

# Lithuania

*Capital:* Vilnius  
*Population:* 3.5 million  
*GDP/capita:* US\$14,340  
*Ethnic Groups:* Lithuanian (83.4%),  
 Polish (6.7%), Russian (6.3%),  
 other or unspecified (3.6%)

*The economic and social data on this page were taken from the following sources:*

**GDP/capita, Population:** *Transition Report 2006: Finance in Transition* (London, UK: European Bank for Reconstruction and Development, 2006).

**Ethnic Groups:** *CIA World Fact Book 2007* (Washington, D.C.: Central Intelligence Agency, 2007).

## Nations in Transit Ratings and Averaged Scores

	1999	2001	2002	2003	2004	2005	2006	2007
Electoral Process	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Civil Society	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.75
Independent Media	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Governance*	2.50	2.50	2.50	2.50	2.50	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50
Judicial Framework and Independence	2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75
Corruption	3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00
Democracy Score	2.29	2.21	2.21	2.13	2.13	2.21	2.21	2.32

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

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

## EXECUTIVE SUMMARY

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Lithuania enjoys a democratic system of government, political stability, and respect for the rule of law. Political rights and civil liberties are well established and protected. Power transfers are smooth, and viable political parties function at all levels of governance. In 2004, Lithuania joined NATO and the European Union (EU). Major political forces and the public strongly supported these integration processes, and aspiration for EU membership drove the country's sweeping political, economic, and administrative reforms.

The country owes much of its successful transition to a growing civil sector and independent media. Since 1990, Lithuania has had 14 government administrations and has established a functioning market economy thanks to large-scale privatization, business deregulation, and liberalization of foreign trade. With strong macro positions, the country remains one of the fastest-growing economies in the region. Lithuania's judicial framework has been overhauled. Corruption, however, remains a serious concern.

Since mid-July 2006, Lithuania has been governed by the first ever minority government, led by Social Democrat Gediminas Kirkilas. The stability of the previous ruling Social Democrat–led coalition was continuously threatened by internal confrontations, battles for influence, and conflict-of-interest scandals. In May 2006, Lithuania's ruling four-party coalition collapsed and the government resigned following a prolonged political crisis and the withdrawal of the Social Liberals and the Labor Party into the opposition. In early summer, the Lithuanian Social Democratic Party and the National Farmers' Union teamed with the Liberal-Center Union and the newly formed Civil Democracy Party and created a new ruling minority coalition. It has 58 members in the 141-seat Parliament. Parliamentarians on both sides of the political spectrum supported the minority government in an attempt to give Lithuania a new political start.

In 2006, the Constitutional Court passed several groundbreaking rulings on the Law on Courts and the Statute of the Supreme Court. As a result, the Council of Judges (the main executive body of the Lithuanian judiciary) was reformed by removing governmental appointees, and court precedents became a source of law in Lithuania. The media managed to withstand attempts from the lawmakers to limit press freedom through restrictions on reporting and the expression of opinion.

**National Democratic Governance.** In 2006, the State Security Department, Lithuania's main security service, was shattered by a chain of scandals that provoked debates over the agency's working principles, personnel politics, leakage of information, and fuzzy boundaries of its parliamentary oversight. Lithuania's bureaucratic apparatus continued to grow inexorably, raising concerns over the flawed

internal management and increased spending of government institutions. In 2006, the Parliament adopted a long debated code of ethics for politicians. The usefulness and effectiveness of the code are widely questioned, as it lacks leverage to involve the public in monitoring politician conduct and effective sanctions for ethics violations. The takeover of Lithuania's most prized industrial asset, the Mažeikių Nafta oil refinery, by Polish concern PKN Orlen is under way. In September, Russia cut off crude oil deliveries to Lithuania, which intensified dismay at Russia's growing assertiveness in energy affairs. In 2006, Lithuania missed the inflation target set for its accession into the Eurozone, which was consequently postponed. *Lithuania's rating for national democratic governance remains at 2.50.*

**Electoral Process.** Lithuania entered 2006 with a mounting political crisis that precipitated the collapse of the ruling center-left coalition. The fallout started in April when Social Liberals' leader Artūras Paulauskas was ousted from his post as parliamentary Speaker in a no-confidence vote and Social Liberals pulled out of the coalition. In May, the cabinet resigned after the Labor Party, confronted with internal squabbling and official charges of faulty party bookkeeping and tax evasion, withdrew from the government. After failed talks over a broad-based coalition, the Lithuanian Social Democratic Party, the National Farmers' Union, the Civil Democracy Party, and the Liberal-Center Union formed a ruling minority coalition. With support from the Conservatives, Lithuania's largest center-right force, the appointment of the 14th administration on July 18 ended Lithuania's three-month cabinet crisis. In late 2006, the Parliament approved in the first reading legislative amendments that would prohibit businesses from donating to political parties and that ban political advertising on radio and television. *The country's rating for electoral process remains at 1.75.*

**Civil Society.** Several new center-right public policy groups have taken a proactive stance on a variety of topical issues and have strengthened independent policy advocacy in the past few years. Yet public awareness and support of civil society remain low. In recent years, less than a fifth of the population has participated in nongovernmental organizations (NGOs) or civil movements, and only one in four working individuals uses the existing income tax deduction to support nonprofits. Moreover, most of these donations go to underfunded municipal-run institutions such as schools. A lack of interest and confidence in NGOs, low public outreach of civil society groups, and their unstable financial basis are the most common reasons for nonparticipation. Beginning in 2006, Lithuania's NGOs are required to pay a 15 percent tax on commercial proceeds that exceed an established level. *Lithuania's rating for civil society worsens from 1.50 to 1.75 owing to a lack of visible changes in public perceptions and low support of the nongovernmental sector.*

**Independent Media.** In mid-2006, a new Law on Public Information was passed. Proposals from lawmakers included prohibiting filming or photographing private property without owner authorization and restricting the expression of subjective

opinion. Yet in response to severe criticism from journalists and publishers, these provisions were softened significantly. The year witnessed continued consolidation of media ownership among a few influential business groups. Some worry that these processes might affect media coverage, quality, and independence. Public confidence in the media now stands at 50 percent of the population, a marked drop from several years ago. Another rising trend in 2006 was a significant expansion of Internet news portals and usage. By mid-2006, the number of Internet subscribers and household connections had doubled. Still, only a third of Lithuanian households had access to the Internet in July 2006, and a wide gap remained between urban and rural access. *The rating for independent media stays at 1.75 as the media withstood attempts to tighten legislative restrictions on reporting and the expression of opinion.*

**Local Democratic Governance.** Debates on the introduction of direct mayoral elections intensified in the run-up to the local government elections scheduled for February 2007. Yet the lack of political consensus to allow unaffiliated, nonparty mayoral candidates hampered the legislative process. Likewise, a bill to legitimize elections through single-mandate constituencies and a proportional party-list ballot was postponed until after the elections. The operation of local government lacks transparency and openness, and only a third of the population trusts local authorities, according to polls. Misuse of municipal funds is widespread, mainly because of flawed financial management and ineffective internal auditing procedures. The Parliament started debates on constitutional amendments that will task the National Audit Office with the oversight of local government budgets and assets. *Lithuania's rating for local democratic governance remains at 2.50.*

