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Romanian government has approved the legal framework to allow the central 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 can be transferred to a suitable investor. The project was drafted after consultations with the International Monetary Fund.

Proposal that the pollution tax upon the first sale of cars registered in Romania before January 1, 2007 be suspended until January 1, 2013.

The reason behind this move was that owners of used cars did not understand how the new system works. Also, the tax to be paid by buyers of cars registered before 2007 exceeds by far the value of the respective cars. The new car pollution tax law, adopted by the Parliament on December 15, 2011, was published in the Official Journal on January 10 and took effect on January 13.

Under the new regulations, the car pollution tax will be charged for both new and used cars registered for the first time in Romania, regardless of whether the vehicle was produced in the country or abroad, as well as for cars registered before 2007, for which the tax was not paid.

Romania's government has lowered expectations for its planned sale of a 20% stake in state-run airline Tarom.

The Transport Ministry, majority owner in Tarom, last year initiated the privatization proceedings for the airline and hired a consortium made of Carpatica Invest and Swiss Capital to broker the IPO. A document drafted by the ministry indicates the airline is still very much affected by the global financial crisis and the revenues from selling a 20% stake are not expected to exceed EUR7.4 million.

Tarom is one of the companies monitored by the International Monetary Fund under a EUR3.5 billion precautionary deal signed in 2011. At the latest negotiations with the IMF, the government pledged to sell a minority stake in the company by end-April 2012. The airline is yet to release the results for 2011.

Tax authority ANAF must refund in five days the money seized through distraint orders which exceeds contributors' debts to the state.

Contributors may ask to be paid interest if the fiscal authority fails to observe the payment deadline. Interest will be computed considering the delay.

The European Commission requires Romania and four other states to comply with their obligation to implement simplified rules on mergers and divisions.

“The Commission has acted to ensure that five member states (Cyprus, Italy, Romania, Slovenia and Spain) comply with their obligation to implement simplified rules on mergers and divisions,” the EU’s said in a statement. The five countries had until June 30, 2011 to implement the EU Directive 2009/109 as regards reporting and documentation requirements in the case of mergers and divisions. The EU directive aims to reduce the administrative burdens on European public limited liability companies in the area of mergers and divisions.

Romania's Government will suspend the car pollution tax and will refund people who bought used cars since January 13, 2012 and paid the tax.

Under the new law on the car pollution tax, the tax is charged to the buyer for vehicles registered before 2007, when first transferring the property rights. The new tax system is in effect since January 13. People who have already paid the tax will get a refund by writing a request to the fiscal authority, according to a draft emergency ordinance being prepared by the Government.

The reasons for the suspension include both technical difficulties, related to the documents required when transferring the ownership rights over the used car, and the need to "reevaluate" the tax's economic and social impact.

Romania's High Court of Justice sentenced former social democrat Prime Minister Adrian Nastase to two years in prison on charges of corruption in raising funds for his 2004 presidential election campaign.

The decision may be appealed to a High Court's panel of five judges. The trial ended on January 9, 2012. At his last court appearance, Nastase maintained he is innocent and said the case against him is politically motivated. On December 15, 2011, Nastase was acquitted in a separate trial in which he faced corruption charges. Anticorruption prosecutors appealed the decision.

Cars registered in other states and used for long periods in Romania may be able to undergo their technical inspection in Romania.

According to an ordinance, the Romanian Auto Registry may perform the technical inspection for such vehicles, but it will only be valid in Romania, unless afforded recognition in other states under their national laws. The inspection's period of validity will be the same as for similar vehicles registered in the country.

Once it joined the European Union, Romania ensured freedom of movement and strengthened its rule of law, but also experienced disappointment.

The prime minister said Romania also failed to entirely use foreign direct investments, which amounted to EUR 44 billion between 2003 and 2010. He said that the 2007-2008 government failed to take advantage of foreign investments, missing the opportunity to reform the state. Romania also failed to convince the EU to lift the Mechanism for Cooperation and Verification (CVM) in the justice sector. Another disappointment is the decision of nine EU member states to keep work restrictions for Romanians. He also pointed out that, five years after Romania joined the EU it is not as competitive as its fellow member states.

Romania will subsidize the interest on loans taken by farmers between January 28 and December 31, 2011.

To receive this subsidy, farmers must submit an application in the first two months following the year for which the benefit is requested. Therefore, applications for subsidies for 2011 must be filed with the Agency for Agriculture Payments (APIA) by February 29, 2012. The subsidy will be provided for loan interest computed until December 31, 2013.

