

MR. CHAIRMAN OF THE SEIMAS,
DISTINGUISHED MEMBERS OF THE SEIMAS
OF THE REPUBLIC OF LITHUANIA,
MY FELLOW CITIZENS,

In my address, I would like to share some of my thoughts on Lithuania's present and future and draw your attention to, in my opinion, the most important aspects of public life. Furthermore, the biggest challenges, the outstanding issues and the most worrying trends require our joint and concerted efforts.

Today, the soaring economy, society's democratization and gradual increase of the wellbeing represent the greatest achievements of Lithuania. These trends have been proved by statistics. Moreover, effective use of opportunities opened up by the European Union would further increase the income level. In my meetings with the heads of the most influential foreign states, I have heard many praising words about our country.

However, a deeper analysis of political and economic processes in Lithuania reveals many ambiguities or even paradoxes of our life. We have mastered democratic oratory, which often does not coin-

cide with our deeds. Selfishness, cynicism and narrow party interests often hide behind the declaration of „public interest“ and „justice“. **The urgent need to return public interest into political reality and all levels of it — that is one of the major challenges Lithuania is facing today.**

We have been building an independent state for sixteen years. However, today, we have to admit that public disappointment in our state as a value is deepening and our patriotism is diminishing. At times it seems that it is not external enemies but we who pose a threat to our statehood. We have witnessed significant economic growth. We are ever more successful players in European and global markets. We are offered great opportunities by the EU Structural Funds. It is, apparently, the right time to gain momentum in boosting our wellbeing. Hence, **targeted and transparent use of the EU funds and opportunities for building a greater wellbeing in Lithuania now and in the future — that is a second major challenge we all face.** All too often we are slow to act and argue over formalities and short-term interests, as if long-term prospects and our overarching aim to get closer to the average economic level of the EU are of little interest to us. Emigration statistics speak volumes of the future that awaits Lithuania, if we fail to seize these opportunities.

When state and society have clear goals, political debates are much more targeted and rational. Let us just recall the time of robust reforms, even constitutional amendments in the pre-accession period to the European Union and NATO. We became a fully-fledged member of the international community but, it seems as though we have forgotten that this status offers us a tool for achieving greater prosperity of the Lithuanian state and higher wellbeing for its citizens. We must not tolerate complacency. Therefore, **our nation and state**

face the third challenge: renovation and modernization effect will certainly be inadequate and short-term, unless assistance provided to Lithuania is accompanied by sound reforms in public governance, education and science, social support and health care. Extra funding will only temporarily camouflage the gaps, which are to reopen as soon as the flows of assistance decrease, unless the use of these funds is adequately related to our budget, coherent with reforms and long-term economic growth policy. If we fail to achieve these goals, the European Union funds may even do harm — distort people's expectations, trigger corruption and deepen distrust in public authorities.

Therefore, we need to realize that the forthcoming seven-year period, during which Lithuania will receive billions in structural funds, is a historic opportunity to reform outdated structures, which do not reflect the spirit of our times, and fundamentally enhance our wellbeing. That is an enormous responsibility and a tough yet surmountable task for Lithuanian authorities.

I therefore would like to stress the importance of regulatory impact assessment of our legislation, because this area still receives too little attention in Lithuania. Laws are often drafted and presented in haste with lack of any deeper analysis of possible economic and social implications or the existing best practice, as a result of which, public interests most often remain unconsidered.

Effective public administration and civil service system should become a solid institute, which ensures public interests, but today's reality is entirely different. Our public governance system still lacks professional competence and does

not act on the basis of universal goals and often becomes a hostage of personal and narrow party interests. Instead of improving coordination and solving public administration problems, we often opt for establishing new institutions, in order to increase one's powers or secure yet another post.

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Today we see the consequences of this situation. Scandals of the recent years, centering on politicians and civil servants, demand our clear evaluation. We can only marvel how the behavior of politicians and officials gradually erases the dividing line between decency and immorality. It is a dangerous situation, which demands clear evaluation: moral politics must be a value; furthermore, political and personal interests must not jeopardize the rule of law and common decency. I have always demanded and will continue to demand that the judgment of behavior of our politicians and civil servants would be based not only on legal aspects but also on the criteria of moral politics. A person, under a cloud of suspicion of trampling the principles of morality and thus undermining the reputation and integrity of the institution he or she represents, loses his authority and trust, and therefore can no longer properly perform his duties.

