



Lithuania Report

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Sustainable Governance
Indicators 2020

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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. Substantive democracy, in contrast, suffers from several weaknesses. Despite recent improvements, party financing is insufficiently monitored and audited, while campaign-financing laws are inadequately enforced. In addition, discrimination continues, sometimes reaching significant levels, while the governing coalition has repeatedly attempted to restrict media freedom. Most importantly, while anti-corruption legislation is well developed, the public sector continues to offer opportunities for abuses of power as 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. Nonetheless, the country's policy performance remains mixed, with social-policy outcomes lagging behind those of economic and environmental policies. Some observers attribute this to EU transition and integration processes, which have focused primarily on political, economic and administrative issues. Structural reforms in education, healthcare and the broader public sector are lagging behind demographic and technological developments. The country's formal governance arrangements are well designed, yet these arrangements sometimes do not function to their full potential. There are significant gaps with regard to policy implementation and the use of impact-assessment and stakeholder-consultation processes for important policy decisions. In addition, many governance practices are better developed on the central level than on the municipal level. Overall, for most sustainable-governance criteria, little changed during the review period; this was in large part because the 2019 municipal and presidential elections, as well as the forthcoming parliamentary elections in 2020, served to distract political attention away from structural reforms and toward short-term political decisions aimed at gaining voters' attention, especially through more generous social expenditures.

The coalition government led by the Lithuanian Farmers and Greens Union (which won 56 out of 141 seats during the 2016 parliamentary elections) has been in power since the end of 2016. After the break-up of the Lithuania Social Democratic party in autumn 2017, the party's parliamentary group split from the ruling coalition, but was subsequently joined by the Lithuanian Social Democratic Labor party formed in 2018. After the election of President Gitanas Nausėda in 2019, four Lithuanian parties (the Lithuanian Farmers and Greens Union, the Social Democratic Labor Party of Lithuania, the Order and Justice party, and the Electoral Action of Poles in Lithuania – Christian Families Alliance) signed a new coalition agreement in July 2019. A reshuffled cabinet led by Prime Minister Saulius Skvernelis (with three new ministers responsible for the transport and communications, interior, and agriculture portfolios) was approved in August 2019. After the collapse of the Order and Justice parliamentary group, a new political grouping called “For the Well-Being of Lithuania” was formed in the Lithuanian parliament. This political group joined the governing coalition, increasing its majority to 75 in the parliament of 141. However, due to some internal divisions, the ruling majority has not been able to dismiss Viktoras Pranskietis, the Seimas' chairman, from office.

During the 2016 election campaign, the Lithuanian Farmers and Greens Union pledged to form a technocratic government. Saulius Skvernelis led the party during the election campaign and subsequently became the new prime minister, even though he had not formally joined the party. In its first year, the main policy decisions adopted by the new government included reform of state-owned forestry companies (largely motivated and legitimized by the need to implement OECD recommendations in order to join the organization) and revision of the labor code. The Seimas also passed amendments to the Alcohol Control Law to reduce the availability of alcohol. In its second year, the Skvernelis government focused on structural reforms (e.g., tax, pension, higher-education and civil service reforms). A series of largely incremental reforms were approved by the parliament in mid-2018, but it is unlikely that any decisive implementation of these reforms will occur until after the 2020 parliamentary elections. Smaller members of the ruling coalition have already showed a propensity to push through decisions that could increase their chances in the forthcoming elections, thus further reducing the room for long-term strategic decision-making.

Nausėda, a bank economist and an independent candidate, won Lithuania's presidential elections in 2019. He received 66% of the votes cast during the second voting round. His electoral platform, entitled “Welfare State,” focused on fighting economic inequality by increasing government expenditure as a

share of the country's GDP. In the middle of 2019, President Nausėda approved a reshuffled government led by Prime Minister Skvernelis. However, although the newly elected president has been quick to propose legislative changes aimed at increasing old-age pensions, his vision of the welfare state remained unclear as of the end of 2019.

In terms of economic development, the economy continued to perform positively from 2018 to 2019. For the last decade, Lithuania has numbered among the fastest-growing economies in the European Union (with real GDP growth around 3%), despite the negative effects of Russian sanctions on EU exports. According to European Commission forecasts, economic growth was expected to slow to 3.4% in 2018 and to 2.8% in 2019. Inflation has become a major public concern, prompting the government to debate various initiatives to reduce prices in the market. The World Bank ranked Lithuania 11th out of 190 countries overall in its 2020 Doing Business index, indicating that the country has become one of the most attractive locations in Europe (after Denmark, the United Kingdom, Norway and Sweden) in terms of the regulatory framework facing the private sector.

In 2017, labor market outcomes continued to improve due to economic growth and a declining working-age population. The unemployment rate decreased from 10.7% in 2014 to 7.1% in 2017. This was projected to continue declining to 6.4% in 2018. The two main challenges affecting the labor market are a mismatch between the supply of and demand for skilled labor, as well as a shrinking labor pool due to emigration and the declining number of graduates entering the labor market. Despite these challenges, the unemployment rate among low-skilled workers and the absolute number of people at risk of social exclusion remain high. The share of the population at risk of poverty or social exclusion was 29.6% in 2017 (up from 29.3% in 2015). In addition, the country continues to perform relatively poorly in terms of life expectancy at birth. A low birthrate, emigration to richer EU member states and relatively low immigration rates continue to present significant demographic challenges. Over time, these are likely to have negative effects on economic growth and the pension system, while increasing pressure to restructure the education, healthcare and public administration systems.

Under the previous (2012 – 2016) and current governments, there was significant continuity in governance arrangements. Although meetings of the State Progress Council and the Sunset Commission have been suspended since 2016, the Skvernelis government decided to update the composition of the State Progress Council in 2018. Overall, executive capacity and accountability have remained largely unchanged. In 2018, Lithuania joined the OECD, a process which had motivated reforms to state-owned enterprises as well as to a

variety of regulatory and anti-corruption policies. However, power and authority remain centralized, and are often affected by intercoalition party politics. Citizens and other external stakeholders rarely take part in the processes of government. Despite numerous electoral pledges to undertake cost-benefit analyses, most major reforms are not accompanied by substantive impact assessments or stakeholder consultations. In particular, initiatives by members of parliament continue to be poorly prepared and lack proper impact assessments.

Key Challenges

Although the Lithuanian Farmers and Greens Union, the leading party in the governing coalition, has a relatively stable parliamentary group, it requires political backing from other parliamentary groups. The adoption of structural reforms and the 2020 budget demonstrated that the ruling majority was able to gather enough parliamentary support for major political decisions. However, the ruling majority lost its momentum toward the end of the 2016 – 2020 political term. The status quo is likely to continue until the next parliamentary elections scheduled for 2020.

To address key policy priorities (e.g., education, healthcare and innovation reforms), consensus between the government, president and parliament is needed. The commitment to increase defense spending to 2.5% of GDP by 2030 demonstrates that consensus can be achieved in the context of geopolitical tensions and confrontational parliamentary politics. Likewise, policy implementation and institutional reform must be prioritized. The successful development of a new liquefied-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. The process of OECD accession created incentives for the reform of state-owned enterprises, and led to additional emphasis on the prevention of corruption. While the Skvernelis government has pushed through several important reforms, most have yet to be implemented and enforced. It is doubtful whether the current government will be able to sustain this reform momentum in the context of the approaching 2020 elections. Instead, it has begun to issue frequent rhetorical pronouncements on issues of importance to voters (e.g., high inflation, low wages). This has further exposed the lack of impact assessments for new legislative initiatives, especially with regard to the parliamentary debates over the 2020 state budget for 2020 and related changes to the tax code.

Key challenges to long-term economic competitiveness include negative demographic trends, labor market deficiencies, inadequacies in education and healthcare systems, rising poverty and social exclusion rates, a lack of public trust, a lack of 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 feeble innovation. To address these challenges, Lithuanian authorities should continue reforming the labor market, the higher-education system, the country's social-inclusion policy and the 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 in this regard, the government must improve the national regulatory environment and increase business flexibility so as to reorient market activities. The performance of the country's schools and higher-education institutions should be improved through structural reforms, innovations in the public sector and institutional capacity-building.

After the public protests by school teachers at the end of 2018, the government established a special commission tasked with developing a strategy for making sustainable increases in the wages of public sector employees by 2025. This long-term strategy was announced in March 2019, proposing differentiated salary increases in various public sectors. It will be difficult to achieve these goals, given the low government expenditure as a share of GDP (33.1% in 2017, the second-lowest such value in the EU-28). Instead of pursuing further structural reforms in the country's public sector, the Skvernelis government intends to generate additional income for the state budget through a combination of (higher or new) taxes, as well as through additional revenue derived from economic growth. Renewed public protests by teachers, lecturers, doctors, fire fighters and members of other professions during the debates surrounding the 2020 state budget indicate growing pressure for wage increases. However, there is potential for more efficiency in the allocation of resources within these systems if structural reforms were to be implemented.

Although Lithuania's public finances are currently solid, fiscal challenges will 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 must be urgently addressed. A combination of government interventions is needed to mitigate these social problems, including general improvements to the business environment, effective active labor market measures, more flexible labor market regulation, improvements in education and training, and cash-based social assistance and other social services targeting vulnerable groups.

The EU's 2014 – 2020 financial-assistance program for Lithuania is expected to total about €13 billion. The key goal of the program is to promote economic competitiveness in Lithuania. This funding is meant to target economic sectors with high potential for growth, while avoiding the creation of market distortions and any funding of corruption. Lithuanian authorities should continue to improve the country's capacity to absorb these EU funds, while maintaining an orientation toward results when making these investments. In addition, the Lithuanian authorities should adequately prepare for the new (2021 – 2027) programming period, when EU investments in the country are likely to decrease by about 25% compared to the current period. Moreover, the rate of national co-financing will increase from 55% to 85%. These changes will generate increased fiscal pressure on the state budget from 2021 onward.

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

Party Polarization

According to the index of ideological polarization in party systems (Wagschal 2018), Lithuania had a medium-sized level of party polarization (4.31 out of 10) in 2018. Previous research found that the polarization and distrust between the two Lithuanian parliamentary blocs, the Homeland Union – Christian Democrats (conservatives) and the Social Democratic party, complicated the implementation of major policy reforms between 2008 and 2012. Additional efforts were often required to mobilize support within competing coalitions organized around conservatives and social democrats, making reforms more difficult.