**Judicial Framework and Independence.** In 2006, a chain of controversial cases involving judge appointments intensified public debate on weaknesses in Lithuania's judiciary. Amid these discussions, the Constitutional Court found that over 30 provisions of the Law on Courts and the Statute of the Supreme Court contradicted the country's Constitution. As a result, the Council of Judges, which plays a decisive role in the judge appointment process, was recomposed by eliminating politicians and government officials. In March 2006, the Constitutional Court passed another watershed ruling making court precedents a source of law in Lithuania. In 2006, public criticism over the work of notaries soared as the press reported on disturbing problems in notary offices, including long lines, a disregard for small clients, and high fees. Courts continue to rank among the least trusted institutions, mainly because of the insularity of the system, corruption, and lengthy trials. In recent years, independent civil groups have sounded the alarm at growing violations in the respect for private life, the rights of vulnerable groups, and ethnic intolerance in Lithuania. Complaints regarding equal opportunities have multiplied since the legal framework against discrimination was strengthened in 2005. Crime and court statistics show that recent criminal law reform has not been as effective as expected. The pace of criminal proceedings has not accelerated, custodial sentences have

multiplied, and the average length of custodial sentences and imprisonment has increased. *Lithuania's judicial framework and independence rating falls from 1.50 to 1.75 owing to recurrent problems in the country's legal system, a lack of demonstrable improvement from the recent civil and criminal law reform, and the persistent public mistrust of courts.*

**Corruption.** Corruption remains a serious problem, mainly because of the slow implementation of effective anticorruption programs. The exposure and investigation of conflict-of-interest allegations have become more open, but implications of political corruption continue regularly to surface. To address this, the new anti-corruption agenda focuses on revising political party financing and lobbying legislation and improving allocation procedures for EU structural funds. In 2006, Lithuanian prosecutors brought charges against the embattled Labor Party over fraudulent party bookkeeping, tax evasion, and influence peddling. According to polls, people's worst personal experience with administrative corruption concerns land planning and customs procedures, construction permits, health care services, and land ownership restitution. *There is greater openness in exposing, investigating, and discussing conflict-of-interest allegations among authorities but there is also little follow-through and an overall feeling in the country that the anticorruption process is not working effectively. Accordingly, Lithuania's rating for corruption remains at 4.00.*

**Outlook for 2007.** Local government elections are scheduled to take place on February 25, 2007. Though much debated, the legitimizing of direct mayoral elections and municipal representation through single-mandate constituencies in addition to the existing proportional party-list ballot is unlikely. In 2007, public attention will continue to focus on the functioning of the new ruling coalition and minority government. The Parliament is likely to tighten party funding and political campaign laws. Securing crude oil supplies to Mažeikių Nafta following the takeover of the refinery by Polish PKN Orlen and disruption in oil deliveries from Russia will be one of the main economic security concerns for the country.

# MAIN REPORT

## National Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50

Lithuania has a democratic government with a functioning system of checks and balances. The state is a parliamentary republic in which the president nominates and, with the Parliament's endorsement, appoints the prime minister and approves the composition of the cabinet.

Lithuania's Parliament operates in an open manner, and all legislative documents and records, including laws, bills, plenary debates, and committee commentaries, are posted on the Internet. Public policy and interest groups may take part in the political process through policy advocacy, advising, and lobbying. Yet draft legislation is not always readily available to the public. Executive authorities often propose bills or adopt new regulations without prior notice or public scrutiny, though they are required by law to announce policy proposals via the Internet. In practice, most bills, especially administrative and regulatory documents, originate in the government.

In recent years, the legislative process has been distracted by numerous ad hoc commissions to investigate conflict-of-interest allegations against top officials, and during its first two years, the current Parliament established a dozen interim commissions. In most cases, such investigations were lengthy and used as a tool for political battling, resulting in public skepticism about their effectiveness.<sup>1</sup> In November 2006, the Constitutional Court passed a ruling that limited the powers of interim commissions, which came amid a parliamentary investigation of the embattled State Security Department (SSD), Lithuania's main security agency, and its controversial oversight of security and law enforcement matters.

In 2006, a chain of scandals shattered the SSD. In August 2006, Vytautas Pociūnas, a security officer and adviser to the Lithuanian consulate general in Grodno, Belarus, mysteriously died during a business trip. Previously, Pociūnas headed the SSD's national economic and energy security office. The story provoked suspicion over the operation of Lithuania's security services and politicization of SSD personnel and intensified discussions about the influence of Russia and Belarus. The department came under attack again in September after SSD officials detained editor and publisher of the *Laisvas Laikraštis* newspaper, Aurimas Drižius, for unlawful possession and dissemination of classified information. This incident sparked a major backlash from the president, members of Parliament, and journalists who decried it as a violation of press freedom. Drižius was released shortly, but concerns remained about an evolving crisis and classified information leaks in Lithuania's security agency.

An ad hoc parliamentary investigation concluded in December that the SSD faced leadership and personnel management problems and that the agency's director general, Arvydas Pocius, was not competent to head the department. Pocius resigned shortly after the Parliament endorsed these conclusions. While political analysts criticized the investigation as being shallow and politically motivated, the Constitutional Court's ruling of November 2006 stated that interim parliamentary commissions may not be tasked with the investigation or assessment of decisions of heads of state institutions concerning the professional careers of their subordinates.<sup>2</sup>

The Lithuanian executive branch is less transparent than the legislature. The government often provides limited public access to information on regulatory proposals, arguing that the cabinet's position is not finalized in the drafting process. Beginning in August 2006, cabinet sessions are broadcast live on the Internet. To enhance transparency, since July 2005 government and municipal resolutions, decrees, and other legal acts have come into effect on the day of their signing after being posted on the Internet rather than waiting until publication in the official gazette.

In September 2006, the Parliament adopted a code of ethics for politicians, which applies to state office holders and parliamentary party leadership. The effectiveness of the code is widely questioned for many reasons. The document was stalled in the Parliament for several years and underwent numerous revisions. Also, a lack of public interest prompted critics to argue that the code needed some leverage to engage Lithuanian society in monitoring the conduct of politicians. As suggested by President Valdas Adamkus, local government councils will form ethics commissions made up of council members and community representatives. The lack of sanctions for ethics violations is another major weakness of the code, but institutional Web sites and the official gazette will be able to post announcements to penalize serious offenders.

The civil service comprises four categories: career civil servants, political appointees, heads of institutions, and acting or temporary civil servants. The number of civil servants rose from 18,000 in 1997 to 25,300 in 2006 and continues to grow.<sup>3</sup> Over the past 18 months alone, it has grown by 3,600. The EU has been a popular argument to boost the bureaucratic apparatus. Despite a large number of vacancies (4,700 in July 2006)<sup>4</sup> with wages allocated to them, about 500 new positions requiring an additional LTL10 million (US\$3.6 million) were opened in the governmental branch in 2005 to meet the growing EU membership workload. The existing vacancies, it is argued, are low paid and low skilled, while new positions are required for qualified specialists. Yet experts attribute these disproportions to flawed internal management of government institutions. The bureaucratic apparatus absorbs roughly one-tenth of total government spending.<sup>5</sup> Meanwhile, the government is confronted with threats from firemen to stage a nationwide strike over funding shortages. Managerial problems and politics have led to a fire station staffing crisis, and similar problems plague the police.

The quality of public administration is expected to be enhanced as the electronic management of public services increases steadily. Basic public services handled via the Internet in Lithuania stood at 68 percent in April 2006, up from 50 percent in 2004.<sup>6</sup> The rate of business-designated government services was significantly higher than that of services for private individuals. Also, there was a large gap between the supply of e-government services for individuals (60 percent in 2005) and their actual use (15 percent). In the business sector, this gap was much smaller (80 percent and 75 percent, respectively). Fully digital public services stood at 40 percent in April 2006,<sup>7</sup> while most government institutions continued to offer application forms or blanks online, but the electronic supply of services was not possible. The most advanced e-government services include income declaration, social payments, customs declaration and reporting, and employment services.

