

Lithuania

by Aneta Piasecka

Capital: Vilnius
Population: 3.4 million
GNI/capita: US\$14,550

The social data above was taken from the European Bank for Reconstruction and Development's *Transition Report 2007: People in Transition*, and the economic data from the World Bank's *World Development Indicators 2008*.

Nations in Transit Ratings and Averaged Scores

	1999	2001	2002	2003	2004	2005	2006	2007	2008
Electoral Process	1.75	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	1.75
Independent Media	1.75	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	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	2.50	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	2.50
Judicial Framework and Independence	2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75	1.75
Corruption	3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00	3.75
Democracy Score	2.29	2.21	2.21	2.13	2.13	2.21	2.21	2.29	2.25

* 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(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

Seventeen years after regaining independence, Lithuania enjoys well-established political rights and civil liberties. Since 2004, Lithuania has been a member of NATO and the European Union (EU), and the public's support for Western integration remains strong. In December 2007, Lithuania joined the Schengen visa-free zone. The country remains one of the fastest-growing economies in the region. Although having achieved impressive gains and recognition in the foreign policy arena, political life within the country appears to be backsliding away from further reforms. Public apathy and alienation from the political process has deepened, and trust in major democratic institutions, including the Parliament, government, political parties, and courts, is critically low. Recent elections were held with record low turnouts. The current Parliament is widely regarded as the most inefficient and disorganized in Lithuania's post-independence history. Public confidence in the media has fallen dramatically, too. Civil society is not growing as rapidly as was expected a decade ago, and large-scale labor migration has taken a toll on the country's political and civic developments.

Lithuania's fourteenth administration, led by Gediminas Kirkilas, brought a modicum of stability to the country's fractured political arena, but it was criticized for dragging its feet on long overdue reforms in health care and education. The government remained secure owing to formal support from the opposition Homeland Union–Lithuanian Conservatives, the country's largest center-right force, which terminated their support in September 2007. Local government elections in February brought victory to the Lithuanian Social Democratic Party (LSDP), Lithuania's most influential political party, followed closely by its ideological rival, the Conservatives. The elections were surrounded by controversy involving the Constitutional Court and rulings allowing non-party-list candidates. The dismissal of embattled security chief Arvydas Pocius for incompetence and politicking ended a prolonged security crisis. The media market saw increased consolidation of media ownership among a few influential business groups. The spread of corruption finally slowed, but a lack of political will to pursue effective programs impeded further progress in combating corruption.

National Democratic Governance. In the first half of 2007, the State Security Department (SSD) remained engulfed in a crisis of leadership, corruption, and energy security matters. Confrontations between besieged security chief Arvydas Pocius and lawmakers over top government ties with energy business interests exacerbated the crisis. In May 2007, Pocius was removed from office. The prolonged resolution of the crisis threw the SSD into disarray, created political tension, and reinforced concerns over inadequate parliamentary oversight. In 2007, lawmakers

failed to override a presidential veto on legislation proposing to extend a ban on public service employment to include former KGB reserve officials. *Owing to the modestly successful resolution of the security crisis, Lithuania's rating for national democratic governance remains at 2.50.*

Electoral Process. Lithuania's first minority government survived for a year and a half thanks to formal support from the opposition Conservatives. In September 2007, in what was seen as an early start to the 2008 election campaign, the Conservatives terminated their support agreement but continued to back the government on an informal basis. The Kirkilas administration remained preoccupied with its survival and showed no reform commitment, while the Parliament was troubled by political battling and weak and ineffective leadership. Despite this, both the ruling minority and the fractured opposition were set to preserve the status quo. *Lithuania's rating for electoral process remains at 1.75.*

Civil Society. The legal framework governing nongovernmental organizations (NGOs) and the general atmosphere in the country are both supportive of civil society. Yet greater progress in civic developments has been curbed by low public awareness and lack of support of NGOs. During 2007, nongovernmental groups increasingly sought to adjust their activities to qualify for EU support. EU funding and the public's growing awareness of the need to collectively address local concerns have spurred a proliferation of organized communities. Independent policy advocacy has been strengthened in recent years through the rise of several active center-right public policy groups. The proportion of people using income tax deductions to support NGOs is growing, but the bulk of these funds goes to underfunded municipal institutions, such as schools. *A lack of visible change in public perceptions and low support of the nongovernmental sector leaves the rating for civil society unchanged at 1.75.*

Independent Media. Lithuania's media remain competitive and vibrant despite continued consolidation of media ownership among a few influential business and media groups. In 2007, there were several major takeovers of media outlets by leading market players, including MG Baltic, Lietuvos Rytas Group, and newcomer Hermis Capital. There are indications that increased ownership concentration plus the wide use of disguised public relations tools are affecting media quality and independence. Public confidence in the media hit a record low of 40 percent—a marked drop from several years ago. Online media, and in particular Internet news portals, have been expanding rapidly in the past two years and are expected to enhance media transparency and objectivity. Internet use is growing at a rapid pace. In the first half of 2007, a total of 40 percent of households (primarily in urban areas) were connected to the Internet, up dramatically from just 2 percent in 2000. *The rating for independent media remains at 1.75.*