Party polarization remains a major obstacle to finding cross-party agreements in policymaking. The fact that the Lithuanian Farmers and Greens Union became the leading party of the new governing coalition (with the Social Democratic Labor party) has not reduced the scope of divisive politics in the Seimas. On the one hand, the parliamentary group of the Lithuanian Farmers and Greens Union launched several politically motivated parliamentary inquiry commissions to scrutinize the performance of the government led by

conservative Prime Minister Andrius Kubilius during the financial crisis and its management (2008 – 2012). On the other hand, the parliamentary group of the conservatives did not support most of the incremental structural reforms initiated by the 2016 – 2020 government headed by Saulius Skvernelis, one of the leaders of the Lithuanian Farmers and Greens Union, with the exception of a reform of the state-forest management system. It appears that both parties often clash publicly on issues in order to mobilize their voters, reducing the space for potential cross-party agreement on long-term reforms. This type of conflictual behavior became increasingly visible during the 2019 election campaigns.

Despite confrontational politics in the Lithuanian parliament, all political parties represented in the Seimas (except the parliamentary group of the Social Democratic party) signed a new accord on guidelines for Lithuanian defense policy. This agreement foresees that government spending on defense will be gradually increased to reach at least 2.5% of GDP by 2030. This demonstrates that on some issues (e.g., national security) broad cross-party agreement can be mobilized. Similarly, no parliamentary party questions country's membership in the EU and NATO. (Score: 5)

Citation:

Vitalis Nakrošis, Ramūnas Vilpišauskas and Egidijus Barcevičius, Making change happen: policy dynamics in the adoption of major reforms in Lithuania, *Public Policy and Administration*, 34 (4), 2019, p. 431–452.

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 2020 Doing Business report, the World Bank ranked Lithuania at 11th place out of 190 countries. The country's position in this rating exceeded the target of 15th place set by the Skvernelis government after the parliamentary elections in late 2016. The criteria assessed most positively included registering property (ranked 4th), enforcing contracts (ranked 7th) and dealing with construction permits (ranked 10th). Meanwhile, resolving insolvency (ranked 89th) was assessed least positively, but the country is working on new insolvency legislation and flanking measures that should make the insolvency framework more effective in the next few years. Lithuania climbed three positions in the 2020 report, from 14th place out of 190 countries in 2019. This is attributable to the fact that obtaining electricity services was made simpler through the launch of an integrated digital application and a reduction in the cost of new connections, as well as to the fact that minority investor protections have been strengthened thanks to the clarification of ownership and oversight structures. In the Global Competitiveness Report 2019, the World Economic Forum ranked Lithuania at 39th place out of 141 countries, with the nation scoring particularly well with regard to its macroeconomic environment (ranked 1st) and ICT adoption (ranked 12th). Here, Lithuania gained one position in the 2019 report. These regulatory improvements have mostly resulted from the focused work of the Ministry of Economy and Innovation. After the formal expansion of the ruling coalition to include two additional parliamentary factions in mid-2019, several

new tax-introduction initiatives were added to the government agenda. This created significant uncertainty during the debates over the draft state budget for 2020, and led to complaints by the main business associations that the government had broken its agreement with social partners regarding the stability of the tax regime.

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. Recent increases in energy prices and increasing wages in the labor market have made it more difficult for Lithuanian companies to maintain their competitiveness, in particular under the relatively restrictive labor-immigration regime. Further infrastructural integration projects – including the construction of links between the Baltic states' electricity systems and those of Central Europe through Poland, withdrawal from BRELL (the Russian-managed electricity grid) by 2025, and the construction of a natural-gas connection to Poland by 2021 – are high on the agenda of the current government.

The Skvernelis government was also able to push through a few important reforms, including changes to the tax system and the second pillar of the pension system. Although reducing the overall tax burden on labor will have a negative short-term effect on state and municipal revenues, the implementation of these structural reforms was expected to increase the annual GDP growth rate by an average of 0.3% between 2019 and 2030 (assuming the reforms are in fact implemented). However, as noted above, some of these reform decisions, including the reduction of the tax burden on labor, have already been revised or delayed; this stems from proposals by newly elected President Gitanas Nausėda to fund his proposal for old-age pension increases by increasing taxes, as well as proposals by some coalition partners to impose additional taxes on financial institutions such as banks in order to increase child benefits and other budgetary expenditures. Many analysts and business representatives criticized the process of debating tax-code changes during the 2020 budget process as chaotic.

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 with regard to doing business in the country, according to surveyed business

executives. In the Global Competitiveness Report 2019, the World Economic Forum ranked Lithuania at 85th place out of 141 countries with regard to the burdens imposed by government regulation, and 91st with regard to the efficiency of the legal framework in challenging regulations. Additional efforts are necessary to promote Lithuania's transition to a circular economy, as the country's economy remains very resource-inefficient, with landfill remaining the cheapest way of treating industrial waste.

Citation:

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Labor Markets

Labor Market
Policy
Score: 7

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, a mismatch between labor supply and market demand 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 some sectors of the economy, posing an increasing challenge in the tight labor market. In its 2019 report, the European Commission noted a number of challenges as a shrinking labor force, skills shortages and territorial disparities.

In the Global Competitiveness Report 2019, Lithuania was ranked highest with regard to the flexibility provided in determining wages (ranked 5th out of 141 countries). However, rules for hiring foreign labor were considered very restrictive (ranked 112th out of 141 countries), and the reported noted that the tax system has a very negative effect on incentives to work (ranked 131st out of 141 countries). Implementation of the new Labor Code has made hiring-and-firing practices more flexible, thus improving the country's position in this area (59th out of 141 countries in 2019).

In recent years, the minimum wage has been increased a number of times by the previous and current governments. The minimum monthly wage is set to increase from €55 to €607 (before taxes) beginning in 2020. The council decided depoliticizing 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, from 7.9% in 2016 to 7.1% in 2017 and again to 6.4% in 2018, and are expected to continue declining in the future. 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. It should be noted that according to Eurostat, in the third quarter of 2018, the growth in hourly labor costs compared to the same period a year ago was 10.7%, among the highest such rate in the EU-28 (EU average growth being 2.7%). The IMF staff concluded in November 2019 that "raising productivity via structural reforms is crucial to sustain high wage growth going forward."

Citation:

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Taxes

Tax Policy
Score: 8

Lithuania has one of the lowest tax-to-GDP ratios in the EU, with tax revenues (without social contributions) being just 29.5% of GDP in 2017 (compared with an EU average of 39.0%). A significant share of government revenue is generated from indirect taxes, especially the value-added tax (VAT), which remains relatively high at 21% (increased from 18% during the financial crisis a decade ago), while environmental and property taxes are relatively low. Taxes on labor (personal income tax and social security contributions), which combined are above the average tax burden on labor in the EU, 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. In its 2019 report, the European Commission recommended improving tax compliance and broadening the tax base to include sources less detrimental to growth, which would in turn allow the government to address income inequality, poverty and social exclusion.

Although Lithuania's 2019 budget was expected to include a small surplus, the IMF warned in November 2019 of several fiscal risks. On the one hand, it noted the risk of revenues failing to keep up with output growth; on the other, it cited risks associated with higher wage bills and social spending, especially with regard to poorly targeted child benefits, which are projected to increase further in 2020 (the year of the parliamentary elections). Potential tax revenues are still influenced by the country's significant shadow economy, extensive tax avoidance, and insufficient structural reforms in the education and healthcare sectors (where budgetary resources are dispersed across many public sector organizations despite the declining population). An improvement in VAT and excise-tax collection has been noted in recent years; this is attributed partially to improvements in tax administration and partially to a reduction in fuel and tobacco-product smuggling from Russia's Kaliningrad region and Belarus (due to the general decline in trade with Russia).

Thus, on the one hand, the tax system's ability to effect redistribution is relatively small in Lithuania. Employees in the education, healthcare, fire-fighting and other sectors, many of whom took part in public demonstrations in autumn 2019, say these sectors are underfunded. On the other hand, the State Audit office and analysts have pointed out that unreformed education and healthcare institutions use budgetary resources inefficiently; for example, there is considerable potential for savings in public procurements, and other opportunities to free up financial resources by improving these institutions rather than by increasing taxes. As noted by the IMF, "in health and education, the upfront wage increases have not been complemented by other critical, but socially sensitive, reform areas. The systems remain oversized at the cost of lower quality, hindering the efforts to boost productivity and competitiveness."

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 capital, while specific groups such as farmers and lawyers benefit from tax exemptions. Previous governments have reduced the number of exemptions provided 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% beginning on 1 July 2017, and will gradually introduce a progressive cap for employers' contributions.

The Ministry of Finance proposed in 2019 to reduce the property value at which the property tax of 0.5% must be paid to €100,000 rather than €20,000, which could have generated an extra €8 million a year for the state budget. However, following parliamentary debate, the threshold value was instead set at €150,000. Newly elected President Gitanas Nausėda announced a package of proposals for the parliament's 2019 autumn session that included increases in taxes on income sources other than regular employment (including self-employment, capital gains and dividends), cuts in the exemptions on diesel-fuel taxes provided to farmers, and delays in planned increases to the thresholds for tax-exempt income. Adoption of these proposals was forecast to generate around €100 million of revenue for the additional old-age pension increases that are part of the president's new welfare-state agenda. However, although the parliament eventually adopted the president's proposal to increase pensions (beginning in mid-2020) and slow down the reduction of the tax burden on low- and medium-wage earners, it watered down most of his tax proposals, instead introducing a tax on vehicles and increasing the tax on financial-institution profits from 15% to 20%. President Nausėda's proposal to reduce tax exemptions for farmers was largely weakened by parliament after public protests by farmers.

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. However, there is a flat income-tax rate of 15%. 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 income-tax threshold will grow more slowly in 2020 than in the previously adopted plan, and is expected to reach €350 per month. In 2018, the Lithuanian parliament adopted changes to the individual income-tax system that took effect in 2019. The main goals of the reform were to ease the overall tax burden on labor, in particular for low- and medium-wage earners, and to make the social security contribution system more transparent (by assigning responsibility for paying social security contributions to employees rather than employers). To compensate employees for this shift in the tax burden, gross salaries were recalculated by 28.9%. Furthermore, ceilings for social security contributions are applied to incomes exceeding a threshold beginning in 2019. Also, a shift from a single personal-income-tax rate (15%) to a progressive income-tax system was implemented. The standard rate of 20% is applied for employment-related income up to the ceiling for social security contributions, while income exceeding that ceiling was made subject to a higher rate (27%). The latter rate was further increased to 32% for the highest income earners with the adoption of the 2020 budget. This increase in progressivity will

effectively eliminate the benefits associated with the ceilings on high income earners' social security contributions.

