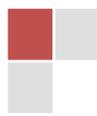


# Lithuania: National Reform Programme



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## I. GENERAL PROVISIONS

The updated National Reform Programme for 2012 is a summary of the main structural reforms that are being implemented, or that are planned to be implemented in an effort to achieve the quantitative targets under the Europe 2020 Strategy. These include the following: to implement the Council Recommendation on the National Reform Programme 2011 of Lithuania and delivering a Council opinion on the updated convergence programme of Lithuania, 2011–2014, to fulfil the obligations assumed by Lithuania for 2011 under the Euro Plus Pact, and to eliminate obstacles to economic growth in Lithuania. The document has been drafted in order to take into account the provisions of the Lithuania progress strategy *Lithuania 2030*, which was approved by the Government in November 2011 (Official Gazette, 2011, No. 144-6763). When planning new measures in the field of structural reforms, the evaluated proposals of the European Commission to EU Member States are provided in the Annual Growth Survey 2012 and in the letter of the President of the European Commission Jose Manuel Barroso regarding youth unemployment.

Only minor changes have been made to the structure and format of the National Reform Programme 2012 compared to last year's programme. In compliance with the Guidelines prepared by the Commission on the updating of national reform programmes 2012, a new chapter was included in the text intended for the summary of the progress made in implementing the National Reform Programme and two new annexes regarding the implementation of measures provided in the National Reform Programme between April 2011 and April 2012 and the planned measures for the next 12 months. Annex No. 3 contains the implemented and planned measures related to the implementation of the Council recommendations, and Annex No. 4 describes the implemented measures related to the quantitative national targets, Lithuania's obligations under the Euro Plus Pact, and the elimination of obstacles to economic growth.

With a view to joining the Euro zone and strengthening the economic governance and competitiveness of the European Union, Lithuania assumed additional obligations under the Euro Plus Pact approved by Euro zone states in 2011 to continue to promote competitiveness, increase employment, and ensure the sustainability of public finances and financial stability.

Europe 2020 puts forward priorities for smart, sustainable and inclusive growth, the implementation of which will be measured by quantitative targets. These include employment and investment in R&D, energy and climate change, social inclusion and education. Lithuania's National Reform Programme provides an overview of the areas evaluated by the quantitative targets, their projections for 2015 and 2020 (Annex No. 1) and priority action directions planned to achieve the objectives. The Programme also outlines the main measures foreseen for implementation of the priority action directions and committed funding (Annex No.2).

In the Annual Growth Survey 2012, the Commission presented its proposals regarding EU priorities for the next 12 months in the area of economic and budgetary policies, as well as reforms that would promote growth and job creation. This document marked the opening of the second European Semester of economic governance. The Commission's opinion is that in 2012 national and EU level efforts should be directed at the following five priority actions: to pursue differentiated, growth-friendly, fiscal consolidation; to restore normal lending to the economy; to promote growth and competitiveness both now and in the future; to tackle unemployment and the social consequences of the crisis; and to modernise public administration.

Irrespective of certain positive developments, the major structural obstacles to Lithuania's economic growth identified by the interinstitutional working group and approved by the Government of the Republic of Lithuania in 2011 have, in principle, remained the same: an excessive budget deficit, relatively insufficient competitiveness and productivity, an unfavourable business environment, underdeveloped infrastructure and high unemployment. Having regard to the priorities outlined in the Europe 2020 Strategy and the activity priorities established by the Government of the Republic of Lithuania for 2012 approved under Resolution No. 1203 of 12 October 2011 of the Government of the Republic of Lithuania (Official Gazette, 2011, No. 126-5992), the key reforms to be frontloaded in the short-term period (until the end of 2012) are related to the maintenance of financial stability, fostering employment (particularly, among youth), improvement of the business environment and regulation, further restructuring of state-owned enterprises, optimisation of the health care network and the development of electricity and gas networks. In the mid-term period (after 2012), in order to implement the goals of the Europe 2020 Strategy, it will be important to implement social insurance reform and to continue reforms in the energy and health care sectors, as well as to further improve the business environment and conditions for scientific research and innovation. EU assistance will be of high importance in successfully achieving the goals of these reforms.

The National Reform Programme 2012 is in line with the main provisions of the Convergence Programme 2012 approved by the Government of the Republic of Lithuania and other strategic - programming documents currently implemented by the Government of Lithuania. Sustained macroeconomic stability remains the guiding principle in planning the structural reforms in the near- and mid-term.

