



Lithuania Report

Vitalis Nakrosis, Ramunas Vilpisauskas,
Detlef Jahn (Coordinator)

Sustainable Governance
Indicators 2018

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Executive Summary

Formal democracy is well developed in Lithuania. Participation rights, electoral competition and the rule of law are generally respected by the Lithuanian authorities. However, substantive democracy suffers from several weaknesses. Despite some recent improvements, party financing is not sufficiently monitored or audited, and campaign-financing legislation is not subject to adequate enforcement. In addition, discrimination continues to be evident, sometimes significantly so. Most importantly, corruption is not sufficiently contained in Lithuania. Anti-corruption legislation is well developed, but the public sector continues to offer opportunities for abuses of power and the enforcement of anti-corruption laws remains insufficient.

Lithuanian policymakers have sought to establish and maintain social, economic and environmental conditions that promote citizens' well-being. However, the country's policy performance remains mixed, with social-policy results lagging behind those of economic and environmental policies. Some observers attribute this to EU transition and integration processes, which have primarily focused on political, economic and administrative issues. The country's formal governance arrangements are well designed. However, these arrangements do not always function to their full potential. There are significant gaps in policy implementation and the use of impact-assessment processes for important policy decisions, while societal consultation remains underdeveloped. Across most sustainable governance criteria, little has changed during the review period.

The establishment of a new coalition government was the most significant development during the review period. The Lithuanian Farmers and Greens Union won 56 out of 141 seats, and became the largest parliamentary party, although many of its faction members are not party members. The union is jointly led by Ramūnas Karbauskis, an industrial farmer and large landowner, and Saulius Skvernelis, a former police chief and interior minister in the 2012 to 2016 government. In December 2016, the Lithuanian Farmers and Greens Union, and the Social Democratic Party of Lithuania formed a coalition government with a parliamentary majority of 73 out of 141 parliamentary seats. However, in autumn 2017, the coalition became a minority government following the break-up of the Social Democratic Party of Lithuania.

During the election campaign the Lithuanian Farmers and Greens pledged to form a technocratic government. Consequently, only one out of 14 initial government ministers was a member of the union, while two ministers were members of the Social Democratic Party of Lithuania and 11 ministers were officially independent. Saulius Skvernelis led the Lithuanian Farmers and Greens Union during the election campaign, but without formally joining the party. Skvernelis subsequently became the new prime minister. Despite this arrangement, a few elected politicians from the Lithuanian Farmers and Greens Union have announced government policy pledges, which include introducing a state monopoly on alcohol sales, establishing a state-owned bank and transferring social-security contributions from second-pillar private pension funds to the state social security fund. However, the new government program, approved in December 2016, failed to substantiate several of these pledges. In its first year, the main policy decisions adopted by the new government included reform of the state-owned forestry companies, largely motivated and legitimized by the need to implement OECD recommendations required to join the organization, and the revised Labor Code. Considerable attention was also allocated to measures to reduce the availability of alcohol. However, many other reforms that were included in the government program (e.g., higher education, public administration, tax and pension reforms) are still in the preparatory stages of development, while reform of the forestry companies is likely to experience substantial resistance during the process of implementation. It should be noted that other state-owned enterprises like Lithuanian Railways, which have long been suspected of non-transparent practices, have also been reformed. The introduction of these reforms can be attributed to the skilled leadership of Rokas Masiulis, minister of transport and formerly minister of energy in the previous government, the prime minister and the president, and the ability of government to undertake reforms without the need for parliamentary approval.

In terms of economic development, the economy continued to perform positively through 2015 and 2016. After the shock of the 2008 financial and economic crises, the economy returned to growth in 2010 following fiscal consolidation, a recovery in the global economy and increasing domestic demand. Lithuania has since numbered among the fastest-growing economies in the European Union with real GDP growth around 3%, despite the negative effects of sanctions imposed by Russia on exports from the European Union. Though the economic growth rate dropped to 1.7% in 2015 due to a drop in exports to Russia, economic activity picked up in 2016 reaching 2.3% growth and is projected to increase to 3.8% in 2017. However, inflation has become a major public concern.

In 2016, labor market outcomes improved due to economic growth and a declining working-age population. Unemployment decreased from 10.7% in 2014 to 8.1% in 2016 and is projected to decline further. The two main issues affecting the labor market are the mismatch between the supply of and demand for skilled labor, and the decreasing pool of labor due to emigration and declining numbers of graduates entering the labor market. However, despite these changes, unemployment rates remain high among low-skilled workers and the number of people at risk of social exclusion remains high. The share of the population at risk of poverty or social exclusion declined from 30.8% in 2013 to 27.3% in 2014, but increased to 29.3% in 2015. Moreover, the country continues to compare relatively poorly in terms of life expectancy at birth. A low birthrate, emigration to richer EU member states and relatively low immigration continue to present significant demographic challenges. These demographic challenges are likely to negatively affect economic growth and the pension system, and increase pressure to restructure the education, health care and public administration systems. In 2016, the parliament approved a new “social model,” which provides for the liberalization of labor market relations and the development of a more sustainable state social-insurance system. Implementation of the new social model began in mid-2017 after the new government revised the initial proposal to better balance labor market flexibility and employee protections.

Under the 2012 to 2016 and current governments, there was significant continuity in the country’s governance arrangements, although meetings of the State Progress Council and the Sunset Commission were discontinued in 2016. Overall, executive capacity and accountability have remained largely similar. Lithuania continued its preparations for joining the OECD, which has been the main motivating factor behind reforms to state-owned enterprises and regulatory policies. Another related positive development is the depoliticization of executive civil service appointments and the professionalization of management in state-owned enterprises. However, power and authority remain centralized. Citizens and other external stakeholders rarely engage in the processes of government. Despite numerous electoral pledges to undertake cost-benefit analyses, most major reforms are not accompanied by substantive impact assessments and stakeholder consultations. In particular, the initiatives of members of parliament continue to be poorly prepared and lack proper impact assessments.

Key Challenges

Following the recent party leadership election, the Social Democratic Party of Lithuania voted to leave the ruling coalition. However, most members of the party's parliamentary group decided to stay in the coalition. One minister delegated by the Social Democratic Party resigned from the cabinet, while two other ministers decided to continue their work in the government. Although the Lithuanian Farmers and Greens Union is expected to continue cooperating with eight former Social Democratic Party members of parliament, the current government is balanced on the verge of a minority government. To remain in power, the government will require political backing from other parliamentary groups, which will complicate the implementation of the government program, especially the adoption of structural reforms. However, the adoption of the 2018 budget indicates that the current minority government arrangement is able to gather enough parliamentary support for major political decisions. This might change if some political actors decide to shift their position with a view to the forthcoming presidential elections in 2019, but it is possible that this situation could continue until the next scheduled parliamentary elections in 2020.

To address key policy priorities (e.g., education, innovation, taxation and pension reforms), consensus between the government, president and parliament is needed. The commitment to increase defense spending to 2% of GDP by 2018 demonstrates that consensus can be achieved in the context of geopolitical tensions. In addition, policy implementation and institutional reform must be given sufficient attention. The successful development of a new liquified natural gas terminal in Klaipėda, an electricity network linking Lithuania, Poland and Sweden, and the adoption of the euro in 2015 demonstrate the country's capacity to complete major political projects. During the spring 2017 parliamentary session, the Skvernelis government was able to push through several important reforms (including the adoption of a new labor code, optimization of the network of state universities, merger of state-owned forestry companies and amendments to the Alcohol Control Law). However, it is not clear if the current government will be able to sustain this reform momentum due to its diminished parliamentary majority following the split within the Social Democratic Party.

Key challenges to long-term economic competitiveness include negative demographic developments, labor-market deficiencies, persistently high emigration rates, rising levels of poverty and social exclusion, inadequate physical infrastructure (particularly in the energy system), relatively high income tax rates, a large shadow economy, low energy efficiency (especially in buildings), low R&D spending, and weak innovation. To address these challenges, the new government should continue reforming the labor market, higher education sector, social-inclusion policy and energy sector. Furthermore, as a small and open economy dependent on exports, Lithuania is particularly sensitive to external shocks. To reduce the economy's exposure to external shocks, the government must improve the national regulatory environment and increase business flexibility to reorient market activities. The performance of the country's schools and higher education institutions should be improved through structural reforms, a greater focus on results and institutional capacity-building. For instance, poorly performing universities should be merged or closed, and the government's limited resources distributed to the best performing universities to invest in R&D and improve the quality of study programs. The restructuring of the health care sector should also be continued. Given the declining population, the size of the country's public administration needs to be reduced (in terms of the number of public administration institutions and staff employed) and made more efficient.

Although Lithuania's public finances are solid, fiscal challenges are set to become more difficult in the medium term due to the declining population and increasing dependency ratios. The complex causes of structural unemployment, persistent emigration, rising poverty and social exclusion should be urgently addressed. A mix of government interventions is needed to mitigate these social problems, including general improvements to the business environment, effective active labor-market measures, an increase in the flexibility of labor-market regulation, improvements in education and training, cash-based social assistance, and other social services targeted at vulnerable groups. The government's new "social model," which contains proposals to liberalize labor relations and improve the sustainability of the social-insurance system, entered into force in mid-2017.

The European Union's 2014 to 2020 financial-assistance program for Lithuania is expected to total about €3 billion. The key goal of the program is to promote economic competitiveness in Lithuania. However, funding should target economic sectors with high potential growth, while being careful not to distort markets or fund corruption. Better policy implementation in line with strategic priorities set out in, for example, Lithuania 2030 and the Partnership

Agreement with the European Commission (i.e., Europe 2020 strategy) would improve the effectiveness and sustainability of policy developments, and quality of governance. In addition, the Lithuanian authorities should improve the result-orientation of EU funds while maintaining a high rate of financial absorption.

Democracy and governance arrangements could be improved by strengthening some legislation (e.g., media-ownership transparency), while enforcing other legislation more strictly (e.g., anti-discrimination rules). Collaboration between central government, local governments and civil society actors could be improved by encouraging citizen participation, making wider use of existing impact assessment processes and stricter adherence to the principle of proportionality.

Corruption in the health care sector, parliament, court system, police and local authorities must be tackled by enforcing anti-corruption regulations more effectively. The professionalism of the civil service must be maintained, while integrating modern policymaking practices (e.g., strategic oversight, evidence-based policymaking and inter-institutional coordination), improving policy delivery, and ensuring that senior appointments in the civil service and state-owned companies are not politicized.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 8

Lithuania's economic policies have created a reliable economic environment, fostering the country's competitive capabilities and improving its attractiveness as an economic location. In its 2018 Doing Business report, the World Bank ranked Lithuania 16 out of 190 countries overall. The country's position in this rating is very close to the target of 15th place set by the Skvernelis government, which formed after the parliamentary elections in late 2016. The criteria assessed most positively included registering property (ranked 3), enforcing contracts (ranked 4) and dealing with construction permits (ranked 12). Meanwhile, resolving insolvency (ranked 70) was assessed least positively. Lithuania climbed five positions in the 2018 report from 21 out of 190 countries in 2017. This is attributable to an increase in the number of indicators, including a substantial change in terms of access to electricity (ranked 55 in 2017 and 33 in 2018). In the Global Competitiveness Report 2017-2018, the World Economic Forum ranked Lithuania 41 out of 137 countries, scoring above average on higher education and training (ranked 29), macroeconomic environment (ranked 29) and technological readiness (ranked 30), but below average for market size (ranked 78). Lithuania dropped six positions in the 2017-2018 report, which is attributable to the sluggish implementation of reforms. However, the report did not take into account the adoption of the new Labor Code, which will improve the country's ranking in the area of labor market efficiency in the next report.

The European Commission has identified the following challenges to Lithuania's long-term competitiveness: unfavorable demographic developments, labor market deficiencies and high emigration rates, growing levels of poverty and social exclusion, a lack of competition and interconnections in the country's infrastructure (particularly its energy system), low energy efficiency (especially in the case of buildings), a low level

of R&D spending, and poor performance with respect to innovation. A new economic challenge has arisen from Russia's ban on food and agricultural imports from the European Union, in place since autumn 2014. This has disproportionately affected Lithuania, as its ratio of food exports to Russia to GDP was the highest in the European Union. However, Lithuanian companies managed to reorient their exports to other markets, demonstrating their flexibility. Despite a slowdown in export growth due to trade-restriction measures and the recession in Russia, it is expected that private demand will continue to remain strong in Lithuania and if euro zone growth continues this should drive Lithuanian exports. According to European Commission, after several years of growth rates above the EU average, Lithuania's GDP growth rate slowed to 1.7% in 2015 due to a significant drop in exports to Russia, but recovered again to reach 2.3% in 2016 and is projected to increase to 3.8% in 2017.

Although the 2008 to 2012 government stabilized Lithuania's economy and public finances through substantial fiscal consolidation, other reform efforts have been more limited, in particular those relating to the labor market, social policies, energy efficiency and the energy sector. However, the government formed after the 2012 parliamentary elections continued and completed some of its predecessor's projects. Construction of the new liquefied-natural-gas terminal (LNG) was finished in December 2014, for example, and another important project establishing electric-power transmission connections with Sweden was completed by the end of 2015, with the first electricity link to Poland becoming operational in 2016. These projects are expected to provide alternative energy-supply sources, and have received significant attention. Mostly due to low prices in the Nordic countries, electricity prices in Lithuania decreased in 2016 to 2017, providing evidence of the economic benefits of additional sources of supply. Further infrastructural integration projects – including the completion of a second electricity link to Poland, withdrawal from BRELL (Russia managed electricity grid) and construction a natural gas connection to Poland – are high on the agenda of the current government (for more on energy projects see Vilpišauskas 2017). The 2012 to 2016 government presented Lithuania's accession to the euro zone in January 2015, another major economic policy event, as a signature achievement. However, accession to the euro zone was supported by all major political parties and much of the preparation for accession had been undertaken by the previous government. The recent increase in the inflation rate in Lithuania, which has become the central public concern as evidenced by Eurobarometer surveys, has been attributed in part to the introduction of the euro. Though experts largely link the increase in inflation to Lithuania's need to catch up economically and the monetary policies of the European Central Bank.

Considerable political emphasis has been placed on structural reforms but a significant number of these have been left unimplemented. Streamlining the regulatory environment for businesses is one of the few areas where some progress has been achieved, especially in terms of the number of procedures and days required to start a new business. However, inefficient government bureaucracy remains the second most problematic factor for doing business in the country, according to surveyed business executives. In the Global Competitiveness Report 2017-2018, the World Economic Forum ranked Lithuania 101 out of 137 countries for efficiency of the legal framework in challenging regulations and 97 for the burdens imposed by government regulation. Toward the end of its term, the 2012 to 2016 government reformed the Labor Code and social protection, including the pension system. The Labor Code came into force on 1 July 2017 after the new government altered some provisions in a search of a better balance between labor market flexibility and employee protection in the Lithuanian parliament.