Thus, in terms of equity, there remain a number of exemptions for particular groups and professions in terms of income-tax rates, while the progressivity of income taxes and social contributions has been increased.

With regard to the competitiveness of Lithuania's tax environment, tax rates themselves – for example, the standard tax on profits of 15% – are not the primary challenge to businesses. Rather, the frequent changes to the tax code are a greater concern. Changes to tax rules are usually initiated when elections approach or when there are changes in ruling coalition. After it introduced its changes to labor taxes and social security contributions in 2018, the current ruling coalition signed an agreement with the social partners committing itself not to introduce any new legislative changes in this area through the end of its term in 2020. However, following the presidential elections in 2019 and the enlargement of the composition of ruling coalition, new initiatives emerged. Some of these legislative proposals, such as introduction of a new turnover tax on large retailers, were eventually abandoned, but others such as the higher profit-tax rate of 20% on financial institutions were adopted.

Thus, although tax rates for business are relatively competitive, the frequency of tax-code amendments creates uncertainty. In addition, the tax administration system could be further improved. As noted by the IMF, “Lithuania struggles to find the right balance between increasing demands for better public services and a competitive tax environment to attract investment.”

The IMF has also recommended that environmental taxes be increased. There has been an ongoing debate on taxing polluting cars in Lithuania, as the country has the EU's lowest taxes on transport. In autumn 2019, a draft bill on this issue was prepared by the government, but was eventually amended in parliament to delete the term “pollution” from the title. The law introduces a tax linked to the vehicle-registration process, and was adopted with the 2020 state budget. The tax varies from €13.5 to €40 depending on the type of vehicle and quantity of emissions produced, and it slated to enter into force in mid-2020. However, it has been criticized for being linked to the registration of the vehicle at the time of purchase, as this might create incentives for current owners of heavily polluting older vehicles to continue using them as long as possible. In addition, vehicles weighing more than 3.5 tons have been exempted from this tax, leading to accusations of additional tax exemptions for farmers. Thus, the excise tax on fuel currently remains the primary tax aimed at reducing pollution (although this also contains exemptions for farmers). The

ruling coalition has also reallocated money from climate-change programs to fund wage increases for some public sector professions.

Thus, the current taxation system fails to promote ecological sustainability, at least in terms of taxing emissions.

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 was around 0.5% during the 2017 – 2019 period, decreasing slightly to 0.4% in 2019 due to the reforms passed in the middle of 2018. Government debt also expanded during the crisis, reaching 39.8% of GDP in 2012 (from a pre-crisis low of 16% in 2008). This measure is projected to stabilize around 37% to 38% of GDP over the coming years. In November 2019, the IMF observed that “the small surplus projected for 2019 will fall short of the budget [forecasts] due to revenues that have not kept up with output growth and a higher wage bill and social spending, especially poorly targeted child benefits. With growth exceeding expectations and higher than last year, fiscal policy in 2019 is unnecessarily pro-cyclical.”

Despite 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 expenditures related to an aging population, a relatively restrictive immigration regime, and the vulnerability of the country's 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. The government is also revising the state budgeting system, with the purpose of extending the time horizon for budgeting and strengthening the link between expenditure and overall economic policy.

Spending pressures are increasing, as evidenced by the significant autumn 2019 street protests launched by public sector employees during the debates over the 2020 draft budget. However, it has proved difficult to increase total tax revenues. The tax reform that came into effect in 2019 somewhat reduced government revenues due to the easing of the overall tax burden on labor, though this was partially delayed in late 2019 in order to compensate for the increases in social spending planned for 2020, in particular with regard to old-age pensions and child benefits.

The government's initial draft 2020 budget sought to increase alcohol, tobacco and fuel excises; expand real-estate taxation; and introduce new taxes on cars and retail chains. This draft projected a deficit of €1.1 billion, although the general government balance was otherwise expected to show a surplus of 0.2% of GDP in 2020. The IMF considered the draft's projections to be based on overly optimistic revenue projections. In the end, the Lithuanian parliament rejected some of these taxes, dropping the retail-chain tax altogether, while increasing the tax on financial-institution profits. It additionally postponed their others' entry into force until mid-2020, thus reducing projected revenues by around €95 million, and further increasing the tension between planned revenue and projected spending increases, some of which were added as a result of the public protests. The tendency to water down planned tax increases and increase spending can be largely attributed to the influence of the forthcoming parliamentary elections in autumn 2020. As concluded by the IMF, domestic risks are related "to upcoming parliamentary elections next year, and the lack of progress in structural reforms. External risks are related to uncertainty surrounding trade tensions, Brexit and the European Commission's Mobility Package, with the latter having a potentially large impact on the recently booming transportation sector."

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf
Commission Autumn 2018 economic forecasts – Lithuania: <https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin>
IMF staff concludes visit to the Republic of Lithuania, November 21, 2019: https://www.imf.org/en/News/Articles/2019/11/21/IMF-Staff-Concludes-Visit-to-the-Republic-of-Lithuania_forecast_autumn_081018_lt_en.pdf

Research, Innovation and Infrastructure

R&I Policy
Score: 6

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. The country was ranked 40 out of 126 countries assessed in the 2018 Global Innovation Index. The country has set an ambitious target of spending 1.9% of GDP on R&D by 2020. In 2017, Lithuania's R&D investment was 0.9% of GDP. Moreover, the share of this sum spent by the business sector was very low (totaling just 0.3% of GDP in 2017), 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. Although some sectors of the Lithuanian economy are export-oriented and have strong potential for growth, Lithuanian industry is in general dominated by low- and medium-low-level manufacturing sectors, and Lithuanian enterprises remain only weakly integrated into global value chains. 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 still an obstacle to research and innovation, while the existing system of innovation governance is rather complex, with limited synergies between the several implementing agencies and support schemes. Due to the lack of funding and the rules for calculating the salaries of scholars participating in EU-funded programs such as Horizon 2020, incentives to apply to such programs are weak. In its 2019 staff working document, the European Commission recommended the development of a coherent policy framework supporting science-business cooperation, and the

consolidation of the various agencies that oversee research and innovation policies in Lithuania.

The 2012 – 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, after intense lobbying by representatives of the existing universities, the initial plan was amended, and the government's ambitions of reducing the overall number of higher-education institutions were scaled back and delayed. By the end of 2019, the implementation of the optimization plan had produced results only in the city of Kaunas (in terms of absorbing the Lithuanian University of Educational Sciences and the Aleksandras Stulginskis University into the Vytautas Magnus University). Further consolidation of funding and staff is unlikely before the next parliamentary elections in 2020. In 2018, the Skvernelis government significantly increased the size of stipends for PhD students, with the goal of attracting more young researchers into the R&I ecosystem. Furthermore, as part of its structural-reform program, the current government has focused on innovation, successfully promoting the growth of new and innovative companies in the Lithuanian market. Virginijus Sinkevičius, who led this reform as the minister for economy and innovation in the Lithuanian government, was nominated to serve on the 2019 – 2024 European Commission.

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 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf
Global Innovation Index 2018 Report: <https://www.globalinnovationindex.org/gii-2018-report#>

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

Stabilizing
Global Financial
System
Score: 8

Global Financial System

Lithuanian authorities contribute to improving financial-market regulation and supervision. Lithuania joined the euro area 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 setup by the European Council, the European Commission, the ESRB's Advisory Technical Committee and other European supervisory authorities. Lithuanian authorities support inclusive euro zone decision-making, which includes EU members that are not members of the euro area, as well as further completion of the banking union.

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 EU'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 EU. This would increase competition in a banking sector heavily dominated by Nordic banks, where the largest three make up 86% of the total banking sector. Lithuania is regarded as having one of the world's most highly developed fintech-sector regulatory frameworks. Recently, the Bank of Lithuania initiated debates on making Lithuania a center of excellence for anti-money laundering activities. MONEYVAL assessed the bank in early 2019 as a supervisor that proactively implements anti-money-laundering measures.

Citation:

The Bank of Lithuania, February 11, 2019: <https://www.lb.lt/en/news/bank-of-lithuania-acknowledged-as-a-supervisor-that-proactively-implements-anti-money-laundering-measures>

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 (58.7% in 2016). Its rate of early school leaving is also below the EU average, at 5.4% in 2016. 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. According to the most recent PISA report, released in early December 2019, Lithuania's students continued to score lower than the OECD average in the areas of reading, mathematics and science. In addition, the share of students in Lithuania performing at the highest level of proficiency in at least in one subject was lower than 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 13.3% in 2017 was partly associated with young people's insufficient skills and lack of practical experience. In a staff working document, the European Commission recommended improving quality and efficiency at all levels of education and training, including adult education.

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. Spending on education in Lithuania has been above the EU average (5.2% of GDP in 2016 compared to an EU average of 4.7%; down from 5.8% of GDP in 2012). However, this expenditure is spread across a large number of institutions, and is often used to maintain buildings instead of to improve education quality. The average salary of a researcher in Lithuania is four times lower the EU average (adjusted for purchasing power). While the country has a relatively high figure with regard to mean years of schooling (Lithuania was ranked 10th out of 141 countries in the Global Competitiveness Index 2019 in this area), it is relatively difficult to find skilled employees (in the same report, Lithuania was ranked only 124th out of 141 countries in this area). Therefore, Lithuanian authorities should improve the labor market relevance of education and training in order to increase the efficiency of resource allocation.

The total number of school graduates declined significantly in recent years due to demographic changes, from around 29,500 in 2010 to 17,800 in 2018 and estimated to decline further to 14,700 in 2022 – a reduction by half compared to 2010. 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 the network of higher-education institutions, especially among less popular institutions. For example, in 2016, there were an estimated 2.9 higher-education institutions per 10,000 students in Lithuania, while there were 1.2 per 10,000 students in Finland and 1.1 in Ireland. In addition, more than 50 (out of 614) study programs in Lithuanian universities and colleges failed to attract enough student applications, and thus may be abolished in the future. Although this has led to proposals to consolidate the network of Lithuanian state universities, and vocational education and training institutions, progress in implementing this reform has been slow. The Skvernelis government has recently shifted its initial focus on introducing free undergraduate studies and performance-based funding to concentrate instead on higher-education

institutions. The strongest driver for the optimization the higher-education system is likely to come from declining graduate numbers, higher university-entry thresholds and a new performance-linked funding model (if this winds up being adopted by parliament). However, public protests by teachers and lecturers have also increased pressure to allocate more funding for employee wages, which would not increase the efficiency of the system. With parliamentary elections scheduled for October 2020, it seems unlikely that any major reforms will be adopted by the current government.

