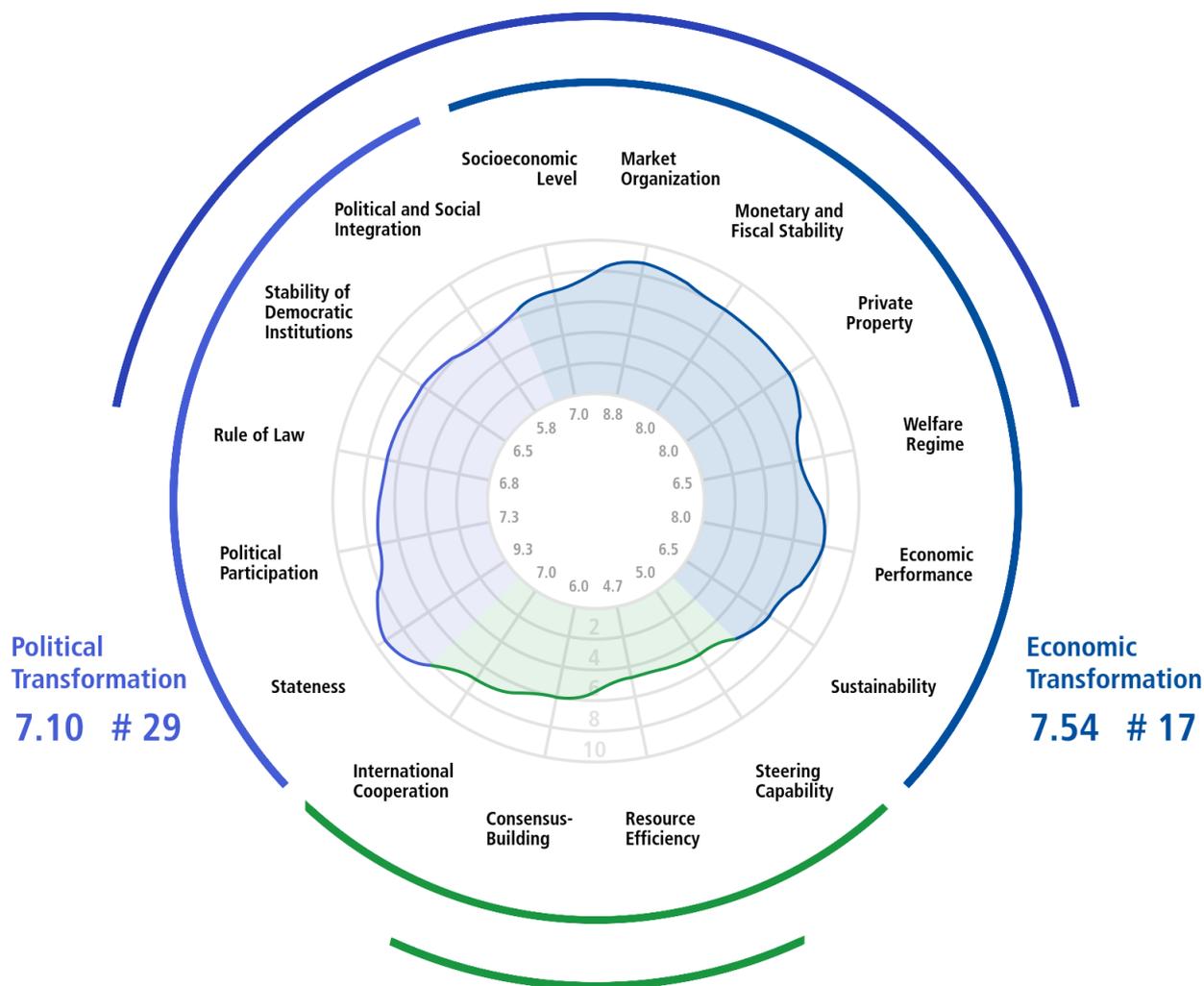


Romania

Status Index

7.32 # 20

on 1-10 scale out of 137



Political Transformation
7.10 # 29

Economic Transformation
7.54 # 17

Governance Index

4.81 # 58

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report – Romania. Gütersloh: Bertelsmann Stiftung, 2026.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate

Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	19.1	HDI	0.845	GDP p.c., PPP \$	48712
Pop. growth ¹	% p.a.	0.1	HDI rank of 193	55	Gini Index	29.8
Life expectancy	years	76.6	UN Education Index	0.775	Poverty ³	% 3.0
Urban population	%	54.9	Gender inequality ²	0.227	Aid per capita \$	-

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Romania's political landscape has undergone significant turbulence since 2023, marked by increasing polarization, institutional instability and a weakening of democratic norms. The annulment of the 2024 presidential election – officially attributed to alleged foreign interference – fueled public disillusionment and intensified political radicalization. With the vote postponed to May 2025, uncertainty has grown, allowing far-right and anti-system parties to gain traction. The rising influence of nationalist, sovereigntist and illiberal forces throughout the 2024 electoral period raises concerns about further erosion of democratic institutions and social trust.

The mainstream political establishment, led by the Social Democrats (PSD) and the Liberals (PNL), has faced widespread criticism for electoral manipulation, media clientelism and a growing reliance on intelligence services for political control. Clientelism remains entrenched, particularly through state-funded propaganda and targeted resource distribution to party-affiliated networks. These practices have deepened voter disillusionment and further weakened trust in democratic processes and institutions.

The judiciary continues to struggle with inconsistency, a lack of transparency and political interference. Although Romania formally complies with EU legal standards, rulings remain unpredictable, and magistrates retain disproportionate privileges, such as early retirement and non-contributory pensions. Anti-corruption efforts have lost momentum: the National Anticorruption Directorate (DNA) has been significantly weakened, and high-profile investigations have stalled or ended in acquittals. The influence of intelligence services and politically motivated judicial appointments has further undermined judicial independence.

Romania's economic growth slowed significantly during this period. GDP growth fell from 2.1% in 2023 to an estimated 1.4% in 2024, hampered by inflation, rising public debt and weak investment. While Romania previously demonstrated resilience in downturns, its fiscal situation

has deteriorated, with the budget deficit reaching 8.6% of GDP in 2024. High government spending – driven by wage hikes and social transfers – has prompted pressure from the European Commission to adopt fiscal consolidation measures. Yet political instability has stalled essential reforms, particularly in pension sustainability and tax compliance.

The country's investment climate has been adversely affected by political uncertainty, regulatory unpredictability and persistent weaknesses in the rule of law. Romania has one of the lowest tax compliance rates in the European Union, with VAT collection inefficiencies exceeding 30%. Public administration remains underdeveloped, hampered by bureaucratic obstacles and poor management of EU-funded projects. The banking sector remains stable, supported by foreign ownership and strong regulatory oversight. However, investment in strategic infrastructure, especially in the energy sector, continues to lag due to weak planning and inefficiencies.

Governance capacity remains limited, with policymaking dominated by short-term electoral interests rather than strategic planning. Public institutions are characterized by politicization, limited expertise and an overreliance on intelligence services for political steering. Heavy dependence on EU funds has not translated into structural reform, as low absorption rates and project mismanagement persist. The education system continues to perform poorly in international assessments, with functional illiteracy at alarming levels. The health system – one of the most underfunded in the European Union – struggles with inadequate services, long wait times and limited access in rural areas. Meanwhile, high emigration and an aging workforce exacerbate demographic pressures.

Civil society remains fragile, with declining engagement and increasing restrictions on independent organizations. Although grassroots activism has emerged around specific issues – such as environmental protection and support for Ukrainian refugees – the broader landscape is dominated by state-aligned NGOs and politically controlled media. Press freedom has weakened as traditional outlets fall under political and intelligence influence, while widespread misinformation and online radicalization further distort the public sphere.

History and Characteristics of Transformation

The modern Romanian state emerged in the mid-19th century, modeled explicitly on European norms – much like the pursuit of EU accession after 2000. Western institutions of statehood, democracy and a market economy were introduced into a predominantly rural society marked by ethnic diversity in many cities and regions and by an interventionist economy. The result was a gradually expanding democracy dominated by a narrow political and economic elite, with limited representation of broader societal interests. Even after universal male suffrage was introduced following World War I, the concept of popular sovereignty was not fully internalized. In the newly enlarged state, with sizable minorities, national mobilization often substituted for modernization and integrative strategies.

The communist takeover in 1947 brought sweeping socioeconomic transformation alongside oppression and systemic distortions. Long-standing structural imbalances persisted, including territorial underdevelopment and the “peasant problem” of overpopulation and underemployment in rural areas. The final decade of Nicolae Ceaușescu’s rule – often described as “sultanistic communism” – was particularly repressive. The ruling elite treated the state and the Communist Party as personal property rather than instruments of governance. Nepotism flourished, and selective access to increasingly scarce goods shattered the pretense of socialist equality, breaking the regime’s social contract. By the mid-1980s, Ceaușescu’s mix of demonstrative independence from Moscow and rigid Stalinist control had reached its limits, leading to economic decay, widespread shortages and a renewed reliance on nationalist propaganda to maintain legitimacy.

The violent fall of the regime in 1989 triggered power struggles among factions of the communist-era nomenklatura and the secret police. Romania’s transition was slower and more painful than that of other former communist states because it lacked a clean break with the past. Economic instability and political hesitancy delayed meaningful reforms, and the shift toward a market economy and pluralist democracy was unfamiliar to Romania’s new leaders, many of whom were reformed communists. As a result, post-communist reforms lagged behind those in other countries seeking EU accession.

The first true rotation of political elites occurred in 1997, when a center-right government implemented long-delayed structural reforms, including downsizing heavy industry and mining, liquidating inefficient state enterprises, consolidating the banking sector, privatizing state-owned firms, liberalizing prices and introducing currency convertibility. These measures faced strong resistance, with waves of violent protests, particularly by blue-collar workers who lost jobs. Some of these demonstrations, including those led by miners, were exploited by conservative forces and former intelligence operatives to destabilize reformist governments.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force remains unchallenged across its territory. For nearly two decades, the Hungarian minority has sought greater political autonomy while remaining within constitutional limits. Hungarian representatives have actively participated in government. Support for radical groups is rising, yet right-wing parties such as the Alliance for the Union of Romanians (AUR), SOS Romania and the Party of Young People (POT) – which together won roughly one-third of the seats in the 2024 parliamentary elections – do not contest the state's monopoly on the use of force. While urban gangs occasionally resort to violence to settle disputes, they do not exert systematic territorial control. Gun ownership is among the lowest in the world, and violent crime is rare. Human trafficking through EU-wide criminal networks remains a serious issue, but these groups have not established territorial strongholds.