The National Audit Office has improved its performance in recent years and has regularly reported on the misuse of state assets and budgetary assignments. The 2005 inspections showed that almost a third of audited state institutions lacked administrative capacities and sufficient internal audit. More than half of 100 audited budgetary institutions accounting for more than 80 percent of total budget spending received serious remarks on mismanagement.<sup>8</sup> National audits are conducted on a routine basis; the findings are public and accepted by audited institutions.

The military is entirely under civilian control. The run-up and accession to NATO in 2004 improved the military's administration and transparency. Security services routinely provide information and are quite visible to the public, although at times political observers and the media seem insufficiently informed to make consistent judgments about events and investigations.

In December 2006, the Parliament adopted a law publicly opening KGB archives except for the documents of those who confessed to collaborating with the Soviet special services.<sup>9</sup> These amendments revoked a controversial 2005 law that banned public access to special documents stored for 70 years. Meanwhile, debates on lustration bills, which caused much controversy and dispute in the Parliament for the past two years, were postponed once again. These bills were initiated after the European Court of Human Rights judged in two rulings (in 2004 and 2005) that employment restrictions on former KGB collaborators working in private companies violated their human rights.<sup>10</sup>

Key issues on the 2006 policy agenda included the sale of Lithuania's most prized industrial asset, the Mažeikių Nafta oil refinery,<sup>11</sup> and the country's expected accession to the Eurozone and adoption of the euro. In June, the Lithuanian government signed an agreement with Poland's PKN Orlen for the sale of a 30.66 percent stake in the Mažeikių Nafta refinery. This agreement followed PKN Orlen's deal with Russia's bankrupt Yukos to buy a 53.7 percent stake in Mažeikių Nafta. In September, the Lithuanian refinery was cut off from pipeline crude oil deliveries from the Russian state-owned Transneft, the main supplier of oil to Mažeikių Nafta. Transneft claimed there was a pipeline breakdown, but in Lithuania it was decreed as retribution by Russia for being shut out of the refinery's recent sale. It was feared that the disruption in oil deliveries would affect the outcome of the refinery's

sale, especially as oil supplies from Russia seem to have been cut on a permanent basis. The transactions were finalized successfully in mid-December after reliable oil delivery was secured through an import terminal in the Baltic Sea. PKN Orlen, which has become the largest processor of crude in Central and Eastern Europe, paid a total of US\$2.344 billion for Mažeikių Nafta. Transneft's move intensified dismay in the Baltic states at Russia's growing assertiveness in energy affairs.

In May 2006, the European Commission issued a negative recommendation on Lithuania's accession to the Eurozone after an announcement in March that Lithuania's annual inflation rate failed to meet the Maastricht convergence criterion by a scant 0.1 percentage point.<sup>12</sup> Lithuania had satisfied the inflation target for six consecutive years up until 2006. This move by the European Commission sharpened discussions that admission to the Eurozone is determined by political rather than economic considerations. Lithuania is now set to adopt the euro no earlier than 2009.

Lithuania's labor market has increasingly faced a shortfall in qualified workers due to escalating migration flows since the country's accession into the EU. According to a recent survey, about 40,000 people emigrated from Lithuania in 2004 and 2005 each. From 2001 through 2005, a total of 126,000 people left the country, some 70,000 unofficially.<sup>13</sup>

#### Electoral Process

1999	2001	2002	2003	2004	2005	2006	2007
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

For the first time in its 16 years of independence, Lithuania has a minority government. In summer 2006, the Lithuanian Social Democratic Party (LSDP), the National Farmers' Union (NFU), the Civil Democracy Party (CDP), and the Liberal-Center Union (LCU) formed a ruling center-left coalition which had 58 members in the 141-seat Parliament in late 2006. Major players on both the Left and the Right supported the minority government in an attempt to bring stability to Lithuania's fractured political arena.

The previous four-party ruling coalition comprising the LSDP, Social Liberals, Labor Party, and NFU collapsed on June 1 after months of crisis and political intrigue. Many clashing interests and grave conflict-of-interest scandals around coalition leaders had provoked a series of major confrontations within the ruling coalition. Its stability was questioned persistently, and an upset balance of powers indicated the cabinet could not act strategically and was dragging its feet on reforms. The LSDP and the Labor Party fought for influence, the latter disgruntled with its disproportionately lower weight in the government despite having the greatest number of seats in the Parliament among the four coalition partners.

Finally, in April the ruling coalition began to disintegrate after Social Liberals' leader Artūras Paulauskas lost his post as parliamentary Speaker in a no-

confidence vote, initiated by right-wing opposition forces over the so-called scandal of privileges<sup>14</sup> in the Parliament's chancellery. This move was unexpectedly backed by the Labor Party, which sought to realign the balance of forces in its favor and increase its overall influence in the government. The Social Liberals pulled out of the ruling coalition and the government, followed by the Labor Party after prosecutors opened an investigation into financial misdealing by party leadership. Following the withdrawal of Laborite ministers, Prime Minister Algirdas Brazauskas abruptly stepped down, stating he did not want to accept responsibility for putting together a new government.

The new minority government was formed in mid-July after the LSDP and the Conservatives failed to arrive at a broad-based coalition, with the Conservatives pledging "silent" support<sup>15</sup> (that is, abstention from voting) for the new ruling bloc. The LSDP, with only 26 parliamentary seats, retained the prime minister position and received six ministerial posts, thus remaining the driving force in Lithuania's new ruling coalition government. The NFU received three ministerial posts, and the LCU and the CDP received two each. In exchange for its support of the new government, the Conservatives received several influential parliamentary posts, including leadership of the Audit, European Affairs, and Health Care Committees and the Anticorruption Commission and deputy chair of the Parliament.

Political old-timer and Social Democrat Gediminas Kirkilas was appointed prime minister. Kirkilas is widely acknowledged as the LSDP's public relations and ideological expert, who stands out among party fellows with his consistent Western orientation. Unlike the previous administration, the newly formed cabinet is composed mainly of political appointees, including the prime minister himself, rather than technocrats. Analysts note that the Kirkilas administration is not likely to undertake groundbreaking reforms but at least will not be any worse than the previous one. Also, Kirkilas's appointment as prime minister is expected to bring in leadership changes within the LSDP.

The political crisis resulted in a shift of power in the Parliament. The former members of the ruling coalition, the Labor Party and Social Liberals, went into the opposition. The Labor Party, a young populist force and the largest parliamentary party with the highest popularity rankings until recently, underwent a split. Several members of Parliament who had left the Labor Party, including newly elected parliamentary Speaker Viktoras Muntianas, teamed with the low-level Citizens' Union and formed the CDP. The Laborite faction in the Parliament decreased to 26 members, down from 41 seats after the 2004 elections. The Laborites' misfortunes started when Lithuanian prosecutors brought charges against the party and its controversial leader, Russian-born business tycoon, ex-parliamentarian, and former economy minister Viktor Uspaskich, for faulty bookkeeping and tax evasion.

The parliamentary opposition remains weak and polarized despite its recent growth in size (84 members total) and fairly broad statutory powers. The Conservatives, the largest right-of-center party, moved to the top of the popularity ranking in 2006, thanks largely to the diving ratings of the Labor Party and the Conservatives' active stance during the political crisis.<sup>16</sup> After a split in the LCU, opponents of

party chair Vilnius mayor Artūras Zuokas founded the Lithuanian Liberal Movement in February 2006 and formed a 37-seat opposition coalition with the Conservatives.

Politicians and observers widely agree that the present Parliament is the worst in the post-independence history of Lithuania. Continuous scandals, splits, and party shifts have distracted lawmakers and paralyzed important legislative debates. Early legislative elections are unlikely, as a majority of lawmakers would oppose them, and with unstable voter preferences, it is also unclear whether early elections would change the Parliament's composition. The newly formed ruling coalition is expected to survive at least until the upcoming local government elections in February 2007, which will reveal whether a radical shift of political power is possible. If so, a turn toward early parliamentary elections might be likely.