Local Democratic Governance. The February 2007 local government elections drew a record low turnout of 40 percent. The LSDP won the largest number of municipal council seats (302 out of 1,550), while the Conservatives came in second with 256 seats. The Liberal-Center Union and impeached president Rolandas Paksas's Order and Justice Party (Liberal Democrats) followed with 182 and 181 seats, respectively. The recent elections attracted heightened interest from political parties, owing mostly to the EU's injection of 10.4 billion euros (US\$15.2 billion) for municipal development over the next six years. Two weeks before the elections, the Constitutional Court passed a watershed ruling allowing non-party-list candidates to run for municipal councils, thus abolishing party monopoly in local elections. In June, constitutional amendments to legitimize direct mayoral elections passed the first reading in Parliament. *Owing to the controversy surrounding the recent municipal elections, Lithuania's rating for local democratic governance remains at 2.50.*

Judicial Framework and Independence. A long overdue revision of the legal framework governing the judiciary, including the central Law on Courts, was postponed on several occasions. A lack of agreement and political will for reform has suppressed the need to address weaknesses in appointment procedures, the insularity of the courts, and a growing shortfall of judges. Lawmakers have been grappling with the problem of dual citizenship after the Constitutional Court found in late 2006 that citizenship legislation allowing dual citizenship was unconstitutional. Courts continue to rank among the least trusted institutions. In 2007, Lithuania incited an international clamor as Vilnius city authorities banned antidiscrimination campaigns promoting the rights of gays and lesbians. *Lack of progress in the long overdue revision of court legislation, a persistently low public trust in courts, and the society's biased attitudes toward ethnic and other minority groups leave Lithuania's judicial framework and independence rating unchanged at 1.75.*

Corruption. While most people in Lithuania increasingly believe that bribes can help in dealings with the authorities, the perceptions and attitudes of the business community are improving and the growth of corruption seems to have been curbed, according to the latest opinion polls. The exposure and investigation of corruption and conflict-of-interest allegations have become more open. Still, there is little follow-through toward effective anticorruption policies amid numerous corruption allegations. Also, 2007 provided ample evidence of double standards and leniency for wrongdoers on the part of authorities. Proposals to tighten political party and campaign finance regulations have stalled in the legislature since 2006. The government has embarked on an ambitious program to reduce corruption, but results have yet to be seen. *Despite a persistent lack of political will to strengthen anticorruption measures, greater openness in exposing, investigating, and discussing conflict-of-interest allegations, a recent curb in corruption growth, and marked improvements in the perceptions of the business community merit improvement in Lithuania's corruption rating from 4.00 to 3.75.*

Outlook for 2008. National legislative elections in fall 2008 will be the central event of the year. In the run-up to the polls, new party mergers and coalitions will be likely. The February 2007 municipal elections showed that certain shifts in political power might be anticipated. The minority Social Democrat–led government is expected to survive until the upcoming elections as major players on the political scene will try to maintain the status quo. Constitutional amendments stipulating direct mayoral elections are set to go through the final voting in Parliament, and the legislature will still have to agree on the powers of directly elected mayors. It remains to be seen whether lawmakers will revise the court legislation and tighten political campaign funding before the upcoming legislative elections. Equally newsworthy will be specific decisions regarding the creation of a national investor for the construction of a new atomic power plant that is to replace the Ignalina unit. There are concerns over the transparency of deals between the government and private business titans that will participate in creating a single mega-utility for the project.

MAIN REPORT

National Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007	2008
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50

In 2007, political and public attention was riveted on solving the crisis that had engulfed the State Security Department (SSD) since fall 2006. Lithuania's main security agency was thrown into disarray after Vytautas Pociūnas, a security officer who had formerly headed the SSD's economic and energy security office, died mysteriously in August 2006 in Belarus. The story provoked suspicion over the SSD's leadership problems, politicization of security personnel, and the energy market's role in national security.

After a months-long investigation into the operation of the SSD, revealing possible corruption ties between high-ranking government and security officials and pro-Russian business groups, the parliamentary National Defense and Security Committee (NDSC) concluded that security chief Arvydas Pocius was unfit to lead the department. Observers severely criticized Pocius for politicking, manipulating information to discredit top politicians, and challenging the Parliament's duty to oversee security matters. Pocius officially resigned in December 2006, but amid the turmoil he managed to garner support from lawmakers and the president and remained in office, only to be dismissed five months later. In June 2007, Povilas Malakauskas, former head of the Special Investigation Bureau (SIB), replaced Pocius as security chief. Yet the security agency is still struggling to bring its operation back to normal.

Political analysts claimed that the prolonged security crisis was not limited to the SSD's problems, but engulfed the whole political system. The security chief's "rebellion" against the legislature was understood as an attempt by the top functionaries mentioned in the NDSC investigation to reinforce their political influence. The crisis mounted as flustered lawmakers appeared to be ignorant of their duties and unable to react adequately to the predicament. The president's office and the government both took a passive stance, drawing intense criticism from observers.

In October 2007, a long debated new Law on Lustration was passed, but President Valdas Adamkus vetoed it over procedural violations. The new law defined the status of KGB reservists and set career restrictions on KGB officials and collaborators who failed to confess. It also redefined procedures for composing the lustration commission. Earlier in the year, lawmakers failed to override a presidential veto on lustration legislation that would have banned former KGB reserve officials from public service. But given the strong support from members of Parliament (MPs), the new law is expected to pass the Parliament without further debates over its substance.

Lithuania's Parliament operates in an open manner, and all legislative documents and records 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, and the mechanism for consulting legal experts and interest groups does not always function properly. The number of adopted laws has decreased, but their inconsistency and frequent amendments reveal systematic flaws in the lawmaking process.

