Lithuania

by Mindaugas Jurkynas

Capital: Vilnius
Population: 3 million
GNI/capita, PPP: US$24,530

Source: The data above are drawn from the World Bank’s World Development Indicators 2015.

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

After the parliamentary elections in October 2012, a four-party center-left coalition consisting of the Lithuanian Social Democratic Party (LSDP), the Labor Party (DP), the Order and Justice Party (TT), and the Electoral Action of Poles in Lithuania (AWPL) formed a government. In May 2014, President Dalia Grybauskaitė was reelected for a second five-year term. The composition of the government remained relatively intact, except for the expulsion of the AWPL (the smallest coalition partner) in August, following a disagreement between the prime minister and a minister from AWPL. Numerous deputy ministers suspected of corruption were removed. After the sharp contraction following the 2008 economic crisis, the Lithuanian economy has returned to sustainable growth. However, the economic slump in Russia had a negative effect on Lithuanian export.

Over the past decade, much-needed reforms have taken place in the public sector. Corruption has declined slightly, but trust in key public institutions remains low. President Dalia Grybauskaitė and Prime Minister Algirdas Butkevičius still rank as the most popular politicians, their public trust rates fluctuating between 60 and 70 percent.

National Democratic Governance. A secret report by the Special Investigation Service (SIS) prompted the resignation of several deputy ministers and interfered with the parliamentary confirmation of the cabinet. Although Lithuania successfully completed economic reforms and gained entry into the eurozone in 2014, it was yet to make significant strides to counter Russian energy dominance. Over the year, the threat of Russian encroachment encouraged mainstream political parties to reach consensuses on foreign and national security policy. Lithuania chaired the United Nations Security Council in February, bringing further attention to Russian aggression in the Baltics alongside the crisis in Ukraine. Lithuania’s national democratic governance rating remains unchanged at 2.75.

Electoral Process. Two elections took place in May 2014. The conservative Homeland Union (TS-LKD) and the LSDP won the most votes in European Parliament elections, and incumbent Dalia Grybauskaitė became the first president to be reelected. Although the elections occurred without significant problems and exhibited increased political maturity and growth in voter turnout, political parties still remain the least trusted institution in Lithuania. In June, a referendum that would have banned the sale of land to foreigners failed. Its supporters accused the Central Electoral Commission (CEC) and the parliament of deliberately delaying the vote. Lithuania’s electoral process rating remains unchanged at 2.00.
Civil Society. Lithuanian nongovernmental organizations (NGOs) and civic groups function with little interference from the authorities, and cooperation with the government increased following the passing of a law in April that regulates NGO activities. Although volunteering and private donations to charities have increased in recent years, participation in protests and demonstrations has decreased. LGBTI rights remain a polarizing and highly controversial issue, as does the status of minority languages. Deputies submitted several antigay bills in 2014, but the parliament did not ratify any of them. *Lithuania’s civil society rating remains unchanged at 1.75.*

Independent Media. Lithuania’s media market is highly diversified and competitive, although local politicians and businesses continue to exert significant influence over regional outlets. Amendments in July improved the protection of journalistic sources, and the Vilnius County Court ruled in August that the 2013 wiretapping of Baltic News Service (BNS) employees was unlawful. Russia’s propaganda war posed new challenges to Lithuania’s media landscape. In response, the government temporarily banned several Russian-language channels and prepared restrictive legislation at year’s end. *Pending the outcome of these restrictions, Lithuania’s independent media rating remains unchanged at 2.25.*

Local Democratic Governance. Local governments do not enjoy high trust ratings among the public, and their initiatives are significantly limited by a lack of financial resources and inefficient bureaucracy. Income tax redistribution limits revenue disparity; but ultimately curbs the independence of local governments. Improvements in municipal governance may see the light of day over 2015, as Lithuanians will directly elect mayors for the first time. *Lithuania’s local democratic governance rating remains unchanged at 2.50.*

Judicial Framework and Independence. Although no major scandals gripped the judiciary in 2014, the Seimas (parliament) met with resistance against its attempt to expand its control over the Prosecutor General’s Office. The parliament and the president continued to fight over the office, while it continued investigating both the president’s office and the Seimas. Lithuania’s court system suffers from long delays, which are partly due to poor management. The Constitutional Court has made significant inroads into politics. *Lithuania’s judicial framework and independence rating remains unchanged at 1.75.*