Citation:

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COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

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Labor Markets

Labor Market
Policy
Score: 6

Though Lithuania's labor market proved to be highly flexible during the financial crisis, probably due to low compliance with the Labor Code, persistent labor-market challenges undermine economic competitiveness. With unemployment rates declining in recent years, the mismatch between labor supply and market demand in has become the main issue of the labor market. It is increasingly difficult for businesses to find suitable skilled labor. Although immigrant workers from Ukraine and Belarus increasingly fill job vacancies in sectors such as construction and transport, immigration procedures are complex and create significant barriers to employment. Skills shortages are emerging in certain sectors of the economy, which will become more acute in the future. In its 2017 report, the European Commission recommended addressing skills shortages through effective active labor market

policies, adult learning and improved educational outcomes by rewarding quality in teaching and higher education.

In the Global Competitiveness Report 2017-2018, Lithuania ranked highest for the flexibility provided in determining wages (ranked 13 out of 137 countries). However, hiring and firing practices were considered relatively very restrictive (ranked 111 out of 137 countries), and taxation has a very negative effect on incentives to work (ranked 117 out of 137 countries). Implementation of the new Labor Code is expected to make hiring and firing practices more flexible, thus improving the country's position in this ranking.

In recent years the minimum wage has been increased a number of times by the previous and current governments. After the roughly 20% rise in 2013, increases to €300, €325 and €350 per month followed in 2014, 2015 and 2016, reaching about 50% of average monthly earnings in the business sector. In 2017, the minimum wage was further increased to €380 per month and the Tripartite Council agreed to set at €400 per month from 2018 (still subject to approval by the government). The council decided to depoliticize the setting of the minimum wage by indexing it to the average wage. Though the increase in the minimum wage contributes to increased economic consumption, a high minimum wage to average wage ratio increases the risk of unemployment for low-skilled workers. However, unemployment rates have continued to decline, falling to 7.9% in 2016, and are projected to decline further to 7.3% in 2017 and 6.8% in 2018 (European Commission forecasts). Relatively high rates of emigration to other EU member states have partially compensated for the country's inflexible hiring-and-firing rules and rigid labor code. In the coming years, the shortage of labor, and structural mismatches between the supply and demand of skilled labor will be the biggest constraint on the economy's continued convergence to the EU average.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>
The 2017 – 2018 Global Competitiveness Report of the World Economic Forum: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

Taxes

Tax Policy
Score: 8

In Lithuania's tax system, a significant share of government revenue is generated from indirect taxes, while environmental and property taxes are relatively low. According to the World Economic Forum, tax rates have become the most problematic factor for doing business in the country. In particular, taxes on labor (personal income tax and social security

contributions), which combined are above the average tax burden on labor in the European Union, have become a barrier to the competitiveness of Lithuanian businesses. Furthermore, there is significant tax evasion. According to the European Commission, the VAT gap (as a percentage of theoretical VAT liability) is significantly higher than the EU average. The European Commission has recommended implementing policies to improve tax compliance (particularly VAT compliance) and broaden the tax base by targeting sources that are less detrimental to growth.

In terms of horizontal equity, there are mismatches between various groups of economic actors with similar tax-paying abilities. Labor is taxed somewhat more heavily than is capital, while specific societal groups such as farmers benefit from tax exemptions. Previous governments have reduced the number of exemptions given to various professions and economic activities with regard to personal-income tax, social-security contributions and VAT. Social-security contributions are high, exceeding 30% of wages. While there are ceilings on payments from the social-security fund (pensions), there are no ceilings on contributions to it. The implementation of the new “social model” reduced social security contributions for employers by 0.5% from 1 July 2017 and will gradually introduce a progressive cap for employers’ contributions. Also, as of 1 January 2012, the tax base was broadened through a new tax on individuals owning residential real estate valued above €290,000, with a 1% rate on the value above this amount. In 2015, the value at which property tax must be paid was lowered to €220,000, while the rate was reduced to 0.5%.

In terms of vertical equity, the Lithuanian tax system to a certain extent imposes a higher tax burden on those with a greater ability to pay taxes, insofar as large companies pay larger sums than do small companies, but there is a flat income-tax rate of 15%. However, an element of progressivity is introduced through the use of an untaxed income threshold currently fixed at around €1,633 per year, thus favoring those receiving lower wages. The government increased the income tax threshold from €200 per month to €310 per month from January 2017 to make the income tax system more progressive. In addition, there will likely be unforeseen benefits to raising the income tax threshold for families with children.

In terms of revenue sufficiency, despite the fact that a process of fiscal consolidation has occurred on the expenditure side, some gap between tax revenues and government expenditure remains. However, it is less an outcome of low taxation than a significant shadow economy, extensive tax avoidance, and insufficient structural reforms in education and health care (where budgetary resources are dispersed across many organizations, despite a declining population and low quality of service provision). Social-security

contributions are a particular concern, as this gap has led to significant indebtedness within the State Social Security Fund. While the increase in economic activity in the post-crisis period is expected to generate more government revenue, some observers have proposed the creation of additional tax-revenue sources in order to make Lithuania's fiscal position more sustainable. To make the tax system less distortive and encourage economic growth, the government could reduce the tax burden on labor, especially social security contributions and strengthen incentives for paying taxes. Despite the recent review of the tax system, the only specific reform proposal to have been adopted was a decrease in the real-estate tax threshold and parallel rate reduction. Social-security contributions came into effect for the special category of small enterprises that for several years were excluded from this responsibility under a policy intended to foster entrepreneurship and reduce the tax burden on start-up business activities. An improvement in VAT and excise-tax collection was noted by analysts in 2015, and attributed partly to improvements in tax administration, and partly to the reduction in the incidence of fuel and tobacco-product smuggling from Russia's Kaliningrad region and Belarus due to a general decline in trade with Russia.

In 2017, the Skvernelis government announced a new tax reform. The reform included a further increase in the income tax threshold, an adjustment to the VAT rate, and the introduction of a profit tax, social security contribution holidays for new businesses, several other tax exemptions and a progressive property tax on properties worth over €20,000. It is likely that the implementation of some reform measures that require additional budget expenditure (e.g., direct financial support for children) will be provided from the so-called change baskets. By the end of 2017, once these minor changes had been approved by the parliament, the debate on major tax and social security reforms began to gather pace.

Citation:

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Budgets

Budgetary Policy
Score: 8

During the financial crisis, Lithuania's fiscal situation deteriorated rapidly. The fiscal deficit grew to 3.3% of GDP in 2008, and to 9.4% of GDP in 2009. As a result of fiscal consolidation, the deficit dropped to 7.2% in 2010 and

again to 5.5% in 2011. In 2014, the European Council adopted a decision allowing Lithuania to join the euro area as of 1 January 2015, in part recognizing its work in regaining control of the deficit. However, despite relatively high rates of economic growth, the 2012 to 2016 government was only able to reduce the budget deficit toward the end of its political term. According to European Commission forecasts, the general government surplus will be around 0.1% in 2017, down from 0.3% in 2016. The structural deficit is expected to be close to 1% between 2017 and 2019. Government debt also expanded during the crisis, reaching 39.8% of GDP in 2012 (from the pre-crisis low of 16% in 2008); it is expected to stabilize at around 40% of GDP over the coming years.

Despite these improvements in Lithuania's fiscal performance since the crisis, the country faces a number of challenges in terms of keeping its public finances sustainable. Factors such as projected expenditure related to an aging population, relatively high migration rates, and the vulnerability of its small and open economy to external shocks pose significant risks to the consolidation path projected by the government in its convergence program. The goal of introducing the euro in 2015 preserved the government's determination to maintain the deficit at a level below 3% of GDP, while the fiscal-discipline law provides an incentive to maintain a balanced fiscal policy as the economy keeps growing. Although spending pressures are increasing, it has been difficult to increase total tax revenues (29.4% of GDP in 2015), in part due to geopolitical tensions, the impact of Russia's import ban on the Lithuanian economy, and slow recovery in the euro zone economy, which is the main export market for Lithuanian businesses. Geopolitical and social concerns prompted a major increase in defense and social expenditures under the Butkevičius and Skvernelis governments. In 2018, defense spending will for the first time reach 2% of GDP. Elsewhere, old-age pension increases have been set for 2018. The draft 2018 state budget, which was approved in October 2018, has a deficit of €468.5 million, but the general government balance is expected to reach a surplus of 0.2% of GDP in 2018.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

Research and Innovation

R&I Policy
Score: 7

Lithuania's economy is characterized by the exploitation of cheap factors of production rather than innovation-led growth. According to the EU Innovation Scorecard, the country performs below the EU average, falling into the "moderate innovators" group. However, its overall innovation performance

has improved since 2008, despite a small decline in 2015. The country was ranked 38 out of 141 countries assessed in the 2015 Global Innovation Index. The country has set an ambitious target of spending 1.9% of GDP on R&D by the 2020. This level has been slowly increasing over recent years, reaching 1.2% in 2014. Moreover, the share of this sum spent by the business sector was very low (totaling just 0.3% of GDP in 2014), as research and innovation policy is dominated by the public sector and highly dependent on EU funds. Within the country's innovation system, research is oriented only weakly to the market, research products are not supported with sufficient marketing or commercialization efforts, investment is fragmented, funding levels are not competitive with other European states, and enterprises do not participate in international markets to any significant degree, although there are some exceptions demonstrating good practices in the biotechnology and laser industries. The recent OECD review of the country's innovation policy recommended introducing favorable framework conditions for innovation, developing innovation-oriented higher education and skills training, improving governance in the innovation system, balancing the policy mix and supporting international knowledge linkages.

Lithuanian authorities have used EU structural funds to improve the country's R&D infrastructure. So-called science valleys have been developed, integrating higher education institutions, research centers and businesses areas that work within specific scientific or technological areas. However, using this new research infrastructure efficiently remains a major challenge, and cooperation between industry and research organizations remains rather weak. The government has also supported the sector through financial incentives (in particular, an R&D tax credit for enterprises) and regulatory measures. Demand-side measures encouraging innovation are less developed. Excessively bureaucratic procedures are cited by the science and business communities as the main obstacles to research and innovation in Lithuania.

The 2012 to 2016 government developed a new smart-specialization strategy intended to focus resources in science and technology areas in which Lithuania can be internationally competitive, although it has been criticized for investing too heavily in the construction of new buildings and renovation of low-ranking universities' campuses. In 2016, the parliament approved new science and innovation policy guidelines, which were proposed by the president. The guidelines proposed restructuring the research and higher education systems, supporting innovation development, improving coordination of science and innovation policy, and monitoring science and innovation policy implementation. In June 2017, the parliament approved a resolution to optimize Lithuania's state universities. The plan proposed merging the existing state universities into two comprehensive universities in Vilnius and Kaunas,

and regional science centers (branches of other Lithuanian universities) in Klaipėda and Šiauliai. However, the details of the plan were ambiguous. After intense lobbying by representatives of the existing universities, the initial plan was amended and the ambitions to reduce the number of higher education institutions scaled back. Nevertheless, the government still intends to move ahead with its consolidation efforts and increase financial incentives for universities to improve the quality of teaching and research. Though it remains to be seen if these reforms will advance significantly, and sufficiently consolidate funding and talent.

Citation:

The EU Innovation Scoreboard is available at <http://ec.europa.eu/enterprise/policies/innovation/facts-figures-analysis/innovation-scoreboard/>

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

See the Global Innovation Index 2015 at file:///C:/Users/Vitalis/Downloads/gii-full-report-2015-v6.pdf.

OECD, Review of Innovation Policy: Lithuania, Overall Assessment and Recommendations, June 2016.

Global Financial System

Stabilizing
Global Financial
Markets
Score: 8

Lithuanian authorities contribute to improving financial-market regulation and supervision. Lithuania joined the euro zone and the single European banking supervisory system in 2015. The Lithuanian Ministry of Finance and the Bank of Lithuania (the country's central bank) are involved in the activities of EU institutions and arrangements dealing with international financial markets (including the European Council, the European Commission, the European Systemic Risk Board's (ESRB) Advisory Technical Committee, the European supervisory authorities, etc.). Lithuanian authorities are involved in the activities of more than 150 committees, working groups and task forces set up by the European Council, the European Commission, the ESRB's Advisory Technical Committee and other European supervisory authorities.

In addition, the Bank of Lithuania cooperates with various international financial institutions and foreign central banks, in part by providing technical assistance to central banks located in the European Union's eastern neighbors. Lithuania's Financial Crime Investigation Service cooperates with EU institutions, international organizations and other governments on the issue of money laundering. The country has lent its support to many initiatives concerning the effective regulation and supervision of financial markets. In recent years, the Bank of Lithuania has tightened regulation of short-term lending practices to target so called fast-credit companies and attract foreign financial institutions. At the same time, the Bank of Lithuania has attempted to attract fintech companies to Lithuania, in the context of the United Kingdom leaving the European Union, to increase competition in the banking sector.

II. Social Policies

Education

Education Policy
Score: 7

The educational system in Lithuania is comprised of the following stages: 1) early childhood education and care (preprimary and preprimary class-based education); 2) compulsory education for children aged seven through 16 (including primary education, lower-secondary general education, vocational lower-secondary education); 3) upper-secondary and post-secondary education (for people aged 17 to 19); and 4) higher education provided by universities (undergraduate, graduate and PhD studies) and colleges (undergraduate studies). Lithuania's high level of tertiary attainment has been gradually increasing further in recent years (53.3% in 2014). Its rate of early school leaving is also below the EU average, at just 5.9% in 2014. However, enrollment rates in vocational-education and training programs are low.

The reputation of vocational education and training in Lithuania could still be improved. According to an OECD survey of education released in September 2016, only 15% of all students are expected to graduate from vocational training programs compared to an OECD average of 46% and EU average of 50%. Preprimary education attendance is also low, with only 78.3% of Lithuanian children aged four to six attending preprimary education programs, compared to the EU-27 average of 92.3%. Adult participation rates in lifelong learning programs are also comparatively low. Moreover, Lithuania needs to increase the quality of its education programs. In the 2009 and 2012 Program for International Student Assessment (PISA) reports, which evaluate student performance in the areas of reading, mathematics and science, Lithuania was ranked below the OECD average. A 2017 OECD report on education in Lithuania stated that Lithuania's schools and higher education institutions would benefit from clarifying and raising performance expectations, aligning resources in support of raised performance expectations, strengthening performance monitoring and quality assurance procedures, and building institutional capacity. Furthermore, the country must address mismatches between graduates' skills and labor-market needs, as the country's youth-unemployment rate of about 19.3% in 2014 was partly associated with young people's insufficient skills and lack of practical experience. The European Commission has recommended shifting the focus of education to improve its labor-market relevance.