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 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf
The 2019 Global Competitiveness Report of the World Economic Forum: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.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
OECD, Education in Lithuania, 2017. http://www.oecd-ilibrary.org/education/education-in-lithuania_9789264281486-en;jsessionid=8scv3cpilndh.x-oecd-live-03
OECD, Results from PISA 2018, http://www.oecd.org/pisa/publications/PISA2018_CN_LTU.pdf

Social Inclusion

Social Inclusion
Policy
Score: 6

The issue of social exclusion is a key challenge for Lithuania's social policy. In 2016, 30.1% of the Lithuanian population was at risk of poverty and social exclusion. 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). Although the number of persons at risk of poverty or social exclusion has declined somewhat, Lithuania still remains below its national target; in 2017, around 843,000 people were at risk of poverty or social exclusion (29.6% of the total population). Lithuania remains one of the most unequal countries in the EU, which is partially due to the limited ability of the existing social transfers to reduce poverty. Therefore, in its 2019 staff working document, the European Commission recommended addressing income inequality, poverty and social exclusion.

As anti-poverty measures, the government has increased the minimum monthly wage and the boosted the nontaxable income-tax threshold. In 2018, the Skvernelis government announced a series of social-policy measures that entailed additional funding of €483 million targeting pensioners, children and low-income families. Gitanas Nausėda, the newly elected president, recently

announced a package of proposals for the parliament's autumn 2019 session that included around €100 million in additional social security spending (mostly earmarked for pension and disability-benefit increases). Most of these were adopted by parliament along with the 2020 budget.

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. 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. However, as the country's economy has grown at rates above the EU average, a reversal of migration trends has recently been observed.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf

Health

Health Policy
Score: 7

In Lithuania, some health outcomes are among the poorest in the EU. For example, the mortality rate of 20 to 64 year olds is the highest in the EU. 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 healthcare as good in 2009, compared to an EU-27 average of 70%. The Lithuanian healthcare system received the seventh-lowest rating in the EU, with 58% of respondents saying that the overall quality of healthcare was fairly or very bad.

The Lithuanian healthcare 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. Government expenditure on healthcare was quite stable from 2012 to 2016, amounting to 5.8% of GDP in 2016. As a percentage of current healthcare expenditure, spending on preventive care and other related programs is quite low, while the share of spending on pharmaceuticals and other medical non-durables is quite high.

The provision of healthcare 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 healthcare services. Out-of-pocket payments remain high (in particular for pharmaceuticals), a fact that may reduce access to healthcare 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 expanded to support additional public health interventions.

The 2008 – 2012 government sought to improve service quality and cost efficiency by optimizing the network of personal healthcare organizations. The overall number of healthcare organizations was consequently reduced from 81 to 62 by the end of 2012. By contrast, the 2012 – 2016 and 2016 – 2020 governments placed more emphasis on the accessibility of healthcare services and the issue of public health. More specifically, the Skvernelis government reduced the availability of alcohol and tightened regulations on pharmaceuticals in the market. For instance, in 2017, the parliament increased excise duties on alcohol and passed amendments to the Alcohol Control Law (raising the legal age for alcohol consumption from 18 to 20), restricted the allowable hours of alcohol sales, and banned alcohol advertising. The National Health Insurance Fund has carried out an in-depth analysis of the hospital sector and developed a blueprint for consolidating the hospital network, the results of this work have not been published due to strong opposition to such reform in parliament. More recently, the Ministry of Healthcare has announced proposals for improving the provision of emergency services through collaborations between different service providers (involving local emergency services and large hospitals located in the major cities).

Despite this initiative, the potential for rationalizing the use of resources in the healthcare sector remains largely unfulfilled. There is a need to make the existing healthcare system more efficient by shifting resources from costly inpatient treatments to primary care, outpatient treatment and nursing care. According to the European Commission's 2019 report, the performance of the healthcare system could be improved by increasing the quality, affordability and efficiency of services, which would in turn improve health outcomes in the country.

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 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf
Murauskienė 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. According to the Flash Eurobarometer 470 released in October 2018, 47% of Lithuanian respondents indicated that there are no flexible work arrangements available in their organizations, compared to an EU-28 average of 31%. Interestingly, the rate of those indicating that flexible work arrangements were widespread was the same for both men and women. Nearly half of respondents (47%) disagreed that it was easier for women than for men to make use of such flexible work arrangements. However, more Lithuanians were taking parental leave (34%) than the EU-28 average (26%); 73% of Lithuanian women indicated taking parental leave compared to 30% of men. Among the factors that would encourage them to take parental leave, 51% of Lithuanian respondents preferred receiving additional financial compensation during parental leave (as compared to an EU-28 average of 41%).

The frequent instances of domestic violence, divorce and single-parent families also present challenges. The country's fertility rate is low, while the child poverty rate is relatively high. Notwithstanding, the employment rate among women aged 20 to 64 is relatively high: 74.3% compared to 76.2% for men in 2016.

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 childcare 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 childcare facilities.

Overall, family policy is quite fragmented and focused on families facing particular social risks (especially through the provision of financial support to families with children). More attention should be paid to developing universal family services (with NGO engagement). The program of the new coalition government gives substantial attention to family policy and includes proposals to enable parents to combine parenting and work as well as increases financial

benefits for families with children. Election cycles affect the policy significantly, with the coalition partners competing to propose the most generous benefits in advance of the 2020 elections. Ultimately, the government proposed and passed an increase in monthly child benefits from €50 to €60, to be paid after a child is born through the age of 18. Additional monthly benefits for families with disabilities and poor families will increase from €20 to €40. Payments to pregnant women who cannot get support from the state social-insurance fund due to insufficient length of employment will be increased from €76 to €250.

In April 2017, the government approved a proposal to increase financial incentives and services for young families and those having children. In November 2017, the controversial Law on the Strengthening of the Family was signed. 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. Also, a new strategy on demographic, migration and integration policy for 2018 to 2030 prioritizes the development of a family-friendly environment (through financial support to families and various public services) to increase the country's birth rate to 1.9 by 2030 (from a projected rate of 1.68 in 2017).

Citation:

European Commission, Flash Eurobarometer 470 Report on Work-Life Balance, October 2018: <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/flash/surveyky/2185>

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 ended in 2017. The Skvernelis government decided to allocate an additional €371.8 million for old-age pensions in 2018 and to reform the pension system by shifting responsibility for contributions to the state social security fund from employers to employees and by increasing contributions to private-savings pillars. Gitanas Nausėda, the newly elected president, recently announced a package

of proposals for the parliament's autumn 2019 session that included around €100 million of additional social security spending (mostly earmarked for increases in pensions and disability benefits). The parliament ultimately decided to increase old-age pensions in 2020 by around 8.11%, to create an average pension of €377 per month or €399 for those with a minimum required employment history. Other types of pensions are also set to increase.

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.

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.

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 pension is state financed, with an individual share dependent on social security contributions and financed from the Social Security Fund. Second, clear pension indexation rules link pension increases to average increases in the wage fund. Third, the mandatory period a person must work before qualifying for a pension is gradually increased from 30 to 35 years by 2027. These changes took effect in 2018.

The new coalition government led by the Lithuanian Farmers and Greens Union proposed going beyond consolidating the state budget and social security fund to reforming both the PAYG and private-savings pillars. On the basis of these proposals, the parliament adopted changes to the legislation governing the second pillar of the pension system in 2018. The reform abandoned the system whereby the State Social Insurance Fund Board transferred 2% of the social-insurance contributions into the second-pillar pension funds. Instead, a new formula (4% + 2%) for pension accumulation was established. This means that pension-fund contributions comprise 4% of the participant's personal income and 2% of the national average salary as a supplementary contribution paid out of the state budget. The Constitutional Court has been called to rule on the legality of the second-pillar pension reform.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf

Integration

Integration Policy
Score: 7

Lithuania remains a rather homogeneous society. According to the Department of Migration, there were 66,881 foreign-born residents living in the country on 1 July 2019, the majority of which were citizens of Ukraine, Russia or Belarus. In total, foreign nationals represented around 2.4% of the country's population. Immigration of foreign nationals to Lithuania remains rare but is increasing year by year. For instance, from mid-2018 to mid-2019, there was a net increase of 23% in the number of foreign-born residents living in Lithuania. As part of the EU program to distribute asylum-seekers among member states, Lithuania committed to taking in 1,105 people over the course of two years, but this quota was later reduced to 1,077 people and extended to 1 October 2019. By late September 2018, 486 refugees had been relocated to Lithuania from Italy, Greece and Turkey. However, the majority of refugees have left Lithuania for Sweden, Germany or other EU destinations. In November 2019, five people who received asylum and 137 who had applied for asylum were living in refugee reception centers. A total of 192 people who had been granted asylum and 154 who had been reallocated from other EU countries were participating in municipality integration programs.

Most foreigners come to Lithuania from either Ukraine or Belarus, both former republics of the Soviet Union. For this reason, their integration into Lithuanian society has not been very difficult, with most taking up jobs in sectors suffering a labor shortage, such as truck driving or construction.

However, the fact that the majority of new asylum-seekers are likely to come from Syria, Iraq or Eritrea presents 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

Internal Security
Policy
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 share of Lithuanians who reported crime, violence and vandalism in their community declined from 5.0% in 2012 to 3.4% in 2016. The country continues to have a high number of intentional homicides by EU standards, but this rate went down from 6.03 homicides per hundred thousand inhabitants in 2012 to 4.92 in 2016.

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 (66%) was recorded in December 2018, while 60% indicated that they trusted the country's military forces, according to a Vilmorus survey. In its 2018 report, the World Economic Forum ranked Lithuania 24 out of 140 countries 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 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. The 2019 budget projected an increase in defense spending to reach 2% of GDP. The 2019 budget also included measures to increase funding for internal-security institutions.

Citation:

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

Global Inequalities

Global Social
Policy
Score: 7

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 0.12% of GNI in 2018 – a decrease from 0.13% in 2017 and 0.14% in 2016. In absolute terms, development aid increased slightly from €1.6 million in 2016 to €2.55 million in 2017 and €5.5 million in 2018, of which about 18% was bilateral and around 82% multilateral assistance. 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. It should be noted that according to the Eurobarometer survey released in September 2018, the share of respondents who report that helping people in developing countries is very important was among the lowest in the EU-28: 21% compared to the EU-28 average of 42%. Only 29% of Lithuanian respondents agreed that tackling poverty in developing countries should be one of the main national priorities (compared to an EU-28 average of 54%) and 54% agreed that it should be one of the main priorities of the EU (compared to a EU-28 average of 71%).

