

SLOVAKIA'S GOVERNING COALITION AT A CROSSROADS

Possible scenarios for the reignited coalition crisis

10 August 2022





Issues & Sectors	Political Stability in Slovakia
Stakeholders	Parliament of Slovakia, Government of Slovakia

Slovakia's centre-right coalition government could be about to reach its breaking point: the liberal SAS party of Economy Minister Richard Sulík has given Prime Minister Eduard Heger until the end of August to remove ex-PM and current Finance Minister Igor Matovič, the leader of the major ruling OĽaNO party, from government to keep the SAS in the coalition. Should SAS leave, as looks likely, the Heger Government will lose its majority in the National Council, Slovakia's parliament.

The four-party governing coalition has already been on the brink of collapse in early 2021 over Matovič's handling of the COVID-19 pandemic. At the time, the crisis was resolved by Matovič's resignation as PM. With tensions reigniting between the Matovič-led OĽaNO and the Sulík-led SAS, the current coalition crisis has the potential to escalate further and pose concerns for political stability.

Below, Aretera provides further insight into the Slovak political landscape and its implications for international businesses.

This memo will cover:

-  the disagreements and root causes leading to the reignited coalition crisis,
-  the unstable record of Slovakia's centre-right ruling bloc,
-  the composition of the country's parliament,
-  changes in the Slovak political landscape,
-  the possible scenarios for the coalition crisis,
-  recent interest in the country from international investors.

NEARING A NEW BREAKING POINT

Political stability has become a major concern in Slovakia with the country's four-party coalition government, which has been in power since the country's 2020 parliamentary elections, once again being threatened by personal disputes between Finance Minister and ex-PM Igor Matovič and Economy Minister Richard Sulík, as well as over political disagreements between Matovič's major ruling OĽaNO movement and the Sulík-led minor ruling Freedom and Solidarity party (SAS).

In early July, Economy Minister Sulík gave a de facto ultimatum to Prime Minister Eduard Heger (also a member of the Matovič-led OĽaNO, having previously served as Finance Minister), stressing that the SAS will leave the government at the end of August unless the leader of OĽaNO is dismissed as Finance Minister and removed from the government.

Behind the ultimatum is Matovič's often-criticized leadership style, which – according to his critics – is “impulsive” and lacks even basic consultation with political partners within the government. PM Heger has refused the ultimatum, confirming that he will stand by his party leader – for now.

MAJOR POLICY DISAGREEMENTS

On the policy level, at the centre of the current coalition crisis is a controversial anti-inflation package promoted by the government and the Matovič-led OĽaNO. Responding to the inflation pressure brought by Russia's war in Ukraine and the subsequent economic downturn, PM Heger and Finance Minister Matovič introduced a package aimed at shielding Slovak families from the impacts of the worsening economic climate.

The package, including one-time subsidies for children, increased tax bonuses for families with children and increased child allowances, was approved by the National Council, Slovakia's parliament, in May but was not supported by the pro-business and liberal SAS, whose leader Sulík has remained critical of additional strains on public finances. Tensions between OĽaNO and its minor coalition partner escalated further as the package was secured with the support of far-right MPs.

Largely due to policy concerns, Slovak President Zuzana Čaputová, a progressive liberal elected with the support of the extra-parliamentary Progressive Slovakia party in 2019, vetoed the anti-inflation package and sent it back to parliament. In another turn of events, however, the Slovak parliament – again with differing views within the governing coalition and with support from opposition MPs – overrode the Presidential veto on 22nd June. The resulting tensions within the coalition led SAS leader Sulík to issue an ultimatum and demand Matovič's dismissal.

A COALITION WITH AN UNSTABLE RECORD

The four-party coalition was previously on the brink of falling apart in early 2021 over Matovič's handling of the COVID-19 pandemic. At the time, Matovič – as Prime Minister – rapidly and controversially secured a shipment of Sputnik V vaccines from Russia, drawing scrutiny from two of his coalition partners: the Sulík-led SAS and the strongly pro-Western Za Ľudia party.

Besides geopolitical concerns, Matovič was also criticized for securing vaccines by going against the Slovak health authorities and his failure to control the public health crisis as the pandemic was spiraling out of control.

