

Lithuania 2015



Total: 74.02

Political Freedom

Free and Fair Elections : 10

During the 2014, two elections took place in Lithuania, for the European parliament and presidential elections. Both demonstrated high level of freedom and fairness of the process. After the presidential elections, Dalia Grybauskaite became the first Lithuanian president to be elected for the second term. Although the European Court of Human Rights ruled that banning of Rolandas Paksas of running for office is a violation of his rights, Central Electoral Commission didn't accept his candidacy for presidential elections. Political parties, the least trusted institution in Lithuania, can operate in the unrestricted environment. However, Communist Party continued to be banned.

Absence of Unconstitutional Veto Players : 8.33

Lithuania improved its score in this matter, from 7.50 in the 2014's Freedom Barometer Report. Generally there are no unconstitutional veto players in the country. This is mainly due to the improvements in the fight against corruption in the public sector. The main anticorruption agency, Secret Investigation Service, announced in 2014 the list of individuals suspected to be involved in corruption and launched the investigations. The list included 8 vice-ministers, who then after immediately resigned. Due to the ongoing crisis in Ukraine and few more incidents between Baltic states and Russia, national security became a serious issue in Lithuania. In order to strengthen security, the government requested NATO to reinforce its mission in the Baltic region and decided to increase the percentage of GDP for defense spending by 2020.

Freedom of Press : 7.5

Freedom of the press is guaranteed by the Lithuanian constitution and mostly respected in practice. However, raising tensions with Russia and situation in Ukraine led to restrictions against some Russian-language media outlets. Russian state-owned television channel RTR Planeta faced 3 months ban for alleged spreading of war propaganda. Representatives of OSCE intensively called on government not to tackle the war propaganda by censoring the media. Media ownership continued to be a problem in Lithuania. Increased concentration of the ownership and lack of transparency led to biased coverage by the media, in favor of their owners, which could often be financial institutions, or politicians.

Rule of Law

Independence of the Judiciary : 4.67

Judiciary is still a weak point of the rule of law in Lithuania. The situation is nearly the same as in neighbouring Poland or Latvia, while considerably worse than in Estonia. Impartiality of the courts is dubious. Political influence on them is worrisome. Transparency International's research indicates at a high level of perceived corruption in courts. According to the Freedom House report Nations in Transit 2015, "lengthy investigations and trials, as well as occasional corruption scandals in the judiciary, have damaged the reputation of Lithuania's court system". Improvements are also needed in the law enforcement system. Existing problems include arbitrary arrests, insufficient access to legal counseling, abuses in detention (especially in cases of suspected terrorism), overcrowding of prisons and discrimination against Romany or some other minorities. Constitutional Court was very active in 2013 and 2014 and made bold incursions into the political field. Some of the rulings, such as limiting space for referenda if they contradicted constitutional provisions, reflected a liberal constitutionalist approach. Others, such as annulling of the government's measures of 2010 to cut public spending, reflected a surplus of political activism by the judges.

Corruption : 5.8

During the past three years Lithuania has moved up in curbing corruption. Petty corruption is retreating well, taken the burdensome Soviet era heritage. But it still persists in health care, police force, courts and in municipalities' administration. Similar – a seeming retreat – goes for tax evasion. In a Transparency International's research as of 2013, citizens indicated at political sphere (especially political parties) and the judiciary as the main centers of corruption. Anti-corruption activities in 2014 targeted mainly corrupt politicians. A number of investigations were opened. Three members of government and two prominent local politicians had to step down due to lack of transparency. There is even a dispute on whether general rules of tender procedure should oblige political parties in their own procurement or not. More could be done against the corruption in judiciary, which is among the weakest links in the chain of rule of law. In the Transparency International's Corruption Perception Index 2014, Lithuania was ranked 39 of 175 (with the score 58).

Protection of Human Rights : 7.44

High European standards of human rights are reached in many areas, from freedom of association to academic or Internet freedom. Yet there are numerous problems, including the tax status of non-traditional religious communities and the linguistic rights –not that much anymore of native Russian speakers but increasingly of native Polish speakers - as well as the protection of Romany against discrimination. During 2014, human rights situation improved in some, while deteriorated in other areas. New legislation was carried on NGO activities, which will expectedly open them new opportunities and foster their cooperation with the government. On the other hand, the anyway feeble position of the LGBTI community has been under additional attack by the joined forces of (multi) religious conservative groups. According to a January 2015 release of the European Parliament`s Intergroup on LGBT Rights, homophobic hate-speech in Lithuania, including among some MPs, was widespread. The law on protection of minors against inappropriate content in media is occasionally misused to censorship public advocacy of LGBTI equality. Several new anti-gay laws, that would prevent eventual legalization of same-sex unions, ban them of adopting children, or even establish fines for some segments of their public advocacy, were discussed in parliament, but were rejected.