It is seven years since we first started speaking about the need to approve the Politicians' Code of Ethics. Today we need it more than ever. However, the Seimas is still lacking political will to adopt it. Our country is driven to despair by a record number of cases, when politicians and officials, who have overstepped the standards of decency, mixed up public and private interests, go unpunished, not even publicly denounced, and claim to recognize only legal responsibility. I therefore want to emphasize: legal arguments in scandalous politi-

cal cases should never be used as a shield to deny one's morally corrupt conduct. I believe that the code of ethics for civil servants should finally establish political responsibility in our public life — political responsibility which under no circumstance could be questioned.

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As I have already mentioned, one of the major tasks for our country is to prepare for the use of the European Union structural funds, having duly considered foreign experience and lessons we have learnt during nearly two-year membership in the European Union. Downhearted we have observed the „tussle“ between the coalition partners about who will distribute structural funds. It is my hope that we will have a no less vigorous debate over the areas in greatest need of the European Union assistance. And I urge to consider the substance of this issue and not only the ways of administration. I would like this debate to be more intense and embrace not only politicians but also the public at large.

I therefore speak against any attempt to adopt major decisions in this area in the coalition council. The decision making process in this case should be public and should take place in the Government and the Seimas. If distribution and use of billions of funds are decided behind the closed doors and the underpinning arguments are concealed from the public, suspicion about the transparency of these decisions is only just.

I have repeatedly highlighted the areas, towards which the EU funds, in my opinion, should be channeled. First and foremost, I have in

mind structural reforms, especially, those in education and science, and integration of Lithuania's energy and transport systems into the European networks and European markets. It must become an investment into the future — investment that would not supplant private initiative, but on the contrary, improve conditions for the public to create its future wellbeing. These measures and investments into public infrastructure would contribute to the rising standard of living not only in large cities, but also in other regions of the country.

Therefore I will demand publicity in the use of structural funds and the expected immediate impact on the life in Lithuania. I will personally demand that respective law enforcement agencies closely watch how the EU funds are utilized in Lithuania. Funding must be provided to projects that benefit the general public but not individual interests groups.

International surveys reveal that corruption perception as seen by the public indicates that corruption in Lithuania remains widespread. Is this related to the increase of state-distributed funds? Corruption not only impedes business development and evokes feelings of insecurity, but also demonstrates our failure to do away with the past. Apparently, corruption has its deepest roots in those areas, which have remained untouched by reforms, and where the public sector is unjustifiably dominant. Suspicion over fund distribution also deepens distrust in the powers of public democratic institutions.

In order to combat corruption and boost political transparency, we need to develop a reliable and transparent political parties' and elections' funding system to ensure that ideas and political programs, but not money, determine the voters' choice. We should admit: under present conditions, where weak political parties' system is aggra-

vated by fragile public trust, we face an apparent threat that external or internal financial injections may fundamentally change the political situation in the country. There is no need to over-dramatize the situation; however, business interests groups obviously take ever more active role in politics and, for example, through short-lived parties often seek their interests irrespective of consequences to our society, political system or political life.

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There is a great need to improve public governance. Conflicts reveal low efficiency of public authorities and incompatibility of their functions. As I have already mentioned, public governance system, regrettably, does not always act on the basis of professional competences and public interest. In my opinion, establishment of new institutions in order to improve coordination between separate governance links is not the right solution. Improvement of public governance must not remain on paper; this goal requires full attention of the Government and the Ministry of Interior, which is directly responsible for public administration.

The governance reform must be based on the principles of democratization, decentralization and broad public participation. As you know, I am in favor of the idea to eliminate the county system and promote more rapid democratization of regional governance. I support direct mayor elections; directly elected officials would feel a greater responsibility before voters; unjustified influence of central authorities would reduce; confidence in local authorities would grow, and the neighborhoods would acquire more competence. Citizens would take part in taking decisions over daily issues through the councils of community representatives.