According to the 2022 census, national minorities make up about 10.7% of the population. Ethnic Hungarians form the largest group (6.0%), followed by the Roma (3.4%), though the latter figure is likely an underestimate. While minorities face no legal discrimination, the Roma continue to experience social exclusion. The most politically active minority, the Hungarians, largely accepts the existing nation-state but advocates greater local autonomy. Their ethnic party, the Democratic Alliance of Hungarians in Romania (UDMR), has grown increasingly aligned with FIDESZ, Hungary's ruling party, by coordinating campaigns and echoing Viktor Orbán's rhetoric on the rights and status of Hungarians abroad. Since 2014, the directly elected president has been an ethnic German, and aside from the 2014 election campaign, neither his identity nor his religious background has been a point of controversy. With Russia's escalation of aggression against Ukraine in 2022, challenges to the state's legitimacy now seem even less likely than before.

Question
Score

Monopoly on the
use of force

10



State identity

9



The Romanian Orthodox Church (BOR) remains relatively passive in politics but benefits from substantial state funding. Other recognized denominations also receive financial support, primarily to preserve cultural heritage. This funding also serves as a means of state influence over religious institutions that have no tradition of opposing the government. Religious education was introduced as an optional subject in schools in the 1990s, and its impact has been largely symbolic. During the pandemic in 2021/22, religious groups opposed restrictions and vaccinations, encouraged by clerics who spread conspiracy theories. This sentiment overlaps significantly with nationalist and anti-LGBTQ+ views. Three radical parties capitalized on public discontent over lockdowns, securing about 32% of parliamentary seats in 2024, with some receiving backing from clerical circles.

More significantly, Călin Georgescu, an independent candidate who combined anti-Western rhetoric, mystical Christian themes and pro-Kremlin conspiracies, placed first in the 2024 presidential elections before they were annulled. His support came not only from Orthodox circles but also from neo-Protestant groups and esoteric cults, indicating the presence of a broader constituency receptive to such narratives. The BOR itself is divided between conservative and more moderate factions, with many conservatives actively supporting AUR in the 2020 election. Previously, some BOR members aligned with the Social Democrats, particularly during the 2018 referendum against same-sex marriage. Meanwhile, American-style neo-Protestant conservatism is gaining influence, particularly within the Liberal Party (PNL).

Administrative structures and public resource allocation cover the entire country, and rural infrastructure has steadily improved, largely thanks to European Union funding. Even during the COVID-19 pandemic and the 2022 energy crisis, the state continued to function reasonably well under pressure. Its most glaring failure was the low vaccination rate, as authorities were unable to mount a persuasive public campaign. Romania's administration of communications, transport and basic infrastructure still faces significant challenges, particularly in rural areas. While access to basic water services and electricity is nearly universal, substantial urban-rural disparities persist. According to World Bank data, only 82.1% of the population has access to safely managed water, 88.3% to basic sanitation and 87.6% to safely managed sanitation. These deficiencies are more severe in rural regions, where infrastructure development lags behind that of urban centers. Similar gaps exist in health care, education and law enforcement, with rural areas often underserved. Tax administration remains a major weakness. In 2024, Romania recorded one of the lowest levels of public revenue in the European Union, at just 34.1% of GDP, compared with the EU average of 46.5%. This limited fiscal capacity constrains the government's ability to invest in and maintain essential infrastructure and public services. The greatest threats to the stability of state administration remain political clientelism, corruption and incompetence among senior leadership.

No interference of religious dogmas

9



1

Basic administration

9



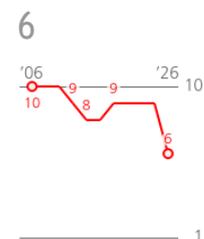
1

2 | Political Participation

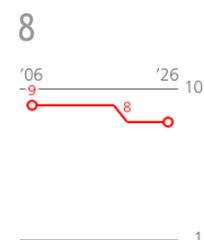
The June 2024 local and European Parliament elections were generally free and fair, based on universal suffrage and a secret ballot. While previous elections saw cases of fraud, unethical campaigning and voter manipulation, direct electoral fraud on polling days has declined over the past decade. This improvement is largely attributed to stricter regulations, greater transparency in party financing and the deterrent effects of anti-corruption efforts. Voter registration has improved, and online ID verification has been introduced. However, a major problem remains the clientelization of mass media, which limits fair access to television and radio for opposition and emerging parties. Public funding for political parties has increased significantly in recent years, but the Electoral Authority remains a weak enforcer of spending rules. Despite legal prohibitions, electoral clientelism is still widespread. These systemic flaws became highly visible in the first round of the November 2024 presidential elections, when a radical, anti-Western candidate – initially considered a long shot – unexpectedly finished in first place. Authorities failed to respond to his dubious claim of zero campaign expenses or to intervene against his aggressive TikTok campaign, which violated both national rules and the platform’s advertising policies. The shocking result triggered a chain of controversial decisions, including a recount that was later halted and a Constitutional Court ruling annulling the election on national security grounds, citing alleged foreign interference. The vote was rescheduled for May 2025, but officials have provided little explanation of how or by whom the process may have been tampered with. The Constitutional Court’s willingness to disqualify candidates – even those with radical and anti-democratic rhetoric – raises concerns and sets a troubling precedent in the absence of a solid legal case. Meanwhile, evidence suggests that the main centrist parties, the Social Democrats and the Liberals, may have instructed their voters to strategically support radical parties to secure a weaker opponent for their candidates in the second round of the presidential election.

Democratically elected leaders hold effective power to govern, and no autonomous political enclaves exist. However, strong interest groups occasionally exert disproportionate influence and, in some cases, wield informal power. In the past three years, Romania had a retired general as prime minister, and the current prime minister and some of the Social Democratic Party’s leadership are graduates or former students of the National Intelligence Academy or similar institutions designed to integrate civilian politicians with military and intelligence personnel. There is some association between holding top positions in political parties or government and participation in these networks. For years, the intelligence services played a key role in assisting the judiciary’s anti-corruption efforts – a role that could serve as their entry point into political life. Meanwhile, governance quality has suffered. Ministries and executive agencies are experiencing a hollowing out of expertise, with competent technocrats increasingly being replaced by political appointees with questionable

Free and fair elections



Effective power to govern



qualifications. This shift has led to a decline in the quality of policymaking and regulation, raising concerns about the long-term effectiveness of Romania's public administration.

The Romanian constitution guarantees fundamental political and civil liberties, including freedom of expression, association and assembly. Rhetorical attacks and efforts to discredit independent civil society declined for a time after the Social Democratic Party lost its dominant role in 2019 but have resurfaced in recent years. For example, civil lawsuits were used against environmental organizations, which were ultimately dismantled after failing to pay financial damages. These might be instances of Strategic Lawsuits Against Public Participation (SLAPP), a tactic increasingly used worldwide to silence activism. Additionally, civil society faces mounting bureaucratic hurdles, some of which are unfairly attributed to EU regulations. Forming new political parties remains difficult by European standards due to high administrative barriers, including extensive signature requirements and prolonged judicial approval processes.

Freedom of opinion and the press are, in principle, protected by law. However, economic downturns over the past decade and the rise of social networks have profoundly affected mainstream media and public discourse. The number of print media outlets has declined sharply, and certain genres, such as investigative journalism, fair political commentary and social reportage, have been pushed to the margins and are now largely produced by small nonprofit initiatives operating on a project basis. In recent years, Romania has experienced the highest increase in TikTok penetration among EU countries, reaching nearly 50% by the end of 2024. This surge affected the campaign for the November 2024 elections. The National Audiovisual Council remains weak and politicized, and it fails to fulfill its role: penalties for grossly distorted news programs are selectively applied, often targeting outlets critical of the ruling coalition. Another issue affecting freedom of expression is the intimidation of journalists who expose plagiarism in politicians' Ph.D. theses; those who refuse to stay silent have faced threats. The general perception is that mainstream media are weaker and more subservient than in previous years, increasingly influenced by political parties and the military-intelligence establishment, fostering self-censorship and compliance. Romanian political parties receive substantial public subsidies, nearly half of which are spent on "communication and propaganda." In practice, this distorts the media market, leading to the co-optation of traditional media, particularly television, and the suppression of inconvenient topics, a trend that becomes especially pronounced during election years. In the 2024 Press Freedom Index, Romania ranks 49th out of 180 countries.

Association /
assembly rights

8



Freedom of
expression

7



3 | Rule of Law

In Romania, state powers are formally independent, with the constitution establishing separation of powers and a system of checks and balances. The bicameral parliament and the dual executive, comprising a directly elected president and a stable prime minister appointed by parliament, make it difficult to concentrate power, particularly when coalition governments are required.

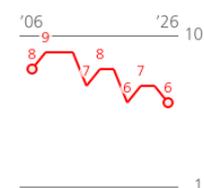
However, the constitution's limits are often tested during political crises. Both sides of the political spectrum increasingly turn to the Constitutional Court – a hybrid political institution not formally part of the judiciary whose judges are appointed by the country's president and the chambers of parliament – to resolve disputes that should typically be settled through political negotiation. The Constitutional Court made a series of controversial decisions before and during the ill-fated 2024 presidential elections. It disqualified certain extremist politicians from the race (Șoșoacă), while allowing others to run (Georgescu, Simion), despite the lack of a clear legal distinction between them in terms of hate speech or xenophobia. After the first round of voting, the court ordered a full recount on questionable grounds, only to halt it midway and ultimately annul the elections altogether, citing equally tenuous evidence from the Supreme Council of Defence. While these decisions may have had their political logic, they set troubling precedents for the future.

In practice, the separation of powers is further weakened by the lack of effective civilian oversight of Romania's multiple intelligence services. These agencies are widely suspected of influencing political and judicial decisions, particularly through control over key appointments. Another troubling trend is the expansion of financial privileges for a select group of public officials – including magistrates, police officers and intelligence personnel – who receive early retirement and highly generous, non-contributory pensions. Attempts to reform this system, which places a substantial burden on the public budget, have been repeatedly blocked in court – ironically, by the same judiciary that benefits from it.

The direct threat to judicial autonomy from the ruling powers has abated in recent years, as coalition governments have chosen a nonconfrontational approach with the European Commission on this issue. The Cooperation and Verification Mechanism (MCV), established as a safeguard when Romania joined the European Union in 2007, has been discontinued, and media campaigns against magistrates have largely subsided. The primary challenge to the judiciary today revolves around its privileges – particularly early retirement and high, non-contributory pensions – which have drawn public criticism. At the same time, there is a growing perception that the commitment to fighting corruption has waned. The National Anticorruption Directorate (DNA) has been significantly weakened, notably losing its authority to investigate magistrates, while appointments to key positions in high courts, prosecutors' offices and the Council of Magistracy increasingly favor pliant figures.

