LITHUANIA

A. Socio-economic forces: general

Since re-gaining of its independence Lithuania was influenced by the following most important forces: the transformation from a communist regime into democracy, the development of market economy, integration into the European Union, NATO and other international organisations. These forces shaped Lithuanian public management reform from 1990.

Lithuania is one of the poorest countries in the EU. In relation to the EU average, Lithuania’s GDP per capita (in 2004, based on PPP) constituted only 48 per cent. Lithuania is a net beneficiary from the EU budget, receiving assistance from the EU structural funds (under the Single Programming Document in the programming period of 2004-2006). Lithuania is aiming to reach the EU average by 2015. Also, Lithuania was planning to join the euro zone from 2007, but its application will be rejected by the EU institutions (unsustainable level of inflation).

B. Global economic forces

Russia was the main trade partner of Lithuania. However, the Russian financial crisis from 1999 prompted a slowdown of economic growth in Lithuania. Due to severe budgetary constraints the Lithuanian government was forced to cut public expenditure (by 7 per cent in 2001 and by 8 per cent in 2002). Also, the Sunset Commission was set up for further structural reform. This Commission reviewed the need for some public administration institutions and their functions. However, activities of this commission were discontinued after the new coalition government came into power in 2001.

Lithuania managed to re-orient its foreign trade after the Russian crisis: at present, about two thirds of its total exports are going to the EU internal market. Higher budgetary revenues (associated with fast economic growth and financial transfers from the EU) reduced the need for more efficient public spending and certain policy reforms (e.g. education and science, health care).

However, due to increasing global competition Lithuania is facing a big challenge of competitiveness: it exports primarily low-tech goods, lacks a large internal market and its research and development base is inadequate. This challenge is partly addressed through the Lisbon process co-ordinated by the Ministry of Economy (the National Reform Programme was adopted in 2006). However, the co-ordination of various reform commitments and their implementation remains problematic.

C. Socio-demographic issues

Lithuania is ethnically homogenous with ethnic Lithuanians accounting for about 80 per cent of the total population. Unlike other Baltic countries, Lithuania faced less domestic problems with its ethnic minorities. However, their concentration in the Vilnius region poses some problems of local or regional nature.

The unemployment problem used to be one of the most significant social issues in Lithuania. However, due to fast economic growth from 1995 the level of unemployment decreased
significantly (to about 7 per cent in 2005). At present, the availability of qualified labour force in the labour market is becoming an important obstacle to economic development.

Lithuania is facing the problem of ageing population and emigration of the labour force (including brain-drain of researchers). If the social security reform was used to address the first problem, the second problem is more difficult to address.

D. National socio-economic policies

Since 1990 national policies aimed at reducing the scope of the public sector through privatisation and liberalisation of economic activities. The share of the private sector in the GDP reached about 70 per cent already in 2001. However, national policies were not successful in establishing a favourable environment for business activities. It can be argued that national socio-economic policies were backward-looking and based on a negative attitude towards the state until the end of 1990s or the beginning of 2000s.

After announcing the so-called Copenhagen criteria in 1993 more attention was paid to the capacity to cope with competitive pressure and market forces inside the EU single market. The availability of EU financial assistance for socio-economic development from 2000 brought the need to formulate longer-term socio-economic development objectives. Therefore, national socio-economic policies became more forward-looking, with a more positive attitude towards the state and its role in economic development. The 2004-2006 Single Programming Document aims at reducing the development gap vis-à-vis the EU average by promoting long-term competitiveness of the Lithuanian economy.

A latest trend in national socio-economic policies is associated with the adoption of the national Lisbon strategy implementation programme (also known as the National Reform Programme) for 2005-2008. This programme aims at economic growth and employment (main goals of the Lisbon strategy) based on innovation as well as research and development. It sets three national priorities: (1) macroeconomic policies to sustain fast growth of the economy and ensure a stable macroeconomic environment; (2) microeconomic policy to promote the competitiveness of Lithuanian companies; (3) employment policy to promote employment and investment in human capital.

E. The political system

Lithuania is a unitary state, a semi-parliamentary democracy. There are some “checks and balances” in the political system to prevent possible domination of one branch of power. The president, who is elected directly for 5 years, is the head of state and commander in chief overseeing foreign and security policy. The president nominates the prime minister and his/her cabinet upon approval of the parliament (Seimas) together with the government programme. Also, the president can veto legislation adopted by the Seimas, but it can be overruled by a larger majority in the Seimas.

