

SCENARIOS FOR SLOVAKIA AFTER THE FALL OF THE HEGER GOVERNMENT

Implications for international investors

19 December 2022

EXECUTIVE SUMMARY

Three months after the country's coalition government lost its majority in parliament following the departure of the liberal Freedom and Solidarity (SaS) party, Slovakia's three-party government – led by Prime Minister Eduard Heger – has collapsed after a no confidence vote on 15th December.

The fall of the Heger Government, which jeopardizes the adoption of the country's 2023 budget, could be followed by multiple possible outcomes. Slovak President Zuzana Čaputová has given the now caretaker Heger Cabinet and the country's parliament one month to agree on a constitutional amendment that would allow snap elections during the first half of 2023.

The Slovak parliament could also choose to agree on a new parliamentary majority, however taking the composition of the National Council into account, this scenario looks less likely. A third option is a technocratic government, which President Čaputová has promised to propose if there is no agreement on snap elections.

Below, we take a deeper look at the collapse of the Heger Government, its immediate consequences, and its implications for the country's political stability.

This memo will cover:

-  the recent vote of no confidence and the end of Slovakia's government,
-  the root causes leading to the fall of the Heger Cabinet,
-  the short-term implications of political instability,
-  possible forward scenarios and the likelihood of snap elections.

THE END OF A SHAKY COALITION

On 15th December, Slovakia's three-party coalition government – led by Prime Minister Eduard Heger – collapsed following a no confidence vote in the National Council. Supported by the former ruling Freedom and Solidarity (SaS) party, opposition MPs toppled the government by 78:20 in the parliamentary vote, ending Heger's cabinet after less than two years.

The motion of no confidence was put forward by the former ruling SaS party, which argued that the government has become unable to solve a number of critical issues. In an unprecedented move to save the coalition, Finance Minister Igor Matovič – also the leader of the major ruling OĽaNO party and Heger's predecessor as Prime Minister – offered his resignation in exchange for the SaS dropping the no confidence vote and supporting the country's draft budget for 2023. In another unexpected turn of events, Matovič initially submitted his resignation but eventually decided to reconsider.

The fall of Slovakia's centre-right government follows a series of political crises¹ that have characterized its rule. As PM, Matovič was succeeded by Heger in April 2021 following controversy over his handling of the COVID-19 crisis, with Matovič staying in government as Finance Minister. However, policy divisions and personal disagreements remained, particularly between Matovič and leading SaS figures, resulting in the liberal party leaving the coalition in September². The SaS' exit has left Heger's three-party cabinet with the lack of a parliamentary majority and dependent on occasional parliamentary alliances as support for the ruling parties has dropped significantly.

POSSIBLE FORWARD SCENARIOS

On 16th December, Slovak President Zuzana Čaputová officially re-appointed Eduard Heger as Caretaker Prime Minister and his government as an acting cabinet with limited powers until a new government is formed. The current crisis also comes as pressure mounts on the Slovak parliament to agree on the country's budget for 2023, as well as on energy price support schemes for households and businesses. At present, there are three main possible outcomes that could follow the fall of the Heger's Cabinet.

Our baseline scenario involves snap parliamentary elections in 2023. Speaker of the House Boris Kollár is currently holding consultations with all parliamentary parties to discuss possible ways out of the current crisis, with parties currently leaning towards a constitutional amendment, necessary to allow the country to hold a snap parliamentary vote. President Čaputová has given the National Council one month to agree on a solution that would allow snap elections before June 2023. A snap election is also favoured by the centre-left Hlas-SD party of former Prime Minister Peter Pellegrini and the centre-left-turned-populist Smer-SD party of fellow ex-PM Robert Fico. Arising from a successful recent centre-left campaign, Slovakia will hold a referendum on 23rd January 2023 on whether to allow the early termination of a parliamentary election period through parliamentary resolutions and referenda by amending the country's constitution.

Although less likely, the National Council could also choose to agree on a new government through a new parliamentary majority. The three-party coalition behind PM Heger – the major ruling OĽaNO, the right-wing Sme Rodina and the centre-right Za Ľudí party – currently has only 67 MPs in the country's 150-seat parliament, meaning that a new parliamentary majority would require new alliances in a legislature already fragmented along party lines and ideology.

¹ See [here](#) for Aretera's overview of recent coalition crises in Slovakia from August 2022

² See [here](#) for Aretera's overview of the SaS' exit from the coalition from September 2022

Slovak parliamentary parties could theoretically agree on a new majority in the National Council, however this appears unlikely, given neither the centre-right nor the centre-left is united enough to agree on a new government through parliament.

In the lack of an agreement on snap elections, as well as on a new parliamentary majority, **a third option is a technocratic government appointed by President Čaputová**, who has already stressed that she will propose such a cabinet if there is no agreement on snap elections in the next 30 days. Under this scenario, a technocratic, Čaputová-appointed PM would lead the country, either until the end of the current legislative term (2024) or snap parliamentary elections. This approach, however, is largely unfavoured by the leading parliamentary parties, once again elevating the likelihood of a snap parliamentary vote next year.

LOOKING AHEAD: SLOVAKIA IN 2023

Should Slovakia head to early parliamentary elections next year, this would most likely mean that the Slovak centre left would return to power. Created after breaking away from the ranks of Smer-SD, the Hlas-SD party of former PM Peter Pellegrini is leading in the polls with around 20%, followed by the Robert Fico-led Smer-SD, currently polling at around 15%.

After eight consecutive years in government, Fico's Smer-SD was voted out of power in the 2020 election, with the centre-left-turned-populist ex-PM now eyeing a political comeback, similar to his return to power in 2012 after the fall of the country's previous centre-right government led by Iveta Radičová (2010-2012).

In addition to Hlas-SD, the liberal Progressive Slovakia (PS), the centre-right Christian Democratic Movement (KDH) and the far-right Republic party would all likely be additional entrants to parliament. Hlas-SD and the Republic were created after February 2020, while the KDH and Progressive Slovakia did not make it into parliament following the 2020 elections. Meanwhile, support for the three-party coalition has essentially deteriorated.

Even if snap elections are held, political instability will likely continue to overshadow Slovak politics beyond the new parliamentary vote, given that it will be a major challenge for the country's ideologically diverse and large number of political parties to produce a functioning parliamentary majority and a stable governing coalition.

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