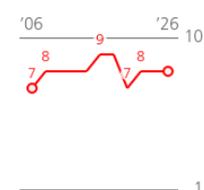
Separation of powers

6



Independent judiciary

8

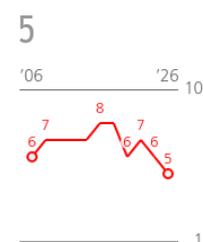


The Constitutional Court (CCR), which is not formally part of the judiciary and is not composed exclusively of magistrates, remains the sole institution with the power to strike down laws on grounds of unconstitutionality, sending them back to parliament for revision. Concerns persist that both ordinary court rulings and CCR decisions are subject to political influence and are often poorly reasoned or inadequately justified, as evidenced by the controversial series of CCR rulings following the first round of the 2024 presidential election. Blatant corruption in the judiciary has become less frequent than in the past, possibly due in part to the generous compensation packages offered to judges, including high salaries and early retirement. However, the decline may also reflect a less vigorous approach by prosecutors, particularly when it comes to investigating their colleagues in the judiciary. The recruitment of judges is generally well-regulated and meets professional standards. Problems arise later, as political and intelligence-service pressures are exerted from the top through the judiciary's regulatory bodies, influencing decision-making and career advancement.

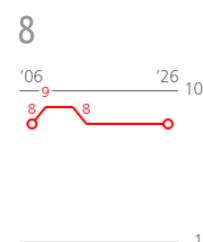
Over the past three years, investigations and prosecutions for abuse of office have steadily declined, as the once-vigorous anti-corruption drive has visibly lost momentum. Several high-profile cases that have dragged on for nearly a decade have ended in acquittals. The judiciary – particularly prosecutors – has become notably less active, cushioned by excessive privileges such as early retirement with special pensions far above the public sector average. Institutional changes and legal amendments have further weakened their capacity to investigate high-level corruption and clientelism, compounded by political influence over top appointments. Meanwhile, organized crime, environmental offenses and human trafficking continue to be poorly investigated and prosecuted – one of the reasons Western partners cited in delaying Romania's accession to the Schengen Area until early 2025. It has once again become common for senior officials under investigation to refuse to step down, often protected by their parties and favorable media coverage until conviction, and sometimes even afterward. The media still help expose abuses of office, but such reporting is now driven primarily by small independent online outlets rather than mainstream press organizations. A notable example is the exposure of a close relationship and exchange of favors between the prime minister and the president of the parliamentary judicial committee – both from the same party. The latter has been implicated in a major scandal involving fraud and money-laundering tied to a failed real estate project.

Standard EU norms that ensure due process, equal treatment and nondiscrimination are formally in place. However, court rulings can be inconsistent, with significant disparities in decisions for similar cases as judicial practice remains insufficiently harmonized. Lower courts, particularly in civil matters such as property disputes, face a significant backlog. This issue largely escapes EU scrutiny, which remains focused on anti-corruption. Human rights organizations continue to report police abuses, including violations of fundamental rights and inhumane or degrading treatment in prisons. Human trafficking, particularly of women and minors, remains a serious

Prosecution of office abuse



Civil rights



issue, exacerbated by a series of acquittals of criminal networks. Related concerns include persistent sexism and bullying in schools. Roma communities continue to face widespread social and economic discrimination. Meanwhile, discrimination based on sexual orientation, religion, race and political affiliation is relatively limited, with only isolated cases documented. Legal protections for privacy and equal access to justice exist, though enforcement remains uneven.

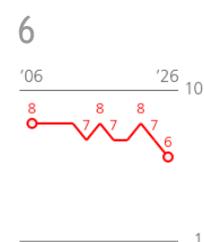
4 | Stability of Democratic Institutions

Political polarization was visible during the 2024 election year, as the centrist left-right ruling coalition and President Iohannis came under mounting attack from radical, anti-European parties and conspiracy groups active on social media. In response, the governing coalition insulated itself from public scrutiny, secured favorable coverage in mainstream media through extensive spending on political communication and manipulated the electoral calendar to weaken the opposition's chances. The minimal-winning coalition formed in December 2024 – which added only the UDMR to the previous coalition – reinforced public disillusionment by taking key decisions behind closed doors. Russia's full-scale invasion of Ukraine in 2022 has been used as a pretext for reducing transparency and accountability even in policy areas unrelated to national security. Meanwhile, the Constitutional Court has continued to expand its role, most notably in the aftermath of the November 2024 presidential elections, when it issued rulings that arguably exceeded the existing constitutional framework, effectively introducing new doctrine into Romania's fundamental law.

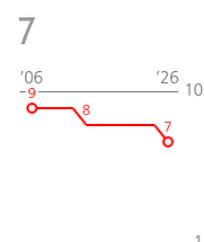
Democracy was formally accepted by all political and social actors before November 2024, although key decisions continued to be palpably influenced by unelected individuals. The judiciary, for instance, has ruled in favor of its own impunity and privileges, while the intelligence services continue to exert influence over politicians and the media. However, in the 2024 elections, three radical, anti-establishment and right-wing parties secured nearly a third of the parliamentary seats. They remain in opposition for now, contained by the mainstream parties. Yet fractures have already begun to appear as individual members of parliament defect to the mainstream Social Democrats and Liberals, part of a long-standing tradition of party-switching in Romania.

Călin Georgescu, the top vote-getter in the first round of the November 2024 presidential election, which was subsequently annulled, was a controversial figure with anti-Western, anti-democratic and conspiratorial views. He had secured nearly 23% of the vote. By January 2025, opinion polls credited him with over 30%, signaling a further radicalization of society in response to the annulment of the election and the continued rule of leaders who had already been rejected at the ballot box. The greatest concern today is that this wave of anti-system protest votes is coalescing around a candidate who openly advocates a democracy without political parties, favoring a direct leader-mass relationship reminiscent of interwar far-right movements.

Performance of democratic institutions



Commitment to democratic institutions

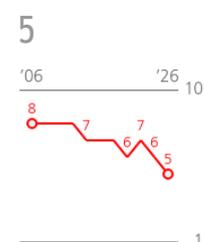


5 | Political and Social Integration

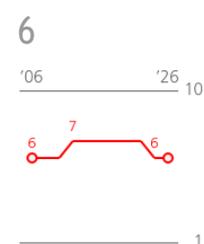
The party system underwent a major upheaval in 2024, with three radical right-wing parties entering parliament, two of them as political newcomers. As a result, the legislature is now the most fragmented in over a decade, comprising seven parties alongside representatives of national minorities. The two mainstream parties, the Social Democrats and the Liberals, formed a governing coalition in late 2021, citing the need for stability in anticipation of the outbreak of full-scale war in Ukraine. They ran on a common list in the June 2024 European elections, an unprecedented move, and intended to continue this partnership beyond the May 2025 presidential election, for which they planned to field a joint candidate again. However, most analysts argue that this coalition is the most detached from both societal realities and electoral outcomes in the past two decades, fueling voter cynicism and disengagement. This discontent was reflected in the strong anti-establishment vote in November 2024. Electoral clientelism remains the primary party-building strategy, particularly for the two dominant parties – the Social Democrats on the left and the Liberals on the right – which rely on state resources to reward their territorial networks. While smaller parties also engage in such practices, their more limited presence in government restricts their access to public funds. Electoral volatility remains high, as does polarization. The diaspora vote, once staunchly pro-EU and pro-reform, shifted toward anti-establishment forces in 2024, a trend also mirrored by younger voters in general.

Romania's political system has traditionally been slow to respond to legitimate societal demands. The 2020 coronavirus crisis only exacerbated this inertia, deepening social polarization and eroding public trust in authorities. The subsequent energy crisis and surging inflation forced the government into reactive mode, scrambling to stabilize prices and address the rising cost of living. However, the measures it adopted were poorly targeted, poorly communicated and excessively costly to the budget. Trade unions remain weak and largely confined to the public sector. Meanwhile, the Economic and Social Council, an EU-style advisory body meant to facilitate government decision-making, is effectively sidelined by the executive. Business associations are similarly ineffective because many large companies, including multinationals, prefer to bypass institutional channels, lobby policymakers on a case-by-case basis and secure individual deals. Certain privileges widely perceived as unjust, such as early retirement and special pensions for magistrates, police officers and other militarized institutions, have survived despite repeated electoral promises to abolish them. This reflects the disproportionate influence these professional groups wield over policymaking. When necessary reforms are introduced, such as the deficit cuts scheduled for late 2024, they are met with widespread skepticism and resistance.

Party system



Interest groups



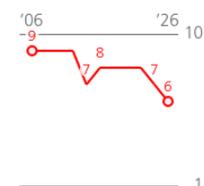
Support for democracy in Romania faces significant challenges at the end of 2024. While surveys indicate a majority of Romanian citizens still prefer democracy over other forms of governance, satisfaction with its current implementation has declined markedly. A Globsec poll showed a drop in satisfaction from 30% in 2020 to 23% in 2022, the most pronounced decrease among new EU member states. This disillusionment has been exacerbated by recent political events, including the annulled November 2024 presidential election, which was marred by allegations of foreign interference and the unexpected rise of far-right, pro-Russian candidate Georgescu. These developments have deepened public skepticism toward democratic institutions and processes. Even so, Romania's commitment to its Western alliances remains relatively strong. Public support for the European Union and NATO has recovered after a dip during the COVID-19 crisis, driven largely by heightened security concerns following Russia's full-scale invasion of Ukraine. Attitudes among the public, however, are not uniform. In 2024, 55% of Romanians identified Russia as the main aggressor in the war – a decline of 10 percentage points from the previous year, reflecting the growing influence of narratives critical of Ukraine. The rise of far-right parties with nationalist, anti-Western platforms shows that a segment of voters is increasingly questioning Romania's traditional geopolitical orientation. Younger voters, in particular, expressed more ambivalent views on democracy than in previous years.

Over the past three years, social trust and cooperation in Romania have remained low, though some segments of society have shown growing civic engagement. Generalized trust remains below the EU average, and Romania ranks among the least trusting societies in Europe.

In response to declining trust in government institutions, informal networks and grassroots activism have expanded in urban areas, particularly among the well-educated middle class, who have coalesced around issues such as environmental protection, public health and governance reform. Despite these positive developments, systemic barriers to social cooperation persist. In poorer rural regions, self-organization remains weak, and reliance on state intervention is the norm. Many citizens still expect solutions to come from the government rather than collective civic action, a legacy of both communist centralization and long-standing political clientelism. Political parties continue to exercise control over their networks through patronage, distributing resources to loyalists rather than fostering inclusive participation. Moreover, concerns have grown about the covert involvement of intelligence agencies in civil society and political life, with reports that certain independent organizations and even political parties receive privileged access to state and EU funding. The fundamental challenge for Romania's social capital is overcoming institutional distrust and fostering a culture of horizontal cooperation, particularly outside major urban centers.