The Seimas is a one-chamber parliament with 141 members elected for a four-year term. The Seimas approves or rejects the candidacy of the prime minister (together with the government programme), approves the national budget (based on a proposal from the government), accepts or rejects annual reports of the government. In the period of 1990-2000 the government was controlled or dominated by one majority party (the right-wing parties in 1990-1992 and 1996-2000 or left-
wing parties in 1992-1996). Since the end of 2000 the coalition governments are in power. The prime minister and ministers are forming the cabinet in the executive.

There are two levels of government in Lithuania: the central government and local government (60 local authorities). The central government organises government at the territorial level (the ten counties whose governors are appointed by the government). The competence and resources are concentrated at the central level (the share of the municipal budgets in the national budgets is only about 20 per cent).

F. New management ideas

New management ideas were promoted by the business community, think-tanks and the academia. However, the contacts between the government and these sources of advice were scarce and not effective. However, usually the governments accepted new management ideas from the EU institutions (due to the priority and conditionality of EU membership) and, to a lesser extent, other international organisations (OECD/SIGMA, the World Bank, UNDP). However, advice from the EU was far from coherent due to internal diversity inside the EU and the lack of competence in area of public administration. For instance, some twinning advisers from the EU member states promoted new public management ideas, but other advisers argued in favour of more traditional public administration (e.g. Spanish and French advisers supporting the introduction of a career-based model of civil service in Lithuania). EU-supported reforms of public management succeeded to a larger extent compared to national reform initiatives.

G. Pressure from citizens

Pressure from citizens has been weak due to the weak civil society and relative close nature of decision-making in the government. However, stronger interest groups (such as the Confederation of Industrialists) exerted strong pressure on national socio-economic policies and some important issues of policy reform. Also, the media sector generated some pressure for reform by reporting cases of corruption, abuse or mismanagement in the public sector. Only about 25 per cent of Lithuanians trust the government.

H. Party political ideas

The role of political parties was limited in the public management reform process. Only the governments were more open to new management ideas in the period of 1999-2001 (e.g. strategic planning, the Sunset/Sunrise commissions). However, all parties lacked precise ideas as to how public administration can be reformed. Also, it is useful to contrast rhetorical claims in the election or government programmes and actual successes/failures of the government policy (e.g. the resignation of the Vagnorius’ government in 1999 was partly associated with unethical behaviour, despite its policy of “clean hands”). See the table below for more information. Reform ideas stemmed primarily from the executive often transferring policy and institutional templates from the EU level.

I. Chance events

No important chance events can be identified at this stage.
J. Elite decision-making

Public management reform was characterised by elite decision-making in the executive. Some reform issues were decided by national administrative elites supported by EU administrative elites in the pre-accession period. Issue networks or policy communities, where decisions are often made, emerged in different policy areas.

The legislature was more involved in the establishment of an overall public administration framework by adopting new legislation or amending existing legislation. The role of the legislature in parliamentary control is weak, but it became more involved in controlling the executive after the establishment of an audit committee in 2004.

K. The administrative system

There is a total of 900 public administration institutions operating at the central or local levels. In addition, about 200 public non-profit institutions carry out public administration functions and receive funding from the budget. A number of important public administration institutions are subordinate to the Seimas (e.g. the State Control/the National Audit Office) or the President’s Office (some regulatory agencies).

The size of Lithuanian public administration is growing in terms of the total number of civil servants (about 27 thousand servants were employed in 2005, but public servants are falling outside the scope of the Lithuanian civil service). However, the public administration remains rather stable in terms of its share in the GDP (about 10 per cent).

The administrative system at the central level is organised into 13 ministries and other public administration institutions subordinate to the government or ministries. Horizontal co-ordination among ministries is medium or low, with little arbitration of ministerial conflicts in the government centre. A number of regulatory institutions, which are more or less autonomous from the government, were established mostly due to Lithuania’s accession to the EU, increasing fragmentation of the administrative system.

