### Nations in Transit Ratings and Averaged Scores

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

Parliamentary elections in December 2012 swept the center-right Homeland Union–Lithuanian Christian Democrats (TS-LKD) from power and brought together a center-left ruling coalition between the formerly opposition Lithuanian Social Democratic Party (LSDP), the Labor Party (DP), the conservative Order and Justice Party (TT), and the Electoral Action of Poles in Lithuania (AWPL). Lithuania, which joined the European Union (EU) in 2004, took over the six-month presidency of the European Council (EC) in July 2013. Having suffered serious losses during the global economic downturn, in 2013, Lithuania’s residents saw their standard of living return to pre-recession levels.

Over the past decade, much-needed reforms in the public sector have been slow, and corruption remains a concern. Lithuania’s residents have little trust in major democratic institutions, and largely feel removed from the political process. In July, DP founder Viktor Uspaskich and three other DP officials were convicted of a fraud scheme, following legal proceedings that had dragged on for years. Uspaskich was sentenced to four years in prison and the others received lesser sentences; all four remain free, and have filed appeals. President Dalia Grybauskaitė and Prime Minister Algirdas Butkevičius were the most popular political leaders in Lithuania, recording public trust rates between 60 and 70 percent throughout the year.

Press freedom advocates sounded the alarm when Lithuania’s Special Investigation Service (SIS) pressured the Baltic News Service (BNS) to reveal its sources in a story related to Lithuanian foreign intelligence, leading to searches and interrogations of BNS staff and the seizure of a number of its computers. Eventually, the court reversed the disclosure order against BNS. In recent years, independent media outlets in Lithuania have suffered due to an unfavorable tax regime, with the situation being especially grave in the regions outside the capital.

National Democratic Governance. Lithuania held the presidency of the European Council for the second half of 2013, becoming the first Baltic country to hold the post. Several high-profile instances of unprofessional behavior by public officials tarnished the government’s reputation, including the dismissal of the economy minister in May amid concerns that she had used a private jet for government business, paid for by people trying to curry favor with the ministry. Despite criticism of the government’s policies and the president’s handling of the so-called milk crisis, Prime Minister Butkevičius and President Grybauskaitė remained the most popular politicians in 2013. Lithuania continued to pursue energy independence throughout the year. Lithuania’s national democratic governance rating remains unchanged at 2.75.
Electoral Process. Lithuania’s political parties are unpopular in general, with opinion polls showing low levels of public trust. The Organization for Security and Cooperation in Europe (OSCE) in January assessed the 2012 parliamentary elections as having been generally free and fair, though there were widespread allegations of voter fraud. Throughout the year, the LSDP became a clear leader in party popularity ratings, while support for the DP decreased following the fraud convictions of its founder and several other officials. In June 2013, a parliamentary working group presented an electoral legislation package and the parliament approved amendments to the laws on campaign financing, the Electoral Commission, and presidential and European Parliament elections in November. Lithuania’s electoral process rating remains unchanged at 2.00.

Civil Society. Lithuanian nongovernmental organizations (NGOs) and civic groups function without interference from authorities. Volunteerism and private donations to charity have been increasing in recent years. In December, the parliament adopted a law on NGOs, replacing scattered legal provisions with a specific legislation. Participation in demonstrations has decreased in recent years. However, in March, a group of right-wing extremists commemorated Lithuania’s independence by marching in the city center of Vilnius, and the July Baltic Pride March was disrupted by hundreds of protesters, with a number of them arrested. Lithuania’s civil society rating remains unchanged at 1.75.

Independent Media. In November, the agents of the SIS exerted pressure on BNS, the largest news agency in the Baltics, in an effort to compel it to identify its information sources. A subsequent judicial order led to searches and interrogations of BNS staff, and the seizures of several computers. Eventually, the court reversed its disclosure order. Changes to the tax regime since 2009 have made it virtually impossible for many outlets to remain profitable. Most national newspapers announced a halt in their Monday print editions as of 2014. There are many online news outlets in Lithuania, and competition in that sector is robust. However, public trust in Lithuania’s mass media outlets is low. Lithuania’s independent media rating declines from 2.00 to 2.25.

Local Democratic Governance. Business managers view local government as the most corrupt institution in Lithuanian society, a view reinforced by frequent corruption scandals involving municipal officials. Local government remained limited in its financial independence as municipal debts continued to increase. While there is broad support among the public and among lawmakers for reforms that would allow the direct election of mayors, such reforms have yet to be implemented. Mayors are still chosen by municipal councils, in which the public has little trust. Lithuania’s local democratic governance rating remains unchanged at 2.50.

Judicial Framework and Independence. The public continues to perceive the judiciary as insular, and opaque, and long delays in legal proceedings are common.
In recent years, Constitutional Court rulings have nullified austerity measures imposed during the recent financial crisis, raising concerns about its power to restrict lawmakers’ ability to cut public spending in order to address public deficits and debt. A number of controversial decisions raised concerns over the justice system, while Lithuania’s prisons remained overcrowded and short of international standards. Lithuania’s judicial framework and independence rating remains unchanged at 1.75.