The National Reform Programme has been prepared by an interinstitutional working group coordinated by the Minister of Economy, comprising representatives of the ministries, the Bank of Lithuania and Statistics Lithuania. With a view to including social and economic partners in the process, the draft

National Reform Programme 2012 was presented to public organisations representing different interest groups, social and economic partners.

## **II. IMPLEMENTATION OF THE NATIONAL REFORM PROGRAMME 2011**

Seeking to achieve the national quantitative targets provided in the National Reform Programme 2011, overcome obstacles to economic growth and perform the additional obligations assumed under the Euro Plus Pact, the structural reforms summarised in this Chapter were implemented; detailed information is available in Annexes No. 3 and 4 to the National Reform Programme, in the format proposed by the Commission.

The majority of the measures implemented in Lithuania during the period April 2011-April 2012 are closely interrelated and supplement each other; therefore, in order to avoid repetition in Annexes No. 3 and 4, respective references are provided, where necessary.

The structural reforms were implemented in the following main fields: public finances, pensions, education, health care, labour market, energy sector, state-owned enterprises, fostering competitiveness, innovation, and improvement of the business environment.

The most important objective – to stabilise the public finances, while simultaneously supporting economic recovery – was implemented. The strict fiscal policy helped stabilise the public finances, restore the competitiveness of the economy, and preserve investor confidence. Based on the preliminary data of the Ministry of Finance, the public sector balance stood at – 5.5% of GDP in 2011 and corresponded with the target set in the Convergence Programme of Lithuania 2011 that the public sector deficit would be approximately 5.3% of GDP. The projections are that the country's public finance deficit will not exceed 3% of GDP in 2012. The reforms related to the public finances are described in greater detail in the Convergence Programme of Lithuania 2012.

Lithuania's economy had already resumed growth in 2010, and in 2011, the country's economy was the second fastest growing among all EU countries (5.8%), and export growth was among the fastest growing in the European Union (in 2011, 25% more was exported than during the pre-crisis year 2008). Although a significant drop in unemployment was recorded in 2011, it still however, remains fairly high. Further economic growth will depend largely not only on Lithuania's ability to implement the required structural reforms but also on external factors, first of all, the coordinated efforts in ensuring economic recovery in the European Union.

Implementing the pension reform, a decision was made to extend the retirement age to 65 years from 2012, and the maternity (paternity) allowance payment procedure was restructured rationally. When

reorganising the health care system, the number of health care institutions was reduced from 81 to 62, leading to savings of around LTL 154 million (EUR 44.6 m). The procedure for the establishment of pre-school education institutions liberalised in 2011 allowed 6,000 additional places to be created in kindergartens.

In principle, higher education reform was implemented, all state schools of higher-education were reorganised into public institutions, the management of state universities was modernised, and the financing procedure was changed – the student's basket is now allocated to students rather than to the institutions of higher education. Institutions of vocational education are being restructured, and their infrastructure is being upgraded. The continuing education and adult training project is being implemented in 25 municipalities.

Active labour market measures allowed stabilising the position in the labour market. In 2011, 72,400 jobseekers took advantage of the active labour market measures. Employment assistance was provided to 218,800 jobseekers. Around 73% of employed persons found a permanent job (70% in 2010). In 2011, the unemployment level dropped 2.4% age points and stood at 15.4%. The employment level in the 20-64 years age group increased by 2.8% age points and was 67.2%.

Although the youth unemployment rate remains quite high, it is gradually decreasing. In 2011, 60% of young unemployed persons registered with the Labour Exchange found employment. Micro-credits are granted to young people starting their own business. After tax incentives and subsidies were introduced, employers were provided with more attractive conditions to employ persons with no previous work experience. Compared to 2010, the unemployment rate of youth (aged 15–24 years) dropped 2.2% age points and stood at 32.9% in 2011.

In 2011, real progress was achieved in ensuring energy security, strengthening energy infrastructure and creating pre-conditions to increase competition in this sector. Tangible works were completed in connection with the Visaginas Nuclear Power Plant, the Liquefied Natural Gas Terminal and the development of the electricity market (including the establishment of the first Power Exchange Market in the Baltic States, and preparatory works for the power connections with Sweden and Poland), the legal base to implement the Third Energy Package (the unbundling of gas transmission from production and supply) was created, the natural gas exchange was launched, and the share of energy from renewable resources in the total energy consumption was growing.

Implementing state-owned enterprise (SOE) reform, will lead to an increase in the transparency of the activities of these companies and an improvement in strategic activity plans. The reform contributed to the growth of SOE income by 7% – up to LTL 6.85 billion, to the growth of profit from SOE activities

– a profit of LTL 183 million in 2011 from a loss of LTL 2 million in 2010, and to the growth of net profit from the SOE portfolio – up to LTL 79 million (LTL 76 million more than in 2010).

