

# Lithuania

by Aneta Piasecka

*Capital:* Vilnius  
*Population:* 3.4 million  
*GNI/capita:* US\$16,830

The data above was provided by The World Bank, *World Bank Indicators 2009*.

## Nations in Transit Ratings and Averaged Scores

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Electoral Process	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Civil Society	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75
Independent Media	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Governance*	2.50	2.50	2.50	2.50	2.50	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.75
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.50
Judicial Framework and Independence	2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75	1.75	1.75
Corruption	3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00	3.75	3.75
<b>Democracy Score</b>	<b>2.29</b>	<b>2.21</b>	<b>2.21</b>	<b>2.13</b>	<b>2.13</b>	<b>2.21</b>	<b>2.21</b>	<b>2.29</b>	<b>2.25</b>	<b>2.29</b>

\* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

## EXECUTIVE SUMMARY

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In 2008, Lithuania celebrated the 20th anniversary of Sąjūdis, the movement that led to the restoration of Lithuania's independence in 1990. Since then, Lithuania has established a functioning democracy with well-protected political and civil rights and a robust market economy. Lithuania joined NATO and the European Union in 2004 and the Schengen visa-free zone in late 2007. Although Lithuania has achieved impressive gains and recognition in the foreign policy arena, political life within the country appears to be backsliding from further reforms. The legislature has lacked efficiency and discipline in recent years. Political bickering and intrigues, unexpected ad hoc coalitions, and protracted reforms have downgraded Lithuanian politics. Public apathy and alienation from the political process have deepened, and trust in major democratic institutions, including the Parliament, government, political parties, and courts, remains critically low. Civil society is not growing as rapidly as was expected a decade ago, and large-scale labor migration has taken a toll on the country's political and civic developments. In general, though, the country has made great strides in improving the quality of life, and public attitudes and perceptions of change are unambiguous.

Double-digit inflation hit a 10-year high in fall 2008, and the public sector deficit swelled. Yet the government was largely preoccupied with energy issues, in particular the creation of a national investor for a new nuclear power plant, as well as its own survival, and held back long-overdue reforms. Despite this, lawmakers saw no prospects of replacing the ruling coalition and were set to preserve the status quo until the parliamentary elections in fall 2008. The national legislative elections in October brought a shift to the center right. The new coalition replaced the Social Democrat–dominated rule established in 2001. Andrius Kubilius, leader of the Christian Democrats, was appointed prime minister of Lithuania's 15th administration.

**National Democratic Governance.** In January 2008, Lithuania's first ever minority government secured a slim parliamentary majority after the Social Liberals joined the four-party ruling coalition led by the Lithuanian Social Democratic Party (LSDP). Parliamentary Speaker Viktoras Muntianas of Civil Democracy Party (CDP) stepped down in April over conflict-of-interest allegations, and Česlovas Juršėnas of LSDP replaced him in the post. Cleavage, inefficiency, and disorganization within the Parliament paralyzed important legislative debates, including much-needed reforms in the judiciary, higher education, health care, and other areas. The upcoming closure of the Ignalina nuclear power plant heightened concerns over an imminent energy shortfall and energy price hikes. Lithuania's bureaucratic apparatus continued to grow, while the heavily underpaid police, fire

services, courts, and schools faced a shortage of workers. The military draft was stopped in September pending Lithuania's transition to a professional volunteer-based army. *The inefficient, disorganized, and split legislature highlighted the depth of Lithuania's political immaturity. This, coupled with the government's reckless economic policy, stagnant public administration reforms, and swelling bureaucracy amid a shortage of civil servants, worsens Lithuania's rating for national democratic governance from 2.50 to 2.75.*

**Electoral Process.** The parliamentary elections in October 2008 drew a low voter turnout of 48 percent. The Homeland Union–Lithuanian Christian Democrats came in first, winning 45 mandates. The incumbent LSDP won second place with 26 seats. The biggest news was the success of the Liberal Movement and the Liberal and Center Union (LCU), which unexpectedly passed the 5 percent threshold to secure legislative representation. Importantly, voters downgraded the populist Order and Justice Party and Labor Party, which excluded them from any coalition negotiations. The Rising Nation Party, founded in May 2008 by TV celebrity Arūnas Valinskas, ranked third overall and joined the new center-right ruling coalition of the Christian Democrats, Liberal Movement, and LCU. Andrius Kubilius of the Christian Democrats was appointed prime minister. The Homeland Union–Lithuanian Christian Democrats became the country's largest political party after the Lithuanian Conservatives merged with the Christian Democrats in May 2008. In the wake of the legislative elections, a ban on audiovisual political advertising came into effect. *The recent parliamentary elections were free and fair, and the change in power and cabinet was smooth. Lithuania's rating for electoral process remains at 1.75.*

**Civil Society.** The growth of Lithuania's civil society has been slowed by low public involvement and awareness of nongovernmental organizations (NGOs). Almost half of the population gives to charity and people are quite willing to contribute to local communities, but 40 percent of Lithuanians do not participate in any kind of civic initiatives, and protest-type civic manifestation is particularly low. In March 2008, the Constitutional Court passed a groundbreaking decision on higher education ruling that the state may not regulate university enrollment, fees, and curriculums. This is expected to advance long-overdue higher education reform and transform Lithuania's inflexible and stagnant state-run universities. *A lack of noticeable change in public perceptions of NGOs leaves the rating for civil society unchanged at 1.75.*