Active citizenship is the basics of democracy. Public criticism levelled at public authorities and governance structures or directly related bodies proves public insistence on high standard. More dangerous would be indifference and disappointment in the ability to influence and demand change; more dangerous would be thinking that public opinion counts for nothing. Therefore, by emphasizing the principle of decentralization, we promote greater public involvement and show our trust in them.

The European Union funds should also be used to decentralize governance and to improve the system of regional and municipal authorities. To reach these goals, we need to improve the quality of services provided by public bodies and widen public access to these services that apparently require speedy development of e-service system, in which we are still lagging behind the other European countries.

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We do agree that one of our strategic goals is to create conditions for a more speedy growth of economic productivity and people's income. I therefore would like to stress yet again the importance of competition because only competition can ensure faster growth of productivity and slower rise of prices. It is gratifying that in recent years the average people's income has been rising faster than prices, and today Lithuania enjoys high ratings in the international reports on investment environment and economic freedom. Advanced I consider the plans to cut labour taxation. I have always supported this and, I believe, it is worth accelerating this process. However, last year saw a sharp dropdown in the flows of foreign direct investment to Lithuania. International studies show a relative deterioration in

Lithuania's competitiveness. Surely, the volume of investment should not be a goal in itself, however, in a way it reflects the status of our economy. Rapid economic growth and ever increasing budget revenue as well as opportunities offered by the European Union must not make us complacent, but become a powerful impetus to our efforts to get more attractive for investment, improve business environment, and build capacities to adapt to increasing competition and global changes. Only thus may we expect wellbeing to increase and emigration to decline; only thus may we expect the return of those who have left Lithuania.

Surveys demonstrate that major obstacles for economic development and competitiveness are closely related to poor performance of public institutions. That is further worsened by sluggish reforms in such public spheres as education and health care, failure to effectively solve the problems of restoration and protection of ownership rights and land use. Lithuania's economic growth is fuelled by private companies. However with ever strengthening global competition, long-term growth will become more dependent on public bodies, freedom left for private initiative and competition, and, for instance, structural education reforms tailored to the needs of the changing labour market. Higher qualifications and skills, flexibility in adjusting to changing environment, technological progress, more effective use of land and infrastructure offer key solutions to the challenges of increased competition and global economy in general.

In my last year state-of-the-nation address I set a goal for Lithuania to reach the level of economic development of the European Union in fifteen years. I continue to maintain that this ambitious goal is attainable; however, we should also establish medium-term objectives. For instance, perhaps it would be a worthwhile idea to try and rise to

the top 20 most competitive countries of the world by 2010? With such an objective in mind, we would be committed to improving, continuously, the taxation and administrative environment. Let us not be afraid to assess, in a critical manner, our progress, admit failures and learn from our own as well as other's mistakes. For a few years already I have been calling for as much attention as possible to the assessment of the budget. The public has a right to know what benefit we receive from the tax payers' money. This should also be the basis for further allocation of funds.

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Having decommissioned the Ignalina Nuclear Power Plant, Lithuania will be extremely dependent on the single source of energy. Taking into account the political aspects of gas supply from Russia, I believe that alternative sources of energy supply, which create conditions for competition and energy security, is one of the most important strategic goals. Therefore I welcome the document signed by the heads of government of the three Baltic States concerning the construction of a new nuclear power unit in Ignalina. This is going to enhance, in a considerable way, energy security not only of Lithuania but also of the entire Baltic region. I urge the government to defend actively Lithuania's interests in the debate about the European energy policy, in particular, and to look more actively for concrete solutions to the construction of power bridges and integration of Lithuania's energy system into the common European energy market. Only competition and a variety of supply sources can protect us from the increase of gas and electricity prices in the future.

It is therefore very important to ensure that the process of privatization of the *Mažeikių Nafta* is not unnecessarily delayed and that the

selection of a buyer is based on its ability to manage the enterprise in a successful and transparent manner. It is of crucial importance to preclude any political interference into the running of the refinery. The energy sector in general suffers from too much politicizing as no political compromise is found regarding the law on gas and we witness continuous arguments about amendments to the law regulating the heating sector.