In 2011, further progress was made in strengthening the competitiveness of the economy. In the Competitiveness Report 2011-2012 of the Global Economic Forum, Lithuania ranked 44 among 142 countries surveyed, having strengthened its competitiveness by three positions and having improved its competitiveness indicator by nine positions over the past two years.

In the field of improvement of the business environment, the main work is related to the improvement of conditions for business activities. The two-date rule (the new legal regulation comes into effect twice per year) has been applied to the new business regulation provisions. Implementing the reform of business supervisory institutions, the Declaration Regarding the First Business Year was signed, control is based on risk assessment, control checklists are prepared and applied in order to streamline control, and increasing attention is paid to consulting assistance. The setting-up companies online has been made possible by significantly shortening the time for incorporation of a company (29.5% of all newly-established private limited liability companies were incorporated online in 2011). Almost all (99.9%) annual financial reports are submitted to the Register of Legal Entities electronically. More than 75% of public procurement is carried out by electronic means. The new wording of the Law on Competition provides conditions for more effective activities of the Competition Council and better implementation of the Competition Rules, as well as ensures clearer and more proportionate requirements for economic entities. The Rules for the Calculation of Fines Imposed for Violations of the Law on Competition approved by the Government, which will enable the Competition Council to better individualise fines imposed on economic entities, have contributed to the improvement of the competitive environment as well.

The measures to improve business conditions added to the growth of the number of newly established companies (13%, or 1,193 companies more), decrease in the number of deregistered (47%, or 2,844 companies less), and the creation of new jobs (4%, or 46,000). After the conditions for the issuance of construction permits had been improved, the length of the construction permit issuance procedures shortened from 162 to 83 days.

Implementing the measures to prevent new administrative burden, when drafting and adopting legal acts, we began to assess the administrative burden on economic entities of all draft legal acts providing new information obligations or replacing the applicable ones. In order to reduce the tax burden on small- and medium-sized business, the limit of registration as VAT payers was increased from LTL 100 to 155,000 and the limit of income, up to which the preferential profit tax rate of 5% is applied, was increased from LTL 500,000 to 1 million with effect from 1 January 2012.

When promoting business development and the transition of small- and medium-sized business entities to financing sources, the following new measures were introduced: the first-year business baskets, financing of small- and medium-sized companies from venture capital funds, clusterisation promotion measures, measures intended to promote R&D and innovation (innovation cheques, strengthening of valley infrastructure), and further implementation of measures aimed at attracting foreign investments.

### **III. MEDIUM-TERM MACROECONOMIC SCENARIO**

The medium-term macroeconomic scenario, the substantiation and respective preconditions thereof are described in detail in the Convergence Programme of Lithuania 2012, and therefore, they are not provided herein.

### **IV. OVERCOMING STRUCTURAL OBSTACLES TO GROWTH**

#### **4.1. ENSURING THE SUSTAINABILITY OF THE PUBLIC FINANCE**

The most important task of the fiscal policy in the medium-term is to continue the consolidation of the public finances and to substantially improve conditions in the areas that can ensure an economic breakthrough. Comprehensive fiscal policy strategy for achieving these goals and implementing the measures for general government finance consolidation and economic recovery is provided in the Convergence Programme of Lithuania 2012.

#### **4.2. PREVENTING MACROECONOMIC IMBALANCES**

To prevent economic and financial imbalances, the reduction in fiscal policy pro-cyclicality will have to be accompanied by enhanced financial sector stability, sustainable development of credit flows, competitiveness enhancement, and maintenance of the balance between wages and productivity. Under the economic and financial crisis, the economy had to abruptly adapt to the suddenly changed external conditions. Such adaptation together with the Government's actions directed towards the reduction of government sector expenditure had an ambiguous impact on the macroeconomic balance – at the beginning of the crisis, along with the growth of the budget deficit and public debt, some other macroeconomic imbalances decreased or eventually disappeared (the foreign trade deficit decreased rapidly, real estate prices fell and stabilised, and the preconditions for unbalanced growth of wages, consumption and private sector debt disappeared).

The measures intended to ensure the sustainability of the public finances are described in detail in the Convergence Programme of Lithuania 2012; therefore, the National Reform Programme elaborates

only on the measures related to financial sector supervision, fostering of competitiveness, and reforms in the labour and goods markets.