**Independent Media.** In 2008, several new information portals joined Lithuania's extensive online media market. Internet connectivity expanded, and almost half of Lithuanian households had access to the Internet. The majority of Lithuania's 1.5 million Internet users read the press online. The number of national TV broadcasters multiplied with the start of digital terrestrial television, though national television channels have been losing audience in favor of foreign or local TV channels, the Internet, radio, and the press. A recent launch of new media outlets and several

media takeovers by politicians indicated a trend toward politics-driven media ownership. Public trust in the media has been damaged by a decline of watchdog media and increased media bias toward political and business interests. *Increased competition due to expanding Internet use and online media and the rise of new media outlets were offset by growing political interests in media ownership; thus the rating for independent media remains at 1.75.*

**Local Democratic Governance.** A long-debated constitutional amendment in favor of direct mayoral elections passed a second reading in Parliament in June 2008, but lawmakers could not agree on the division of power between directly elected mayors and municipal councils. Financial audits carried out by the National Audit Office showed that mismanagement and misuse of funds, including central government subsidies, were widespread among municipalities, yet little progress was made in improving internal audit procedures. In 2008, central government allocations accounted for 42 percent of municipal budgets, down from 58 percent in 2004 owing to growing revenues from personal income tax. *A lack of progress in revising local government legislation and improving local financial management leaves Lithuania's rating for local democratic governance unchanged at 2.50.*

**Judicial Framework and Independence.** The year saw continued political battling over judicial reform, reflected in a controversial refusal of the Parliament to dismiss the Supreme Court chair after expiry of his constitutional term in July 2008. Meanwhile, lawmakers adopted a package of amendments to the Law on Courts that established the law of precedent, computer-based case assignment, cassation in administrative cases, compulsory audio recording of court hearings, and periodic evaluation of judges' performance. The judiciary remains severely underpaid, which exacerbates a shortfall in judges. In July, lawmakers amended the Law on Citizenship after grappling with the issue of dual citizenship for almost two years. The right of dual citizenship was granted to children of Lithuanian nationals born abroad. Meanwhile, about 1,500 citizens were stripped of their Lithuanian passports over the past two and a half years. *Improvements in court legislation were offset by continuous political battling over fundamental court reform and a number of judicial framework and human rights issues; therefore Lithuania's judicial framework and independence rating remains unchanged at 1.75.*

**Corruption.** In 2008, the National Audit Office revealed that Lithuania's largely stagnant anticorruption program, launched in 2002, had failed. A series of corruption scandals surfaced in the spring in which a dozen high-ranking municipal officials were indicted for bribery and graft. The investigation and exposure of corruption and conflict-of-interest allegations have become more open, but there has been little follow-through in high-profile corruption allegations. In 2008, corruption prevention efforts were limited to fragmentary policies, such as a ban on audiovisual political advertising and preparations for the online issue of construction permits.

*Failure of the national anticorruption program and a lack of progress in streamlining anticorruption initiatives leave Lithuania's corruption rating unchanged at 3.75.*

**Outlook for 2009.** The presidential election in May 2009 will be the central event of the year and will test the new center-right government. The Christian Democrat–led coalition will face a dire need to tighten fiscal policy and cut public spending. Initiatives to reduce government bureaucracy are likely to bring some tangible results, but it remains to be seen whether promised and eagerly awaited improvements in the business environment will turn into a reality. The outcome of these initiatives will largely determine the course Lithuania will take. The government also intends to institute business crediting co-financed with European funds and an extensive dwelling renovation program. The Ignalina nuclear power plant will be closing at the end of 2009; therefore addressing the forthcoming energy shortfall and a leap in energy prices will be a priority for the new government. Other top policy issues include long-overdue judiciary reform, direct mayoral elections, revision of local government structure, and higher education reform. The recent parliamentary elections may spur some changes in party life, including stronger cooperation on the fractured liberal flank.

# MAIN REPORT

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## National Democratic Governance

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.75

Helmed by Prime Minister Gediminas Kirkilas, the Social Democrat–led coalition government, which took office in July 2006, remained secure until the October 2008 parliamentary elections. The cabinet’s positions were strengthened in January after the Social Liberals, led by ex-parliamentary Speaker Artūras Paulauskas, rejoined the ruling minority coalition of the Lithuanian Social Democratic Party (LSDP), National Farmers Union (NFU), Liberal and Center Union (LCU), and Civil Democracy Party (CDP) and secured a parliamentary majority. Yet the five-party coalition remained weak, polarized, and inefficient. The cabinet was largely preoccupied with its own survival, dragged its feet on reforms, and disregarded growing economic and fiscal pressures.

The center-left coalition gained a slim majority of 72 members of Parliament (MPs) in the 141-seat Parliament. In exchange for their support, the Social Liberals—desperate to reinforce their fragile position in the country’s political arena—pressed LSDP to join forces in the upcoming legislative elections. They also counted on several key parliamentary posts, including replacing Speaker Viktoras Muntianas of CDP and Algimantas Matulevičius of CDP as chair of the parliamentary National Security and Defense Committee (NSDC). In 2007, Matulevičius led a parliamentary investigation that revealed implicit corrupt ties between top government and security functionaries and pro-Russian energy business groups. Speaker Muntianas was forced to step down in April 2008 over conflict-of-interest allegations. During his almost two years in office, the unpopular Muntianas was threatened with three interpellations for incompetence. An elder statesman, Česlovas Juršėnas of LSDP, replaced Muntianas as parliamentary Speaker. The Social Liberals regained the NSDC leadership and replaced the environmental and education ministers of LSDP, who earlier resigned over no-confidence votes.