Elections in Lithuania are free and fair, and public confidence in the electoral process is secure. Yet the Parliament and political parties remain the most unpopular public institutions, supported by a steady 10 and 5 percent of the population, respectively.<sup>17</sup> (Ex-president Valdas Adamkus remains the most favored political figure in Lithuania.)<sup>18</sup> Passive public engagement in political life is reflected by low party membership and voter turnout; some 3 percent of Lithuanian citizens belong to political parties,<sup>19</sup> and the current Parliament was elected on a record low voter turnout of 44.3 percent.

Observers attribute such attitudes to the society's growing alienation from the political process. A research study on the status of Lithuania's civil society presented by the Civil Society Institute in December 2006 concluded that one of the main reasons for the political passivity is the public's lack of confidence in its collective power and the lack of a tradition of engaging in political and public life.<sup>20</sup> In November 2006, the Parliament approved a conceptual framework for Internet voting, which is expected to facilitate the election process and increase voter turnout. In 2006, there were 37 registered political parties<sup>21</sup> but only about 25 active players on the political scene. The membership requirement for political parties was lowered to 1,000 people in 2004. Several parties fail to meet this requirement but continue to exist owing to costly reorganization and liquidation procedures.

The Parliament has increasingly tightened electoral and campaign laws over the past three years. Legislative amendments prohibiting businesses from donating to political parties and banning political advertising on radio and television passed the first reading in November 2006. Reportedly, radio and television advertising absorbs the bulk of campaign funds, so the proposed prohibition is expected to reduce political costs, corruption, and illegitimate party spending. If corporate donations are banned, political parties will be allowed to receive donations from private individuals not in excess of LTL37,500 annually (approximately US\$13,640). In late 2005, politicians were banned from using gifts, public events, concerts, and so forth as campaign tools. Despite these prohibitions and tightened control on donations and advertising, campaign funding contains serious flaws, and the mechanisms for ensuring compliance and transparency are inadequate.

## Civil Society

1999	2001	2002	2003	2004	2005	2006	2007
2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.75

The rights of the civil society sector are well established and protected in Lithuania. The number of NGOs has risen in recent years, but public awareness and involvement in civil society initiatives remain low. The legislative framework governing NGOs has been overhauled and does not pose serious barriers to their proper functioning. Lithuanian NGOs have significantly enhanced their organizational and managerial capacities, but constituency building and public outreach are weak. NGOs commonly have permanent staffs but lack properly functioning boards of directors.

The past few years have seen the establishment of several center-right public policy groups. In June 2006, *Piliečių Santalka*, an informal network of citizens and civil organizations promoting civil society, was established. The network's focus areas are public administration, courts, and self-government. The Civil Society Institute and the Human Rights Monitoring Institute were founded by the Open Society Fund–Lithuania in 2003 and 2004, respectively. All of these groups are still delineating their activities but have already gained recognition thanks to their active stance on public policy issues. As one illustration, in a series of public initiatives in 2005 and 2006, several dozen NGOs demanded more transparency in EU funding allocation and offered their assistance in the monitoring process, but the government disregarded this initiative.

Lithuanian society remains poorly organized. Although the number of NGOs grew from 9,250 in 1999 to 16,250 in 2005,<sup>22</sup> the proportion of the population participating in their activities remained almost unchanged. According to a 2005 survey from the Civil Society Institute, one-fifth of the population belonged to NGOs or participated in civil movements over the past six years. Sports and leisure groups have the largest membership (3.5 percent), while a mere 2.6 percent belong to educational and cultural organizations, 2.5 percent to youth groups, 2.2 percent to religious organizations, and 1.7 percent to health clubs. People with higher education are the most organized (29 percent).<sup>23</sup>

The most common reasons for nonparticipation are a lack of interest and confidence in NGOs plus their low public outreach and weak financial condition. Civil society organizations remain largely unknown to the general public, as they stay rather closed, have weak public relations, and fail to develop a wider range of activity or increase membership. In *Undiscovered Power: Map of the Civil Society in Lithuania*, released by the Civil Society Institute in December 2006, the authors conclude that “Lithuanian society is suffering from the syndrome of impotence.... The most severe civil disability that hinders the development of civic initiatives in Lithuania is the society's prevailing disbelief that citizens' collective action can make a difference or help achieve significant outcomes.”<sup>24</sup> Additionally, Lithuania lacks a strong tradition of volunteerism and charitable giving. Until recently, volunteerism

was also discouraged by regulations, which were eased a few years ago but still place excessive bureaucratic constraints on volunteer work.

Most NGOs are registered in larger cities, but regional organizations constitute the bulk of functioning agencies, with sports and leisure groups dominating. The past few years saw a massive proliferation of organized village communities. Their number soared from 80 in 2000 to 800 in 2003 and 1,000 in 2004. This trend was spurred largely by EU structural funds, as indicated by surveyed local communities.<sup>25</sup> Some communities formalized in order to apply for ongoing rural Internet projects. (Only about half of community organizations are connected to the Internet.) Yet research shows that growing community awareness and joint efforts to address local community concerns gave rise to these numbers. Many communities were mobilized to renovate crumbling school buildings and other decaying infrastructure. Village communities have reportedly good relationships with local authorities, and in recent years, urban communities have increasingly mobilized on local land-planning issues. On a number of occasions, both formal and informal local groups have intervened in official decisions where private construction sites allegedly violated public interests.

Ethnic communities have active cultural and political organizations. There are 119 women's organizations, according to the Women's Information Center.<sup>26</sup> No prominent extremist groups are active in Lithuania today. The charitable activities of religious communities include care for the elderly, orphans, and disabled.

Starting in 2006, Lithuanian nonprofits are required to pay a 15 percent profit tax on commercial proceeds exceeding an established level (approximately US\$9,000), and companies can donate up to 40 percent of their annual taxable profits to NGOs. Most lack permanent sources of income and sufficient fund-raising capabilities, but they may bid for government contracts. This practice is rather uncommon owing to a complex administrative process. Since 2003, Lithuanian taxpayers have been able to donate up to 2 percent of their income tax to private or public nonprofit entities. Yet some worry that voluntary giving is discouraged because philanthropy may now be associated with compulsory taxes. Furthermore, there is room for narrow interests to abuse the 2 percent option, as by the creation of fictitious organizations to take advantage of income tax deductions.

The 2 percent option, meant originally to boost civil society, goes mostly to underfunded municipal institutions and schools. In 2006, a total of 38 percent of the "2 percent" donations were transferred to municipal organizations, 28 percent to associations, 13 percent to public institutions,<sup>27</sup> 8 percent to charity and sponsorship funds, and 5 percent to state-run budgetary institutions. The number of donors rose only slightly, from 370,000 in 2005 to 400,000 in 2006.<sup>28</sup> Only 27 percent of the working population used the income tax deduction to support civil initiatives. A survey conducted by TNS Gallup in August–September 2006 showed that half of the population knew about the 2 percent income tax deduction, while a third appeared to be unaware of it.<sup>29</sup>

Legislation on nonprofits was overhauled in 2004. The previous distinction between associations and societal organizations was dropped, simplifying the

regulation of NGOs. The change, which affected most of Lithuania's 15,000 nonprofits, helped establish equal legal conditions and a clearer regulatory environment for NGOs. Nonprofit associations may now generate profit, and charitable and sponsorship funds no longer have to hire paid administrators, but the use of property and funds is regulated more strictly.

