

SLOVAKIA BECOMES SECOND CEE COUNTRY TO HEAD FOR SNAP PARLIAMENTARY ELECTIONS IN 2023

Implications for international investors

1 February 2023

EXECUTIVE SUMMARY

Following the recent adoption of constitutional changes allowing the country's parliament to trigger early elections, Slovakia is scheduled to hold much-anticipated snap parliamentary elections on 30th September.

The decision to approve the constitutional reforms and subsequently set the date of the snap elections means that Prime Minister Eduard Heger's government, although toppled in a no-confidence vote last December, will carry on in a caretaker capacity and with a limited mandate for the next eight months.

At present, Slovakia's centre-left parties remain best positioned to win the snap parliamentary elections. However, the country's political life is set to undergo a massive transformation that could result in the creation of new parties and alliances, making the outcome of the September elections largely unpredictable.

The Slovak parliament's approval of the early elections comes only days after it became official that Bulgaria, another Central & Eastern European country marred by political instability, is also heading for snap elections¹ in early April. Going forward, political stability will be among the most pressing issues for international companies to monitor in both CEE countries.



This memo will cover:

-  the key takeaways from the upcoming snap elections,
-  an overview of Slovakia's protracted political crisis,
-  possible forward scenarios as the country heads for early elections,
-  political stability prospects and implications for investors.

¹ See [here](#) for Aretera's overview of the upcoming snap elections in Bulgaria from January 2023

CONSTITUTIONAL REFORM PAVES THE WAY FOR SNAP ELECTIONS

Following the recent adoption of constitutional amendments allowing for Slovakia's parliament to trigger snap parliamentary elections, the National Council of the Slovak Republic – the country's unicameral legislature – voted to schedule the much-anticipated early elections on 30th September, ending weeks of uncertainty over the country's immediate political future.

Supported by most of the MPs in the former coalition parties behind Prime Minister Eduard Heger's centre-right four-party government, which lost its parliamentary majority after a coalition split last September and was eventually toppled by a no-confidence vote² in December, the decision made on 31st January means that PM Heger's cabinet will remain in power in a caretaker capacity and with a limited mandate until snap elections are held.

THE LATEST TURNING POINT IN A PROTRACTED CRISIS

The Slovak parliament's decision to hold snap elections follows a series of political crises that have characterized the rule of (now acting) Prime Minister Heger, as well as the government of his predecessor, Igor Matovič. As PM, Matovič – a former Finance Minister and also the leader of the formerly senior coalition OĽaNO party – 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 the leading figures of the now former coalition Freedom and Solidarity party (SaS), resulting in the SaS leaving the coalition last September³. The SaS' exit left Heger's cabinet without a parliamentary majority and dependent on occasional parliamentary alliances.

Arguing that the Heger Government became unable to solve a number of critical issues at the time of an economic and energy crisis, the SaS tabled a motion of no confidence against the government, which eventually led to its collapse on 15th December 2022. While Slovak President Zuzana Čaputová officially re-appointed Eduard Heger as Caretaker Prime Minister and his government as an acting cabinet (except Matovič, who resigned as Finance Minister), Heger was given until January to agree on snap elections, otherwise a technocratic government was to be appointed. This was prevented by the recent constitutional amendments as the parties of the former coalition – the Matovič-led OĽaNO, the SaS, the right-wing Sme Rodina and the centre-right Za Ľudí – came to an agreement both on constitutional reform and the date for the snap elections.

CONSTITUTIONAL REFORMS VS. A CONSTITUTIONAL REFERENDUM

The constitutional change in parliament was adopted despite a similar but failed constitutional referendum on 21st January. Initiated by the centre-left-turned-populist SMER-SSD party of ex-PM Robert Fico and supported both by other centre-left and also far-right formations, the referendum, which was largely directed against the current government, asked Slovak citizens whether they wished to allow snap elections to be triggered by parliament or via a popular referendum. While an overwhelming majority supported holding snap elections, only 27% of voters took part in the opposition-initiated referendum, falling short of the 50% of voters needed to pass the proposal.

