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ROMANIA ENDS SIX-MONTH POLITICAL CRISIS WITH NEW GOVERNMENT

Independent diplomat Luca Niculescu to lead PSD-dominated Cabinet

21 October 2026

EXECUTIVE SUMMARY

Romania's parliament has finally approved a new government after almost six months of political crisis. On 20th October, Parliament approved the Cabinet of Prime Minister Luca Niculescu, an independent career diplomat nominated by President Nicușor Dan, with 280 votes in favour and 58 against, comfortably above the 233-vote required threshold. The new government was sworn in at Cotroceni Palace the same evening, ending the caretaker mandate of the Bolojan Cabinet, which had been dismissed through a joint no-confidence motion by the centre-left Social Democrats (PSD) and the nationalist Alliance for the Union of Romanians (AUR) on 5th May.

The formation of the new cabinet follows three failed attempts to form a government since May. Centre-right MEP Eugen Tomac returned his mandate without a vote in June, while parliament rejected the cabinets proposed by Adrian Veștea and Siegfried Mureșan, two prior candidates for PM from the centre-right National Liberal Party's (PNL). The breakthrough came after PSD – the largest party in parliament – decided to join the government, while the centre-right PNL and the Democratic Alliance of Hungarians in Romania (UDMR) agreed to provide external support.

The new Cabinet rests on a formula without precedent in recent Romanian politics. PSD controls 11 of the 16 ministries, including interior, health, labour, economy, justice, defence and transport, as well as the only Deputy PM post. Finance, foreign affairs, education, energy and culture, together with a new minister-delegate post for digitalization & AI, are covered by independents, several of them close to President Dan. The centrist-liberal Save Romania Union (USR) and the nationalist AUR are in opposition.

The government's agenda is front-loaded: a budget rectification is due by 30th November, while the 2027 budget must pass by 31st December within a 5.3% of GDP deficit cap. International businesses are advised to closely monitor the upcoming budgetary and tax measures, as well as the stability of a majority that PSD has pledged to review after six months.

Below, Aretera takes a deeper look at Romania's post-election landscape, the key takeaways from the formation of the new government, as well as its likely policy and political implications.

NEW GOVERNMENT ENDS LONGEST POLITICAL CRISIS SINCE 1989

Romania's political crisis began on 5th May, when parliament dismissed the Cabinet of PNL leader Ilie Bolojan through a no-confidence motion tabled jointly by the centre-left PSD and the nationalist AUR. Passed with 281 votes (the largest tally ever recorded for a successful censure motion in Romania), the vote ended the pro-EU PSD-PNL-USR-UDMR coalition formed after the 2024 parliamentary elections.

President Dan's first nominee for PM, centre-right MEP Eugen Tomac, proposed a "government of specialists" but returned the mandate on 14th June without a vote after PNL and USR rejected any PSD influence. The second candidate, PNL first Vice President Adrian Veștea, was designated without consulting his party's leadership and was rejected on 22nd June. The third, PNL Vice President Siegfried Mureșan, also backed by USR and UDMR, was rejected on 30th September with just 182 votes.

Although the second failed attempt with Veștea already met the constitutional preconditions for dissolving parliament, President Dan opted for a new round of consultations, and designated Luca Niculescu, State Secretary at the Ministry of Foreign Affairs and national coordinator of Romania's OECD accession, as PM. While PSD leader Sorin Grindeanu initially criticized the choice, the party's position shifted after signals that the President was ready to

call early elections.

On 14th October, PSD decided unanimously to join the government, setting ten conditions, which include tax predictability in 2027, pension indexation and a swift budget rectification. On 19th October, PNL and UDMR signed written support agreements with the PM-designate, with PNL committing not to initiate or back a no-confidence motion until March 2027 in exchange for a 2027 deficit target of 5.3% of GDP.

KEY TAKEAWAYS FROM THE NEW CABINET

The Niculescu Cabinet comprises 16 ministries and two ministers-delegate. PSD holds 12 of the 18 Cabinet seats, with veteran party strategist Marian Neacșu serving as the only Deputy PM and Minister of Interior. Several PSD ministers return to portfolios they held under Prime Minsiter Bolojan. These include Alexandru Rogobete (health), Florin Manole (labour), Radu Marinescu (Jjstice) and Florin Barbu (agriculture), ensuring a degree of continuity. Notably, PSD Senate leader Daniel Zamfir, a vocal critic of Bolojan's fiscal policies, takes over the Ministry of Economy, which now also absorbs the digitalization and AI portfolios through a minister-delegate.

Luca Niculescu enters government after a long diplomatic career, including as Ambassador to France, Monaco and Andorra (2016-2022). He was previously proposed as Foreign Minister in June – as were Foreign Minister Sebastian Neculăescu, Education Minister Valentin Costreie and Minister-Delegate Costinel-Bogdan Dumitru – showing the President's preference for independent figures from his own circle, this time backed by a PSD-led majority. The retention of Alexandru Nazare at the Ministry of Finance signals continuity on fiscal consolidation and the EU's excessive deficit procedure.