Citizens and noncitizen workers are free to form and join trade unions. Although unions claim a relatively small share of the workforce (about 15 percent),<sup>30</sup> they enjoy wide powers and rights by law and are quite influential. Large-scale labor migration to fill a decreasing labor pool may further bolster their influence. Together with employers and the government, unions make recommendations on national labor policy. By law, unions sign collective agreements with employers on behalf of all employees, and the 2003 labor code requires all employers to comply. Members of a union's elected governing body may not be dismissed or penalized by their employers without the union's approval. The Lithuanian Confederation of Trade Unions, the Lithuanian Labor Federation, and the Employees Union are coalitions of labor groups.

Business associations and trade unions are the most active and influential NGO players in the policy-making arena through advocacy, advising, and lobbying, and the media are quite receptive to public policy groups as reliable sources of information. However, government cooperation and consultation with NGOs has not yet been fully established. In 2006, there were only 13 registered lobbyists in Lithuania.<sup>31</sup> Observers note that such negligible formal lobbying activity may be attributed to extensive informal representation of interest groups and legislative corruption. In current law, the concept of lobbying is applied quite broadly and includes any paid or unpaid actions of individuals or legal entities aimed at influencing legislative processes.<sup>32</sup> Thus, lobbying regulations can be applied to any publicly aired opinions on legislation or policy research. NGOs worry that because Lithuanian law does not regulate policy advocacy per se, and the boundaries between paid lobbying and advocacy are quite fuzzy, public policy groups actively expressing their opinions are being discredited and disrupted.

Lithuania's education system is generally free of political influence, but school administrations are reportedly under pressure to pander to local authorities. The private education market has been evolving steadily over the past decade. There are 21 private secondary schools, and 12 of the country's 28 higher education colleges and 6 of the 21 universities are private. Yet private schools account for a negligible 2.5 percent of all educational institutions.<sup>33</sup>

## Independent Media

1999	2001	2002	2003	2004	2005	2006	2007
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Press freedom is well established and protected in Lithuania. Media outlets are privately owned, with the exception of the state-owned Lithuanian Radio and Television (LRT). The past few years have witnessed an increased concentration of media ownership. Another significant trend is the rapid growth of Internet usage and online media.

In July 2006, a new Law on Public Information was adopted.<sup>34</sup> The legislation was surrounded by controversy, as lawmakers aimed to prohibit the filming or photographing of private property without owner permission. Journalists and publishers severely criticized this provision, claiming it would bring endless court cases and ruin investigative journalism. As a result, the provision was softened and now states that private property may not be filmed or photographed without owner permission unless there are grounds to believe that the collected information will document law violations. Although the new legislation does place a certain restriction on journalists, it is expected to be treated in a media-friendly way. This is particularly relevant taking into account media's heightened role in investigating, exposing and discussing allegations of corruption.

In recent years, acquisitions of leading media outlets by domestic businesses have concentrated media ownership among a few influential business groups and minimized foreign ownership in Lithuanian television. Achema Group is now the most active player in the Lithuanian media market and owns the national daily *Lietuvos Žinios*; the fourth largest national commercial television station, Baltijos TV; popular radio stations RC2 and Radiocentras (the latter owns several other radio stations and announced in March 2006 that it was planning more acquisitions); and two publishing houses.

Other media giants are set to exploit the growing popularity of Internet media. Lithuania's leading private equity concern, MG Baltic, owner of the national broadcaster LNK, launched a news portal, [www.alfa.lt](http://www.alfa.lt), in August and is actively penetrating the publishing market. The Lietuvos Rytas company, owner of the largest national daily, *Lietuvos Rytas*, and a production company, Spaudos Televizija, which sells TV programs to other national broadcasters (LTV and TV3), has supplemented its newspaper's Web site with a news portal format. Lietuvos Rytas is also seeking permission to purchase a 34 percent stake in *15 Minučių*, a free daily newspaper launched in September 2005 and distributed successfully in Vilnius and Kaunas. In March 2006, *15 Minučių* was taken over by the Scandinavian media company Schibsted Baltics, which has a controlling stake in a publishing group issuing several popular Lithuanian journals. Lithuania has no sector-specific regulation of media ownership concentration, but competition law sets a general limit at 40 percent of the market share.

In recent years, public confidence in the media has fallen dramatically, and only half of Lithuanian society reportedly trusts the media.<sup>35</sup> Observers note that this may be related to increased penetration of industrial capital into the media market and the trend toward media ownership concentration. Some worry that these processes might affect media coverage, quality, and independence. Media publications and reports commissioned by political or business interests as a public relations tool have attracted heightened public attention; according to a 2005 opinion poll, 40 percent of the population could decipher hidden PR articles and reports—and as a result, half of this percentage lost respect for (and trust in) media outlets.<sup>36</sup>

The popularity of and competition among Internet news portals is growing rapidly. Lithuania's leading Internet news portal, [www.delfi.lt](http://www.delfi.lt), has increased its writing staff and in-house production and is followed in popularity by [www.one.lt](http://www.one.lt) and [www.takas.lt](http://www.takas.lt).<sup>37</sup> Other news portals that offer analysis and serious commentary are [www.balsas.lt](http://www.balsas.lt), [www.lrytas.lt](http://www.lrytas.lt), and [www.bernardinai.lt](http://www.bernardinai.lt). Experts agree that Internet media are set to play an important role in enhancing media objectivity and credibility. According to 2003 legal regulations, online media are subject to self-regulation, which is performed by the same independent supervisory institutions in charge of the press, radio, and television. Proposals to write specific regulations for online media have so far failed.

The media in Lithuania are editorially independent and free of government interference. There are five national daily newspapers: *Lietuvos Rytas* (with a reported circulation of approximately 70,000), *Vakaro Žinios* (66,000), *Respublika* (38,000), *Kauno Diena* (38,000), and *Lietuvos Žinios* (20,000). Currently, a total of 340 newspapers and 418 journals are published in Lithuania.<sup>38</sup> The newspaper distribution system is privately owned.

The television market comprises 30 commercial stations and 1 public service television, Lithuanian Television, broadcasting two national programs, LTV1 and LTV2.<sup>39</sup> Out of four national broadcasters, the leading operators are TV3, owned by the Scandinavian Modern Times media group, and LNK, owned by MG Baltic. These two channels captured 26 and 21 percent of viewers, respectively, according to September 2006 data. LTV and Baltijos TV follow with 15 and 9 percent, respectively.<sup>40</sup> In the spring, six television broadcasters and two rebroadcasters won licenses for digital television broadcasting. Lithuania's largest cities will be able to watch digital TV by the end of 2007.<sup>41</sup> The country's mobile telephone providers are already offering mobile TV broadcasting services. In April, the Lithuanian Radio and Television Commission banned cable TV from rebroadcasting the state-run Belarusian television channel owing to disinformation and antidemocratic propaganda. This controversial move was widely criticized as a violation of free media and annulled by a court order in October.

There are 48 radio stations in Lithuania, of which 10 commercial stations and 1 public broadcaster (with 3 stations, LR1, LR2, and LR3) operate nationwide, 7 regionally, and 30 locally.<sup>42</sup> The state-run Lithuanian Radio has the largest audience (21 percent in 2006); other popular stations are *Lietus* (13 percent), *M-1* (11 percent), *Ruskoje Radio Baltija* (10 percent), *Pūkas* (9 percent), and *Radio-*

centras (6.5 percent).<sup>43</sup> The largest commercial radio stations are owned by four major groups, three of which are locally owned. So far, radio has been dominated by small local shareholders, but it is increasingly attracting large industries and other commercial interests.