The Lithuanian executive branch is less transparent than the legislature. 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. Yet the current administration has started to provide systematic public access to government meeting agendas, and since August 2006, cabinet sessions have been broadcast live on the Internet.

The past few years have seen a sharp increase in the bureaucratic apparatus. The number of civil servants (excluding statutory officials) rose from 18,993 in July 2003 to 25,598 in July 2007. Over the past year, the number increased by 1,693.¹ The European Union (EU) has been a popular argument to boost bureaucracy. New positions are opened to allegedly meet the growing EU membership workload despite a large number of existing vacancies. In the meantime, public service is faced with an increasing shortfall of workers, caused mainly by large-scale labor migration in recent years. The most severely affected, and underpaid, sectors are education and health care, courts, police, and fire services. In light of Lithuania's continued economic growth and increasing budget revenues, the government is criticized for boosting public spending and failing to balance the budget. The 2007 and 2008 budgets both stipulate a deficit and revenue growth of about 33 percent per year.

Progress in delivering public services online has slowed over the past year, from an estimated 68 percent in 2006 to 64 percent in 2007, far behind the EU average of 76 percent. Full online availability in Lithuania was 35 percent in 2007.² Among the least advanced online services are building permits, car registration, health care services, and marriage and birth certificates.

In the energy arena, the Parliament passed a crucial law in July 2007 to build a new atomic power plant to replace the Ignalina unit, which will be closing in 2009 under EU obligations. Four countries—the three Baltic states and Poland—will participate in the project. The first reactor is scheduled to be completed around 2015. The new power grid will allow Lithuania to remain a nuclear energy producer and exporter and help guarantee energy independence. Despite the magnitude of the project, the law was adopted in some haste and with very little public discussion.

Electoral Process

1999	2001	2002	2003	2004	2005	2006	2007	2008
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Lithuania's first post-independence minority government led by Social Democrat Gediminas Kirkilas remained secure in fall 2007. The center-left coalition was formed by the Lithuanian Social Democratic Party (LSDP), the National Farmers

Union (NFU), the Civil Democracy Party (CDP), and the Liberal-Center Union (LCU) in summer 2006 after months of political crisis and intrigue. With 57 seats in the Parliament in mid-2007, the minority government functioned largely thanks to the formal support of the opposition Conservatives. Yet political cleavage, inefficient legislature, and the prolonged resolution of the security crisis led analysts to speak of an imminent crisis in the country's political and governance system.

Most commentators agreed that Prime Minister Kirkilas, a political old-timer, brought the country some stability. Still, the administration was criticized for dragging its feet on reforms in health care and education, slowness and inefficiency in making use of EU assistance funds, and its failure to meet the 2010 target for introducing the euro. Instead, the government was preoccupied largely with its own survival. It withstood two interpellations for several of its ministers and lost only one cabinet member. Unlike those of previous administrations, Kirkilas's cabinet was composed mainly of political appointees, including the prime minister himself, rather than technocrats. Seven ministerial posts belonged to LSDP, three to NFU, two to LCU, and one to CDP.

In September, the Conservatives, the largest right-of-center party with 24 MPs, terminated its yearlong formal support for the minority government reportedly over growing corruption and prolonged security problems. This was widely seen as a fictitious move aimed at preserving their political image before the 2008 legislative elections. The Conservatives are expected to informally support the minority government in order to prevent other forces from entering the coalition before the upcoming elections. LSDP is also hanging on to this partnership. Its plans to replace the Conservatives with the Labor Party failed after the Laborites upheld legislation fixing gas price mark-ups, an issue that was severely opposed by the government.

The current Parliament, considered the worst in Lithuania's post-independence history, is increasingly criticized for a lack of efficiency and organization. Continuous scandals and splits, multiple ad hoc commissions, and the incompetence of many political freshmen have distracted lawmakers and paralyzed important legislative debates. With the Conservatives supporting the minority government, the parliamentary opposition is as polarized and weak as ever despite its sizable composition and fairly broad statutory powers. Parliamentary Speaker Viktoras Muntianas, a former Laborite and founder of the CDP, lacks authority and has faced two no-confidence votes for failing to organize the Parliament's work.

Blurred boundaries among parties, unexpected and controversial coalitions, and party splits and infighting have long led analysts to speak of a moral and structural backslide in Lithuania's political party life. The Social Democrats, the foundation of the left-wing bloc, are leaning toward liberal economic policies, while liberal forces show a lack of loyalty and unity. Shifting party affiliation has become a routine practice, mainly as many of the recent ad hoc political projects have failed. In 2007, there were 38 registered political parties in Lithuania, with some 25 active players on the political scene. Membership requirement for political parties was lowered to 1,000 people in 2004. Several parties failed to meet this requirement but continued to exist owing to costly reorganization and liquidation procedures. Most parties rally around one leader and lack a clear ideological identity.

Fall 2007 saw an early start to the 2008 election campaign as parties began merger and coalition talks. The Conservatives called on right-wing forces to unite and create a stronger alternative to the ruling Left. In November, the Conservatives merged with the non-parliamentary Lithuanian National Union, and initiated merger talks with the Christian Democratic Party. Any stronger cooperation on the fractured liberal flank—represented by LCU, the Liberal Movement, the Social Liberals, and the Order and Justice Party (Liberal Democrats)—is improbable.