The 2004–2008 Parliament ended its tenure with a record low public confidence rating of 6 percent in September<sup>1</sup> and has been widely considered the worst in Lithuania’s postindependence history for being inefficient, disorganized, and unprofessional. Continuous scandals, splits, and infighting—coupled with incompetent freshmen members and critically low attendance—showed the assembly’s lack of political maturity and paralyzed important legislative decisions. Among them were long-overdue judicial and higher education reforms, revisions in political party funding laws and citizenship legislation, and direct mayoral elections. Some 20 major legal provisions that earlier had been found unconstitutional remained unaddressed, as legislative work was distracted by large-scale party

defections. Such “political tourists” derailed party life and downgraded the already low morale of Lithuanian politics.

Despite persistent squabbling among the ruling partners, all major political players, including a polarized and feeble opposition, saw no prospects of replacing the existing coalition or holding early elections. This became evident after Prime Minister Kirkilas survived a no-confidence vote in April. Observers unanimously agreed that no one cared to overthrow the unpopular prime minister before the fall elections. The no-confidence vote centered on energy issues, specifically the controversial creation of Leo LT, a national investor for a new nuclear power plant. Kirkilas was also interrogated about his appointment as prime minister, which was allegedly influenced by a gas importer from Russia, Dujotekana, and his opposition to gas markup regulation.

The mega-utility Leo LT was established in May 2008 by merging shares of state-owned Lietuvos Energija and Eastern Power Grid with the privately owned Western Power Grid of NDX Energija, controlled by the Lithuanian retail giant MAXIMA. Kirkilas openly supported NDX Energija, which was selected for the plant project in a no-bid process. The opposition parties Homeland Union, Order and Justice Party (OJP), and Liberal Movement boycotted the Leo LT legislation, but in February the Parliament managed to pass it by a mere 63 votes. The Economist Intelligence Unit blasted Leo LT as costly, ineffective, and unnecessary. Leo LT is also to serve as an investment vehicle for planned links to grids with Poland and Sweden. The Ignalina nuclear power plant, which generates about 74 percent of electricity consumed in Lithuania, is scheduled to be closed on December 31, 2009, under Lithuania’s European Union (EU) membership obligations. The shutdown will leave Lithuania in dire need of new energy sources and increase the country’s dependence on Russian supplies.

The Kirkilas administration also came under sharp attack for failing to tighten fiscal policy in the face of Lithuania’s economic downturn and a sharp rise in inflation. A sinking property market, hardships in Lithuania’s broad construction and transportation sectors, and growing unemployment were signs of an imminent economic crisis. In September 2008, average year-on-year inflation reached 11 percent, hitting a 10-year high. Food, energy, and transport prices rose the most.<sup>2</sup> The public sector deficit soared, threatening to reach 2.4 percent of gross domestic product instead of a planned 0.5 percent. Yet the government continued to spend through deficit budgets and gave a green light to such policies as indexation of salaries and social benefits and salary increases in civil service. Kirkilas dismissed calls to balance the budget and cut public spending, despite criticism from European Commission budget commissioner Dalia Grybauskaite, who topped popularity polls throughout 2008 and who was mentioned as a possible candidate in the 2009 presidential elections.

In general, the executive branch operates openly. The public has systematic access to government meeting agendas, and cabinet sessions are broadcast live on the Internet. Yet executive authorities often propose bills or adopt new regulations without prior notice or public scrutiny, though they are required by law to

announce policy proposals via the Internet. The Parliament is more transparent, and all legislative documents and records are posted on the Internet. Public policy and interest groups may take part in the political process through policy advocacy, advising, and lobbying, but the mechanism for consulting does not always function properly. The number of adopted laws has decreased, but the low quality of legislation and frequent amendments reveal systematic flaws in the lawmaking process.

The bureaucratic apparatus continued to swell, while public administration reforms stagnated. The number of civil servants (excluding statutory officials) rose from 18,993 in July 2003 to 28,974 in July 2008,<sup>3</sup> notwithstanding several thousand existing vacancies. Large-scale labor migration and low pay have caused a shortfall of workers in civil service. The most severely affected and underpaid sectors are education, health care, courts, police, and fire services. Yet the shortage of teachers decreased by half in 2008 after teacher salaries were raised 45 percent in response to numerous protests and demands. In mid-2008, the average net wage of civil servants stood at US\$904 (an increase by one-fourth on year), as compared with the country's average wage of US\$761.<sup>4</sup>

In 2008, there were 423 public services available online in Lithuania. About 70 percent of basic services have been put online, of which information provision makes up 50 percent.<sup>5</sup> In 2008, preparations were made for online issue of construction permits and online access to patients' medical records. Also, the state social insurance fund now offers access to personal data. Meanwhile, the Parliament once again declined a proposal for Internet voting. The most advanced e-government services include income declaration, social security payments, customs declarations, customs reporting, and employment services. In September, Lithuania ended the military draft and began transitioning to a professional volunteer-based army.

#### Electoral Process

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

The national legislative elections on October 12, 2008, showed a shift to the center right among Lithuanian voters. Twenty-one political parties contested for 141 seats in the Parliament, and seven parties passed a required 5 percent threshold. The Homeland Union–Lithuanian Christian Democrats gained 45 mandates, and the incumbent LSDP came in second with 26 seats. The fledgling Rising Nation Party (RNP) ended third with 16 mandates, followed by the populist OJP with 15. Lithuania uses a mixed electoral system in which half of the Parliament is chosen through multimandate proportional balloting and half in single-mandate constituencies. The first election round drew a 48 percent voter turnout, a slight increase from 44 percent in 2004, while the runoff attracted a record low 32 percent. The elections were free and fair, and the change in power proceeded smoothly. In November, the Christian Democrats, the Liberal Movement, LCU, and RNP

formed a new center-right ruling majority with 83 seats in the Parliament and a coalition government. Arūnas Valinskas of RNP became parliamentary Speaker, and Andrius Kubilius was appointed prime minister.