Previously the administrative system was significantly affected by political influences (frequent reforms of the cabinet or higher civil service after parliamentary elections and appointment of new governments). After accession to the EU more stability was achieved in the administrative system. Higher civil service was reformed in 2002 by reducing the number of viceministers to one and introducing the position of under-secretaries and increasing their number. Higher civil service remains politicised to some extent (e.g. recent appointments of ministerial advisers to top civil service positions in the Ministry of Economy or the Lithuanian Development Agency). However, politicisation of higher civil service and other top bureaucratic positions is mostly associated with selfish political interests rather than public management reforms.

L. Contents of the reform package

Contents of the reform package concerned (in terms of reform trajectories):
- **finance**: a transition from an input-oriented line-item sectoral budget to a semi-programme budget with changed format and content (A+B); from a cash-based system to accrual accounting (with a modified cash-based system in place, A); from traditional financial and compliance audit to a mix of financial and performance audit (B);

- **personnel management**: a transition from a post-cased civil service system to a career-based system (in 1999), but more flexibility was introduced in the civil service system (in 2002);

- **organization**: the introduction of a new territorial-administrative level (countries), but very slow progresses of decentralisation/de-concentration. The introduction of a separate regional development framework. Hierarchy remains an important mechanism of co-ordination;

- **performance management**: a three-level strategic planning framework is in place, the recent introduction of three-level evaluation criteria and the application of an impact assessment, but performance management at the ministerial level remains weak.

Based on a preliminary assessment, Lithuania appears to reach a second category of states called “modernisers” (according to the classification by Pollitt and Bouckaert).

**M. The implementation system**

In the first years of re-gaining independence in Lithuania public management reforms were associated with the design of a new constitutional order and transition to a market economy (including privatisation). Later public management reforms became driven primarily by external forces, in particular Lithuania’s accession to the EU from 1997. After Lithuania’s accession to the EU in 2004 domestic-level factors should play a more important role in public management reform. However, central leadership from the government centre is weak, the capacity of responsible institutions to support public management reforms is limited and co-ordination among different levels of governance or ministries is insufficient.

Access to foreign advice was important in designing and launching some reforms: the introduction of strategic planning was supported by experts from Canada, the introduction of programme budget – by experts from the US. Public management reform was financially supported by the EU under the PHARE programme and Transition Facility. For instance, Lithuania received advice from twinning advisers from other EU member states. Also, administrative capacity and public administration efficiency became eligible under the EU structural funds in the period of 2007-2013.

Until recently Lithuanian public management reform was characterised by ad hoc and sectoral efforts. First two attempts for comprehensive reform, which were undertaken by the Ministry of Public Administration Reforms and Local Authorities in 1995 and 1997, were not successful. A more comprehensive and thematic approach was adopted in 2004, when the government approved the public administration development strategy until 2010. The strategy was proposed and is being monitored by the Ministry of the Interior (the “power” ministry, responsible for order and home affairs, not sufficiently powerful in public management). The strategy originated from the bureaucracy rather than the political level. The scope of the strategy includes primarily issues within the competence of this ministry (the central and territorial government, local government, e-government, civil service). A working group was established for monitoring the implementation of this strategy, it does not include socio-economic partners.
N. Reforms actually achieved

Lithuania gained EU membership in 2004, its accession progress and readiness to apply the EU acquis was assessed by the European Commission as among the best. This is partly associated with the reform of public administration institutions and practices (in particular in the establishment of a regulatory framework and the capacity to apply the EU law). For instance, Lithuania has the lowest transposition deficit of the EU internal market directives in the EU 25: only 0.6 per cent from all directives compared to the EU interim target of 1.5 per cent. Lithuania is the EU leader in transporting the internal market directives). Although the EU’s influence is associated primarily with the Weberian model of public administration, some characteristics of New Public Management occurred (programme and project-based management, policy implementation agencies, monitoring and evaluation) in Lithuania in the pre-accession period. However, a combination of fast accession and emphasis on legislation rather than implementation produced some implementation gaps. Also, Lithuania’s performance in the area of health care or education and science, where the legal competence of the EU is limited, is lagging behind.

An important achievement was the introduction of strategic planning linked programme-based budgeting at the central level from 2000. However, their results are of insufficient quality and their use in the budgeting process (in particular in the legislature) is limited.

See L. for other reforms
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<td>- number of ministries reduced to 13 (2000): the Ministry of the Interior becomes responsible for public administration</td>
<td>- the governmental resolution on services to citizens (2001), including the principle of “one-stop-shop”</td>
<td>- the government resolution on internal audit (2001): a basis for setting up internal audit units</td>
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