



## New President, New Grand Coalition: Breaking the Political Crisis in Romania

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The appointment of Ilie Bolojan as prime minister of the government of a grand coalition of pro-Western parties on 23 June and the inauguration of independent President Nicușor Dan on 26 May ended a six-month political crisis in Romania. The strong mandate enables the new authorities to embark on the unpopular fiscal reforms needed to avoid a blockage of EU funds and economic collapse. The new president and government will continue the unambiguously Euro-Atlantic policy of Romania, which will remain one of Poland's main partners in Central Europe.

**Overcoming the Political Crisis.** Romania has emerged from the most serious political crisis since 1989. Its primary cause was the annulment of the [presidential election](#) last December. As a result, Senate Speaker Ilie Bolojan, leader of the centre-right National Liberal Party (PNL), performed presidential duties for more than three months in the first half of 2025. Although President Klaus Iohannis, with the approval of the Constitutional Court, announced the extension of his term of office until the outcome of the rerun elections scheduled for May, [he unexpectedly stepped down on 12 February this year, presumably fearing impeachment](#).

The political crisis deepened on 6 May due to collapse of the government and the break-up of the coalition of the Social Democratic Party (PSD), PNL, and the Democratic Alliance of Hungarians in Romania, formed after [last December's parliamentary elections](#). Prime Minister Marcel Ciolacu from PSD stepped down after the common candidate of the coalition failed to enter [the second round of the repeat presidential election](#). As a result, a technical government took over the day-to-day administration of the country. For several weeks, therefore, Romania had at the same time an interim president and a technical government, both with limited prerogatives.

**A New President and a New Government.** The aim of new President Dan is to work with a government with the broadest possible political mandate. He therefore pushed through the formation of a grand coalition of all the pro-

Western parties: the previous coalition and the centrist [Union Save Romania](#), which was in opposition at that time. Bolojan's government has a stable majority of 311 out of 464 parliamentarians.

Bolojan's appointment as prime minister was a result of his activism and independence as an acting head of state. He was also favoured by the public: in an INSCOP poll in May, 42% of respondents trusted him, the most after Dan. At the same time, Bolojan's position is constrained, as PSD—the strongest party—has reserved in the coalition agreement the rotation of the post of prime minister in the middle of the mandate, in April 2027. None of the coalition parties has nominated their leaders as deputy prime ministers, so Bolojan is forced to determine key decisions not in the cabinet, but in a cross-party forum.

**Fiscal Reforms.** The government's most pressing challenge is to repair public finances. Bolojan made his becoming prime minister conditional on the coalition and the president—who ruled out a VAT increase during the campaign—agreeing to radical reforms. His government pushed through a package of fiscal changes in early July. Taking effect from August, they are expected to bring both savings and budget revenues worth 1.23% of GDP this year, 2.2% next year and, among those implemented from the new year, a further 1.56% of GDP. These include increases in VAT from 19% to 21% and from 5% and 9% to 11%, a banking tax from 2% to 4% of turnover, a tax on dividends from 10% to 16% and

excise by 10%. The government introduced a 10% health contribution for pensions from RON 3,000 (around €590) and reduced the allowance for dangerous or harmful working conditions (common in budgeting) from a maximum of RON 1,500 to RON 300, reduced stipends, and froze pensions and salaries in the budgetary sphere for 2026 (with inflation estimated at around 5.5% in 2025). It also announced a plan of a 20% reduction in administrative staff, a review of investments, the depoliticisation of state-owned companies, and the reform of local government and the tax authorities to make them more efficient, as, for example, the VAT gap in Romania in 2022 was the highest in the EU, reaching 30.6% (to compare, in Poland it was 8.4%, in Bulgaria, 7.7%, in Hungary, 2.3%, and the average in the EU, 7%).