Another reason for exclusive significance of the energy issue to Lithuania is very low energy efficiency of our country. This situation calls for change and new conditions conducive to the implementation of energy saving measures as well as a wider use of renewable local energy sources.

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Creation of welfare can never be separated from the sense of security. Membership in the European Union and NATO has increased the guarantees of external security. However, security of our people at home remains a problem of primary importance.

We must admit that the system of protection of society that we are developing is not sufficiently effective and many citizens do not feel secure either in their country or at home. This means only the following: the current law enforcement system does not meet the needs of society. There is an obvious need for a single system linking separate law enforcement agencies and coordinating their work. Such a system would also address, in a comprehensive manner, the issues of training and remuneration of law enforcement officers as well as their social guarantees.

The incapacity of our legal system is also demonstrated by scandalous investigations lasting for years without any clear result. I have already mentioned the paradox of sometimes using the power of the legal system not to enforce justice but to shield from it or to devalue moral assessment. Limited legal assessment based on formalized legal norms provides conditions for evasion of responsibility and at the same time creates the climate of impunity in society as well as increases distrust in law enforcement and contributes to the growth of crime rate.

Both as the head of state and a person who takes part in the formation of the judges' corps, I cannot remain indifferent to the current situation in the judicial system. The public expresses distrust and criticism towards the work of courts, which is quite often justified. The meetings with chief justices and representatives of judicial self-government bodies have convinced me that the situation requires fundamental change. Therefore in the near future I am going to present a new draft of the Law on Courts as well as other legislation regulating the selection, appointment and promotion of judges and related questions.

We must encourage members of society to take on a more active role in these processes. The Constitution guarantees a possibility for every citizen to defend their rights and we have witnessed cases where citizens did defend their rights in the Constitutional Court. This is an example of active citizenship to be followed and one of the ways to increase confidence in our courts too. I have no doubt that protection of the rights and freedoms provided for in the Constitution could be helped by the enforcement of the individual's right to make a complaint which I had raised four years ago.

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Last year, I mentioned alarming demographic trends in our country. The recent fifteen years saw a decrease in the number of children in Lithuania by a quarter and the number of pre-school age children — by forty five per cent. These are threatening figures. The polls show that sixty two per cent of the population place the highest confidence in the family, but in reality an increasing number of children is raised by single parents. These children will shortly constitute fifty per cent. I want to note yet another negative trend — both the government and the Seimas tolerate this situation and quite often such concepts as „family“, „family responsibility“, and „responsibility before children“ disappear from the laws altogether.

Quite often the state is quick to take a child into its custody, nevertheless I firmly believe that more attention should be paid to the family since the family is the nucleus of society and culture, and is a natural and most secure environment for the child. Even in cases when the family experiences difficulties, the support first of all should be granted to the family, i.e. to the child. Taking the child away from parents is the easiest option. That is why state policy should be aimed at supporting families — both the ones with problems and those leading a full life.

Therefore it is necessary to begin considering, in a comprehensive manner, the advantages and disadvantages of the state support system. Today, social benefits are allocated in accordance with a few legal acts which sometimes are in conflict, and it does happen therefore that a benefit granted on the basis of one legal act is reduced according to another legal act. It is necessary to establish a support

system that would allow assessing the situation and needs of each family on an individual basis.

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The reform of the health care system has been underway for a number of years already and during all that time it failed to deliver. So there remains a question, whether the health care is working for its own good or its patients' benefit? In this area, funding continuously increases, new technologies are introduced, doctors' salaries increase, but the people are critical of health care and consider it to be the most corrupt system.

One of the reasons is that health care is too centralized. We must understand that only competition between health care institutions can ensure the level of services adequate to the patients needs. The distribution of medical services today is clearly becoming a policy of protection of health care institutions, a policy that is in principle faulty, ineffective and unreasonable. The state should not group health institutions as „its own“ or „alien“ because the only criterion of the work of these institutions is quality and service accessibility.