Corruption. Corruption remains a major problem, although Lithuanians have finally reversed course on their formerly pessimistic outlooks on eradicating corruption. Law enforcement agencies initiated investigations of a number of politicians and high-ranking officials in 2014, and the government prepared new measures to curb corruption in the long run. Still, Transparency International has criticized the government for a dearth of effective policies against graft and
bribery, particularly in the health care sector, the Seimas, and the courts. *Lithuania’s corruption rating remains unchanged at 3.50.*

**Outlook for 2015.** The government will stay in power in 2015, as the current three-party coalition lacks viable alternatives in the Seimas and the president seems to support the current power balance. Municipal elections will take place in March 2015. The LSDP won the last local elections in 2011 and led in opinion polls at year’s end. However, the most important political fights are anticipated in the capital and four major cities—Kaunas, Klaipėda, Šiauliai and Panevėžys—which are not the strongholds of the LSDP. Russian aggression in Ukraine and incursions in the Baltics will remain key geopolitical concerns in Lithuania in 2015. The declining Russian economy will put pressure on the Lithuanian economy to seek new markets for its export, and the opening of electricity interconnection grids with Sweden and Poland will hopefully help ease Lithuania’s dependence on Russian energy.
Following a number of short-lived governments that served after independence, two stable, full-term coalitions succeeded each other in 2008 and 2012. Parliamentary elections in October 2012 brought a center-left coalition to power, including the 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 ruling coalition remained relatively intact in 2014 but encountered numerous pitfalls following the reelection of President Dalia Grybauskaitė, an independent, in May. After the Special Investigation Service (SIS) sent a secret report to the president in June regarding nine deputy ministers suspected of corruption, Grybauskaitė asserted that the respective ministers risked their jobs if they did not fire their deputies.1 Lithuania’s constitution requires the incumbent cabinet to return its powers to the president after presidential elections, and the president has to resubmit the government’s composition to the Seimas (parliament) for approval.

The SIS report raised transparency concerns, as the deputy ministers were never charged officially. The ministers temporarily dismissed all of the deputies, and in July the president submitted the new government to the Seimas, which approved the four-party coalition. Eventually, 4 out of 14 ministers were replaced.

In August, President Grybauskaitė dismissed Minister of Energy Jaroslav Neverovič after he reappointed Renata Cytacka, one of the suspect deputy ministers and a member of the AWPL, despite objections from Prime Minister Algirdas Butkevičius. As a result, the AWPL was ousted from the ruling coalition.2 In May, Minister of Environment Valentinas Mazuronis became a member of the European Parliament, while Minister of Health Vytenis Povilas Andriukaitis accepted the position of European Commissioner for Health and Food Safety in June. In addition, Minister of Agriculture Virgilijus Jukna stepped down in July for family reasons, though the president claimed that his ministry was the least transparent in the cabinet.

Public officials have a poor reputation due to criminal charges against members of parliament as well as unprofessional behavior among some officials. Neringa Venckienė, leader of the fringe Path of Courage (PC) party, remains in hiding abroad after she was stripped of her parliamentary immunity in March 2013 and fled. The former judge Venckienė is under criminal investigation for disrespecting a court and for failing to carry out a court order, among other offenses. She was stripped of parliamentary immunity and lost her seat in June 2014.
Diplomatic and national security issues took prominence in 2014, as Lithuania worked on strengthening its role in international institutions and ensuring energy security.\(^3\) The year marked the 10\(^{th}\) anniversary of Lithuania’s entrance into the European Union (EU) and the North Atlantic Treaty Organization (NATO). In January, Lithuania became a non-permanent member of the United Nations Security Council (UNSC) for a two-year term. It served as the president of the UNSC in February, calling attention to Russian aggression in Ukraine and the occupation of Crimea. Air incursions across the Baltic Sea, the September abduction of an Estonian official, the takeover of a Lithuanian fishing vessel in supposedly international waters in September, and accusations regarding the mistreatment of ethnic Russians all created unease.\(^4\) Security concerns prompted NATO to strengthen the Baltic air-policing mission in April and assess the establishment of headquarters in the Baltic states. Simultaneously, Lithuanian parties signed an accord on security policy, which aimed for defense spending to reach 2 percent of the GDP by 2020.\(^5\)

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.\(^6\) 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. Controversy broke out in June 2014, following allegations that the government had abandoned the lawsuit in exchange for lower gas prices, in effect conceding to Gazprom’s interests. Prime Minister Butkevičius dismissed the accusations, assuring the public that the government had not abandoned its claims and that negotiations were still underway.\(^7\)