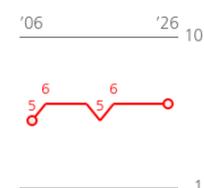
Approval of democracy

6



Social capital

6



II. Economic Transformation

6 | Level of Socioeconomic Development

Over the past two decades, Romania has averaged 3.7% annual real GDP growth, outpacing other Central and Eastern European EU member states. However, regional disparities persist: in 2021, productivity ranged from 162% of the EU average in Bucharest-Ilfov to just 51% in Nord-Est. Income inequality has gradually improved, with the Gini coefficient falling from 34.3 in 2021 to 31.0 in 2023. However, gender inequality remains a major issue, as Romania ranked last in the European Union on the Gender Equality Index (56.1 points in 2023).

Poverty – measured as people living on less than \$3.65 a day (2017 international prices, PPP) – has decreased over the last decade, from 13.9% in 2014 to 3.0% in 2021. While Romania has one of the highest shares of the population at risk of poverty or social exclusion in the European Union – 28% compared with the EU average of 21% – this marks a strong improvement from 45% in 2015 (Eurostat 2024). Stark disparities persist between urban and rural areas. While Romania’s Human Development Index (HDI) has shown a slight upward trend, reaching 0.827 in 2022, its ranking (53rd globally) remains low for an EU member state.

Low wages and income disparities continue to drive skilled migration. Urban-rural divides are pronounced. Foreign direct investment (FDI) and economic growth are concentrated in Bucharest, major cities and western regions, while underemployment and inadequate social services persist in rural areas. The Roma population, historically marginalized, faces systemic social exclusion, barriers to formal employment and limited access to public services. Labor force participation remains significantly lower than in Western Europe, with early retirement and informal rural work further limiting economic potential.

Question
Score

Socioeconomic
barriers

7

'06 '26 10

6 7



1

Economic indicators		2021	2022	2023	2024
GDP	\$ M	286578.2	296354.4	350775.9	382767.6
GDP growth	%	5.5	4.0	2.4	0.8
Inflation (CPI)	%	5.1	13.8	10.4	5.7
Unemployment	%	5.6	5.6	5.6	5.4
Foreign direct investment	% of GDP	4.1	3.9	2.5	1.9
Export growth	%	12.6	9.3	-0.8	-3.1
Import growth	%	14.6	9.3	-1.1	3.8
Current account balance	\$ M	-20566.0	-27325.8	-24460.5	-31987.9
Public debt	% of GDP	51.5	51.7	52.1	57.4
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-7.4	-6.4	-	-
Tax revenue	% of GDP	14.9	16.2	-	-
Government consumption	% of GDP	17.8	16.7	17.1	18.3
Public education spending	% of GDP	3.3	3.3	-	-
Public health spending	% of GDP	4.9	4.5	-	-
R&D expenditure	% of GDP	0.5	0.5	-	-
Military expenditure	% of GDP	1.9	1.7	1.6	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market organization in Romania remains aligned with EU regulations, which uphold free trade, currency convertibility, strict anti-monopoly and anti-state aid enforcement, as well as the transposition of EU directives. Although the energy crisis and high inflation in recent years have pushed the government toward greater interventionism, the fundamental market structure has not changed significantly. However, state-owned enterprises continue to suffer from poor management, particularly in the energy and extractive sectors, where politicization is widespread and performance remains inconsistent. Several key benchmarks agreed with the

Market organization

8



European Commission were missed, delaying disbursements under the Resilience and Recovery Plan (PNRR). These delays stem from the authorities' failure to effectively depoliticize SOEs.

Tax evasion and the informal economy remain substantial, reflecting weak enforcement capacity among agencies responsible for oversight. Informal employment varies by region and is highest in the northeast, where it accounts for about 40% of total employment, primarily in rural, subsistence-based households. The public procurement system – while formally compliant with EU requirements – is frequently exploited for corruption, including clientelism. Starting a business in Romania is relatively inexpensive, but dealings with the public administration remain a major obstacle, especially when obtaining permits or interacting with state-owned enterprises, such as for electricity connections.

Romania is a member of the International Competition Network (ICN) and enforces strict regulations prohibiting monopolies. The Romanian Competition Council (RCC) and other regulatory bodies, which formally adhere to EU competition rules, have developed a substantial body of case law and enforcement experience. Investigations into cartelization across various sectors, including energy, banking, telecommunications and retail, have led to fines and sanctions. Further liberalization has taken place in regulated markets, notably in natural gas and, as of early 2021, the electricity market. However, the process was partially reversed following sharp energy price increases in recent years, which prompted the introduction of tariff ceilings that remain in place as of early 2025 with no clear timeline for removal. The public works market, especially at the local level, has long been vulnerable to clientelism and corruption. Political fragmentation in Romania has made cartelization more difficult, fostering a degree of competition. New concerns have emerged in the medical sector and in information and communications technology (ICT) services for public institutions, including EU-funded projects. Investigative reports have revealed illicit cartel practices, political interference and the influence of intelligence services in these industries. Following the 2024 elections, populist parties secured nearly one-third of parliamentary seats, intensifying pressure to restrict competition by favoring domestic producers and selectively taxing multinational corporations in politically unpopular sectors such as retail and energy. The government formed in December 2024 introduced a program of “economic patriotism and industrialization,” which – although lacking clear detail – signals a shift toward increased protectionism, particularly for state-owned enterprises in strategic sectors such as energy.

Competition policy

8



1

Romania is a full member of the EU common market. The restrictions imposed by tariff and non-tariff trade barriers have been abolished. In recent years, exceptions to this regime have been minimal and fully aligned with EU regulations. Within the European Union, Romania strongly supports free trade agreements with the United States, Canada and East Asia, as well as the liberalization of services and labor standards across the bloc. This position offers a distinct advantage to Romanian workers and freelancers, facilitating their access to the broader European market. Additionally, Romania has been a proponent of early trade liberalization with non-EU neighboring states, particularly Moldova and Ukraine, advocating for deeper economic integration with these countries.

The banking sector has been restructured to align with European standards and has demonstrated resilience, successfully navigating the global financial crisis and its aftermath without requiring public bailouts. Non-performing loans (NPLs) have steadily declined, reaching 2.45% in late 2024. Private ownership in the banking sector is high, exceeding 91%, with most banks owned by foreign investors from Western Europe. Market concentration remains moderate, as the three largest banks hold only about 40% of total assets, ensuring a competitive banking environment. The capital adequacy ratio stood at 20.5% in 2024, reflecting the sector's strong capitalization and prudent risk management. These indicators highlight a well-established private ownership model, bolstered by significant foreign investment and a stable regulatory framework. The sector is subject to strict oversight, and financial institutions generally adopt a cautious approach, with the central bank maintaining a conservative stance. Mugur Isărescu, the world's longest-serving central bank governor, was reappointed as governor of the National Bank of Romania (BNR) in October 2024 for another five-year term. At the same time, political interference in central bank independence and populist-driven anti-banking legislation have become less frequent than in the past, signaling a more stable regulatory environment.

8 | Monetary and fiscal stability

Romania operates under a managed floating exchange rate regime for its currency, the leu (RON = €0.20 in January 2025). In this system, the National Bank of Romania (BNR) allows the leu's value to fluctuate based on market forces but may intervene to stabilize the currency in response to economic shocks or to achieve specific monetary policy objectives. This approach aligns with Romania's inflation-targeting strategy, ensuring flexibility to respond to economic fluctuations while maintaining price stability. Over the past three years, Romania's inflation rate has been highly volatile, peaking at 13.8% in 2022 due to surging energy prices and supply chain disruptions. It moderated to 10.4% in 2023 as energy markets stabilized and supply pressures eased. By 2024, inflation had further declined to an average of 5.6%, reflecting a gradual return toward price stability. However, strong domestic demand and rising wages continued to exert inflationary pressure, while fiscal policies – such

Liberalization of foreign trade

10



1

Banking system

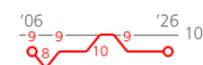
9



1

Monetary stability

9



1

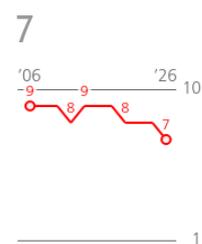
as increased public spending and wage adjustments – also played a role. Although inflation remains above historical norms, recent trends indicate a gradual moderation toward more sustainable levels. The central bank has maintained its independence from political influence and remains committed to monetary stability. While Romania is obligated in principle to adopt the euro under the EU Accession Treaty, the prospect of eurozone entry has been postponed indefinitely.

During the review period, Romania's fiscal policy has been expansionary, marked by rising public spending, significant budget deficits and rising debt levels. Gross public debt stood at 52.1% of GDP in 2023. In response to high inflation, economic uncertainty and the energy crisis, the government implemented social support measures, wage increases and energy subsidies, contributing to persistent fiscal imbalances. The budget deficit remained high, exceeding 6% of GDP in 2022, widening further to 7.5% in 2023 and to 8.6% in 2024, driven primarily by elevated social spending and sluggish revenue collection. Additionally, tax evasion and inefficiencies in public administration have weakened revenue streams, making fiscal consolidation increasingly challenging. The government's reliance on external borrowing and EU funds has helped mitigate immediate risks, but concerns over long-term fiscal sustainability have grown. By 2024, Romania faced mounting pressure from the European Commission and international financial institutions to rein in its deficit and implement structural fiscal reforms. However, political instability and upcoming elections have made deep expenditure cuts politically unfeasible. The government has proposed new tax measures, including higher corporate taxes and selective levies on certain industries, but enforcement remains a challenge. Meanwhile, the government has struggled to improve public investment efficiency, with large infrastructure projects facing delays due to mismanagement and bureaucratic bottlenecks. Credit rating agencies have responded with cautious outlooks, warning that Romania's fiscal path remains vulnerable to external shocks and further economic downturns.

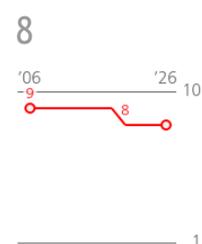
9 | Private Property

Romanian legislation governing the acquisition and protection of property rights largely aligns with the EU acquis. The constitution guarantees the inviolability of private property. However, gaps remain in enforcing intellectual and industrial property rights. Expropriation for public utility is legally defined but is often slow and difficult to implement in practice. As a result, many cases end up in court. Expropriations are permitted only for major public infrastructure projects, such as highways and not for land redevelopment. While this may pose challenges for public authorities, it provides stronger protections for private owners. The private sector's share of GDP has steadily increased over the past three decades, reaching nearly 80% today. Overall, Romania is becoming more business-friendly in administrative procedures and processing times. However, digitalization in public administration

Fiscal stability



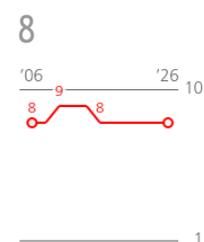
Property rights



remains slow, and e-government initiatives have had little impact. Urban regulations and enforcement are weak, leading to substandard and exploitative developments that undermine property values and the quality of life for existing residents, who have limited recourse. Public property is often poorly protected and vulnerable to misuse through preferential concession contracts, particularly at the local level, though gradual improvements have been made in the past decade.