Economic Freedom

Security of Property Rights : 6.21

Private property is relatively secure and respected in Lithuania. However, judicial independence and court impartiality remain weaker than other facets of the legal system, and political influence could still be exercised in some court rulings. Therefore, although Integrity of the legal system overall is high, there is room for significant improvements. Legal enforcement of contracts is burdened with a high number of procedures, leading to long processes which can incur high costs, but is overall far less complicated and costly than the EU countries' average. Resolving insolvency is cheap, with reasonable recovery rates. There is little involvement of military in the rule of law, but the reliability of the police is not high, while business costs of crime are low.

Size of Government: Expenditures, Taxes, and Enterprises : 7.71

The government size in Lithuania is very moderate compared to European standards, with the level of government expenditures of 33.5% of GDP. The strong recession of 2009 had major repercussions on the public finance, leading to very high budget deficits and rising public debt. The introduction of major austerity measures decreased public expenditures by 10 percentage points (from 43% of GDP), which led to low and sustainable budget deficits. However, further fiscal improvements need to be made in order to accommodate the rise of future liabilities due to demographic changes and to create room for fiscal buffers that are now under major constraint due to the public debt hovering over 40% of GDP (2.5 times higher than before the recession). This low level of government spending is a result of moderate governance coupled with low transfers and subsidies, allowing for moderate level of taxes. Lithuanian tax system is flat, with some minor progressive characteristics – personal income tax is set at 15%, the same rate as the

corporate income tax. Standard VAT rate is 21%, with the reduced rates of 9% and 5% for certain products. The excise duties on tobacco, alcohol and energy are among the lowest in the EU. However, tax wedge on labour is high (approximately 35.5%) due to high rates of social contributions. The income from interest and capital gains has been subjected, in 2014, to personal income tax. The Lithuanian state has largely exited the market, apart from public utility companies. These state owned enterprises are usually not managed in a commercial way and are not cost efficient. Some progress has been made in this section of the economy (most notably in energy sector), but more progress is necessary

Regulation of Credit, Labour, and Business : 7.56

Regulation of business activities is overall business friendly. However, administrative requirements and bureaucracy costs associated with them are present, hindering economic development. This kind of business environment is prone to corruption and favouritism associated with it, distorting market competition. However, it is easy and inexpensive to start a new business venture, while licensing restrictions for operating a business are not prevalent in the economy. Getting electricity or obtaining a construction permit can be a long process but is inexpensive, while tax compliance with tax procedures is not too complicated. Regulations regarding labour are a mix of flexible and rigid legal solutions. Flexibility within the system is mostly the result of their meager application within the private sector. Working hours remain rigid, with relatively low maximum number of working days per week (5.5) and no prolonged working hours in the case of increased workload. Redundancy notice periods are long, with high severance payments that increase with the length of worker's tenure. Furthermore, the minimum wage is relatively high, reaching 40% of the average wage, encouraging shadow employment and increasing unemployment level among workers with lower qualifications.

Freedom to Trade Internationally : 8.8

Lithuania is a country very open to international trade. As a member of the EU, Lithuania implements the EU common trade policy with low tariffs in international trade. However, regulatory trade barriers in use still pose a problem, mostly in the field of required standardization of imported goods. Good transportation infrastructure makes importing or exporting relatively easy and cheap, while quick and uncomplicated customs' administrative requirements further facilitate free trade. However, as elsewhere in the Baltics, railroad is much less developed than other forms of transport, creating constraints and increasing costs. In January 2015, Lithuania became a member of the European Monetary Union (EMU), replacing its former national currency, the litas, with the euro. This is envisaged to further increase the volume of trade, eliminating currency exchange costs (the currency risk was already reduced with the introduction of the currency board between the litas and the euro in 2002). Movement of capital is mostly unobstructed, but certain restrictions on the movement of short-term capital remain. The EU citizens have the same legal rights and obligations in the labour market as do the nationals, but working permits' obtaining for third party nationals is complicated, involving lengthy procedures.