The country has made several other attempts to reduce its dependence on foreign energy and thereby improve its energy security. 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. The memorandum of understanding was signed in August 2014, but tangible progress was yet to be achieved at year’s end. There have also been talks of developing a new nuclear power facility in partnership with Estonia and Latvia, as well as an attempt to explore untapped shale gas resources. In 2013, the U.S.-based energy company Chevron won the tender for the search and extraction of shale gas, but abandoned the project in October of the same year due to an unpredictable regulatory environment and protests from environmentalists. Nonetheless, the government envisions lower taxes from the extraction of hydrocarbon resources, although the launch of the second tender has stalled.\(^8\)

Meanwhile, Lithuania continues to pursue electricity grid deals with Poland and Sweden. The Lithuania-Poland interconnection LitPol Link, estimated at EUR 91 million, received $52 million from the European Commission in April. The same month, another interconnection with Sweden, NordBalt, had the first cables laid. The project costs LTL 1.9 billion ($708 million). Both interconnections are anticipated to be fully operational by the end of 2015. Lithuania also began operating a liquefied natural gas (LNG) terminal in December and agreed to build a gas pipeline with Poland in October.\(^9\)
After completing its six-month presidency at the Council of the EU, Lithuania prepared for the introduction of the euro despite public ambivalence. In July, the council recognized Lithuania’s accession to the eurozone, and the country was set to become its 19th member on 1 January 2015. Lithuania has also actively pushed for membership in the Organisation for Economic Cooperation and Development (OECD). The OECD Ministerial Council Meeting announced in October that it would decide in 2015 whether to open membership negotiation talks with Lithuania.

Continuing its recovery from the 2008 financial crisis, Lithuania’s GDP grew by 2.9 percent in 2014 and was estimated to rise by another 2.5 percent in 2015. Lithuania’s GDP per capita (in purchasing power standards) reached 73 percent of the EU average, in line with Greece and Portugal. The Heritage Foundation increased its economic freedom score for Lithuania in 2014, raising the country by one place to the 21st freest in the world. Lithuania also improved on the World Economic Forum’s Global Competitiveness Report 2014, from 48th to 41st place.

Electoral Process

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Elections held in Lithuania since 1992 have been assessed as free and fair by domestic and international monitors. Citizens freely exercise their political rights and directly elect a president for a five-year term, representatives of the Seimas for four-year terms, and representatives of the European Parliament for five-year terms. The most recent parliamentary elections took place in 2012, and the country held European Parliament (EP) and presidential elections in May 2014.

Both elections were generally free of serious allegations and violations. Prior to the presidential elections, the Organization for Security and Cooperation in Europe (OSCE) noted in a report that the “diverse political and media landscape enhance transparency and accountability,” although they recommended further progress in candidate registration, the administration of electronic voter lists, alternative voting mechanisms, and complaints and appeals. In some constituencies, people criticized waiting in long lines before casting a ballot. The presidential elections took place in two rounds, on 11 and 25 May. Seven candidates participated in the election. President Grybauskaitė ran as an independent but with the support of the conservative Homeland Union (TS-LKD) and the Liberal Movement (LRLS). The other candidates included Member of European Parliament (MEP) Zigmantas Balčytis from the LSDP; Artūras Paulauskas from the DP; party leader and MEP Valdemar Tomaševski from the AWPL; Vilnius mayor Artūras Zuokas from YES—Homeland Revival and Perspective (TAIP); and Ignalina mayor Bronis Ropė from the Lithuanian Peasant and Greens Union (LVŽS). Former president and leader of the TT Rolandas Paksas announced his candidacy after the UN Human Rights Committee ruled in April that the lifelong ban on running for office—following his impeachment in 2004—had violated his
political rights. Nonetheless, the Central Electoral Commission (CEC) refused to register Pakas as a candidate. Earlier, in February, the Seimas postponed voting on an amendment to the constitution that would remove the ban. Prime Minister Butkevičius abstained from running in the election, despite his popularity and 2009 presidential bid.

Since none of the challengers received the required majority in the first round of voting, the two candidates with the greatest number of votes—Grybauskaitė with 46 percent and Balčytis with 14 percent—moved on to the second round. In the runoff, Grybauskaitė won with 58 percent of the votes, while Balčytis received 40 percent. Voter turnout reached 52 percent in the first round and 47 percent in the second, similar to the turnout in 2009. Grybauskaitė became the first president in Lithuania to be elected for a second term.

Elections to the European Parliament took place on 25 May, coinciding with the second round of the presidential election. The electoral list was diverse, and 7 of 10 parties cleared the 5 percent threshold necessary for sending candidates to the EP. Out of the 11 seats accorded to Lithuania, four parties gained 2 seats each: the TS-LKD (17.4 percent of votes), the LSDP (17.3 percent), the LRLS (16.6 percent), and the TT (14.3 percent). The DP (12.8 percent), the AWPL, in coalition with the Russian minority (8.1 percent), and the LVŽS (6.6 percent) each received one seat. Voter turnout reached 47.4 percent, a huge increase from the abysmal turnout of 21 percent in 2009. Such a large increase, however, was likely a result of overlapping election days as opposed to newfound voter mobilization.