The government's parliamentary support nevertheless remains conditional. PNL insists its agreement is "not a blank cheque" and maintains the right to file simple motions against individual ministers, while UDMR has tied its backing to the budget, local funding and minority rights. The final tally of 280 votes was also around 20 below the expected support announced before the vote, suggesting defections within the PNL group.

ROMANIA'S NEW GOVERNMENT

The Composition of the Niculescu Cabinet			
Cabinet Member	**Position**	**Portfolio/Responsibility**	**Affiliation**
Luca-Alexandru Niculescu	PM	-	independent
Marian Neacșu	Deputy PM & Minister	Interior	PSD
Florin-Ionuț Barbu	Minister	Agriculture & Rural Development	PSD
Alexandru-Florin Rogobete	Minister	Health	PSD
Petre Florin Manole	Minister	Labour, Family & Social Solidarity	PSD
Daniel-Cătălin Zamfir	Minister	Economy, Digitalization, Entrepreneurship & Tourism	PSD
Radu Marinescu	Minister	Justice	PSD
Marcel-Alexandru Stoica	Minister	Development, Public Works & Administration	PSD
Ștefan-Ovidiu Popa	Minister	Transport & Infrastructure	PSD
Natalia-Elena Intotero	Minister	Environment, Waters & Forests	PSD
Alexandru-Mihai Ghigiu	Minister	Investments & European Projects	PSD
Ștefan-Radu Oprea	Minister	National Defence	PSD
Sorin-Gabriel Ionescu	Minister-Delegate	Pre-University Education	PSD
Alexandru Nazare	Minister	Finance	independent (ex-PNL)
Sebastian-Dănuț Neculăescu	Minister	Foreign Affairs	independent
Valentin-Sorin Costreie	Minister	Education & Research	independent
Dumitru Chisăliță	Minister	Energy	independent
Ioana-Ruxandra-Victoria Ciocan	Minister	Culture	independent
Costinel-Bogdan Dumitru	Minister-Delegate	Digitalization & AI	independent

Source: Government of Romania

LIKELY POLICY IMPACT & DIRECTIONS

The Government Program 2026-2028 promises a shift "from a predominantly quantitative adjustment to a qualitative consolidation", reducing the deficit through more efficient spending, better tax collection and action against large-scale tax evasion, while protecting investment and purchasing power. Its fiscal anchors include closing 2026 at a deficit of about 6% of GDP, a 2027 deficit of 5.2-5.3% of GDP and a

return below 3% by 2030, with public debt stabilized below 64% of GDP. The flat tax is maintained and personnel spending is set to fall from 9.3% to 7.9% of GDP by 2031.

The government committed to closing the VAT gap (Romania loses about 30% of its VAT revenue on average), tightening the enforcement of transfer-pricing rules, accelerating VAT refunds for compliant taxpayers, reorganizing ANAF and customs, as well as not postponing the abolition of the IMCA turnover tax from January. Businesses are to be consulted before any tax change, while PSD has demanded a memorandum with business and trade unions guaranteeing no tax increases in 2027. In parallel, the Romanian Investment and Development Bank (BID) became the State's main financial instrument, running relaunch schemes for regional convergence (€500m), the defence industry (€200m) and new Romanian-owned companies (€100m). Loss-making state-owned enterprises will receive a public A-to-E rating, with recovery, PPP or liquidation decided within six months for the weakest performers.

In healthcare, the program foresees a shift towards prevention and outpatient care, lower commercial mark-ups along the medicines supply chain, more price competition for generics and biosimilars and a new mechanism for evaluation, pricing and reimbursement with a public calendar and use of the EU Joint Clinical Assessment. The Innovation Fund and early-access rules are to be put into operation, alongside a national framework for pharma and life sciences investment.

Other notable initiatives include 5,800 MW of new energy capacity by end-2027, the first gas extraction from Neptun Deep in H1 2027 under a new royalty framework, the first offshore wind concession, closing the EU recovery plan without further losses, an €800m wastewater plan linked to an ongoing CJEU infringement case, and a gradual increase of defence spending to 5% of GDP. PSD's conditions add pension indexation from 2027 and health contribution (CASS) exemptions for vulnerable groups.

LOOKING AHEAD

While the incoming government ends Romania's longest governmental crisis since the return of democracy in 1989, political instability remains a key risk for current and prospective investors to monitor. The majority in parliament rests on time-limited and conditional commitments: PNL's pledge not to back a censure motion runs only until March 2027, while PSD will review its participation in the government around April 2027.

Looking ahead, it is yet to be seen how this arrangement will hold, given the ideological gap between PSD's social spending priorities and PNL's demands for fiscal consolidation. The economy contracted by 0.6% in the first half of 2026, (with 70,000 jobs lost in the past 12 months). Reconciling pension indexation and new CASS exemptions with a 5.3% of GDP deficit will be the government's first major budgetary test. In the near term, the budget rectification, the draft 2027 budget due by 1st December and the appointment of state secretaries and agency heads in the coming weeks offer an early window for engaging with the new cabinet. International investors are advised to continuously monitor the fiscal and tax policy changes expected to be introduced by the new government.

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If you would like to schedule a discussion of this paper, please contact:
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