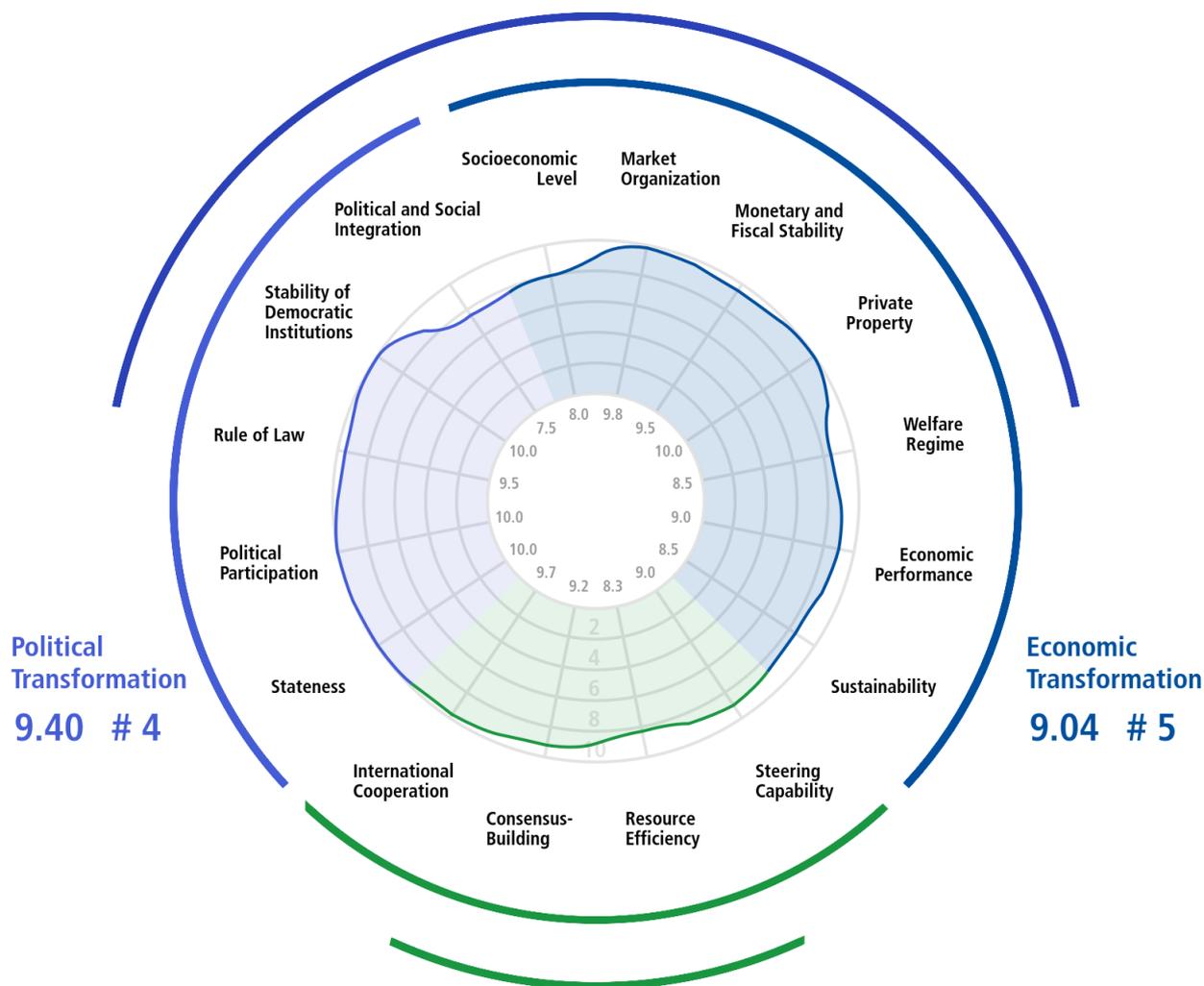


Lithuania

Status Index

9.22 # 4

on 1-10 scale out of 137



Governance Index

7.38 # 3

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	2.9	HDI	0.895	GDP p.c., PPP \$	54414
Pop. growth ¹	% p.a.	0.6	HDI rank of 193	39	Gini Index	36.0
Life expectancy	years	77.0	UN Education Index	0.911	Poverty ³	% 0.4
Urban population	%	68.9	Gender inequality ²	0.070	Aid per capita \$	-

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The period from 2023 to 2024 was turbulent in Lithuania, with both parliamentary and presidential elections held in 2024. The rise of populist parties and candidates was largely contained by the mainstream, pro-Western consensus. While the government remained stable, scandals over municipal expenses exposed systemic issues with politicians' transparency. Geopolitical uncertainties and the threat from Russia heightened the salience of defense and security.

A center-right coalition of three parties – the Homeland Union-Lithuanian Christian Democrats, the Liberals' Movement and the Freedom Party – was led by Prime Minister Ingrida Šimonytė, holding power from October 2020 through November 2024. After parliamentary elections, it was replaced by a center-left coalition consisting of the Social Democratic Party of Lithuania, the Union of Democrats for Lithuania (a new party that split from the Lithuanian Farmers and Greens Union) and the populist party Dawn of Nemunas. The new government is expected to maintain key strategic goals, including Lithuania's pro-Western orientation, the improvement of public services, and the achievement of sustainable economic growth and financial stability. There are two key differences from the previous government. First, the coalition includes the populist party, led by a figure known for antisemitic social media posts (although the party's quota of government positions is filled by nonpartisan ministers). Second, the new coalition has pledged to make the tax system more progressive.

Nonpartisan President Gitanas Nausėda was re-elected in May 2024. His major action during his second term – aside from continuing his pro-Western stance and his support for defense spending – was to block partisan nominations to three ministerial posts allocated to the Dawn of Nemunas as part of the coalition agreement. Instead, nonpartisan ministers were appointed to these positions, with the reluctant consent of the party's leader, Remigijus Žemaitaitis.

The continuation of Russia's war against Ukraine and growing geopolitical uncertainty prompted the Lithuanian parliament to boost the country's defense spending to 3.22% of GDP in 2024, up from 1.97% in 2021, with further increases planned by the new government. Financial measures, including a windfall tax on banks, won broad support in parliament.

Despite gloomy forecasts, the Lithuanian economy continued to grow during the review period. Public debt decreased slightly compared with 2022 and remains one of the lowest such figures among EU members. The budget deficit is expected to be about 3% of GDP in 2025. In October 2024, Lithuania recorded one of the lowest annual inflation rates in the European Union, at 0.1%. Lithuania maintains a credit rating of A2 from Moody's. However, Standard & Poor's lowered Lithuania's rating to A from A+ because of geopolitical risks.

The previous government led by Šimonytė clashed with Beijing over the decision to allow a Taiwanese diplomatic office to open in Lithuania, which led to a rupture in diplomatic relations with China. The new government may adopt a more pragmatic, less values-driven approach, although it is likely to align with Western capitals in its foreign policy toward China.

Despite challenging times, the government successfully implemented some of its planned reforms, notably the reform of public administration, which included higher salaries for public sector employees such as judges (approved by parliament in 2023). However, efforts by the progressive Freedom Party (FP), part of the center-right government coalition, to introduce a same-sex partnership law were thwarted by opposition from conservative forces, including conservative-populist parties in the parliamentary opposition and several politicians within coalition member Homeland Union-Lithuanian Christian Democrats (TS-LKD). The Freedom Party subsequently failed to secure seats in the 2024 parliamentary elections. Additionally, the center-right government was unable to reach agreement on tax reform, partly due to opposition from liberal parties within the coalition.

Relatively high levels of socioeconomic inequality, the looming middle-income trap and the ongoing fight against corruption remain pressing issues for the government, as highlighted in previous reports. A municipal expenses scandal in 2023 exposed widespread misuse of work-related public funds among local councilors in Lithuania, testing both the political and judicial systems. The response was generally adequate – though influenced by mounting public pressure – but it remains to be seen whether it will be effective over the long term. In response, parliament first passed amendments to the system governing municipal councilor salaries. Second, legal authorities conducted successful investigations, including the prosecution of an influential mayor from the Lithuanian Social Democratic Party (although the guilty verdict was overturned by the Supreme Court in March 2025).

History and Characteristics of Transformation

Occupied and annexed by the Soviet Union in the 1940s, Lithuania endured nearly 50 years as a Soviet republic. The establishment of a democratic republic in 1990 marked the end of foreign occupation, and no opposition emerged to the transition to a new political system. Joining the European Union and NATO in 2004 allowed Lithuania to realize the goals and aspirations that its government had set out in 1990.

The process of political transformation has progressed smoothly, with few challenges. A new constitution was adopted by referendum in 1992, and between 1992 and 1996 a multiparty system emerged, signifying the successful completion of the initial phase of political transformation. The constitution established a pluralistic framework under the rule of law and introduced a Constitutional Court, the first in Lithuanian history. The political system has been stable and has enjoyed a high level of legitimacy across society and among key stakeholders, with all parties accepting transitions of power.

Since the adoption of the constitution in 1992, Lithuania has been a semipresidential republic, with a government accountable to parliament and a directly elected president who holds significant moderating powers. These include a central role in foreign policy, shared with the government; the power to veto legislation; and, with parliamentary assent, the power to appoint key state officials such as Supreme Court judges. Although the impeachment of President Rolandas Paksas in 2004 demonstrated the effectiveness of democratic institutions and adherence to established laws, it remains an outlier. In general, other presidents, typically nonpartisans, have played an effective role in maintaining checks and balances within the political system.

Low levels of partisanship and anti-incumbent sentiment are prominent characteristics of Lithuanian voters. No government has been re-elected since the restoration of independence. However, voting shifts typically follow mainstream political lines, with all but two of the 19 governments led by either the center-right Homeland Union-Christian Democrats of Lithuania or the center-left Social Democrats. Since 2000, populist parties have made notable gains, but they have either been integrated into governing coalitions led by traditional parties or marginalized in parliamentary politics.

The country's economic transformation has produced significant social inequalities. Like other reform-oriented states in Eastern Europe, Lithuania faced an economic and social crisis marked by a sharp decline in GDP and soaring unemployment following its independence, the worst of which had passed by 1994. Following EU accession, Lithuania established a market economy grounded in social justice principles and implemented modern regulatory institutions largely insulated from political pressures. This contributed to an economic boom that came to an abrupt halt in early 2009. The economic crisis of 2008/09 was the most severe since the collapse of the planned economy in the early 1990s. Lithuania weathered the crisis by cutting public expenditures and maintaining financial stability. Subsequent administrations have consistently upheld fiscal

responsibility. While the COVID-19 pandemic and the war in Ukraine have required substantial mitigation measures that strained the budget, successive governments have effectively managed public finances and kept the economy on track, with the country's GDP growing by 2.3% in 2024. Lithuania has nearly closed the gap with advanced democracies: In 2023, the country's GDP per capita reached 87% of the EU-27 average using the purchasing power standard (PPS) as a basis.