The CEC enjoys a high level of public trust and is widely perceived to be impartial and professional. However, the commission received criticism for allegedly delaying a referendum prohibiting the sale of land to foreigners. When Lithuania joined the EU in 2004, it agreed to allow foreigners to purchase land but was granted a seven-year transition period that was eventually extended through May 2014. In November 2013, as the deadline approached, radical nationalists, large landowners, and the protest electorate submitted the required 300,000 signatures in support of a referendum on the issue. The CEC, however, did not verify the validity of the signatures until February 2014, after which the Seimas announced that the referendum would be held on 29 June. Supporters of the referendum accused the CEC and the Seimas of intentionally setting the date after the elections to keep the turnout low. As expected, the referendum failed due to a record-low turnout: barely 15 percent of voters turned up at the polls.

Political parties in Lithuania may register and campaign freely, with the exception of the Communist Party, which is banned. As of September 2014, there are 41 registered parties in Lithuania. Coalitions shift frequently after elections and party mergers are common, although no mergers occurred in 2014. The party system is stable and moderately fragmented. Around 114,000 Lithuanians (4.5 percent of all eligible voters) are registered party members, the DP and LSDP boasting the largest memberships. Regardless, parties still struggle to earn the trust of their constituents: a meager 8.4 percent of the population reported to trust political organizations in 2014, only a 1.2 percent rise since 2013.
In contrast, the political participation of minorities is fairly strong. The two largest minority groups, Poles and Russians, are represented by the AWPL and the Russian Alliance, which often run together in elections. The AWPL, as an ardent proponent of Polish minority rights currently holds eight seats in the Seimas and one in the European Parliament. The party eyes a sizeable share of votes in the 2015 municipal elections in Vilnius, as 37 percent of its population is composed of ethnic minorities. This fact holds special weight considering the Seimas’s approval of direct mayoral elections at the municipal level in June.

### Civil Society

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Civil society in Lithuania is active and continues to increase in visibility. Civil movements have gained importance in the past few years, and in 2014, participation in volunteer work and charities continued to grow. Among the most visible NGOs were the charity Food Bank (Maisto Bankas), the environmental cleanup initiative Mes Darom (“We Do”), groups providing aid to Ukraine (Blue/Yellow and For Democracy Ukraine), and the anticorruption campaign “White Gloves.” Additionally, more people started volunteering in the armed forces and joined the Lithuanian Rifleman’s Union.25

At the same time, the civic sector remains fragmented, and non-governmental organizations (NGOs) are challenged by low public participation in addition to limited administrative and financial resources. While NGOs and civic groups function without interference from authorities, some groups, such as LGBTI rights activists, sometimes face harassment. Outside of overt harassment, those participating in civil society activism may be at a higher risk for losing their jobs or being discriminated against.

Statistics on the number of NGOs are ambiguous, with many more of them officially registered than are actually operational. The Statistical Office reports that, at the beginning of 2014, there were 16,839 active associations, 1,457 charities and support funds, and 120 public organizations.26 Private individuals may donate 2 percent of their personal income tax to NGOs.27 Through this provision, funding to NGOs has continued to increase. Both the number of recipient NGOs and charities and the number of donors increased in 2012, with the total amount of donations increasing from LTL 40.7 million ($16.1 million) in 2011 to LTL 45.4 million ($16.9 million) in 2012.28 Private companies account for 86 percent of total sponsorships and donations, with the remaining 14 percent coming from individuals and anonymous donors. 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 and make recommendations on national labor policy together with the government in the Tripartite Council.29 Although
membership in employer organizations had increased from 12,100 to 13,900 by the beginning of 2014, trade unions lost a significant amount of members, dropping from 102,300 to 95,300.\textsuperscript{30} This can be attributed to unions’ decreasing political significance compared to employers’ organizations.

A law on NGOs came into force in April that established a clear definition of NGOs, as well as regulations for their organizational structure and cooperation with municipal and state authorities.\textsuperscript{31} The introduction of the law was seen as a positive step, underscoring the incorporation of NGOs into the Lithuanian legal system and helping collaboration with the government.