The European Commission's report to be published is overall positive as regards Romania, but generally negative in the case of Bulgaria.

The EC's report will commend Romania for the activity of the Integrity Agency (ANI) and Anticorruption Department (DNA), but will criticize the management of the case of ECHR judge Corneliu Barsan. The European Commission has been monitoring Bulgaria and Romania's progress in the justice sector since their EU accession in 2007. The Commission publishes two CVM reports yearly: an interim technical report in February and a final report in July, which also includes a political evaluation.

The Cabinet wants to attract EUR6 billion in EU funds and increase the country's fund absorption rate.

The new Government aims to speed up Romania's Schengen entry by improving dialog with the EU member states that are still blocking the country's accession. Romania's EU fund absorption rate hit 5.55% at the end of 2011. The new Cabinet wants to absorb EUR 6 billion by the end of 2012: EUR 2.5 billion in European funds for agriculture, of which EUR 1.2 billion for direct payments and EUR 1.3 billion for rural development, and EUR 3.5 billion in cohesion funds.

The proposed Government also wants to improve the EU fund absorption management and control system; clearly set the duties of institutions tasked with managing structural and cohesion funds; enhance the framework on granting pre-financing; increase the administrative capacity of authorities involved in managing structural funds by cooperating with international financial institutions; define the priorities of the 2014-2020 cohesion policy; ease the access of small and medium-sized enterprises and of local authorities to project co-financing, as well as simplify the public procurement law.

Romania's new Government, led by Mihai Razvan Ungureanu, received a confidence vote in Parliament.

Lawmakers voted 237 to two to instate the new Cabinet. The Cabinet required the confidence vote of at least 232 lawmakers. The opposition did not attend the vote.

The International Monetary Fund wants the Government to renegotiate the contract for the Valcea-Valcele railway line, and to find financing.

These obligations are included in the Government's letter of intent to the International Monetary Fund. CFR has until the end of April to renegotiate the contract and find financing (including state guarantees) for the line's rehabilitation.

In 1996, CFR contracted the partnership between Italian company Secol and American firm Royal Inter Trade to build the Valcea-Valcele railway line and repair, consolidate and raise the rail line near the Iron Gates I power plant, for \$138 million. Later, CFR unilaterally terminated

the contract, but a High Court of Justice ruling said the project was to be completed and awarded damages of \$1,000 per day of delays to the contractors.

Given that CFR has still not given the green light for the project, lacking the necessary funds, it owes total damages of around \$1.3 million. The accrual of these penalties would cease only when the contract is performed, however its value is currently estimated at four times the initial amount, because of the higher costs of materials and labor. The purpose of the rail line was to ease traffic on the Bucharest-Brasov line and shorten the distance from the capital to the city of Arad.

CFR Calatori will rent all available advertising spaces to increase its revenues.

CFR Calatori and the Finance Ministry will work on a scheme to reduce the railway operator's arrears by 300 million lei (EUR 69 million) by the end of June 2012.

Romania's national roads authority CNADNR has asked the Court of Accounts to check all subsequent contracts concluded by the authority for the maintenance of national roads and highways.

Since 2008, CNADNR has concluded frame agreements regarding the multi-annual maintenance of national roads and highways. The Court of Accounts' report in 2010 revealed a series of irregularities at CNADNR, following checkups which targeted the legality of the use and reimbursement of several loans, with the court setting damages of 7.61 million lei (EUR 1.7 million).

Romania's former Transport Minister Anca Boagiu said that, during her term, the ministry's control body filed six criminal complaints and CNADNR submitted six similar files to the National Anticorruption Department (DNA) and the General Police Department (IGP).

The Anti-Counterfeiting Trade Agreement (ACTA) could turn Romanian Internet service providers (ISPs) into "the Internet police" and will "burden" the budgets of telecom operators.

There are warnings that ACTA may allow the authorities greater freedom in intercepting data transferred and stored by Internet users. On the other hand, certain institutions said national legislation provides even stricter rules on copyright and they believe ACTA will not threaten the privacy of Internet users or introduce additional monitoring of Internet use.

The Business Software Alliance (BSA) in Romania stated that "ACTA brings together in a single document a series of provisions already found in the laws of many countries. In Romania, copyright laws are stricter than ACTA's terms,"

Romania will not face the risk of losing European funds for rural development.

The EU said the absorption of rural development funds must be closely monitored, with a focus on both the amount of funds and the rate of absorption. Romania must examine the impact investments financed through rural development programs have on the real economy of the areas where they are implemented.

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