The large-scale post-communist privatization process is mostly complete. Private ownership in the residential sector stands at 96%, which is among the highest in Europe. However, skepticism toward collective property and cooperative models, whether in agriculture or housing, remains strong. The primary challenges for private enterprises are inefficiency in public administration and regulatory burdens. Despite support from foreign partners, repeated efforts to reduce bureaucracy have yielded limited results. While Romania offers a competitive tax regime to investors, legal instability, particularly in fiscal and tax policy, remains a major concern and is most evident in recent years in the energy and building sectors. The manufacturing sector's share of GDP has declined in recent years, though it remains above the EU average. In contrast, the public administration sector – including health and education – has expanded, highlighting the state's significant role. SOEs remain highly politicized, often divided among ruling political parties and used as instruments of patronage. As a result, their performance varies widely, with some incurring substantial losses, particularly in railways, coal mining and municipal district heating. The government formed in December 2024 announced a program of “economic patriotism and industrialization.” Although short on detail, it signals a shift toward greater protectionism – particularly for SOEs in strategic sectors such as energy – and points to possible partial renationalizations through state share acquisitions.

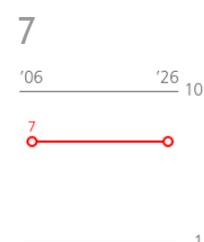
Private enterprise



10 | Welfare Regime

Social security in Romania is state organized and, in principle, covers all major risks. However, nonprofit charities increasingly play a role, particularly in partnership with municipalities, while the private medical sector has grown in importance and complexity. Social benefits, both universal and targeted, are available nationwide, primarily in cash. Health care is theoretically accessible to all citizens, but coverage remains inadequate, especially in rural areas. Access to free medical care and medication is often subject to long waiting lists. Romania allocates one of the lowest shares of GDP to health care in the European Union (5.7% in 2021). The availability of subsidized services and medicines fluctuates based on monthly budget allocations. Life expectancy is at a historic high (76.4 in 2023) and has recovered from the COVID-19 dip but remains among the lowest in the European Union.

Social safety nets



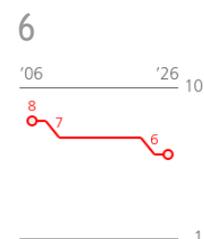
Demographic challenges add further strain. A low birth rate and the impending retirement of the communist-era baby boomer generation (after 2030) threaten the long-term sustainability of the system. The three main pillars of Romania's social

safety net – pensions, health care and social protection – are funded exclusively through labor taxation. Early retirement was widely used during the post-communist transition as an alternative to layoffs, further reducing the number of contributors to the system. Consequently, Romania’s employment rate (63%) and average effective retirement age (61.5 years) are among the lowest in the European Union. The state is more effective at distributing subsidies than at actively helping people find employment. While the social safety net is theoretically comprehensive, many of its components are poorly targeted, sometimes misused and rigid in implementation. As under communism, the system is overextended relative to available resources, promising more than it can realistically deliver, despite rising GDP per capita and increasing public budgets. To some extent, remittances from the estimated 3.15 million Romanians working abroad, mostly within the European Union, help offset these shortcomings; the actual number of expatriates is likely even higher than the official figure.

Despite having progressive laws aligned with EU standards, Romanian society exhibits some disparities in access to opportunities and services. Basic social security and health care offer limited compensation for social inequality, largely due to the state administration’s inefficiency in implementing targeted policies. While egalitarian attitudes are widespread, many public services are still accessed – at least occasionally – through social capital, personal connections or informal payments. The Roma community faces particularly severe barriers in accessing health care, education and housing. Historically marginalized, they also face systemic social exclusion and barriers to formal employment.

Gender-related indices from the UNDP and other sources indicate stagnation rather than progress. Although policies and institutions exist to prevent and penalize discrimination, they lack the capacity to address systemic disparities and ensure equal opportunity. Romania has one of the widest gender gaps in labor market participation in the European Union, trailing only Malta and Greece. Female labor force participation stands at 61.3%, below the EU average of 67.3%. This gap largely reflects the lower retirement age for women – a legacy of communism – and their concentration in informal work and household labor, particularly in rural areas. Women face no disadvantage in education and are overrepresented in higher education, yet they often earn less than men in similar occupations. Dissatisfaction persists over the underrepresentation of women in political leadership. A 2020 independent study found that more than 20% of candidates in local elections were women, while the figure dropped to 10% for key elected positions such as mayors. As of early 2025, only two of 18 cabinet ministers are women, while 22.4% of members of parliament in the Chamber of Deputies are women.

Equal opportunity



11 | Economic Performance

Over the past two decades, Romania has averaged 3.7% annual real GDP growth, outpacing other EU member states in Central and Eastern Europe. GDP per capita (PPP) stood at \$47,903 in 2023, roughly the median for the region. In the three years following the COVID-19 pandemic, Romania's economic performance exhibited both resilience and challenges. In 2022, the country experienced robust GDP growth of 4.8%, driven primarily by strong private consumption and a resurgence in investment. However, this momentum slowed in 2023, with GDP growth slowing to 2.1% because of heightened inflation and weakened external demand. The inflation rate peaked at 13.8% in 2022 due to surging energy prices and supply chain disruptions, then moderated to 10.4% in 2023 and declined further to an average of 5.6% in 2024. Estimates for 2024 suggested a stagnant growth rate of 1.2% to 1.4% due to a rapid increase in salaries, which eroded the country's export competitiveness. FDI and economic growth are concentrated in the capital city, a few other major cities and the western regions, contributing to the territorial imbalance.

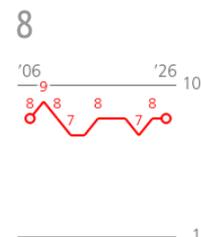
The labor market has shown resilience, with the unemployment rate declining from 5.6% in 2022 to 5.4% in 2024. Strong labor demand has contributed to this decline, although real wage growth has outpaced productivity gains, potentially affecting external competitiveness. The informal economy remains a challenge, contributing to fiscal imbalances and undermining fair competition.

12 | Sustainability

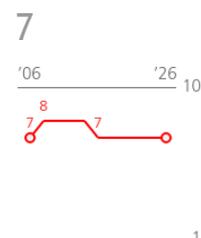
Environmental hazards in Romania have declined because of deindustrialization in the 1990s and a wave of greenfield investments that introduced modern technologies. EU accession later compelled heavy industry and energy producers to meet stricter environmental standards. While industrial air pollution persists in some cities and the northwest, growing public awareness has fueled independent monitoring and activism. Romania is nearing the EU target of a 55% reduction in emissions from 1990 levels, though much of this progress is a base effect that reflects the collapse of communist-era heavy industry rather than proactive policy. However, the country has faced EU penalties for noncompliance with wastewater treatment, waste management and recycling directives; these are persistent issues yet to be fully addressed. Corruption and allegedly organized crime have contributed to ongoing problems with landfills and illegal dumping.

At the same time, Romania has made steady progress in renewable energy and energy efficiency. Many residential buildings have been insulated, and renewables' share of electricity generation has risen to about 50% in recent years. In addition, nuclear power accounts for roughly 20% of electricity production, and renewables are set to

Output strength



Environmental policy



expand further. The energy price shocks of 2022 and sanctions on Russia may have contributed to more rational energy consumption, as seen across Europe. As a car-producing country, Romania has an interest in restricting imports of secondhand vehicles and promoting buyback schemes. However, it has struggled to implement an EU-compliant pollution tax on older cars; the issue remains on the agenda for the future.

Civil society has grown more active on environmental issues, successfully pressuring the government over mining, hydropower projects and deforestation. A national monitoring system was introduced to combat illegal logging, though loopholes remain. One civic initiative even established an independent air-quality sensor network in Bucharest, exposing the flaws of the government's monitoring system and raising public awareness. More recently, concerns about energy security, along with lobbying from vested interests, led the government to request a delay in closing several coal power plants, despite prior commitments under the EU Green Deal. Financial resources are not the primary obstacle, thanks to generous EU Recovery and Resilience funds; rather, Romania's main challenge lies in the authorities' capacity to design and implement effective environmental policies and to carry out projects and investments.

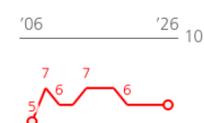
Public education is among the most debated issues in Romania and was a declared priority during President Iohannis' two terms. Both he and his wife are high school teachers. A sectoral strategy and a new education law have long been under discussion, but there is little clarity about their objectives and implementation. Overall, this key initiative of the Iohannis administration is widely regarded as a failure.

The systemic problems plaguing education and research are not easily solved by budget increases alone, especially because public spending on education remains below the EU average and has fluctuated between 3% and 4% of GDP in recent years. Funding disproportionately favors higher education at the expense of primary and vocational schools. Many universities, both public and private, are of dubious quality, yet efforts to restructure are blocked by a strong lobby of rectors and parliamentarians, many of whom hold university positions for prestige and financial gain. Scandals over nepotism, fake diplomas and plagiarism, including cases implicating high-ranking politicians such as the current prime minister, have recurred.

The gender disparity in tertiary education, with female enrollment at 134% of the male rate, is characteristic of post-communist countries. Romania's main educational challenge is not enrollment: primary education coverage is nearly universal (100%), and tertiary enrollment stands at 65%, comparable to the most advanced EU-10 countries. Rather, the problem lies in the quality of graduates. In international assessments like PISA, Romanian secondary students score below 90% of the OECD average in reading and mathematics, and the gap is widening.

Education policy /
R&D

6



1

Adult education and lifelong learning remain underdeveloped, with participation rates below the EU-27 average. Functional illiteracy among students and adults is an increasingly recognized concern in Romania's transition to a knowledge-based economy. While the official literacy rate is high, recent studies estimate that 40% of Romanian students are functionally illiterate, compared with an EU average of 23%. The country's U.N. Education Index is low by European standards – 0.771 in 2021 – but on par with neighboring Bulgaria and Serbia.

Public spending on research and development (R&D) has traditionally been well below EU and OECD averages, at about 0.5% of GDP. However, Romania's low public revenue collection relative to GDP affects most areas of government spending, not just education and research. EU funds can provide additional resources, but they do little to improve the effectiveness of spending in this sector, where state research institutions receive funding regardless of results. Meanwhile, private sector R&D investment remains lower than in Western Europe, limiting innovation and technological advancement.

Governance

I. Level of Difficulty

Despite economic growth and EU integration, deep-rooted structural limitations continue to constrain Romania's governance capacity. The war in Ukraine has further tested the state's ability to manage complex crises, with almost 100,000 Ukrainian refugees remaining in Romania at the beginning of 2025.