Corruption. Public opinion surveys as well as ongoing investigations indicate that corruption remains prevalent in Lithuania. In July—in the first case where proceedings against senior politicians were not aborted—a court found senior DP officials guilty of tax fraud, though the accused have appealed their sentences and remained free at the year’s end. The government made some progress in implementing an anticorruption program in 2013 and continued to reform regulatory agencies, though the impact of these changes has yet to be seen. Lithuania’s corruption rating remains unchanged at 3.50.

Outlook for 2014. In 2014, the government has pledged to maintain its focus on joining the Eurozone, so Lithuania will have to remain focused on fiscal discipline. The government is likely to announce a decision on the building of a new nuclear power plant during the year. Presidential and European Parliament elections will take place in 2014, so the focus of the politicians is likely to be on campaigning rather than much-needed reforms in the public sector.
Elections to the Lithuanian Seimas (parliament) in December 2012 brought together a center-left ruling coalition between the formerly opposition Lithuanian Social Democratic Party (LSDP), the Labor Party (DP), the conservative Order and Justice Party (TT), and the Electoral Action of Poles in Lithuania (AWPL). The coalition remained intact throughout the year, while former prime minister Andrius Kubilius’s center-right Homeland Union–Lithuanian Christian Democrats (TS-LKD) led the opposition. In July, Lithuania took over the six-month presidency of the European Council, becoming the first Baltic nation to hold the position since Lithuania, Latvia, and Estonia joined the European Union (EU) in 2004.¹

Following a high-profile court decision that found several DP officials—including DP founder Viktor Uspaskich and Deputy Parliament Speaker Vytautas Gapšys—guilty of tax fraud, the party reshuffled its senior officials and its top parliamentary appointees. In early October, Gapšys resigned as deputy speaker on the eve of a no-confidence vote that appeared likely to force him from the position; Parliament Speaker Vydas Gedvilas resigned along with him, but returned as deputy parliament speaker under new parliament speaker Loreta Graužinienė. Gapšys additionally stepped down as DP head, and Graužinienė became the party’s new leader.² She quickly criticized a number of DP-appointed ministers for lack of progress in their areas,³ leading to a removal of two vice-ministers of social affairs and labor.⁴

Public officials, especially parliamentary deputies, have a poor reputation due to criminal charges against members of parliament as well as unprofessional behavior among some officials. Neringa Venckienė, the leader of the Way of Courage (WC) party, fled the country after a parliamentary committee in March stripped her of parliamentary immunity. The former judge Venckienė is under criminal investigation for disrespecting a court and for failing to carry out a court order, among other offenses.⁵ In May, President Dalia Grybauskaitė, dismissed Economy Minister Birutė Vėsaitė, after the minister had traveled to a business forum in Kazakhstan on a jet chartered by a company apparently seeking favor with the ministry, sparking concerns about conflicts of interest.⁶ Earlier, in December 2012, Algimantas Salamakinis of the LSDP, a former head of the parliamentary commission for ethics and procedures, was caught voting on a 2013 budget proposal on behalf of Prime Minister Algirdas Butkevičius, who was present for the vote and reportedly appeared surprised to see that someone had voted in his place.⁷

Grybauskaitė and Butkevičius remain popular, with polls showing public trust in their leadership at around 60–70 percent throughout the year.⁸ Grybauskaitė
faced some criticism from Prime Minister Butkevičius for her handling of the so-called milk crisis of late 2013, in which Russia banned dairy imports from Lithuania in an apparent attempt to intimidate several former Soviet republics and discourage them from expanding ties with the EU.9 Grybauskaitė had insisted that the government find a solution to the issue, prompting complaints that she was reluctant to confront the problem herself. In late December, Russia indicated that it would lift the dairy ban.10

Butkevičius, for his part, faced some criticism for inconsistent leadership, while his government was accused of lacking a coherent strategy. Throughout the year, the legislature put off making decisions on energy policy, while the government proposed controversial reforms to the healthcare system. In June, members of the opposition failed to oust Minister of Health Vytenis Andriukaitis over his attempts to curb patients’ choice of healthcare providers through reforms that would restrict funding for private healthcare institutions.11 Andriukaitis, who regards the Soviet system as a model for healthcare reform in Lithuania, had also suggested medical personnel should be prohibited from simultaneously working at both public and private institutions. The proposed bill suffered a defeat at the Constitutional Court in May, when the court ruled that mandatory healthcare insurance funding could be used to pay for both public and private services.