Lithuanians are generally tolerant when it comes to cohabitation, abortion, and gender equality.\textsuperscript{32} The Catholic Church, however, is an outspoken proponent of socially and morally conservative values, and along with other religious organizations receives indirect political representation through the TS-LKD. In 2014, the leaders of Catholic, Lutheran and Orthodox communities expressed grave concern over efforts to codify the right to abortion (it has been regulated by a ministerial decree).

The rights of LGBTI people still considerably lack legal protections. Rimantas Dagys of the TS-LKD and Petras Gražulis of the TT submitted several antigay bills in 2014. The bills sought to legally define the family as a married heterosexual couple with children, establish fines for “public family defilement,” and ban same-sex couples from adopting children. The Seimas voted against or postponed all of the bills.\textsuperscript{33}

In August, television channels refused to broadcast the Lithuanian Gay League’s (LGL) advertisement promoting the rights of LGBTI people, arguing that the ad violated the Law on the Protection of Minors against the Detrimental Effect of Public Information. The inspector of journalist ethics agreed that the video was harmful to minors. In October, LGL took the inspector’s decision to court, but the Vilnius Regional Administrative Court declared itself incompetent in the matter.\textsuperscript{34} After the Supreme Administrative Court rejected their appeal in December, the league partnered with the International Lesbian, Gay, Bisexual, Trans and Intersex Association in Europe (ILGA-Europe) and filed a complaint with the European Commission.

Language rights remain a problem in Lithuania, particularly in the context of a sizeable Polish community. Ethnic minorities have claimed language discrimination in the school system. In April, the Office of the Equal Opportunities ombudsman stated that the municipal government in Vilnius, dominated by the AWPL, discriminated against kindergarteners by mandating instruction in Polish.\textsuperscript{35} On the other hand, an increasing number of subjects are taught in Lithuanian in predominantly Polish schools due to an education law enacted by the former TS-LKD government. Additionally, the Constitutional Court ruled in 1999 that Lithuanian is the only official language of the state and that nothing short of a constitutional amendment can give other languages equal status. Polish spelling conventions are forbidden from use on official documents and street signs. In July 2014, the Seimas adopted a decision allowing a citizen to indicate his/her ethnicity in the passport upon personal request. The law comes into force on 1 January 2015.\textsuperscript{36}
Lithuania’s media sector is generally free and diverse, and the legal framework is increasingly protective of freedom of expression. In the aftermath of the 2013 Baltic News Service (BNS) scandal, some instances of government overreach were corrected in 2014.37 In July, President Grybauskaitė successfully pushed for the Seimas to adopt amendments to the Law on Provision of Information to the Public and the Code of Criminal Procedure. The amendments restricted judicial action only to instances of vital importance to the public and outlawed orders for disclosure in the presence of reasonable alternatives. They also ensured journalists the right to demand that any searches by law enforcement officers be recorded or take place in the presence of an independent observer. That same month, the General Prosecutor stopped a pretrial investigation of news channel TV3 on charges of tax evasion and falsifying documents due to a lack of evidence. In August, the Vilnius Regional Court ruled that law enforcement agencies had wrongly wiretapped BNS employees during the 2013 scandal.

However, in the flux of Russia’s information war and aggression in Ukraine, media outlets encountered significant restrictions in Lithuania. In March and April, the Radio and Television Commission issued three-month bans on broadcasts by the Russian channels NTV Mir and RTR Planeta for distributing “warmongering propaganda.” After the broadcaster Viasat, registered in Estonia, disregarded the court’s decision and continued to rebroadcast the banned channels, President Grybauskaitė submitted a bill in October that would amend the Law on Public Information and limit Kremlin propaganda by requiring 90 percent of rebroadcasts to be in official EU languages.38 The Seimas rejected the bill and returned it to the president for revision. Grybauskaitė submitted a new version in December, which would set a penalty of up to 3 percent of a broadcaster’s annual revenue for spreading war propaganda or information that is deemed an attack on the country’s constitutional order. Dunja Mijatović, the OSCE Representative on Freedom of Expression, repeatedly called on governments in 2014 to avoid countering propaganda with censorship.39

With the exception of the state-run Lithuanian National Radio and Television (LRT), Lithuanian media are privately owned. Private media companies complain that it is virtually impossible for them to stay profitable under the current tax regime, particularly in the face of print media consumers switching to internet media. In April, the Ethics Commission of Journalists and Publishers established that Lietuvos Rytas and Respublika—the two dominant newspapers—did not abide by journalistic ethics, and the commission subsequently invalidated their 9-percent value-added tax exemption. The outlets are currently subject to the standard 21 percent tax.40 Overall tax burdens motivated media companies to narrow their frequency of publications in order to reduce costs of operation, and numerous major national newspapers terminated their Monday print editions in 2014.
The financial situation is particularly serious in the regional media; around 50 local outlets have closed or declared bankruptcy in the past few years. Furthermore, most local outlets are either owned by local business elites or remain financially dependent on revenue from announcements and advertisements commissioned by municipalities. In exchange for public advertising revenue, some regional outlets do not print criticism of local elites or government figures.