In terms of equitable access to education, the country shows an urban-rural divide and some disparities in educational achievements between girls and boys. However, there are no significant gaps in access to education for vulnerable groups (with the exception of the Roma population and, to a certain extent, the migrant population). Overall, government spending on education fell somewhat during the financial crisis, with higher education given a higher priority at the outset of the crisis thanks to an ongoing higher education reform. However, spending on education in Lithuania has been above EU average (6.1% of GDP and 5.6% of GDP in 2011 and 2014 respectively compared to an EU average of 5.1% in 2011 and 5.0% in 2014). Though it has reached €1.1 billion in 2016, it was dispersed through a large number of institutions. The average salary of a researcher in Lithuania is four times lower than the EU average (adjusted for purchasing power). While enrollment rates in Lithuania are relatively high (Lithuania ranked 30 out of 137 countries in the Global Competitiveness Index 2016-2017 for tertiary-education enrollment), the quality of education is comparatively low (Lithuania ranked only 73 out of 137 countries in the same report). The most significant deterioration in the country's performance in the Global Competitiveness Index 2016-2017 was in the area of education policy.

The total number of school graduates continued to decline in 2015 and 2016 due to demographic changes. In 2016, the number of graduates decreased by almost 10% compared to 2015 and by around 25% over the four years from 2012. It is projected that the number of graduates will decline by a further 40% by 2021. At the same time, the numbers of foreign students studying in Lithuania remain comparatively low at only 3% compared to an OECD average of 6%. Decreasing student numbers have intensified pressure on less popular higher education institutions, while there is a relatively high number of higher education institutions (47) for a population of 3 million. For example, in 2016, there were an estimated 2.9 higher education institutions per 10,000 students in Lithuania, while there were 1.2 in Finland and 1.1 in Ireland per 10,000 students. Consequently, discussions on reducing the overall number of higher education institutions to concentrate resources in the country's top-performing institutions have intensified. This has led to proposals to consolidate the network of Lithuanian state universities, and vocational education and training institutions. However, it is not clear if and how these proposals will be implemented. The strongest driver to merge or close down study programs is likely to come from declining graduate numbers, higher university entry thresholds and performance-linked funding.

Citation:

The Eurydice reports on Lithuania are available at <https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Lithuania:Overview>
COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017:
<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

The 2017 – 2018 Global Competitiveness Report of the World Economic Forum: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>
 OECD, Education at a Glance 2016, OECD indicators: http://www.keepeek.com/Digital-Asset-Management/oecd/education/education-at-a-glance-2016_eag-2016-en#.WFafA0a7qM9
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Social Inclusion

Social Inclusion
 Policy
 Score: 6

The issue of social exclusion is a key challenge for Lithuania's social policy. In 2014, 27.3% of the Lithuanian population was at risk of poverty and social exclusion, higher than the EU average of 24.4%. Families with many children, people living in rural areas, youth and disabled people, unemployed people, and elderly people are the demographic groups with the highest poverty risk.

The Lithuanian authorities have set a goal of reducing the size of the population at risk of poverty or social exclusion to 814,000 individuals by 2020 (from 1.1 million in 2010). The number of people at risk of poverty and social exclusion fell to 804,000 in 2014 due to the economic recovery and some policy measures, but remained above the pre-crisis level. Lithuania remains one of the most unequal countries in the European Union. The Lithuanian authorities increased the monthly minimum wage and the non-taxable threshold of the income tax to reduce poverty. The Skvernelis government announced a series of social policy measures and additional funding of €483 million for 2018 targeting pensioners, children and low-income families.

A mix of government interventions (general improvements to the business environment, active labor-market measures, adequate education and training, cash social assistance, and social services targeted at the most vulnerable groups) is needed in order to ameliorate Lithuania's remaining problems of poverty and social exclusion. The Lithuanian authorities have adopted a social-cohesion action plan for the 2014 to 2020 period. Current emigration trends, with young working-age people leaving for jobs abroad and older family members staying in Lithuania to care for grandchildren, exacerbate the negative effects of social exclusion.

Citation:
 COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

Health

Health Policy
Score: 7

In Lithuania, some health outcomes are among the poorest in the European Union. For example, the mortality rate of 20 to 64 year olds is the highest in the European Union. Lithuania has one of the highest alcohol consumption rates in the world. In 2015, consumption of absolute alcohol equaled 14 liters per person aged 15 and over. According to the 2010 Eurobarometer report, only 40% of Lithuanians assessed the overall quality of the country's health care as good in 2009, compared to an EU-27 average of 70%. The Lithuanian health care system received the seventh-lowest rating in the European Union, with 58% of respondents saying that the overall quality of health care was fairly or very bad.

The Lithuanian health care system includes public-sector institutions financed primarily by the National Health Insurance Fund, and private sector providers financed the National Health Insurance Fund and out-of-pocket patient costs. Lithuania spent less than 5% of its GDP on health care in 2012. Though government health care expenditure in the same year was above the EU average of 15%. Between 2008 and 2013, GDP growth exceeded growth in public health care expenditure. In 2016, the National Health Insurance Fund amounted to €1.5 billion and exceeded 6% of GDP. Spending on preventive-care and other related health care programs as a percentage of current health care expenditure is quite low, while spending on pharmaceutical and other medical non-durables (as a percentage of current health care expenditure) is quite high.

The provision of health care services varies to a certain extent among the Lithuanian counties; the inhabitants of a few comparatively poor counties characterized by lower life expectancies (e.g., Tauragė county) on average received fewer health care services. Out-of-pocket payments remain high (in particular for pharmaceuticals), a fact that may reduce access to health care for vulnerable groups. New prevention-focused programs were introduced by the National Health Insurance Fund. Furthermore, the scope of the new State Public Health Promotion Fund under the Ministry of Health was recently expanded to support additional public health interventions.

Seeking to improve service quality and cost efficiency, the 2008 to 2012 government sought to optimize the network of personal health care organizations. The overall number of health care organizations was consequently reduced from 81 to 62 by the end of 2012. The 2012 to 2016 government by contrast placed more emphasis on the accessibility of health care services, the role of public health care organizations in providing these services, and the issue of public health in overall health care policy. At the end

of 2015, the government approved a plan to consolidate health care providers. However, this has not brought any significant change. The Skvernelis government's focus shifted to reducing the availability of alcohol and tightening regulations in the field of pharmaceuticals, making the minister of health care the least popular minister in the government by late 2017.

There is a need to make the existing health care system more efficient by shifting resources from costly inpatient treatments to primary care, outpatient treatment and nursing care. The performance of the health care system could be improved by strengthening outpatient care, disease prevention, the affordability of health care and promoting healthier life style choices. In 2017, the parliament increased excise duties on alcohol and passed amendments to the Alcohol Control Law, which will raise the legal age for alcohol consumption from 18 to 20, restrict hours of alcohol sales and ban alcohol advertising. These legal provisions will come into force between 2018 and 2020. Some additional alcohol-control measures (including a requirement to transport and store alcoholic beverages in non-transparent packaging, and introduce special alcohol consumption zones during public events) were rejected during the parliamentary decision-making process.

Citation:

The 2010 Eurobarometer report is available at http://ec.europa.eu/public_opinion/archives/ebs/ebs_327_en.pdf
COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>
Murauskiene L, Janoniene R, Veniute M, van Ginneken E, Karanikolos M. Lithuania: health system review. *Health Systems in Transition*, 2013; 15(2): 1–150. http://www.euro.who.int/__data/assets/pdf_file/0016/192130/HiT-Lithuania.pdf.

Families

Family Policy
Score: 7

Many Lithuanian families find it difficult to reconcile family and work commitments. The prevalence of poor relations, as well as frequent instances of domestic violence, divorces and single-parent families also present challenges to stable family life. The country's fertility rate is low, while the child poverty rate is relatively high. However, the employment rate among women aged 20 to 64 is relatively high, at 70.6% in 2014 as compared to 73.1% for men. Lithuania spent 1.1% of GDP on policies oriented toward families and children in 2014 (down from 2.8% in 2009).

Lithuanian family policy is based on a set of passive (financial support to families) and active (social services and infrastructure) policy measures. The government provides some support for women seeking to combine parenting and employment, including family and social-welfare legislation (e.g., special

conditions of the Labor Code applicable to families), financial assistance to families raising children (child benefits and partial housing subsidies), and social services targeted at both children and parents (including the provision of preschool education and psychiatric help for parents or children). Although access to kindergartens and other child-care facilities is still insufficient and there is a shortage of both full-time and part-time flexible employment opportunities in the labor market, a number of new initiatives emerged after 2015 municipal elections. The Vilnius municipal government has been among the most active groups in facilitating the establishment of private child-care facilities. Overall, family policy is quite fragmented and focused on families facing particular social risks, while more attention should be paid to developing more universal family services (with NGO engagement). The program of the new coalition government gives substantial attention to family policy, and includes proposals to make labor relations more flexible to enable parents to combine parenting and work, and increase financial benefits for families with children. In April 2017, the cabinet approved the government's proposed development of financial incentives and services for young families and those having children. In November 2017, President Dalia Grybauskaitė signed the controversial Law on the Strengthening of the Family. Although supporters argued that the law is needed to coordinate family policies and provide basic family support services, opponents dismissed it as a selection of declarations and criticized its allegedly discriminatory nature in terms of gender.

Pensions

Pension Policy
Score: 7

Lithuania's pension system does not adequately protect recipients against old-age poverty. The share of the population over 65 years of age who are poor or suffer from social exclusion is well above the EU average; 31.7% of all people over 65 were at risk of poverty in 2013. During the financial crisis, the Lithuanian authorities were forced to cut social expenditures (including pensions), thus increasing the risk of poverty for some retired people. However, pensions were restored to their pre-crisis levels as of 1 January 2012, and policymakers later decided to compensate pensioners for pension cuts made during the crisis within a period of three years, which is expected to end in 2017. The Skvernelis government decided to allocate an additional €371.8 million for old-age pensions in 2018.

In terms of intergenerational equity, Lithuania's three-pillar pension system, which mixes public and private pension programs, should ensure equity among pensioners, the active labor force and the adolescent generation. The 2004 pension reform added two privately funded pillars (a statutory pillar that receives a portion of mandatory state social-insurance contributions, and a

voluntary pillar that is funded through private contributions) to the pay-as-you-go (PAYG) state insurance fund. However, this system as a whole suffered from instability and uncertainty; for instance, during the financial crisis, the government cut the share of social-security contributions going to the second-pillar private pension funds from 5.5% to 1.5%. Beginning in 2013, this contribution was increased to 2.5%. Also in 2013, another change to the private-savings system was introduced that reduced the contribution level to 2%. Furthermore, it allowed individuals either to stop their private contributions or to gradually top up 2% from the social-security contributions to the state insurance fund. Beginning in 2020, the share of contributions transferred from the state social-security fund to private funds is expected to be increased to 3.5%. However, the new coalition government led by the Lithuanian Farmers and Greens Union publicly proposed going beyond consolidating the state budget and social security fund to reform the both PAYG and private-savings pillars.

In terms of fiscal stability, Lithuania's pension system faces unfavorable demographic change ahead. The old-age dependency ratio is projected to more than double by 2060 as the working-age population shrinks by a projected 35.8%. The parliament approved a gradual increase in the age of pension eligibility to 65 years in 2011, and in 2012 changed the pension-system's second pillar to provide for a possible gradual increase in the share of social contributions received by private funds (however, only 33% of those who participated in the previous pension scheme decided to join a new scheme). The unsustainable PAYG pillar continues to pose a risk to the sustainability of public finances overall. Therefore, a comprehensive reform of the state insurance fund, including pensions as well as other social expenditures, remains necessary in order to ensure its long-term sustainability while safeguarding its ability to protect people from poverty. In addition, the statutory retirement age should be better aligned with Lithuania's increasing life expectancies.

The European Commission has recommended adopting a comprehensive reform of the pension system. In 2016, the Lithuanian parliament approved a new "social model," which includes three major changes to the state social-insurance pillar. First, the basic part of the pension will be state financed, while the individual part of the pension will depend on social security contributions and be financed from the Social Security Fund. Second, clear pension indexation rules will be introduced, linking pension rises to average increases in the wage fund. Third, the mandatory period a person has to work before qualifying for a pension will be gradually increased from 30 to 35 years by 2027. These changes were expected to take effect from 2018. In addition, the Ministry of Social Security and Labor is drafting a set of proposals to the

second pillar of the pension system. These proposals should be announced by the end of 2017 and possibly lead to a major reform in 2018, provided there is sufficient parliamentary support for the reform.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017:
<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

Integration

Integration Policy
Score: 7

Lithuania remains a largely homogeneous society. The country's 30,000 foreign residents (as of the beginning of 2011) represent just 1% of the country's population. Immigration of foreign nationals to Lithuania is comparatively rare, totaling an average of about 2000 people per year. As part of the EU program to distribute asylum-seekers among member states, Lithuania has committed to taking in 1,105 people over the course of two years. However, by mid-December 2017, 431 refugees have been relocated. However, the majority of refugees have left Lithuania for Sweden, Germany and other EU destinations.

Most foreigners used to come to Lithuania from Belarus, the Russian Federation and Ukraine, all former republics of the Soviet Union. For this reason, their integration into Lithuanian society has not been very difficult. However, the fact that the majority of new asylum-seekers are likely to come from Syria, Iraq and Eritrea presents the Lithuanian authorities with more complex integration challenges (unless they decide to leave Lithuania). Furthermore, a number of developments call for the implementation of new integration measures, including the country's rising flows of legal and illegal immigration; the economic recovery, which helped contribute to the recent increase in the number of work permits granted to third-country nationals; and the language and cultural problems faced by foreign residents in Lithuania.

Migrants from other EU member states tend to integrate into Lithuanian society more successfully than do third-country nationals. Various cultural, educational and social programs, including the provision of information, advisory, training services, and Lithuanian language courses are aimed at integrating migrants into Lithuanian society. However, labor-market services are not sufficiently developed in this regard, and foreign residents' access to relevant education and training programs remains limited in practice. Moreover, new integration facilities and services are necessary in order to support the expected new surge of refugees. The government has proposed shortening an initial integration period and establishing local divisions of the Foreigners Registration Center, among other measures.

