



Weekly Briefing

Romania political briefing:
The governing coalition, about to fall apart
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The governing coalition, about to fall apart

The coalition of centre-right parties governing Romania since December 2020 is about to fall apart at the beginning of September, on the background of escalating tensions following the budget rectification. The actual political landscape is complicated and complex, as the major parties in the coalition are preparing for electing their new leaders this month. However, such a situation jeopardizes economic recovery and would prolong instability, with potential negative consequences for the country's rating, according to the Fitch agency.

The governing coalition in Romania was formed after the elections in December 2020, encompassing three parties: the major one, the National Liberal Party (NLP), the USR PLUS centre party and UDMR, the Hungarian minority party, reuniting 56% of the Members in the Parliament and thus ensuring the majority for passing laws and regulations. However, the Prime Minister Florin Cîțu, representing NLP, dismissed the Minister of Justice Stelian Ion, member of the USR PLUS Union, the second largest partner in the coalition. The decision took by surprise the party. It is the second time when such a political movement was made, revoking an USR PLUS minister without the knowledge of the other partners. Earlier in April, the Minister of Health, Vlad Voiculescu, was dismissed following the lack of performance in communication with the other members of the Government. Back then, this episode represented the first major crisis for the ruling coalition, as USR PLUS leaders required the withdrawal of Prime Minister Cîțu's confidence following the unilateral dismissal of the Health Minister. The situation was solved by negotiating a protocol for reshuffling a minister.

The situation has repeated at the beginning of September, and the dismissal of the Minister of Justice was seen as the elimination of an obstacle for forcing the adoption of a controversial national funding program, which would ensure more finance for local mayors on the distribution of subsidies to local communities. In addition, some previous misunderstandings regarding the justice reform plans had also emerged between the two Government members. The arguments of the Prime Minister were that the Justice Minister blocked reforms and modernization projects. In addition, NLP members accused the Justice Minister for failing in unblocking the abolition of the Section for the Investigation of Crimes in Justice. The work of the institution has been criticized by the European Commission (EC) and other the European institutions. One of the EC's arguments against it is the suspicion that the

Section was created for investigating anyone, being more subject to external interventions and political pressure. This is why its abolition is a condition for Romania's access to the Schengen area.

USR-Plus leaders threatened with leaving the coalition and even supporting a motion of censure against the Government. Since the problems were not solved, all the five ministers from USR PLUS (those having the portfolios of Health, Economy, Transportation, European Funds, Research and innovation) and the Deputy Prime Minister submitted their resignation. Therefore, USR PLUS withdrew its political support from Prime Minister Florin Cîțu, asking for his removal from office within the coalition. Since this not happened, they filed a motion of censure to be debated in the Parliament. In order to be sure that their initiative in the Parliament will succeed, the USR PLUS members associated with the Alliance for the Union of Romanians (AUR) party. The image of the AUR party is linked with increased populism, anti-Europeanism and high nationalism. Therefore, the USR PLUS decision was harshly criticized. Such an association would also affect USR PLUS public perception as a reforming party, that supports the rule of law, the progress and the European values. The alliance with AUR discredits USR PLUS, being an "affront" brought to all Romanians who voted for them in the last parliamentary elections. In the meantime, the vote for the motion was several times delayed, as the needed quorum in the Parliament was not achieved, due to absences from both the side of NLP and SDP members.

Since procedurally and constitutionally the political configuration of the Government is changing, the Prime Minister has 45 days to come to Parliament to ask for a vote of confidence for the entire Government, with the new structure. In the meantime, the budget rectification was approved, as the USR PLUS ministers that resigned were soon replaced by intermediaries.

The attempt of obtaining the vote of the Parliament for a new composition of the Government is not easy. NLP intention is to have a centre-right coalition, including USR. The USR members also intend to be part of the governing team, but under certain conditions, as in the opinion of USR-PLUS, Prime Minister Florin Cîțu threw the country into a political crisis. It is clear that negotiations should follow, especially the President Iohannis showed its support for Florin Cîțu. NLP also took into consideration the option of having a minority government with UDMR, but it is a weak solution, as this would be a government subject to interventions from Parliament. However, SDP could support such a situation. However, at present, both parties, NLP and USR PLUS, are tormented by internal struggles, as starting with the mid of September, there will be elections for new leaders. In each of them, there are two candidates

who fight for the position of president. The fiercest dispute is inside NLP, where the Prime Minister Florin Cîțu announced to combat Ludovic Orban, the actual president.

Fighting for a new coalition could lead NLP in the need to form a team with their old opponent, SDP. Long criticized before the election, such a coalition with SDP would disappoint NLP supporters. Moreover, a similar movement was made in 2011, when the Centre-Right Alliance (composed of NLP, the Conservative Party and SDP) formed the Social-Liberal Union in the view of the elections in 2012. Against the background of the increasingly pronounced misunderstandings between NLP and SDP, the NLP leader announced the end of the Social Liberal Union in 2014. Therefore, the two parties do not have a history of good collaboration, given their struggle for gaining the voters' preference. On one hand, it is not clear if SDP has an interest in entering the government before the elections in 2024. On the other hand, SDP President said that the party is whenever ready to take over the government, as their government program is completed, having packages of laws and knowing exactly which are the areas that need measures in the near future.

In addition, it is time for SDP to harness this situation. In their first declaration, the SDP representatives stated that the motion of those from USR PLUS and AUR was an insult and showed only that the Prime Minister Florin Cîțu did not respect the protocol. The first vice-president of SDP also specified that USR PLUS must decide whether it wants to govern or to be in opposition. Officially, USR PLUS leaved the Government, but the heads of state agencies, prefects, sub-prefects, and all other USR PLUS members did not resign. In this context, SDP considered that the resignations of the seven ministers as a proof of hypocrisy.

The consequences are gloomy, as such a situation jeopardizes economic recovery and would prolong instability, threatening the fulfilment of the governing program that targets the reduction of the budget and current account deficits and combating the pandemic. The political instability emerged in an unfavourable context: the fourth wave of the Covid pandemic, the start of the schools and the expected explosion in the energy prices during the winter. In addition, the political struggle in Romania worries the Fitch agency, which warned that the prolonged scandal has all the chances to lead to a decrease in the country's rating, but also to the delay in the adoption of the National Recovery and Resilience Plan requested by the EC. This will mean more expensive loans for Romania, harder to be accessed, and a negative message for foreign investors. As already mentioned, Fitch agency also sees in the political crisis an increased risk for the reduction of the budget deficit, while the breakdown of the governing coalition could disrupt fiscal consolidation efforts. The problem is that the actual

Government is in minority in the Parliament. If such a situation will continue, then the adoption of specific rules in certain areas could be hampered.

It is very possible that, after the Congresses of the two parties, negotiations to start again with more calm and a solution to be found, as part of the problems (those inside the parties) will be solved and the situation will be more clear regarding the potential options. At this point, the landscape is complicated, as none of the potential scenarios look good for the Government and the fate of the coalition, according to the analysts. Therefore, it is possible that the tensions will last until the end of September. President Klaus Iohannis declared that Romania is a stable country, which will not be affected by the political crisis triggered by the rupture between PNL and USR PLUS. He assured, during a speech at the Annual Meeting of the Romanian Diplomacy, that the most suitable solutions for overcoming the governmental crisis will be found.