Use of the Internet is growing rapidly in Lithuania; in 2005 alone, the number of Web sites increased from 319 to 707 and the average time users spend online went up from 6 to 11 hours.<sup>44</sup> By mid-2006, the number of Internet subscribers had doubled to 1.44 million, according to the Information Society Development Committee 2006.<sup>45</sup> The European Commission reports<sup>46</sup> that every third person in Lithuania uses the Internet on a regular basis (at least once a week). Home connection to the Internet also doubled over the past year, with 32 percent of households connected to the Internet in July 2006, up from 2.3 percent in 2000. Yet a wide gap between urban and rural connectivity exists; 40 percent of urban households used the Internet, compared with 18 percent of rural households.<sup>47</sup> The ongoing state-run rural Internet project is expected to help bridge this gap. Costly Internet services, inadequate Internet content, and a lack of home computers are the main reasons it is not used more widely.

Lithuanian media are self-regulated but supervised by the Commission of the Ethics of Journalists and Publishers, composed of media association members and public leaders, and the Office of the Inspector of Journalists' Ethics.<sup>48</sup> The Lithuanian Radio and Television Commission regulates the activities of commercial broadcasters and participates in forming national media policy. It consists of 12 members, 1 designated by the president, 3 by the Parliament, and the rest by NGOs. The commission is financed by a percentage of broadcaster advertising proceeds in order to maintain media independence from government and political groups. The government exerts some pressure on the national broadcaster, LRT, through budgetary control.

In early 2006, the Parliament abandoned the idea of financing public radio and television via a universal subscriber fee, a provision that was first envisaged in legislation five years ago but never implemented. Private television operators had complained that LRT, with 75 percent of its budget provided by the state, was allowed to sell advertising, but in December 2006, the Constitutional Court ruled that this did not contradict the Constitution. The same ruling also stated that the Constitution allows the priority right of LRT to acquire new radio frequencies.<sup>49</sup> The maximum airtime for advertising on public radio and television is set at 15 percent of daily broadcasting.

Publications can be closed and journalists penalized only by court order. According to the Lithuanian criminal code, libel or false information defaming a person can result in a fine, two years in prison, or two years of penitentiary labor. In recent years, few journalists have been convicted of such crimes. Notably, the media have obtained greater protection from the Supreme Court, which has drawn on the jurisprudence of the European Court of Human Rights, stating that criticism may be more rigorous for political figures than for private individuals. Since 2005, the Office of the Prosecutor General, which investigates similar cases, has refused to institute proceedings over slander against public figures.

## Local Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50

In the run-up to local government elections in February 2007, Lithuanian society witnessed intensified political debate on the issue of direct mayoral elections. At present, mayors are elected by municipal councils, whose members in turn are chosen in general elections through a proportional party-list ballot. Executive powers are vested in the municipal council and administration, which is led by a director appointed by the municipal council at the suggestion of the mayor. This model was introduced in 2003 to comply with the constitutional principle of separation of representative and executive authorities.

Constitutional amendments stipulating direct mayoral elections stalled in the Parliament in 2006, but in September, parliamentary factions upheld a proposal from the LSDP to introduce direct mayoral elections without changing the Constitution. According to the proposed amendments to the Law on the Election of Local Government Councils, mayors would be elected through a separate ballot out of party candidates to municipal councils, and subsequently municipal councils would have to approve, by a simple majority of votes, the mayors chosen by the voters. In cases where such an approval failed, mayors would be elected from municipal council members through a secret vote of the municipal council.

Observers and political opponents severely criticized the proposed amendments as being unconstitutional and antidemocratic. First, the municipal council is the only elected local government institution, according to the Constitution. Second, the proposed model would not allow local communities to elect as mayors persons unaffiliated with any political party, a system that political leadership seems to oppose for fear that it would “shake the foundations of today’s political elite” and cause it to “relinquish its hold of self-government,” according to observers.<sup>50</sup> Third, the right of municipal councils to question the will of the voters is seen as antidemocratic. While these proposals were withheld, the ruling forces postponed until the 2007 parliamentary session a bill from the opposition to legitimize mixed municipal elections through single-mandate constituencies in addition to the existing proportional party-list ballot. This system would allow nonparty candidates to run for municipal councils.

Lithuania has one level of local government, which encompasses 60 municipalities led by elected councils and 10 regional administrations governed by central appointees. The responsibilities of local government include municipal development, primary and secondary education, primary health care, environmental protection, social assistance, and public utilities. In certain areas such as land planning, health care, and education, both central and local authorities are involved. Ambiguities in power divisions have impeded decentralization, the distribution of fiscal allocations for municipalities, and transparent and accountable governance at the municipal level. From time to time, political parties propose abolishing regional administra-

tions, especially before elections. However, regional governors remain influential political officials, so the removal of the regional tier of governance is unlikely.

In December 2006, the Parliament rejected a bill to ban members of Parliament from running for municipal council seats. According to the existing law, parliamentarians may not serve concurrently on municipal councils, but they are allowed to lead their parties in local government elections. To decrease electoral fraud, the Parliament amended the Law on the Election of Local Government Councils to eliminate voting by mail except for those in detention, the military services, and health care professions.<sup>51</sup> A total of 3.5 percent of the electorate voted by mail during the 2002 local government elections and 7.6 percent during the 2004 parliamentary elections.<sup>52</sup>

Pursuant to a January 2005 ruling of the Constitutional Court,<sup>53</sup> permanent residents of Lithuania should be able to vote and run for municipal councils in the upcoming municipal elections. Yet amendments to the Law on Political Parties allowing residents to join parties have been pending before the Parliament since January 2005. The current municipal councils were elected in December 2002, with 22 parties sharing 1,560 council seats for four years.<sup>54</sup> Municipal elections are universal and free.

Polls show that only a third of the population trusts local government, and this statistic has remained stable for the past six years.<sup>55</sup> A survey commissioned by the Civil Society Institute shows that a majority realize the importance of self-government and want community affairs to be tackled by local institutions, but people also admit they are in no position to influence decisions adopted by local authorities. Civil Society Institute experts conclude that “self-government in Lithuania obviously lacks content.”<sup>56</sup> Additionally, the operation of local government lacks transparency. Legal acts by municipal councils are rarely available on the Internet, and decisions are not known to the public until their enactment. Cooperation with local constituencies revolves mostly around land-planning issues. Polling data cited by the Special Investigation Bureau (SIB) and TNS Gallup suggest that municipal officeholders dealing with routine applications receive the largest bribes from businesspeople.<sup>57</sup>

Municipal governments generally lack funds to meet their obligations, owing mainly to mismanagement and an expanding sphere of authority. Misuse of funds is widespread. In some municipalities, administrative expenses tied to social allowances accounted for as much as 12 percent of the budget.<sup>58</sup> Many municipal administrations were found to have flawed financial management and inadequate or ineffective internal auditing procedures. Beginning in 2005, local government authorities were banned from using social allocations from the central government to finance other needs and required to return unused funds. Some worry that this restriction will bar local authorities from solving social problems independently.

Internal audit procedures in local government, which are supposed to be conducted by council-appointed auditors, are ineffective. In 2006, the National Audit Office conducted a sample external review of financial and performance audits in local governments, which showed that only a third of revised audits

applied appropriate quality control procedures.<sup>59</sup> Constitutional amendments to task the National Audit Office with auditing local government budgets and overseeing the management of municipal assets were debated in the Parliament throughout 2006.

The bulk of municipal revenues comes from the central government, with changes negotiated between municipalities and the central government and approved by the Parliament. The proportion of central budget subsidies in total municipal revenues has been shrinking in recent years. In 2006, it stood at 50 percent, down from 58 percent in 2004.<sup>60</sup> The remaining portion of municipal proceeds is collected from personal income tax and local charges and dues. Revenue volumes differ markedly across municipalities and are equalized according to specific projected expenditures. Municipalities with a higher rate of revenue growth are required to transfer part of these funds to the state budget. Obviously, this discourages municipalities from raising more income and limits their capacities to finance independent functions.