Safe Living

Safe Living
Conditions
Score: 7

Lithuania's internal security has improved in recent years, in part thanks to Lithuania's accession to the European Union in 2004 and to the Schengen zone in 2007. These relationships improved police cooperation with the country's EU peers and allowed the public security infrastructure, information systems and staff skills to be upgraded. Crime rates fell during the 2005 – 2007 period, but this trend was reversed beginning in 2008, coinciding with the onset of the economic crisis. A total of 84,715 crimes were registered in 2013, which constitutes a 5.6% decrease in the crime rate in 2005. However, the year's crime rate per 100,000 people (2,866) was the highest in the 2005 – 2013 period due to the country's decreasing total population. The country has a high number of homicides by EU standards. In the 2011 Eurobarometer survey, 58% of respondents in Lithuania either disagreed or totally disagreed with the statement that their country was doing enough to fight organized crime, compared to an EU-27 average of 42%. However, in recent years public trust in the police has increased. In November 2016, a record high 71% of respondents in Lithuania expressed confidence in the police, according to a Baltic survey. A similar level of trust in police (72%) was recorded in September 2017, while 71% indicated that they trusted the country's military forces. In its 2016 – 2017 report, the World Economic Forum ranked Lithuania 46 out of 138 countries for the cost to business of crime and violence, and 42 for the costs to business of organized crime.

State funding for internal-security purposes remains limited; though it gradually increased between 2004 and 2008, government expenditure for public-safety purposes dropped from 2.4% of GDP in 2008 to 2.1% in 2011. Observers say that motivation, competence and stability within the police force (and other internal-security organizations) are among the most pressing challenges to improving public safety. According to the 2011 Eurobarometer report, 42% of Lithuanians felt corruption to be an issue very important to citizens' security, while just 5% felt the same about terrorism threats, and 2% for civil wars/wars. The annual report of the Lithuanian Security Department has recently highlighted threats linked to the activities of external intelligence services from neighboring non-NATO countries. The country has reconsidered its internal-security policies due to increasing threats associated with Russia's intervention in Ukraine. A new long-term Public Security Development Program for 2015 – 2025, which aims at increasing public safety in the country, was adopted by the parliament in May 2015. In addition, in response to Russia's aggression against Ukraine and increase in its Baltic Sea Region military exercises, Lithuania reintroduced compulsory military conscriptions in 2015. According to the 2018 budget, for the first time spending on defense will reach 2% of the country's GDP.

Citation:

The 2011 Eurobarometer reports is available at http://ec.europa.eu/public_opinion/archives/ebs/ebs_371_fact_lt_en.pdf.

Global Social
Policy
Score: 7

Global Inequalities

Lithuania's government participates in international efforts to promote socioeconomic opportunities in developing countries through its development-aid policy. Lithuania provides development aid to Belarus, Ukraine, Moldova and Georgia, as well as Afghanistan (where it is involved in the civilian-military mission) through its own development-aid and democracy-support program, as well as through the European Development Fund, to which it provides a financial contribution (representing 65% of the country's total development aid). Moreover, in 2011 Lithuania joined the World Bank's International Development Association, which provides loans and grants for anti-poverty programs. Although Lithuania committed to allocating 0.33% of its gross national product to development aid by 2015 as part of its contribution to the U.N. Millennium Development Goals, actual levels of government expenditure remain under the target, reaching 0.14% of GNI in 2016. In 2016, preliminary data indicated that development aid reached \$58 million in absolute terms, representing an increase of 26% in real terms over 2014. It is hard to judge the real impact of Lithuania's development aid given the absence of independent evaluations. Over the last several years, Lithuania's aid has focused on Ukraine and other Eastern Partnership countries.

As a member of the European Union, Lithuania is bound by the provisions of the EU's common policy toward external trade. Although the European Union generally maintains a position of openness with regard to trade and investments, it has retained some barriers to market access and other measures that distort international competition. In rare cases, Lithuania has adopted measures within the European Union's external trade regime that restrict trade (e.g., along with other countries, Lithuania prohibited import of a specific genetically modified maize, a measure related to consumer- and environmental-protection concerns, rather than being based on new or additional scientific information about the impact of GMOs). Despite being a small and open economy and officially advocating open global trade policies, Lithuania has often aligned itself in trade discussions with the European Union's most protectionist countries, especially on the application of such instruments as antidumping duties. It has also supported trade protection in the farming sector, backing EU import duties on key agricultural products that hurt developing countries specializing in agricultural exports.

Citation:

The Lithuanian Ministry of Foreign Affairs, Lithuanian development aid, 2013. http://www.orangeprojects.lt/site/newfiles/files/Lietuvos_vystomasis_bendradarbiavimas_2013.pdf.

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III. Environmental Policies

Environment

Environmental
Policy
Score: 8

Lithuania's environmental performance varies significantly by sector. Lithuania's energy intensity is more than twice the EU average, with the residential-housing sector being particularly energy-inefficient. The country is progressing toward a low-carbon economy, with CO₂ emissions declining. Lithuania is likely to achieve its Europe 2020 greenhouse-gas emission targets. The proportion of energy produced from renewable sources in Lithuania reached 23.0% in 2013, Lithuania's Europe 2020 target and further increasing to 27.9% in 2016. A reduction in greenhouse gas emissions will reduce Lithuania's dependence on energy imports. Water-supply and sewage infrastructure has benefited substantially over the years through the use of EU structural funds. However, providing adequate connections to the public water supply still remains a challenge in some cases. Moreover, wastewater treatment is inadequate in some respects, with significant differences evident between rural and urban areas. In February 2017, the European Commission initiated an infringement procedure against Lithuania for failing to comply with EU wastewater treatment requirements.

The country's forest-conservation efforts are much stronger, with Lithuania topping the 2012 Environmental Performance Index's forest category due to strong results in the areas of forest cover, growing stock and forest loss. With respect to biodiversity, Lithuania's protected areas cover 15.6% of the country's territory, but only 22% of habitat types and 54% of the protected species in Lithuania are subject to preservation efforts, according to European Commission reports. The country's municipal waste recycling rate reached 34.9% in 2013, well below the EU recycling average. Infrastructure for waste sorting and recycling is insufficiently developed, and most non-hazardous waste is disposed of in landfills. The removal of the landfill tax, which was supposed to enter into force from January 2016, will discourage investment in waste processing and sorting.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2017:
<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

The Article 17 EU Habitats Directive Reports available at
http://ec.europa.eu/environment/nature/knowledge/rep_habitats/

The Environmental Protection Index is available at http://epi.yale.edu/epi2012/country_profiles

Global Environmental Protection

Global
Environmental
Policy
Score: 7

Lithuanian policymakers do contribute to international efforts to strengthen global environmental-protection regimes, but this policy area is not perceived as a government priority. Lithuania has demonstrated commitment to existing regimes (especially those promulgated by the European Union or promoted by its institutions) by incorporating international or European environmental provisions into national legislation or strategic documents, and implementing them. For example, in 2012, the Lithuanian parliament approved a national policy strategy on climate-change management as a further step in implementing Lithuania's commitments in the area of climate change and energy. Although Lithuanian policymakers are not usually active in advancing global environmental strategies, Lithuania contributed to the Warsaw Climate Change Conference in 2013 as part of its presidency of the European Council. In addition, Lithuania successfully initiated the 2013 U.N. resolution on cooperative measures to assess and increase awareness of environmental effects related to waste originating from chemical munitions dumped at sea. The country's institutions are most active at the regional level, for instance addressing issues related to the Baltic Sea.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

Lithuania's regulations provide for a fair registration procedure for all elections. In general, neither individual candidates nor parties are discriminated against. Minimal requirements for establishing a political party and registering candidacies produced a large number of candidates, and a broad choice of political alternatives in the 2012 and 2016 parliamentary elections. Independent candidates as well as party-affiliated candidates can stand for election. However, a few provisions should be noted. The provision that "any citizen ... who is not bound by an oath or pledge to a foreign state... may be elected" does not conform to the evolving jurisprudence of the European Court of Human Rights on matters of dual citizenship. The court also ruled that a lifetime ban on standing for elected office on impeached, former president Rolandas Paksas was disproportionate. However, this restriction is yet to be lifted, as a 2015 vote on his electoral eligibility was unsuccessful. Therefore, Paksas was not able to run in the 2016 parliamentary elections and subsequently resigned as the leader of the Party Order and Justice. In response to an inquiry initiated by a group of parliamentarians, the Constitutional Court ruled that the territorial boundaries of single-candidate constituencies should be redrawn to reduce population differences that had developed over time due to demographic changes and migration from the provinces to the capital. The decision of the Constitutional Court was implemented in December 2015, when the new constituencies were announced. A major change related to the establishment of two additional constituencies in Vilnius, where the number of voters has been constantly increasing.

Citation:

OSCE/ODIHR Election Assessment Mission Report on the 2016 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/elections/lithuania/296446>.

OSCE/ODIHR Election Assessment Report on the 2014 presidential elections in Lithuania, <http://www.osce.org/odihr/elections/116359?download=true>

ECHR judgment of Jan. 6 of 2011 on Case of Paksas v. Lithuania, [http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-102617#“itemid”:\[“001-102617”\]](http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-102617#“itemid”:[“001-102617”]).

Media Access
Score: 9

The publicly owned media are obliged to provide equal access to all political parties and coalitions. Debate programs on the state-funded Lithuanian Radio and Television are financed by the Central Electoral Commission. The media are also obliged to offer all campaigns the same terms when selling air time for paid campaign advertisements.

Newly introduced restrictions on political advertising, as well as restrictions on corporate donations to political parties, reduced the ability of the most-well-financed parties to dominate the airwaves in the run-up to the elections. Privately owned media organizations are not obliged to provide equal access to all political parties.

According to the Organization for Security and Co-operation in Europe (OSCE), during the run-up to the 2014 presidential elections, the media environment was diverse and coverage of the campaign was thoroughly regulated. Candidates were provided with free air time on an equal basis by the public broadcaster, and all media were obliged to provide equal conditions for paid advertising. Although it was asserted by some that incumbent officials were provided with more media coverage, this did not create an uneven playing field for candidates. The OSCE confirmed the plurality of Lithuania's media environment and that freedom of expression was generally respected during the 2016 parliamentary elections, although there were controversies concerning interference in editorial independence.

Citation:

OSCE/ODIHR Election Assessment Mission Report on the 2016 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/elections/lithuania/296446>.

OSCE/ODIHR Election Assessment Report on the 2014 presidential elections in Lithuania, <http://www.osce.org/odihr/elections/116359?download=true>.

Voting and
Registrations
Rights
Score: 9

All citizens who are over the age of 18 on election day are eligible to vote. Although citizens living abroad may vote if they preregister, only 11% of the Lithuanian citizens who have declared themselves to be living abroad registered to vote in the 2012 parliamentary elections. A number of proposals for the introduction of internet-based voting have been rejected by the parliament, although this issue is likely to reappear on the political agenda. Votes can be cast in person on election day, but provisions are also made for early voting, out-of-country voting, voting in special institutions, and voting for those who are homebound. There are no specific disincentives to voting, although the absence of internet voting capabilities may limit participation rates for citizens living abroad, as overseas voting must be done in person in diplomatic missions that are usually located in the capitals or other major cities of foreign countries. Unlike in the first round of the autumn 2012 parliamentary elections, when a vote-buying scandal led to the cancellation of results and a second ballot in two races, no such major cases of suspected

vote-buying came to light during the 2014 presidential elections. However, after the 2016 parliamentary elections, alleged cases of vote-buying in rural electoral districts became public, leading to police investigations and the removal of one elected member of parliament from the party list.

Citation:

OSCE/ODIHR Election Assessment Mission Report on the 2012 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/98586>.

OSCE/ODIHR Election Assessment Report on the 2014 presidential elections in Lithuania, <http://www.osce.org/odihr/elections/116359?download=true>.

OSCE/ODIHR Election Assessment Mission Report on the 2016 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/elections/lithuania/296446>

Party Financing
Score: 7

Political parties may receive financial support from the state budget, membership fees, bank loans, interest on party funds and through citizens' donations of up to 1% of their personal income tax, as well as through income derived from the management of property; the organization of political, cultural and other events; and the distribution of printed material. State budget allocations constitute the largest portion of political parties' income, as corporations are no longer allowed to make donations to political parties or to election campaigns. All donations exceeding about €1,800 must be made public, and there is an expenditure limit (about €765,000) linked to the number of voters.

Campaign-finance regulations are detailed, and sanctions for violating the law were recently increased. However, since third parties can potentially circumvent the legal prohibitions and directly finance electoral campaigns, following the 2016 parliamentary elections, the OSCE suggested clarifying the term "third parties" for campaign-finance purposes, and extending regulations affecting donations, expenditure limits and reporting requirements to cover these groups. For instance, the Lithuanian Central Electoral Commission recently found the Liberal Movement guilty of gross violations of the law on campaign financing because of a financial donation received from a third party during the electoral campaign. Furthermore, implementation of the rules should be more closely monitored and enforced. For example, the Labor Party, part of the 2012 to 2016 coalition government, was taken to court for failing to make public about €7 million in income and expenditure through the 2004 to 2006 period. After several years examining the case, the appeals court found two party members and one party official guilty of fraudulent bookkeeping, though they escaped prison sentences. The Lithuanian Prosecutor General's Office has appealed this ruling to the supreme court.

Citation:

OSCE/ODIHR Election Assessment Mission Report on the 2012 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/98586>.

OSCE/ODIHR Election Assessment Report on the 2014 presidential elections in Lithuania,

<http://www.osce.org/odihr/elections/116359?download=true>.

OSCE/ODIHR Election Assessment Mission Report on the 2016 parliamentary elections in Lithuania, see <http://www.osce.org/odihr/elections/lithuania/296446>

Popular Decision-
Making
Score: 8

Lithuanian citizens can propose policies and make binding decisions on issues of importance to them through referendums and petitions. Since the reestablishment of Lithuania's independence in 1990, there have been 12 referendums, although only five of these have been successful (including the 2004 referendum approving Lithuania's membership in the European Union and the 2012 consultative (advisory) referendum on the construction of a new nuclear power plant). The most recent referendum took place in June 2014, but failed due to low voter turnout. It was initiated by a group of citizens, and aimed both at restricting the sale of land to foreign citizens, and at reducing to 100,000 the number of signatures required to trigger a referendum. Today, to call a referendum, a total of 300,000 signatures of Lithuanian citizens having the right to vote must be collected within three months. For the referendum to be valid, more than one-half of all voters must participate. A referendum to amend the constitution is currently being considered. The amendment would relax restrictions on dual nationality and allow Lithuanian emigrants who become citizens of a second country to retain Lithuanian citizenship. The referendum could be held together with the 2019 presidential elections. Citizens also have the right to propose a legislative initiative (by collecting 50,000 signatures within two months) that, if successful, must be addressed in parliament. Only two citizens' initiatives secured the necessary signatures to be debated during the 2012 to 2016 parliament. One initiative proposed to control alcohol consumption, while a second proposed a ban on electricity supplied from the new Belarus nuclear power plant to Lithuania. A right to petition also exists, giving individuals the ability to address the parliament's Petition Commission.