² See [here](#) for Aretera's overview of the collapse of the Heger Government from December 2022

³ See [here](#) for Aretera's overview of the SaS' exit from the coalition from September 2022

LATEST ELECTION RESULTS & POST-ELECTION POLLING

Party/Alliance	Popular Vote – February 2020 (%)	Polling Average – January 2023 (%)
Movement of Ordinary People and Independent Personalities – OL'aNO (centre-right, socio-populist)	25	7
Direction – Slovak Social Democracy – SMER-SSD (social democratic, national-populist)	18.3	17
We Are Family – Sme Rodina (right-wing populist, social conservative)	8.2	7
People's Party – Our Slovakia – L'SNS (far-right, neo-fascist, anti-EU)	8	2
Progressive Slovakia – PS (ran in coalition with the centre-right Spolu party, pro-EU, centrist)	7	13
Freedom and Solidarity – SaS (liberal-centrist, pro-European, pro-business)	6.2	7
For the People – Za L'udí (conservative-liberal, pro-EU)	5.8	2
Christian Democratic Movement – KDH (center-right, pro-EU)	4.7	6
Hungarian Community Alliance (ethnic Hungarian party, currently known as Alliance)	4	3
Slovak National Party – SNS (nationalist, right-wing populist, Eurosceptic)	3.2	4
Voice – Social Democracy – HLAS-SD (social democratic, broke away from SMER-SSD in 2020)	did not run	19
Republic – Republika (far-right, ultranationalist, broke away from the L'SNS in 2021)	did not run	8

(Source: Slovak Statistical Office, [POLITICO Poll of Polls](#))

POSSIBLE FORWARD SCENARIOS

At the time of writing, the two leading parties of the Slovak centre-left remain best positioned to win the upcoming snap parliamentary elections. These parties include 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, with the two parties currently running neck-and-neck in the polls.

After eight consecutive years in government, Fico's SMER-SSD was voted out of power in the 2020 election, with the former 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). 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.

However, Slovakia's political life is set to undergo a massive transformation in the run-up to the September elections, which could result in the creation of new political parties and alliances, making the outcome of the early elections difficult to predict. Just as support for the country's former centre-right ruling coalition has essentially faded, several centre-right MPs have broken away from the major coalition OĽaNO party. Former centre-right Prime Minister Mikuláš Dzurinda (1998-2006) is also eyeing a political comeback and recently signed a cooperation agreement with the extra-parliamentary Spolu (Together) party. Acting PM Heger might also choose to run as the leader of a new centre-right party, while there is also talk about the multi-party Slovak centre-right forming a more united front to challenge the centre-left.

In addition to Pellegrini's HLAS-SD, created after breaking away from SMER-SSD, the liberal Progressive Slovakia (PS), the centre-right Christian Democratic Movement (KDH) and the far-right Republic party are all among the likely 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.

With Slovak politics dominated by an abundance of parties formed along various ideologies, as well as by divisions on both the centre-left and the centre-right, there is a clear risk to our forecast⁴ that the snap elections will produce a hung parliament and therefore be inconclusive, potentially launching a snap elections cycle. Under this scenario, Slovakia would likely be governed by a technocratic government appointed by President Čaputová.

IMPLICATIONS FOR INVESTORS

While Slovakia – following months of political uncertainty – is eventually heading for a snap parliamentary election that is likely to reshape the country's political life, recent decisions made by the Slovak parliament also mean that PM Heger's acting government will continue to stay in power for the next eight months. Given its limited mandate, the caretaker government remains unlikely to initiate wide-reaching legislative and regulatory changes. However, with Slovakia profoundly impacted by Russia's war against Ukraine, the current economic downturn, Europe's energy crisis and increasing living costs, acting PM Heger is also likely to take or at least initiate action to mitigate the impact of the key challenges facing Slovakia.

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⁴ See [here](#) for Aretera's 2023 outlook on CEE with focus on key political risks facing the region