The Parliament and political parties remain the most unpopular public institutions, supported by only 10 and 5 percent of the population, respectively.³ Passive public engagement in political life is reflected by low party membership and voter turnout; as few as three percent of Lithuanian citizens belong to political parties,⁴ and the current Parliament was elected on a record low voter turnout of 44.3 percent. Observers attribute such attitudes to growing party insularity and the public's alienation from the political process. In a research study released in December 2006, the Civil Society Institute (CSI) concluded that the public has little confidence in its collective power and lacks a tradition of engaging in political and public life.⁵ Large-scale labor migration has also taken its toll on public attitudes.

Despite tightened restrictions on campaign financing and advertising, the framework governing political parties contains serious flaws, and the mechanisms for ensuring compliance and transparency are inadequate. New proposals to prohibit businesses from donating to political parties and to ban political advertising on radio and television have stalled in the Parliament. 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. At present, restrictions are applied only to outdoor political advertising.

Civil Society

1999	2001	2002	2003	2004	2005	2006	2007	2008
2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.75	1.75

Lithuania's legislative framework does not pose any serious barriers to nongovernmental organizations (NGOs), but public awareness and involvement in civil society remain low. The organizational and managerial capacities of Lithuanian NGOs are quite good, but weak constituency building and lack of public outreach are still problems. Nongovernmental groups have increasingly adjusted their activities to qualify for EU funding, but this drive to attract EU donations has distracted many from their normal work and core objectives.

Lithuanian society remains poorly organized. Although the number of NGOs grew from 9,250 in 1999 to 16,250 in 2005,⁶ the level of public participation in their activities remained almost unchanged. According to a 2005 survey by the CSI, 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 of the population, while participation in educational, cultural, youth, or religious organizations does not exceed 2.5 percent. People with higher education are the most organized (29 percent).⁷

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 have failed to widen their range of activities or increase membership and thus remain largely unknown to the general public. A survey conducted in autumn 2007 by Transparency International's Lithuanian chapter showed that a majority of civil society representatives consider Lithuanian NGOs to be transparent.⁸ A lack of clear criteria for NGO support provided through state and municipal tenders is considered to be the most frequent transparency problem, but financial disclosure is not seen as a key measure to enhance NGO transparency. Fund-raising and finding qualified employees were cited as the most serious difficulties. Additionally, Lithuania lacks a strong tradition of volunteerism and charitable giving. Volunteerism has also been discouraged in the past by regulations, which were eased a few years ago but still place excessive bureaucratic constraints on volunteer work.

The past few years saw a massive proliferation of organized village communities. This trend was spurred largely by EU structural funds and ongoing rural Internet projects. Growing community awareness and joint efforts to address local concerns have also boosted these numbers. Community organizing has been stimulated by forceful land-planning and construction processes: On a number of occasions, both formal and informal local groups have intervened in official decisions where private construction sites allegedly violated public interests. The most resounding case involved the construction of the notorious Kazokiskiu waste dump, a project that provoked outrage from the local community.

The establishment of several center-right groups has reinforced independent policy advocacy in recent years. In June 2006, *Piliečių Santalka*, an informal network of citizens and organizations promoting civil society, was established. The network's focus areas are public administration, courts, and self-government. The CSI and the Human Rights Monitoring Institute, founded by the Open Society Fund–Lithuania in 2003 and 2004, respectively, have already gained recognition thanks to their active engagement in public policy.

Lithuanian nonprofits are required to pay a 15 percent profit tax on commercial proceeds exceeding approximately US\$9,000. Companies can donate up to 40 percent of their annual taxable profits to NGOs, while Lithuanian taxpayers may contribute 2 percent of their income tax to private or public nonprofit entities. Yet most NGOs lack permanent sources of income and sufficient fund-raising capacities. NGOs may bid for government contracts, but this practice is rather uncommon owing to a complex administrative process.

The 2 percent income tax deduction, meant originally to boost civil society, goes mostly to underfunded municipal institutions and schools. In 2007, 36 percent of the 2 percent donations were transferred to municipal organizations, 32 percent to associations, 14 percent to public institutions,⁹ 8 percent to charity and sponsorship funds, 6 percent to traditional religious communities, and 4 percent to state-run

budgetary institutions. More than 12,000 organizations received donations. The number of donors rose from 370,000 in 2005 to 500,000 in 2007, or 33 percent of the working population.¹⁰ While the 2 percent option helps to shore up NGOs, some worry it discourages philanthropy and leaves room for abuse by fictitious organizations.

Trade unions enjoy wide powers and rights by law and are quite influential, although they claim only about 15 percent of the workforce. Large-scale labor migration and 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 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, Lithuanian Labor Federation, and Employees Union are coalitions of labor groups.

Business associations and trade unions are the most active and influential NGOs in the policy-making arena making use of advocacy, advising, and lobbying—and, the media are receptive to public policy groups as reliable sources of information. However, government cooperation and consultation with NGOs has not been fully established. In 2007, there were only 13 registered lobbyists in Lithuania, of which 11 were active.¹¹ Observers note that such negligible formal lobbying activity may be attributed to extensive informal representation of special interest groups and legislative corruption. In current law, the concept of lobbying is defined quite broadly and can be applied to any publicly-aired opinions on legislation or policy research. NGOs worry that this discredits public policy groups that actively express their opinions. New lobbying legislation, which was presented before the Parliament in autumn 2007, fails to clarify the fuzzy boundaries between paid lobbying and advocacy.