The most significant challenge, however, remains the stark socioeconomic divide between the country's affluent urban centers and its underdeveloped rural areas. This divide is not merely economic but also institutional: while cities such as Bucharest, Cluj and Timișoara benefit from skilled labor, investment and modern infrastructure, vast rural regions in the east and south remain trapped in low-productivity agriculture, aging demographics and chronic underemployment. Rural poverty is further reinforced by inadequate infrastructure – poor roads, limited internet access and underfunded schools – making upward mobility difficult. These disparities are long-standing and rooted in historical patterns of uneven development, exacerbated by the failure of successive governments to implement effective regional policies. EU funds have provided some relief, but absorption rates remain inconsistent due to weak administrative capacity at the local and central levels.

A second major constraint is Romania's institutional inefficiency, which is not simply a failure of the current political leadership but rather a deeply ingrained feature of the state. The bureaucracy is slow, fragmented and prone to politicization, making long-term strategic planning difficult. Despite multiple waves of public administration reforms, decision-making remains reactive rather than forward-looking, with ministries and agencies struggling to coordinate policies effectively. The judiciary and law enforcement agencies have undergone EU-monitored reforms, yet the legal system remains plagued by unpredictability, discouraging both domestic and foreign investment.

Transport infrastructure, a critical driver of economic modernization, continues to lag behind European standards because of bureaucratic inertia, corruption risks in procurement and difficulty executing large-scale projects in a country with complex terrain and outdated planning mechanisms.

Finally, Romania's demographic decline poses a structural challenge that will shape the country's governance capacity for decades. Romania has one of the highest emigration rates in the European Union, and its labor force is shrinking, particularly

Structural
constraints

4

'06 _____ '26 10

4

_____ 1

in technical and skilled professions. The country’s education system, while producing talented graduates in select fields, suffers from chronic underfunding, limiting its ability to train a workforce capable of driving economic transformation. These enduring structural constraints ensure that even in times of relative political stability, Romania’s governance capacity remains limited and its ability to implement transformative reforms remains uncertain.

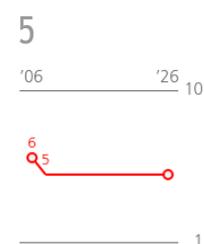
Romania’s civil society traditions remain weak, shaped by historically low levels of social trust and a fragmented public sphere. While certain elements of the sector have expanded and consolidated in urban areas and the total number of NGOs has increased, the number of truly active organizations – especially watchdog groups – has declined. This trend is largely due to a gradual reduction in support following the country’s EU accession. Overall, participation in voluntary associations and civic engagement remains limited. The deeply ingrained informality in public life, coupled with widespread institutional distrust, continues to hinder the development of a strong, independent civil society.

Romania’s version of Balkan communism was particularly repressive, discouraging independent social organization, and its legacy persists in the challenges civil society organizations (CSOs) face in influencing governance. The state’s role in distributing EU funds has also led to distortions, as many resources are funneled to so-called “fake NGOs” created by politically connected figures to capture funding rather than serve the public interest.

Despite these challenges, certain segments of civil society have strengthened in recent years. The escalation of the war in Ukraine has triggered an unprecedented wave of grassroots mobilization, with volunteers often organizing aid and logistics more efficiently than the state does. Environmental activism and anti-corruption efforts continue, though inconsistently and with periodic setbacks. Digital platforms have facilitated the rapid spread of civic initiatives, but illiberal groups have also used them to launch anti-NGO campaigns. Some politicians with authoritarian tendencies have sought to curb independent civic activity by introducing bureaucratic obstacles or restricting access to funding. SLAPP cases have become more frequent than before. Nevertheless, rising educational standards and the expansion of the service sector have contributed to the gradual emergence of a more engaged civic constituency.

Social trust is among the lowest in Europe, with only about one in 10 Romanians saying most people can be trusted, according to the latest World Values Survey. Overcoming this entrenched skepticism remains a long-term challenge for civil society and democratic governance.

Civil society traditions

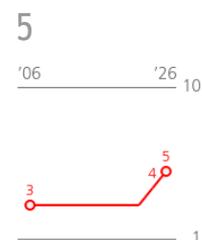


Political and social conflict in Romania has intensified sharply, with the 2024 elections marking a high point in polarization. Rhetoric that was once confined to political circles, commentators and clientelistic media has spread more broadly, amplified by the deep divisions exposed during the November 2024 electoral crisis. The campaign was among the most contentious in recent history, characterized by accusations of fraud, foreign interference and elite collusion, and it ended in a political debacle with the annulment of the presidential vote. The rise of extremist narratives, particularly from the far-right, has deepened ideological fault lines, making political discourse increasingly combative and disconnected from substantive policy debate.

Unlike previous election cycles, when campaigns cut across social and cultural cleavages, the 2024 contest aligned more directly with identity-based divisions, increasing the risk of long-term social fractures. Ethnic tensions with the Hungarian minority in Transylvania remain under control, as the Democratic Alliance of Hungarians in Romania (UDMR) continues to be integrated into governing coalitions, even when its parliamentary support is not crucial to securing a majority.

However, a more alarming trend has emerged: heightened intolerance and scapegoating of vulnerable groups, particularly the LGBTQ+ community and migrants, have become mainstream in political discourse. Hate speech, once relegated to the fringes, has been increasingly weaponized by nationalist and ultraconservative forces emboldened by their electoral gains. The overlap of anti-Western, nationalist and religious-fundamentalist narratives, which gained traction after Russia's full-scale invasion of Ukraine, has further fueled political radicalization. Three extreme-right, anti-Western parties together occupy almost a third of the seats in parliament after the 2024 elections, capitalizing on widespread disillusionment with the ruling establishment. While Romania has so far avoided large-scale street violence, the post-election period has been marked by intense protests, legal battles and a growing sense of institutional crisis. The country's ability to contain these tensions without descending into deeper instability remains uncertain and depends heavily on the results of the presidential elections, postponed to May 2025.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Romania is characterized by incomplete reforms, reactive governance and pervasive state capture, aggravated by growing public skepticism toward government policies and institutions. Policy implementation is frequently subverted or inconsistently enforced. Although Romania diligently adopts EU-wide policies and institutional frameworks without major objections, this dependence on external guidance reflects a continuing lack of domestic strategic capacity. Steering capability is largely imported, with technocrats and international partners playing key roles in sustaining core governance functions.

Numerous policy strategies exist at both the national and local levels, but they often lack alignment with budget planning and therefore remain aspirational. Some local governments – especially in major cities – have demonstrated greater competence in administration and resource management, but these remain isolated examples rather than evidence of a broader shift toward effective policymaking.

Events in 2024 further exposed the government’s limitations in setting and maintaining strategic priorities. The November electoral crisis, which led to the annulment of the presidential vote amid allegations of fraud and foreign interference, damaged decision-making credibility at the highest levels and complicated efforts to address the budget deficit. Political instability has diverted attention from urgent governance challenges, including economic volatility, security concerns stemming from the war in Ukraine and delays in implementing EU-funded reforms.

Romania remains a loyal NATO ally, but its strategic posture is reactive rather than proactive, with little independent initiative beyond adherence to broader Western policies. The government is caught between conflicting priorities: meeting EU requirements for deficit reduction while responding to NATO pressure for increased defense spending. Despite relatively secure energy supplies, authorities have struggled to implement coherent measures that both protect consumers and preserve fiscal sustainability.

EU instruments such as the Recovery and Resilience Plan and Structural Funds remain the primary anchors of Romanian governance, with much of the state’s limited administrative capacity focused on meeting Brussels-imposed targets rather than developing homegrown strategies. As political uncertainty deepens, Romania’s ability to deliver long-term reforms is increasingly fragile, raising concern about the sustainability of its current governance model in the years ahead.

Question
Score

Prioritization

5



Consistent implementation of strategies and plans remains the Achilles' heel of Romanian governments. While the state is generally effective in executing spending programs within its rigid hierarchical structure (such as pandemic-era job-support schemes or energy price subsidies in the last three years), it struggles with long-term structural reforms. The preference for social spending, universal subsidies and voucher-based assistance persists not only because such measures are politically popular but also because they require minimal administrative capacity. However, large-scale institutional reforms remain elusive.

Long overdue pension system corrections, intended to improve fairness and sustainability, have been diluted or stalled altogether. The same happened with other politically sensitive benchmarks agreed with Brussels under the Recovery and Resilience Plan (PNRR), leading to substantial delays in disbursing funds. One of the most glaring failures is the inability to move forward with the construction of seven urgently needed regional hospitals, despite EU funding and budget allocations. Years after approval, even their final locations remain undetermined.

Interest groups and entrenched party networks continue to obstruct strategic policies, often substituting superficial implementation or outright political sabotage for real reforms. The instability and unpredictability of Romania's regulatory and taxation frameworks have worsened in 2024, exacerbated by the country's deepening political crisis. The annulment of the November 2024 presidential election and the ensuing institutional paralysis have further delayed key governance priorities.

Romania's absorption of EU funds remains among the lowest in the European Union, with reported rates frequently manipulated through post factum data adjustments to create the illusion of progress. Central ministries, rather than local governments or private sector beneficiaries, remain the weakest links in managing strategic EU-funded projects. Political instability, economic uncertainty and the ongoing war in Ukraine have compounded the government's struggles, making long-term planning increasingly difficult. With governance capacity weakened and fiscal constraints mounting, the likelihood of meeting Romania's declared policy objectives appears lower than at any time after the global economic crisis of 2007 to 2009.

The quality and consistency of policymaking in Romania have continued to decline, with the political turbulence of 2024 further undermining the government's capacity to learn, adapt and innovate. While past external shocks, such as the COVID-19 pandemic, the energy crisis and the war in Ukraine, had complicated governance, the deep political crisis following the annulled November 2024 presidential election has pushed policy coherence to an even lower level.

There is little effort to engage in data-driven policymaking or to learn from past experience. Instead, government action remains largely dictated by EU mandates and external guidance. While this ensures a degree of policy continuity, it cannot be considered a domestic success, as Romania plays a marginal role in shaping EU-level

Implementation

5



Policy learning

5



debates and policy formulation. This weakness has been exacerbated by the paralysis of the ruling coalition, which – consumed by internal struggles in search of a common political calendar and strategy – has failed to exert meaningful influence in Brussels.

Institutional memory within the central government remains weak, with policy continuity largely dependent on the survival of individual civil servants rather than robust administrative structures. Political decision-making continues to prioritize short-term electoral gains, vested interests and internal party calculations over a sober assessment of policy effectiveness. Extreme clientelism defining intraparty leadership selection and public sector appointments has further eroded the capacity for learning and innovation. Underqualified individuals still occupy key regulatory and administrative positions, contributing to governance failures.

