

# SERBIAN PRESIDENT WINS SECOND TERM, RULING PARTY TO FORM COALITION

## Key takeaways from the Serbian general election and its implications for foreign businesses

7 April 2022

<b>Issues &amp; Sectors</b>	<b>Serbian General Elections 2022</b>
<b>Stakeholders</b>	<b>Aleksandar Vučić, Presidential Administration of Serbia, Zdravko Ponoš, Parliament of Serbia, Ivica Dačić, Ana Brnabić</b>

As widely expected, Serbia's incumbent President Aleksandar Vučić has comfortably won the country's Presidential elections, held on Sunday, securing his second term as head of state. While the President received enough votes to avoid a run-off, his ruling coalition (led by the Serbian Progressive Party - SNS) fell short of an absolute majority in the country's unicameral parliament, securing 120 of the total 250 seats. However, both the Socialist Party of Serbia (SPS) and the ethnic Hungarian VMSZ – two key SNS allies – secured enough seats on their own to ensure a parliamentary majority for the President's ruling bloc.

The Serbian general election was heavily overshadowed by Russia's ongoing invasion of Ukraine, which will also shape the priorities of the next government. Serbia hopes simultaneously to enhance its EU membership bid and maintain close relations to Moscow, as well as to counter the economic impact of the war.

With President Vučić continuing as head of state and his ruling party set to lead the country's next government, Aretera provides further insight into the aftermath of the Serbian general election, as well as the political, economic and business implications of the post-election landscape.

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## A TRIUMPHANT PRESIDENT WITH A WEAKENED PARTY

On 3 April, Serbia held long-awaited Presidential elections, combined with both snap parliamentary elections for the 250 members of the country's unicameral legislature and local elections in 14 municipalities, including the city of Belgrade.

As expected, incumbent President Aleksandar Vučić, challenged by seven contenders, won the Presidential election, receiving 58% of the vote, while his top challenger, retired army general Zdravko Ponoš, supported by the country's main opposition United Serbia coalition, garnered around 18%. With Vučić securing an outright majority, there will be no second round, allowing the President to continue as head of state for a second term<sup>1</sup>.

While the incumbent President scored a decisive victory, his ruling Serbian Progressive Party (SNS), which led the Together We Can Do Everything coalition, fell short of an absolute majority in the country's National Assembly. The SNS-led coalition received above 42.9% of the popular vote, securing 120 of the 250 parliamentary seats. At the same time, the Socialist Party of Serbia (SPS), which has governed with the SNS-led ruling bloc but ran separately in the parliamentary vote, secured 32 seats.

Serbia's snap parliamentary vote took place just two years after the last elections, which were boycotted by the country's main opposition parties over their allegations of excessive government control over the media and electoral process. The scheduling of the vote alongside the Presidential election was likely an attempt to strengthen support for the ruling bloc, but if so this backfired: in 2020, the SNS-led coalition received above 60%, albeit largely due to the opposition's boycott and so has lost an estimated 400,000 voters (in an electorate of 6.5 million). Conversely, the minor ruling SPS has strengthened its position and picked up close to 80,000 more votes than in 2020.

As in previous years, the moderate opposition vote was split across multiple formations. The leading opposition United Serbia coalition came in second in the parliamentary elections with 13.6%, ahead of the socialist SPS (11.4%) and the fellow opposition National Democratic Alliance (5.3%). Among the new entrants is the green-leftist *Moramo* (We Must) coalition of several environmental and liberal movements (4.7%), followed by two right-wing parties – the Patriotic Bloc and the far-right Oathkeepers – and four national minority parties, representing ethnic Bosnians, Croats and Hungarians.

Of the 14 local elections organized on 3 April, the Belgrade City Assembly election was the most tightly contested. At the time of writing, Serbia's electoral commission is still processing the vote, however preliminary results show that the SNS-led coalition is on course to achieve a slim majority with the SPS. However, the opposition Ajmo Ljudi formation of former President Boris Tadić is close to the 3% threshold, which in principle could turn the tide in favour of the opposition parties. Furthermore, opposition leaders, citing a number of irregularities, have claimed election fraud and called for the vote to be repeated in a number of polling stations.