As a member of the EU, Lithuania is bound by the provisions of the EU's common policy toward external trade. Although the EU 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 EU'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 EU'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; <https://orangeprojects.lt/en/statistics>;
OECD, Lithuania's Official Development Assistance (ODA), 2016: <http://www.oecd.org/countries/lithuania/lithuania-official-development-assistance.htm>.
European Commission, Special Eurobarometer 476 Report EU citizens and development cooperation, September 2018, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/special/surveyky/2202>

Elsig, M., "European Union trade policy after enlargement: larger crowds, shifting priorities and informal decision-making," *Journal of European Public Policy*, 17:6, September 2010, p. 781-798.

III. Environmental Policies

Environment

Environmental
Policy
Score: 7

Lithuania's environmental performance varies significantly by sector. The country's energy intensity is above the EU average, with the residential-housing sector and the transport sector being particularly energy-inefficient. Lithuania lacks ambitious greenhouse-gas emission targets, with its binding EU target being a reduction of only 9% (compared to that of 30% in the EU). In addition, since emissions in the country are forecast to rise by 6% by 2030 as a baseline compared to the level of 2005, significant efforts will be necessary to meet the national climate and energy goals. Since taxes on transport are the lowest in the EU in the country, Lithuanian authorities have proposed taxing polluting cars. The Ministry of Environment announced the possibility of imposing €20 in tax per vehicle emitting over 130g/km. However, this was transformed into a vehicle-registration tax during the debates over the 2020 budget. Thus, fiscal needs were prioritized over environmental objectives. This was also visible in the decision to reallocate funds from the country's climate-change program to other budget programs, mostly in response to public protests by teachers, lecturers, doctors and other professions demanding wage increases in 2020.

The proportion of energy produced from renewable sources in Lithuania reached 25.8% in 2017, above the country's Europe 2020 target of 23%. The heating sector, where the share of renewables reached 46.5%, largely contributed to this achievement. In terms of the overall share of renewables in domestic energy production, Lithuania is second after Denmark due to expanding solar- and wind-energy capacities. The National Energy Strategy includes further regulatory and financial incentives for the use of wind and solar energy, with the goal of having all domestic production of energy be based on renewables by 2050.

Water-supply and sewage infrastructure has improved substantially over the years thanks to the use of EU structural funds. However, the provision of adequate connections to the public water supply still remains a challenge in some areas. 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.

In the Environmental Performance Index 2018, Lithuania ranked 29th out of 180 countries, with the best rankings in the areas of agriculture, biodiversity and habitat, and ecosystem vitality, and the worst ranking in the category of forests (119th). 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. A popular initiative to expand a natural reserve in the pinewood of Punia was reversed by a new minister for the environment seeking to protect the interests of foresters, hunters and local inhabitants. Inadequate legislation and ineffective enforcement in the field of pollution control failed to prevent substantial damage to the environment when a major fire broke out in a tire-recycling facility in Alytus in October 2019. The country's municipal-waste recycling rate reached 48.1% in 2017, which is still below the EU average. Infrastructure for waste sorting and recycling is insufficiently developed, and most nonhazardous waste is disposed of in landfills. Landfills remain the predominant means of disposing of waste in Lithuania, as this is the cheapest option for municipal-waste management. Additional investment will be necessary to meet new EU recycling targets for different waste streams in the future.

To sum up, while the goals of environmental policy are ambitious, particularly with regard to the expansion of renewable energy capacities, related policies are not implemented consistently. This is clearly illustrated by the outcome of the planned tax on polluting vehicles and the plans to reallocate money from the climate-change program illustrate. Thus, there is considerable potential to integrate environmental concerns better across relevant policy sectors.

Citation:

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019: https://ec.europa.eu/info/sites/info/files/file_import/2019-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
Environmental Performance Index 2018, <https://epi.envirocenter.yale.edu/sites/default/files/2018-ltu.pdf>

Global Environmental Protection

Global
Environmental
Policy
Score: 6

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 EU 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. In recent years, concerns about the safety of the Astravyets nuclear-power plant, currently under construction in neighboring Belarus, have become an important issue. Lithuania has outlawed the use of electricity derived from Belarusian nuclear-power plants, and is trying to dissuade other Baltic countries from buying it. The appointment of Virginijus Sinkevičius as the commissioner responsible for the environment, oceans and fisheries in the 2019 – 2024 European Commission may boost Lithuania's efforts to strengthen environmental protection at the EU level, or at least place greater attention on environmental issues in the country's public debates.

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 2016 parliamentary elections and 2019 presidential elections. Independent candidates as well as party-affiliated candidates can stand for election. So-called public election committees, which can take part in the elections and compete with political parties, but face less demanding requirements for registration, have recently become, especially in municipal and European parliament elections.

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 dual citizenship. The court also ruled that the lifetime ban on standing for elected office on impeached former President Rolandas Paksas was disproportionate. However, this ban has not been lifted, as votes in 2015 and 2018 in the Lithuanian parliament on his electoral eligibility failed. As a consequence, Paksas was unable to run in the 2016 parliamentary elections or the 2019 presidential elections. Furthermore, although the process for candidate registration was assessed to be administratively inclusive during the 2019 presidential elections, there were no women among the registered candidates. Following these elections, the Organization for Security and Cooperation in Europe (OSCE) suggested removing restrictions barring people with dual citizenship from standing as candidates.

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. One major change involved the establishment of two additional

constituencies in Vilnius, where the number of voters has been constantly increasing. Since 18 single-candidate constituencies were no longer the required size due to ongoing demographic changes, the Central Electoral Commission announced another revision proposal in October 2019. This proposal involved the establishment of one additional constituency in Vilnius, and one constituency for Lithuanians living abroad, along with the abolishment of two rural constituencies. The decision to allow electoral committees to stand in municipal elections was a hotly debated issue during the 2015 and 2019 elections, as these committees are not regulated as tightly as political parties, and critics say their existence has contributed to the further decline of the already weak political parties.

Citation:

OSCE/ODIHR Election Assessment Mission Final Report on the 2019 presidential election in Lithuania, see <https://www.osce.org/odihr/elections/lithuania/433352?download=true>

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

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 Cooperation in Europe (OSCE), Lithuania’s media environment general demonstrated ample plurality of opinion during the 2016 parliamentary elections, with the freedom of expression generally respected. However, there were some controversies concerning interference with editorial independence. The OSCE similarly concluded that the “media provided extensive coverage, which enabled citizens to make an informed choice” after the country’s 2019 presidential elections.

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 airtime 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. After the 2019 presidential elections, the OSCE recommended reviewing the rules governing media conduct during electoral campaigns, with the aim of clearly distinguishing paid political advertising from other forms of campaign coverage. Currently, the vague definition of political advertising leaves space for arbitrary decisions, the organization indicated.

One of the rare recent controversies had to do with attempts in 2018 by the ruling Lithuanian Farmers and Greens Party to change the oversight of the state-funded Lithuanian Radio and Television – viewed by the analysts as an attempt to politicize its activities and influence the content of broadcasting (see also Media Freedom).

Citation:

OSCE/ODIHR Election Assessment Mission Final Report on the 2019 presidential election in Lithuania, see <https://www.osce.org/odihr/elections/lithuania/433352?download=true>

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

Voting and
Registration
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. Several 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. In the first round of the autumn 2012 parliamentary elections a vote-buying scandal led to the cancellation of results and a second ballot in two races. After the 2016 parliamentary elections, alleged cases of vote-buying in rural electoral districts emerged, leading to police investigations and the removal of one elected member of parliament from the party list. No such major cases of suspected vote-buying came to light during the 2019 municipal, presidential and European parliament elections.

Citation:

OSCE/ODIHR Election Assessment Mission Final Report on the 2019 presidential election in Lithuania, see <https://www.osce.org/odihr/elections/lithuania/433352?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. Attempts by the ruling parliamentary majority in 2018 to change state budget allocation rules to secure funding for the newly established Lithuanian Social Democratic and Labor party, part of the ruling parliamentary coalition, failed after the president vetoed the parliament's effort to borrow additional funds.

Campaign-finance regulations are detailed, and sanctions for violating the law were 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 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. Also, in November 2018, the Central Electoral Commission ruled that the Lithuanian Social Democratic party had seriously violated campaign-finance regulations by exceeding spending limit for political advertising during the 2016 parliamentary elections. As a penalty, regulators imposed a six-month suspension funding suspension on the party. The party announced that it would appeal the decision. A more recent controversy had to do with the attempt by one of the government coalition parties, Lithuanian Social Democratic Labor, to amend party-funding rules to allow it to benefit from state support despite the fact that it had not taken part in previous parliamentary elections as a separate party (after the elections, it split from the Lithuanian Social Democratic Party, with the latter leaving the

ruling coalition and moving to the opposition, and the former staying in the coalition).

Citation:

OSCE/ODIHR Election Assessment Mission Final Report on the 2019 presidential election in Lithuania, see <https://www.osce.org/odihr/elections/lithuania/433352?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 14 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). A referendum to amend the constitution to introduce dual citizenship was held in conjunction with the 2019 presidential elections, but this failed to attract the number of votes necessary to change the constitution. Today, to call a referendum, a total of 300,000 signatures of Lithuanian citizens with 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. 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. Private newspapers and independent broadcasters express a wide variety of views and freely criticize the government. Though the media's independence is generally respected by the incumbent government, there have been a few recent attempts to restrict media freedom.

In Reporters Without Borders' 2019 Press Freedom Index, Lithuania was ranked 30th out of 180 countries on the issue of press freedom, a rise of six positions compared to 2018. Despite this generally positive situation, court decisions and prosecutors' orders are sometimes a threat to media independence. The parliament (Seimas) is alleged to have meddled in the operations of the public broadcasting service, Lithuanian Radio and

Television, by setting up a special parliamentary inquiry commission to investigate the activities of the broadcaster. The commission found ineffective and opaque operations and suggested changes to the governance of the state-funded Lithuanian Radio and Television that could politicize appointments to its Council and a new Board whose establishment was proposed in the recommendations. The conclusions of the committee were not approved by the parliament during its plenary vote in November 2018, but new legislative proposals were later introduced to implement them. In September 2018, Lithuanian authorities discontinued the practice of providing free data from the Center of Registers for requests from journalists, but this decision was later reversed after reporters appealed to government officials. 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:

2019 WORLD PRESS FREEDOM INDEX, see <https://rsf.org/en/lithuania>

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; however, these media companies have continued to show serious, regular

violations of professional ethics, without being penalized. 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. Five groups of media companies (Delfi, 15min, Lietuvos rytas, Verslo žinios and Alfa) dominate the media market. In addition, although state and municipal institutions cannot legally act as producers, the Druskininkai municipality finances a newspaper that is freely distributed to locals 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. According to Transparency International's Vilnius office, about 25 Lithuanian politicians and civil servants have stakes in the country's media companies. Ramūnas Karbauskis, the co-leader of the ruling Lithuanian Farmers and Greens Union, sold his shares in the newspaper Ūkininko patarėjas. The population shows relatively low levels of trust in the media, with 35% of respondents indicating that they trust and 23% stating that they do not trust media organizations, according to an October 2019 survey by Vilmorus.