Lithuania imports more than 80 percent of its energy from Russia, and is wholly dependent on Gazprom, Russia’s state-owned energy conglomerate, for its supply of natural gas.12 The state security department in a June report said the nation’s dependence on Russia for natural gas represented a threat to Lithuanian state security.13 Gazprom currently charges Lithuania one of the highest gas prices in the EU. In 2012, Lithuania sued Russia for LTL 5 billion ($1.9 billion) at the Stockholm Arbitration Tribunal, claiming that Gazprom was overcharging it for gas shipments. The case is ongoing. Meanwhile, in the fall of 2013, Lithuania began negotiations with Gazprom regarding new gas prices, the implementation of the Third Energy Package—a slate of EU-backed reforms to electricity and gas markets—and gas transit to Kaliningrad. By the end of October, Gazprom had lifted trade restrictions that would allow Lithuania to purchase gas from Latvia, which has a better deal on Russian natural gas imports than does Lithuania. However, Lithuania and Latvia by the end of the year had yet to strike such a deal.

Hoping to reduce Lithuania’s dependence on foreign energy, in June 2012, the parliament passed a bill allowing the government to sign a concession agreement with Hitachi to build a new nuclear power plant. However, in a consultative referendum held in October, 65 percent of the electorate voted against its construction.14 In April 2013, Prime Minister Butkevičius indicated the project could be amended, but it was not clear by year’s end how the government plans to proceed.

A controversial shale gas exploration deal with the U.S.-based energy company Chevron collapsed in 2013; the project had drawn protests from environmentalists and had prompted debate in the parliament on numerous related pieces of legislation. Chevron won the tender but pulled out of the project in October, citing an unpredictable regulatory environment.15
Meanwhile, Lithuania continues to pursue electricity grid deals with Poland and Sweden, and is developing a liquefied natural gas terminal expected to come into operation in 2014. Lithuania was set to interconnect with the Nordic electricity market in late 2015, but since Poland has delayed purchasing the necessary land, Lithuania’s full interconnection with continental Europe will be postponed until at least 2016.

**Electoral Process**

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Elections held in Lithuania since 1993 have been assessed as free and fair by domestic and international monitors. Citizens freely exercise their political rights and directly elect the president for a five-year term, representatives of the Seimas (the parliament) for four-year terms, and representatives of the European Parliament for five-year terms. The most recent parliamentary elections took place in 2012 and President Dalia Grybauskaitė was elected in 2009.

While there were widespread allegations of voter fraud during the 2012 parliamentary elections—most of which involved the DP—the Organization for Security and Cooperation in Europe (OSCE) in a January 2013 report expressed a high level of confidence in the polls, saying they had been professionally administered. The Central Electoral Commission of the Republic of Lithuania enjoys a high level of public trust and was widely perceived to be impartial and professional. Significant segments of the public, however, considered the polls to have been riddled by fraudulent behavior, and police received more than 500 reports and launched 37 pretrial investigations, 21 of which was dismissed, 9 reached the court, and 7 are still ongoing. The OSCE claimed that the broad interpretation of the definition of vote-buying resulted in an “exaggerated impression of the level of corruption.”

In March, voting for the 2012 elections to the Seimas was repeated in three single-member districts where the election commission had annulled previous results over claims of voter bribery. The LSDP won two mandates and the TT won one mandate in the re-run, monitored by the White Glove movement. The movement, organized by civic-minded youth, was established after the record number of complaints in the 2012 parliamentary elections.

Political parties in Lithuania may register and campaign freely, with the exception of the Communist Party, which is banned. Coalitions shift frequently and party mergers are common. In April, the DP merged with the smaller, affiliated Laborist Party; the merger allowed the DP to escape prosecution in the ongoing tax fraud case against several officials of the party. Before the merger, the DP was also discussing merging with the TT, a member of the center-left ruling coalition; the move would have resulted in the largest party in Lithuania. The merger fell through in May over disagreements about the leadership of the new party. In October,
the Christian Party (KP) headed by former prime minister Gediminas Vagnorius, merged with the DP.  

In 2013, there were 43 registered parties in Lithuania. More than a third of these did not participate in the 2012 parliamentary elections, and 10 out of 28 that did participate failed to win a single mandate. Political parties remain the most unpopular public institutions in the country; they are viewed positively by only 7.2 percent of the population, a slight increase from 4.2 percent in 2012. The lifespan for most new Lithuanian political organizations is quite short, as many fade from prominence quickly due to infighting or weak leadership, or are absorbed into larger parties. Voting rates are relatively low among younger people, reflecting their disenchantment with the political process. 

Only 114,000 Lithuanians, 3.8 percent of the population, are registered with a political party, and DP and LSDP have the largest membership. The political participation of minorities is fairly strong, the two largest minority groups, the Polish and the Russians, are represented by the Electoral Action of Poles in Lithuania (AWPL) and the Russian Alliance parties, which often run together on elections. AWPL currently has eight seats in the Seimas. Other minorities, including the Belarusians and the Ukrainians, do not have active parties representing them.

