnel.
6. **EUROPEAN POLITICS.** PM Victor Ponta met the vice-president of the EC, Neelie Kroes.
7. **POLITICS.** The PSD remains the leading party on the Romanian political scene.



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## THE PONTA GOVERNMENT TAKES LEFT-WING MEASURES

USL officials declared that **pensions will be indexed, salaries of junior education staff and medical residents will increase, and labor taxation will decrease.**

Government officials stressed that **pensions will be indexed over the inflation rate. Millions of Romanians will benefit from this increase.** Moreover, despite an inflation rate of less than 2%, the pension increase will be amounting to 4%. Also, the wages will be increased for all state employees - especially for young people, junior education staff and resident doctors (which would benefit from major increases of up to 20 %, according to Minister Voinea) - hundreds of thousands of beneficiaries.

**Increasing the minimum wage will occur in two installments, up to 900 RON** - beneficiaries being approx. 800,000 Romanians.

According to Government statements, **the CAS reduction will be implemented from mid-2014**, so it could have a greater multiplication effect in the economy - the beneficiaries being all Romanian-based companies!

Government officials have also pointed out that one of the greater gains, following discussions with international partners, is **to maintain the current level of the flat tax, namely the VAT for bread.**

PSD leaders stressed that all these are leftist-inspired measures, even the CAS reduction, because it reduces labor taxation. The budgetary impact of reducing the CAS is not high - 2 billion lei in 2014, if it will be applied from July 1<sup>st</sup>, said the same sources, who also indicated that the measure



is aimed at reviving the economy - Romania needs measures to increase the GDP potential. One of these, a higher added value for the labor factor.

In Romania, labor is underpaid, added the Government spokesmen. At 1 euro added value produced in the economy, only 30% go to labor, 60% goes to capital and 10% to taxes. Reducing the CAS stimulates job creation. Romania lost 740,000 employees between September 2008 (the start point of the crisis) - January 2011 (the minimum point reached regarding the number of employees). **The increasing employment rate is one of the structural solutions to reduce pressure on social security, health, unemployment and out of poverty budgets, Government officials stressed.**

**Reducing the CAS is strictly necessary for Romania, which has one of the highest tax burdens on labor in the EU, respectively 43%. Besides, employers in Romania have a high cost to pay one Euro net to an employee.**

## **REFORMING THE TAX COLLECTION SYSTEM STARTS YIELDING!**

**Revenues collected by ANAF in October 2013 are with 7.38% higher compared to the same period of last year and by 2.66% higher than programmed.** Total revenues of the National Agency for Fiscal Administration (ANAF) in October 2013 totaled 17,091.68 million lei, with 7.38% more than in October 2012, registering an achievement of 102.57% of the program. At state budget, 12134.46 million lei were collected, with 891.42 million lei more compared to the same month in 2012, registering an achievement of 102.57% of the program.

According to the Public Finance Ministry data, **the tax reform implemented by the current Executive proves its**



**functionality, October being the first month in which revenues were over 100%.**

**The economic evolution that Romania has seen lately, confirms the predictions of the international institutions, and the reports of some organizations, that showed that our country has a growth potential.**

**By continuing the current tax reform and carrying out the reorganization of the ANAF, Romania can become more efficient in terms of taxation,** Government officials stressed. Already, some of the Government's measures begin to take shape at the level of revenues collection to the state budget, reiterated the same voices.

## **ROMANIA RANKS 1<sup>ST</sup> AT THE REIMBURSEMENT OF EUROPEAN FUNDS**

The EU Funds Minister, Eugen Teodorovici said, in Medias, that Romania, in the first eight months, was ranking first in regards to funds reimbursement from the European Commission, with a 75% increase compared to 2008-2012.

**"We cannot deny Romania's growth, which, if it continues, will give us very good chances** and hope that, at the end of 2015, when the first funding period actually closes, we will exceed a level of 80%", said the EU Funds Minister, in a press conference.