2008 Parliamentary Election Results	
Party	Number of seats
Homeland Union–Lithuanian Christian Democrats	45 (25*)
Lithuanian Social Democratic Party	26 (20)
Rising Nation Party	16
Order and Justice Party	15 (10)
Liberal Movement	11
Coalition Labor Party + Youth	10 (39)
Liberal and Center Union	8 (18**)
Independent candidates	4 (6)
Lithuanian Polish Electoral Action	3 (2)
National Farmers Union	3 (10)
New Union–Social Liberals	1 (11)

\* *The 2004 parliamentary election results.*

\*\* *The Liberal Movement split from the Liberal and Center Union in late 2005.*

Source: Central Electoral Committee of the Republic of Lithuania.

In May 2008, the Homeland Union–Lithuanian Conservatives merged with the Lithuanian Christian Democrats. The newly formed Homeland Union–Lithuanian Christian Democrats became Lithuania's largest political party with 20,400 members. Andrius Kubilius was elected party chair. In past years, the Homeland Union had consistently sought to unite right-wing forces and absorbed smaller parties to that end.

Defying expectations in the 2008 elections, Lithuania's two liberal parties, the Lithuanian Liberal Movement led by Eligijus Masiulis and Artūras Zuokas's LCU (a partner in the incumbent coalition), managed to cross the five percent threshold and landed in the Parliament with eleven and eight MPs, respectively. This may lead to stronger cooperation on the fractured liberal flank. Also surprising, the NFU, led by ex-prime minister Kazimira Prunskiene, and the Social Liberals, led by Artūras Paulauskas, gained only four seats in single-mandate constituencies, but neither leader made it into the Parliament. LSDP performed even better than in the 2004 elections in spite of its unpopular prime minister and internal squabbling, which led to a split and the establishment of the new party, Frontas, by Algirdas Paleckis earlier in the year.

The success of RNP was to be expected given Lithuania's notorious tradition of elevating fresh populist party projects. Founded in May 2008 by TV show host Arūnas Valinskas, RNP landed second in the party list balloting and third overall. Also known as the celebrity party, RNP lacks an ideology and has many entertainers

on the list, which makes it an object of much derision from observers and politicians. The appearance of RNP may have been one reason for the diminishing public appeal of the OJP and the Labor Party (which won the 2004 parliamentary elections).

The new cabinet will have to deal with the current economic crisis and address Lithuania's imminent energy shortfall. The Christian Democrats, who emphasize their commitment to traditional values and morality, Western orientation, and a tougher course on Russia, campaigned on a reform agenda. The new coalition's anticrisis plan envisaged freezing public service salaries and cutting ministerial budgets, selling state assets, and expanding the tax base. Starting from 2009, breaks on the value-added tax (VAT) for printed press, meat and fish, and medicines were eliminated and the VAT was increased from 18 to 19 percent. The flat-rate income tax was cut from 24 to 20 percent, the capital gains tax was raised from 15 to 20 percent, and excise taxes on alcohol and fuel went up. The amount of social security contributions redirected from the state social insurance fund to private pension accounts was almost halved, and self-employed individuals were obligated to pay health insurance and social security contributions, which markedly increased their tax burden. This overnight tax reform drew protests on all fronts for unfairly hitting the poor and stifling small- and medium-size businesses.

In 2008, there were 38 registered political parties in Lithuania, though only 10 have more than 2,000 members. Lithuania's party life continues to show immaturity, with blurred ideological boundaries, controversial ad hoc coalitions, party splits, and infighting. Traditional political forces have been criticized for their growing insularity, and political rhetoric has been at odds with actual politics. Not surprisingly, political parties remain the most unpopular public institutions, supported by only 4 percent of the population.<sup>6</sup> Such attitudes are reflected in the low party membership (2.8 percent of the population)<sup>7</sup> and low voter turnout.

In July 2008, a long-debated ban on political advertising on radio and television came into effect. Candidate advertising during election campaigns will now be financed from the state, and broadcasters are banned from disseminating political advertising free of charge. While these provisions are meant to combat political corruption, they will also put new political parties and parties not in power at a disadvantage. The prohibition is also likely to cause ambiguity in distinguishing between political advertising and other political media appearances.

#### Civil Society

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75

Civil society rights are well established and protected in Lithuania, and the country's laws do not pose serious barriers to nongovernmental organizations (NGOs). Yet public awareness and involvement in civil society remain low. While the organizational and managerial capacities of Lithuanian NGOs are good, there

are still weaknesses in constituency building and public outreach. In recent years, NGOs have increasingly adjusted their activities to qualify for EU funding, but this drive to attract EU donations has distracted many from their normal work and core objectives.

There are three legal forms of NGOs in Lithuania: associations, property-based public institutions (such as schools, hospitals, and research institutes), and charity and sponsorship funds. At the beginning of 2008, there were 12,452 associations, 1,113 charity and sponsorship funds, 4,329 public institutions (schools and hospitals excluded), 1,069 religious communities, 7,007 communal organizations (for instance, apartment block communities), and other nongovernmental groups.<sup>8</sup>

In 2008, Lithuania's civic empowerment index estimated by the Civil Society Institute based on a TNS Gallup survey showed scant civic activity by Lithuanian society. Forty percent of Lithuanians do not participate in any civic initiatives. While people are active in addressing local community problems and banding together for leisure pursuits, they do not participate in civic manifestations on a wider scale and are skeptical of the powers and influence of civil society organizations. There is also an atmosphere of fear and insecurity regarding protest-type civic activity, which is widely associated with a number of risks, including losing one's job, slander, and suspicion of self-interest. Civil society organizations remain largely unknown to the general public, and although bureaucratic constraints on volunteer work were removed in 2003, volunteerism remains weak owing to a lack of tradition, public ignorance, and mistrust of volunteer initiatives.