Although legislation on competition limits ownership to 40 percent market share, Lithuania lacks sector-specific regulations on the concentration of media ownership and the Seimas refuses to ban banks and municipalities from owning media shares. Lithuanians generally regard private media as catering to business interests. Nevertheless, trust in media increased in 2014, with 39 percent of the respondents claiming to trust information gathered from the outlets.

In contrast with declining print media, Lithuanians continue to access the internet in greater numbers. By the beginning of 2014, 97 percent of households had access to broadband internet, far above the EU average at 62 percent: Lithuania remains the leader in fiber-optic internet penetration, with a third of all households using fiber-optic internet. Almost half of Lithuanian internet users are registered on Facebook and read online news extensively.

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. Despite the huge increase in internet penetration rates, television remains the most popular medium.

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Public confidence in local government is undermined by bureaucratic politicking, graft, bribery, and inefficiency. As of September 2014, public trust in municipal governance flatlined at 28 percent. Local governance suffers from limited financial resources, and national regulation and red tape in local councils is seen as a hurdle for municipal efficiency.

Local governments are also constrained by their financial dependence on the central government, owing to regulations by the Ministry of Finance. Central budget allocations account for about half of municipal budgets; the remaining portion comes from property and land taxes, and local fees. Although the portion of national income tax revenue allocated to local governments increased from 57.3 percent in 2013 to 67.8 percent in 2014, the current figures have yet to bounce back to the 73.5 percent of 2010.

To make matters worse, municipalities are ultimately only free to distribute less than one-tenth of their budgets, and much of their revenues go to the central government’s wage fund and utility payments. Additionally, municipalities cannot
manage urban or rural state-owned land, which would pave the way for quicker implementation of investment projects. Many municipalities have experienced financial difficulties following minimum-wage increases over the last three years. In September 2014, the government increased the minimum wage by LTL 35 to account for changes connected to the eurozone accession. Despite municipalities’ ongoing struggles, the central government has been slow in compensating increased wages with additional allocations.

Disparities in local government revenues are leveled through income tax redistribution, with wealthier cities providing for poorer regions. By this practice, the central government determines income tax responsibilities for each municipality. Although it considers each municipality’s needs and problems, in effect, it curbs the independence of poorer areas. Additionally, the current system aggravates the capital’s problems. Vilnius transfers 58 percent of its income tax to other cities, even when the city’s debt is dramatically increasing. In 2014, the Vilnius city budget received 48 percent of income tax. As of June, the debt of Vilnius municipality accrued to LTL 1.2 billion ($390 million), equal to the city’s annual budget.

From 2015 on, mayors will be directly elected, whereas municipal councils will be elected from party lists according to a system of proportional representation. The new law, adopted in June, calls for a runoff in case candidates receive less than 50 percent of the vote in the first round. Direct elections will enable mayors to focus on their immediate functions, provided that their agendas align with the ruling majority in the councils; otherwise, partisan conflict may ensue.

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Lengthy investigations and trials, as well as occasional corruption scandals in the judiciary, have damaged the reputation of Lithuania’s court system. In the past two decades, about a third of the cases Lithuania has lost in the European Court of Human Rights (ECHR) were related to excessively lengthy judicial proceedings. The public perceives the judiciary as a rather opaque body often catering to the presidential agenda and has taken particular issue with the Office of the Prosecutor General. Opinion polls reveal that only 24 percent of the public trusts the prosecutor general and the judicial system at large.

For the last several years, debates on reforming the prosecution service and state security apparatus have created deep rifts between the legislative and executive branches. In 2013, the Seimas passed amendments that granted it the power to dismiss the prosecutor general in case parliamentarians veto the institution’s annual report. Although the Seimas attempted to remove Prosecutor General Darius Valys in the fall of 2013, the Constitutional Court struck down the move in January 2014. According to the court’s decision, the Seimas had misappropriated presidential power. Disputes reignited in August, when President Grybauskaitė reinstated
Darius Valys as prosecutor general following his suspension in May. Valys requested the suspension pending a full investigation of a 2011 car accident.\textsuperscript{54}

Investigations by the General Prosecutor’s Office in 2014 reached the parliament and the president’s circles as well, but some of them were regarded as controversial. In June, the office pressed charges against a former advisor of the president, Daiva Ulbinaitė, for revealing state secrets during the 2013 BNS scandal. The charges carry a penalty of up to three years of imprisonment. In July, the General Prosecutor’s Office addressed the European Parliament, asking it to abolish parliamentary immunity for Viktor Uspaskich, the leader of the DP. Uspaskich was sentenced for fraud in July 2013; the final decision at the Court of Appeals was pending at year’s end. In September, speaker of the Seimas Loreta Graužiniienė disagreed with the prosecutor general about a terminated pretrial investigation of an administrator for a bankrupt bank Snoras. However, Graužiniienė refrained from interfering with the investigation.

