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BULLETIN

The Government Crisis in Romania and the Prospects for Overcoming It

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On 5 October, the minority government of the National Liberal Party (PNL) and the Democratic Alliance of Hungarians (UDMR) of Prime Minister Florin Cîţu, received a vote of no confidence. The appointment of a new stable government is uncertain. This political crisis has weakened Romania's capabilities to tackle COVID-19 and could hamper the implementation of the Next Generation EU recovery plan. The prospect of a series of unstable governments will hinder the structural reforms on which Romanian membership in the Schengen area depends, as well as cooperation with foreign partners.

Romania's constitution gives the president a leading role in creating foreign and defence policy, but its implementation depends on cooperation with the government. President Klaus Iohannis, despite his considerable prerogatives in the internal political sphere, plays a further role in it, interfering in disputes in his native PNL and in inter-party relations. The lack of a clear division of prerogatives has led to conflicts between the power centres and caused political instability. Since Romania's accession to the EU in 2007, one president has been suspended twice and the government changed 16 times.

The December 2020 elections to the Chamber of Deputies and the Senate, with 466 seats in total, did not give any party a clear advantage, limiting the possibility of forming a stable majority. In the current term, the post-communist Social Democratic Party (PSD) remains the strongest with 145 mandates. The former centre-right coalition was made up of three parties: PNL with 120 MPs (another 14 supporting former chairman Ludovic Orban left the party during the crisis), the united Saving Romania Union and the Party of Liberty, Unity and Solidarity (USR PLUS) with 80, and UDMR with 29. It was also supported by 18 MPs from national minorities groupings. All factions stand out from the 43-mandate Alliance for Romanian Unity (AUR), a nationalist, anti-EU party that propagates conspiracy theories about COVID-19.

Break-Up of the Coalition. The direct reason for breaking the coalition was the dispute between USR PLUS and Prime Minister Florin Cîţu from PNL. In early September, he dismissed the minister of justice without consultation, breaking the coalition agreement once again. This decision was a result of the prime minister's aim, backed by Iohannis, to win the PNL congress election at the end of September, where he ultimately defeated the incumbent chairman, Orban. In order to win as many votes as possible, Cîtu directed the majority of over €10 billion (about 15% of the budget) from a local investment plan to local governments ruled by PNL and, to a lesser extent, by UDMR. The cabinet adopted the plan against USR PLUS, which rejected it as corruption-generating. In addition, the government distributed more than €200 million from the budget reserve almost entirely between local governments of PNL supporting Cîţu, and the UDMR.

The breakup of the coalition allowed the opposition PSD to push through a motion to dismiss the Cîţu cabinet. Although the Social Democrats are the strongest faction, they cannot take over the government because they do not have coalition capacity and are in conflict with the president, who nominates the prime minister. They are considering supporting the new minority cabinet of PNL and UDMR to avoid accusations of responsibility for the lack of a fully-fledged government during the new wave of the pandemic. However, they stipulate that it would only be a "ceasefire", and their goal is new elections in the spring. According to an Avangarde poll from the end of October, PSD has 40% support.

PNL's goal is to remain in power during this term despite falling public support—the Avangarde poll shows it has dropped from 23% in the summer to 17% now. To weaken USR PLUS and to justify the abandonment of attempts to re-establish the coalition with it, Iohannis appointed the party's leader, Dacian Cioloş, as prime minister. However, he did not receive a vote of confidence, which allowed the president to nominate on 21st October his close associate, retired Gen. Nicolae Ciucă, the current defence minister, as the next prime minister. PNL and UDMR seeks support from PSD and USR PLUS for his minority cabinet but rejects offering them joint rule.

Internal Effects. The Cîţu government, with a vote of no confidence, can only administer the country until a new cabinet is established. It cannot initiate new policies or issue urgent governmental decrees (OUG). This means that bills must follow a long parliamentary path.