Following its victory in the previous year’s parliamentary elections, the LSDP’s popularity grew in 2013, while support for the DP decreased following the July convictions of several party officials for fraud. A mid-2013 opinion poll showed scant support for the opposition, conservative TS-LKD, with just under 9 percent of respondents selecting it as their favored party. In the same poll, 24 percent of respondents said they favored the LSDP; 9.4 percent favored TT; while the DP registered just under 8 percent of respondents’ support. 

Based on Constitutional Court rulings, the electoral framework has been significantly revised recently. As of 2012, a law came into effect banning both corporate and individual donations to political parties, except for individual donations made during elections. Widespread vote fraud in 2012 indicated this ban is ineffective, in line with predictions that previously legal, transparent donations would become illegal, unrecorded, and untraceable. 

In June 2013, a parliamentary working group presented an electoral legislation package that aims to codify existing electoral laws and implement recent Constitutional Court rulings. In November, the Seimas approved amendments to the laws on campaign financing, the Electoral Commission, and the election of the president and members of the European Parliament. The adoption of the remaining laws is scheduled for 2014 and 2015. Virginija Baltraitienė, the leader of the working group, highlighted that one of the key provisions allow the participation of public election committees, consisting of at least 15 voters, at municipal and European Parliament elections.
Civil society in Lithuania is active and continues to increase in visibility. Civil movements have gained importance in the past few years, however, the civic sector is fragmented and nongovernmental organizations (NGOs) are challenged by limited administrative and financial resources and low public participation. While NGOs and civic groups function without interference from authorities, some groups, such as those that represent the interests of the LGBT (lesbian, gay, bisexual, transgender) community, sometimes face harassment.31

An uptick in volunteer work and donations to charities emerged following the onset of the 2008–09 global economic crisis, with crisis-induced budget cuts prompting the mobilization of various societal groups into public-works and charity associations.32 Donations to the Food Bank (Maisto Bankas), founded in 2001, increased nearly tenfold between 2008 and 2012, and the charity now distributes food to nearly 40 thousand individuals.33

Lithuanians participate not only in community service helping the children or the elderly, but also volunteer for the fire brigades and the police. Volunteer fire brigades are active, and volunteers frequently report crimes and administrative offenses to police.34 Numerous private companies are involved in social-responsibility projects, including museum maintenance, the construction of public recreation facilities, and church restorations. In 2013, one company donated LTL 22 million ($9 million) to the construction of an entertainment and sports center.35

In December, the Seimas adopted a law on NGOs submitted by President Grybauskaitė. The law, which will come into force on 1 April 2014, will bring progress in regulating the activities of civil society as it will be the first legal instrument to establish a clear definition of NGOs, and regulate NGOs’ organizational structure and cooperation with municipal and state authorities.36

Statistics on the number of NGOs are ambiguous, with many more of them officially registered than are actually operational. At the beginning of 2013, there were 9,896 active associations, 2,692 public institutions (excluding schools and hospitals), and 220 charity and sponsorship funds.37 Private individuals may donate 2 percent of their personal income tax to NGOs.38 Funding to NGOs through this provision has begun increasing again, after a period of a decrease due to the economic crisis and a 2009 cut in the personal income tax rate. Both the number of recipient NGOs and charities and the number of donors increased in 2012, with the total amount donated increasing from LTL 40.9 million ($16.1 million) in 2011 to LTL 42.8 million ($16.9 million) in 2012.39 According to official data, donations to charities and sponsorships rose by 7 percent between 2010 and 2012.40 Private companies account for 86 percent of total sponsorships and donations, with the remaining 14 percent coming from individuals and anonymous donors.

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Sports teams are the major recipient of private donations, followed by social-care organizations, cultural groups, and healthcare organizations.

Business associations and trade unions are traditionally the most influential NGOs in the policymaking arena. Labor-group coalitions include the Lithuanian Confederation of Trade Unions, the Lithuanian Labor Federation, and Solidarity; the country's leading employer organizations are the Lithuanian Confederation of Industrialists and the Lithuanian Business Employers' Confederation. These groups, together with the government, constitute the Tripartite Council, which makes recommendations on national labor policy. Despite its wide powers, the council has low representation—trade unions claim only about 9 percent of the workforce, and the employer confederations represent just 14 percent of enterprises.41

According to the Civil Society Institute's 2013 Civic Empowerment Index, the public perception of civil society's influence increased, however, Lithuanian citizens were less involved in the activities of political parties. Public participation in the demonstrations, rallies, and strikes also declined.42

Individuals and groups must obtain permission from authorities before staging protests larger than 15 people.43 On 11 March, despite a municipal ban on marching in the center of Vilnius, radical nationalists marched to commemorate Lithuania's independence. In the previous years, the marches were marked by violence and incidents of hate speech toward minorities. The 2013 march passed without major incidents, except for individual chants of “Lithuania for Lithuanians.”44 In May, authorities ruled that a member of the Electoral Action of Poles in Lithuania pay LTL 500 ($198) for holding an unsanctioned demonstration, but the fine was later canceled on appeal.45