#### Judicial Framework and Independence

1999	2001	2002	2003	2004	2005	2006	2007
2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75

In 2006, the Constitutional Court passed a series of groundbreaking changes in the legislation governing the court system. These rulings came out amid intense public discussions over the weaknesses of Lithuania's judiciary, specifically the flawed appointment procedures for judges and a lack of political will for institutional reform. As a result, the Constitutional Court's rulings initiated a significant reform of the Council of Judges, the main executive institution of the Lithuanian judiciary that provides recommendations to the president on the appointment, promotion, transfer, or dismissal of judges.

In May, the Constitutional Court ruled that nearly 30 provisions of the Law on Courts and the Statute of the Supreme Court were in contradiction of the Constitution.<sup>61</sup> Specifically, the Court voided legal provisions stipulating that the Council of Judges consists not only of judges, but also of representatives delegated by the president, the Parliament, and the Ministry of Justice (with the chair of the Supreme Court automatically becoming council chairperson). Given the decisive role of the council in the appointment of judges, its previous composition was prone to political pressure. In the amended Law on Courts, the powers of the Supreme Court chair were narrowed and a new Council of Judges was elected. Politicians and government officials were removed from the council, which is expected to minimize political pressure on the courts.

The president nominates, and the Parliament approves, the chair and judges to the Supreme Court and the court of appeals. The president also appoints district

court judges. Unlike judges and chairs of other courts, those on the Supreme Court are appointed and dismissed at the recommendation of the chair of the Supreme Court rather than the Council of Judges. Experts charge that this increases judges' dependence on the chair of the Supreme Court. Recurrent scandals around the appointment of judges highlighted the lack of procedural transparency and confirmed that the president and Parliament have up to now played a symbolic role in the process.

Starting from June 2006, prosecutors and attorneys will no longer be appointed as judges without examination. This loophole was opened by a 2004 bill seeking to tackle the shortage of judges and was widely used. In 2005, 47 judges were appointed, as many as 39 of these without any examination.<sup>62</sup> In March 2006, the Constitutional Court passed another watershed ruling stating that courts of the same tier are bound by the same precedents, and lower-tier courts are bound by precedents set by higher-tier courts. Court precedents must be accessible to the public. It remains to be seen what impact this major decision will have on judicial practice in Lithuania. Obviously, it is expected to reinforce the constitutional maxims of the rule of law, justice, and equality before the court.

The presumption of innocence and the right to a fair and public hearing are guaranteed by law in Lithuania. Legal aid provision was finalized in May 2005. Yet the right to a fair trial is undermined by poor legal representation in court and lengthy criminal investigations and hearings. There is a critically low level of public trust in the courts, standing at less than one-fifth of the population.<sup>63</sup> Lower-tier courts are trusted the least, and statistics show that a very small percentage of verdicts is appealed. The high level of independence of the Lithuanian judiciary is not properly counterbalanced by public accountability. The insularity of the court system, length of trials, judge bias in favor of the prosecution, and corruption explain the ingrained public mistrust of the court system. Independent trial observations conducted by the Human Rights Monitoring Institute in 2005 through 2006 in four cities and regions of the country showed that courts were often biased against the defense, clearly favored evidence collected during pretrial investigations, and often disregarded evidence produced in the courtroom.<sup>64</sup>

Shortcomings in court administration and case assignment add to the weakness of the court system. In the lowest tier, where most cases are tried, three judges now share one assistant. Because of a high workload, high responsibility, and relatively low pay, numerous vacancies in the lower-tier courts have been reported. Judges and court chairs perform administrative functions, which not only impairs their performance, but raises doubts about the level of transparency in judges' case assignments and independence.

Pursuant to a September 2006 ruling of the Constitutional Court,<sup>65</sup> Lithuanian courts will be obligated to announce the reasoning of court decisions during the announcement of final judgments. Changing or otherwise correcting the reasoning afterward will be prohibited. The Constitutional Court passed this ruling in response to an inquiry from a group of lawmakers who questioned the Supreme Court acquittal of impeached ex-president Rolandas Paksas for disclosing state

secrets; the Court announced the reasoning for this controversial verdict two weeks after its adoption.

In 2006, public criticism over the work of notaries public soared as the press reported on “discrimination”<sup>66</sup> in notary offices. Long lines, a disregard for small clients, and high fees were mentioned as the biggest problems. The establishment of notary offices on a territorial basis and the existing ceiling on the number of notary offices also raised doubts. To address this, the Ministry of Justice extended notary office hours, simplified real estate transaction procedures, and lowered fees for such transactions starting from 2007.

Public outrage over the inefficiency of the court bailiffs system peaked in recent years, where polls had shown that only 6 percent of the population trusted bailiffs.<sup>67</sup> Citizens complained that bailiffs, who act collectively as a private institution, abused their authority in the recovery of debts and fines. Questionable tactics, protracted fine imposition and payment, and disproportionately large fees for services were cited as problems. In 2005, rules on the enforcement of court judgments were refined and the costs of recovering small amounts were limited. As a result, the protection of creditors’ interests and implementation of court judgments have improved.

Human rights protection has received increased attention recently with the establishment of active public policy groups (the Human Rights Monitoring Institute and Civil Society Institute). In an overview of human rights released in May 2006, the Human Rights Monitoring Institute documented severe violations of international human rights standards in Lithuania in 2005.<sup>68</sup> Most of the violations concerned respect for private life, freedom of speech, and the rights of vulnerable groups. In particular, the act of publicly releasing private telephone conversations taped during investigations and misusing personal identification data were routine practices. The level of domestic violence against women and children remained high. In October, a monitoring report on children’s rights in residential care and educational establishments launched by the Human Rights Monitoring Institute together with five coalition partners disclosed numerous violations of basic rights and freedoms of children and long-standing systemic problems in institutional care.

Public policy groups have increasingly sounded the alarm at growing ethnic intolerance in Lithuania. An opinion poll carried out in late 2005 by the Civil Society Institute and a Lithuanian-British market research and public opinion company Baltijos Tyrimai revealed that the public’s biased attitudes toward fellow citizens of other ethnicities and cultures, especially Roma, Jews, and immigrants, have soared since 1990.<sup>69</sup> Experts have criticized the media for contributing to the atmosphere of hostility for minority groups and the political elite for failing to react to instances of intolerance. Intolerance for convicted, addicted, alcoholic, and HIV-positive persons is also on the rise. Lithuania’s treatment of ethnic minorities was highlighted in a 2006 report from the European Commission Against Racism and Intolerance.<sup>70</sup>

Complaints regarding equal opportunities have multiplied in the past two years as the legal framework against discrimination has been strengthened and the public’s awareness of rights and opportunities has increased. In 2005, to conform

with EU law, the equal opportunities ombudsman's mandate was extended to include discrimination by gender, age, sexual orientation, disability, racial or ethnic origin, and religion. As a result, the number of complaints reached 128 in 2005 and 130 in 2006.<sup>71</sup> Reportedly, the most frequent complaints concern discrimination related to sex, age, ethnicity, and disability. In most cases, complaints are in the labor, government, and commercial sectors.

The parliamentary Office of the Ombudsman has won praise for its active, swift, and credible performance in protecting human rights in recent years. Citizens increasingly report rights violations, and in 2006, the most frequent complaints again concerned land ownership and restitution issues, arbitrary arrests, illegally prolonged detention, and unsatisfactory detention conditions.<sup>72</sup> People also complained about government failures to protect the environment and about health care violations.