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>

Access to
Government
Information
Score: 9

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, 2016 and 2018, 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 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. In a 2019 Freedom House report, Lithuania was given a score of 1 out of 7 on the issue of civil liberties – the best possible score.

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-apklauso/>

Freedom House Report on Lithuania 2019, available at <https://freedomhouse.org/report/freedom-world/2019/lithuania>

Political Liberties
Score: 9

Lithuanian institutions generally respect the freedoms of assembly and association. In 2019, 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. A new labor code, which came into force in 2017, provided additional instruments for the organization of strikes.

Citation:

The 2019 freedom rating of Lithuania by the Freedom House is available at <https://freedomhouse.org/report/freedom-world/2019/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 (e.g., the small Roma population and 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.

Lithuania ranks 23rd in the European Union on the Gender Equality Index, with 55.5 out of 100 points. Between 2005 and 2017, there was little progress made toward greater gender equality. According to the European Institute of Gender Equality, Lithuania's scores are lower than the EU average almost in all domains, especially those of power (gender equality in decision-making positions across the political, economic and social spheres) and time (gender inequalities in the allocation of time spent doing care and domestic work and social activities).

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 2019 freedom rating of Lithuania by the Freedom House is available at <https://freedomhouse.org/report/freedom-world/2019/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>

The 2019 Gender Equality Index available at <https://eige.europa.eu/gender-equality-index/2019/LT>

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 2017 Worldwide Governance Indicators, Lithuania scored 81 out of 100 for rule of law, down from 82 in 2016. 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 the financial crisis in 2008 – 2009, when taxes were raised to increase budget receipts. Since that time, successive governments have put considerable focus on creating a stable and predictable legal business environment. The 2015 OECD report on regulatory policy in Lithuania recommended several measures to improve the regulatory environment for businesses. In addition, the serving coalition government pledged to introduce more predictable policies. However, in late 2019, business associations criticized the debates over potential new tax-code changes as being chaotic, and as violating a two-year-old agreement with the social partners in which the government had promised to ensure the stability of the tax regime.

Laws are often 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 as well as lack of adequate understanding of responsibility 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 Vilmorus opinion surveys, public trust in the courts is low. Between 2016 and 2018, these levels showed some modest increase, but an

October 2019 Vilmorus survey indicated renewed decrease to about 20%. This was associated with a major corruption probe in which numerous judges were alleged to have taken bribes during criminal proceedings. Public trust in the Constitutional Court is higher (34% in October 2019).

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 was ranked 53rd out of 141 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.

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The 2019 Global Competitiveness Report of the World Economic Forum:
http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.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 2017 Worldwide Governance Indicators, Lithuania scored 75 out of 100 on the issue of corruption control, down from 70 in 2016. In the Transparency International Corruption Perception index, Lithuania scored 59 out of 100, and was ranked 38th out of 180 countries in 2018, down from 32nd in 2015. In the new Index of Public Integrity, Lithuania was ranked 25th out of 105 countries overall, but only 85th out of 105 countries on the issue of budget transparency.

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 2016, measured by the Special Investigation Service based on surveys, the institutions viewed as most corrupt were hospitals, the parliament, the court system, local authorities and political parties. 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 benefited the corporation. The Special Investigation Service has also launched a high-profile corruption probe into the alleged illegal activities of 48 people (mostly judges and lawyers) suspected of various crimes involving around 110 individual criminal acts. Based on evidence collected during the pretrial investigation, judges may have both offered and been paid bribes ranging from €1,000 to €100,000 in exchange for favorable rulings, with the total amount of bribes amounting to €400,000 .

According to a 2019 World Economic Forum report, Lithuanian firms still perceive corruption as one of the most important problems for doing business in the country (with the country ranked 36th out of 141 countries in terms of the incidence of corruption). Since state and municipal institutions often inadequately estimate the risk of corruption, not all corruption causes and conditions are addressed in anti-corruption action plans. The European Commission has suggested that Lithuania develop a strategy to tackle informal payments in healthcare and improve the control of conflicts of interest declarations made by public officials.

At the end of 2018, the Lithuanian government created a new Commission for the Coordination of the Fight Against Corruption, which will provide a cross-institution forum to steer implementation and monitoring of the National Anti-Corruption Program. Lithuanian authorities also increased penalties for corruption-related crimes, linking these to the damage caused or benefits obtained from the illegal activities. The government recently approved the establishment of an institute for civil confiscation of assets as a means of preventing illegal enrichment (however, as of the time of writing, this controversial decision had yet to be approved by the parliament). President Nausėda devoted attention to the reduction of corruption by bringing public attention to the new initiatives and to good practices.

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://www.stt.lt/lt/menu/tyrimai-ir-analizes/?print=1>

The 2019 Global Competitiveness Report of the World Economic Forum: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.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 for Lithuania is available at <https://www.transparency.org/country/LTU>

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 – 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 – 2020 government developed guidelines and an action plan for restructuring the strategic-planning and budget-formulation system to focus more on results and ensure fiscal sustainability. A new draft law on strategic management is intended to regulate the results-oriented strategic-management system. Implementation of this legislation would reduce the number of strategic-planning documents from 290 to 100; however, many types of strategic-planning document would remain.

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. Although the 2016 to 2020 government was initially reluctant to employ this governance arrangement, after almost two years of putting Council activities on hold it decided to update its composition. It remains to be

seen if the Council will resume its role as the prime minister appears increasingly driven by pre-election incentives, disregarding strategic priorities.

More generally, though these strategic and advisory bodies take a long-term approach and offer viable policy solutions, their influence on governmental decision-making varies by policy 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, with strategic-planning documents and performance reports often playing little role in daily decision-making processes or the activities of street-level bureaucrats. The budget initiatives introduced by the new coalition parties and newly elected President Nausėda offer a clear example of how political changes and the approach of elections have driven fiscal and tax policies at the expense of strategic planning.

Expert 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 expert advisory groups (including the so-called Sunset Commission, which involved several independent experts). 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 Government Strategic Analysis Center tasked with generating new evidence for policymaking on the basis of information from the government's Research and Higher Education Monitoring and Analysis Center (MOSTA).

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. Some initiatives publicly discussed by the government in 2018 – 2019 (e.g., the introduction of vouchers for buying food from small retailers, or the relocation of the Ministry of Agriculture from Vilnius to Kaunas) were not accompanied by impact assessments.

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 efforts to exert quality control over draft legal acts. Overall, the Government Office has sectoral-policy expertise and evaluates important draft legal acts.

Over the last ten years, the development of evidence-based decision-making instruments (e.g., 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 policy 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.

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. In addition, a project-management standard has been developed to steer projects implemented by the government and its institutions.

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 Governmental European Union Commission continues to act as a government-level forum for discussing Lithuania's EU positions; made up of relevant vice-ministers and chaired by the minister of foreign affairs. Separately, a new commission established at the end of 2018 has been tasked with developing a strategy for sustainably increasing the wages of public sector employees through 2025. However, these coordination processes are often detached from the day's political agenda, and are not given much attention by ministers who are often driven by their party agendas; for example, this means that some policymakers show little interest in the EU agenda and its connection to Lithuania's national policies.

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 takes place at various levels of the administrative hierarchy: coordination at the civil-servant level is followed by that of ministerial representatives (junior ministers and ministerial chancellors) representing the ministries at the government level. The latter meetings, which had been initially discontinued under the Skvernelis government, were later reintroduced in the form of inter-institutional meetings after a change of the government chancellor.

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

Informal
Coordination
Score: 7

during the planning phase, but also during the implementation, monitoring and evaluation phases of the policy process.

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 or political level. Since the Skvernelis government decided at the end of 2018 to make all government meetings public (official government sessions had already been public before this decision), cabinet ministers have more frequently engaged in informal policy discussions.

Furthermore, the 2012 to 2016 government planned to develop a senior civil service stratum, 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. New civil service legislation adopted in 2018 did not establish a higher civil service. In addition, by making ministerial chancellors into political appointees, Lithuanian authorities have further politicized the ministry administrations.

Digitalization for
Interministerial
Coordination
Score: 8

Lithuanian authorities use digital technologies frequently and quite effectively to support interministerial coordination during policy development and monitoring. Various document management systems track the execution of activities set out in the Government Program's Action Plan and other documents, while the MIS (Monitoring Information System) supports the preparation of strategic (action) plans and budget programs. There are two systems and IT tools for monitoring the implementation of EU-financed and national interventions (the Structural Funds' MIS and MIS). Also, there is a special information system that enables online cooperation among state institutions and external stakeholders in the negotiation of EU legislation, while a new system for the coordination of systemic projects is under development within the framework of managing government priorities.

Although Lithuanian authorities rely strongly on IT systems during interministerial coordination, the application of collaborative knowledge management tools (e.g., shared spaces and collaborative learning) is underdeveloped. New IT solutions are being developed centralizing support services in a newly established National Center of Shared Services that will provide accounting and personnel management services to more than 100 institutions associated with the central government. Digital technologies do support policy coordination, but their potential is not exploited for jointly improving policy content during policy formulation, or to take corrective

management actions during policy-monitoring processes. Several new laboratories have been established (PolicyLAB and GovTech) that may promote the development of innovative digital solutions in the public sector.

Evidence-based Instruments

RIA Application
Score: 7

Although impact assessments became mandatory for draft government decisions in 2003, high-profile regulatory initiatives are in most cases not in fact subject to in-depth assessment. The OECD argued that impact assessment in Lithuania remains a largely formal exercise intended to justify choices that have already been made (with a strong preference for the regulatory option). The principle of proportionality, under which important legislative initiatives with far-reaching possible effects would be given more detailed impact assessments, is often ignored. Consequently, this instrument is generally disregarded by ministers and members of parliament.