Lithuanian nonprofits are required to pay a 15 percent profit tax on commercial proceeds exceeding LTL25,000 (approximately US\$11,000). Companies may donate up to 40 percent of their annual taxable profits to NGOs, while Lithuanian taxpayers may contribute 2 percent of their income tax to private or public nonprofit entities. Yet most NGOs lack permanent sources of income and sufficient fund-raising capacities. NGOs may bid for government contracts, but this practice is rather uncommon owing to a complex administrative process.

The 2 percent income tax deduction, meant originally to boost civil society, goes mostly to underfunded municipal institutions and schools. Both the number of recipient organizations and the ranks of donors are growing. A total of 14,000 organizations received donations in 2008, as compared with 12,000 in 2007, while the number of donors rose from 370,000 in 2005 to 519,000 in 2008. While the 2 percent option helps to shore up NGOs, some worry that it discourages philanthropy and leaves room for abuse by fictitious organizations.

Trade unions enjoy wide powers and rights by law. They sign collective agreements with employers on behalf of all employees, and the labor code requires all employers to comply. The Lithuanian Confederation of Trade Unions, Lithuanian Labor Federation, and Solidarity are coalitions of labor groups, while the Lithuanian Confederation of Industrialists and the Lithuanian Business Employers Confederation are two leading employer organizations. These labor and employer groups together with the government constitute the Tripartite Council, which makes recommendations on national labor policy. Despite the wide powers

and influence of the council, it has low representation—trade unions claim only about 15 percent of the workforce, while the employer confederations represent 1 percent of business enterprises.

Business associations and trade unions were traditionally the most influential nongovernmental groups in the policy-making arena, but the labor pillar has been losing influence in recent years. Research indicates that “Lithuanian interest groups do not use sophisticated practices or tactics of lobbying; access is largely based on personal connections and corrupt practices. The business community is the most effective lobby due to its contacts and extensive resources; in contrast, the labor lobby is weak due to a hangover from communist times.”<sup>9</sup>

Even the center-left government and its policies appeared to be more favorable to well-organized business interest groups than to its natural allies, trade unions. Also, government cooperation and consultation with NGOs has not been fully established. Formal lobbying activity is quite negligible, and there were only a dozen or so active registered lobbyists in 2008. Observers note that this may be attributed to the extensive informal representation of special interest groups and legislative corruption.

Lithuania has 22 universities, of which 7 are private. With the quality of higher education worsening at inflexible and stagnant state-run universities, experts stress that the number of universities and enrollment figures are much too high for Lithuania. In March 2008, the Constitutional Court passed a watershed ruling prohibiting the state from regulating university enrollment, fees, and curriculums and stipulating that equal conditions shall be applied to public and private universities. This ruling is expected to advance long-overdue reform and, if properly enforced, promote the free-market rise of autonomous and competitive universities. Despite opposition from state-run universities, the reform is very likely to gain support among members of the new center-right ruling coalition.

#### Independent Media

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Lithuania saw the continued development of its vibrant online media market in 2008 with an increase in the number of fledgling news portals. Digital TV and mobile TV broadcasting also expanded. Yet public trust in the media reached a record low in 2008 in reaction to the recent concentration of media ownership, bias toward certain political and business interests, and the decline in watchdog media.

New information portals launched in 2008 include [www.15min.lt](http://www.15min.lt) of the popular free daily *15 Minuciu*, [www.atn.lt](http://www.atn.lt), [www.valstietis.lt](http://www.valstietis.lt) of the largest and most popular weekly, *Valstiečių Laikraštis*, and [www.diena.lt](http://www.diena.lt) of the dailies *Kauno Diena*, *Vilniaus Diena*, and *Klaipėda*. Lithuanian news portals are competing not only by enhancing the quality and quantity of information, but also by providing Internet

video services. The most popular Internet portals are [www.one.lt](http://www.one.lt), [www.delfi.lt](http://www.delfi.lt), [www.plius.lt](http://www.plius.lt), and [www.lrytas.lt](http://www.lrytas.lt). Other portals that offer analysis and serious commentary are [www.balsas.lt](http://www.balsas.lt), [www.bernardinai.lt](http://www.bernardinai.lt), [www.alfa.lt](http://www.alfa.lt), and [www.lrt.lt](http://www.lrt.lt). The rapid growth and usage of Internet media is expected to bolster media credibility.

Almost half of all Lithuanian households were connected to the Internet as of spring 2008, up from 40 percent in 2007 and 2.3 percent in 2000, according to the Department of Statistics. One-third of rural households had access to the Internet as of spring 2008, as compared with only a quarter in 2007. The majority of Internet users (72 percent) use the Internet daily, while 94 percent, or half of the population aged 16 to 74, use it at least once a week. According to the online research agency GemiusAudience, in April 2008 there were 1.569 million Internet users in Lithuania.<sup>10</sup> The proportion of elderly using the Internet has also been growing steadily.

Political interests among media ownership widened in the run-up to the 2008 legislative elections, with several media takeovers and new media outlets unofficially related to politicians or parties. New media projects directly associated with Lithuania's impeached president and leader of OJP, Rolandas Paksas, include the news portal [www.atn.lt](http://www.atn.lt) launched in August, Radio Laisvoji Banga launched in May, and the publishing company Naujienu Leidyba, which began disseminating the free regional weeklies *Mano Aukštaitija*, *Mano Dzūkija*, *Mano Suvalkija*, and *Mano Žemaitija* in July. Another example is [www.nemalk.lt](http://www.nemalk.lt), associated with LCU leader Artūras Zuokas.