The Constitutional Court frequently stands as a safeguard for democracy and makes significant inroads into politics. In July, the court ruled that the Seimas could disregard a 300,000-signature petition to initiate a referendum, in case a call for a referendum is against the Constitution. In May, it found the parliament’s decision to reinstate four DP members suspected of vote buying into the electoral list unconstitutional.\textsuperscript{55} Still, the Constitutional Court faces backlash for inappropriately meddling with politics over the past few years, particularly after having determined that pay cuts for civil servants were unconstitutional in 2013. Decisions annulling austerity measures after 2010 have 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 what many saw as retaliation, in September 2014, the Seimas rejected former chairman of the Constitutional Court Romualdas Urbaitis, the president’s nomination, to head the Chief Official Ethics Commission (COEC).

The lengthy trial of Eglė Kusaitė ended in 2014. In May 2013, a court in Vilnius found guilty a young Lithuanian Muslim convert, Eglė Kusaitė, who was accused of plotting a terrorist act in Russia’s Chechnya. In May 2013, a court sentenced her to 10 months of prison, which she had served during her detainment. 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{56} Human rights groups 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, and the Court of Appeal finally acquitted her in April 2014.\textsuperscript{57}

The Lithuanian prison system is overcrowded and does not conform to international standards. As of early 2014, Lithuanian prisons held 9,300 inmates—the highest number since 2002.\textsuperscript{58} Release on parole is slow and cumbersome due to an unfinished prison system reform.
Although still a major concern in Lithuania, corruption has slightly declined over the last several years. From 2011 to 2014, corruption significantly fell in the ranks of the country’s most pressing issues, almost by 20 percent.\textsuperscript{59} For the first time in recent history, more Lithuanians now believe that corruption will decrease rather than increase, and this optimism extends to both the public and private sectors as well as to NGOs.\textsuperscript{60} Lithuania rose five spots in Transparency International’s 2014 Corruption Perceptions Index, placing at 39\textsuperscript{th} compared to 43\textsuperscript{rd} in 2013.\textsuperscript{61}

Corruption is particularly prominent in the health care sector, the Seimas, the courts, the police force, and municipalities, and cases often linger for years before legal action is taken. The most prominent corruption case, opened in 2008 against several members of the DP, is still ongoing due to an appeal. Although the Vilnius County Court found DP leader Viktor Uspaskich guilty of fraud in July 2013 along with several of his fellow party members, all four remain free until the Court of Appeals reaches a verdict. The case marked the first investigation and judicial trial where criminal proceedings against senior politicians were not aborted.

The SIS launched numerous investigations on the activities of government officials in 2014. It detained Kaunas council member Valys Venslovas in February and Visaginas mayor Dalia Štraupaitė in September. Both were accused of corruption and abuse of office. Deputy Minister of Health Gediminas Černiauskas resigned from his post in October, facing a SIS investigation for allegedly trying to secure a post for his party colleague. In the same month, a separate investigation concerning public procurement in the TT-dominated Ministry of the Interior also prompted the immediate resignation of Interior Minister Dailis Alfonas Barakauskas, as well as his advisor and deputy minister.

Corruption in public procurement remains a key issue and made numerous headlines in 2014. Public institutions’ directors are not held personally liable for procedural violations, and penalties for violators are disproportionately low. In July, President Grybauskaitė vetoed amendments to the Law on Public Procurement in an effort to protect the transparency of party financing. The amendments would have allowed political parties to spend membership fees, donations, and income without a public tender.\textsuperscript{62} The LSDP accused the president of favoring red tape. Perhaps in an effort to cool the contentious political climate, the new head of the Public Procurement Office, Diana Vilytė, touted the law as among the best in the EU in December, while promising to deter corruption by requiring efficiency over cost cutting.\textsuperscript{63}

After a February Eurobarometer poll found that 29 percent of Lithuanians have been requested to give a bribe in exchange for services (the highest result in the EU), the Lithuanian branch of Transparency International voiced concern over the government’s weak response to corruption and bribery.\textsuperscript{64} The organization