The Lithuanian Farmers and Greens Union, the largest parliamentary party, pledged in its election program to conduct cost-benefit analyses for new initiatives. The same provision was repeated in the government's program. However, many controversial initiatives (e.g., the introduction of a voucher system, reform of the school-teacher pay model, a reduction in the number of members of parliament, and the relocation of the Ministry of Agriculture from Vilnius to Kaunas) were based not on ex ante impact assessments, but on a political desire to be popular. This demonstrates that the current government has continued the practice of ignoring the essential principle of proportionality when conducting (or not conducting) impact assessments for the most important initiatives.

To implement the recommendations of the OECD, the Ministry of Justice (in cooperation with the Government Office) developed an ex post assessment model that will be integrated into the lawmaking process. If this model is approved by the government and parliament, it will come into effect on 1 January 2020, requiring new assessments examining the application and functioning of regulations. Moreover, in response to a decline in the country's performance on the World Bank's regulatory quality indicator, Lithuanian authorities agreed on a number of measures designed to improve the policymaking process, streamline the impact-assessment process, and expand on- and offline consultations with stakeholders.

With the support of the European Social Fund, the government has created a Government Strategic Analysis Center using information provided by the Research and Higher Education Monitoring and Analysis Center (MOSTA), another government agency. According to its action plan, this entity will start

conducting impact assessments of top-priority legislative initiatives in 2020. Although these activities will increase the supply of impact assessments, it is doubtful whether externalizing RIA to a special government agency in this way will improve the relevance of RIA or its use in decision-making processes, particularly without adequate investment in the in-house analytical capacities of the Government Office or the sectoral ministries that are actually responsible for drafting policies.

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 principle of proportionality is not applied as major political initiatives are raised without proper impact assessments.

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. It remains to be seen whether the new Government Strategic Analysis (STRATA) will improve the quality of regulatory impact assessment in the country.

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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 to 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).

Quality of Ex
Post Evaluation
Score: 7

Government ministries sometimes evaluate the effectiveness and/or efficiency of public policies, but most evaluations are related to the use of EU funds; it is mandatory to evaluate the implementation of operational programs financed from EU structural and investment funds. For instance, 63 evaluations were performed during the programming period from 2007 to 2013. Many evaluations were executed during the 2014 to 2020 period. For instance, annual evaluation plans contain about 10 evaluations each year.

The implementation of recommendations derived from these evaluations is monitored on a regular basis, but a 2013 study revealed that only about 60% of all recommendations provided by evaluators had been implemented by Lithuanian ministries or other state institutions. This average rate of implementation was attributed to insufficient institutional and staff capacities in the administration; this in turn reduces the demand for evaluations, hinders quality-assurance efforts and limits the use of evaluation results. The administration has also showed limited progress in implementing State Audit Office recommendations.

Although Lithuanian authorities are also in theory supposed to assess the implementation of national budget programs, no such evaluations have been completed since 2016. This is in large part due to the ongoing restructuring of the strategic-planning and budget-formulation system. Although a new draft law on strategic management refers to the Strategic Planning Methodology in its sections on evaluation, it remains unclear how national evaluations will be conducted in the future.

Societal Consultation

Public
Consultation
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. However, at the end of 2019, the main business associations threatened to withdraw from the agreement, accusing the government of not respecting its commitment to safeguard the stability of the tax environment following the introduction of new tax-code changes alongside the 2020 budget. While a long-term strategy on salary increases for public sector employees was also announced in 2019, it will be difficult to implement this strategy without further structural reforms, which have stalled under the current ruling coalition.

The practice of prior consultation in developing regulations is mandated by the Law on the Basics of Legislation. Citizens can provide their feedback on draft laws by using the Legislative Information System, a feature on the parliament's website. However, during the 2014 – 2016 period, Lithuanian ministries failed to publish 98% of legislative initiatives in a way that would allow for citizen feedback. In addition, this procedure allows citizens to voice their opinions or concerns only during the last stage of lawmaking, when decisions have been already proposed by state institutions; moreover, the 10 – 15 days allowed for feedback are usually not sufficient for all stakeholder contributions.

Therefore, neither the scope of consultation with societal actors nor the time allocated to consultation is sufficient in Lithuania. The consultation process is usually limited to an exchange of information and positions, and the quality of feedback is often poor. For these reasons, a 2015 OECD report recommended that the country develop public-consultation guidelines. In response, the Government Office launched a large stakeholder-consultation project co-funded by the European Social Fund at the end of 2016. The project developed a public-consultation methodology and application guidelines, but it has not yet established the professional public-consultation standard that would be needed to bring societal consultation to a higher level. Moreover, use of the public-consultation feature on the E-Citizen platform (part of the Office of the Government's "My Government" webpage) has been rather slow to build momentum. In the period from 20 March 2014 to 16 July 2019, 55 public consultations were announced on E-Citizen, but only a few of these were executed in a professional and ultimately successful way. For instance, a public consultation on the Demographics, Migration and Integration Strategy for 2018 – 2030, which was jointly organized by the Office of the Government and the Ministry of Social Security and Labor, attracted a high number of citizen responses and provided useful feedback for the adoption of this strategy in parliament.

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: 5

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.

In a 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 dialogue across government and with non-state stakeholders, rather than primarily focusing on top-down communication.

On the whole, the government continues to lack a coherent communication policy today. While contradictory statements are rare, they do occur to varying degrees depending on the particular government and the elections calendar. The Skvernelis government, composed mostly of nonpartisan ministers (so-called professionals), has faced difficulties in coordinating its communications on policy priorities and reforms undertaken. This was particularly evident in 2018 and 2019 due to pending election campaigns, changes in the composition of the governing majority and preparations for the 2020 parliamentary elections.

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
Effectiveness
Score: 7

During the fast process of transition and accession to the EU, Lithuanian governments' narrow focus on this task produced a lag in policy implementation. The performance of the three most recent governments has

been mixed. Kubilius government 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 healthcare network and a restructuring of the energy sector. Although the Butkevičius government (2012 – 2016) 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 the structural reform of higher education and training, healthcare, and public administration. The Skvernelis government (formed in 2016) 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 as well as tax and pension reforms. It was able to achieve this progress despite its diminished parliamentary majority following a split within the Social Democratic party’s parliamentary group, but its effectiveness has declined toward the end of its political term. Coalition politics, shifting political attention, the conflicting strategies of various advocacy coalitions and weak political leadership frequently explain the government’s failure to implement major policy objectives. For example, the consolidation of higher-education institutions is deviating from the government’s initial plan, with a number of amendments made both during parliamentary deliberations and during actual implementation shifting the character of the reform. In addition, the Skvernelis government’s promising proclamations of healthcare reform have not been followed by the announcement of decisive blueprints for implementation. In the fall of 2019, the newly appointed minister of transport and communications dismissed the members of the board of the state-owned Lithuanian Post, and started inquiries into the activities of other state-owned companies; this risked a reversal of the efforts to depoliticize the management of state-owned companies during the country’s accession into the OECD.

The government should also continue improving the effectiveness and efficiency of its spending. In the World Bank’s 2017 Worldwide Governance Indicators, Lithuania scored 80 out of 100 for government effectiveness, down from 81 in 2016. In its 2019 report, the European Commission recommended improving the efficiency of public investment as a means of stimulating overall productivity growth in the country.

Citation:

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

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.

COMMISSION STAFF WORKING DOCUMENT, country report Lithuania 2019:
https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-lithuania_en.pdf

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. However, the current government, where most ministers are nonpartisan and whose selection was based on their professional record as well as support from the president, increasingly faced tensions due to disagreements among the prime minister, sectoral ministers, and members of the ruling Lithuanian Farmers and Greens Union parliamentary faction. This led to three ministers being sacked by the prime minister. An internal lack of agreement on draft policy proposals was reported to be one of the main reasons for delays in the implementation of some government-program measures in 2017 and 2018.

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 several recommendations, some of which were related to improving the monitoring of these institutions. However, the Sunset Commission ceased operating in 2016.

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 2018, the Congress of Local and Regional Authorities reported that the overall environment for local self-government in Lithuania was generally positive. However, its rapporteurs expressed a concern that despite the country's quick economic recovery from the financial crisis, and despite increases in local budgets, local authorities' financial resources were still not commensurate with their responsibilities. This limits municipalities' ability to deliver the services that are within their area of responsibility.

Constitutional
Discretion
Score: 6

Citation:

Congress of Local and Regional Authorities (2018). Local democracy in Lithuania, Report, CPL35(2018)02prov. Available at: <https://rm.coe.int/summary-of-reports-presented-at-the-35th-congress-session/16808ea978>

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. Furthermore, according to the Congress of Local and Regional Authorities, many legal regulations tend to restrict municipal autonomy and local authorities' ability to act independently.

Citation:

Congress of Local and Regional Authorities (2018). Local democracy in Lithuania, Report, CPL35(2018)02prov. Available at: <https://rm.coe.int/summary-of-reports-presented-at-the-35th-congress-session/16808ea978>

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 healthcare services. The Public Management Improvement Program aims at defining minimal-quality standards for various public functions such as healthcare, education and social services. 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. More specifically, the National Audit Office recommended improving the accessibility of personal healthcare services in Lithuania.

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

Effective
Regulatory
Enforcement
Score: 7

In the World Bank's 2017 Worldwide Governance Indicators, Lithuania scored 83 out of 100 for regulatory quality, down from 85 in 2016. A 2017 OECD report indicated mixed effectiveness in regulatory delivery efforts in Lithuania. Although food safety inspections were effective and in line with

best practices, compliance with occupational safety rules was problematic, and the regulation of fire safety was of concern. To improve the enforcement system in Lithuania, the report recommended gathering better data and conducting more analysis, paying more political attention to enforcement, improving risk assessment in enforcement activities, rethinking priorities, reallocating resources, and paying more attention to education and outreach.

The better-regulation policy of the Lithuanian government seeks to reduce administrative burden, manage risks better, fight corruption and move to compliance promotion. Regulatory reform momentum was strong at first but has slowed down considerably in recent years. No regulatory institution is named on the list of the most corrupt institutions in the country, though some corruption scandals involved a few regulatory agencies. For instance, in 2016 the Special Investigation Service called on the State Food and Veterinary Service to eliminate corruption after its food safety inspections had yielded no action against any food product deemed harmful to human health. In late 2018, the Ministry of Economy and Innovation released the first study of regulatory institutions' activities, assessing the methods and instruments used by institutions that regulate businesses. The study determined that 61% of institutions (33 out of 50) assessed were performing unsatisfactorily, with grades below 5.5 out of 10. Only two institutions, State Tax Inspection and State Labor Inspection, received grades above nine. In general, those institutions that mostly deal with regulating business activities performed better than those which have business regulation as only one of their activities. On the basis of these assessments, the Ministry of Economy and Innovation issued its recommendations on reducing administrative burdens for businesses. The current government also plans to merge some regulatory institutions, reducing their number from 55 to 47 by 2020.