The country joined the Schengen free-travel area, the eurozone and the OECD in 2014. Lithuania now enjoys energy security vis-à-vis Russia after ending Russian energy imports in 2022. The country's transition to energy independence was facilitated by the construction in 2014 of the liquefied natural gas (LNG) terminal called "Independence" at the port of Klaipėda, as well as the establishment in 2015 of two electricity interconnections with Sweden and Poland. In January 2025, Lithuania, along with Latvia and Estonia, was preparing to leave the Russian electricity grid (governed by the BRELL Agreement).

Furthermore, Lithuania has bolstered its societal and military resistance to Russia's aggressive policies and significantly increased its defense spending during the period from 2022 to 2024. Against the backdrop of democratic reversals in other parts of East-Central Europe, Lithuania, along with its Baltic neighbors Latvia and Estonia, continues to deepen its commitment to democracy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force remains uncontested, with power structures that are both well-established and differentiated. The Belarus-EU border crisis in 2021/22 put significant pressure on border control institutions as illegal migration temporarily surged (facilitated by Belarus). However, the implementation of a pushback policy and the construction of a border fence have proven effective in securing the state's territory. Consequently, the number of migrants attempting to cross the border has decreased significantly, from 11,211 cases of pushback in 2022 to 2,643 in 2023 and 1,002 in 2024. Control over the country's territory remains uncontested. Despite this, there are growing concerns regarding various threats from Russia, particularly in the context of Russia's ongoing war in Ukraine and signs of hybrid warfare in the Baltic region. By the end of 2024, there were reports of sabotage of telecommunications and power cables in the Baltic Sea, including cables connecting Lithuania and Sweden.

The population widely recognizes the legitimacy of the nation-state. All citizens – including the major ethnic minorities of Poles (5.7% of the population in 2020), Russians (4.5%) and Belarusians (1.7%) – enjoy equal civil and political rights. Since the beginning of 2022, increased migration, primarily from Ukraine and Belarus, has raised the share of the foreign-born population from 5.13% in mid-2022 to 7.65% in mid-2024. However, this influx has not altered attitudes toward ethnic minorities. The policy for acquiring citizenship through naturalization remains unchanged for all immigrants, including a 10-year residency requirement.

Question
Score

Monopoly on the
use of force

10



1

State identity

10



1

The state is defined by a secular framework, and religious dogma does not influence its legal system or political institutions.

About 74.2% of Lithuanians identify as Roman Catholics (2020), making Roman Catholicism the dominant religion. The second-largest group consists of Orthodox Christians, who make up 3.7% of the population and can be found largely within the Russian ethnic minority. However, only about 30% of the population (World Values Survey) attends religious services at least once a month.

The Roman Catholic Church maintains some influence in the public sphere. For example, it nominates one of the 12 members of the board of Lithuania's public broadcaster, Lithuanian Radio and Television (LRT). However, the church typically selects a secular individual for this position; the current representative is Irena Vaišvilaitė, a historian and former ambassador. Occasionally, church representatives publicly voice their opposition to issues such as the Istanbul Convention (not yet ratified in Lithuania) and same-sex partnerships (not legally recognized in the country).

The state maintains a differentiated administrative structure nationwide and a well-developed infrastructure that provides essential public services. Compared with other EU nations, the quality of public services is average, with moderate discrepancies between the capital, Vilnius, and the rest of the country. The country's score on the European Quality of Government Index (EQI) stands at 0.191 in the capital region and -0.104 in the central and western Lithuania region. Approximately 95.31% of the population (World Bank 2022) has access to basic sanitation, while about 94.98% has access to clean water. Electricity access is universal.

Regional disparities persist, with rural areas facing a higher incidence of sanitation gaps and limited access to clean water. However, there are no significant regional variations in basic services such as education, health care or law enforcement. A persistent issue is the shortage of health care specialists, which grew from 389 in 2016 to 652 in the last quarter of 2023. In response, the Ministry of Health has developed a Health Professional Attraction and Retention Action Plan (2024 – 2029) to address this issue and reduce the uneven distribution of health care specialists across regions.

The value-added tax (VAT) compliance gap, which reflects the state's ability to collect taxes effectively, has steadily narrowed in recent years. The most recent improvement is significant, with this gap falling from 19.3% in 2020 to 14.5% in 2022 (European Commission). This decrease signifies continued strengthening of the administration's tax collection capacity. While overall tax revenue relative to GDP has increased slightly, it remains among the five lowest such figures in the European Union (see "Fiscal stability").

No interference of religious dogmas

10



1

Basic administration

10



1

As indicated in the previous study, public trust in institutions continues to outweigh distrust. The police are the second-most-trusted institution, after firefighters (who have a 90.4% trust rate), with 64.8% of the population expressing trust and only 9.6% expressing distrust in the police. Trust in other public services is also notable: 52.7% of the population trusts the social security services (15.9% distrust), 43.7% trust the health care system (25.8% distrust) and 43.5% trust the public education system (14.7% distrust) (Vilmorus, December 2024).

Lithuania has 60 local governments (municipalities) that have legal autonomy. However, public administration is centralized, and levels of financial dependence on the central government are relatively high because annual allocations from the state budget are the main source of municipalities' revenue.

2 | Political Participation

During the review period, Lithuania held four sets of elections: local elections for mayors and municipal councils in 2023, and presidential, European Parliament and parliamentary elections in 2024. As was the case in previous Lithuanian elections, all were conducted freely and fairly. The latest Freedom House report (2024) gives Lithuania the maximum score for its electoral process, political pluralism and participation.

The Central Electoral Commission (CEC) ensured the impartial administration of these elections. As an independent institution, the CEC is responsible for overseeing and organizing all electoral processes. Its members include representatives of parliamentary parties and other members nominated by the president, the legal community and the Ministry of Justice. The commission addressed complaints efficiently, and only minor irregularities were reported during the electoral process.

Universal suffrage ensures that all citizens 18 and older are eligible to vote in elections. Ballot secrecy is guaranteed. Before the 2024 parliamentary elections, the minimum age for candidates was lowered from 25 to 21.

Polling stations are secure, confidential and accessible to all citizens. Early voting was available a few days before Election Day for those unable to vote on the designated day. In addition, citizens with disabilities or those 70 and older had the option to vote from home.

All candidates and parties had fair and equal access to the media. Debate and discussion slots on the LRT public broadcasting channel, which includes TV, radio and online platforms, were distributed equally among all participating parties. The elections featured effective multiparty competition, with distinct platforms represented.

Free and fair elections

10



1

Political representatives elected democratically have the authority to govern effectively. No major groups, such as business elites, military factions or religious organizations, have veto power over the policies of the democratic government.

Effective power to govern

10



The Lithuanian constitution guarantees all citizens the rights of association and assembly, and these rights are effectively exercised. The legal and regulatory framework for NGOs remains strong. Citizens can also allocate 1.2% of their income tax to designated NGOs when filing their annual tax returns.

Association / assembly rights

10



The majority of the population still opposes same-sex partnerships, and the outgoing parliament failed to introduce a bill giving them legal recognition (despite various initiatives by progressives in the center-right coalition). However, the LGBTQ+ community has the right to assemble, and Pride parades take place regularly in the capital, Vilnius, without incident. In June 2024, the Baltic Pride Parade again attracted about 10,000 participants.

The previous period's wave of anti-establishment protests against pandemic restrictions and certain progressive issues such as the Istanbul Convention and same-sex partnerships has subsided, partly because measures on these issues were not enacted by parliament. However, other protests occurred. At the end of 2023, thousands of teachers protested after the Education Ministry and their union failed to reach an agreement on salary increases. Following the October 2024 parliamentary elections, about 4,000 Lithuanians in Vilnius protested the center-left coalition's decision to include the Dawn of Nemunas party (see "Party system") during the first session of the new parliament.

The freedom of expression remains constitutionally guaranteed and is effectively practiced in Lithuania. The media and press operate freely with minimal government interference. In Reporters Without Borders' World Press Freedom Index, Lithuania's ranking declined slightly from 8th place among 180 countries in 2022 to 13th in 2024. However, this still represents a significant improvement from its 28th-place ranking in 2021.

Freedom of expression

10



Challenges to media freedom persist primarily because of the high concentration of national media ownership among a few companies. Another concern is regional press outlets' financial dependence on local administrations, with some media owners tied to local politicians or parties. Additionally, because the board of the public broadcaster (LRT) is largely selected by politicians (four out of 12 members are chosen by parliament and another four by the president), its decision-making may reflect some political interests. In 2023, the LRT board re-elected the general director for a second term only after a third vote, as the first two votes resulted in a deadlock with both leading candidates receiving an equal number of votes.

Two positive developments in the legal and institutional environment occurred during the period under review. First, in April 2023, the parliament approved a new model for media support and established the Media Support Fund to address financial challenges in the sector. The fund's main governing body, the 10-member Fund Council, is composed of representatives nominated by higher education institutions and media organizations. Second, in May 2023, parliament restructured the Commission of Ethics in the Provision of Information to the Public. The reform introduced three-year terms of office and a limit of two consecutive terms. The commission now includes nine representatives from media organizations, one representative from the national broadcaster and three public representatives appointed by the Media Council under the Ministry of Culture.

Trust in the media remains mixed, with opinion polls showing varied results depending on the survey and question wording. Overall, public trust in Lithuanian media remains average, with roughly equal shares of respondents expressing trust and distrust. This situation has not changed significantly during the period under review.

3 | Rule of Law

The separation of powers is clear. Mutual checks and balances are in place. The judiciary operates separately from, and independently of, the executive and legislative branches of government. Lithuania is a semipresidential republic with a government accountable to the parliament and a directly elected president who holds significant moderating powers, including a central role in foreign policy (conducted with the government), a veto over legislation and the power to appoint key state officials (with the assent of parliament) such as judges of the Supreme Court.

The period from 2020 to 2024 was marked by tensions between the nonpartisan president, Gitanas Nausėda (elected in 2019 and re-elected in 2024), and the center-right government led by Prime Minister Ingrida Šimonytė. One major point of contention was the question of who should represent Lithuania in the European Council. Although the informal tradition since Dalia Grybauskaitė's presidency had been for the head of state to assume this role, the government unsuccessfully argued that the prime minister should take on this responsibility.

There were also significant partisan disagreements over appointments related to foreign policy, most notably the president's refusal to consider Minister of Foreign Affairs Gabrielius Landsbergis for the role of EU commissioner, and the failure of the president and the government to agree on several ambassadorial appointments.

Despite these disagreements and tensions, intraexecutive competition never escalated into open conflict that would endanger the separation of powers. The president never expressed public distrust of the prime minister, and the governing majority did not

Separation of powers

10



1

seriously consider impeachment. Both the president and the government were aligned on key strategic issues such as supporting Ukraine, increasing defense spending and maintaining a pro-Western orientation. They also successfully cooperated on the appointment of Lithuania's new chief of defense in June 2024, a position nominated by the president and approved by parliament.

The judiciary remains fully functional and largely free from unconstitutional interference, including political pressure from other institutions. However, isolated cases of corruption persist.

Appointments to the Constitutional Court and the Supreme Court involve cooperation between branches of government, primarily the president – who nominates all Supreme Court judges and one-third of the Constitutional Court – and parliament. While this occasionally leads to disputes, the appointment process during the period under review proceeded relatively smoothly, with parliament approving all nominations to the Supreme Court by Gitanas Nausėda, the nonpartisan president. In 2023, the president of the Constitutional Court, Gintaras Goda, and three judges were appointed and sworn in.