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called on the government to fight corruption more efficiently by implementing more controls in lobbying activities, better monitoring conflicts of interest, increasing accountability in the public sector, and adopting a law that would protect whistleblowers in investigations.65 The concerns came to some fruition—in June, the Ministry of the Interior announced a plan to compensate informants in investigations. 66 The government approved the proposal in November. 67

The implementation of an updated national anticorruption program for 2011–14 progressed during the year. Regulatory reforms have improved business conditions, however, following an increase in 2013, Lithuania returned to its previous position in the World Bank’s Doing Business 2015 rankings. 68

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5 Defense spending is set to increase by one third in 2015 to approximately $543 million, amounting to 1.1 percent of GDP. See “Pasirašė susitarimą dėl Lietuvos saugumo politikos gairių” [Lithuania signed an agreement on security policy guidelines], Verslo žinios, 29


10 An April 2014 poll showed that 46 percent of Lithuanians supported the introduction of the euro and 48 percent opposed it. See “Vyriausybės naujienlaiškis” [Government Newsletter Nr. 125 (22)], 2 June 2014, http://lr.v.l.lt/naujienos/savaites-naujienos/?nid=14508.


In 2004, President Pakas was impeached by the Seimas for breach of the constitution on several accounts, including unlawfully granting Lithuanian citizenship to a Russian who had made large campaign donations. See “Jungtinių Tautų komitetas: Lietuva pažeidė R. Pakso teises” [United Nations Committee: Lithuania Rolandas Pakas violated rights], Kauno Diena, 9 April 2014, http://kauno.diena.lt/naujienos/lietuva/politika/jungtiniu-tautu-komitetas-lietuva-pazeidese-r-pakso-teises-624524#.VCpfu2eSwmY.


Ministry of Justice, “Teisingumo ministerija kviečia politines partijas teikti savo narių sąrašus” [The Ministry of Justice invites political parties to provide their lists of members], 24 February 2014, http://www.tm.lt/naujienos/pranesimasspaudai/2186


UAB Vilmorus, Pastikite, ar nepastikite išiomis Lietuvos institucijomis [How many trust or do not trust the Lithuania authorities], (Vilnius: UAB Vilmorus, 15 September 2014), http://www.vilmorus.lt/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=2&cntnt01returnid=20.


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.


“Seimas leido pase įrašyti tautybę” [The Seimas allowed to record the nationality of the passport], lrt.lt, 10 July 2014, http://lrvab.lrt.lt/en/archive/16718/.

In November 2013, the SIS pressured BNS, the largest news agency in the Baltics, to identify its sources after it reported, citing Lithuanian intelligence sources, that the State Security Department had warned about a misinformation campaign by the Russian government targeting President Grybauskaite. The judge of a pretrial investigation ordered a BNS editor to disclose her sources, leading to her home being searched, the interrogation of six BNS employees, and the seizure of several BNS computers. Lithuanian journalists, in defense of journalistic freedom, loudly protested the order, and the Vilnius Regional Court eventually annulled the disclosure order.


“Respublika” pripažinta neetiška žiniasklaidos priemone” [Respublika recognized as unethical media], Kauno Diena, 29 April 2014, http://kauno.diena.lt/naujienos/lietuva/salies-pulsas-respublika-pripazinta-neetiska-ziniasklaidos-priemone-627477#.VCqpp02eSwnY.


Ibid.


UBAB Vilnorus, [How many trust or do not trust the Lithuania authorities], http://www.vilmorus.lt/index.php;mact=News,cntnt01,detail,0&cntnt01articleid=6&cntnt01returnid=20.


UAB Vilmorus, [How many trust or do not trust the Lithuania authorities], http://www.vilmorus.lt/index.php?option=com_content&view=article&id=2&cntnt01articleid=2&cntnt01returnid=20.


“Prezidentę: maksimali pertrauka tarp teismo posėdžių turi būti ne ilgesnė kaip mėnuo” [The president: the maximum break between court sessions should be no longer than 1 month], Balsas.lt http://www.balsas.lt/audjiena/722391/prezidente-maksimali-pertrauka-tarp-teismo-posedziu-turi-buti-ne-ilgesne-kaip-menuo.


Valyš’s car hit a pedestrian on a crosswalk and left her with minor injuries. He was fined LTL 500.


64 “Premjeras nustebo dėl korupcijos Lietuvoje” [The prime minister was surprised on corruption Lithuania], lrytas.lt, 3 February 2014, http://www.lrytas.lt/lietuvos-diena/aktualijos/premjeras-nustebo-del-korupcijos-lietuvoje.htm.