In July 2013, the Baltic Pride march, an LGBT event, took place in central Vilnius, the capital. City officials had attempted to ban it but event organizers successfully appealed the move. However, antigay protesters, including parliamentarian Petras Gražulis and the leader of the Union of the Fighters for Lithuania political party Vytautas Šustauskas attempted to disrupt the march, leading to the arrest of 28 individuals.46

Independent Media

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In early November, Special Investigation Service (SIS) agents pressured Baltic News Service (BNS), the largest news agency in the Baltics, to identify its sources. The pressure came after BNS, citing Lithuanian intelligence sources, reported that the State Security Department had warned government officials and parliamentary committees that the Russian government was about to launch a misinformation campaign targeting President Grybauskaitė. A pretrial investigation was opened with the aim of identifying BNS’s sources. A BNS editor was then instructed by a
judge to reveal her sources of information, leading to a search of the editor’s home, interrogation of six BNS employees, and the seizure of several BNS computers.47

Lithuanian journalists, who viewed the judge’s demand as a threat to their community, loudly protested the order, and both the president and the prime minister criticized the action taken against BNS. On 8 November, the Seimas board asked the Commission for Parliamentary Scrutiny of Criminal Intelligence to look into the issue, and on 3 December, the Vilnius Regional Court issued a final order annulling the earlier disclosure order.48

Two weeks after the scandal erupted, the president proposed a bill that would bring Lithuania in line with EU laws and regulations on media source protection. However, the parliament voted against the president’s request to pursue urgent procedures to adopt the bill and was expected to debate it in 2014.49 Libel and defamation are punishable by fines or imprisonment.50

When the Lithuanian economy entered a state of recession in 2009, the government rapidly introduced some 60 changes in tax law, including two that significantly affected the media. The value-added tax rate for media quadrupled from 5 percent to a standard 21 percent, and journalists were no longer exempt from paying into the state social security system, contributions to which reached 34 percent in 2011. To avoid the high tax burden, some businesses forced their employees to purchase business certificates or to receive part of their wages illegally. By late 2012, these illegal practices, most notably by outlets indirectly linked to the DP, became a matter of public debate.51

Legally operating media companies complain that it is virtually impossible for them to stay profitable under the current tax regime. In mid-2013, most national newspapers (including Lietuvos Rytas, Lietuvos Žinios, Respublika, and Verslo žinios) announced plans to stop publishing Monday print editions in 2014. A former daily newspaper, Vilniaus Diena, became a weekly in January 2013. Another newspaper, 15min—which had already been transformed from a daily to a weekly—discontinued its print edition in July. In addition to the tax hikes, newspapers have also experienced a rapid decline in revenue from advertising in recent years; papers’ income from advertising more than halved between 2008 and 2012, from LTL 135 million ($53 million) to LTL 56 million ($22 million).52

The financial situation is particularly serious in the regional media; around 50 local outlets have closed or gone bankrupt in the past four years.53 Meanwhile, the weekly news magazine Veidas estimated in January that only about 10–15 percent of regional media outlets are truly independent; the majority are either owned by local business elites or are financially dependent on revenue from announcements and advertisements commissioned by municipalities.54

In general, Lithuania’s independent media face criticism for their partisanship and lack of investigative depth. The coverage of political news is often perceived as lacking rigor, and private media are accused of increasing “tabloidization.” Most private mass-media companies are owned by businesspeople or obscure conglomerates and are widely regarded as representing business interests. In exchange for public advertising revenue, many regional outlets do not print criticism of local elites or government figures.55 Public trust in mass media hovered around 33 percent in 2013 (the lowest
in 15 years), down by 3 percentage points since 2012, and 50 percent over the past decade.\textsuperscript{56}

With the exception of the state-owned Lithuanian National Radio and Television, media in Lithuania are privately owned. Lithuania has four national daily newspapers—\textit{Lietuvos Rytas}, \textit{Vakaro Žinios}, \textit{Respublika}, and \textit{Lietuvos Žinios}. The Lietuvos Rytas and Respublika groups dominate the newspaper market.\textsuperscript{57} In October 2013, Big Group, a subsidiary of Fragrances International owned by businessman Benas Gudelis, purchased Snoras Media, which holds a 34 percent stake in Lietuvos Rytas.\textsuperscript{58}

Lithuania does not have sector-specific regulations on the concentration of media ownership, but legislation on competition sets a general limit at 40 percent market share, in an effort to ensure that no single business group can gain a dominant market share and exert unlimited influence through mass media. An initiative by the Lithuanian branch of Transparency International works to expose links between different media consortiums in an effort to increase the overall transparency of Lithuanian media ownership.\textsuperscript{59}