There is a wide diversity of print and electronic media at the national and local levels. Media outlets are privately owned, with the exception of the state-owned Lithuanian Radio and Television. The television market comprises 30 broadcasters, including public television stations LTV1 and LTV2. Among nationwide broadcasters, LTV1, LTV2, LNK, TV3, and BTV were joined through digital video broadcast terrestrial (DVB-T) by 6 new national outlets, TV6, TV1, Lietuvos Rytų Televizija, INFO TV, LIUKS!, and Sport1. Experts note that Lithuania has more national broadcasters than any other country, which may be one obstacle to improving its notoriously low quality of television programming.

The leading national operators are TV3, owned by the Scandinavian Modern Times media group, and LNK, owned by MG Baltic. In September, these channels captured 27.5 and 19 percent of viewers, respectively, according to TNS Gallup. LTV and Baltijos TV followed with 13 and 7 percent, respectively. Over 100,000 households watched digital TV in 2008,<sup>11</sup> and Lithuania is set to make a full transition to digital TV by 2012. TV rebroadcasting services via mobile communication networks have been available since 2007. There are 49 radio broadcasters in Lithuania, and all are commercial except for Lithuanian National Radio broadcasting. The state-run LR1 has the largest audience (21 percent in summer 2008). Radio traditionally has been dominated by small local shareholders, but it is increasingly attracting large industries and other commercial interests.

The Lietuvos Rytas Group and the Respublika Group, dominate the newspaper market. There are 5 national daily newspapers—*Lietuvos Rytas*, *Vakaro Žinios*,

*Respublika*, *Kauno Diena*, and *Lietuvos Žinios*—and 70 regional dailies across the country. Achema Group owns the national daily *Lietuvos Žinios* and the fourth largest national commercial television station, Baltijos TV, as well as several radio stations and two publishing houses. MG Baltic owns the national broadcasters LNK and TV1, the news portal [www.alfa.lt](http://www.alfa.lt), and UPG Baltic, which publishes about 30 journals. Lithuania has no sector-specific regulation of media ownership concentration, but competition legislation sets a general limit at 40 percent of the market share.

Since 2004, there has been a decline in watchdog media and quality journalism in Lithuania, and experts and journalists agree that the media have largely abandoned their role as the fourth branch of government. Much public criticism is directed toward national TV channels that concentrate on high-rated, low-taste entertainment shows. As a result, national television channels are losing their audience to foreign or local TV channels, the Internet, radio, and the press. The Department of Statistics reported a sharp increase in online reading of newspapers and journals in 2008.

Recent proposals to restrict expression of opinion under the Public Information Law failed, as did numerous attempts to introduce sector-specific regulations of the Internet. Though few journalists have been sentenced for libel, editors and journalists have become more attentive to slander since a ceiling on reimbursement of moral damages was removed in 2001. Lithuanian media, including online media, are self-regulated but supervised by the Commission of the Ethics of Journalists and Publishers, composed of media association members and public leaders, and the inspector of journalists ethics, appointed by the Parliament at the recommendation of the commission.

#### Local Democratic Governance

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.50

Lithuania has one level of local government that encompasses 60 municipalities led by elected councils and 10 regional administrations governed by central appointees. Both the central and local authorities are involved in certain areas, such as land planning, health care, and education. Ambiguities in the division of power have impeded decentralization, distribution of fiscal allocations, and transparent and accountable governance at the municipal level. Consequently, the new Christian Democrat-led ruling majority is set to cut the number of regional administrations by half.

In June 2008, a bill on constitutional amendments in favor of direct mayoral elections passed in second reading, but lawmakers could not agree on how much power directly elected mayors shall wield and what their relationship with municipal councils shall be. At present, mayors are elected by municipal councils, whose

members are chosen in general elections through a proportional party list ballot. Executive powers are vested in the municipal council and administration, which is led by a director appointed by the municipal council at the suggestion of the mayor.

Lithuanians generally support self-government and acknowledge its role in addressing local community needs, but they also doubt their power to influence local decision making. Local governments lack transparency—legal acts by municipal councils are rarely available on the Internet, and decisions are unknown to the public until their enactment. Online availability of municipal services is low, and the compliance of municipal web sites with official requirements for website structure, information provision, and interactivity stands at a mere 52 percent, according to the national Information Society Development Committee.

Municipal governments have a limited degree of financial independence and are burdened with politicking and mismanagement. About half fail to meet their revenue expectations, and misuse of funds, including state subsidies, is widespread. In 2008, following audits in 23 local governments, the National Audit Office concluded that although there is some progress in improving internal audits, many municipalities are unable to properly manage their finances and state property.

Municipal budgets, which range from €7 million to €288 million (US\$10.7 million to US\$444 million) according to the Ministry of Finance, are composed of ever shrinking central government subsidies and independent revenues collected from personal income tax, property and land taxes, and local fees. Central budget allocations stood at 42 percent in 2008, down from 58 percent in 2004. The remaining portion of municipal proceeds was collected from personal income tax, which accounted for 88 percent of independent municipal revenues in 2008. The trend toward growing independent proceeds is due largely to an increase in personal income tax revenues. Municipalities with over 20 percent revenue growth are required to transfer part of these funds to the state budget in order to level wide disparities in revenues across municipalities. A large share of independent proceeds goes to the central government wage fund and utility payments, so in reality, municipal councils are free to distribute only 2–10 percent of municipal budgets.