The EU funds absorption rate increased to approximately 26%, compared to 7.4% in May 2012. **The Minister said that since the beginning of the year, about 2.5 billion euros entered in Romania.**

"This means that we've already achieved the target we had with the IMF. It is very important. We already hope that by the end of the year, another half billion euros will enter, so



that we have something around three billion euros by end of the year, fact that means a lot", said Teodorovici.

In Medias, the EU Funds Minister met with mayors from the region, on which occasion they discussed about the started projects - schools, hospitals or county roads - but stopped due to the lack of financing. Teodorovici noted that a proposal was submitted to the European Commission for the reallocation of some funds among operational programs.

"The Commission will have to take a decision up to the end of the year. We hope it will be a positive decision, so that these projects get financed urgently", said the official.

Eugen Teodorovici also mentioned that **our country will have to pay to the European Commission more than one billion euros, for the system deficiencies between 2009 and 2011**, which means 5% of the current financial allocation.

## PM VICTOR PONTA CALLS FOR STRONGER MEASURES TO COMBAT TAX EVASION

"I had the information and I asked for full support and I commend the actions of both the prosecutors and the police, of those from the SRI for fighting this phenomenon, which, indeed, destroys Romania for so many years, - the tax evasion and tax fraud phenomenon -, through all laws that we have adopted. It is one of the actions and others will follow against some networks that worked for many years and against a phenomenon", said Victor Ponta.

**The prime minister also said that the actions of the prosecution and of the SRI, in conjunction with the enactment of the Insolvency legislation, already have positive effects on budget revenues.**



"In Romania, if you are a tax dodger and you do not pay taxes, you are even praised on TV, and this thing is inadmissible, we must explain that the money necessary for schools, hospitals, roads, investment can only come if everyone who has this obligation required by law pays their taxes. I asked for and I provide all the necessary and logistical and legislative assistance to the Prosecutor's Office or to the SRI, so they would give these extremely clear signals.

**After the enactment of the Insolvency legislation and after these strong actions, in the last two or three weeks we feel the difference in terms of revenue, we start not to have the hole that we had a few months ago", said Victor Ponta.**

The PM said, referring to the CCR decision on the emergency ordinance on the Insolvency legislation, that the fair sharing of Romania between fair companies that pay taxes and hotshots who do not pay taxes and are protected by CCR, is highly detrimental to the Romanian society. Victor Ponta pointed out that with the money from the companies that pay taxes, the state is able to finance schools and hospitals.

## VICTOR PONTA ATTENDED THE OPENING OF THE MARMARAY TUNNEL

**Prime Minister Victor Ponta made a visit to Turkey, where he attended the inauguration of the Marmaray tunnel.** On this occasion, the Romanian Prime Minister said that the tunnel is a historic achievement and, by linking Europe and Asia, a great project is carried out. The tunnel is part of what is known as the new Silk Road.

**"The opening of the Marmaray tunnel is indeed a historic achievement** and, by linking Europe and Asia, a great project is carried out. (...) I think such a project can be done



by great men and great political leaders (...) I would like to congratulate you for this day, when this city is once again the center of the world. I express my deepest gratitude and the deepest compliments for this incredible achievement: Europe linked with Asia, creating a new undersea railway. Linking London with all Asia through rail is a historic achievement", PM Victor Ponta conveyed to his Turkish counterpart Recep Tayyip Erdogan.

In a joint press conference with his counterpart, the head of the Executive in Bucharest **reaffirmed the strategic partnership between Romania and Turkey in the political, military and economic areas**, and emphasized the constant and determined support that our country gives to the Government in Ankara regarding the EU integration process.

"I want to reiterate the fact that, for Romania, the relations between the two countries account for a totally particular partnership, a strategic partnership, a political partnership. We have coordination and advise on major foreign policy issues, a military partnership within NATO and an extremely important economic partnership", said PM Victor Ponta.

The prime minister added that, **in terms of economic relations, the projects that the two Governments have discussed and continue to discuss concern the areas of energy, transport and agriculture**, but also other areas of economic development. Victor Ponta noted, also, the constant and determined support that Romania attaches to its relationship with Turkey in all European forums. PM Victor Ponta's visit in Istanbul did not go unnoticed and, **Turkey's Prime Minister, Erdogan, considered Victor Ponta "the representative of Europe" at this event**, at which he wanted to invite someone important from the two continents that we Marmaray tunnel link - Europe and Asia.