Lithuania's legislative and judicial framework has been overhauled in recent years. A code on civil procedure, in force since 2003, significantly eased civil legal proceedings. The new penal procedure code was tailored to secure faster investigations and trials, and judges are now more involved in the pretrial stage of investigation. The new penal code was designed to loosen criminal penalties and to broaden the application of alternatives to custodial sentences. Notably, criminal penalties in Lithuania were among the strictest and the number of prisoners among the highest in Europe.<sup>73</sup> The new penalty execution code removed some excessive restrictions on the rights and liberties of convicts and improved the mechanism for filing and investigating their complaints.

Yet criminal law reform has not been as effective as was expected, as 2003 and 2004 crime statistics show. While reported crime increased owing to a new method of documenting offenses, the percentage of investigated crimes dropped. Criminal court proceedings have not been sped up, nor has the average time spent in detention and prison decreased. Since the court reform began, custodial sentences have been passed more often, especially on juveniles, and the average period of custodial sentences and imprisonment has increased. Admittedly, the number of prisoners decreased twofold over the past two years and stood at 7,000 in mid-2006.<sup>74</sup> Overall, experts conclude that Lithuania's judges and judicial practices are overly resistant to modern approaches in criminology and change in general.

### Corruption

1999	2001	2002	2003	2004	2005	2006	2007
3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00

In the wake of ratifying the United Nations Convention Against Corruption by the Lithuanian Parliament in December 2006, international experts concluded that corruption remains a serious problem in Lithuania, showing weaknesses, inefficiencies, and loopholes in the judicial and government bureaucracy. Public perception

of corruption is high, and an openness to exposing and investigating conflict-of-interest allegations among authorities has increased. Yet, it is widely acknowledged that the anti-corruption process is ineffective as there is little follow-through to numerous measures envisaged in the official anti-corruption framework and political corruption allegations.

Lithuania's legislative framework for combating corruption consists of numerous laws and a national anticorruption campaign. The Special Investigation Bureau (SIB), an independent institution established in 1997, is in charge of official corruption investigation and prevention activities. Corruption risk analysis of legal acts and state institutions is the main instrument of corruption prevention efforts. In recent years, the SIB has conducted an average of 100 anticorruption impact assessment analyses annually. Statistics show that the number of analyzed laws has increased threefold over the past years, while that of secondary legislation has decreased.<sup>75</sup> The SIB submits on average 35 recommendations for the improvement of internal institutional management and administrative procedures after the completion of a corruption risk assessment in a government institution. Recommendations from the SIB are generally well accepted and implemented. In 2005, corruption risk assessments were conducted in three ministries and seven municipalities.

The 2006–2008 Action Plan for the National Anticorruption Campaign envisages revising the framework governing political party financing and regulation, lobbying legislation and licensing regulations, and installing anticorruption programs in institutions administering EU structural funds. Allegations of misappropriating EU funds and suspicions of political corruption continue to surface regularly. As an illustration, in 2006 two Social Liberal members of the State Gaming Control Commission were suspected of voting in favor of a casino in exchange for party financial support.

In 2006, corruption scandals persisted around the embattled Labor Party and its founder, Viktor Uspaskich, who stepped down as parliamentarian and economic minister on ethics violations in 2005. In the summer, Lithuanian prosecutors brought charges against the Labor Party for fraudulent party bookkeeping and tax evasion. The party is suspected of submitting false data on its income, profits, and assets to the State Tax Inspectorate and the Supreme Electoral Commission. These allegations surfaced during a pretrial investigation on misappropriation of EU funds and influence peddling that was started three years ago. Prosecutors discovered the Labor Party's "cooked" books, which showed unlawful payments not only to members of the party, but to parliamentarians of other parties. Prosecutors questioned several party members during the probe and carried out searches at party headquarters. These crimes could result in a fine, restriction, or termination of the party's activities. In May 2006, in the wake of the scandal, Uspaskich left for Russia and resigned as Labor Party leader. In September, an international warrant was issued for Uspaskich, and the former politician asked Russia for political asylum.

Corruption allegations and libel cases continued to dog Vilnius mayor and LCU leader Artūras Zuokas after an interim parliamentary commission probing

into possible corruption in the Vilnius municipality affirmed in late 2005 that the mayor had received regular payments from a well-known business group in exchange for favorable decisions by the Vilnius City council. Despite that, Zuokas remained in his position until the February 2007 municipal council elections.

Executive and legislative bodies operate under audit and investigation rules. There are strict limitations on the participation of government officials and civil servants in economic life. The legislation on reconciling public and private interests in state service prohibits conflicts of interest and requires financial disclosure by politicians, CEOs, and their spouses. In 2005, the obligation to declare private interests was extended to chairpersons and deputy chairpersons of political parties who do not hold any official positions in state service. Also, instead of annual declarations, civil servants and politicians now submit private interest declarations when they take office or assume leadership in political parties and are required to notify the Supreme Official Ethics Commission of any changes in public and private interests. Declarations are posted on the commission's Web site, yet incomplete interest declarations are still a problem. The failure to withdraw from decision making, which may cause conflicts of interest, is the most frequent ethics violation.

Persons reporting cases of corruption receive general legal protections. Accepting or demanding a bribe is punishable by barring offenders from certain professional positions and by imprisonment for three to eight years. Punishment for abuse of official power includes fines, denial of the right to hold certain positions, and imprisonment for four to six years. State servants may be dismissed for abusing official power and ethics violations and can be punished by a three-year prohibition from state service.

In Transparency International's 2006 Corruption Perceptions Index, Lithuania maintained its score of 4.8 out of a possible 10 (least corrupt) among other countries with serious corruption problems.<sup>76</sup> Public perception and tolerance of corruption is high in Lithuania. A majority of Lithuanians believe the level of corruption has grown since 2000, according to the survey Lithuania's Corruption Map 2005.<sup>77</sup> Health care institutions, police, the Parliament, and the courts are seen as the most corrupt institutions. Most Lithuanians consider bribes an effective tool and are ready to use them if needed. The survey shows that half of the population gave bribes from 2000 to 2005 and 26 percent gave bribes in 2005 alone. Paradoxically, although half of the population purports never to have given bribes, an overwhelming majority think that corruption is deeply entrenched.

Such perceptions can be explained by a wide and extensive airing of corruption allegations in the media, the main source of information upon which people base their opinions about corruption. Asked about their personal experience, people mentioned land planning, customs procedures, construction permits, health care services, criminal court cases, fire prevention requirements, and land restitution as the most corrupt official procedures.<sup>78</sup> In 2006, medical workers were allowed, after a one-year ban, to accept gifts from patients or their relatives during and after treatment.

In 2006, a series of scandals surfaced among the leadership of several Lithuanian universities involving flagrant bonuses, trips, and other misuses of financial resources, which sparked public debates about the autonomy of higher education. Corruption is also pervasive in Lithuania's extensive regulatory system. Since direct state participation in the economy has been minimized through large-scale privatization, including infrastructure, the regulatory system is the chief way the state intervenes in the economy, which includes setting quality standards, requiring numerous permits and inspections, prescribing a mandatory minimum wage, regulating energy prices, and so forth. Many see this as excessive regulation. According to a recent survey by the World Bank and Economic Bank for Reconstruction and Development, the scope of unofficial payments by firms dealing with regulatory agencies and payments to obtain government contracts has tripled since 2002.<sup>79</sup> Businesses indicated that bribery had become much more frequent in licensing, fire and building inspections, environmental inspections, and occupational health and safety inspections. Despite this, the perception of corruption as a problem in doing business and time spent in dealing with regulatory authorities have reportedly decreased.

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- <sup>11</sup> Mažeikių Nafta is the largest enterprise in the Baltics and accounts for some 10 percent of Lithuania’s gross domestic product with the state holding 15.64% of the company’s stock.
- <sup>12</sup> In March 2006, Lithuania’s annual inflation rate was 2.7 percent, over the reference value of 2.6 percent as set by the three EU member states with the lowest inflation.
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