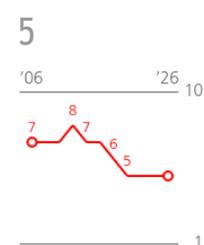
The 2024 election crisis has only deepened the sense of strategic drift, with political actors more focused on securing power than on responding to pressing governance challenges. It remains unclear what has been learned from the electoral debacle and how to avoid a repeat. The overall impression is of an increasingly dysfunctional system, where leadership is reactive rather than visionary, and the ability to implement meaningful reforms is at an all-time low.

15 | Resource Efficiency

The succession of crises, from the pandemic to the energy shock and the ongoing war in Ukraine, culminating in the 2024 political crisis, has done little to improve the resource efficiency of Romanian governments. Public spending surged in response to successive emergencies, with little attention to cost-effectiveness. Funds borrowed by the Romanian state or from the European Union’s common budget were primarily allocated to subsidies, including salary support during lockdowns, energy price compensation and politically motivated spending. As a result, Romania’s budget deficit has remained above the Maastricht threshold, peaking unexpectedly at 8.6% of GDP in 2024, while public debt has climbed beyond 54% of GDP and continues to rise. The rush to spend, often with minimal oversight, has magnified preexisting inefficiencies, reinforcing a pattern in which political expediency trumps fiscal discipline.

Despite external financial support, resource allocation remains flawed, with few or no impact assessments to guide expenditure decisions. At the local level, budgetary constraints remain loose, leading to widespread clientelism and waste. The government has continued to pour funds into the Saligny program, a successor to the opaque local infrastructure scheme (PNDL), despite its well-documented inefficiencies and duplication of EU funding. Designed as a discretionary slush fund to secure the loyalty of local mayors, the program remains unaccountable, with no transparent rules, evaluation mechanisms or clear financing sources.

Efficient use of assets



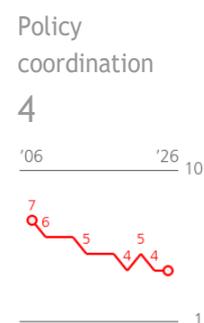
In contrast, important resources made available by the European Union – such as the Modernization Fund, which operates as part of the Green Deal – have barely been used by Romania, despite the vast need to invest in modernizing the energy system. The only beacon of light is the acceleration of highway construction because it is financed through the Recovery and Resilience Plan and must be completed by mid-2026.

Rent-seeking and suboptimal spending persist in state-owned enterprises and decentralized institutions, where nepotistic appointments are routine, reinforcing inefficiency and political dependence. Public procurement remains plagued by corruption and favoritism, leading to inflated costs and low-value output across essential sectors, from infrastructure to health care. Competent civil servants remain in the bureaucracy, but they are increasingly demoralized by political interference and erratic leadership. The Court of Accounts, Romania’s national audit institution, remains weak and highly politicized, with its leadership composed of former party officials. In 2024, with political turmoil further straining governance capacity, the prospects for improving resource efficiency remain bleak.

Policy coordination in Romania remains weak and largely outsourced to Brussels. The government’s limited capacity is almost entirely consumed by efforts to meet commitments outlined in the National Recovery and Resilience Plan (PNRR) – which includes a set of EU-imposed reform conditions – and by the ongoing seven-year Structural Funds cycle. The stakes are high: €30 billion in PNRR funding available until 2026 and another €50 billion in Structural Funds for the period from 2021 to 2027. However, performance remains lackluster beyond the popular PNRR projects to build highways, which have accelerated substantially in the last few years. Delays in implementing key PNRR milestones have already resulted in blocked payments from the European Commission, exposing the government’s chronic inefficiency.

The political crisis of 2024, particularly the annulled presidential election and subsequent instability, has worsened the situation and further reduced the state’s ability to coordinate policies effectively. The response to the energy crisis over the past two years has been emblematic of chaotic policymaking, with successive laws and emergency ordinances hastily adopted, only to be amended or reversed shortly after approval. This policy volatility has created uncertainty for consumers and imposed severe financial and administrative burdens on energy providers, ultimately discouraging investment in a sector already suffering from low production and capacity constraints. Key public services, such as health and education, continue to be managed through a patchwork of short-term emergency responses, lacking a coherent long-term strategy.

The looming pension crisis, rendered inevitable by demographic trends, is largely ignored, as government officials offer vague reassurances rather than substantive policy solutions. Digitalization of public administration remains a stated priority, but concrete progress has been limited, and there is no clear road map for implementation.



Routine government functions continue largely due to residual professionalism within ministries, where some policy coordination takes place despite often disengaged political leadership. This widening disconnect between the bureaucracy and elected officials has exacerbated governance inefficiencies, leaving Romania more vulnerable to external shocks and policy failures.

At the end of 2024, the Romanian government's ability to contain corruption has further deteriorated because political instability and a breakdown of public accountability have created an environment of impunity. While the anti-corruption institutions established before EU accession – the National Anticorruption Directorate (DNA) and the National Integrity Agency (ANI) – continue to exist, their effectiveness has been significantly weakened by political interference, selective enforcement and a lack of institutional will. The Cooperation and Verification Mechanism, designed to ensure compliance with the anti-corruption agenda after accession, was officially terminated in 2023, but analysts regarded this more as a result of shifting priorities in Brussels than actual improvements in Romania.

The annulled November 2024 presidential election, marred by accusations of fraud and foreign interference, further exposed the erosion of the rule of law, with electoral oversight bodies failing to act decisively in the face of blatant irregularities. The Permanent Electoral Authority, for example, has come under scrutiny for its inaction on campaign finance violations, particularly its failure to address the opaque spending of the surprise candidate Georgescu. Despite mounting evidence of systemic shortcomings, no resignations have been submitted and no corrective measures have been taken, reinforcing the perception that corruption is not only tolerated but embedded in Romania's political and administrative culture.

Misuse of public funds remains a persistent issue, with state resources continuing to be channeled toward clientelist networks rather than projects in the public interest. The opaque and discretionary distribution of local development funds under the Saligny program exemplifies how political patronage takes precedence over efficiency and accountability. At the same time, the practice of using public money to finance media outlets favorable to the ruling coalition has intensified, severely distorting public debate. While party subsidies for media influence have been a long-standing issue, the 2024 elections showed the full extent to which public funds can be weaponized to manipulate political narratives.

In addition, efforts to reform the special pension system, one of the key conditions for continued EU funding under the National Recovery and Resilience Plan (PNRR), have stalled as the Constitutional Court blocked progressive taxation of magistrates' pensions, reinforcing the perception of an untouchable elite protected from financial sacrifices imposed on ordinary citizens.

Anti-corruption
policy

5

'06 '26 10



1

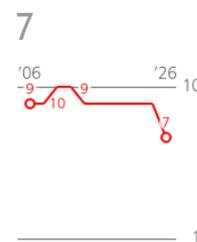
16 | Consensus-Building

By the end of 2024, the long-standing consensus among Romania's major political actors on democracy, a market economy and Western integration had been severely shaken. While EU and NATO membership are not openly challenged by most mainstream parties, the electoral upheaval of 2024 showed that public frustration with the political establishment has created space for radical, anti-Western forces to gain influence. The unexpected success of conspiracy theorist Georgescu in the presidential race, along with the far right securing more than one-third of parliamentary seats, indicates that a substantial segment of the electorate has turned toward candidates who reject Romania's traditional Euro-Atlantic orientation. Opinion polls still show relatively strong trust in the European Union compared with other member states, but the chaotic governance of the PSD–PNL supercoalition and widespread perceptions of corruption have deepened disillusionment with mainstream democratic institutions. The annulment of the presidential election – justified by authorities on vague claims of foreign interference – reinforced suspicions that the ruling elite is more focused on self-preservation than democratic legitimacy. The absence of accountability for electoral mismanagement and the continued dominance of the same political actors, despite voter backlash, have further eroded confidence in the democratic process.

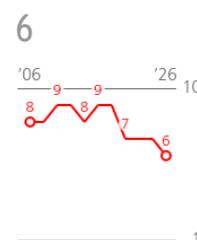
Economic policy consensus has also fractured, with growing divergence between the governing establishment – which prioritizes stability and maintaining access to EU funds – and emerging nationalist forces advocating more protectionist, state-driven economic models. While no major party openly rejects the market economy, populist rhetoric targeting foreign corporations and EU-imposed economic conditions has gained traction, particularly as Romania faces high deficits, inflation and slow growth. Regulatory unpredictability, exacerbated by frequent emergency ordinances and political instability, has further weakened investor confidence. As the country moves toward the rescheduled presidential elections in 2025, the risk of escalating economic populism and nationalist messaging remains significant. The events of 2024 suggest that Romania is at a crossroads: although its formal commitments to democratic governance and a market economy endure, the erosion of political legitimacy and the rise of anti-system forces indicate that these foundations are no longer as secure as they once appeared.

The ability of reformers to exclude or co-opt anti-democratic actors in Romania has weakened significantly in 2024, as the mainstream political establishment has lost both credibility and strategic leverage. The annulment of the presidential election and the ruling coalition's refusal to accept electoral defeat have fueled widespread public cynicism, almost dismantling the informal “cordon sanitaire” that once kept extremist forces at bay. The rise of Georgescu and the far right's parliamentary surge show that a substantial share of the electorate now views anti-system actors as a legitimate alternative, making outright exclusion politically difficult. Attempts to co-opt these forces into the democratic framework face structural obstacles: far-right groups and

Consensus on goals



Anti-democratic actors



conspiracy-driven movements depend on their outsider identity and have little incentive to integrate into a system they openly reject. The governing PSD–PNL coalition, despite its reputation for adaptability, has shown no coherent strategy to contain this threat. Its reliance on media patronage and political maneuvering has only reinforced perceptions of an out-of-touch elite determined to cling to power. Meanwhile, institutional inaction in addressing electoral manipulation and campaign finance violations – combined with evidence that centrist parties themselves encouraged tactical voting for some extremist candidates – has emboldened narratives portraying the government as illegitimate. In this context, reformers face a common dilemma: excluding anti-democratic actors outright risks further radicalizing their base, while co-opting them would require meaningful concessions that could undermine Romania’s commitment to democratic norms. Inducing radical members of parliament to switch to the ruling parties, as seen in early 2025, is equally undemocratic.