Since the judicial reform in 2010, court appointments have been rotated regularly, and all judges are subject to periodic performance reviews. The number of judges has remained stable since then. In 2023, parliament approved a civil service reform that also increased judges' salaries, which had remained stagnant since 2008.

Following the 2019 bribery scandal involving 12 senior judges and their subsequent dismissal, no major corruption cases have occurred, including during the period under review. However, trust in the courts is recovering only gradually. On average, the proportion of the population that trusts the courts remains below the proportion that distrusts them. For example, according to Vilmorus (December 2024), approximately 24.4% tend to trust the courts, while 29.1% tend to distrust them.

Officeholders who break the law or engage in corruption are prosecuted under established law and consistently attract negative publicity. The institutions and legal framework responsible for combating abuse of office remain diverse and independent. The Special Investigation Service (STT), an anti-corruption agency, investigates political corruption, focusing on high-profile cases. It has significantly stepped up the quality of its operations in previous years (see BTI 2024). Both the STT and the prosecutor general's office are largely free from political pressure. Additionally, the Chief Official Ethics Commission (VTEK) investigates ethical misconduct and conflicts of interest between the public and private sectors among politicians and public servants. High-profile, influential politicians are usually held accountable by anti-corruption institutions and the media.

Some institutions argue that penalties for corruption-related crimes in Lithuania remain insufficiently proportionate or deterrent (STT 2024). Two developments during the period from 2023 to 2024 created opportunities for improved accountability; however, they also revealed some deficiencies in institutions' work.

Independent
judiciary

10



1

Prosecution of
office abuse

9



1

The first was the municipal expenses scandal. Investigations by journalist Andrius Tapinas uncovered multiple cases of a lack of transparency and mismanagement in municipal councilors' monthly allowance expense reports across local governments in Lithuania. While most allowances are small, the extent of misuse generated public outrage. Some councilors were found to have claimed gas expenses on more than 100 different credit cards.

This issue affected the government after it was revealed that several ministers had received the maximum allowable payments (about €14,000) during previous terms on the Kaunas municipal council. In many cases these payments could not be justified. Political reactions varied: The education minister resigned, the finance minister reimbursed the municipal council's budget and no action was taken by the culture minister. In addition, the leading government party, the TS-LKD, considered a "reset of the political system" and early parliamentary elections. However, in the end the prime minister issued an apology, and the government remained in place.

Moreover, the municipal expenses scandal tested the independence of prosecutors and the judiciary. Authorities could have been swifter in uncovering the misuse of public funds. It was only after this issue was publicized in the media that the STT was compelled to launch investigations. However, in the end, authorities managed to launch several investigations into the misuse of public funds. The most notable was the case of Mindaugas Sinkevičius, the mayor of Jonava and one of the leaders of the Social Democrats (and a potential candidate for prime minister). In May 2024, Sinkevičius was found guilty of abuse of office, falsification of documents and misappropriation of funds.

However, in March 2025, the Supreme Court overturned the decision and dismissed the case. It ruled that Sinkevičius' actions should not have been subject to criminal liability.

Second, in November 2023, the Court of Appeal reversed a previous verdict (see BTI 2024) by the Vilnius District Court in a high-profile political corruption case involving former politicians from the Liberals' Movement (LS), one of Lithuania's major political parties. The Court of Appeal found the accused politicians guilty and imposed relatively strict penalties. Notably, former party leader Eligijus Masiulis was sentenced to five and a half years in prison.

Civil rights and equality before the law are guaranteed by the constitution and complementary laws – especially the Law on Equal Opportunities – that prohibit various forms of discrimination, including discrimination based on gender, race, language and other categories. However, as noted in previous reports, several forms of discrimination persist in workplaces and society. Notably, Roma people and LGBTQ+ individuals still face societal discrimination. Income inequality remains a barrier to equal access to justice. In practice, women tend to earn lower hourly wages than men.

Civil rights

9



According to the most recent special Eurobarometer survey (2013), sexual orientation (being an LGBTQ+ person) and old age are perceived as the most common (combining the percentages of answers “very widespread” and “fairly widespread”) grounds for discrimination (identified by 53% of respondents), followed by being Roma (52%), being transgender (46%) and disability (42%).

Only 29% agreed or tended to agree with a statement supporting same-sex marriage, adoption and parental rights (the EU average was 69%). According to the Rainbow Europe Index on LGBTQ+ equality (2022), Lithuania ranks 34th out of 49 European countries on this measure.

The equal opportunities ombudsman remains active and is increasingly gaining public trust. The number of complaints about rights violations reported to the ombudsman is rising moderately: In 2023, the ombudsman received 236 complaints, compared to 222 in 2021 and 215 in 2019.

On the Gender Equality Index published by the European Institute for Gender Equality, Lithuania was ranked 16th among 27 EU member states in 2023, up from 20th in 2022, though it still falls below the EU average. Domestic violence remains a significant issue, although the number of reported cases has gradually declined over time, from 10,693 in 2017 to 7,132 in 2020 and 5,872 in 2022. Women are the victims in 80% of these cases, while 11% involve violence against children.

Lithuania’s response to the 2021 migration crisis on its border with Belarus drew criticism from human rights organizations and democracy watchdogs, including Amnesty International and Freedom House. While the numbers of migrants and pushbacks have decreased significantly since that time, the issue persists: 2,643 migrants were returned to Belarus in 2023 and 1,002 in 2024.

International human rights observers have also raised concerns about conditions at foreign registration centers for accepted migrants, citing instances of poor treatment. In June 2023, the Constitutional Court of Lithuania ruled that enacted measures that mandated the detention of asylum-seekers during the adjudication of their cases were unconstitutional. In response, parliament passed amendments in December 2023 to limit arbitrary detention.

The number of incarcerated people per 100,000 inhabitants continues to decline. According to the most recent data from Statistics Lithuania, this total decreased from 220 (2019) to 177 in 2022. However, these figures remain above the EU average (108 in 2022).

4 | Stability of Democratic Institutions

Democratic institutions remained effective and efficient during the review period. As a rule, the appropriate authorities prepare, make, implement and review political decisions through legitimate procedures.

Because of Lithuania's semipresidential system and the tradition of electing nonpartisan presidents (including Nausėda, re-elected in 2024), intraexecutive tensions occasionally arise, particularly in public discourse. However, these tensions between the president and the government do not cause constitutional deadlock and are resolved through democratic means.

Although communication between the president and the prime minister was strained during the review period, the executive maintained key strategic orientations, most notably its pro-Ukrainian and pro-Western policies. The president never expressed public distrust of the prime minister, and the governing majority did not seriously consider initiating impeachment.

Constitutional democracy and all democratic institutions continue to be considered legitimate by all relevant actors. No influential actor possesses veto power that could obstruct the democratic process. A robust legal framework with strengthened oversight and enforcement mechanisms has ensured that recent parliamentary, presidential and other elections were free of significant instances of vote rigging.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

The party system in Lithuania is relatively stable and socially rooted, with about 3% of the population holding party membership. Twenty-four political parties are registered, 17 of which participated in the 2024 parliamentary elections, the same number as in the 2020 elections. Political competition continues to be shaped primarily by two mainstream parties: the conservative Homeland Union-Lithuanian Christian Democrats (TS-LKD) on the right and the Lithuanian Social Democratic Party (LSDP) on the left, both of which maintain the largest memberships and organizational structures within the party ecosystem.

During the 2020 to 2024 term, TS-LKD was the largest party in government, holding 50 seats out of 141 in parliament. However, the party suffered significant losses in the 2024 elections, nearly halving its representation to 28 seats. In the first round of voting, the two leading parties garnered similar vote shares, with the LSDP receiving

Party system



approximately 19% and TS-LKD securing 18%. In the second round, a wave of anti-incumbent sentiment in single-member districts – which account for just over half of the seats – led to a decisive victory for the LSDP. The Social Democrats eventually won 52 seats, replacing TS-LKD as the leading party in government. An oversized center-left government holding 86 seats in parliament was formed with the centrist Union of Democrats for Lithuania (DSVL) and the populist party Dawn of Nemunas.

The Liberals' Movement (LS), the junior coalition partner in the outgoing government, won 7.7% of the vote and 12 seats in parliament. However, the third coalition partner, the progressive Freedom Party (LP), failed to surpass the 5% electoral threshold and did not win any single-member-district seats.

The Dawn of Nemunas (PPNA), a new anti-establishment party, emerged as a strong contender, winning nearly 15% of the vote and 20 seats, placing third overall in the elections. PPNA's campaign relied on aggressive populist rhetoric targeting the political elite. Survey data indicated that those most distrustful of political institutions were most likely to vote for the party. A key factor in PPNA's popularity was its leader, Remigijus Žemaitaitis, who was formerly a member of the minor centrist Freedom and Justice Party. In April 2024, the Constitutional Court ruled that Žemaitaitis had violated the constitution with antisemitic posts on social media. To avoid impeachment, Žemaitaitis resigned from parliament and relaunched his political career by founding the PPNA.

Overall, the 2024 elections reaffirmed several characteristics of Lithuania's party system. First, it remains moderately fragmented, with six parties surpassing the 5% threshold in the proportional tier of the parliamentary elections, the same number as in 2020. As before, several independent politicians and representatives of smaller parties were elected through the single-member district tier. Second, while electoral volatility has decreased since 2000 – when it was exceptionally high at around 50% (as measured by the total electoral volatility index) – it remains relatively high, at 27%, up from about 20% in the 2020 parliamentary elections. Accordingly, the social rootedness of parties is moderate.

Finally, although new anti-establishment reform parties have often performed well in parliamentary elections, they are typically co-opted into the party system and governing coalitions. Hence, polarization has remained moderate. It remains to be seen whether PPNA will moderate its populist stance as part of the coalition. President Nausėda rejected the party's initial ministerial nominations (the president has the power to confirm or reject ministerial appointments), forcing the coalition to propose nonpartisan technocrats instead.

Surveys indicate that political parties are the least trusted institutions among the public, with trust levels ranging from 8.4% (Vilmorus, December 2024) to 17% (Democratic Sustainability Barometer 2023). Clientelism occurs primarily at the local government level, yet it does not significantly hinder the stability and representation of the party system at the national level.

There is a relatively broad range of interest groups that reflect competing social interests, tend to balance one another and are cooperative in most cases. There is a rather broad spectrum of social movements, NGOs, unions and professional organizations. There is no organized social, communicative or political power aiming to undermine democracy or civil society.

However, cooperation remains moderate because of varying levels of influence among interest groups. Moreover, many NGOs rely heavily on state funding and lack the resources or influence to shape legislation or engage in costly lobbying.

Business associations have generally overshadowed trade unions and remain the most influential non-governmental actors. This partly reflects relatively low trade union membership, with estimates suggesting that only 8% to 15% of employees are members. On the other hand, there are signs of growing recognition of trade union interests. For example, following the parliamentary elections, Inga Ruginienė, the former chairwoman of the Lithuanian Trade Union Confederation, was appointed minister of social security and labor as a representative of the Social Democrats.