Lithuania's education system is generally free of political influence, but school administrations are reportedly under pressure by local authorities. There are 25 private secondary schools, and 12 of the country's 28 higher education colleges and 7 of the 22 universities are private. Private schools account for a negligible 3 percent of all educational institutions.¹² The growth of private education has stagnated in recent years despite the country's basket principle of allocating funds per student. The cost to comply with high professional qualifications and cleanliness requirements for new establishments are one reason for this. In addition, state-run schools receive additional financial injections, which are not available to the private sector.

Independent Media

1999	2001	2002	2003	2004	2005	2006	2007	2008
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

There were important developments in Lithuania's media market in 2007, including several major outlet takeovers and an expansion of online news portals, digital

TV, and mobile broadcasting services. With recent acquisitions and increased consolidation of media ownership, the partition of the media market is drawing to an end, raising concerns over the effect of these processes on free media. Internet usage and online media are increasing, and media giants are set to exploit this growing popularity. Media outlets in Lithuania are privately owned, with the exception of the state-owned Lithuanian Radio and Television.

Lithuania's leading private equity concerns Achema Group and MG Baltic are now the most active players in the Lithuanian media market. MG Baltic, owner of the national broadcaster LNK (plus TV1), launched the news portal *www.alfa.lt* in August 2006 and took over UPG Baltic, which publishes about 30 journals in various markets. Another large concern, Hermis Capital, purchased a regional daily, *Kauno Diena*, from the Norwegian Mecom Press in 2006; bought the regional Žemaitijos TV in mid-2007; launched a new daily, *Vilnius Diena*, in October; and is set to start the news portal *www.diena.lt*. Achema Group owns the national daily *Lietuvos Žinios*; the fourth largest national commercial television station, Baltijos TV; several radio stations, including the popular RC2 and Radiocentras; and two publishing houses.

The Lietuvos Rytas company, owner of the largest national daily, *Lietuvos Rytas*, and a TV production company, Spaudos Televizija, took over the Vilnius television station Penktas Kanalas from Rubicon Group in October 2007. Also during the year, the Respublika Group, publisher of the national daily *Respublika*, abandoned its news portal (*delfis.lt*) after evidence of plagiarism provoked outrage from other media outlets and journalists. According to 2003 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.

In recent years, public confidence in the media has fallen. In 2007, it reached a record low of 40 percent.¹³ Only five years ago, the media topped popularity rankings among various institutions, with public trust in the media standing at 70 percent of the population.¹⁴ Observers say that this decline is related largely to increased penetration of industrial capital into the media market, media ownership concentration among a few influential domestic business groups and minimized foreign ownership in Lithuanian television.

These processes are already having an influence on media quality and independence, with both political and business interests receiving biased coverage in the media. Despite this, the media market remains competitive and vibrant. Lithuania has no sector-specific regulation of media ownership concentration, but competition legislation sets a general limit at 40 percent of the market share.

Public trust in the media is being damaged by a decline in responsible journalism and the growing use of hidden PR articles and reports by political and business interests. Lithuania's opinion leaders assert that media independence is limited chiefly by advertising contractors and media owners.¹⁵ In a recent survey from Transparency International (TI),¹⁶ more than half of Lithuania's CEOs and top executives claimed that the media were corrupt. An overwhelming majority (91 percent) believe that adverse reports in newspapers and TV can damage one's business or personal life.

National newspapers are considered to be the most corrupt, while news agencies are seen as the most transparent. Greater disclosure of media finances, management, circulation, and audience data is seen as the key to enhanced transparency.

The rapid growth of Internet media is expected to change public attitudes by enhancing media credibility. Lithuania's leading Internet news portal, www.delfi.lt, has increased its writing staff and in-house production, including recorded video materials. Other top Web sites are www.one.lt, www.plius.lt, and www.lrytas.lt.¹⁷ Mobile TV broadcasting and digital TV are already available. In 2007, the country's mobile operators also started offering mobile video news.

There is a wide diversity of print and electronic media at national and local levels. The newspaper market is dominated by two large Lithuanian media concerns, Lietuvos Rytas and the Respublika Group. There are five national daily newspapers: *Lietuvos Rytas* (with a reported circulation of approximately 60,000), *Vakaro Žinios* (75,000), *Respublika* (33,000), *Kauno Diena* (34,000), and *Lietuvos Žinios* (20,000). In 2006, a total of 340 newspapers and 418 journals were published in Lithuania.¹⁸ Several new intellectual magazines have been launched recently. 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 LTV2.¹⁹ 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 28 and 22 percent of viewers, respectively, according to September 2007 data. LTV and Baltijos TV follow with 13 and 7.5 percent, respectively.²⁰

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.²¹ The state-run Lithuanian Radio has the largest audience (22 percent in summer 2007); other popular stations are Lietus (13 percent), M-1 (10 percent), Russkoje Radio Baltija (9 percent), Pūkas (9 percent), and Radiocentras (7 percent).²² Žinių Radijas should be mentioned as a select radio project offering news and serious commentary enjoying a significant audience among businesspeople and intellectuals. 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 continues to grow rapidly. By mid-2007, the number of Internet subscribers rose by 60 percent.²³ In the first quarter of 2007, 40 percent of households were connected to the Internet, compared with 2.3 percent in 2000. Yet a gap between urban and rural connectivity exists: Every second urban household has an Internet connection, compared with every fourth rural household.²⁴

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.²⁵ Publications may be closed and journalists penalized only by court order.

Local Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007	2008
n/a	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50

Lithuania's local elections on February 25, 2007, were won by LSDP, with the Conservatives coming in second. The turnout was a record low 40 percent of the country's 2.7 million electorate. Two weeks before the municipal elections, the Constitutional Court passed a groundbreaking ruling stating that non-party-list candidates may run for municipal councils. And later in the year, the Parliament made a first step toward direct mayoral elections, an issue debated in the country for almost a decade.