One area where the technical government is hampered is in the face of the new wave of the pandemic. For example, detailed rules on Covid-19 certificates for medics and aviation personnel must be processed as a bill. The same will apply to extending the requirements to workers who have frequent contact with people, as well as to the use of stockpiles, such as the 390 respirators and 27 million masks managed by the state pharmaceutical company. This is important because in the first half of October, Romania had the largest number of deaths from COVID-19 in Europe, at 16 people per 1 million inhabitants, and in new cases it was fifth, at 697 per 1 million. Hospitals have suspended admissions for non-urgent cases for 30 days, as there were no intensive care beds. As of October, only 33.5% of Romania's population had been fully vaccinated, the second lowest in the EU, just ahead of Bulgaria.

The technical government cannot react effectively to the increase in energy prices before winter. Without OUGs, the announced 25% surcharge for consumers will be delayed. Meanwhile, since the end of 2020, the price of electricity has increased by 65%. Gas has increased by over 100%, and some forecasts even point to 320% by the end of the year. Inflation until September amounted to 6.3% against the 2.5% assumed for this year.

Consequences for European Policy. The Cîţu government does not have the power to sign the agreement on the implementation of the Romanian National Recovery Plan (NRP), which is part of the Next Generation EU programme. The European Commission and the European Council have approved the plan, but the delay in concluding the agreement may mean Romania will not receive €3.8 billion in advance payments by the end of the year. In turn, all the funds, totalling €29.2 billion in Romania's case, must be spent by 2026.

The Romanian NRP is also quite complicated and includes 64 reform measures, 107 investments, and more than 500 goals. Key elements of the planned reforms are not yet prepared. The work by USR PLUS ministers who piloted them were blocked by Cîţu, wishing to maintain control over their budgets and nominations of personnel. The reforms include the establishment of an agency to construct hospitals, the liquidation of special pensions and the Special Section of the Judiciary, created under PSD rule to pressure judges and prosecutors.

Conclusions and Perspectives. Cîţu's actions have led to him elected president of PNL, but also to a government crisis that will likely deprive him of his portfolio as head of government. This is confirmed by USR PLUS, which wants to rebuild the coalition with another prime minister, and by PSD, which fomented the no-confidence vote in the Cîţu government, accusing him directly of incompetence.

The most feasible scenario is the appointment of a minority government of PNL and UDMR, but it would be dependent on the support of the Social Democrats. Since they are the main ideological opponents of PNL, it would mean a challenge to its image. Moreover, such a coalition would increase the potential of further secession of MPs supporting Orban and willing to re-establish the coalition with USR PLUS and opposing cooperation with the PSD. In view of the significant political costs of such a solution, an attempt by PNL to restore the existing coalition cannot be ruled out, despite announcements to the contrary. This is also supported by declarations by USR PLUS—while also criticising the possible appointment of a former general as prime minister—that it still is willing to govern with PNL and UDMR. But in this scenario, due to the secession of the Orban faction, a renewed triple coalition would be forced to ask national minorities' MPs and PSD for support.

All the parties except for the nationalist AUR have similar views on foreign policy. They consider membership in the EU and NATO as pillars, as well as the close bilateral cooperation with the U.S., Germany, and France, while being cautious towards Russia. However, the consequence of both the restoration of the coalition and minority rule would be a structurally unstable cabinet, which would focus on the recurring political crises and not on structural reforms or the internal implementation of commitments made to foreign partners. Moreover, in case the cabinet is dependent on PSD support, this probably will mean a block of the reforms of the judiciary required by the EU for de-politicisation and the effective fight against corruption. These are crucial areas to resolve for the closure of the EU Mechanism for Cooperation and Verification, which could persuade, among others, the Netherlands and Austria to agree on Romania's entry to the Schengen area. The current government crisis may also postpone the conclusion of an agreement with the European Commission on the implementation of the NRP and, as a result, delay payments, and thus investments. From the point of view of Poland, this latter effect would be disadvantageous, as such investments include the construction of motorways and railways that would increase EU cohesion in transport.

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