Levels of approval of democratic norms and procedures are relatively high. The most recent research evaluating democracy in Lithuania (Democratic Sustainability Barometer 2022) shows that about 63% of the population agrees that democracy is a better form of government than any other political system under all circumstances. Only 11% disagree. These numbers remain stable compared with 2022.

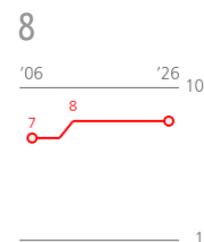
Moreover, satisfaction with democracy appears to be slowly increasing. According to Eurobarometer (Autumn 2024), 52% were satisfied with the functioning of democracy in Lithuania, a figure relatively close to the EU average (55%). The respective figures were 45% in Lithuania and 58% in the EU in 2022.

However, levels of trust in the country's political institutions are relatively low. According to the most recent survey by the Democratic Sustainability Barometer (2024), 16% of the population trust political parties (71% do not), 20% trust parliament (72% do not), 32% trust the government (61% do not) and 48% trust the president (43% do not).

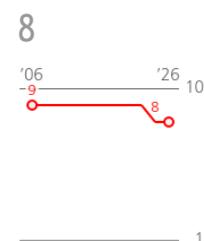
The share of people who say most people can be trusted rose from 21% (1994 – 1998) to 32% (2017 – 2020) according to the most recent World Values Survey data. Moreover, the recent European Social Survey (2023) shows that levels of social trust in Lithuania are average: on a scale from 0 (you cannot be too careful) to 10 (most people can be trusted), the country's mean score is 5.1, above Germany at 4.9 and just below Spain at 5.3.

According to the Civil Society Institute's most recent survey (2024) in Lithuania, only about 9.6% of Lithuanians actively participate in NGO activities. However, Lithuanians indicated that they engaged in other forms of civic participation; for example, 52% donated money to causes, 37% participated in environmental cleanups, 25% boycotted or purchased goods for moral or political reasons, 25% took part in local community activities, and 22% signed online petitions.

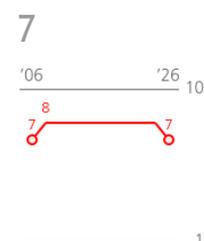
Interest groups



Approval of democracy



Social capital



In general, the character of civic engagement has not changed significantly over the past decade. However, since 2017, NGOs and trade unions representing teachers, medical workers and other public servants have become more active. For example, at the end of 2023, a teachers' strike took place after disagreements over salary increases between the Education Ministry and teachers' unions.

II. Economic Transformation

6 | Level of Socioeconomic Development

Lithuania is widely considered a developed country by most social indicators. It has experienced a significant decline in absolute poverty over the past few decades due to rapid economic growth. However, the relative poverty rate, which places a focus on inequality, remains high compared with other European nations.

Since 2004, Lithuania has consistently ranked high on the Human Development Index (HDI). The most recent data show a slight increase in Lithuania's HDI score, from 0.875 in 2021 to 0.879 in 2022, placing it 37th among 193 countries. In terms of inequality-adjusted HDI, Lithuania's score is 0.795, lower than those of its neighboring countries: Poland (0.797), Estonia (0.835) and Latvia (0.802). The overall HDI loss due to inequality is 9.6%.

Despite strong economic growth since 2010, inequality remains pronounced. In 2023, Lithuania's Gini coefficient stood at 35.7% – nearly unchanged from 35.4% in 2019 – and thereby continues to exceed the EU average of 29.6%. Among EU countries, only Bulgaria (37.2%) shows more substantial inequality.

Social inequalities and unequal economic opportunities are linked to geography, with major cities – particularly Vilnius – more developed. This reflects regional development disparities. In 2023, according to the State Data Agency of Lithuania, only in Vilnius did GDP per capita exceed the national average (152.1%), while the Kaunas region's GDP per capita was 98%. The gap between Vilnius and other regions remains large, with GDP in Vilnius more than twice that of the Alytus, Marijampolė, Panevėžys, Šiauliai, Tauragė, Telšiai and Utena regions.

Lithuania's score on the Gender Inequality Index improved slightly, from 0.105 in 2021 to 0.098 in 2022. The gender gap in education is narrow, with 95.5% of women and 97.9% of men age 25 and older having completed secondary education. The labor force participation gap fell to 8.9 percentage points, with men (67.7%) more active than women (58.8%), compared with a 10.6 percentage point gap in the previous report.

Question
Score

Socioeconomic
barriers

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The proportion of the population at risk of poverty or social exclusion remained stable during the review period, at 24.3% in 2023, up from 23.4% in 2021 but down from 25.5% in 2019. This remains higher than the EU average of 21.4%. According to Statistics Lithuania, the absolute poverty rate has declined from 7.7% in 2019, but fluctuated during the review period: It dropped to 3.9% in 2021, rose to 4.4% in 2022 and fell to 2.7% in 2023. The absolute poverty threshold is set at €267 per month for an individual and €561 for a family of two adults and two children.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	67037.3	71033.9	79789.9	84869.2
GDP growth	%	6.4	2.5	0.3	2.8
Inflation (CPI)	%	4.7	19.7	9.1	0.7
Unemployment	%	7.1	6.0	6.8	7.5
Foreign direct investment	% of GDP	3.7	3.4	4.8	4.2
Export growth	%	16.6	12.4	-3.4	2.1
Import growth	%	19.2	12.7	-5.3	2.4
Current account balance	\$ M	985.1	-4322.4	878.4	2100.6
Public debt	% of GDP	43.3	38.1	37.3	38.2
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-1.4	-0.9	-0.8	-
Tax revenue	% of GDP	21.3	21.3	21.4	-
Government consumption	% of GDP	17.5	16.7	17.3	-
Public education spending	% of GDP	4.2	4.3	-	-
Public health spending	% of GDP	5.2	4.7	-	-
R&D expenditure	% of GDP	1.1	1.1	-	-
Military expenditure	% of GDP	2.0	2.4	2.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition is supported by a strong institutional framework that is consistently defined and effectively implemented. Barriers to entry and exit in product and factor markets remain relatively low, and the freedom to enter and exit is exercised efficiently. Discrimination based on firm ownership or size is uncommon.

Prices are primarily set by market forces. Cross-border mobility of labor and capital, including foreign direct investment and currency convertibility, is permitted.

According to Statistics Lithuania, the size of the informal sector has continued to decline steadily, from a share of around 13.9% of the market in 2017 to 12.5% and 8.3% in 2021. Wholesale and retail trade, transport, and accommodation and food service activities account for the largest share of the informal sector (3.6%), followed by industry (2%), manufacturing (1.9%) and construction (1.8%).

According to the International Labor Organization's latest measurement standards (21st ICLS), informal employment accounted for 2.6% of total employment in 2022. This share was significantly lower than that in neighboring Poland (9.8%) and close to that in Western European countries such as France (3.6%) and Germany (2.5%).

Since 2017, the government has taken steps to ensure a level playing field between state-owned enterprises (SOEs) and private companies, including by converting several commercially oriented SOEs into limited liability enterprises. The number of SOEs has steadily decreased from 139 in 2015 to 49 in 2020 and to 33 in 2024. In addition, the government coordination center was strengthened, and the share of independent members on SOE boards increased by half.

Comprehensive competition laws, aimed at preventing monopolistic structures and conduct, continue to be strictly enforced in Lithuania. Trade policies that align with nondiscrimination principles undergird these laws. The Competition Council of the Republic of Lithuania, whose legal and institutional framework fully complies with EU norms, effectively enforces trade policies. The council is also a member of the International Competition Network (ICN).

As of 2023, the Competition Council had 63 staff members (compared with 69 in 2021), including 47 directly involved in competition enforcement. The council remains one of the smallest and least-well-financed competition authorities in the European Union. Its supervisory functions have expanded recently.

In the period from 2022 to 2023, the Competition Council cleared 48 economic concentrations, identified three restrictive agreements (compared with seven in 2020/21) and imposed fines totaling about €75.6 million for competition infringements (compared with €14 million in 2020/21 and €3.4 million in 2018/19). This statistic fluctuates; fines amounted to €26.3 million in 2016/17, for example.

Market
organization

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Competition policy

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The banking sector in Lithuania remains highly concentrated, creating challenges for smaller firms seeking access to finance. Some experts argue that pricing practices in the banking sector resemble cartel-like behavior – such as price-fixing – that is uncompetitive for consumers. The state is gradually addressing this issue. In September 2024, the Bank of Lithuania expanded its basic payment services plan. For example, it increased the number of fee-free online transfers from 10 to 15.

While public procurement processes are transparent, tenders often attract only one bidder. Relatively high regulatory barriers restrict competition in the energy and transport sectors, where state-owned enterprises dominate. However, since July 2020, Lithuania has been liberalizing the electricity market in a three-stage process, allowing different consumer segments to choose an independent electricity supplier.

Since joining the European Union, Lithuania has aligned its foreign trade policy with the European Union's Common Commercial Policy. As an open, liberal economy, Lithuania's trade-to-GDP ratio exceeds 100%, reaching 149.1% in 2023, according to the World Bank (combining imports and exports as a percentage of GDP). This is a slight decrease from 156% in 2021.

In November 2021, the Taiwanese Representative Office was established in Lithuania and was widely recognized by international observers as a de facto embassy. In response, China withdrew its ambassador from Vilnius and implemented measures to disrupt trade between the two countries. These developments significantly affected Lithuanian exports to China, which fell by more than 50%, from €243.9 million in 2020 to €99.6 million in 2022. However, despite the strained political relationship, exports rebounded to €145.8 million in 2023 and are expected to grow further. Imports were less affected, increasing from €1.17 billion in 2020 to €1.57 billion in 2022 and further to €1.9 billion in 2023.

In October 2023, Belarusian potash-fertilizer giant Belaruskali initiated investment arbitration proceedings against Lithuania before the International Court of Arbitration. Belaruskali had been exporting its fertilizer via Klaipėda Port for more than a decade, but shipments ceased on February 1, 2022, after Lietuvos Geležinkeliai (Lithuanian Railways, LTG), the state-owned railway company, terminated its long-term contract with the U.S.-sanctioned Belarusian company. Lithuania's actions align with EU sanctions. In September 2024, the EU General Court rejected Belaruskali's lawsuit challenging the sanctions. Lithuania also dismissed the Belarusian company's appeals, affirming that the decisions made by the country's authorities were legal.

Liberalization of
foreign trade

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Lithuanian institutions continue to support a robust banking system that adheres to international standards, backed by effective banking supervision, equity requirements and market discipline. The capital markets are open to both domestic and foreign capital, demonstrating resilience against speculative investments.

Since Lithuania joined the eurozone in 2015, Lithuanian banks have become part of the EU banking union. The Bank of Lithuania, an independent institution, oversees the banking system and is part of the European System of Central Banks (ESCB).

The banking sector's capital-to-assets ratio decreased to 5% in 2022, down from 5.5% in 2021 and 6.4% in 2019 (World Bank). The capital adequacy ratio for the banking sector as a whole was 20% in mid-2024, down from 22.2% in 2022 but still one of the highest such figures in the European Union. This continues to indicate that the sector is prepared to withstand significant shocks. The share of non-performing debt instruments stabilized at a very low level – 0.6% in June 2024 – compared with 1.5% in September 2020.