Of the approximately 50 radio broadcasters in Lithuania, all are private except for the state-run Lithuanian National Radio, which in spring 2013 had the largest audience share at 19.8 percent.\textsuperscript{60} Of the roughly 30 broadcasters in the television market, the leading national outlets are TV3 (owned by the Scandinavian conglomerate Modern Times Group), LNK (owned by Lithuania’s MG Baltic), and the publicly operated Lithuanian National Television’s LTV1. In October 2012, Lithuania made a full transition to digital television, promising to increase viewership of channels like the news-oriented Lietuvos Rytas TV, which previously could be viewed only in major cities. Between mid-2012 and June 2013, the number of digital television subscribers grew by 12 percent to 408,100 households.\textsuperscript{61}

The internet continues to grow in importance in the media market. In 2013, 65 percent of Lithuanian households were connected to the internet, up from 55 percent in 2012, and 69 percent were regular internet users, a slight increase over the previous year. Household surveys revealed that online newspaper reading, reported by 91 percent of internet users, is the most popular use of the internet.\textsuperscript{62} News portals within Lithuania’s online media market are extensive, and outlets enjoy healthy competition. Television broadcasters have upgraded the selection of shows available online, and some offer live streaming. Social media use has also grown rapidly. For example, more than 60 percent of Lithuanian internet users had Facebook accounts in 2013, up by almost 10 percent from 2012.\textsuperscript{63}

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\caption{Local Democratic Governance}
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Public confidence in local government is undermined by politicking, graft, bribery, and mismanagement. Throughout 2013, public trust in municipal governments
remained below 30 percent, according to an opinion poll conducted by the market research firm Vilmorus Ltd. Municipal councils are widely viewed as lacking accountability to their electorate. Private citizens have little faith that the councils will act in their best interests, nor do business leaders and managers. According to a 2013 survey commissioned by the SIS that investigated business representatives’ opinions, 48 percent of respondents who had experience with the municipal process of approving building permits claimed that the process was very corrupt. Anti-corruption commissions, which are operating in some municipalities, remain ineffective. The management of municipally owned enterprises lack transparency and in many cases, their socially and commercially oriented functions are not clearly separated.

Mayors are elected by municipal councils whose members are chosen in general elections. Reforms under which mayors would be popularly elected have been debated for years, and a new draft bill was to be presented to the parliament in November 2013; while it has not been passed, most political parties support the measure. Prime Minister Butkevičius has expressed a goal to have direct mayoral elections by 2015. Direct elections would allow mayors to focus on their immediate functions rather than engage in continuous political bargaining to maintain coalition support.

Local governments are limited in the functions they have the independence to perform. Currently, municipalities cannot manage urban or rural state-owned land, an ability that would allow them to more quickly realize investment projects. Local governments are also limited in their financial independence. Central budget allocations account for about half of municipal budgets; the remaining portion comes from property and land taxes and local fees. But in reality, much of the municipalities’ independent proceeds go to the central government wage fund and utility payments. Thus, municipal councils are free to distribute less than one-tenth of municipal budgets. In the national budget, the portion of total personal income tax revenue allocated to local governments dropped from 73.5 percent in 2010 to 57.3 percent in 2013, but will be raised to 67.8 percent in 2014. Many municipalities experienced financial difficulties following minimum-wage increases in 2012 and 2013, because the government failed to offset municipalities’ increased spending on wages with additional allocations.

Wide regional disparities in local government revenues are leveled through revenue transfers. Cities with higher personal income tax revenues are net donors, while poorer regions are net recipients. In effect, the central government dictates the share of personal income tax revenues for each municipality, thus undermining municipalities' independence. The situation is particularly serious in Vilnius, where 58 percent of personal income tax is redistributed to other cities, even as the city’s debt steadily rises. Vilnius Mayor Artūras Zuokas in July said that the share would drop to 50 percent in 2014. Despite this lower share of revenues, Vilnius is required to perform costly functions unique to the capital. In 2013, Vilnius and its municipally owned enterprises accrued debts of nearly LTL 1 billion ($392 million), an amount close to its entire yearly budget. Overall, year-on-year growth in municipal debt stood at 5 percent in mid-2013.
In May, the Seimas approved a draft amendment to the Local Municipal Law, mandating the establishment of anticorruption commissions in every municipality. The draft stipulated that only representatives of the opposition could be appointed to head the commissions. Currently, there are two mandatory municipal commissions, the Administrative and Ethics Commission. The draft was not adopted by year’s end.

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<th>Judicial Framework and Independence</th>
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Lengthy investigations and trials, and occasional corruption scandals in the judiciary have damaged the reputation of Lithuania’s court system. Prior to 2013, there were debates on reforming the prosecution service and state security with a view toward making them accountable to the government, rather than the president.

