

## New government in Romania: a grand coalition facing major challenges

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On 23 June, the Romanian parliament passed a vote of confidence in the new coalition government led by Ilie Bolojan, leader of the centre-right National Liberal Party (PNL) and, until recently, acting president (from February to May 2025). The cabinet was formed by a coalition of four parties: the PNL, the centre-left Social Democratic Party (PSD), the liberal Save Romania Union (USR), and the Democratic Alliance of Hungarians in Romania (UDMR), which represents the Hungarian minority. The coalition is also supported by MPs from the parliamentary group representing national minorities (17 seats). The new governing coalition commands approximately two-thirds of the seats in both the Chamber of Deputies and the Senate. The main opposition force will be the nationalist-conservative and Eurosceptic Alliance for the Union of Romanians (AUR), led by George Simion. Its members demonstratively walked out of the plenary hall before the confidence vote commenced.

As part of the coalition agreement, the parties also agreed to a rotating premiership to be held in turn by representatives of the two largest parties – PNL and PSD. Under the deal, in April 2027 – midway through the current parliamentary term – the centre-right incumbent is expected to step aside in favour of a Social Democrat. A similar model was used during the PSD–PNL–UDMR coalition government between 2021 and 2024. The two parties will also share the positions of Speaker of the Chamber of Deputies and President of the Senate.

The new administration will be required to enact a series of unpopular fiscal reforms. These are likely to cause tensions within the coalition and, at the same time, strengthen the opposition AUR. This could undermine the coalition's stability, although the likelihood of early elections remains low.

### Commentary

- **The formation of the Bolojan government, along with the earlier election of Nicușor Dan as president, marks the end of a seven-month period of deep political instability.** This instability was triggered by the annulment of the presidential election held on 6 December 2024 (see '[Romania: Constitutional Court annuls the presidential election](#)'), followed in May 2025 by the collapse of the PSD–PNL coalition government, formed after the December 2024 parliamentary elections and supported by UDMR (see '[Romania: coalition crisis resulting from the first round of the presidential election](#)').
- **The new governing majority faces the task of rebuilding public trust in Romania's political class and state institutions, including the Constitutional Court, which has been**

seriously undermined. Voter disillusionment with the political mainstream was a key factor behind the unexpected success of the previously little-known Călin Georgescu in the annulled presidential election, where he won the first round with 23% of the vote. Up to half of Romanians believe the decision to annul the election was wrong and politically motivated.

- **The key challenges facing the new government will be to repair public finances and stimulate an economy that has fallen into stagnation.** In 2024, GDP growth amounted to just 0.8–0.9%, while public debt has risen sharply over the past five years – from around 35% of GDP in 2019 to 55% in 2024 – and is almost certain to exceed 60% this year. Although Romania has been subject to the EU’s excessive deficit procedure since 2020 (triggered when a country’s annual budget deficit exceeds 3% of GDP), and has since been expected to reduce its debt gradually, the deficit reached a record high of 9.3% of GDP in 2024.
- **The new government has announced a comprehensive fiscal reform programme, centred primarily on a range of tax increases.** These include raising VAT from 19% to 21%, higher excise duties, raising the dividend tax from 10% to 16%, and a increasing property taxes. The authorities also plan to introduce a windfall tax on profits in the banking sector and a tax on gains from cryptocurrency transactions. The government has additionally pledged significant budget cuts, including a roughly 20% reduction in public sector employment, as well as measures to tighten tax enforcement. This will involve reforming the National Agency for Fiscal Administration (ANAF), which is responsible for combating tax crimes.
- **The new coalition is certain to face serious internal tensions, casting doubt on its long-term stability.** Even during the protracted government formation talks – which effectively commenced after Dan’s presidential victory – clear disagreements emerged, particularly over tax policy. Furthermore, USR is ideologically opposed to PSD and, to a lesser extent, PNL. The party built its political identity largely through consistent criticism of the groups that have dominated Romanian politics since the early 1990s. What will bind the coalition partners, however, is a shared desire to avoid early parliamentary elections, which would likely strengthen AUR. Another unifying factor will be President Dan, who played a key role in facilitating the formation of the current coalition.