As of the beginning of 2025, there were 13 banks (12 in 2023) and five foreign bank branches (six in 2023) operating in the country. The banking sector in Lithuania remains highly concentrated, and that concentration continues to increase. The three largest banks (SEB, Swedbank and Revolut) accounted for 72.5% of the total banking sector in 2024. Lithuania's banking sector is one of the most profitable in the European Union. The accumulation of significant excess liquidity, coupled with a dominant share of variable-rate loans following higher key interest rates, resulted in windfall profits during the review period. In 2023, the banking sector's total profits reached €986 million, double the amount from the previous year. However, the products offered are less diverse and more expensive than elsewhere in the European Union, resulting in lower bank efficiency (measured as the cost-to-income ratio) than the EU average. The bank efficiency ratio was 41.65% in 2024, a decrease from 53.8% at the end of 2022.

8 | Monetary and fiscal stability

Lithuania maintains a consistent monetary policy. The country adopted the euro in 2015. Since then, Lithuania's monetary policy, including the exchange rate, has been set by decisions of the European Central Bank (ECB). As a eurozone member, the Lithuanian bank participates in the Governing Council, the General Council and other ECB decision-making bodies. The ECB's primary objective is to maintain medium-term price stability. The ECB directly supervises the four major banks registered in Lithuania, including SEB, Swedbank, Šiaulių bankas and Revolut Bank (added to the list in December 2023).

The previous period coincided with a spike in annual inflation, reaching a rate of 18.9% in 2022 – nearly double the average annual inflation rate in the eurozone as a whole (10.1%). The surge in energy and gas prices, driven by Russia's war against

Banking system

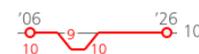
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Monetary stability

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Ukraine, played a significant role in this increase. However, during the review period, inflation gradually declined, supported by the ECB's decision to raise interest rates, and ultimately fell below the European Union average (2.0% in 2024). By October 2024, Lithuania recorded one of the lowest annual inflation rates in the European Union, at 0.1%.

The government's budgetary policies promote fiscal stability. Russia's ongoing war against Ukraine and the strained geopolitical situation have encouraged increased defense spending and created uncertainty regarding the credit rating. The budget deficit increased from 1% in 2022 to 3% in the adopted budget for 2025 (2.5% excluding temporary measures, especially aid to Ukraine). Public debt decreased slightly, to 39.9% of GDP, compared with 40.3% in 2022; Lithuania's public debt remains one of the lowest such ratios among EU members. Total reserves increased from \$5.24 billion in 2021 to \$5.78 billion in 2023.

International credit rating agencies consistently assessed Lithuania's fiscal policy positively during the review period. As of the time of writing, Moody's rating for the country was A2 (upgraded from A3 in 2020) with a stable outlook. However, in May 2024, S&P Global Ratings lowered the long-term borrowing rating on Lithuania to A from A+ due to geopolitical risks (although with a stable outlook).

Lithuania's spending on defense increased from 1.97% of GDP in 2021 to 3.22% in 2024. Lithuania's total social spending has also been increasing in recent years; however, at 19.8% of GDP, it remained below the OECD average of 21.09% in 2022. Total public expenditure in Lithuania increased from 34.6% of GDP in 2019 to 37.3% in 2021, but this is the fourth-lowest such figure among OECD countries, falling below the OECD average of 46.3% of GDP. Tax revenues (tax-to-GDP ratio) remained relatively stable at 32.6% in 2023. This figure was below the OECD average of 33.9%.

As highlighted in previous BTI reports, due to its deteriorating demographic outlook, Lithuania faces challenges in addressing the low level of pension adequacy, with a projected additional annual cost of 2% of GDP by 2040, according to the OECD.

9 | Private Property

Property rights and regulations governing acquisition, benefits, use and sale are well defined and enforced. Property rights are only rarely limited, and solely by overriding rights in the constitutionally defined public interest.

In 2017, the government committed to settling all remaining land restitution claims (stemming from expropriation under the Soviet regime) through land allocation or financial compensation. The National Land Service (2024) reports that only 0.22% of claims remain unresolved in rural areas. In cities, 2.46% of claims remain pending.

Fiscal stability

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Property rights

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Private companies are seen as the primary engines of economic production and receive effective legal safeguards. Privatization of state-owned companies proceeds in line with market principles.

According to Statistics Lithuania, the general government sector accounted for 14.6% of GDP in 2022 (16.8% in 2019) and 26.9% of total employment (27.8% in 2021 and 30% in 2019).

Government involvement in company ownership continues to decrease steadily. Lithuania currently owns and directly controls 33 state-level companies (less than half the 139 in 2015 and a moderate decrease from 44 in 2022) with more than 26,434 employees (a further decrease from 28,000 in 2022).

Since 2017, the government has taken action to ensure a level playing field between state-owned enterprises (SOEs) and private enterprises, including converting several commercially oriented SOEs into limited liability enterprises.

10 | Welfare Regime

Social security institutions and safety nets in Lithuania are established, but they do not fully compensate for all risks faced by every segment of the population. Despite stable economic growth, social transfers have not effectively alleviated poverty. Lithuania faces challenges in sustaining its social benefits, particularly given the worsening demographic outlook.

The rate of severe material deprivation has continued to decrease, from 9.4% in 2019 to 6.1% in 2021, and is now below the EU average (6.8%). According to surveys, a disproportionately high percentage of 17.5% of the population still struggles to adequately heat their homes, compared with 9.3% in the European Union in 2022. However, this number has decreased significantly since 2019, when it was 27%.

Life expectancy recovered after a dip during COVID-19 and reached an all-time record of 77.4 years in 2023. This figure still falls below the EU average of 80.7. The number of doctor consultations per person is above the OECD average; however, rates of unmet health care needs in Lithuania are slightly below the EU average. Overall health care expenditure declined slightly from 7.8% of GDP in 2021 to 7.3% in 2023 and remains below the EU average, although this figure is still higher than 6.5% in 2018.

The average monthly old-age pension rose from €482 in 2022 to €600 in 2024, equal to 44% of the average salary (42% in 2020). Since 2017, pensions have been indexed annually. In April 2022, in response to rising inflation, parliament introduced an additional 5% indexing boost. The at-risk-of-poverty rate for people 65 and older is still high, ranking among the bottom five in the EU-27, at 36.1%, compared with the

Private enterprise

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Social safety nets

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EU average of 16.7% in 2023. The impact of other social transfers (excluding pensions) on poverty reduction was 29.9% in 2021, below the EU average of 34.7%. The unemployment benefit system was reformed in 2017 to expand coverage, extend the duration of assistance to nine months and increase benefit amounts. Monthly state-supported income benefits have gradually increased from €122 in 2018 to €157 in 2023 and €221 in 2024.

In 2018, a universal child benefit program was introduced to enable low-income earners to fully benefit from child support. As of January 1, 2025, the universal child benefit increased from €96.25 to €122.50. This increase contributed to a reduction in the at-risk-of-poverty rate.

Nearly all Lithuanians are covered by the state social security system, which provides safety nets for unemployment, poverty and old age.

Equality of opportunity is guaranteed by the constitution and continues to be implemented in practice. Women and members of ethnic, religious and other social groups have equal access to education, public office and employment. There is a comprehensive and effective legal and institutional framework to protect against discrimination.

On the Social Justice Index produced by the Bertelsmann Foundation, Lithuania scores 6.3 and ranks 17th among 30 OECD and EU democracies. The 2024 report highlights the government's focus on gender equality and the high level of tertiary educational attainment. Despite these efforts in pursuit of equal opportunities, average student scores in reading, math and science remain below the OECD average.

As in the previous study period, the employment rate of people ages 20 to 64 remained higher (78.5% in 2023) than the EU-27 average (75.3% in 2023). Women made up 49.4% of the labor force in 2023 (World Bank). Although there is a gender gap (8.9 percentage points) in labor force participation among residents ages 15 and older, the employment rate among women is only 2 percentage points lower than that among men (78.1% vs. 80.1% at the end of 2024). This is well below the EU-27 average gender gap in employment (10.2%).

Literacy rates are equally high among males and females (99.8%). According to the latest available data (2024), the female-to-male tertiary education enrollment ratio was 1.30, up slightly from 1.27 in 2018, while the gross tertiary enrollment ratio rose significantly from 71% in 2021 to 77% in 2023 (World Bank). National minorities in Lithuania have access to education in their own language.

The unadjusted gender pay gap was 12% in 2022, down from 13% in 2020 and below the EU-27 average of 12.7% (Eurostat). Gender equality in politics has fluctuated. The share of women elected to parliament in the 2024 election, 27.7%, was nearly unchanged from the 2020 election, when it was 27%. However, the gender-balanced cabinet of Prime Minister Ingrida Šimonytė was replaced by a government led by Prime Minister Gintautas Paluckas that includes four women ministers and 11 men, including Paluckas.

Equal opportunity

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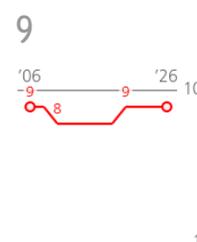
11 | Economic Performance

Economic growth, measured on the basis of GDP per capita, remained resilient during the period under review. It slowed from 2.5% in 2022 to 0.3% in 2023, primarily due to a surge in energy prices and inflation, then rebounded to 2.3% in 2024, based on data from the first three quarters. Lithuania's efforts to close the gap with advanced democracies plateaued somewhat in 2023; on a purchasing power standard (PPS) basis, GDP per capita was 87% of the EU-27 average, compared with 84% in 2019 and 88% in 2022. However, this remains higher than the comparable figures in neighboring countries, which were 77% in Poland, 80% in Estonia and 70% in Latvia. When Lithuania joined the European Union, its GDP per capita in PPS was only 46% of the EU average. In nominal terms, the purchasing power-adjusted GDP per capita stands at €33,000 (compared to €38,100 in the EU-27). Trade, transport, and accommodation and food services accounted for 28.3% of GDP, with industry following at 19.2%.

Although inflation reached a rate of 18.9% in 2022 – almost double the eurozone average – it dropped to 0.1% in 2024, one of the lowest annual inflation rate figures in the European Union. The unemployment rate, at 6.1%, is higher than the EU average and fluctuated slightly during the period under review, from 7.1% in 2021 to 6% in 2022 and 6.9% in 2023. Gross public debt increased slightly from 38.0% of GDP in 2021 to 39.9% in 2023, but remains among the lowest such figures in the European Union. The budget deficit also rose slightly, from 1% in 2022 to 3% in the adopted budget for 2025 (2.5% excluding temporary measures, such as aid to Ukraine). The tax-to-GDP ratio remained stable at 32.6% in 2023, just below the OECD average of 33.9%.

Despite a challenging geopolitical environment, foreign direct investment (FDI) continued to grow, accounting for 4.1% of GDP in 2023. However, several factors limit the effectiveness of these investments, including a shortage of qualified labor (only partially mitigated by migration) and inadequate resources for research and innovation. The current account balance was positive at \$1.5 billion in 2023.