The resulting debate immediately provoked tensions within the coalition, with the SAS and Za L'udi demanding Matovič's resignation as PM, which eventually happened on 28th March, 2021. At the same time, Matovič stayed on as a member of the government by switching places with Finance Minister Eduard Heger, who succeeded him as Prime Minister. The crisis was averted, however, tension among the key players has remained ever since.

The coalition was further weakened last September when six Za L'udi MPs left the party due to internal struggles for power between the MPs supporting Justice Minister Mária Kolíková and the parliamentarians standing behind Deputy PM Veronika Remišová, the party's leader. The six defecting MPs joined the parliamentary group of the SAS, further altering the balance of power in the Slovak parliament.

THE COMPOSITION OF THE NATIONAL COUNCIL

Party/Alliance	Number of MPs	Affiliation
Movement of Ordinary People and Independent Personalities – OL'aNO (centre-right, socio-populist)*	47	Government
Direction – Slovak Social Democracy – SMER-SSD (social democratic, national-populist)*	27	Opposition
Freedom and Solidarity – SAS (liberal-centrist, pro-European, pro-business)*	20	Government
We Are Family – Sme Rodina (right-wing populist, social conservative)*	17	Government
Voice – Social Democracy – Hlas-SD (social democratic, pro-EU, broke away from SMER-SSD in 2020)*	11	Opposition
People's Party – Our Slovakia – L'SNS (far-right, neo-fascist, anti-EU)	7	Opposition
Republic – Republika (far-right, ultranationalist, broke away from the L'SNS in 2021)	5	Opposition
For the People – Za L'udí (conservative-liberal, pro-EU)	4	Government
LIFE – National Party – ZIVOT-NS (Christian democratic, social conservative, broke away from the KDH in 2019)	3	Opposition
Progressive Slovakia – PS (social-liberal, environmentalist, pro-EU)	1	Opposition
Together – Civic Democracy – SPOLU-OD (conservative liberal, environmentalist, pro-EU)	1	Opposition
Independents	4	Support
Independents	3	Opposition
Total	150	

*Given the rules of the Slovak legislature, only OL'aNO, SMER-SD, the SAS, Sme Rodina and Hlas-SD have established parliamentary groups in the National Council.

TECTONIC CHANGES IN THE SLOVAK POLITICAL LANDSCAPE

With the SAS' ultimatum nearing its deadline, pressure is mounting on the four-party coalition to resolve its internal disputes and ensure political stability as Slovakia faces challenges on multiple fronts. In addition to the looming energy crisis, the inflation pressure, a prospective economic slowdown and a widely uncertain international political climate due to the Russian invasion of Ukraine, the governing coalition is also facing a crisis of credibility. How the crisis plays out will shape the Slovak political landscape moving forward.

The latest polls [suggest](#) that support for the major ruling OL'aNO, which came in first in the 2020 elections with 25% of the popular vote, has slumped to below 10%, with support for the minor ruling Za L'udi also crumbling. This comes as support for the Sulík-led SAS has doubled, while the right-wing Sme Rodina party, the fourth member of the governing coalition, is stagnating at around 5-6%.

Public discontent with the majority of the governing coalition seems to have favoured the main opposition and centre-left Hlas-SD party of former Prime Minister Peter Pellegrini, who led the country in the initial stages of the COVID-19 pandemic before now ex-PM Matovič and his government took office in March 2020. The Pellegrini-led Hlas-SD, which was formed only after the 2020 elections as a breakaway movement from the populist Voice-SD party of long-time ex-PM Robert Fico, is calling for snap parliamentary elections to resolve the crisis and ensure a stable government.

POSSIBLE FORWARD SCENARIOS

The government is reshuffled and the four-party coalition stays in power. Technically, the easiest way out of the current crisis is a potential government reshuffle that would include the dismissal of both Finance Minister Matovič and Economy Minister Sulík to rearrange the balance of power within the governing coalition. Under this scenario, Matovič and Sulík would both stay on as party leaders, which would allow them to maintain most of their political influence. Internal disputes would remain part of everyday politics, however, the governing majority would be secured for the short term.

