

KEY TAKEAWAYS FROM SLOVAKIA'S TECHNOCRATIC-EXPERT GOVERNMENT

Former deputy central bank chief forms expert cabinet ahead of long-awaited snap elections





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Slovak President Zuzana Čaputová has appointed the country's first technocratic government, to be led by former central bank deputy governor L'udovít Ódor as Prime Minister. The new government enters office following the resignation of now ex-Caretaker PM Eduard Heger, with a constitutionally limited mandate until the country's new government is formed following snap elections this coming September.

Although a technocratic/expert government in nature, the new cabinet has outlined several policy priorities for the next few months. These include adopting the country's budget for 2024, cutting the budget deficit, organizing the snap elections, continuing to support Ukraine as Russia's war continues, tackling disinformation and hybrid threats, successfully implementing Slovakia's national recovery plan to access post-pandemic EU recovery funds, and improving the utilization of EU funds spent in the country.

With only four months and two plenary sessions to go until the snap elections, expectations for significant policy and regulatory changes may be low, however parliamentary parties will likely aim to prove themselves active to attract more votes. At the same time – despite no firm alliances in parliament – occasional alliances could result in unexpected legislative initiatives, which is why businesses are advised to monitor parliamentary business in the next four months. Below, Aretera provides further updates on the recent change of government in Slovakia and its implications for investors.

This memo will cover:

-  an overview of the recent political changes in Slovakia,
-  the composition & priorities of the country's new government,
-  prospects for political stability ahead of the upcoming snap elections,
-  implications for international investors.

A SUDDEN CHANGE OF GOVERNMENT

On 15th May, Slovak President Zuzana Čaputová appointed the country's new caretaker government, led by former central bank deputy chief L'udovít Ódor as Prime Minister, with a mandate until the country's upcoming snap parliamentary elections to be held in September.

The current change of government is the latest episode in Slovakia's ongoing political crisis which has overshadowed the rule of the centre-right governments that have led the country since the last elections in 2020. Following months of political tension within the ruling coalition and the eventual loss of its parliamentary majority last September, the government of ex-Prime Minister Eduard Heger – Ódor's predecessor – was defeated in a no-confidence vote in parliament in December and so forced to transition to a caretaker capacity. Simultaneously, the National Council of Slovakia (the country's parliament) agreed to hold snap elections in September.

On 5th May, Heger stepped down from his position shortly after now-former Agriculture Minister Samuel Vlčan and former Foreign Minister Rastislav Káčer both resigned, although for separate reasons. Vlčan resigned after it was revealed his company received a controversial EU grant while he held public office, while Káčer resigned because Heger had refused to step down. The two resignations left four cabinet positions empty, making it impossible for Heger's acting cabinet to continue under Slovak law.

THE COMPOSITION OF THE ÓDOR CABINET

Cabinet Member	Position	Portfolio
L'udovít Ódor	Prime Minister	-
Lívia Vašíková	Deputy Prime Minister	EU Funds Management
Michal Horváth	Minister	Finance
Ivan Šimko	Minister	Interior
Martin Sklenár	Minister	Defence
Miroslav Wlachovský	Minister	Foreign & European Affairs
Peter Dohun	Minister	Economy
Jozef Bíreš	Minister	Agriculture
Peter Balík	Minister	Investment, Development & Informatization
Pavol Lančarič	Minister	Transport
Michal Palkovič	Minister	Health
Daniel Bútora	Minister	Education
Silvia Hroncová	Minister	Culture
Jana Dubovcová	Minister	Justice
Milan Chrenko	Minister	Environment
Soňa Gaborčáková	Minister	Labour, Social Affairs & Family

*Deputy Ministers, State Secretaries and Deputy State Secretaries are to be appointed in the following weeks.

A LIMITED MANDATE

Prime Minister Ódor's technocratic government enters office with a constitutionally limited mandate until the country's new government is formed following the snap elections in September. PM Ódor is Slovakia's first ethnic Hungarian head of government and he leads the country's first presidentially appointed caretaker cabinet. An economist by profession, Ódor served as Deputy Governor of the National Bank of Slovakia (NBS) between 2018 and 2023. He is credited with co-authoring a flat tax reform under the Mikuláš Dzurinda Government in 2004, which helped the country to attract foreign investment, as well as for playing a role in Slovakia's adoption of the EU's common currency in 2009.

Among the policy priorities of the new cabinet is getting the country's budget for 2024 adopted, cutting the budget deficit, organizing the snap elections, continued support for Ukraine, tackling disinformation and hybrid threats, successfully implementing Slovakia's national recovery plan to access post-pandemic EU recovery funds, and improving the utilization of EU money spent in the country.

Until the snap elections in September, the Slovak parliament is expected to have only two plenary sessions. This indicates that there may be no significant policy and regulatory changes on the horizon, however parliamentary parties will likely aim to prove themselves active to attract more votes, while – despite no firm alliances in parliament – occasional alliances could result in unexpected legislative initiatives, which is why businesses are advised to monitor parliamentary business in the next four months.

CHALLENGES & PERSPECTIVES

The appointment of the Ódor Cabinet comes only four months ahead of snap parliamentary elections that are widely expected to redraw Slovakia's domestic political map and – consequently – complicate the work of the new cabinet. Several parties called for early elections long before the fall of the Heger Cabinet and would prefer the snap election to be held much earlier than September, so it remains unclear whether the Ódor Government will receive confidence from parliament. This means that the new cabinet can continue in an acting capacity, however it will face serious difficulties in securing parliamentary support for new initiatives.

The two leading parties of the Slovak centre-left remain best positioned to win the September election: the SMER-SSD party of centre-left-turned-populist ex-Prime Minister Robert Fico and the centre-left HLAS-SD party of fellow ex-PM Peter Pellegrini (which broke away from SMER-SSD in 2020). The two parties are currently running neck-and-neck in the polls with around 17-18%, respectively.

After eight consecutive years in government, Fico's SMER-SSD, the reputation of which was tarnished after a series of corruption scandals and the murder of investigative journalist Ján Kuciak in 2018, was voted out of power in the 2020 election, with the former PM now eyeing a political comeback. This could mean that the Slovak far-right might also return to power as Fico's party has a history of governing in alliance with nationalist parties.

Simultaneously, tectonic movements are taking place in the Slovak political arena, which is about to become more fragmented and diverse, at least in terms of the quantity of parties running for parliament. Among the two latest additions are the centre-right Demokratí (Democrats) party of former PM Eduard Heger and the Blues – European Slovakia party of longtime ex-PM Mikuláš Dzurinda (1998-2006).

Simultaneously, the parties of the former centre-right alliance of the Heger Government are trailing in the polls, while support for the social-liberal Progressive Slovakia movement (polling third on average after the two centre-left parties) is on the rise. An additional new entrant to parliament could be the Christian Democratic Movement (KDH), which narrowly failed to get into parliament in 2020. All of this indicates that Slovakia will most likely have an ideologically and structurally fragmented multi-party legislature and a subsequently hung parliament after the September elections,

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