Output strength



12 | Sustainability

The government considers environmental concerns and pledges to reduce pollution, but in practice it occasionally subordinates them to growth efforts.

During the review period, Lithuania's Environmental Performance Index score rose from 55.9 in 2022 to 64.1 in 2024. The country's overall ranking also improved, with Lithuania now ranking 21st of 180 countries evaluated (19th in the EU-27).

Lithuania, along with its EU partners, has committed to reducing greenhouse gas emissions by at least 40% by 2030 and to seeking a carbon-neutral economy by 2050. The country also plans to increase the share of renewable energy resources in gross final energy consumption to 45% by 2030. Lithuania increased the share of energy derived from renewable energy resources to 32% in 2023 (previously 28% in 2021), exceeding the EU average of 24.5%.

Opportunities for green taxation remain somewhat underexploited. Environmental taxation was about 1.8% of GDP in 2022, below the EU average of 2% of GDP (European Commission, 2020). Attempts to improve this situation face political resistance in parliament. In November 2022, the government proposed replacing the existing registration tax with an annual car pollution tax, but parliament rejected the proposal.

Lithuania has made significant progress in municipal waste recycling (everyday items discarded by the public and collected by municipalities) since 2004. The recycling rate was 48% in 2022, close to the EU average of 49%, ranking 10th in the European Union. However, circular (secondary) material use in 2022 was only 3.9%, below the EU average of 11.8%.

Lithuania's education policy ensures a nationwide system of quality education and training, and its research and technology sector is relatively advanced. General government expenditure on education (representing 4.9% of GDP in 2022) is in line with the OECD (4.9%) and EU (4.7%) averages. During the period under review, the government raised salaries for teachers and academic staff several times. However, investment in research and development remains relatively low, at approximately 1.05% of GDP in 2021, well below the EU average of 2.21%. According to the 2024 EU Innovation Scoreboard, Lithuania ranks below the EU average as a moderate innovator, though its performance has been improving faster than the European Union overall.

In the 2022 Program for International Student Assessment (PISA), Lithuania's 15-year-old students performed similarly to the OECD average in the subjects of mathematics, reading and science. The narrowing of this gap has mainly been due to a general decline in performance across OECD countries, as Lithuanian students had

Environmental policy

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Education policy / R&D

8



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previously performed below average. Educational performance in Lithuania is closely linked to socioeconomic status and the urban-rural divide. Despite a low overall rate of early school leavers, Lithuania has a higher rate among students with disabilities. To address this, the government introduced an inclusive education program in September 2024, allowing schools and kindergartens to accept children with special needs into standard classes and groups.

With 57.4% of 25- to 34-year-olds holding a tertiary degree in 2023, Lithuania remains among the EU leaders with regard to educational attainment (EU average: 43%), and is also above the OECD average (47.4%). Recent reforms have consolidated several institutions, but there is still a gap between funding and the quality of education. The number of higher education institutions has decreased slightly, to 37 in 2022 (18 universities and 19 colleges) compared with 41 in 2021 (19 universities and 22 colleges). Only Vilnius University ranks among the top 450 in the 2024 QS World University Rankings.

The European Commission has repeatedly identified an inadequate supply of skills as a critical issue, a concern also highlighted in several BTI reviews. However, the situation has not improved. Despite the presence of modern sectoral training centers, vocational education and training (VET) programs remain only moderately attractive.

According to 2020 OECD data, 87.2% of 3-year-olds in Lithuania were enrolled in early childhood education, exceeding the OECD average of 77.05%. The share of children enrolled in private pre-primary institutions is 5%. The country's score on the U.N. Education Index was 0.906 in 2022, and the overall literacy rate reached 99.8% in 2021. The rate of adult participation (ages 25 to 74) in education and training increased from 7.4% in 2021 to 9.5% in 2023, narrowing the gap with the EU average of 11.2% in 2023.

Governance

I. Level of Difficulty

Structural constraints on governance in Lithuania are relatively low. In May 2022, Lithuania ceased all energy imports from Russia, including oil, natural gas and electricity. The country's transition to energy independence was significantly facilitated by the 2014 construction of the liquefied natural gas (LNG) terminal "Independence" at the port of Klaipėda and the 2015 establishment of two power network links to Sweden and Poland. In February 2025, Lithuania, along with Latvia and Estonia, disconnected from the Russian electricity grid (BRELL).

The continuation of Russia's war in Ukraine and its economic repercussions, coupled with signs of hybrid warfare – such as the repeated sabotage of telecommunications and power cables in the Baltic Sea by the end of 2024 – pose challenges to the government's efforts to attract foreign capital. In 2024, S&P Global Ratings downgraded Lithuania's long-term ratings to A from A+ due to geopolitical risks.

Demographic trends remain a significant challenge. Although Lithuania's working-age population grew by 58,000 from 2019 to 2024 (primarily due to increased migration), the median age of workers has risen slightly to 44.3 years. The old-age dependency ratio in Lithuania stood at 30.8% in 2023 – lower than the EU average of 33.4% but still reflecting a 3-to-1 ratio of workers to pensioners. These trends will continue to threaten economic growth and place pressure on public finances for the foreseeable future.

While official statistics show Lithuania's population is highly educated (57.4% of 25- to 34-year-olds hold a tertiary degree), the European Commission (2024) notes that the labor supply continues to fall short of growing demand because of skills mismatches.

The 2024 BTI report noted that Lithuania's migration ratio shifted from negative to positive after years in which emigration flows had outstripped inward immigration. This trend continued during the period under review. In 2021/22, net migration rose from about +11,000 in 2019 to +72,000 in 2022; in 2023 it was +44,934. Increased immigration – primarily from Ukraine and Belarus – raised the foreign-born population from 5.13% of all residents in mid-2022 to 7.65% in mid-2024. While this influx increased the share of working-age people in the population at large, it also intensified the immigration debate, with major political parties advocating restrictions on migration.

Structural
constraints

2

'06 _____ '26 10



The excess mortality rate related to the COVID-19 pandemic returned to pre-pandemic levels by 2024, with excess deaths at 0.1%, well below the EU average of 6.3%.

Civil society traditions in Lithuania are relatively strong, rooted in dissident movements during the Soviet era and the struggle for independence. Since the restoration of independence, civil society organizations have become more deeply embedded in society. The number of organizations has grown in recent decades, though not all registered NGOs are active.

The percentage of people who believe that most people can be trusted has increased from 21% (1994 – 1998) to 32% (2017 – 2020) according to the latest available World Values Survey. The European Social Survey (2023) shows an average level of social trust in Lithuania: On a scale from 0 (you can't be too careful) to 10 (most people can be trusted), the mean score is 5.1 (above Germany at 4.9 and just below Spain at 5.3).

Currently, there are more than 36,000 nonprofit organizations in Lithuania, according to the Social Impact Alliance for Central and Eastern Europe, but only one in six organizations report on their activities. According to the most recent survey by the Civil Society Institute (2022), about 9.6% of Lithuanians are actively involved in NGO activities, down from 13.6% in 2020, though this difference is not statistically significant.

Citizens may allocate 1.2% of their income tax to designated NGOs when filing their annual tax returns.

There are no significant ethnic, religious or social conflicts that pose a threat to the existing political or economic systems.

The primary sociopolitical divide once centered on evaluating the Soviet past and on geopolitical orientations, particularly attitudes toward cooperation with Russia. This divide appeared to diminish in 2022, as negative perceptions of Russia grew and support for Ukraine became widespread. However, some politicians have begun to capitalize on dissatisfaction among segments of the population. In the 2024 presidential election, a populist camp emerged, criticizing the political system and questioning key aspects of Lithuania's foreign policy. Eduardas Vaitkus, a candidate who openly advocated a pro-Russian foreign policy – calling NATO an “aggressive bloc” – received 7.3% of the vote. Another candidate, Remigijus Žemaitaitis, garnered 9.2% of the vote despite being deemed by the Constitutional Court in April 2024 to have violated the constitution by making antisemitic social media posts. His party, the Dawn of Nemunas, placed third in the parliamentary elections with 15% of the vote, and entered a center-left governing coalition. The party attracted voters who were most dissatisfied with how democracy functions in Lithuania.

After taking office in 2020, the government led by Prime Minister Ingrida Šimonytė (TS-LKD) navigated turbulent times, including the COVID-19 pandemic, a crisis of illegal migration across the border with Belarus, Russia's war on Ukraine, and rising

Civil society traditions

3

'06 '26 10



Conflict intensity

2

'06 '26 10



inflation. While these crises were managed with varying degrees of efficiency, they contributed to growing societal discontent. The TS-LKD party traditionally receives strong support from progressive urban voters but faces significant opposition in rural and non-metropolitan areas. This polarization, which dates back to the post-Soviet transformation in the 1990s, was exacerbated during the period from 2020 to 2024. The country's score on the V-Dem political polarization index increased from 0.42 in 2020 to 1.51 in 2023.

Political polarization in the Seimas (the Lithuanian parliament) is primarily affective, rooted in personal antipathies and the opposition vs. government divide. The political process remains within constitutional limits and follows established procedures. There is a general consensus on a pro-Western orientation. Occasional conflicts are unlikely to result in permanent popular mobilization.

One issue that sharply divided both parliament and society was a proposal to create a legal framework for same-sex partnerships from the Freedom Party, a former junior partner in the three-party center-right coalition. However, the party failed to surpass the 5% threshold in the 2024 parliamentary elections, and consequently won no seats. Moreover, the growing importance of security and defense issues in Lithuania is likely to reduce the salience of the same-sex marriage issue and the polarization around it.

II. Governance Performance

14 | Steering Capability

The government sets strategic priorities and maintains them over long periods. It is able to prioritize and organize its policy measures effectively.

Policy continuity in Lithuania has been strong, particularly in the spheres of foreign policy and in defense and security policy. Lithuania has been a NATO member since 2004, and Russia's expansionist actions since 2014 have prompted the government to strengthen military defenses, increase the defense budget, enhance resilience across various policy areas and prioritize energy independence. All administrations have closely followed this policy trajectory. The new center-left government, led by Prime Minister Gintautas Paluckas, has pledged to continue supporting Ukraine and strengthening national defense, with plans to increase defense spending to 3.5% of GDP and to prepare for the deployment of a German brigade in 2027.

Successive administrations have consistently maintained fiscal responsibility and prioritized a balanced budget. The new center-left government inherited the 2025 budget, adopted by the previous center-right administration, which included a 3% deficit (2.5% excluding temporary measures such as aid to Ukraine).

Question
Score

Prioritization
10



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The new center-left government largely continues its predecessor's strategic aims, focusing on sustainable economic growth and public finances, improving the quality of public services, bridging the wealth gap, and better managing the state bureaucracy. The coalition is likely to implement moderate left-wing reforms, including increasing the progressivity of the tax system and reducing the value-added tax on certain goods.

In contrast to the democratic backsliding ongoing in parts of Central and Eastern Europe, Lithuanian governments have consistently adhered to democratic principles. Since 2008, strategic planning has evolved to place greater emphasis on evidence-based policymaking and performance indicators. In March 2022, the center-right Šimonytė government approved development of the State Progress Strategy Lithuania 2050, a road map for state development with impact indicators that addresses social, economic and environmental challenges. Experts and researchers collaborated with parliament and other state institutions on its development. In December 2023, parliament approved the State Progress Strategy Lithuania 2050.