Access to Information

Media Freedom
Score: 9

Lithuania's media are not subject to government influence, and their independence is respected by the incumbent government. Private newspapers and independent broadcasters express a wide variety of views and freely criticize the government. In Reporters Without Borders' 2017 Press Freedom Index, Lithuania was ranked 36 out of 180 countries for press freedom, a fall of five positions compared to 2014. Despite this generally satisfactory situation, court decisions and prosecutors' orders are sometimes a threat to media independence. The courts ruled that Lithuanian intelligence services had acted illegally in 2013 and 2014 by tapping the phones of journalists from the Baltic News Services. In addition, media independence could be compromised as the government remains a key advertiser, and that a large proportion of media outlets are owned by a small number of domestic and foreign

companies. Similarly, regional media is dependent on local government for advertising and other types of support, which might restrict their ability to criticize local government.

With the aim of combating hostile propaganda and disinformation, the Lithuanian authorities introduced modifications to the Public Information Law that impose a penalty of up to 3% of a broadcaster's annual income for spreading information that is deemed war propaganda, encouragement to change the country's constitutional order, or an encroachment on the country's sovereignty. This national-security decision restricted the broadcasts and rebroadcasts of some Russian TV channels in Lithuania. In March 2015, the Vilnius Regional Administrative Court issued a three-month ban on broadcasts by two Russian television channels that violated Lithuanian broadcasting regulations. The European Commission backed the Lithuanian authorities.

Citation:

2016 WORLD PRESS FREEDOM INDEX, see <https://rsf.org/en/lithuania>

2015 WORLD PRESS FREEDOM INDEX, see <https://index.rsf.org/#/index-details>

Media Pluralism
Score: 7

Lithuania's electronic and print media markets are characterized by a mix of diversified and oligopolistic ownership structures. Ownership structures are not transparent. Publicly owned electronic media (the state-funded National Radio and Television) to some extent compensate for deficiencies or biases in private sector media reporting. According to Transparency International (the Vilnius office), some media entities are more transparent than others. In 2007, the organization singled out *Verslo Žinios* and *Valstiečių laikraštis* among the print media and the Lithuanian Television from the electronic media for transparency, while print publication *Respublika* and Baltic Television were criticized in this regard. In 2014, the Journalists' and Publishers' Ethics Commission criticized print publications *Respublika* and *Lietuvos rytas* for failing to comply with professional ethics in publishing public information. In some cases, business conglomerates own multiple newspapers and TV channels. Media-ownership concentration has been increasing over the last several years due to the purchase of media outlets by domestic and foreign companies. In addition, although state and municipal institutions cannot legally act as producers of public information, the Druskininkai municipality finances a newspaper that is freely distributed to local people by working through an educational organization. In 2014, the Vilnius district court ruled that the Druskininkai municipality broke the law by publishing this newspaper. Between 2015 and 2016, other news of ruling municipal politicians limiting the independent reporting of regional media or close connections between ruling parties and regional media outlets surfaced, evidencing that on the municipal level pluralism of opinions is limited.

Access to
Government.
Information
Score: 9

Citation:

See the 2007 Report of Transparency International (the Vilnius office) in http://transparency.lt/media/filer_public/2013/01/22/skaidresnes_zinia_sklaidos_link.pdf

See information by the Journalists' and Publishers' Ethics Commission <http://www.lzlek.lt/index.php?lang=1&sid=371&tid=400>

The principle of freedom of information is upheld in Lithuania's constitution and legislation. For instance, the Law on the Provision of Information to the Public states that, "Every individual shall have the right to obtain from state and local authority institutions and agencies and other budgetary institutions public information regarding their activities, their official documents (copies), as well as private information about himself." Appeals can be made to an internal Appeals Dispute Commission and to administrative courts. Legal measures with regard to access to government information are adequate, and do not create any access barriers to citizens; however, citizens often fail to take advantage of their right to use this information.

Lithuania joined the multilateral Open Government Partnership initiative in 2011. In 2012, 2014 and 2016, the Government Office developed action plans for improving open-government practices throughout the country. During the review period, Lithuania signed the Council of Europe Convention on Access to Official Documents (2015) and the U.N. Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (2015). In 2016, the government approved three major initiatives to reduce make public institutions more accountable to society, reduce corruption and increase transparency, while also increasing public engagement. However, implementation has been undermined by a lack of measurable targets and meaningful collaboration with civil society.

Information-access provisions in Lithuania cover all levels of the executive, yet exclude the legislative branch. The right to request information applies to citizens of and legal residents within Lithuania and European Economic Area states as well as foreign nationals with a residence permit (in contrast to most OECD countries, where there are no such legal restrictions concerning the status of participants). Following a complaint by 10 media organizations to the parliamentary Ombudsman regarding difficulties in accessing information, the Ombudsman issued a recommendation to the Ministry of Culture asking that journalists' right to acquire information be promptly implemented. The OECD has recommended helping the country's civil service to better understand the added value associated with access to information.

Citation:

OECD, Public Governance Review Lithuania- Fostering Open and Inclusive Policy Making Key Findings and Recommendations. 2015.

<http://www.opengovpartnership.org/blog/ogp/2014/02/12/three-cohort-2-countries-will-not-receive-irm-reports>.

Civil Rights and Political Liberties

Civil Rights
Score: 8

It is relatively easy for all residents to gain Lithuanian citizenship, and civil rights are officially protected by the constitution and other legislative provisions. However, there are some problems regarding effective protection of citizens' rights. According to the U.S. Department of State, Lithuania's most significant human rights problems include poor prison conditions, intolerance of sexual and ethnic minorities, and the lengthy detention of people awaiting trial. Additional problems include interference with personal privacy, domestic violence, child abuse, and libel and anti-discrimination laws that limit the freedom of expression. Lithuanian authorities do seek to prosecute or otherwise punish officials who committed abuses, and Lithuanian courts provide legal protection against illegitimate or unjustifiable interventions into personal life. However, on the Civic Empowerment Index, produced by the Civil Society Institute since 2007, Lithuania scored 37 out of 100 in 2016 compared to 33.4 in 2015.

Lithuanian society shows only an average interest in public affairs, while the social environment remains unfavorable for civic engagement. A total of 18% of the Lithuanian population indicated in 2014 that they had experienced violations of their rights, and again only 18% said they had taken action to protect themselves, indicating an insufficient degree of awareness of human rights.

Citation:

Country Report on Human Rights Practices for 2011 on Lithuania is available at <http://www.state.gov/j/drl/rls/hrrp/t/humanrightsreport/index.htm#wrapper>

The Index of Civil Power measured by the Civil Society Institute is available at <http://www.civitas.lt/lt/?pid=74&id=78>

Survey on the situation of human rights in Lithuania, <http://www.hrmi.lt/musudarbai/tyrimai/178/visuomenes-nuomones-apklausa/>

Political Liberties
Score: 9

Lithuanian institutions generally respect the freedoms of assembly and association. In 2016, Lithuania obtained the best possible score from Freedom House on the issue of political rights and civil freedoms (1 out of 7). Lithuanian political parties operate freely, with the Communist Party being the only banned grouping. Non-governmental organizations may register without serious obstacles, and human-rights groups operate without restrictions. In 2010, an appeals court ruled that Lithuania's first gay-pride parade could go ahead on the basis of the right to peaceful assembly. This parade (a controversial issue in this majority Roman-Catholic country) was initially banned by a lower court due to concerns over potential violence. Another gay-pride parade was allowed to be held in the center of Vilnius in 2013. The

freedom of religion is also largely upheld in practice, but certain government benefits are granted only to traditional religious communities. Workers may form and join trade unions, strike, and engage in collective bargaining, but slightly less than 10% of the country's workforce is unionized. The supreme court has ruled that the right to strike can be used only after other measures provided for in the Labor Code have been exhausted.

Citation:

The 2017 freedom rating of Lithuania by the Freedom House is available at <https://freedomhouse.org/report/freedom-world/2017/lithuania>

Non-
discrimination
Score: 7

Lithuania legislation is largely consonant with European non-discrimination standards. The country's Criminal Code regulates racially motivated and xenophobic incidents and discriminatory acts. In 2013, Lithuania made it possible to conduct investigations into and prosecute domestic-violence offenses without the victim's consent, and simplified the procedure for legal gender recognition based on the submission of medical proof of gender-reassignment surgery.

The number of criminal acts deemed to be inciting hatred increased in 2011 compared to 2010. A number of state institutions are tasked with preventing various forms of discrimination, but their activities lack coordination. Furthermore, NGOs implement activities aimed at strengthening the participation and representation of specific vulnerable groups (i.e., the small Roma population or members of the LGBT (lesbian, gay, bisexual, and transgender) community). Some awareness-raising campaigns have sought to prevent racial discrimination and promote tolerance, but these have been fragmented.

The impact that criminal cases, special-representation measures and awareness-raising campaigns have had on the elimination of discrimination is unclear due to the limited evidence available. Lithuania's human-rights organizations, particularly the Lithuanian Center for Human Rights, claim that a lack of attention from state institutions, disproportionate budget cuts during the financial and economic crisis, and policy-implementation failures have undermined anti-discrimination and anti-racism efforts.

Some cases of discrimination or racist activities have been observed in recent years, including a resurgence of neo-Nazi activities (e.g., a public march held in 2012) that was emphasized by the United Nations Committee on the Elimination of Racial Discrimination. Despite the adoption of anti-domestic-violence legislation, spousal and child abuse remain problems, as illustrated by a woman's death in 2013 (due to a lack of response from the police emergency-response center). According to Eurobarometer surveys, combating

discrimination effectively in Lithuania remains difficult due to a lack of public support. In addition, political opposition occasionally forms a significant barrier to the implementation and enforcement of equality legislation.

However, according to public opinion surveys, the perception of discrimination as a widespread problem is significantly lower than EU averages. According to 2015 Eurobarometer data, 29% of respondents in Lithuania agreed that discrimination on the basis of ethnicity was widespread, compared to an EU average of 64%, while 17% of respondents thought that religious discrimination was widespread, compared to an EU average of 50%.

Citation:

Report on racism and related discriminatory practices in Lithuania can be found at http://cms.horus.be/files/99935/MediaArchive/publications/shadow%20report%202010-11/ENAR%20Shadow%20Report_Lithuania_2011_FINAL_CONFIRMED.pdf
Information on Lithuania by the Committee on the Elimination of Racial Discrimination is available at <http://www2.ohchr.org/english/bodies/cerd/followup-procedure.htm>
The 2017 freedom rating of Lithuania by the Freedom House is available at <https://freedomhouse.org/report/freedom-world/2017/lithuania>
European network of legal experts in gender equality and non-discrimination, Lithuania country report 2016: <http://www.equalitylaw.eu/downloads/3737-2016-lt-country-report-nd>

Rule of Law

Legal Certainty
Score: 7

Overall, the regulatory environment in Lithuania is regarded as satisfactory. Its attractiveness was increased by the harmonization of Lithuanian legislation with EU directives in the pre-accession period, as well as by good compliance with EU law in the post-accession period. In the World Bank's 2016 Worldwide Governance Indicators, Lithuania scored 85 out of 100 for the rule of law, up from 78.4 in 2014. The Lithuanian authorities rarely make unpredictable decisions, but the administration has a considerable degree of discretion in implementation. Although administrative actions are based on existing legal provisions, legal certainty sometimes suffers from the mixed quality and complexity of legislation, as well as frequent legislative changes. For instance, during its 2012 to 2016 term, the parliament passed more than 2,500 legislative acts. A substantial number of laws (e.g., 40.4% of all the laws adopted by the 2012 to 2016 parliament) are deliberated according to the procedure of special urgency, which limits the possibility to thoroughly discuss proposals during the legislative process.

The unpredictability of laws regulating business activities, especially the country's tax regime, increased at the start of financial crisis in 2008 – 2009 when taxes were raised to increase budget receipts. However, since that time, successive governments have put considerable focus on creating a stable and predictable legal business environment. The Ministry of Justice provides

methodological advice on the legislative process, submits conclusions on draft legal acts, and coordinates and monitoring existing legislation. The 2015 OECD report on regulatory policy in Lithuania recommended several measures to improve the regulatory environment for businesses. In addition, the new coalition government has pledged to introduce more predictable policies, for example, by applying a six-month rule to any proposed tax regime changes.

Nevertheless, in some cases, laws are amended during the last stage of parliamentary voting, generally due to the influence of interest groups, a process that increases legal uncertainty. In addition, state policies shift after each parliamentary election (e.g., in autumn 2016, the adoption of the new Labor Code was suspended), reducing predictability within the economic environment. This is particularly true for major infrastructural projects and social policy. For example, pension system rules are frequently amended, increasing uncertainty and reducing trust in the state. In addition, as parliamentary elections approach, legislators frequently become more active in initiating new, often poorly prepared legal changes meant to attract public attention rather than being serious attempts to address public issues. Although most such initiatives are rejected during the process of parliamentary deliberations, they often cause confusion among investors and the public. Furthermore, 80 out of 144 members of parliament were newly elected in October 2016. Their lack of experience and procedural expertise is likely to undermine economic policymaking.

Citation:

The Worldwide Governance Indicators of World Bank are available at <http://info.worldbank.org/governance/wgi/#home>

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

Judicial Review
Score: 9

Lithuania's court system is divided into courts of general jurisdiction and courts of special jurisdiction. A differentiated system of independent courts allows monitoring of the legality of government and public administrative activities. The Constitutional Court rules on the constitutionality of laws and other legal acts adopted by the parliament or issued by the president or government. The supreme court reviews lower general-jurisdiction court judgments, decisions, rulings and orders. Disputes that arise in the sphere of public administration are considered within the system of administrative courts. These disputes can include the legality of measures passed and activities performed by administrative bodies, such as ministries, departments, inspections, services and commissions. The system of administrative courts consists of five regional administrative courts and the supreme administrative court.

The overall efficiency of the Lithuanian court system, in terms of disposition time and clearance rate, was assessed by the EU Justice Scoreboard as good. This indicates that the system is capable of dealing with the current volume of incoming cases. Lithuania is one of the leading countries in the European Union in terms of the length of proceedings: around 100 days is needed to resolve litigious civil and commercial cases in first instance courts. The consolidation of district and regional administrative courts will distribute cases more evenly. However, the number of cases dealing with the legality of administrative acts and judgments delivered by the administrative courts is increasing. The clearance rate of administrative cases and their disposition time increased between 2013 and 2014.

