

# LITHUANIA

UNITARY COUNTRY

EUROPE

## BASIC SOCIO-ECONOMIC INDICATORS

Income group - HIGH INCOME: NON OECD Local currency - Euro (EUR)

### POPULATION AND GEOGRAPHY

AREA: **65 300** km<sup>2</sup>

POPULATION: **2.932** million inhabitants (2014), a decrease of -1.36% per year (2010-14)

DENSITY: **45** inhabitants/km<sup>2</sup>

URBAN POPULATION: **66.5%** of national population

CAPITAL CITY: **Vilnius** (17.2% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

### ECONOMIC DATA

GDP: **81.2** billion (current PPP international dollars) i.e. 27 686 dollars per inhabitant (2014)

REAL GDP GROWTH: **3.0%** (2014 vs 2013)

UNEMPLOYMENT RATE: **10.7%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **351** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **19%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.839** (very high), rank **37**

## TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>60</b>	-	-	<b>60</b>
<b>MUNICIPALITIES</b> (SAVIVALDYBĖS) AVERAGE MUNICIPAL SIZE: <b>48 875 INHABITANTS</b>			

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** Lithuania has one tier of local self-government composed of 60 municipalities, resulting from the mergers of 581 local governments in 1994. The municipal level comprises 48 districts (*rajonas*), 6 towns (*miestas*) and 6 common municipalities, which all have the same status and competences. Municipalities can set up sub-municipal entities called wards (*seniūnijos*) to manage proximity services. There are around 545 such entities each headed by a civil servant appointed by the director of municipal administration. The ten counties (state administrative regions with centrally-appointed governors) were abolished in 2010 and replaced by regional development councils composed of municipal councillors, but which remain under the direction of the Ministry of Interior.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** Municipal competences were set by the 1992 Constitution and by the 1994 Local Government Act, modified in 2002, which ensures the autonomy and stability of SNG functions. The elimination of state counties led to the transfer of their competencies to municipalities (primary healthcare, education and social services) and to the central government. The decentralisation of social assistance, began in 2012, giving municipalities full management responsibility. Since 2015, they also have full responsibility for funding social assistance. Municipal competences are divided into either independent or assigned competences. Independent competences include education (pre-school, primary and secondary) and vocational training, health (primary health care and public health services), social welfare, spatial planning, local development, local transport (public transport and roads), environmental protection, housing, culture, public safety and order, waste and sanitation and water management. Delegated competences include civil and fire protection, agriculture and rural development, participation in labour market policy, public registry and archive services, protection of children's rights, organisation of secondary health care, etc.

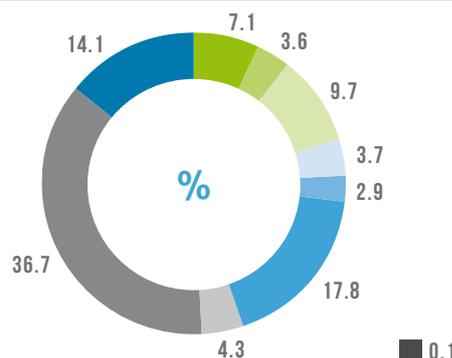
## SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
<b>TOTAL EXPENDITURE (2013)</b>	<b>8.3%</b>	<b>23.3%</b>	<b>100%</b>
<b>CURRENT EXPENDITURE</b>	7.0%	-	84.7%
<b>STAFF EXPENDITURE</b>	4.2%	44.2%	50.7%
<b>INVESTMENT</b>	1.3%	36.4%	15.1%

SNG spending share in GDP and public expenditure is below the EU average (respectively 15.9% and 32.8%) but closer if only the local level is considered (the EU average being respectively 11.4% and 23.4%). However, this share should increase following the recent decentralisation process of the social sector. SNG staff expenditure is particularly high, SNGs being responsible for the payment of teacher salaries and health administrative staff. Their role in investment is relatively limited.

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE



The largest category of SNG spending is by far education, which represents over 35% of total SNG expenditure, as municipalities have extensive responsibilities in this area. Health is the second main item of SNG expenditure, municipalities being in charge of most of the health care system, either directly or by delegation of the central government. Other major categories of spending include social protection, a growing area for municipal intervention, and economic affairs and transport.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	8.0%	24.4%	100%
TAX REVENUE	0.4%	2.7%	5.4%
GRANTS AND SUBSIDIES	7.2%	-	89.4%
OTHER REVENUES	0.4%	-	5.2%

Municipalities are highly dependent on central government transfers and subsidies which represent almost 90% of their revenue.

**TAX REVENUE.** PIT tax sharing, considered as tax revenue until 2008 SNA reform, has been classified as central government transfers since 2014 (see below). Today, local tax revenue includes two property taxes (tax on immovable property and the tax on land from households i.e. 63% of SNG tax revenue and around 0.2% of GDP), the stamp tax (22% of SNG tax revenue) as well as taxes on pollution (shared) and natural resources (6% each). Municipalities are able to set the rates of the tax on immovable property and of the tax on land (since 2013), within limits set by law (or decisions from central authorities). Other tax rates are set at the central level.

**GRANTS AND SUBSIDIES.** The Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets establishes yearly the percentage of the PIT falling on all municipal budgets from inflows to the National budget and the amount of grants allocated to municipal budgets based upon indices for each budgetary year. In 2016, the total PIT share for municipalities increased from 72.8% to 75.49%, representing around one-third of SNG revenues. The criteria used to allocate PIT to the municipalities changed in 2016. Municipalities receive a percentage of PIT share based on the municipality's projected revenue from PIT per capita compared to the average projected PIT per capita of all municipalities. Municipalities below the average receive 100% share of PIT whereas those which are above are donors. Other grants include special targeted grants which are assigned to specific competences or for implementing particular programs. From 2016, these grants will also include the EU and other international financial aid funds.

**OTHER REVENUES.** Other revenues include property revenue (1%) e.g. sales of assets and leasing of state-owned land as well as user charges and fees (4%) for the provision of municipal services.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	2.8%	5.7%

Limits to local government borrowing are set annually by the government via the Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets. Long-term borrowing is restricted to finance investment (golden rule). Municipal total and net borrowing limits are calculated from the approved municipal budget revenues (excluding state-specific grants). In addition, the amount of municipal guarantees cannot exceed a given share of municipal budget revenues (also excluding state-specific grants). In 2015, amendments to municipal borrowing regulations were drafted to reinforce municipal fiscal discipline. Recourse to municipal bonds is not authorised. In 2013, total outstanding debt comprised loans (75%) and "other accounts payable" (25%).

A joint-study of:



**Sources:** Eurostat (Government Finance Statistics) • Statistics Lithuania (2015), Lithuania Statistical Yearbook 2015 • OECD (2015), regulatory policy in Lithuania • Davulis G. (2014), Significance of local taxes for Lithuanian local government finance, International Journal of Economic Theory and Application • European Committee of the Regions (2014), Division of Powers Between the European Union, Member States, Candidate and some Potential Candidate Countries, and Local and Regional Authorities: Fiscal Decentralisation or Federalism • Burbulyte-Tsiskarishvil G. et al (2013), Local governments as the main actors of regional development in Lithuania • The Congress of Local and Regional Authorities (2012), local and regional democracy in Lithuania • Dexia (2008) Subnational governments in the EU: organisation, responsibilities and finance.