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SPOTLIGHT

PM's Resignation Sparks Government Crisis in Lithuania

Kinga Dudzińska

After Lithuanian Prime Minister Gintautas Paluckas resigned amidst scandal, President Gitanas Nausėda then appointed Finance Minister Rimantas Šadžius as interim head of government on 4 August. For the ruling Social Democrats (LSDP), a key challenge will be stabilising the political situation and re-establishing a lasting coalition. This is important for the continuation of internal reforms, as well as for Lithuania's image as a reliable NATO state that also wants to influence the EU's eastern policy.

What are the reasons for Paluckas's resignation?

The main accusation against the now ex-prime minister is financial fraud, including a case involving a preferential loan granted by the National Development Bank ILTE to the Garnis company, of which Paluckas is a co-owner. The investigation also revealed that he received a loan of €200,000 last year from his own company, Emus. Officers from the Lithuanian Financial Investigation Service (FNTT) conducted searches at Dankora, a company owned by the Paluckas's sister-in-law that intended to purchase battery energy storage systems from Garnis using EU funds. Paluckas was previously convicted of abuse of power in 2012 when he served as the director of the Vilnius Municipal District Administration. He spent less than eight months in his post, making him the shortest-serving prime minister of Lithuania since it regained independence in 1991.

Who could become the new prime minister?

The challenge for the Social Democrats—the largest party in the unicameral parliament and the main force in the ruling coalition that also includes the Alliance of Democrats “In the Name of Lithuania” and the Dawn of Nemunas party—will be electing a new prime minister. Unofficially, three candidates are being considered, including Robert Duchniewicz, a politician of Polish descent and mayor of the Vilnius district. While such a solution would reflect the changes taking place in Lithuanian politics in which ethnic

Poles are increasingly active in Lithuanian parties, the chances of one taking office are slim. The LSDP will likely choose between the current Minister of Labour and Social Welfare Inga Ruginienė and Deputy Speaker of Parliament Juozas Olekas. Ruginienė's nomination would demonstrate an attempt to change the government's image and open up to a broader electorate. Olekas's many years of political experience, including as defence minister, speaks for him. However, the fact that he also faced similar corruption allegations may be problematic.

What are the possible coalition scenarios?

The shape of the future coalition will also be important to ensuring a stable government. It may retain its current three-party composition, although investigations into the party's financing are ongoing against Dawn of the Nemunas, and its leader has been accused of spreading anti-Semitic messages. Therefore, it is also possible a new government will be formed without this party (as advocated by the Speaker of Parliament and leader of the Democratic Alliance Saulius Skvernelis), opting instead for the participation of the currently in opposition Farmers and Greens Union (LVŽS), which the Democrats opposed after the parliamentary elections in October last year, but no longer. The formation of a new coalition government could signal to the public the LSDP's efficient management of the political crisis and a welcome distancing from the scandal surrounding the ex-prime minister. However, the LSDP is also struggling with

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internal divisions and is facing the need to elect a new party chairman, as Mindaugas Sinkevičius is temporarily holding the position. She would enter the coalition negotiations weakened and would probably have a weaker position in a possible future cabinet with the participation of rival “Democrats” and “farmers”.

Should we expect changes in Lithuania’s domestic and foreign policies?

The international situation puts pressure on the Lithuanian political elite to quickly appoint a new government. Meanwhile, the transition period and legal regulations specifying the procedure for appointing a new cabinet (nominating a candidate for prime minister, involvement of the president in forming the government, voting in

parliament) may result in the process being prolonged. The government reshuffle not only means formal changes but may also herald a shift in the country’s domestic policy, including its economic policy. The new government may revise fiscal and social policy goals. From the perspective of EU policy, important decisions will be made regarding the budget strategy, the distribution of EU funds and the continuation of energy and education policies, as well as the implementation of the innovation agenda. Although foreign policy goals will not change, a potential coalition with the participation of LVŽS may have a slightly different emphasis in which security issues would be more prominent, also in the EU forum, and Lithuania would become even more involved in EU cooperation in this area. The government’s relations with President Nauseda will also influence the implementation of foreign policy.