The Lithuanian government can generally implement most of its policies. However, implementation effectiveness varies by policy area, strategic priorities and coalition partners' ability to reach agreement (the last two governments have consisted of three parties).

Russia's invasion of Ukraine in 2022 accelerated the Lithuanian government's efforts to bolster the country's defense capabilities. The government proposed increasing defense spending to 2.52% of GDP in 2022, a plan that parliament unanimously supported. The figure rose to 3.22% in 2024. The government successfully implemented two major financial instruments to fund the additional defense spending. In May 2023, parliament adopted the bank solidarity levy, which was extended for another year in 2024. The tax, based on net interest income from 2019 to 2022, was introduced in response to windfall profits enjoyed by banks in Lithuania (driven by interest rate hikes from the European Central Bank). Additionally, in June 2024, parliament passed the Law on the National Defense Fund, which increased the corporate income tax rate (from 15% to 16%) and raised excise duties on petrol, fuel, alcohol and cigarettes. These decisions passed with nearly unanimous votes in the Seimas.

However, the center-right coalition struggled to reach agreement on tax reforms unrelated to defense spending. The leading coalition party, the TS-LKD, proposed overhauling the tax system to make it more efficient and fair. The proposal included changes to the real estate tax, revisions to certain tax relief provisions, and an equalization of income taxes for employees under employment contracts and self-employed individuals. These proposals faced opposition from two other liberal parties in the coalition. This failure complicated Lithuania's attempts to secure additional funds from the European Union's Recovery and Resilience Plan (RRF). The European Commission said in 2023 that the Lithuanian government had not provided sufficient justification to extend the deadline to pass tax reforms.

Implementation

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Another priority for the government was reforming the public administration. In November 2022, the government submitted its proposed reform plan to parliament, which included centralizing the selection of managers and linking public administration salaries to the average salary in Lithuania. The parliament passed this legislation in 2023 together with changes to the way municipal councilors are paid as a swift response to a scandal involving misuse of municipal expenses (see “Prosecution of office abuse”).

The government demonstrates a general capacity for policy learning. Flexibility has improved somewhat since the last administration due to the need to respond to several extraordinary crises (see previous section). The government consults with society, interest groups and experts on policies. All draft decisions, along with explanatory material, are published on the parliament’s website when they are submitted for interagency consultation.

Two structural challenges related to policy learning identified in previous BTI reports – the high turnover rate among members of parliament and the middle-income trap – remain.

First, although the share of parliamentary newcomers decreased in the 2020 elections, from 58% in 2016 to 35%, it rose again to 43% in the 2024 elections.

However, during the previous parliamentary term, there were signs that the quality of governance and lawmaking was improving. The outgoing parliament passed 9% fewer laws than its predecessor: 1,841 laws in the 2020 to 2024 term, compared with 2,016 between 2016 and 2020. The effectiveness of government-proposed legislation also increased, with 84.8% of government-registered bills adopted between 2020 and 2024, compared with 81.8% from 2016 to 2020.

The second challenge stems from Lithuania’s developmental path. While Lithuania may have escaped the middle-income trap in terms of GDP per capita, the country’s economic specialization remains focused on low- and medium-value-added and medium-complexity goods and services. There continues to be a mismatch between the supply and demand of skills in the labor market.

15 | Resource Efficiency

The government makes efficient use of all available human, financial and organizational resources. Government administrative personnel do not change with the arrival of new governments. Competitive recruitment procedures with protections against political influence are in place.

Since 2009, the government has made a decisive shift toward results-driven public management and evidence-based decision-making. The outgoing center-right government of Prime Minister Šimonytė (2020 – 2024) continued efforts to reduce the size of the public administration sector and centralize certain administrative functions within public institutions. The new government, led by Prime Minister

Policy learning

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Efficient use of assets

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Paluckas (sworn in November 2024), has pledged to continue these policies and to establish a permanent commission focused on debureaucratization and the reduction of excessive regulation. However, the government has also expressed support for President Nausėda's proposal to establish a new Ministry of Regions, despite concerns as to whether a new ministry would be an efficient use of government resources.

The efficiency of the regulatory environment could be improved. Extensive use of performance indicators in strategic activity planning continues, but other evidence-gathering tools such as impact assessments or functional reviews are usually applied only formally, when required by EU funding mechanisms.

Lithuanian administrations typically maintain balanced budgets with minimal deviation between actual and planned spending. Total public debt fell from 47.5% of GDP in 2022 to 40.3% by the end of 2023, and was projected to decline further to 39.9% by the start of 2025. This remains among the lowest such figures in the European Union. The budget deficit fell from 7.6% of GDP in 2020 to 1% in 2022. However, the budget deficit for 2024 is projected to reach 3% of GDP (2.5% excluding temporary measures, such as aid to Ukraine). According to the European Commission's analysis, the 2025 budget may exceed the 3% limit. To address this, the government plans to negotiate with the European Commission for an exemption related to increased defense spending.

The state audit office is outspoken in its reports and recommendations to the Seimas. Since 2014, it has also assessed the quality of draft state budgets and has presented assessments to parliament. It has criticized almost every draft budget as being too ambitious on expenditures, including that for 2025. It has highlighted the risk of the budget deficit climbing above 3% of GDP. The central bank also publishes assessments of the budget. Although the recommendations of these institutions are not legally binding, the government usually acts on some of them.

Transparency in public procurement is high, as is the use of digital and web publishing. Contracting authorities must publish online information on initiated tenders, successful bidders and awarded contracts. However, tenders often attract only a single bidder.

The government coordinates conflicting objectives effectively and acts coherently in most policy areas. However, occasional friction arises in government work and coordination.

There are two levels of executive coordination in Lithuania. The first occurs between the government and the president (especially in foreign and defense policy), and the second occurs among ministries and branches within the government.

In Lithuania, the president plays a key constitutional role in foreign policy. However, the president is also able to exercise both formal (such as vetoing legislation) and informal powers in order to influence domestic policy. President Nausėda's criticism

Policy
coordination

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of the government – such as his stance on pandemic policy in 2021 and the slow response to rising inflation rates in 2022 – has led to tensions between the two branches of the executive.

However, these tensions have generally not affected foreign policy in areas where cooperation between the president and the government is most crucial. Their alignment on strategic issues has remained intact, particularly regarding support for Ukraine, increased defense spending and the country’s pro-Western orientation.

Interministerial coordination is overseen by a cabinet committee responsible for strategic planning. However, unlike in Scandinavia, the “whole of government” approach has not taken root in Lithuania, as institutional and party allegiances continue to prevail. While major political and policy priorities were achieved during the review period, the center-right coalition struggled to agree on tax reform, despite the efforts of the main coalition party, the TS-LKD. Prime ministers in Lithuania typically have limited power over ministries allocated to junior coalition partners and are often seen as “first among equals.”

In most cases, the government successfully contains corruption. Integrity mechanisms are in place, but corruption remains a significant challenge in some sectors.

The National Audit Office is independent and monitors the legality of the use and management of public funds and assets, as well as the execution of the state budget. The Central Electoral Commission closely regulates party financing and publishes declarations detailing party and campaign spending. Since 2014, legal entities (including private businesses) have been prohibited from financially supporting political parties.

Public procurement processes are highly transparent. Officeholders must publish regular declarations of their assets. Since 2012, civil servants and public officials have submitted declarations of personal finances electronically to the High Commission on Ethics in Office (HOEC).

Corruption prevention has improved over the past 10 years. The Special Investigation Service has actively investigated a lack of transparency in public institutions, including multiple investigations in response to the municipal expenses scandal (19 municipalities were the subject of investigations in 2023). Legislation protects whistleblowers in the public and private sectors.

In 2021, the Seimas established the Institute of the Intelligence Ombudsman to enhance transparency and accountability in intelligence agencies. However, the ombudsman was not appointed until spring 2023.

Despite some short-term political maneuvers, including a failed attempt to organize early parliamentary elections, the government responded effectively in 2023 to the municipal expenses scandal (see “Prosecution of office abuse”) and implemented policy changes. In June 2023 the Seimas introduced amendments to the Law on Local Self-Government that aimed to eliminate supplementary allowances for municipal councilors while increasing their base salaries.

Anti-corruption policy

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The public still feels that corruption is rather prevalent, according to Eurobarometer surveys, though these perceptions have waned somewhat in the last five years. In 2023, 83% of the population thought that corruption was widespread in Lithuania, compared with 92% in 2019. However, this figure is still higher than the EU average (70%).

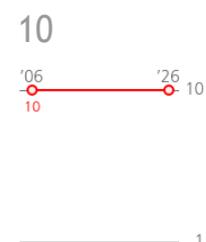
16 | Consensus-Building

All major political actors in Lithuania agree on the goals of democracy, though they prioritize different values and policies within that framework. Political parties have a well-established tradition of reaching interparty agreements on key policy issues and strategic priorities. For instance, in September 2021, all parliamentary parties agreed on a set of education policy goals, including raising education spending to the OECD median level by 2030. In July 2022, leaders of all parliamentary parties signed a new national defense agreement to maintain defense funding at a level of at least 2.5% of GDP, and to increase the number of conscripts. Although initially opposed, the conservative Union of Farmers and Greens (LVŽS) later co-signed this agreement. Decisions to further increase defense spending and to approve the related financial instruments in 2023/24 were nearly unanimous in parliament. Additionally, in the 2024 parliamentary elections, the electoral manifestos of the two major center-left (LSDP) and center-right (TS-LKD) parties were similar.

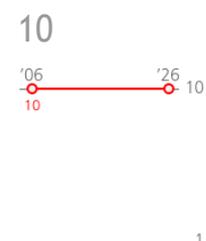
All major political actors in Lithuania are committed to a market economy, as reflected in three key documents. The first is the long-term development strategy, the State Progress Strategy Lithuania 2050 (approved in parliament in December 2023). The second is the operational National Progress Program (adopted in November 2012 and renewed in October 2020 for the 2021 – 2030 period). The third is the annually updated National Reform Program, which serves as a policy dialogue document with the European Commission on economic competitiveness during the European Semester.

There are no anti-democratic veto actors in Lithuania. Despite the Dawn of Nemunas party's aggressive populist rhetoric during the campaign, it was eventually co-opted into the center-left coalition, aligning with the coalition's democratic agenda. In addition, party leader Remigijus Žemaitaitis agreed to the president's request to appoint nonpartisan members to the government. Nevertheless, Žemaitaitis has persisted with his anti-establishment rhetoric, particularly targeting the Lithuanian media, which he describes as being anti-democratic. His efforts to initiate a special audit of the public broadcaster LRT by delegating the task to the state audit office appear politically motivated.

Consensus on goals



Anti-democratic actors



The main sociopolitical cleavage in Lithuania emerged from differing evaluations of the Soviet era. Since independence, those with negative views of the Soviet period have generally voted for right-wing parties, while those with neutral or positive assessments have tended to lean toward the center-left. However, this cleavage has not led to significant policy differences at the elite level. Both governing majorities have supported the ban on the Communist Party and totalitarian symbols in Lithuania, and no political group has contested Lithuania's pro-Western orientation or security priorities.

