



VIENNEAST COMPASS

SLOVAKIA: GOVERNMENT STABILITY OUTLOOK

OUTLOOK:

- Igor Matovic's OLaNO party has formed a four-party centre-right coalition that, while currently engaged with managing the Covid-19 pandemic, will ultimately prioritise anticorruption and justice reforms;
- Smer-SD, which has formed most governments since 2006, will now enter into opposition with its political dominance ended;
- One of the smaller of the four parties is likely to withdraw from the government within the two-year outlook, but the coalition will still command a simple majority in parliament;
- Policymaking could be erratic but expansionary public spending and healthcare reform are very likely.

BACKGROUND

On 18 March 2020, Slovakian President Zuzana Caputova agreed to the ministerial nominations proposed by Prime Minister-designate Igor Matovic's incoming four-party government, which is thereby to be formally inaugurated on 21 March.

Following the elections held on 29 February, the breakdown of seats and vote share in the 150-seat National Council is as follows:

- *Ruling:* Ordinary People and Independent Personalities ('OLaNO') – populist centre-right – 53 seats (+34), 25% (+14%);
- *Opposition:* Direction – Social Democracy ('Smer-SD') – nationalist centre-left – 38 seats (-11), 18.3% (-10%);
- *Ruling:* We Are Family – right-wing populist – 17 seats (+6), 8.2% (+1.6%);
- *Opposition:* The People's Party – Our Slovakia ('LSNS') – neo-fascist – 17 seats (+3), 8% (-0%);
- *Ruling:* Freedom and Solidarity ('SaS') – centrist – 13 seats (-8), 6.3% (-5.8%);
- *Ruling:* For the People – centrist – 12 seats, 5.9% (new party).

According to the coalition agreement, OLaNO officials will assume the majority of cabinet positions, including the finance, health, defence and interior briefs. Meanwhile, the SaS and For the People parties are to receive five portfolios in total, including foreign affairs, justice and economy. The We Are Family party is to assume a newly created portfolio of legislation and strategic planning, thereby complementing the appointment of party leader Boris Kollar as Speaker of the National Council.

ANALYSIS

The formation of the Matovic government marks a **major realignment in Slovak politics**. Since 2006, Smer-SD has occupied government almost uninterrupted apart from a brief stint in opposition between 2010-2012. During this time, it presided over the proliferation of clientelist networks, which formed a nexus with organised criminal groups and the law enforcement and justice authorities. The extent of this became clear in the wake of the assassination of investigative journalist Jan Kuciak in



February 2018, which prompted mass protests and the resignation of senior Smer-SD officials, including the long-time prime minister, Robert Fico.

Popular disaffection with Smer-SD did not abate, especially as legal cases relating to the Kuciak assassination continued. During the election campaign, **Igor Matovic's OLaNO was able to harness this disaffection to emerge as the largest party by a decisive 7% margin**, despite competition from elsewhere. The neo-fascist LSNS failed to build on its success in the 2016 election.

FORECAST

The 20-seat majority of the Matovic government will enable constitutional reforms, but its four-party composition is likely to undermine its stability. This is typical of multiparty coalitions in Slovakia, especially among the reformist opposition parties. The four-party reformist coalition that governed between 2010-2012 collapsed as a result of partisan policy disputes and liberal opposition parties failed to agree on a common platform despite repeated attempts to do so after 2018.

Three indicators underpin political risks under the Matovic government:

1. No consensus has been established in key policy areas, namely foreign affairs and the economy. Economy Minister-designate Richard Sulik's SaS is economically libertarian, opposing the social spending championed by We Are Family. Both parties are united in their qualified Euroscepticism, with Kollar in particular having shared platforms with far-right leaders elsewhere; yet, former President Andrej Kiska's For the People party is pro-European, while OLaNO's stance is unclear.
2. Personal animosities between the leaders of the four parties are likely to generate instability. Kiska has already questioned the inclusion of We Are Family, citing Boris Kollar's association with mafia-linked businesspeople in the 1990s. Meanwhile, Matovic himself is renowned for his unpredictable disposition, with his modus operandi hitherto consisting of populist publicity stunts.
3. The OLaNO policy platform remains unclear and incoherent, and its officials lack political experience. Matovic has admitted a near-total ignorance of foreign affairs and the party has failed to define its objectives regarding institutional reform. Matovic proposed investigative journalists operate as a de facto corruption watchdog, but this was quickly dismissed by the industry. Elsewhere, Matovic is advocating that the threshold for the legally binding status of consultative referenda be lowered from 50% to 25%, incentivising direct democracy. The erraticism of OLaNO could therefore impact government stability and effectiveness.

We assess that the impact of the Covid-19 pandemic will reduce the risk of political instability in the one-year outlook. Furthermore, the Matovic government is likely to be united by its common objective of dismantling the Smer-SD hegemon, including through **increasing the transparency of the courts and the vetting of judges. Economic policy will be expansionary owing to Covid-19**, especially if automotive companies – on which the economy is dependent – extend suspensions of operations. Healthcare reform, which stalled under Smer-SD, will likely become a priority.

Owing to its controversial profile, **We Are Family is likely to withdraw its support for the coalition in the two-year outlook**. This is unlikely to lead to governmental collapse, as **the government will still be able to command a simple majority** in the National Council. However, the longer-term prospects for the OLaNO-led government will hinge on whether Smer-SD can regroup and mount an effective opposition. **We assess that a split is more likely** owing to infighting and probable corruption cases arising from future investigations.