In 2013, the parliament amended the Statute of the Parliament, passing changes regarding the dismissal of the heads of more than 15 state institutions, including the Prosecution Service. The prosecutor general is appointed by both the president and the parliament, while the amendment allows the parliament to unilaterally dismiss him or her, if the parliament does not approve the institution’s annual report. In the fall of 2013, the parliament exercised the new provision by disapproving Prosecutor General Darius Valys’s annual report. The parliament has begun hearings on a decree to dismiss Valys, amid the president’s claims that such a move would violate the Constitution. Grybauskaitė expressed concerns that direct parliamentary control over the appointment of the prosecutor general could interfere with the Prosecution Service’s ability to investigate corruption, especially political corruption. The parliament, however, overturned the president’s veto in December.

The public perceives the judiciary as insular and opaque, and its impartiality is widely challenged. Recent public opinion polling showed that only around 18–21 percent of the population trusts the courts. A national anticorruption program aims to increase judicial transparency by creating a computerized system that randomly assigns cases to judges and by publishing information on court proceedings online. In July 2013, Lithuanian courts’ services launched e-services portal E.teismas.lt, where registered users may formulate and submit pleadings to court, pay the stamp duty, access to cases’ files, send documents, and listen to audio recordings of court hearings. Currently, e-documents may be presented only in civil and administrative suits.

The court system continues to suffer from delays, which are partly due to poor management within the courts. In March 2013, the president presented a draft amendment to the Code of Criminal Procedures that would limit court session breaks to one month and define legitimate reasons for court breaks. The bill was not adopted by year’s end. Currently, the length of the court session breaks is unlimited,
and it may be the case that courts are not in session for up to four months.\textsuperscript{80} In the past two decades, about a third of the cases Lithuania has lost in the European Court of Human Rights were related to lengthy trials.\textsuperscript{81} Planned mergers of the courts would allow spreading judges’ caseloads more evenly; presently caseloads vary greatly, with some judges assigned three times as many cases as others. The number of complaints to the Judicial Ethics and Discipline Commission, an institution that adjudicates disciplinary cases within the judiciary, has decreased in recent years, with a 21 percent fall recorded in the first three quarters of 2013.\textsuperscript{82}

In 2013, a court in Vilnius pronounced a sentence in a controversial trial involving a young female Lithuanian Muslim convert, Eglė Kusaitė. Kusaitė was detained in late 2009 after being accused by Lithuanian prosecutors of plotting a terrorist act in Russia. The prosecutor asked for a 10-year prison sentence, but a court in May sentenced her to 10 months for planning a terrorist attack, which she had already served during her arrest. In August 2013, prosecutors appealed the ruling and the Lithuanian Court of Appeals opened hearings on the matter, with no decision handed down at the year’s end.\textsuperscript{83} While in custody in 2010, Kusaitė reported physical and psychological abuse by Lithuanian authorities and Russian security officials who were allegedly allowed to participate in a pretrial investigation.\textsuperscript{84} Concluding that they were not supported by any objective records, the Lithuanian prosecution refused to conduct a pretrial investigation of Kusaitė’s complaints. Human rights groups have appealed to Lithuanian authorities, claiming that the court, the prosecution, and the State Security Department jointly operated without an adequate system of checks and balances.

A number of other developments have raised concerns about the Lithuanian justice system. In February, a search was performed in the home of a movie director, leading to a seizure of a movie depicting home birth, which is illegal in Lithuania; the Vilnius District Court is currently pursuing a separate home birth case.\textsuperscript{85} In another case, Andrius Romanovskis, a registered lobbyist who was indicted on corruption charges, claimed that authorities presented him with a choice: either he give evidence against another suspect in the case, or be placed in pretrial detention. Following his refusal to testify, he was detained for several weeks. This event has increased the public attention on the abuse of pre-trial detention, whereby the officials may pursue excessive detention.

The number of laws deemed unconstitutional by the Constitutional Court has been on the rise since 2010, with many of them annulling austerity measures. This has raised concerns about the high court’s power to restrict lawmakers’ ability to cut public spending in order to address growing deficits and debt. In July, the Constitutional Court ruled that recent non-proportional cuts in the civil servants’ and politicians’ salaries had been unconstitutional. During the recent economic crisis, the parliament passed laws cutting civil servants’ salaries by anywhere between 8 and 36 percent, with higher cuts imposed on the top earners.\textsuperscript{86} Following the high court’s ruling, salaries are to be restored to their original levels and the unconstitutional cuts compensated. The ruling drew criticism from President Grybauskaitė as well as from the conservative opposition, which argued that
decisions on civil servants’ salaries should be made by the parliament and that the court had overstepped its mandate. Opposition lawmakers indicated that they might try to modify the constitution in order to curb the court’s ability to decide civil servants’ salaries.87

The Lithuanian prison system is overcrowded and does not conform to international standards. Prisoners lack access to proper medical care.88 In 2013, a court in Northern Ireland refused to extradite an individual to face trial in Lithuania because that “would expose him to a real risk of inhuman and degrading treatment by reason of prison conditions.”89 The prisoners are held in unsanitary conditions and have just two square meters of cell space per person, and tensions among them result in frequent conflicts between officers and the prisoners.