Following Russia's full-scale invasion of Ukraine in 2022, both the public and the political elite were united in condemning Russia's aggression. However, during the 2024 election period, a populist camp emerged, questioning Lithuania's foreign policy and capitalizing on general dissatisfaction with the government. Despite this, mitigating factors appeared. First, center-left politicians – notably the Social Democrats – shifted toward the center, with the majority of their voters supporting increased defense spending (National Election Study 2024). Second, the pro-Western, nonpartisan President Nausėda attracted voters from various sociodemographic groups, further reducing the potential for cleavage-based conflict with his broad appeal.

Despite considerable socioeconomic inequality, regional development disparities and urban-rural voting differences (with the center-right party TS-LKD enjoying strong support among progressive urban voters, especially in the capital), socioeconomic cleavages are not deeply pronounced among the electorate or the political elite. Historically, party positions on socioeconomic issues have been quite similar, and this has been reflected in voter preferences.

The government consults civil society actors on a semiregular basis, allowing these actors to play a significant role in deliberating and determining policies. However, the impact of NGOs varies.

The role of the Tripartite Council in consulting on major socioeconomic policy decisions is formally established and generally respected in practice. However, its role remains largely consultative. While the council can agree on some priorities, the government ultimately sets specific objectives. For instance, in 2023, the council reached consensus for the first time in five years on increasing the minimum monthly wage (MMA) and accepted the government's proposal for a 10% raise. In 2024, the council agreed on the general goal of raising the MMA but was unable to settle on the exact amount. Business associations tend to carry more weight than trade unions, and remain the most influential non-governmental actors.

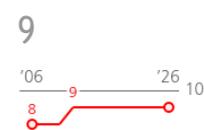
Transparency in decision-making has increased since 2009. During the review period, transparency practices were maintained: All draft decisions – governmental, parliamentary and municipal – and accompanying documents were made publicly available on the parliament's website no later than the date on which interministerial consultations began.

Cleavage /
conflict
management



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Public
consultation



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The government and individual ministries routinely draw on the technical expertise of scientific institutions and individual experts for broader policymaking. Numerous experts have been involved in formulating the long-term development strategy Lithuania 2050 (approved by parliament in December 2023) and are consulted on various policy issues.

There is consensus in society and among the political elite on condemning Soviet crimes. Lithuania continues to ban the Communist Party. By 2013, the lustration of former KGB agents and reservists was largely complete with respect to known persons and evidence.

Political and social elites have acknowledged that some Lithuanians collaborated in war crimes and that Holocaust victims are an important part of Lithuanian history. In December 2022, the parliament approved an additional €37 million as compensation for private property expropriated from Jewish owners by the Nazis and the Soviets.

However, among the broader public, there is no clear consensus on these issues. Some in the population do not accept that certain individuals collaborated and reject the idea that the Lithuanian state is responsible for paying reparations. The issue of antisemitism drew renewed attention after Remigijus Žemaitaitis – a member of parliament – made controversial comments on social media in response to the war in Gaza. In April 2024, the Constitutional Court ruled that Žemaitaitis' statements were antisemitic and violated the constitution. Following the ruling, Žemaitaitis resigned from parliament, thus avoiding impeachment. The incident did not diminish his popularity. His newly formed political party secured third place in the 2024 parliamentary elections and joined the governing coalition.

The government made it clear that antisemitism had no place in a center-left coalition, and Žemaitaitis was barred from a ministerial post. In January 2025, the Seimas adopted a resolution – almost unanimously (83 in favor, 5 abstentions) – calling for an end to antisemitism.

17 | International Cooperation

The political leadership makes focused use of international assistance to implement its long-term development strategy. Since Lithuania's per capita GDP (in PPP terms) exceeded 84% of the EU average in 2019, Lithuania was reclassified in the European Union's Multiannual Financial Framework (MFF, 2021 – 2027) as a country transitioning away from EU financial support. EU assistance from the structural and agricultural funds is declining but remains significant.

In April 2024, the European Commission (EC) approved the Partnership Agreement for Lithuania, the main strategic document for the programming period from 2021 to 2027, which provides for investments of almost €6.4 billion. Lithuania will contribute

Reconciliation

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Effective use of support

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an additional €1.7 billion in national co-financing, bringing the total investment volume to €8 billion. About 38% of these investments will be allocated to climate objectives and 32% to digitalization.

After achieving the highest absorption rate of structural funds in the European Union, Lithuania experienced delays in programming and disbursement from 2014 to 2020. By the end of 2020, Lithuania had allocated 98% of €9.95 billion in EU investments, including a national contribution of €1.56 billion, and had actually spent 59% of the funds, in line with the EU average (data from the European Commission's Directorate-General for Regional and Urban Policy).

The inability to reach an agreement on tax reform hinders the disbursement of additional funds from the European Union's Recovery and Resilience Facility (RRF). The European Commission stressed the need to improve tax compliance and broaden the tax base. In July 2023, Lithuania filed a claim before the General Court of the European Union challenging the Commission's decision to withhold €8.7 million of the €26 million RRF subsidy due in May 2023.

The international community regards Lithuania as a credible and reliable partner. By the late 1990s, it had become a full democracy and a fully functioning market economy, and it is now working actively with the international community (especially the European Union). It complies with international agreements and is a reliable partner in institutions that monitor compliance with them. Lithuania is a member of about 50 international organizations, including the OECD.

As an EU member, Lithuania adheres to major climate change agreements. Under the European Climate Law, EU countries are required to reduce greenhouse gas emissions by at least 55% by 2030. However, Lithuania remains one of the five EU countries that have not ratified the Istanbul Convention. Whether the new center-left coalition, sworn in November 2024, will address this issue remains unclear.

In 2023, Lithuania hosted the Vilnius NATO Summit from July 11 to 12. The summit brought together key world leaders, including U.S. President Joe Biden, NATO Secretary-General Jens Stoltenberg and Ukrainian President Volodymyr Zelenskyy. A significant development during the summit was Türkiye's removal of its objections to Sweden's NATO membership just ahead of the event.

In July 2024, the Lithuanian parliament voted to withdraw from the Convention on Cluster Munitions. In January 2025, the Ministry of National Defense issued advice recommending Lithuania's withdrawal from the Ottawa Treaty, which prohibits the use, stockpiling, production and transfer of anti-personnel mines. However, it was also announced that consultations with allies and Baltic Sea countries are underway on the matter.

Credibility

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In addition to its bilateral foreign policy, Lithuania continues to collaborate with its Baltic neighbors through the Baltic Council and the Baltic Parliamentary Assembly. It is also an active participant in the EU Strategy for the Baltic Sea Region, established in 2009.

After a period of stagnation, Lithuania's bilateral relations with its ally, Poland, have improved in recent years, particularly following the creation of the Lithuanian-Polish Presidential Council in 2021. The 2021 migration crisis and Russia's invasion of Ukraine in 2022 further strengthened the two countries' cooperation, especially on defense and security issues.

Relations with the country's authoritarian neighbors, Belarus and Russia, have remained tense because of their aggressive policies. Following Russia's invasion of Ukraine, Lithuania severed diplomatic ties and recalled its ambassador in May 2022. Lithuania has been a strong advocate of sanctions against Russian President Vladimir Putin's regime.

Lithuania remains a proactive supporter of the European Union's Eastern Partnership initiative, which promotes engagement with its eastern neighbors. Support for Ukraine intensified after Russia's full-scale invasion in February 2022. In June 2024, Lithuanian President Gitanas Nausėda and Ukrainian President Volodymyr Zelenskyy signed a 10-year bilateral agreement on security cooperation, under which Lithuania has committed to contributing 0.25% of its GDP to Ukraine over the next decade.

Cooperation with Germany strengthened during the period under review. In December 2024, Lithuania concluded negotiations with German arms manufacturer Rheinmetall on the management of a new, modern artillery ammunition plant in Lithuania and signed the final contract. The plant is expected to be fully operational by mid-2026. In September 2024, the Lithuanian and German governments signed a defense cooperation agreement in Berlin that effectively finalized the deployment of a German brigade. Lithuania is expected to host more than 4,000 German troops at a German military base under construction near the Belarusian border.

Regional cooperation

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Strategic Outlook

The major challenges to Lithuania's political and economic development are external, especially Russia's aggressive foreign policies and the risky broader geopolitical environment, including uncertainties related to the attitudes of U.S. President Donald Trump's administration toward NATO cooperation and European security. Strengthening defense will remain a key point of consensus for the Lithuanian political elite, as demonstrated by the recommendations of the State Defense Council (VGT) in January 2025. Lithuanian political and military leaders, including Prime Minister Gintautas Paluckas and President Gitanas Nausėda, have agreed to allocate between 5% and 6% of GDP to defense over the next five years. Although these agreements are not binding on the government and parliament, further increases in defense spending will require significant additional funding and government borrowing, which could increase Lithuania's public debt in the near future. An increase in some taxes may also be necessary.

A major domestic challenge remains widespread mistrust of public institutions and the government. Addressing this issue will require investments in the health and education sectors, efforts to reduce socioeconomic inequality (which remains relatively pronounced) and further initiatives to enhance government transparency. Despite some progress in these areas, the current tax-and-benefits system has had limited success in reducing inequality and regional disparities. As a result, Lithuania will need to increase revenue and allocate these funds effectively to achieve the desired social, cultural and economic outcomes. The parallel need to increase defense spending somewhat complicates the situation, presenting a challenge in balancing the state's financial priorities.

Accordingly, although a majority of Lithuanian citizens are in favor of increases in defense spending, prevailing security challenges, along with socioeconomic inequalities and political mistrust, are likely to fuel support for populist politics. This could be coupled with some skepticism toward Western alliances and defense priorities. The country recently elected a pro-Western president and a predominantly pro-Western center-left government. However, it is uncertain whether the populist Dawn of Nemunas (a member of the governing coalition with 19 seats in the parliament) will fully integrate into the political system. Its leader, Remigijus Žemaitaitis, maintains an anti-establishment stance. Moreover, although the governing coalition has declared that it will not tolerate antisemitism, the Žemaitaitis factor highlights increasing risks for Lithuania in the current geopolitical climate.

Anti-immigrant rhetoric has been relatively unpopular in Lithuania, particularly with respect to Ukrainians and Belarusians. However, public and political rhetoric targeting Middle Eastern and African migrants – who were brought in by Belarusian President Alexander Lukashenko's regime and pushed to cross illegally into Lithuania, Latvia and Poland – has been highly negative. Rising immigration figures could make this issue more prominent in the near future. Although the center-left coalition currently holds a constitutional supermajority (86 out of 141 seats), moves toward

expanding civil rights remain uncertain. Even if some Social Democrats are willing to introduce same-sex civil partnerships or ratify the Istanbul Convention, the Dawn of Nemunas and other conservative members of parliament could complicate these decisions.

Despite various challenges, the Lithuanian economy and the institutions of liberal democracy have remained resilient. The country continues to be a transformation success story in the Central and Eastern European region, bridging the gap with EU averages in most sectors. The forecast for real GDP growth in 2025 is around 3%, indicating a healthy economy.