A total of 24 parties and a record 13,000 candidates contested for 1,550 seats in local government councils. LSDP won the most seats with a majority in 19 cities, although the party came in second in total number of votes. The Conservatives received the largest number of votes but were second in number of seats won. LCU came in third, followed by the Order and Justice Party. Ten major political parties gained more than 50 seats each. Ten other parties and coalitions secured representation with a negligible number of seats. Only 5 of the country's 60 municipalities saw any party winning an absolute majority. Municipal councils are elected for a four-year term. To place members on a city council, a party must receive no less than 4 percent of votes from residents of the municipality.

2007 Municipal Election Results

Party	Number of seats won in municipal councils
Lithuanian Social Democratic Party	302
Homeland Union-Lithuanian Conservatives	256
Liberal and Center Union	182
Order and Justice Party (Liberal Democrats)	181
National Farmers Union	141
Labor Party	111
New Union-Social Liberals	97
Lithuanian Christian Democrat Party	95
Lithuanian Polish Electoral Action	53
Liberal Movement	51
Other	81

Source: Central Electoral Committee of the Republic of Lithuania

The unprecedented interest from political parties in the 2007 elections was explained by the financial assistance coming from the EU: During the next six years, Lithuanian local governments will absorb 10.4 billion euros in structural assistance, and the newly-elected councils will be responsible for doling out the bulk of these funds.

A major surprise for most election observers was the successful performance of impeached president Rolandas Paksas's Order and Justice Party. Having struggled for a place in Lithuania's political arena, the party won almost one-third of the seats in the capital city of Vilnius. After prolonged coalition talks, the party managed to rally enough support to ensure victory in the mayoral vote. Juozas Imbrasas, an ally of Paksas, became mayor of Vilnius.

Lithuania's municipal elections were tainted with fraud. The Central Electoral Committee canceled election results in two municipalities because of "grave violations" of electoral laws, but later this decision was overruled in court. There were reports of vote buying, use of administrative resources for election agitation, and pressure on local electoral committees. To decrease electoral fraud, popular voting by mail in local government elections was outlawed in 2006 (except for voters in detention, the military services, and health care professions).²⁶ In the 2007 municipal elections, the proportion of vote by mail was 3.66 percent.²⁷

Just two weeks before the local government elections, the Constitutional Court dramatically lifted the prohibition on non-party-list candidates, which the Court deemed unconstitutional. Though these new conditions could not be guaranteed across the board for the 2007 elections, the Court declared that postponing the elections would "inflict much greater damage to the expectations of voters and to the stability of not only local self-government, but the whole system of public power."²⁸ This statement provoked much controversy. Observers and political analysts criticized the Constitutional Court for exceeding its competence, interfering in administrative governance matters, and violating the principle of separation of powers. Many claimed that elections conducted under unconstitutional legislation could not be free and democratic. Others claimed that direct participation in elections was not a universal human right and the choice of an election system was a political, not a legal, decision.

In June 2007, an absolute majority of lawmakers voted for constitutional amendments in favor of direct mayoral elections, an issue that had been debated in the country for almost a decade. A second vote was scheduled for fall 2007, but it was postponed over disagreements on how much power directly-elected mayors should wield. 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. Yet some would like mayors to be an executive institution, with councils led by their elected chairs. Opponents of direct elections insist they would bring the rise of populists and that such mayors would be less resistant to corruption.

Polls over the last seven years consistently show that only a third of the population trusts local government.²⁹ Lithuanians recognize the importance of self-government and want community affairs to be tackled by local authorities, but they also doubt their powers to influence local decision-making, according to a survey by the CSI. Experts conclude that "self-government in Lithuania obviously lacks content."³⁰ It also 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. Online availability of municipal services is low.

Lithuania has one level of local government, which encompasses 60 municipalities led by elected councils and 10 regional administrations governed by central appointees. In certain areas, such as land planning, health care, and education, both central and local authorities are involved. Ambiguities in power division 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 administrations, especially before elections. However, regional governors remain influential political officials, so the removal of this tier of governance is unlikely.

Municipal governments have a limited degree of financial independence and are burdened with politicking and mismanagement. They generally lack funds to meet their obligations, and misuse of funds is widespread. Only a third of financial and performance audits are conducted correctly, according to the National Audit Office in 2006.³¹ Financial discipline is also weak in regional administrations, as national audits revealed in 2007.

Municipal budgets, which range from 5 million to €223 million (US\$7.3 million to US\$327 million),³² are composed of ever-shrinking central government subsidies and independent revenues collected from personal income tax, property and land taxes, and local fees. In 2007, central budget allocations to local governments stood at 42 percent, down from 58 percent in 2004.³³ The trend toward increasing independent proceeds is due largely to an increase in personal income tax revenues. Municipalities with over 19 percent revenue growth are required to transfer part of these funds to the state budget for the purpose of leveling wide disparities in revenue volumes across municipalities.

A large share of independent proceeds goes to the central government wage fund and utility payments, so in reality municipal councils are free to distribute only from 2 to 10 percent of municipal budgets.³⁴ For investment purposes, municipalities may take loans ranging from 35 to 50 percent of municipal budgets, but with the government's approval they may borrow 100 percent and more. Local governments are increasingly likely to use this right as they co-finance EU assistance projects.