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While corruption in Lithuania remains a major concern, follow-through on corruption cases has increased somewhat in recent years. In July, convictions were handed down in a corruption case involving senior members of the DP; additionally, in early 2013, investigations by the SIS led to arrests in a corruption case involving hotel reconstruction and preparations for the European men’s basketball championship, which had been held in Lithuania in 2011.90 However, corruption investigations often linger for years before reaching the courts.

In July, the Vilnius Regional Court pronounced DP founder and current MP Viktor Uspaskich, and Parliament Speaker Vytautas Gapšys, also of Labor, guilty of fraud and fraudulent bookkeeping in a criminal case first opened in 2008.91 The case marked the first investigation and judicial trial where criminal proceedings against senior politicians were not aborted. Uspaskich was sentenced to four years in prison, and Gapšys was fined LTL 36,000 ($14,000) but escaped a prison sentence. Vitalija Vonžutaitė, also a DP MP, was sentenced to three years in prison in connection with the scheme, while former DP accountant Marina Liutkevičienė was sentenced to one year in prison.92 All four appealed the verdict, though it could take up to two years before a final ruling is handed down; in the meantime the four remain free.93 The DP itself avoided legal persecution by means of an April merger with the smaller, affiliated Laborist Party, as existing criminal proceedings cannot be pursued against a legal entity that no longer exists.94

The implementation of an updated national anticorruption program for 2011–14 progressed during the year. The program emphasizes well-defined objectives and measurable criteria to allow a more accurate assessment of anticorruption efforts. One of its central aims is to reduce bureaucracy and introduce computerized infrastructure designed to assist with many official tasks, in particular for the corruption-prone areas of territory planning and construction permits. By mid-
2013, 41 measures had been fully realized and 3 had failed, with 34 still in the process of implementation. A new Law on Territory Planning envisaging reduced bureaucratic procedures is expected to take effect in 2014.

Public procurement remains one of the most corrupt areas in Lithuania. According to a 2013 survey commissioned by the SIS that investigated business representatives’ opinion, 55 percent of those who have had experience with public procurement claimed the process is very corrupt. In February 2010, the Public Procurement Office (PPO) began publishing all reports and decisions of purchasing organizations online. Since 2011, the number of business representatives viewing public procurement as corrupt has gone down by only 4 percentage points. In 2013, the office investigated 253 public procurements, identifying violations of official procedures in roughly 20 percent of those cases. Public institutions’ directors are not held personally liable for procedural violations, and penalties for violators are disproportionately low. The procurement of EU assistance, which accounts for over a quarter of state budget revenues, is especially prone to mismanagement. The number of public tenders carried out through the centralized online public procurement system remains relatively low at 2.8 percent, accounting for 14.5 percent of the total value of public procurements.

While the public perception of corruption declined since 2011, people in Lithuania are the most likely to report having been asked a bribe in the EU. According to a 2012 study by the SIS, 44 percent of respondents reported that they had been asked for bribe money at public healthcare institutions, and 34 percent reported paying bribes. According to Transparency International survey in 2013, 77 percent of Lithuanian respondents said that based on their experience, personal networking is important in order to receive appropriate public services. Almost two-thirds (63 percent) of Lithuanians believe that the public institutions represent major stakeholders’ interests rather than residents’ interests. Without legal copayments for patients or a clear incentives structure for healthcare professionals, the healthcare system is one of the most vulnerable sectors for corruption. Many individuals do not file official complaints of bribe extortion, fearing damage to their relationship with healthcare institutions. Patients who use public healthcare facilities typically experience long waits, and the process of deciding whether certain treatments are covered by the public healthcare fund is opaque.

Lithuanian businesses are burdened with onerous reporting regulations, comprising some 900 requirements in the areas of statistics, consumer protection, and corporate, labor, and tax law, as well as another 1,200 in vertical sectors of the economy such as transport, finance, trade, and construction. In 2013, there were about 60 regulatory agencies in Lithuania. The new government has continued reforms of business supervision procedures, coupled with functional and institutional mergers designed to prevent abuse, excessive interventions, and unjustified penalties. As of 2012, regulatory agencies perform inspections according to questionnaires, which are expected to relieve regulatory burden and tension (a measure useful to both businesses and inspectors). Breaches not covered by legally approved questionnaires may not be punished; however, 43 percent of surveyed
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companies reported that questionnaires were not used during inspections. These regulatory reforms have improved business conditions, allowing Lithuania to jump from 27th to 17th spot in the World Bank’s Doing Business rankings.

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