SAS leaves the coalition and Slovakia is run by a minority government. Combined with long-running personal disputes, the political differences between Matovič and Sulík could push the SAS to leave the coalition unless its ultimatum succeeds. A coalition split would leave the governing bloc with 67 MPs in the Slovak parliament, falling short of the 76 MPs needed to ensure parliamentary majority. This would mean a minority government constantly relying on external support from the SAS and other formations, or, on the silent support of the Slovak far-right.

The crisis escalates further and Slovakia heads for snap elections. If the coalition dispute escalates into a split and Matovič proves unable to broker deal to form either a majority or minority government, Slovakia could head for snap parliamentary elections just two years after its last election was held in early 2020, with the snap vote likely to be held before January 2023. Given the fragmented, multi-party nature of Slovak politics, such a snap parliamentary vote would potentially result in the victory of the centre-left Hlas-SD, but could also lead to an ideologically diverse and hung parliament, further increasing political instability.

OL'aNO revolts against Matovič. PM Heger – fearing a potential election loss – could decide to dismiss Matovič and demand an extended government reshuffle to strengthen OL'aNO's influence within the government at the expense of the SAS. This would likely result in more ministries controlled by OL'aNO. At this stage, however, any move from Heger to take over his party seems unlikely.

FORMER POPULIST PM EYES COMEBACK

The current situation in Slovak politics shows multiple parallels with the collapse of the country's previous centre-right coalition behind former PM Iveta Radicová (2010-2012). At the time, multiple personal and policy disagreements pushed SAS to leave the coalition, opening the stage for early elections in 2012 and the comeback of former Prime Minister Robert Fico, the leader of the centre-left-turned-populist SMER-SD party, which then led two consecutive governments until 2020.

Fico, who also led the country between 2006 and 2010, was forced to resign after massive anti-corruption protests following the assassination of Slovak investigative journalist Ján Kuciak and his fiancé. Although it was later discovered that Fico was not associated with the murder, his SMER-SD party and the governments he led faced multiple accusations of corruption and connections with organized crime, leading to Fico's resignation and Pellegrini becoming PM.

The longtime rule of SMER-SD was broken by OL'aNO's electoral victory in 2020 and its alliance with the three other centre-right parties. United on an anti-corruption platform, the OL'aNO-led coalition has achieved some initial success in cleaning up the Slovak judiciary, however the effort has stalled over the multiple crises that have hit the country during the last two years.

In April, former PM Fico himself was charged with being part of a criminal group. While he denied any wrongdoing, the Slovak parliament fell two votes short of lifting his immunity as the minor ruling Sme Rodina party voted against the move. This has further increased tensions with OL'aNO and particularly SAS, which remains among Fico's strongest critics.

Should the current crisis eventually result in a snap election, the centre-left Hlas-SD of Pellegrini stands a good chance of coming in first. However, such a government would still need support from other parties to form a parliamentary majority, which could lead to Fico's partial return to power, as well as to the return of far-right parties in the governing bloc, given the SMER-SD's record of governing with far-right support. At the same time, it remains unclear what alliance Pellegrini would aim for, while the outcome of a potential snap parliamentary would also largely depend on actual turnout.

LOOKING AHEAD

With parliamentary support behind Eduard Heger's coalition government becoming increasingly unstable, political instability has become a major concern in Slovakia. The current crisis, brought about by personal and policy disagreements between two of the four governing parties – the major ruling OL'aNO and the liberal SAS – could result in multiple scenarios, including a government reshuffle, a minority government and snap parliamentary elections. The latter could potentially see the return of Slovakia's centre-left-turned-populist opposition.

In spite of the long-running coalition disputes and the uncertain economic environment, Slovakia has remained relatively robust and interesting for international investors. The country's investment climate received a major boost in July when Swedish automotive giant Volvo announced that it will build its third European (and purely electric) car manufacturing plant in eastern Slovakia.

The investment will be Volvo's first new European plant in nearly 60 years and create the fifth car plant in the country, joining Jaguar Land Rover, Kia, Volkswagen and PSA Peugeot Citroën, and elevating the status of the country's automotive industry, which constitutes 13% of the country's GDP.

At the same time, the current disputes give reasons for concern when it comes to political stability, creating additional needs for current and potential investors to constantly monitor and evaluate the local political environment.

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