Romania’s political leadership has gradually lost its ability to moderate cleavage-based conflict, as electoral turmoil and public backlash against mainstream parties in 2024 have deepened divisions rather than alleviating them. While ethnic tensions with the Hungarian minority remain under control due to the continued inclusion of UDMR in governance structures, broader societal fractures – particularly the rural-urban divide and the gap between economic winners and losers – have widened. The annulment of the presidential election has intensified public disillusionment, reinforcing the perception that political elites operate in their own insulated sphere, detached from the struggles of ordinary citizens. The success of far-right parties, which now control over a third of parliamentary seats, reflects not only an anti-establishment vote but also a growing radicalization of discourse, exacerbating existing social cleavages. The government’s failure to address issues of economic inequality, institutional favoritism and political privilege has fueled resentment, particularly among rural, lower-income voters or the diaspora, who feel abandoned by the state. Meanwhile, nationalist rhetoric, anti-Western conspiracy theories and extremist narratives have gained traction in public discourse, facilitated by social media networks and politically connected media outlets. Rather than acting as a stabilizing force, Romania’s political leadership appears to be a primary driver of instability, failing to engage in genuine dialogue or implement policies that could rebuild public trust and bridge societal divides.

Cleavage /
conflict
management

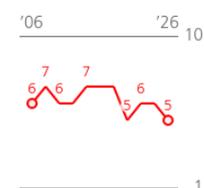
6



The political leadership's engagement with civil society in policymaking has declined, and consultation mechanisms have become increasingly superficial or ignored altogether. Although legal frameworks for public consultation remain in place, they have been rendered ineffective by a political class that sees dialogue with independent civil society actors as unnecessary or politically inconvenient – as demonstrated in debates over the 2024 political calendar and electoral procedures. The Economic and Social Council (CES) continues to function in a largely ceremonial role, rubber-stamping government decisions or being bypassed, rather than serving as a genuine forum for debate. The ruling coalition's reliance on emergency ordinances and last-minute legislative changes has further eroded opportunities for meaningful public input, leaving NGOs and independent experts sidelined from policymaking. Meanwhile, rather than fostering broad civic engagement, the government has deepened its reliance on quasi non-governmental organizations (QUANGOs) and politically connected groups, many of which serve as fronts for vested interests or maintain links with the intelligence community. The result is an environment in which civil society actors are either co-opted into supporting government narratives or excluded altogether if they attempt to challenge the status quo. The absence of real dialogue has fueled broader societal frustration, reinforcing the perception that policymaking in Romania is an opaque process dominated by political elites who prioritize their own survival over the public interest.

Public consultation

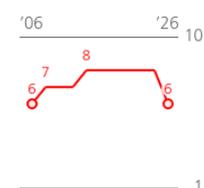
5



Romania's political leadership remains largely incapable of or uninterested in fostering meaningful reconciliation between the victims and perpetrators of past injustices, as historical reckoning continues to be politicized and selectively addressed. While discussions about Romania's role in the Holocaust have advanced incrementally – often resurfacing in controversies involving public figures linked to the interwar far right – broader efforts to confront the legacy of communism and the Securitate remain stalled. The judicial system has made little progress in holding accountable those responsible for the violent repression of December 1989 or the Minerriads of 1990. Trials continue to drag on without resolution, reinforcing the perception of impunity for past crimes.

Reconciliation

6



The absence of meaningful lustration, which was never fully implemented after the fall of communism, continues to shape the political landscape. Networks connected to former Securitate structures still exert influence in politics, business and the intelligence community. The 2024 political crisis has only intensified these unresolved historical tensions, amid speculation that intelligence agencies played a murky role in electoral manipulation and post-election power struggles – and may have been involved in the rise of the top candidate, Georgescu, himself. Civilian oversight of the security apparatus remains weak, a problem rooted in the incomplete transition from authoritarianism. Rather than fostering reconciliation, Romania's leadership has often instrumentalized historical grievances for political gain, ensuring that past injustices remain sources of division.

17 | International Cooperation

Romania's political leadership has struggled to leverage international support for a long-term development strategy, relying on external partners more for crisis management than for structural reform. While the country remains a key NATO ally and an important strategic partner for the United States and the European Union, its role in regional security has been overshadowed by growing doubts about its political stability.

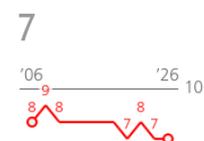
At the same time, Romania's ability to capitalize on EU financial assistance – the other major channel of support from the West – remains suboptimal. The country continues to receive substantial EU funding, including €30 billion allocated through the Recovery and Resilience Facility (PNRR) and an additional €50 billion from the regular seven-year EU budget. But delays in implementing the required structural reforms, particularly in pensions, energy and public administration, have led to repeated warnings from Brussels and blocked disbursements.

The political crisis after the November 2024 election debacle has deepened concerns about governance, with short-term political survival taking precedence over long-term planning. Despite formal commitments to EU-driven modernization efforts, the governing coalition has largely treated European funding as a financial lifeline rather than an opportunity to pursue sustainable reforms. While international partners remain engaged, their role has increasingly shifted toward stabilizing Romania's democratic institutions and ensuring regional security, not fostering a coherent, forward-looking development agenda.

Romania remains a signatory to major international treaties and agreements, including the Paris Accords, the Istanbul Convention, key ILO conventions and the International Criminal Court (ICC). By the end of 2024, however, the country's credibility as a reliable international partner has been undermined by its deepening political crisis. While Romania has maintained formal alignment with EU and NATO policies, particularly in supporting Ukraine, enforcing sanctions against Russia and hosting allied forces, its internal instability has raised concerns among its Western partners.

The annulment of the November 2024 presidential election – justified by vague allegations of foreign interference and supported by little substantive evidence – has cast doubt on the transparency and institutional integrity of the Romanian government. The failure to convincingly explain such a momentous decision has fueled quiet distrust in Brussels, other European capitals and Washington, where Romania's reliability as a stabilizing regional actor is increasingly questioned. Political leadership has lost credibility at home and abroad. President Klaus Iohannis, once a respected figure in Europe, has seen his stature erode as he nears the end of his term, his influence undermined by the election debacle and subsequent signs of

Effective use of support



1

Credibility



1

democratic backsliding. The governing coalition, dominated by PSD and PNL but lacking visible leadership, appears paralyzed – focused more on political survival than on implementing the structural reforms needed to unlock EU funding.

Bucharest has maintained strong diplomatic and military cooperation with Western allies amid the war in Ukraine, hosting NATO forces, facilitating military logistics and supporting sanctions against Russia. Romania's NATO commitment remains rhetorically strong, but a ballooning public deficit makes it increasingly difficult to meet defense spending goals.

By the end of 2024, Romania's ability and willingness to cooperate with neighboring countries remain constrained by weak policy planning and inconsistent follow-through on strategic priorities. Although it remains formally committed to regional cooperation, its role is largely reactive rather than proactive, with little independent initiative in shaping European or regional policies. Its influence in EU decision-making remains marginal as it struggles to assert itself on issues of strategic importance, including energy security and economic cooperation.

One diplomatic success was the full accession of Romania and Bulgaria to the Schengen Area, which will take effect in 2025. Unlike in previous years, cooperation between the two countries on this issue was well coordinated, with both governments aligning their strategies and leveraging joint diplomatic efforts to secure a favorable outcome. This was a rare instance in which Romania managed to navigate European negotiations effectively and pursue a shared regional objective with a key neighbor.

Beyond Schengen, there have been other areas of successful cooperation. Romania has continued to provide critical support to Moldova, particularly in energy security by ensuring access to electricity and gas supplies at reduced prices and by maintaining a strong political commitment to Moldova's European integration. Support for Ukraine has also remained consistent, with Romania facilitating transport logistics, providing key military and humanitarian aid, and keeping its borders open to refugees.

Although these actions align with broader EU and NATO objectives, Romania has once again acted as a policy taker rather than a policy shaper, relying on Western leadership rather than driving regional initiatives. The ongoing domestic crisis, compounded by governance failures and public distrust of institutions, has only reinforced this pattern, making it unlikely that Romania will emerge as a regional leader in the near future.

Regional cooperation

8



1

Strategic Outlook

At the beginning of 2025, Romania faces a dual set of challenges – external and internal – that require decisive governance and long-term strategic planning. Externally, the ongoing war in Ukraine has heightened security concerns; energy supply volatility persists; and the economic slowdown in the European Union is affecting trade and investment. Inflation, while moderating from its 2022 peak, remains above historical levels, straining households and businesses. Internally, Romania continues to struggle with governance inefficiencies, a politicized and weakened administrative apparatus, stalled structural reforms and growing disillusionment with democracy – exacerbated by the annulment of the 2024 presidential election.

Over the past two years, external crises have served as convenient distractions from addressing Romania's long-standing governance problems. Aid to Ukraine, inflation mitigation through price subsidies, salary and pension increases, and expanded defense capabilities have dominated the political agenda, often at the expense of structural reforms. Yet resilience to future shocks depends on progress in critical areas such as judicial independence, efficient tax collection, digital governance, pension and salary reforms and the de-politicization of key institutions.

The ruling coalition – composed of the Social Democrats (PSD), the Liberals (PNL) and the Democratic Union of Hungarians in Romania (UDMR) – has become increasingly inward-focused, prioritizing political survival over needed reforms. The annulment of the 2024 presidential election and the postponement of a new vote until May 2025 have deepened uncertainty and shifted attention from governance to power consolidation. These maneuvers have further eroded public trust and created fertile ground for extremist narratives, as shown by the growing support for radical, anti-system parties in the 2024 parliamentary elections.

The European Union's Recovery and Resilience Facility (PNRR) remains a key opportunity, but progress toward meeting reform benchmarks has been slow. Without substantial action, further delays in disbursements will persist, weakening the country's capacity to finance infrastructure and administrative modernization. Priority areas include pension reform – particularly non-contributory benefits for magistrates and military personnel – public sector wages, investments in hospitals and real digital-governance projects that improve efficiency rather than absorb funds. Fiscal sustainability is also essential, given the rising budget deficit (8.6% of GDP in 2024) and one of the lowest tax-collection rates in the European Union. Without reform, Romania's ambitions to join the eurozone or the OECD will remain out of reach.

Despite political instability, Romania's economy has shown resilience, and growth is expected to continue – though at a slower pace. Private enterprise and EU integration remain key drivers of development, advancing often in spite of, rather than because of, government policies. However, the continued failure to implement structural reforms – especially in labor markets, taxation and public administration – continues to limit Romania's long-term potential.

Growing euroskepticism must be addressed by tackling legitimate public grievances, improving transparency in government action and strengthening Romania's strategic commitment to the European project. The risk that nationalist, anti-Western movements will gain further ground remains a concern. While mainstream parties have so far maintained a cordon sanitaire, the continued rise of these forces underscores the need for more effective governance and communication with the public.

In conclusion, Romania's path forward depends on restoring institutional credibility, improving governance efficiency and implementing overdue reforms. International partners – including the European Union and NATO – will likely continue to provide guidance and incentives, helping to anchor Romania in democratic principles and economic stability. At home, political leaders must look beyond short-term electoral considerations and focus on substantive policymaking to ensure the country's long-term resilience and development.