## PM VICTOR PONTA MET THE VICE-PRESIDENT OF THE EC, NEELIE KROES

PM Victor Ponta had a meeting at Victoria Palace with the Vice-President of the European Commission responsible for the Digital Agenda, Neelie Kroes. The two held a joint press statement, on the reform of the Digital Agenda.

**"Romania will continue to support all projects for implementing the Digital Agenda** and we wish that the reform initiated by Mrs. Commissioner to prove to be successful throughout Europe. I want to thank for the cooperation with the Line Ministry in Romania. Romania still has a great handicap to recover, in terms of access to broadband networks and in digital development", admitted the leader of the Executive.

**However, Victor Ponta revealed that two major projects were unblocked, one of which is the one regarding Internet access in schools, "a project that should have been done years ago".**

**"The support of the European Commission is essential for Romania to recover this handicap** and I want to thank you for your support in the unblocking of two important projects and, also, we have informed that we are finally in an advanced stage in the project regarding Internet access in schools. These are old projects that should have been done years ago", added the PM.

In turn, **the European Commission Vice-President said that the Prime Minister "made her day"** and appeared to be delighted by the performance of young Romanians in the digital domain.

"I am impressed by what you have created for the Youth Organization, this is what I discussed with the other ministers, also. We have to give opportunities to the youth,





as we have the example of that young man who worked on urban mobility, we must give these young people the chance of job creation", said Neelie Kroes.

## THE PSD REMAINS THE LEADING PARTY ON THE ROMANIAN POLITICAL SCENE

According to a survey conducted between October 1 and 5, by SITC, on a sample of 1090 people, with an error margin of 3.1%, USL remains the most important political actor on the political stage in Romania. **62% of participants in a ballot would give their votes to the alliance between the social democrats and liberals**, while the most important opposition party, PDL would receive the votes from only 18% of voters. PDL is followed by UDMR, with 5% of the votes, PPDD, with 4% of voters' preferences, PRM (3%) and the Popular Movement (MP) with 3%.

Regarding the European Parliament elections, **the PSD is the poll's favorite. No less than 41% of voters express their support for the social democrats**, in the perspective of the European Parliament elections. The Social Democrats are followed by PNL (20% of votes) and PDL (18% of votes). UDMR would receive 5% of the votes, while PPDD would have been voted by 4% of the electorate. PRM would receive 3%, while MP is also quoted at 3%. The Conservatives are preferred by 2% of the voters.

**The survey also shows a relatively high degree of satisfaction of the audience towards Prime Minister Victor Ponta's activity.** 53% of voters are satisfied with the actions of the PM (9% are very satisfied, while 44% are somewhat satisfied). By contrast, only 30% of voters are satisfied with the activities of the President (23% are somewhat satisfied, while 7% are very satisfied).



**The public responses also show that the economic evolution is the most important topic on the public agenda** - 44% of Romanians believe that the economic situation is the most important problem that Romania is facing. In order of importance, it is followed by the increase of prices (nominated by 35% of respondents) and unemployment (33%), health (21%), and crime/corruption (19%).

**37% of respondents also believe that the main problem that the businesses environment is facing is the declining purchasing power.** This is followed in the hierarchy by the decreasing liquidities in the market (26%), high levels of bureaucracy (22%) and the number and level of taxes (22%), regulatory changes (17%) and corruption (13%).

**45% of Romanians consider also that the current Government can fight against corruption,** while 28% of respondents say the current Cabinet cannot act at this level. 27% of Romanians do not have their options in this regard. Also, **41% of respondents believe that the Ponta Government is more capable than the previous cabinet to continue the fight against corruption,** as opposed to 24% who credited the Ungureanu Cabinet as being more able to fight against corruption. 43% of Romanians estimated that the corruption level is as high as 5 years ago. 13% of respondents believe that the level of corruption has increased, while 21% believe that there is less corruption than 5 years ago.