In October 2019, a major fire broke out in a tire-recycling facility in Alytus, leading the town's authorities to declare a state of emergency. This case demonstrated the inadequacy of legislation and the lack of effective enforcement in the fields of pollution control and fire safety; as a consequence, substantial damage was done to the environment. Lithuanian authorities said they would investigate the case in order to make necessary legislative, policy and administrative changes.

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.

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

Ministry of Economy, Report of Regulatory Institutions December 2018, available so far only in Lithuania at <https://ukmin.lrv.lt/lt/veiklos-sritys/verslo-aplinka/verslo-prieziuros-politika/svieslente>

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, in the case of specific sectoral matters, decentralized to line ministries.

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. Lithuania absorbs EU investments relatively quickly. As much as 40% of EU payments were disbursed by 3 October 2019, compared to the EU-28 average of 35%. 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 from 2014 to 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 area resulted in an expansion in the role and capacities of the National Audit Office. Accession to the OECD in 2018 was expected to strengthen the quality of regulation and the efficacy of state-owned enterprises, but the autumn 2019 decision by a newly appointed minister of transport and communications to dismiss the board members of the state-owned Lithuanian Post indicated that there is some risk that these reforms will be reversed.

International
Coordination
Score: 7

Lithuania actively engages in international policy cooperation on behalf of democracy and market-economic systems, in particular by providing reform support to its eastern neighbors (the Eastern Partnership countries), 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's Global Forum on Transparency and Exchange of Information for Tax Purposes as well as 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. Lithuanian authorities have actively pushed the United Nations and other international organizations to refrain from recognizing Russia's occupation and annexation of Crimea and Sevastopol.

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 Astravyets, Belarus.

Citation:

Vilpišauskas, 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. The Ministry of the Interior has established a committee to monitor the implementation of the Public Government Improvement Program, which includes representatives from that ministry, the Government Office, and other key ministries and state institutions. However, these monitoring and review processes do not include representatives of the business community or civil society, or individual experts. Non-governmental actors used to participate in the activities of the Sunset Commission, but its mandate was not extended through the 2016 – 2020 government term. Also, 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. A uniform project-management standard introduced by the Skvernelis government for the governmental and ministerial levels provides for the establishment of a project monitoring group and the application of monitoring procedures during the implementation of projects.

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. With ascension into the OECD, better possibilities to benchmark Lithuania's public sector performance against other OECD members might maintain political attention on 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 Skvernelis government developed a new concept paper on the institutional setup of public administration, which proposed reducing the number of institutions by 15%. The government is not on track to achieve this target; according to the Ministry of the Interior, the number of these institutions (at both the central and local level) fell by only 2.6% from 2016 to 2017. Although there was more rationalization activity at the central level in 2018, the process of optimization has been very sluggish at the local level.

At the end of 2018, the government approved a set of reform guidelines for ministerial and agency administrations, which led to organizational restructuring in 2019. Although these reorganizations may improve Lithuanian ministries' policymaking focus, there is also a risk that another wave of administrative changes could add to institutional instability and staff turnover in the Lithuanian central government. Lithuanian authorities also decided to rename two government ministries: the Ministry of National Economy became the Ministry of Economy and Innovation after it took over responsibility for innovation (digital economy and IT infrastructure), while the Ministry of Education and Science added "Sport" to its name after gaining control over this policy field. President Nausėda has proposed reducing the overall number of Lithuanian ministries to 12, but this proposal is unlikely to be implemented before the 2020 parliamentary elections.

Citation:

Vidaus reikalų ministerija, 2017 metų viešojo sektoriaus ataskaita. Vilnius, 2018
https://vrm.lrv.lt/uploads/vrm/documents/files/LT_versija/Teisine_informacija/Tyrimai_ir_analizes/Analize/2017%20metu%20viesojo%20sektoriaus%20ataskaita.pdf

II. Executive Accountability

Citizens' Participatory Competence

Political
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. Therefore, citizens and other external stakeholders rarely engage in policymaking; indeed, less than one-third participate in solving public issues at the municipal level, according to data from the Lithuanian Ministry of the Interior.

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 the Ministry of the Interior: [vakokybe.vrm.lt/get.php?f.867](http://www.vakokybe.vrm.lt/get.php?f.867) 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.

Open
Government
Score: 7

There are several main reporting mechanisms on the overall performance of the government and its institutions. First, every year the government presents to the parliament an annual performance report where overall performance and performance in the policy areas of individual ministries as well as thematic areas are reported. Second, the Lithuanian government publishes quarterly, semi-annual or annual reports on the implementation of annual performance priorities. Third, every year the institutions that manage appropriations from the state budget publish their annual performance reports on the

implementation of strategic-performance plans (including budgetary programs) and the achievement of performance targets (i.e., outputs, outcomes and impacts). However, the National Audit Office found in its 2015 performance report that these government reports failed to include more than half of the outcome-level monitoring indicators whose targets were not achieved, and that information on unachieved outcomes was ambiguously reported. Also, reporting on the implementation of the 2015 priorities was incomplete, with less than half of all performance results presented by the government.

The scope of information presented in the annual performance reports of Lithuanian budgetary institutions is large, but they sometimes omit important information and lack a critical assessment of organizational performance. The Lithuanian government has committed to taking action to address the challenge of incomplete, selective and biased reporting.

A open-government data initiative is part of a national plan of information society development. The Ministry of Economy and Innovation launched the initiative during the 2008 to 2012 government term, when the potential of opening up government data was first recognized. Parts of the necessary infrastructure have been in place since implementation of the first EU directive on public sector information. For instance, the Information Society Development Committee created a preliminary open data portal (<http://opendata.gov.lt>) where information on available datasets is published. The Ministry of Transport and Communications intends to spend around €4 million on the development of an advanced open data portal. In order to exploit the opportunities presented by government data, government ministries and agencies are encouraged to open up data to the public. Despite a recent increase in the scope of government data published online, Lithuanian authorities should pursue a more experimental approach to discover how data can add value to the public sector, to society and to the economy.

Citation:

Valstybės kontrolė (2016). Programinio biudžeto sistema: strateginių veiklos planų sudarymas ir įgyvendinimo stebėseną, Nr. VA-P-60-2-17.

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. The large number of laws adopted undermines the quality of these laws. After President Nausėda vetoed two bills during his first two weeks in office, the president's team criticized the quality of laws adopted by the parliament.

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 often 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, who 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 engage 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

Task Area
Congruence
Score: 8

committees varies by specific committee and policy issue. However, the degree to which expert advice is actually integrated into the legislative process remains unclear, as there is no requirement for members of parliament to conduct impact assessments of their legislative proposals.

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 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 the exercise of the parliamentary oversight function remains insufficient, but the exact amount depends on the particular committee.

Citation:

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

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 television host, launched a weekly political discussion show, which attracted 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 July 2019, only 39.8% of respondents to a national survey stated they trusted the media.

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

Parties and Interest Associations

Intra-party
Decision-Making
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 2018, this party selected its candidate for president (Ingrida Šimonytė) during primary elections, which were open to members of the public in addition to 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, who won the party election, 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. Most of the party's serving members of parliament continued to support the Skvernelis government after forming the Social Democratic and Labor parliamentary group, and later establishing a new political party.

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 group 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
(Employers &
Unions)
Score: 6

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 2019, the University of Pennsylvania recognized the Lithuanian Free Market Institute as being among the most influential public policy centers in Central and Eastern Europe, ranking it 152th 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 as well as supports the capacity-building efforts of social partners.

Citation:
University of Pennsylvania. "2019 Global Go To Think Tanks."
https://repository.upenn.edu/cgi/viewcontent.cgi?article=1017&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.

Independent Supervisory Bodies

Audit Office
Score: 8

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. The National Audit Office also performs the functions of an independent fiscal institution, monitoring compliance with EU fiscal-policy norms. According to the OECD review released in 2019, this unique institutional setup, in which the independent fiscal institution is part of National Audit Office, results in several challenges; for instance, there is a lack of a clear public identity and a lack of operational independence, and the office has difficulties in recruiting and retaining senior staff members.

Over the last few years, 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. In its 2018 report to the parliament (Seimas), the National Audit Office reported that 60% of its recommendations have been implemented, 25% of its recommendations faced delays during implementation, and a remaining 15% of recommendations have not reached their implementation deadlines yet. The National Audit Office was ranked as the best state institution in 2016 by the Lithuanian journal Veidas due to its representation of state interests, competence and exceptional performance. Recently, the head of the National Audit Office criticized the centralized process of selecting civil servants (including those employed in the audit office), because this risked compromising the independence of the office's own activities.

Citation:

OECD Independent Fiscal Institutions Review, Lithuania's Fiscal Independent Institution, 2019, <https://www.oecd.org/gov/budgeting/lithuania-independent-fiscal-institutions-review-2019-en.pdf>

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. In 2017, these offices became accredited by the United Nations as a national institution of human rights matching the Paris principles. 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 remained high in recent years (the highest number of complaints, 1,805, was registered in 2014, with about half of complaints typically recognized as valid). 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, although most of the offices' recommendations are implemented (up to 95%), some state and municipal institutions are sometimes unwilling to take adequate action in response to the recommendations.

Citation:

LR Seimo kontrolierių įstaiga, Lietuvos Respublikos Seimo kontrolierių – Nacionalinės žmogaus teisių institucijos – 2017 metų veiklos ataskaita, 2018.

Data Protection
Authority
Score: 9

An independent and effective data protection authority exists in Lithuania. The State Data Protection Inspectorate is responsible for the supervision and control of enforcement of legal protections for personal data. The status of the government agency gives the agency the legal and policy independence necessary for making regulatory decisions. With experience exceeding 20 years and a staff of about 30, the agency has adequate capacities and resources to focus on the implementation of the General Data Protection Regulation that came into force in 2018. However, despite the allocation of two additional positions, the State Data Protection Inspectorate was unable to recruit new staff in 2017 due to a shortage of financial resources. In addition, some observers argue that the Inspectorate should provide more information and advisory services regarding the management of personal data in public sector organizations and business enterprises.

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