Judicial Framework and Independence

1999	2001	2002	2003	2004	2005	2006	2007	2008
2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75	1.75

Despite intense public debates over the weaknesses of Lithuania's judiciary, lawmakers lacked the political will to tackle long overdue institutional reforms. The most pressing needs are to increase transparency of courts, to revise judges' appointment procedures, and to administer the growing caseload amid a shortage

of judges. A new Law on Courts has stalled in the Parliament for the past two years, while in 2006 the Constitutional Court found over 30 provisions of the functioning legislation unconstitutional. Recurrent scandals around the appointment of judges have highlighted a lack of procedural transparency and confirmed that the president and Parliament have up to now played only a symbolic role in the process.

In early 2007, President Valdas Adamkus called on lawmakers to adopt new rules for appointing court chairs to fill 29 vacancies.³⁵ The proposed procedure stipulates shortening tenures and establishing a rotation among court chairs, which are seen as necessary conditions for greater transparency and effectiveness. Yet experts warned of the growing shortfall of judges, who are overworked and underpaid, causing numerous vacancies particularly in the lower-tier courts. Shortcomings in court administration add to the problem. Judges and court chairs perform administrative functions, which not only impairs their performance but raises doubts about their independence and the level of transparency in assigning cases.

Pursuant to the 2006 ruling of the Constitutional Court, the Council of Judges, a body that advises the president on the appointment, promotion, and dismissal of judges, was recomposed. Politicians and government officials were removed from the council to make courts less prone to political pressure. Also, the powers of the Supreme Court chair were narrowed. 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 Supreme Court chair rather than the Council of Judges.

Public trust in the courts is consistently low, standing at one-fifth of the population.³⁶ Lower-tier courts are trusted the least, but only a small percentage of verdicts are appealed. The insularity of the court system, lengthy investigations and trials, judge bias in favor of the prosecution, and corruption explain the ingrained public mistrust of the court system.

The issue of dual citizenship has become a headache for the Lithuanian legislature since the Constitutional Court ruled in 2006 that dual citizenship must be a rare exception. Prior to the ruling, dual citizenship was granted on a fairly routine basis. While the country's politicians puzzle over how to satisfy a growing need for dual citizenship, over 600 persons were reportedly stripped of their Lithuanian passports in 2007.³⁷

The Constitutional Court provoked much criticism and controversy in 2007, such as the rulings on dual citizenship and the 2007 municipal elections. Some observers claimed the Court exerted influence on the political process, interfered in administrative matters, and freely interpreted the Constitution. Debates also continued on whether to allow private individuals to file a petition with the Constitutional Court. Currently, this right is vested in the president, at least one-fifth of MPs, the government, and the courts. The Constitutional Court delivers about 20 rulings per year.

In response to growing public complaints, notary office hours were extended, real estate transaction procedures were simplified, and fees for such transactions

were lowered starting in 2007. Disproportionately large fees for court bailiffs, who act as a private institution, continued to irritate the public, even though the costs of recovering small amounts were limited in 2005.

The criminal law reform of 2003 has not been as effective as expected. Criminal court proceedings have not shortened, nor has the average time spent in detention or prison decreased. The average time suspects spend in pre-trial detention was one month, according to the Office of the Prosecutor General.³⁸ Although the reform was meant to loosen criminal penalties and broaden alternatives to custodial sentences, these have in fact increased in number and duration, especially for juveniles.

Road safety has become a central concern as the number of accident fatalities has soared. Lithuania has the worst road safety record in the EU, posting 223 deaths per million people in 2006.³⁹ This issue topped the policy agenda in 2007, and lawmakers were set to tighten criminal measures for offenders. Amid these debates, Lithuania was shaken in November by a tragic car accident in which an off-duty police officer killed three children and fled the scene. This incident led to the resignation of Interior Minister Raimondas Šukys and Police Commissioner General Vytautas Grigaravičius. Lithuania also tops the EU list for suicides and on-the-job fatalities.

Public awareness of rights and opportunities has grown noticeably in recent years. Citizens increasingly report rights violations to the parliamentary and equal opportunity ombudsmen. The most frequent complaints concern land ownership and restitution issues, arbitrary arrests, illegally prolonged detention, and unsatisfactory detention conditions. Although the era of land ownership restitution is drawing to a close, the process has been severely protracted in the most marketable areas, such as Vilnius and Kaunas; owing to legislative loopholes and weaknesses, land has been parceled beyond the ability to resolve unsettled ownership issues for true land owners.

Although necessary legal protections for ethnic minorities are in place, Lithuania is troubled with persistent ethnic intolerance. Opinion polls show the public is biased against minority ethnicities and cultures, especially Roma, Jews, and immigrants, and these attitudes have soared since 1990.⁴⁰ An increase in hate speech against minorities, particularly Jews, has been recorded in the past two years, according to the Office of the Prosecutor General.⁴¹ This is attributed more to the rise of new forms of electronic communication than to a growing incidence of hate speech. Also, social consciousness on the issue is increasing, so there is now more likelihood that a complaint will be filed when hate speech occurs. The media are criticized for contributing to the atmosphere of hostility toward minorities, as are the political elite for failing to react to instances of intolerance.