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<sup>1</sup> Under the Serbian election system, the President is elected in a two-round vote for a five-year term. The 250 MPs of Serbia's unicameral National Assembly are elected for a four-year term by proportional representation with a 3% party threshold (and a 0.4% threshold for national minority parties). Voters in Belgrade elect 110 members to the City Assembly, which then elects the mayor of the Serbian capital.

As with the crushing victory of Prime Minister Viktor Orbán's ruling Fidesz-KDNP alliance in the Hungarian parliamentary elections that were held on the same day,<sup>2</sup> Vučić's success in the Presidential race is seen as a win for the country's illiberal leader and political course, and therefore has been closely watched internationally. The Organization for Security and Cooperation in Europe (OSCE), the continent's leading election monitoring organization, [gave the general election a mixed assessment](#), deeming it largely free but unfair due to the uneven campaign field and the government's de facto control over most of the media. Although noting the OSCE's concerns, the US State Department welcomed the election results, while EU Council President Charles Michel congratulated Vučić on his re-election. At the same time, smaller protests have followed the elections in Belgrade over a number of alleged irregularities stressed by the opposition parties, though they have not as yet been widespread or supported by key opposition parties.

## PARLIAMENTARY ELECTION RESULTS

Party/Alliance	Popular Vote (%)	Number of MPs
Together We Can Do Everything (populist multi-party coalition led by the ruling Serbian Progressive Party – SNS)	42.9	120
United Serbia (centre-right coalition of multiple opposition parties)	13.6	38
Socialist Party of Serbia (SPS – left-wing populist, supported by the nationalist JS and the Greens of Serbia)	11.4	32
National Democratic Alternative (NADA – nationalist-conservative)	5.3	15
Moramo (We Must – umbrella coalition of green movements)	4.7	13
Patriotic Bloc (right-wing coalition between the populist Dveri and the monarchist Movement for the Restoration of the Kingdom of Serbia)	3.8	10
Serbian Party of Oathkeepers (SSZ – far-right, ultranationalist)	3.7	10
Alliance of Vojvodina Hungarians (VMSZ – ethnic Hungarian party)	1.5	6
Justice and Reconciliation Party (SPP – ethnic Bosnian party)	1	3
Democratic Alliance of Croats in Vojvodina (DSHV – ethnic Croat party)	0.7	2
Party of Democratic Action in Sandžak (SDA-S – ethnic Bosnian party)	0.6	2
<b>Total</b>		<b>250</b>

(Source: Republic Electoral Commission of Serbia with 99% of the votes counted)

<sup>2</sup> See [here](#) for our overview of the Hungarian parliamentary elections and the implications of Prime Minister Viktor Orbán's victory.

## POST-ELECTION LANDSCAPE AND IMPLICATIONS FOR investors

Supported by the socialist SPS, as well as potentially by other smaller parties and the parliamentary representatives of certain minorities, the SNS-led ruling bloc is on course to form the country's next government. While Serbia is nominally a parliamentary republic, the government to be sworn in is ultimately controlled by Vučić, making both the Presidential and parliamentary election results important in terms of political stakeholders.

Under the Serbian constitution, the next convocation of parliament must gather no later than 90 days after the elections to vote on the incoming government. Below, we take a deeper look at the aftermath of this crucial election, including implications of political stability, the economic climate and the country's international relations.

➤ **For the first time since 2014, the SNS-led bloc will rely on a coalition partner.** Due to the opposition's boycott of the 2020 parliamentary elections, the pro-Vučić bloc two years ago picked up more than 60% and secured 188 of the 250 seats. Supported by MPs of the socialists SPS and with only confidence-and-supply parties in parliament at the time, the governance of the ruling bloc was largely uninterrupted.

This time, the President's party will rely on a coalition partner to maintain majority support, however it can easily continue governing – either with the socialist SPS or the ethnic Hungarian VMSZ. SPS leader Ivica Dačić has already signalled his party will remain in government with the SNS-led bloc. At the same time, the need for a coalition partner could make Vučić and his party more dependent on the SPS and therefore less stable in the long run. Dačić has also been rumoured to be a replacement-in-waiting for Ana Brnabić as Prime Minister, however the composition of the next government will be subject to coalition talks in the upcoming weeks.