#### Judicial Framework and Independence

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75	1.75	1.75

Long-overdue judiciary reforms were entangled in political battles throughout 2008. While a fundamental revision of the court legislation was postponed, the Parliament adopted a package of amendments. In spite of these important yet fragmentary improvements, the government has yet to address the need to increase the transparency of courts, revise judge appointment procedures, and administer the growing caseload amid a shortage of judges. Recurrent scandals around the appointment of judges have highlighted a lack of procedural transparency and

confirmed that the president and Parliament have up to now played only a symbolic role in the process.

Pursuant to the adopted amendments, courts of the same tier will now be bound by the same precedents, and lower courts will be bound by precedents set by higher courts. It remains to be seen what impact this watershed decision will have on judicial practice in Lithuania, but it is expected to strengthen equality before the law and to accelerate adjudication. Case assignment will now be computer based rather than decided by court chairs; a major step toward improved transparency and decreased impartiality, this will also help ease the administrative burden on court chairs. Furthermore, audio recording of court hearings and posting of final court rulings on the Internet are now required.

Additionally, decisions of the Supreme Administrative Court may now be appealed to the Supreme Court of Lithuania. The Supreme Administrative Court was created in 2001, and administrative courts were fully separated from the system of courts of general jurisdiction. Administrative courts settle disputes in public administration and hear petitions questioning regulatory acts. Critics charge that cassation in administrative cases will slow down adjudication and require institutional changes within the Supreme Court and changes in administrative litigation proceedings. Most important, the system of administrative courts will be stripped of its autonomy, experts conclude.

The revised Law on Courts also introduced a periodic evaluation of judges' performance and requires participation of public figures in the judiciary's self-government. In September 2008, a new supervisory institution—the Judicial Performance Evaluation Council—was appointed. It consists of seven members: three public opinion leaders appointed by the president and four court judges appointed by the Council of Judges. The council, which advises the president on the appointment, promotion, and dismissal of judges, was recomposed in 2007 by removing government officials in order to make courts less prone to political pressure.

Prolonged political battles were crowned with squabbling over the dismissal of the Supreme Court chair, Vytautas Greičius, after the expiry of his constitutional nine-year term in July 2008. The Parliament declined the president's decree on Greičius's dismissal, citing that the dismissal was the Parliament's prerogative. While Greičius was not dismissed, he no longer possessed the authority to chair the Supreme Court, thus leaving it without leadership.

Heavy caseloads and relatively low pay have caused a severe shortage of judges, especially in lower courts. Lithuanian judges are among the least paid in the EU. Over the past five years, the number of lawsuits has grown by one-fifth. In 2008, the workload of administrative courts doubled—as did the length of trials—after the competence of circuit courts in administrative hearings was expanded. According to the National Court Administration, by late 2008 there were 715 judges in Lithuania, 21.3 judges per 100,000 people. The workload of the Constitutional Court has also increased as politicians, and increasingly courts, have transferred controversial issues to the Constitutional Court by framing them into constitutionality disputes. Yet the Court, which delivers about 20 rulings per year, serves as a powerful guardian of the country's Constitution and plays a key role in refining Lithuanian law.

Polls show that public trust in the courts stands at only a quarter of the population.<sup>12</sup> Lower courts, which hear the most cases, are reportedly trusted the least. The insularity of the court system, lengthy investigations and trials, judge bias in favor of the prosecution, and corruption explain the ingrained public mistrust. Yet such perceptions are inflamed by constant criticism from politicians and the media, in effect creating a catch-22 situation where courts are criticized because they are mistrusted and mistrusted because they are criticized.

After two years of debate, the Law on Citizenship was amended in July 2008, automatically granting Lithuanian citizenship to children of Lithuanian nationals born abroad. While Lithuanian politicians had puzzled over how to satisfy a growing need for dual citizenship, 1,556 citizens were stripped of their Lithuanian passports from 2006 through September 2008, according to the Migration Department. There are doubts about the constitutionality of the new citizenship legislation and calls to hold a referendum on the issue, including from President Valdas Adamkus.

In October, the replacement of Polish and Russian street names with Lithuanian ones by the Vilnius region administration sparked disputes over the rights of ethnic minorities. While various international obligations urge Lithuania to include ethnic minority languages, the Constitutional Court ruled that the official state language shall be in public use in order to ensure a smooth state governance and administration. The Parliament has so far eschewed specifying the circumstances of use of ethnic minority languages, though ethnic minorities, mainly Poles, constitute more than 50 percent of the Vilnius region population.

Necessary legal protections for ethnic minorities are in place, but Lithuania is troubled with ethnic intolerance. The public is biased against minority ethnicities and cultures, especially Roma, Jews, and immigrants. The recent increase in hate speech against minorities is attributed more to the rise of new forms of electronic communication than to a growing incidence of hate speech. Also, public awareness on the issue is increasing, and there is a greater likelihood that a complaint will be filed when hate speech occurs.

In August, Vilnius city authorities once again incited an international clamor by forbidding the European Commission's campaign "For Diversity. Against Discrimination," promoting gay equality to hold an event at City Hall Plaza. Homophobic attitudes are entrenched in Lithuania, and in recent debates some MPs sought to remove discrimination on the basis of sexual orientation from the Law on Equal Opportunities. There is a sense that Lithuania's motivation to protect human rights has relaxed since the country gained EU membership.

In May 2008, a new conceptual framework for family policy provoked a split in public attitudes. Defining a family as a woman and man legally married in the traditional sense, the concept was decried as discriminating against single parents and unmarried or divorced parents and promoting social exclusion, inequality, and intolerance. At present, the legal definition of a family is a married or cohabiting couple or a single parent bringing up a child. Statistics show that a third of children in Lithuania are born to unmarried couples. Family rights campaigners have appealed the document to the Constitutional Court.