The rush to reform is due to the government's fear that the European Commission (EC) could launch a procedure to suspend the disbursement of structural funds (around €4.5 billion a year) and the national recovery plan (around €18 billion by the end of 2025). In order to prevent this, Romania had until the meeting of the EU Council of Finance Ministers (ECOFIN) on 8 July to undertake an effective fight against debt. Indeed, Romania has been subject to an excessive deficit procedure since 2020, but due to the [COVID-19 pandemic](#) the EC did not draw consequences against it for consecutive years. That is why previous governments ignored the recommendations of ECOFIN and the EC—for example, at the beginning of June, Romania was the only Member State that had not presented a report on work to reduce the deficit. The gap rose from 6.6% in 2023 to 9.3% in 2024, the highest in the EU. The government estimates that the deficit could reach 7.5% in 2024, while the EC puts it at 8.6%. Public debt rose from 48.9% in 2023 to 54.6% of GDP in 2024, and could exceed 63% in 2025. Meanwhile, the deficit allowed in the EU cannot be higher than 3% and public debt more than 60%.

**Foreign and Defence Policy.** The new government will continue Romania's unambiguously Euro-Atlantic orientation based on [EU](#) and NATO membership and [the bilateral alliance with the U.S.](#), good relations with Germany and France, and [support for Ukraine](#). The president has key prerogatives in foreign and defence policy, formed as the head of the country's Supreme Council of National Defence, a body that also includes the prime minister, key ministers, and heads of the army and special services.

Dan secured an invitation to the White House the day after being sworn in, dispelling speculation about the U.S. administration's dislike of Romania following the annulment of last year's presidential election. In June, as part of his first foreign visit, he attended the summit of the Bucharest Nine in Vilnius, where, together with the presidents of Poland and Lithuania, he spoke unequivocally in favour of Ukraine's membership in NATO. In turn, at the [Alliance's summit in The Hague](#), he solicited aid for it and supported an increase in defence spending to 5% of GDP—[Romania reached 2.25% in 2024](#). The Bolojan government, despite savings measures,

announced goals to modernise the army and reform the arms industry, which is in crisis.

Romania's priority remains to support Moldova, which the authorities and the society recognise as [a second Romanian nation-state](#). Dan does not rule out reunification—no Romanian politician can afford to criticise this idea—but he sees Moldova's accession to the EU as most important for a real reunification of the two countries. That is why he made his first bilateral visit to Chişinău where he promised further support for the reforms and accession negotiations to the government of Dorin Recean of the Party of Action and Solidarity (PAS) of President Maia Sandu. The visit also served to mobilise the pro-European electorate ahead of Moldova's parliamentary elections in September, as PAS, according to polls, is likely to lose its majority to [pro-Russian groups](#). The Bolojan government is also pledging support for Moldova; in March, as acting president, he also made his first official visit to Chişinău.

**Conclusions.** Overcoming the most serious political crisis in Romania's modern history makes it possible to launch the urgent fiscal reforms necessary for debt reduction and the sanitation of public finances. Failure to do so would risk a suspension of the disbursement of EU funds, which would be disastrous for Romania's economy. Prime Minister Bolojan is determined to carry out the reforms, and the support of President Dan and a government formed by all pro-Western parties gives him a broad political mandate.

The reforms will be unpopular and harsh, especially for budget employees, what may result in protests. This will be exploited by fellow coalition partners, especially PSD as it appeals to social values. They will seek to make political capital by undermining Bolojan's position and destabilising the coalition. They may also torpedo some reforms, especially those covering state-owned companies and local government, fearing a loss of influence. The coalition partners' attacks on Bolojan are likely to intensify just before the planned rotation in order to focus the responsibility for painful reforms on him in the eyes of the electorate and, after the change of prime minister, to take plaudits for positive effects.

President Dan and Prime Minister Bolojan will pursue an unambiguously Euro-Atlantic policy. This allows Romania to remain Poland's most important partner on the Eastern Flank. This is because the country has the closest view to Poland on the importance of the EU, NATO, and the role of the U.S. in European security, as well as on the threat from Russia and the consequences of its possible victory over Ukraine. In addition to bilateral contacts, Poland can use the Bucharest Nine to cooperate with the new Romanian authorities, as confirmed by the June summit in Vilnius, as well as the Trilog (format with Turkey) and the Three Seas Initiative. Another area with the potential for fruitful Polish-Romanian cooperation could be the support for Moldova and its European aspirations.