While the coalition will ensure a smooth legislative process for the SNS-led bloc, Serbia has a history of mass civic protests that have the potential to reshape the political landscape during the parliamentary cycle.

➤ **Geopolitics will set the short-term agenda of the new government.** Serbia, formally a candidate for EU accession, has maintained very close political and economic ties with Russia, which has led to criticism from the West for not being tough on the Kremlin since the invasion of Ukraine. The country's government has condemned Russian aggression in the United Nations but has refused to impose economic sanctions on Moscow. Serbia is also almost entirely dependent on Russian gas, while the country's military maintains ties with the Russian army and the Kremlin supports Serbia on the question of Kosovo's independence.

With the majority of the Serbian public supporting Russia over Ukraine, Vučić was campaigning on a promise of neutrality and stability, yet his party's poorer-than-expected performance can also be linked to his less openly supportive stance towards Moscow. Notably, almost all of the parties which passed the 3% threshold have a more supportive stance on Russia than the SNS, leaving a pro-Kremlin dominated parliament for the new government to navigate.

"The crisis in Ukraine had a huge effect on the results of the elections and Serbia has dramatically moved to the right," the President said after the elections, adding that he believes "the SNS will manage to keep [Serbia] from going too far to the right." These statements were echoed by PM Brnabić, suggesting that Serbia will at least attempt to reconcile its relations with the European bloc in order to revive the country's EU membership bid.

- **As all other countries in the region, Serbia is facing economic uncertainty.** Largely due to Russia's continuing war against Ukraine, Serbia's economic outlook remains overshadowed, with growth prospects currently uncertain. According to [a recent forecast](#) by the European Bank for Reconstruction and Development (EBRD), the Serbian economy will grow by 3% in 2022, down from a previously projected 4%, while the IMF is currently revising its forecast. The country's GDP bounced back to 7.5% in 2021 after a major downturn in 2020 due to the pandemic. The country's Finance Ministry recently [said](#) that the country's public debt-to-GDP ratio stood at 56.5% as of the end of February, up from 51.8% from a month ago, with inflation also putting a heavy burden on the country's economy. While Serbia is still on an upward trajectory, rising energy prices, overall inflation pressure and the war continue to pose risks to the country's economy, with budgetary adjustments for 2022 remaining possible.
- **Aside from the uncertainties, Serbia remains open for international business.** With the exception of 2020 due to the COVID-19 crisis, foreign direct investment has been continuously on the rise since 2012, with FDI inflow amounting to more than €3.8 billion in 2021. By value of investment, Germany, Italy, the United States, France, Austria, China and the Czech Republic top the foreign investment list, with the largest share of FDI inflows in the automotive, agricultural, food and beverages, textile, electrical, construction and machinery industries. In a strong correlation with the government's multi-vectoral foreign policy, Serbia has been working on attracting foreign investment from all sides. While the country is generally open for foreign business, it has recently faced a massive environmental protest movement over plans for Anglo-Australian mining company Rio Tinto to build a large lithium mine near the city of Loznica. Responding to the protests with regards to the elections, the government in late January withdrew the company's exploration permits. "We put an end to Rio Tinto in Serbia," PM Brnabić said, however the eventual fate of the investment project will likely be decided by the next government, with environmentalists likely to protest until a permanent ban is issued.

## CONCLUSIONS

Aleksandar Vučić has scored a decisive victory to continue as President of Serbia, while his ruling SNS notably underperformed during the parliamentary vote, securing only a relative majority in the Serbian National Assembly. The poorer-than-expected results of the ruling bloc mean that – for the first time since 2014 – it will rely on coalition partners, notably the socialist SPS, which ran separately but has been a minor coalition member, and the ethnic Hungarian VMSZ. The future coalition will ensure an uninterrupted legislative cycle, with potential future discontent against the ruling parties likely to take shape in form of extra-parliamentary movements and anti-government protests.

With Russia's invasion of Ukraine ongoing, geopolitics will be a clear priority for the new government. Belgrade has maintained traditionally strong ties to the Kremlin, however the country's EU membership bid could push President Vučić to at least partially reconsider his East-West balancing act. Largely due to the war in Ukraine, the Serbian economy faces several uncertainties, with budgetary adjustments on the horizon, while the new government will continue to actively court foreign investments from all possible directions.

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