According to opinion surveys (i.e., Vilmorus surveys), public trust in the courts is low, but increasing modestly (27.7% in July 2016, increasing to 31% in May 2017 – the highest level since 1998). Public trust in the Constitutional Court is higher, according to Baltic Survey, at 65% in November 2016.

Citation:

The EU Justice Scoreboard, see http://ec.europa.eu/justice/effective-justice/scoreboard/index_en.htm

For opinion surveys see <http://www.vilmorus.lt/en>

Appointment of
Justices
Score: 9

The country's judicial appointments process protects the independence of courts. The parliament appoints justices to the Constitutional Court, with an equal number of candidates nominated by the president, the chairperson of the parliament and the president of the supreme court. Other justices are appointed according to the Law on Courts. For instance, the president appoints district-court justices from a list of candidates provided by the Selection Commission (which includes both judges and laypeople), after receiving advice from the 23-member Council of Judges. Therefore, appointment procedures require cooperation between democratically elected institutions (the parliament and the president) and include input from other bodies. The appointment process is transparent, even involving civil society at some stages, and – depending on the level involved – is covered by the media. In a recent World Economic Forum survey gauging the public's perception of judicial independence, Lithuania ranked 56 out of 137 countries. Based on the EU Justice Scoreboard, the perceived independence of courts and judges among the general public is around the EU average. Around 50% of Lithuanian respondents assessed the independence of courts and judges as very good or good in 2016 and 2017. Public trust was undermined by the perceived interference of government, politicians, and economic and other special interest groups, and respondents' opinion that the status and position of judges does not guarantee their independence.

Citation:

The 2017 – 2018 Global Competitiveness Report of the World Economic Forum:
<http://www3.weforum.org/docs/GCR2017->

[2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf](http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf)

The EU Justice Scoreboard, see http://ec.europa.eu/justice/effective-justice/scoreboard/index_en.htm

Corruption
Prevention
Score: 6

Corruption is not sufficiently contained in Lithuania. In the World Bank's 2016 Worldwide Governance Indicators, Lithuania scored 73 out of 100 on the issue of corruption control, up from 68.8 in 2014. The 2013 Eurobarometer poll revealed that Lithuania had the European Union's highest percentage (29%) of respondents who claimed that they had been asked for or expected to pay a bribe for services over the past 12 months, compared to an EU average of 4%. In the Transparency International Corruption Perception index, Lithuania scored 59 out of 100 and ranked 38 out of 176 countries in 2016, down from 32 in 2015. According to the new Index of Public Integrity, Lithuania was ranked 25 out of 105 countries overall, but only 85 out of 105 countries for budget transparency.

Anti-corruption policy is based on the National Program on the Fight Against Corruption (2011– 2014), which has two primary building blocks: eliminating or minimizing conditions that enable corruption, and enforcing penalties in cases of identified corruption. One of Lithuania's key corruption prevention measures is an anti-corruption assessment of draft legislation, which grants the Special Investigation Service the authority to carry out corruption tests. According to the Lithuanian Corruption Map of 2011, the most corrupt institutions were the health care sector, the parliament, the courts, the police, and the local authorities. Bribery is perceived to be the main form of corruption by most average Lithuanians, while businesspeople and civil servants respectively identified nepotism and party patronage as the most frequent forms of corruption. In September 2017, the Special Investigation Service investigated allegations of corruption involving Lithuania's Liberal Movement and Labor Party. The parties are suspected of accepting bribes and selling political influence. For instance, two Liberal Movement members are alleged to have accepted bribes of more than €100,000 on behalf of the party from a vice president of a major business group in exchange for political decisions that benefitted the corporation.

According to the World Economic Forum, Lithuanian firms perceive corruption as one of the most problematic factors for doing business in the country. Since state and municipal institutions often inadequately estimate the likelihood of corruption risks, not all corruption causes and conditions are addressed in anti-corruption action plans. The European Commission has

suggested that Lithuania should develop a strategy to tackle informal payments in health care, and improve the control of conflicts of interest declarations made by public officials. To advance its preparations for OECD membership, the country became a member of the OECD Anti-Bribery Convention in July 2017.

Citation:

The Worldwide Governance Indicators of World Bank are available at <http://info.worldbank.org/governance/wgi/#home>

The Lithuanian Corruption Map is available at http://transparency.lt/media/filer_public/2013/01/22/korupcijos_zemela_pis_2011.pdf.

The 2017 – 2018 Global Competitiveness Report of the World Economic Forum: [http://www3.weforum.org/docs/GCR2017-](http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf)

[2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf](http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf)

The European Commission. Annex 15 to the EU Anti-Corruption Report: Lithuania. Brussels, 3.2.2014. COM (2014) 38 final.

the Transparency International Corruption Perception index is available at <http://www.transparency.org/cpi2016>

The Index of Public Integrity is available at <http://integrity-index.org/>

The European Commission. Annex 15 to the EU Anti-Corruption Report: Lithuania. Brussels, 3.2.2014. COM (2014) 38 final.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 8

Lithuania's strategic-planning system was introduced in 2000 and has been updated several times since. At the central level of government, the planning system involves all stages (planning, monitoring and evaluation) of managing strategic and operational performance. The main strategic documents include the long-term Lithuania 2030 strategy and the medium-term National Progress Program, which is in turn linked to short-term strategic-performance plans and budget programs. The planning system in general is well-institutionalized; its functioning is supported by a network of strategic-planning units within each ministry and a governmental Strategic Committee that was reintroduced in 2013 by the 2012 to 2016 government. However, the strategic planning system suffers from unnecessary complexity. About 250 strategic documents exist, while strategic action plans include 1,800 monitoring indicators. The 2016 to 2020 government developed guidelines and an action plan for restructuring strategic planning and the budget formulation system to focus more on results and ensure fiscal sustainability.

A State Progress Council composed of politicians, public and civil servants, academics, business leaders, and other representatives of Lithuanian society was established to help design the Lithuania 2030 strategy and monitor its implementation. The council's composition was updated after the 2012 to 2016 government came to office and meetings were held on a regular basis until 2016. However, the 2016 to 2020 government has proven reluctant to employ this governance arrangement. The current government introduced the so-called change baskets, setting aside €17.5 million for the implementation of government policies and other legislative commitments in 2018. A large share of these additional resources will be channeled toward social policies (including direct financial support for children).

Although these strategic and advisory bodies take a long-term approach and offer viable policy solutions, their influence on governmental decision-making in fact varies by specific issue. There is a certain gap between the long-term policy aims contained in various strategic documents and the actual practices of individual public-sector organizations. In addition, politically important decisions are sometimes made without due consideration of strategic priorities and performance-monitoring results, with strategic-planning documents and performance reports often playing little role in daily decision-making processes. These strategic priorities and documents were largely ignored during the 2016 parliamentary elections, illustrating their limited importance. Instead competing parties and candidates focused on either concrete short-term policy issues, such as increasing wages and pensions, or general issues, such as migration and inward investment.

Scholarly Advice
Score: 6

Lithuanian decision-makers are usually quite attentive to the recommendations of the European Commission and other international expert institutions. They are also receptive to involving non-governmental academic experts in the early stages of government policymaking. The governments led by Andrius Kubilius and Algirdas Butkevičius set up some expert advisory groups (including the so-called Sunset Commission, which involves several independent experts). For instance, experts commissioned by the Ministry of Social Security and Labor drafted a new “social model,” which contained a comprehensive set of proposals for the regulation of labor relations and the development of a more sustainable state social-insurance system. This package was approved by the parliament in 2016. The Skvernelis government, however, has not renewed the mandate of the Sunset Commission. Instead, the government decided to develop a center for evidence-based policymaking involving the government agency MOSTA among other government entities.

However, major policy initiatives are usually driven by intra- or interparty agreements rather than by empirical evidence provided by non-governmental academic experts. In many cases, expert recommendations are not followed when the main political parties are unable to come to a political consensus. In addition, the rarity of ex ante impact assessments involving experts and stakeholder consultation contributes to the lack of timely evidence-based analysis. For example, debates on amendments to the Alcohol Control Law, which was adopted by the parliament in 2017, were affected by the lack of timely evidence-based analysis.

Interministerial Coordination

GO Expertise
Score: 7

Under Prime Minister Kubilius, the Government Office was reorganized into a Prime Minister’s Office, and given the task of assisting in the formulation and execution of government policies. This reform increased the capacities of the

core government to assess the policy content of draft government decisions, at the expense of its capacity to review their legal quality. However, this latter function was moved to the Ministry of Justice. Shortly after taking power, the Butkevičius government reversed this organizational reform, reorganizing the Prime Minister's Office once again into a Government Office. Under Prime Minister Skvernelis, the Government Office was again reorganized to better support the formulation of strategic reforms and centralize quality control of draft legal acts.

The recent development of evidence-based decision-making instruments such as a monitoring information system, a budget-program assessment system and an impact-assessment system has increased the capacity of the core government to monitor and evaluate draft government decisions based on the government's political agenda. However, the degree of effectiveness has varied by instrument, as well as with the relevance and quality of the empirical evidence available for decision-making. After assessing the coordination of regulatory policy in Lithuania, the OECD recommended establishing an integrated strategic plan for better regulation, a high-level coordination body, and a better-regulation unit within the central government.

Citation:

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

GO Gatekeeping
Score: 7

Draft government decisions advance primarily as a result of coordination between line ministries and other state institutions at the administrative and political levels. The Government Office has no power to return items envisioned for the cabinet meetings on the basis of policy considerations. However, the prime minister formally sets the agenda of cabinet meetings, thus serving a gatekeeping function. There have been cases in which prime ministers have removed highly politicized issues from a meeting agenda, or on the contrary included such items on an agenda despite the absence of interministerial agreement.

Line Ministries
Score: 7

The government adopts multiannual political priorities, coordinates their implementation and regularly monitors progress. As a result, it focuses on policy proposals and strategic projects related to these annual priorities. The majority of policy proposals are initiated by ministries and other state institutions, but the Government Office is kept informed with regard to their status and content. The fact that all policy areas are legally assigned to particular ministers, coupled with the fact that since 2000 governments have been formed by party coalitions rather than a single party, has meant that line ministries enjoy considerable autonomy within their policy areas. The Government Office is sometimes called upon to mediate policy disagreements

between line ministries. Under the Skvernelis government, a new commission for strategic projects has been established to coordinate 41 IT, infrastructure and change projects. The commission is chaired by the prime minister, and includes a government chancellor; a prime ministerial adviser; and ministers for finance, foreign affairs, and transport and communication.

Cabinet
Committees
Score: 7

Although Lithuania's government can create advisory bodies such as government committees or commissions, the number and role of such committees has gradually declined since the beginning of the 2000s, when coalition governments became the rule. Top-priority policy issues are frequently discussed in governmental deliberations organized before the official government meetings. The Strategic Committee is composed of several cabinet ministers, the chancellor, and a top prime-ministerial deputy who manages the government's performance priorities, policy and strategy. Another government committee, the Crisis Management Committee, advises the government on crisis management. A European Union Commission continues to act as a government-level forum for discussing Lithuania's EU positions, but this is made up of relevant vice-ministers, and chaired by the minister of foreign affairs.

Ministerial
Bureaucracy
Score: 7

The process of drafting laws and resolutions requires consultation with the ministries and state institutions affected by the issue. The coordination process is led by the ministry responsible for a given issue area. Coordination took place at different levels of the administrative hierarchy: coordination at the civil-servant level was followed by that of managers representing the ministries at the government level. Although policy issues used to be regularly discussed by ministerial representatives (junior ministers and ministerial chancellors), most of these meetings have been discontinued under the Skvernelis government.

Coordination is a lengthy, well-documented process. Joint working groups are sometimes established, while interministerial meetings are used to coordinate the preparation of drafts and resolve disagreements before proposals reach the political level. All draft legislation must be coordinated with the Ministry of Justice and/or the Government Office. However, the substance of coordination could be improved if the initiators of draft legislation were to use consultation procedures more extensively in assessing the possible impact of their proposals. The importance of coordination should be recognized not only during the planning phase, but also during the implementation, monitoring and evaluation phases of the policy process.

Informal
Coordination
Score: 7

Formal mechanisms of interministerial coordination still dominate the decision-making process, despite the emergence of new informal coordination mechanisms and practices at the central level of government. Political councils are created to solve political disagreements within the ruling coalition. In addition, the leadership of political parties represented in the government is

often involved in the coordination of political issues. Informal meetings are sometimes called to coordinate various issues at the administrative level. Furthermore, the 2012 to 2016 government planned to develop a senior civil service strata, which could actively engage in policy coordination at the managerial level. However, these politically-sensitive provisions were later withdrawn from subsequent drafts of the Civil Service Law. Recent civil service reforms do not envision the creation of a higher civil service in the country.

Evidence-based Instruments

RIA Application
Score: 7

Although the production of impact assessments for draft government decisions became mandatory in 2003, high-profile regulatory initiatives are in most cases not in fact subject to in-depth assessment. Seeking to improve the relevance and quality of impact assessments, a review of the impact assessment system was conducted under the Kubilius government. Meanwhile, the Butkevičius government decided to focus the system on high-priority regulatory decisions. The Skvernelis government confirmed the need to apply rigorous impact-assessment methods (e.g., cost-benefit or cost-effectiveness analyses) and suggested the establishment of a competence center for evidence-based policymaking.

However, the OECD has argued that impact assessment in Lithuania remains a largely formal exercise intended to justify choices already made (with a strong preference for the regulatory option). And indeed, no high-profile decision involving the selection of the best identified alternative has yet been made following an RIA process. Since 2013, the Government Office has prepared an annual priority list of legislative initiatives that need to be assessed in greater depth (14 initiatives in 2013 and 26 initiatives in 2014). However, the number of such initiatives is rather small compared to the 300 or so draft laws contained in the Annual Legislative Program. More significantly, this too remains a purely formal exercise, detached from actual decision-making. The principle of proportionality, under which important legislative initiatives with broad possible effects would be given more detailed impact assessments, is often ignored. Consequently, this instrument is generally disregarded by ministers and members of parliament. To improve the situation, it was recommended that all the major political parties agree to a memorandum of understanding.

The Lithuanian Farmers and Greens Union, the largest parliamentary party, pledged to conduct cost-benefits analyzes for new initiatives. The same provision was repeated in the new coalition government's program. According to its action plan, the Government Office intends to create a center for

evidence-based policymaking, which will conduct cost-benefit analysis on strategic issues and other systemic evaluations. It remains to be seen whether this commitment will be implemented.

Citation:

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

Quality of RIA
Process
Score: 5

The process of regulatory impact assessment does not ensure sufficient participation by relevant stakeholders. According to the OECD, external stakeholders in Lithuania do not see impact assessment as a useful tool, because it provides little room for their feedback or contributions. Although four institutions are tasked with overseeing the quality of impact assessment, the quality of impact assessments is not in fact systematically monitored. Therefore, draft government legislation is checked primarily for legality, with little attention paid to the possible impact of the proposed legislation. Though RIA results are available for decision-making, they are rarely debated or otherwise used in the policy process.