We should not tolerate the situation where the same people and groups are responsible for policy development, its enforcement and allocation of financial resources for its implementation and finally for the evaluation of overall effectiveness and transparency of all the mentioned steps. This is an absolutely inappropriate practice which is of no benefit to either patients or medical doctors or the state. It is necessary to make those responsible for health policy development accountable to the public for their decisions. Health policy

must be based on the general principles of economic activity but not on the interests of individual privileged groups.

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Vigorous involvement of our society into a new economic, cultural, educational and research area in the European Union is a challenge to all spheres of education in Lithuania. Today, the following question remains open: Is it enough to train active, educated and conscious young people and to create a flexible system of vocational training? My hope is that the government will finally approve and start the implementation of the higher education system development plan that has been submitted to it, while the Seimas will not hesitate to make decisions about the necessary amendments to the laws.

If we use the European Union structural funds appropriately, in the coming years the science in Lithuania should witness many changes. It is good to use the support for upgrading the qualifications of scientists or for foreign language study, but it is more important to modernize our research institutions, upgrade their laboratories, and develop the infrastructure. That would enable more frequent participation in international research programs, improve the reputation of our scientific institutions and individual scientists, and increase their competitiveness. That would also help to reform the financing of scientific institutions, abandon the „equality“ principle and distribute more funds through specific programs. Lithuania will be able to prevent the brain drain only if our scientists, instead of being participants of international research, will become genuine initiators.

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Alarming emigration data has triggered wide discussions about the lack of patriotism. We often hear regrets that today patriotic values are no longer as important as during the years of *Sąjūdis*. But if we take a closer look, we shall see that it is our authorities and politicians who lack patriotism most. Those who, in word, are declaring love for their homeland, while in deed are humiliating the name of Lithuania too often; and with their machinations, scandals of corruption and legal nihilism undermine confidence in our state. High requirements that our people set for their elected representatives, civil servants and policies pursued by them demonstrate belief of the public in the state and its future. The authorities have no right to ignore the will, opinions and self-respect of the people of Lithuania.

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Lithuania lives through all these changes being a reliable member of the European Union and NATO, playing an active role in peace restoration in Afghanistan and Iraq, supporting the development of democracy in geographically and historically close to it states. There is no doubt that Lithuania has to continue to build on the achievements of its foreign policy that is a result of good neighborly relations and constructive partnership.

On the other hand, threats and challenges that we faced in the past have not disappeared yet. We are secure; however, there are many unsolved problems in our region. Certain facts of political reality in our immediate proximity in the East are causing concern because of restraints on the development of civil society and of the strengthening role of the state in the economic and public areas.

Yet it is necessary to maintain a dialogue with the people of these states. It is necessary to involve into the formation of foreign policy not only the major parliamentary parties which endorse its goals but also the academic community, non-governmental organizations and the business.

Ladies and gentlemen,

Membership in the European Union has become the most coherent political and economic project of our state which has secured the support of the whole society after the reestablishment of Lithuania's independence. This is a historical opportunity and the best precondition to attain our strategic aims — welfare and security. We shall accomplish them only by being active, rather than passive, members of the European club.

Therefore, using foreign policy instruments we must formulate an ambitious common agenda of the future of Europe reflecting our national interests, namely, openness of the Community to the countries of the Black Sea region that have chosen a way of democratic reforms; solidarity in the fight against such global challenges as international terrorism; unity by speaking with one voice with the world and such strategic neighbors of the European Union as Russia.

Only having embarked on this road, Lithuania will remain a reliable, responsible and equal partner in the world and in the Baltic and Black Sea region. The region, which last year lived through significant changes and united Ukraine, Georgia and Moldova into the community of democratic choice, determined to seek European perspective and starting on the road, already familiar to us, to the transatlantic family.

Ladies and gentlemen,

The strength of every state, nation and people as well as their resolve to act is demonstrated by the courage to take a critical look at its works. This is what I wish all of you in building the present and the future of Lithuania. Let us be strong and have courage to identify shortcomings and errors, and let us be wise not to repeat them. Let us believe in our freedom, our state, our Lithuania and let us do all in our power to see this belief growing in every person in Lithuania.