In May 2007, Vilnius city authorities incited an international clamor when they denied a permit for a Europe-wide antidiscrimination campaign rally in Vilnius over fears that the event would spark unrest. This EU-backed rally was aimed at promoting tolerance toward minority groups, including gays and lesbians, and informing citizens of their rights under EU and national antidiscrimination laws. Earlier in the month, bus drivers in the country's two largest cities refused to drive

vehicles bearing advertisements of a tolerance campaign for gays and lesbians. And again in October, the municipal authorities of Vilnius forbade a rainbow flag event during an annual conference of the International Lesbian and Gay Association. In the meantime, the headquarters of a new European gender-equality institute was scheduled to open in Vilnius by the end of 2007.

Corruption

1999	2001	2002	2003	2004	2005	2006	2007	2008
3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00	3.75

Transparency International's 2007 Corruption Perceptions Index showed that Lithuania made no visible progress in reducing corruption over the past three years, a report that made headlines. Lithuania maintained a score of 4.8 on the 0–10 scale, where 10 is the best possible score (perceived as least corrupt).⁴² Prime Minister Gediminas Kirkilas, who upon taking office in July 2006 pledged to resign if corruption in Lithuania did not decline, criticized the index and insisted that the government worked openly. Although anticorruption efforts appeared to be stagnant, the latest opinion poll showed a turn for the better, since the spread of corruption was finally curbed—in other words, if not better, at least not worse.

According to the *2007 Lithuanian Corruption Map*, a survey of citizens and businesspeople commissioned by the SIB and conducted by TNS Gallup since 2000, most respondents believe that the corruption situation stabilized in 2007.⁴³ Although the level of corruption remains high, significant improvements were observed in the perceptions and attitudes of the business community. The proportion of citizens prepared to give bribes remained at 67 percent, while the business community showed a marked decline from 55 to 42 percent. Likewise, a consistent amount of people (28 percent) said they had given bribes over the past 12 months, while businesspeople reported a drop from 20 to 17 percent. Although Lithuanian society censures graft, an absolute majority (85 percent of the population) believe that bribes may help in dealings with authorities, and this proportion is growing (up from 75 percent in 2002). Most often bribes are offered to road police, medical workers, customs officials, and land-planning authorities.

Lithuania has a solid legal and institutional basis for fighting corruption, but there is little follow-through on corruption allegations. Ten years after its inception, the SIB, an independent institution in charge of investigation and prevention activities, has been increasingly criticized for ineffectiveness in high-profile corruption cases. Such concerns even spurred proposals to merge the SIB with the Financial Crime Investigation Service.

Notably, implementation of the broad national anticorruption program, adopted in 2002, has stagnated. As an illustration, bills on tightening electoral campaign financing and advertising have stalled in Parliament for over a year, and proposals to set up a separate authority for controlling political party financing have

dwindled. Oversight of the administration of EU funds has not been strengthened, despite continuing allegations of misappropriation. In March 2007, Finance Minister Zigmantas Balcytis resigned over his son's involvement in mishandling EU funds.

The Kirkilas administration has renewed a program for curtailing bureaucracy under the so-called Sunset Commission, first launched in 1999, yet with difficulty. Starting from September 2007, ministries and other central and local government agencies were obligated to install a one-stop system in handling citizens' requests, but no mechanism or methodology was prepared for implementation. The Sunset Commission has also suggested dissolving numerous ministry-subordinate organizations that receive independent budget allocations and are largely uncontrollable, but only 2 out of 13 ministries responded to this proposal.

The year 2007 brought leniency for wrongdoings at the top level. Cases included Lithuania's agricultural minister, Kazimira Prunskienė, who remained in office although she was embroiled in conflict-of-interest violations over using public funds for a political and personal publicity campaign. Another incident involved Kęstutis Sabaliauskas, director of the real estate Register Center, who received only a written scolding for paying large illegal bonuses to himself and colleagues. In theory, official punishments for abuse of office include fines, denial of the right to hold certain positions, and imprisonment of four to six years.

The legislation on reconciling public and private interests in state services prohibits conflicts of interest and requires financial disclosure by politicians, CEOs, and their spouses. Civil servants and politicians must submit private interest declarations when taking office or assuming leadership in political parties. These are posted on the Supreme Official Ethics Commission Web site, yet incomplete declarations are still a problem.

Graft and cronyism continue to plague the public procurement system. A majority of businesspeople say public procurement tenders are crafted for connected firms, and the winners are known in advance,⁴⁴ reported TI in its March 2007 survey of 98 companies. Equally notorious are ownership restitution and land-planning procedures. An opinion poll conducted by TI in late 2007 showed that one-third of Lithuanian citizens who had built or reconstructed their homes had given bribes to officials or politicians.⁴⁵ The majority believe that unofficial payments help in land purchases, land-planning permits, and approval procedures. In 2007, two municipal officials in Vilnius faced graft and influence-peddling allegations relating to land-planning decisions; one of them was indicted in October. Accepting or demanding a bribe is punishable by barring offenders from certain professional positions and imprisonment of two to eight years.

Corruption remains pervasive in Lithuania's extensive regulatory system. Since direct state participation in the economy has been minimized through large-scale privatization, the regulatory system is the chief way that state officials intervene in the economy, which includes setting quality standards, requiring numerous permits and inspections, prescribing a mandatory minimum wage, regulating energy prices, and so forth. Corruption-prone areas include environmental services; health,

sanitation, and food inspections; and fire and building inspections. There are 152 regulatory agencies in Lithuania, and a total of 330 permissions are required for various businesses.⁴⁶ In a 2008 World Bank ranking of economies and their ease of doing business, Lithuania slipped in position from 16 to 26 owing to stagnating regulatory reforms.⁴⁷

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