The OECD has issued several recommendations for improving the RIA process, including strengthening quality-oversight monitoring, consolidating oversight of the quality of impact assessment in a single lead institution (the Government Office) and ensuring that stakeholders are consulted in the early phases of the RIA process. In response, the Government Office has reviewed regulation policy, strengthened central coordination capacities and proposed improvements to the RIA process.

Citation:

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

Sustainability
Check
Score: 6

In 2003, the government adopted the National Sustainable Development Strategy. The Ministry of Environment is responsible for coordinating projects related to this document. Lithuanian policymakers are supposed to conduct sustainability checks within the existing framework for regulatory impact assessment. The 2012 impact-assessment guidelines provide for the assessment of economic, social and environmental impacts, among other factors. Both short-term and long-term impacts should be assessed under the new guidelines. However, the guidelines do not provide an exhaustive set of impact indicators addressing these impact dimensions. Producing high-quality environmental reviews remains a challenge under the new system, which focuses on impacts within the business environment and remains a largely formal exercise. The ex ante evaluation of the 2014 – 2020 operational

program supported by EU structural funds included strategic environmental assessment that considered the likely effects of EU investments on the environment (in line with EU and national legislation).

Societal Consultation

Negotiating
Public Support
Score: 7

In Lithuania, major societal actors are consulted through institutionalized arrangements such the Tripartite Council, as well as through various ad hoc means. Major societal actors were also involved in the preparation and monitoring of the long-term Lithuania 2030 strategy, working through the State Progress Council. Under the Skvernelis government, a new accord was signed between the government, business organizations and trade unions. The accord provides for the preparation of a separate agreement between these partners, which would reduce taxes on wages in exchange for employers' commitment to increase wages. The Kubilius, Butkevičius and Skvernelis governments carried out public consultation on a number of policy issues, including pension-system reform, a national energy-independence strategy, anti-corruption policy, open-government measures or tax reform. The practice of prior consultation in developing regulations is mandated by the Law on the Basics of Legislation.

However, the scope of consultation with societal actors remains insufficient, as the consultation process is limited to an exchange of information and positions, with little attempt to achieve consensus among the stakeholders involved. In addition, according to the 2015 OECD report on regulatory policy in Lithuania, the time allocated to consultation is insufficient, and the quality of feedback is insufficiently high. Moreover, the impact-assessment process also suffers from a lack of consultation, despite the adoption of new legal provisions in recent years to address this issue. For these reasons, a 2015 OECD report recommended that the country develop public-consultation guidelines and allow more time for consultation. In response, the Government Office launched a large stakeholder consultation project co-funded by the European Social Fund at the end of 2016.

Citation:

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

Policy Communication

Coherent
Communication
Score: 6

The political fragmentation associated with Lithuania's ruling coalitions has made it difficult to formulate and implement an effective government

communications policy. Line ministries and other state institutions are responsible for communicating with the public within their individual areas of competence; however, the Communications Department of the Government Office attempts to coordinate these activities and provides the public with information about the government's performance. For instance, a unified government portal that aims at providing relevant information to the citizens about the performance of the whole government (the cabinet, the Government Office, ministries and government agencies) was launched in 2015.

On the whole, the government lacks a coherent communication policy. Contradictory statements are rare but do occur to varying degrees depending on the particular government. Although the Butkevičius government announced that it would pursue a whole-of-government approach to public policy and management, it was not able to achieve this goal by the end of its political term. Moreover, Prime Minister Butkevičius has himself publicly made contradictory statements on such politically important issues as tax reform and the future of nuclear power in Lithuania, probably reflecting the diversity of opinions within his party and the 2012 to 2016 ruling coalition, as well as changing political circumstances. Several ministers in the current government have little political experience, making it more difficult for government to effectively communicate policies.

In its 2015 report, the OECD recommended that the core government rebalance its engagement with other institutions by emphasizing its role as a facilitator of exchange and dialog across government and with non-state stakeholders, rather than primarily focusing on top-down communication.

Citation:

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en.

Implementation

Government
Efficiency
Score: 7

During the fast process of transition and accession to the European Union, Lithuanian governments' narrow focus on this task produced a lag in policy implementation. The performance of the Kubilius government in terms of implementing its policy priorities was mixed. Although its policy of fiscal consolidation represented one important success, few major structural reforms occurred in Lithuania during the 2008 to 2012 period, with the exception of higher education reform, a partial optimization of the health care network and a restructuring of the energy sector. Although the Butkevičius government outlined a broad set of policy priorities, its implementation record was also

mixed. The government introduced the euro in 2015, developed the new “social model,” completed the construction of the liquefied-natural-gas terminal in Klaipėda and advanced the renovation of apartment blocks. However, less progress was achieved in other policy areas, including structural reform of higher education and training, health care, and public administration. The Skvernelis government was able to push through a few important reform policies, including a new labor code, the merger of state-owned forestry companies and amendments to the Alcohol Control Law. It is not clear if the government will be able to sustain its reform momentum due to its diminished parliamentary majority following a split within the Social Democratic Party parliamentary group. Coalition politics, shifting political attention, the conflicting strategies of various advocacy coalitions and weak political leadership largely explain the government’s failure to implement several major policy objectives. For example, although the merger of state-owned forestry companies is scheduled to begin in 2018, at the time of writing, there remains considerable uncertainty regarding the implementation of this reform and opposing interest groups have renewed their efforts to derail the reform. It is also unclear how the reform and consolidation of higher education institutions will proceed, as a number of changes have been made to the government’s initial plan.

The government should also continue improving the effectiveness and efficiency of its spending. In the World Bank’s 2016 Worldwide Governance Indicators, Lithuania scored 82 out of 100 for government effectiveness, up from 78.9 in 2014. However, in the World Economic Forum’s Global Competitiveness Report 2017-2018, Lithuania ranked 95 out of 137 countries for efficiency of government spending. In her 2015 speech to the parliament, President Dalia Grybauskaitė identified several examples of unsustainable government projects previously supported by EU structural funds.

Citation:

The Worldwide Governance Indicators of World Bank are available at <http://info.worldbank.org/governance/wgi/#home>

The 2017 – 2018 Global Competitiveness Report of the World Economic Forum: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

Vitalis Nakrošis, Ramūnas Vilpišauskas and Vytautas Kuokštis: Fiscal consolidation and structural reforms in Lithuania in the period 2008-2012: from grand ambitions to hectic firefighting. *International Review of Administrative Sciences* 81 (3), 2015, p. 522–540.

Ministerial
Compliance
Score: 7

The government’s organization provides ministers with various incentives to implement the government’s agenda. The primary organizational instruments include coalition agreements, government programs, multiannual government priorities, identified priority actions and monitoring processes, cabinet meetings and deliberations, and the assignment of ministerial responsibility for policy areas. Since prime-ministerial powers within the executive are limited

by constitutional provisions and the fragmentation of coalition governments, officeholders need to seek support from other cabinet ministers (including ministers of finance, who tend to share the prime minister's party affiliation), from parliamentary groups, and from the president (who has a veto power over draft laws) as they seek to implement the major objectives of the government program. In addition, as they implement governmental policy, line ministries tend to focus on the sectoral-policy aims falling under their responsibility at the expense of related horizontal-policy aims.

Monitoring
Ministries
Score: 8

The Government Office effectively monitors policy implementation, through several channels. First, it administratively tracks the execution of government actions assigned to different ministries and other state institutions. Second, through its information system of monitoring, it assesses the achievement of government priorities and linked policy objectives on the basis of performance indicators. Progress in the implementation of policy is discussed during cabinet meetings and other government-level deliberations. However, information derived from this monitoring process is only infrequently used to propose corrective action when progress is deemed insufficient. Thus, the monitoring process does not always prevent the prioritization of sectoral or bureaucratic over full-government and horizontal interests in policy implementation. As part of one EU-funded project, the Government Office reviewed monitoring and evaluation practices, and made a number of recommendations as to how performance measurement could be improved in line ministries (including the development of key performance indicators or indicator libraries in various policy areas). Despite the implementation of this project, the National Audit Office stated that the country's monitoring and reporting system continues to lack quality information, while the government and line ministries often provide incomplete information regarding the achievement of their policy aims and objectives in their reports.

Monitoring
Agencies,
Bureaucracies
Score: 6

Lithuania's fragmented structure of agencies and other public-sector organizations undermines the effective monitoring of bureaucratic performance. While agencies subordinate to the central government or individual ministries can be monitored relatively efficiently, autonomous organizations such as public nonprofit institutions, foundations and state-owned enterprises that carry out administrative functions are more difficult to control. Parent ministries and third parties acting on behalf of the ministries use a combination of ex ante and ex-post oversight mechanisms, including the assessment of agency results. However, many Lithuanian ministries have no professional staff specifically assigned to monitor agency activities, and the interest shown by ministers and other politicians in the performance of agencies depends on the changing salience of political issues. In 2012, the Governance Coordination Center was established as part of the State Property Fund. Among other tasks, it monitors the implementation of state-owned enterprises' goals, and produces regular reports on the performance of these

enterprises. Beginning in 2013, the scope of annual public-sector reports produced by the Lithuanian Ministry of the Interior was expanded to include municipal organizations. However, this ministry's reports remain of a descriptive nature, lacking specific recommendations as to how the performance of individual organizations or their groups might be improved. In 2015, the Sunset Commission reviewed the performance of public nonprofit institutions and proposed a number of recommendations, some of which were related to improving the monitoring of these institutions. However, after 2016, the Sunset Commission stopped its work.

Task Funding
Score: 6

Lithuanian municipalities perform both state-delegated (funded through grants from the central government) and independent (funded through a national tax-sharing arrangement and local sources of revenue) functions. Lithuania has a centralized system of government with powers and financial resources concentrated at the central level. The central government provides grants for the exercise of functions delegated to the local level, as local authorities have minimal revenue-raising powers. In 2012, the Congress of Local and Regional Authorities expressed its concern that Lithuanian municipalities have limited capacities and insufficient resources to deliver the services delegated to them. Municipal concerns, including that of adequate funding, are addressed by a joint commission that includes the government and the Association of Lithuanian Municipalities. After the Constitutional Court ruled that the existing legal framework governing the allocation of municipal revenue was not in line with the constitution, the government introduced a new procedure for allocating revenue to municipalities. However, this decision will increase municipalities' dependence on targeted central-government grants.

Citation:
State of local and regional democracy in Lithuania, see <https://wcd.coe.int/ViewDoc.jsp?id=1925765&Site=Congress&BackColorInternet=e0cee1&BackColorIntranet=e0cee1&BackColorLogged=FFC679>

Constitutional
Discretion
Score: 6

The central government generally respects local authorities' constitutional scope of power, but centrally determined political, legal, administrative or fiscal measures sometimes constrain subnational policymaking and implementation autonomy. In addition to the problems of limited powers and insufficient fiscal resources, the elimination of county administrations and other central-level decisions have reduced municipalities' policymaking and implementation capacities in areas such as territorial planning, construction, and the regulation of land ownership.

National
Standards
Score: 6

National public-service standards at the subnational level are ensured through centralized or regional governance arrangements. For example, landfills are connected in a regional network of service providers. The decentralized provision of other public services at the local level has produced uneven quality in areas such as school education or the accessibility of primary health

care services. The Public Management Improvement Program aims at defining minimal-quality standards for various public functions such as health care, education and social services. The Sunset Commission – a commission tasked with finding ways to improve state administrative functions – advised the central government to provide recommendations to municipal authorities regarding general administrative functions, such as personnel policies. Though the Sunset Commission has since been dissolved. A recent report from the National Audit Office found that the central government still lacks reliable and comprehensive data on the provision of public services, which is necessary for the effective modernization and standardization of services.

Citation:

The Public Management Improvement Program (in Lithuanian) is available at http://www3.lrs.lt/pls/inter3/dokpa.ieska.showdoc_1?p_id=418407&p_query=vie%F0ojo%20valdymo%20tobulinimo%20programa&p_tr2=2

Adaptability

Domestic
Adaptability
Score: 9

Lithuania's policymakers have over time significantly adapted domestic government structures to international and supranational developments. A network of semi-independent regulatory agencies was developed during the pre-accession period. After the completion of EU accession negotiations, Lithuania's system of coordinating EU affairs was gradually moved from the core government to the Ministry of Foreign Affairs, and decentralized to line ministries in the case of specific sectoral matters.

Lithuania has managed to maintain a rather good record of transposition and implementation of EU law, as illustrated by the low transposition deficit and relatively small number of infringement cases initiated against the country. The absorption of EU investments continues to take place relatively quickly. Indeed, 15.02% of EU payments were already disbursed by 29 September 2017, compared to the EU-28 average of 10.24%. Consequently, Lithuania ranked fifth among EU member states in terms of the payment rate of EU cohesion policy. Although the management of EU funds and control systems is functioning well and in compliance with EU requirements, it is challenging for the Lithuanian authorities to ensure the result-orientation of EU funds while maintaining a high rate of absorption during the programming period 2014 – 2020. The adoption of EU policy has largely taken place on a formal basis, rather than indicating substantial policy learning. The central bank's capacities were strengthened as a result of preparations for the introduction of the euro in 2015, while the adoption of economic-governance rules for the euro zone resulted in an expansion in the role and capacities of the National Audit Office.

International
Coordination
Score: 7

Lithuania actively engages in international policy cooperation on behalf of democracy and market-economic systems, in particular by providing encouragement to its eastern neighbors (the Eastern Partnership countries) to reform, by providing technical and financial assistance, and by serving as an advocate for their interests within the EU institutional framework. Lithuania has been part of the International Security Assistance Force in Afghanistan since 2005. The country's policymakers have managed to coordinate their involvement in these international fields quite effectively. In 2012, Lithuania joined the OECD forum for transparency and the exchange of information for tax purposes, and completed a first compliance assessment. In 2015, Lithuania was invited to start its accession process to the OECD. In the second half of 2013, Lithuania took over the rotating presidency of the European Council, and was afterward assessed by other EU institutions and member states as performing effective work. Furthermore, Lithuania became a non-permanent member of the U.N. Security Council for the 2014 to 2015 term. The interparty agreement, which includes a commitment to progressively increase defense spending to 2% of GDP by 2018, is further evidence of a willingness to support NATO. However, the government has been less willing or able to contribute to such global challenges as climate change or trade liberalization (except in the context of its presidency of the European Council presidency). In 2017, the European Commission fined Lithuanian Railways (Lietuvos geležinkeliai) €27.9 million for breaching EU antitrust rules by removing a rail track connecting Lithuania and Latvia, which hindered competition in the rail freight market. Lithuanian authorities have also experienced problems in trying to convince regional partners to agree on the preferred option for synchronizing electricity systems with the Central European grid and a common position on the safety risks posed by the new nuclear power plant being constructed in Astravets, Belarus.