## Corruption

1999–2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00	3.75	3.75

There was no significant reduction in corruption in Lithuania in 2008. While investigating and exposing corruption have become more open, prevention has been limited to fragmentary policies, such as a recent ban on audiovisual political advertising and the forthcoming online issuance of construction permits. Thus far, progress has been impeded by a lack of political will to strengthen anticorruption work and the defiance of anticorruption initiatives by officials. Not surprisingly, in early 2008 the National Audit Office revealed that the National Anticorruption Program had failed. Meanwhile, Prime Minister Kirkilas openly derided public criticism of the country's level of corruption and the government's failure to reduce it.

The reasons the anticorruption program failed were numerous, including weak and ineffective implementation. Most state institutions did not feature the tasks assigned to them in their work plans, and the enforcement of many key policies was consistently postponed. Only a third of institutions involved reported on their anticorruption efforts, and the lack of adequate assessment criteria prevented proper monitoring and oversight. Launched in 2002, the program focused mainly on corruption prevention and legislative revisions but also included corruption investigation, prosecution, and public education. Yet only 45 percent of the envisaged policy measures were ever implemented.

A new anticorruption program focusing on prevention has been prepared in line with recommendations from the National Audit Office and is pending before the Parliament. The government emphasizes that the new program's main improvement is the assessment of the anticorruption impact of legal acts. This tool has already been available, but its use has been largely perfunctory owing to a lack of demand from the legislative branch.

For similar reasons, there has been very little progress in implementing the so-called Sunset program for curtailing government bureaucracy, but more tangible results are expected from the new government. The issuance of construction permits, reportedly one of the most corruption-prone areas, will be available online soon, but in general the much-advertised one-stop system for government agencies remains a distant dream. Equally lackluster is a top-level initiative to curtail abuse of privileges in public service (such as transport, mobile telephones, and holiday resorts) that was launched after a parliamentary scandal in 2006.

Great hopes for corruption investigations and prevention are pinned on the Special Investigation Bureau (SIB), an independent institution where the scope of prosecution and number of convictions have increased over the past three years. Yet SIB has been criticized for politicking and little follow-through on numerous high-profile allegations. A wave of corruption scandals surfaced in 2008, including at

least 10 high-ranking municipal officials indicted for bribery and graft. In February, the mayor and others of the Trakai region municipality were indicted for bribery and removed from office. In May, Deputy Mayor of Vilnius Evaldas Lementauskas resigned after coming under accusations of bribery along with two city council members of OJP. Also, in March LCU leader and former mayor of Vilnius Artūras Zuokas was found guilty of attempted vote buying during the 2002 Vilnius mayoral election and was stripped of his municipal council mandate.

In June, the Parliament approved a long-debated ban on political advertising on radio and television. Candidate advertising during election campaigns will now be financed from the state budget. These amendments are expected to reduce political costs, corruption, and illegitimate party spending, as radio and television advertising reportedly absorbed the bulk of campaign funds. Despite constant initiatives to tighten campaign funding, the legislation contains serious flaws, and the mechanisms for ensuring compliance and transparency are weak. In one notorious case, the Labor Party, including party leader Viktor Uspaskich, is facing charges of faulty party bookkeeping, campaign fraud, and tax evasion.

Beginning in July, public officials were obliged to declare any transactions in excess of LTL2,600, (US\$1,144) but enforcement is viewed as unfeasible. Legislation on reconciling public and private interests in state services prohibits conflicts of interest and requires financial disclosure by politicians, heads of state- or municipal-run enterprises, and their spouses. Civil servants and politicians must submit private interest declarations when taking office or assuming leadership in political parties. These are posted on the Supreme Official Ethics Commission website, yet incomplete declarations are still a problem.

Although corruption remains high, there are improvements in the perceptions and attitudes of the business community, as indicated by the 2007 Lithuanian Corruption Map. According to the survey commissioned by SIB and conducted by TNS Gallup since 2000, 67 percent of citizens were prepared to give bribes in 2007, while the business community showed a decline from 55 to 42 percent. Likewise, fewer businesspeople said they had given bribes over the past 12 months, while the share of ordinary citizens giving bribes remained practically the same. Although Lithuanian society censures graft, a vast majority believe that bribes may help in dealings with authorities, and this proportion is growing. Most often bribes are offered to road police, medical workers, customs officials, and land-planning authorities.

Graft and cronyism continue to plague the public procurement system, ownership restitution, and land-planning procedures. According to an opinion poll released by Transparency International's Lithuanian chapter in early 2008, one-third of city dwellers had given bribes to officials or politicians while building or reconstructing their homes. As many as 80 percent of construction industry representatives believe that proper connections help in dealing with official land purchase, land-planning, and construction approval procedures, while almost 60 percent think that bribes are effective. Accepting or demanding a bribe is punishable by imprisonment of two to eight years.

Since direct state participation in the economy has been minimized through large-scale privatization, the regulatory system is the chief way that state officials intervene in the economy, which includes setting quality standards, requiring numerous permits and inspections, prescribing a mandatory minimum wage, regulating energy prices, and so forth. There are 152 regulatory agencies in Lithuania, and a total of 330 permissions are required for various businesses. The past years have seen explicit indications of top-level influence peddling in such sectors as energy, gas, and supermarkets. In a 2008 World Bank ranking of economies and their ease of doing business, Lithuania slipped from 16 to 26 owing to stagnating regulatory reforms.

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