



Weekly Briefing

Romania Political briefing:

**The third appointment of Government in one year with the same
political affiliation**

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The year of 2018 started in an unexpected way for the Romanian political environment. In only one year of government, Romania experiences the third government of the same political majority, the previous two confronting with resignation after the withdrawal of political support. Therefore, for the first time in its history, Romania has the first female Prime-Minister, Viorica Dăncila.

The end of 2017 brought some rumours related to misunderstandings between the leader of the Social Democrat government Party (SDP) and the Prime-Minister Tudose, but it seemed that they will be kept under control. The opinion of the PSD leader at the end of 2017 indicated only towards a discussion related to the possible need to change the structure of the Government, but supported the Tudose Government, being pleased with its activity and without considering any reshuffle. At the beginning of the year, on one side, the Deputy Prime Minister considered that the Tudose Government was functioning well, without emphasizing any need for mergers between ministers or any other type of reorganization.

On the other side, several important members of the Party launched signals related to a potential reorganization of the Government. The Prime-Minister Tudose adhered to these opinions. He envisaged that in January will be made an assessment not only of the Government, but of all decision areas, including Heads of State, State Secretaries, Board Members, in order to take efficiency measures. The main change was related to a new architecture of the Government, by reducing the number of ministries to only 16, from 24.

The disturbances inside the party were publicly exposed after an unfavourable situation related to one of the employees in the police. This led to a disagreement between the Prime-Minister and the Minister of the Interior, which was publicly exposed. Still, it was not the first time when disagreements manifested between the members of the Government. Immediately, an emergency meeting of the National Executive Committee of the SDP was

convoked, starting from the premise the Prime-Minister affected the image of party among the social democrats. The list of complaints against the Prime-Minister grasped its repeated appearances in the media contrary to the party's positions, insubordination with the party's decisions, repeated attacks against fellow ministers and lack of responsibility for assuming the laws of justice. For taking effect, the justice laws were sent in the Parliament, thus following a more cumbersome procedure; for the moment, they are blocked at the Romanian Constitutional Court and wait for the President's decision. Instead, an emergency ordinance would have solved the problem, and the concerned laws would have taken effect immediately, but Tudose Government did not approve such a measure.

Initially, the meeting of the National Executive Committee was scheduled for the end of January. The instability inside the party was desirable to have a quick end; therefore the meeting of the Committee was rescheduled. Still, the situation was tensioned, as at the beginning of the meeting, the SDP leaders were relatively equally divided into a part supporting the Tudose Prime-Minister and the other part being against him. The situation has been clarified at the end of the same day.

Therefore, after two weeks since the beginning of 2018, the Prime-Minister resigned due to the withdrawal of the political support during in the National Executive Committee's meeting. It was for the second time in a year that SDP managed to put down its own government in a similar manner, after in June 2017 PSD withdrew the political support to the former Prime-Minister Grindeanu. Both actions were possible due to the fact that the party has a large majority in the Parliament. Compared to its declarations at the end of the year, the SDP leader accused a conflict state between the Government and the party and motivated the decision on this basis.

Under these conditions, the President had to choose another Prime-Minister, after discussions with all the political parties. The reaction of some political parties was that the coalition parties failed in ensuring Romania's governing,

due to the withdrawal of political support for the Tudose government, the second government in 12 months. Therefore, President Iohannis was asked to refuse the appointment of another Prime-Minister from the DSP-ALDE. In fact, it was the President himself that promised he would no longer name a third DSP government if the social democrats would once again act for changing their prime minister. This happened in June 2017, once with the censure motion that led to the fall of the Grindeanu Government. It was iterated once again in November 2017, when the President mentioned that he would doubt the DSP capacity to governing, if the Tudose Government were to fall. Still, according to the Constitution, the President has to appoint the person supported by the parliamentary majority, having the right to only one refusal. Otherwise, the procedure for the suspension of the President could have been launched and it could have succeeded, due to – again – the SDP majority in the Parliament.

The solution of early elections also circulated, being launched by the opposition parties, which would have meant the organization of elections for choosing a new Parliament, with a new majority, in order to form another Government, which will not be under the SDP influence. Under the current political environment in the Parliament, the idea was, still, difficult to be put in practice.

President Iohannis accepted the first proposal as a Prime-Minister designated by SDP, namely Viorica Dăncila. Romania has, therefore, the first woman as Prime-Minister. Viorica Dăncila was, until present, member of the European Parliament, starting with 2009, and elected again in the same position in 2014. She was also Vice-Chair of the European Parliament's Committee on Agriculture. The investiture of the new government took place on 29th January, after being confirmed by the Parliament with a majority of 60%. At first, several sources indicated that the new government will be formed mostly by the ministers in the former government (which happened to the previous government change in June). Still, 17 out of the 28 positions of ministers were replaced. Also, there are four Deputy Prime Ministers, compared to three in the

previous government, although initially, no change in the structure of the government was announced. All the members of the government were approved by the SDP National Executive Committee.

The new Prime-Minister argues that no new taxes will be introduced during her mandate. Among the main provisions of the new governing programme, there is stipulated that the VAT will be further reduced by 1 percentage point, the strategy for the reorganization of the state institutions will be launched until the 1st of July, 2018, the minimum wage will increase annually by 100 lei, a new form of support for families having more children will be put in practice. In addition, there is a proposal for the elimination of the tax on the agricultural cultivated land, but a duplication of the tax on non-cultivated agricultural land for two consecutive years. Starting with 2019, zero tax on the salaries of doctors is supported; instead, there is no reference to the increases of wages for doctors and professors, as previously mentioned. The reintroduction of the global income tax is taken into account. Sovereign Development and Investment Fund is meant to be created, composed mainly of profitable state-owned companies worth more than 10 billion euros. Another major measure is the emission of government bonds in the local currency for the population, starting with 2018, for a period between 5 and 20 years, with an annual interest rate higher than 4%. Also, the actual Government has proposed the creation of 640,000 new jobs until 2020, most of them in the construction sector, in the IT area and in the health sector, due to the construction of nine hospitals in the whole country. The Government aims to respect the macroeconomic constraints related to debt, therefore will maintain a budgetary deficit lower than 3% of GDP, a public debt under 60% of GDP and expects an economic growth of 5.5%.

The future activity of the Dăncila Government is challenged by several issues, such as the uncertainties in the area of the fiscal policy that have disturbed the population and the business environment. Accumulated unfavourable evolutions risk degenerating into financial instability and major economic imbalances. The mission of the new government is difficult, as it must

rebuild the trust of the population and to enhance the needed and promised prosperity. In addition, the Government must assume its role in providing unity and coherence for drawing the directions of Romania's future, for launching major projects bringing together the main actors in society and for celebrating in the 100th anniversary of the Romania's Great Union.

The EU, through the President of the European Council, Donald Tusk, congratulate the appointment of Viorica Dăncila as Prime-Minister and draws the attention to the important mission of the Government for supporting the European values, mostly related to respecting the rule of law and combating corruption. This emphasizes another delicate issue that the Government must deal with, related to the justice law – a subject which is on a continuous debate in Romania.