Citation:

Vilpisauskas, R. "Lithuania's EU Council Presidency: Negotiating Finances, Dealing with Geopolitics," *Journal of Common Market Studies*, vol. 52, Annual Review, August 2014, pp. 99-108.

Organizational Reform

Self-monitoring
Score: 8

Lithuania's policymakers monitor institutional governing arrangements (both institutions and rules of procedure) regularly and effectively. During the global financial crisis, the Kubilius government initiated broad organizational reforms across the country's public-sector institutions. All Lithuanian ministries were restructured, while several government and many ministerial agencies were abolished or reorganized in the 2009 – 2011 period. The Butkevičius government continued to monitor the public administration on the basis of annual public-sector reports and specific functional reviews. For instance, the

Sunset Commission reviewed the structure and performance of public nonprofit institutions in Lithuania, but its activities were stopped in 2016. The rules of procedure and business processes are frequently reviewed using quality-management instruments, the application of which is becoming increasingly widespread in the country's public administration. However, the results of these monitoring processes are not sufficiently used in making decisions, and some changes to institutional arrangements remain motivated by governments' short-term political needs. The high importance attached to OECD membership might motivate Lithuanian political authorities to give more attention to monitoring governance arrangements.

Institutional
Reform
Score: 9

Lithuania's government has in some cases improved its strategic capacity considerably by changing its institutional arrangements. The Kubilius government made significant changes to existing government structures and procedures in order to enhance its policy capacity. According to the governmental Sunset Commission, the number of central-level institutions decreased from 1,190 in 2008 to 855 in 2011. The Butkevičius government re-established the Strategic Committee and maintained a number of the institutional bodies established under the previous government (such as the State Progress Council and the Sunset Commission, which was renamed the Public Management Improvement Commission). More recently, the Skvernelis government developed a new concept paper on the institutional set-up of public administration, which proposed reducing the number of institutions by 15%. The government also proposed reforming the structure of line ministries on the basis of a standard template. However, the parliament rejected the proposed amendments to the Law on Public Administration and the Law on Civil Service, which were necessary for the implementation of these reforms. Although the country has developed or improved a number of evidence-based instruments over the past five years (such as functional-review processes and the monitoring and evaluation of budget programs), their use in promoting strategic and long-term decisions has been limited.

Citation:

Saulėlydžio komisija, Valstybės valdymo tobulinimo komisijos (Saulėlydžio Komisijos) 2009–2012 m. veiklos ataskaita: rezultatai ir gairės tolesniems pokyčiams. 27.11.2012.

OECD, Regulatory Policy in Lithuania: Focusing on the Delivery Side, OECD Reviews of Regulatory Reform, OECD Publishing, Paris, 2015 http://www.oecd-ilibrary.org/governance/regulatory-policy-in-lithuania_9789264239340-en

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 5

Citizens have access to some government information, but the public in large part lacks the civic awareness and policy knowledge that enables an adequate understanding of government policymaking and facilitates participation. In 2011, Transparency International indicated that 44% of citizens surveyed said there was too much information not made publicly available by state and local institutions. Only 34% of the population received information on the activities of municipalities and other local authorities in 2013.

Several initiatives aimed at improving the citizens' access of information do exist, however. The Public Management Improvement Program is designed to achieve this goal by defining the scope and content of public information to be made accessible, and by centralizing the provision of information about the government's performance. In addition, the Lithuania 2030 Strategy envisions the implementation of programs devoted to educating responsible citizens. Despite this, Lithuania still faces substantial challenges with regard to increasing its citizens' participatory capacity. In its review of Lithuania's open-government programs, the OECD recommended supporting the development of Lithuania's civil society through capacity-building and collaboration with the activities of the newly established NGO Council, with the ultimate aim of engaging citizens more deeply in government policymaking processes.

Citation:

Reference to the Report of Transparency International:
http://transparency.lt/media/filer_public/2013/01/22/informacijos_prieinamumas_lietuvoje.pdf

Reference to the Public Management Improvement Program:
http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=418407&p_query=vie%F0ojo%20valdymo%20to%20bulinimo%20programa&p_tr2=2.

OECD, Public Governance Review Lithuania- Fostering Open and Inclusive Policy Making Key Findings and Recommendations. 2015.

Legislative Actors' Resources

Parliamentary
Resources
Score: 9

Members of parliament as a group have adequate personnel and structural resources to monitor government activities in an effective way. They have resources including personal staff; personnel assigned to parliamentary committees, commissions and other structures; and access to the Parliamentary Research Unit. Expenses incurred by calling experts for testimony or

consultation can be reimbursed. Despite these resources, political parties are frequently unable to engage in professional parliamentary oversight, in part due to the parliament's heavy focus on lawmaking. For instance, during its 2012 to 2016 term, the parliament passed more than 2,500 legislative acts. During the spring 2017 session, the parliament adopted 421 legal acts (i.e., about seven legal acts per every sitting), a record for a parliamentary session.

Parties that form a part of governing coalitions are often unwilling to engage in self-monitoring, while opposition parties are frequently incapable of constructive external oversight. Although the parliament does not commission independent research, it can produce internal conclusions or reports, or invite experts to various parliamentary meetings. In addition, the parliament utilizes the results of audit reports produced by the National Audit Office. It is also often the case that members of parliament employ their party colleagues as advisers or assistants on the basis of trust rather than because these individuals have a particular expertise.

Obtaining
Documents
Score: 9

Members of parliament have the right to obtain information not only from the government itself but also from various government agencies, enterprises and other public-sector organizations. When carrying out their oversight function, parliamentary committees can request information and relevant documents from ministries and other state institutions. These are normally delivered in full and within an appropriate time frame. There are some restrictions concerning the access of information considered to be sensitive for reasons of state security. In addition, information from ongoing pretrial investigations and other investigations cannot be provided if this could harm the investigations.

Summoning
Ministers
Score: 10

Parliamentary committees are able to summon ministers and the heads of most other state institutions (with the exception of court judges). Invited people, which also attend parliamentary commissions and other groups, typically answer questions posed by the members of the parliament and provide other relevant information. In some cases, vice-ministers or other authorized civil servants can serve as substitutes for ministers. However, rather than being used as a forward-looking mechanism, this instrument of parliamentary control is often restricted to the explanation of government activities on an ex-post basis.

Summoning
Experts
Score: 9

When considering draft legislation, parliamentary committees can receive and consider comments from experts. Committees can also invite experts to participate in special hearings focusing on draft legislation, or engaging in a parliamentary oversight function. Committees can establish preparatory working groups whose membership can involve experts or scientists. The extent to which experts are involved in the activities of parliamentary committees varies by specific committee and policy issue.

Task Area
Congruence
Score: 8

There is extensive congruence between the current structure of 15 parliamentary committees and the primary areas of competence of Lithuania's 14 ministries. The recent establishment of a cultural committee and the abolishment of a committee on information further increased congruence between the parliamentary committees and government ministries. However, there are a few mismatches. On the one hand, some ministries (Economy, Transport and Communications) and other state institutions are monitored by a single Economics committee. On the other hand, there are several horizontal parliamentary committees (including the committees on Audit, European Affairs, and Human Rights). The parliament also has several standing commissions, some of which are related to policy areas assigned to the Lithuanian ministries (especially the energy commission, the most active of these bodies). Thus, the composition of parliamentary committees allows government policy to be monitored on both a sectoral and horizontal basis.

Committees meet on a regular basis, but the bulk of committee activities are related to the consideration of draft legislation. The workload of individual committees in the legislative process varies substantially, with the committees on legal affairs, state administration and local authorities, social affairs and labor, and budget and finance accounting for about 55% of the legislative review work delegated to the committees. The amount of attention given to exercise of the parliamentary oversight function depends on the particular committee.

Citation:

Alvidas Lukošaitis, "Parlamentinės kontrolės įgyvendinimas Lietuvoje: metodologinės pastabos apie trūkinėjančią "šeiminko-samdinio grandinę"/Politologija. 2007, nr. 2

Audit Office
Score: 7

The National Audit Office is accountable to the parliament and the president. The auditor general is appointed by the parliament based on a nomination by the president. The parliament's Committee on Audit considers financial-, compliance- and performance-audit reports submitted by the office, and prepares draft parliamentary decisions relating to the implementation of audit recommendations. The office also cooperates with other parliamentary committees. The leaders of the parliamentary Committee on Audit at one time used audit reports for political purposes, especially after an opposition-party member was appointed to head it. In 2014, 2015 and 2016, the National Audit Office criticized the government's draft budgets for their lack of compliance with fiscal-discipline provisions and poor allocation of government expenditure. However, these criticisms were largely ignored by members of parliament or ministerial officials. The National Audit Office was ranked as the best state institution in 2016 due to the representation of state interests, competence and exceptional performance by the Lithuanian journal Veidas.

Ombuds Office
Score: 8

The parliament has several ombuds offices, including the general ombudsmen's office, with two appointed ombudspersons, and the special ombudsman's offices on Equal Opportunities and Children's Rights. These institutions supervise state institutions, with a particular focus citizens' human rights and freedoms. They engage in public advocacy on behalf of citizens, and initiate certain actions, but as a group the ombuds offices lack sufficient legal authority to act as a single national institution for human rights. However, new draft legislation regarding the parliamentary ombudsmen was under discussion in the parliament at the time of writing. The effectiveness of these ombuds offices has depended on the interplay of several factors. First, citizens have shown at best mixed interest in pursuing complaints through these offices, although the number of complaints has been increasing in recent years (the largest number of complaints was registered in 2013). Second, the offices adopted a more proactive attitude toward investigations, focusing on the most significant violations of human rights (e.g., in prisons and other detention facilities). Third, state and municipal institutions are still occasionally unwilling to implement the offices' recommendations.

Media

Media Reporting
Score: 5

A minority of mass-media organizations, whether TV, radio, print or online, provide high-quality information content analyzing government decisions. Since it is quite expensive to provide high-quality analysis within Lithuania's small media market, the state-funded National Radio and Television is in the best position to undertake in-depth analysis of government decisions. Andrius Tapinas, a famous Lithuanian journalist and TV host, launched a weekly political discussion show, which attracted about 4,300 financial supporters and thousands of viewers. Other mass-media brands tend to produce infotainment-style programming. Although the Lithuanian media are regarded as quite independent, they are not widely trusted by the public. Indeed, in September 2017, only 37% of respondents to a national survey said they trusted the media.

Citation:
<http://www.vilmorus.lt>.

Parties and Interest Associations

Intra-party
Democracy
Score: 7

Lithuanian parties usually restrict decision-making to party members. Although in many cases, all party members can participate in important decisions, their capacity to influence the most critical party decisions is insufficient. Some political parties are more democratically structured than others: in 2007, the Social Democratic Party of Lithuania, the Lithuanian

Christian Democrats and the Homeland Union were found to be the most democratic in terms of internal decision-making. The latter two parties have since merged to form a party whose leader is directly elected by all party members. In 2017, members of the Social Democratic Party of Lithuania directly elected the party's chair for the first time in the party's history. Gintautas Paluckas, the young deputy mayor of Vilnius, won the party election and started the process of renewing the party elite. Between 2001 and 2015, the party was dominated by members over the age of 50. As a result of Paluckas' victory, the party leadership decided to split from the ruling coalition led by the Lithuanian Farmers and Greens Union. Though most of the party's members of parliament continued to support the Skvernelis government.

Some other political parties are primarily used as a platform for their leaders to express their own political interests. Following the success of non-party candidates in the 2015 municipal elections, the Lithuanian Farmers and Greens Union brought together a group of non-party candidates for the 2016 parliamentary elections. Many of these candidates, campaigning as a movement rather than a political party, won against candidates of established political parties. Many of Prime Minister Skvernelis' parliamentary faction and government ministers are not party members.

Citation:

G. Žvaliauskas, *Ar partijos Lietuvoje yra demokratiškos?* Technologija, Kaunas, 2007.

G. Žvaliauskas, *Lietuvos socialdemokratų partijos elito kaita 2001–2015 m. laikotarpiu, Viešojo politika ir administravimas*, 2017, T. 16, Nr. 1, p. 52-67.

Association
Competence
(Business)
Score: 5

Most Lithuanian interest associations, including employers' associations and trade unions, have a rather limited ability to formulate well-crafted policies. They typically lack skilled research staff, and do not engage in cooperation with academic bodies or individual experts. The Investors' Forum, which represents foreign investors in Lithuania, is one of the exceptions, as it has regular annual meetings with the government and provides policy recommendations based on its members' input. This association successfully advocated the adoption of a more flexible labor code as part of the new "social model." The Infobalt IT-industry association is also actively engaged in representing its interests in the e-governance policy area. Some economic-interest organizations, including the Lithuanian Confederation of Industrialists (which is represented on the Tripartite Council and the European Economic and Social Committee), have improved their policy-formulation capacities. Some business associations and even individual businesses support think tanks. In 2016, the University of Pennsylvania recognized the Lithuanian Free Market Institute as being among the most influential public policy centers in Central and Eastern Europe, and ranked it 12 in the region. An accord signed

by the government, business organizations and trade unions in October 2017, encourages employee participation in trade unions and the formation of business associations, and supports the capacity-building efforts of social partners.

Citation:
University of Pennsylvania. "2016 Global Go To Think Tanks."
https://repository.upenn.edu/cgi/viewcontent.cgi?article=1011&context=think_tanks

Association
Competence
(Others)
Score: 5

The capacity of nonacademic interest associations to formulate well-crafted and relevant policy proposals varies by group. Most lack skilled staff members and do not engage in cooperation with academic bodies or individual experts. Moreover, the lawmaking and regulatory impact assessment processes do not sufficiently ensure the participation of relevant stakeholders. Business interest groups tend to have stronger abilities to formulate policies than do social or environmental groups. The Lithuanian Catholic Church is an important player in Lithuanian politics, with its influence typically focused on a small number of policy issues. However, this interest group unsuccessfully lobbied the president to veto legislation designed to make it easier for families to access assisted insemination services. The Non-Governmental Organizations' Information and Support Center facilitates cooperation between NGOs as they seek to represent their interests.

Address | Contact

Bertelsmann Stiftung

Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Daniel Schraad-Tischler

Phone +49 5241 81-81240
daniel.schraad-tischler@bertelsmann-stiftung.de

Dr. Christof Schiller

Phone +49 5241 81-81470
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann

Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

Pia Paulini

Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

www.bertelsmann-stiftung.de
www.sgi-network.org