In addition to the financial sector risk mitigation measures being implemented at the international, EU and regional level, the Bank of Lithuania (BoL) and other responsible national authorities have been implementing multiple risk mitigation measures at the national level. Preventive crisis management work by the BoL covers the supervision of commercial banks operating in the Republic of Lithuania, analysis of the activities of the entire banking system, improvements and supervision of the payment system, as well as implementing bank stress tests. Given that the banks operating in Lithuania survived the recession of 2008–2009 without Government or BoL assistance, the risk mitigation measures applied are aimed at further enhancing supervision of the banking system and preparedness to manage possible crises.

Due to structural changes in the economy, as well as developments in risk assessment and micro and macroeconomic measures adopted, credit flows in monetary financial institutions will be more balanced and slower in the immediate future. Financial institutions and their borrowers sustained great losses during the crisis, therefore lending standards will remain tighter and creditworthiness will be assessed with more consideration to changes in client solvency throughout the economic cycle. Cancellation of state subsidies for mortgage loans, the drafted Law on Bankruptcy of Natural Persons and more stringent international capital adequacy and liquidity requirements should also contribute to limiting investments in insufficiently productive sectors, where there is a higher risk of price bubble emergence exists.

**The following priority action directions are possible to avoid macroeconomic imbalances:**

- forming anti-cyclic capital reserves;
- forming anti-cyclic rates of required reserves;
- establishing maximum loan-to-collateral ratio, where appropriate;
- establishing loan-to-earnings ratio, where appropriate;
- limiting equity capital-to-debt ratio, where appropriate.

The provisions for organisation of internal control and risk assessment (management) of banks approved by the Bank of Lithuania:

- credit institutions are required to revise their risk management processes, applicable prudential risk limits and other aspects of their activities;
- legal acts of BoL regulating the processes of internal capital assessment, supervisory review and evaluation, requirements for the consolidation of financial statements of the financial group and joint (consolidated) supervision have been supplemented;

- requirements for the supervision of branches of foreign bank and cooperation with supervisory authorities of other EU Member States in carrying out the supervision of branches were amended;
- the concept of standard maximum exposure to one borrower and connected persons was made more stringent in order to limit bank loans to connected persons thereby reducing loan portfolio dependence on connected borrowers.

The Law of the Republic of Lithuania on Financial Sustainability providing for consolidation of measures strengthening financial stability enhances the readiness to manage crisis situations and contributes to higher stability in the financial sector. The Law envisages the possibility for the government to issue guarantees, redeem bank assets and acquire a part of bank capital as well as to take over bank shares for public needs.

### **4.3. FOSTERING COMPETITIVENESS**

With the beginning of the economic recession, Lithuania's current account deficit decreased considerably. However, to prevent the deficit from growing in the long-term, domestic production of goods creating higher value added should be promoted. Due to rising prices of energy and raw materials, service exports for Lithuania – a country with scarce natural resources – are of particular importance. It is therefore essential to increase the share of services, including tourism (priority types of tourism for 2010–2013 are cultural, active (sightseeing), health, and business (conference) tourism), knowledge-intensive services, and high-tech production in Lithuania's export structure. In addition to improvements in the business environment and infrastructure, promotion of R&D and innovations, changes in the education system and other developments covered in the National Reform Programme, fostering productivity and economic growth in the long-term will require increasing foreign and local investments and addressing labour market problems; this is of particular importance considering the fact that Lithuania has a relatively low efficiency rate of production.

Well-qualified human resources are crucial to creating higher value added, therefore measures should be taken to retain skilled persons through promoting social dialogue, improving the efficiency of the education system and its conformity to market demands. In this regard, an effective system of qualifications and guaranteed opportunities for all age groups to raise their competences under lifelong learning programmes is important.

In the future, effort should be also be made to finance a higher share of the current account deficit through foreign direct investments that are more secure and useful to the country's economy than loans. More intensive measures to attract investments are useful in increasing Lithuania's attractiveness to investors and resolving problems related to competitiveness enhancement.

**To foster competitiveness, Lithuania will follow these priority action directions:**

- develop national sectors of high and medium high-technologies by attracting public and private sector investments to R&D and promoting science and business partnerships;
- develop clustered innovative traditional industries;
- develop new fields of economic activity: clean technologies, future energy, creative and cultural industries, areas of health and welfare;
- improve business and investment conditions in Lithuania;
- promote foreign investment by developing service hubs for export in Lithuania;
- improve the quality of the education system with special attention to lifelong learning;
- train highly qualified specialists meeting public and economic demands;
- develop and use R&D results in order to highlight and strengthen the country's advantages;
- ensure quality functioning of the study and R&D system;
- strengthen foreign language teaching.

**Key measures in implementing the priority action directions:**

*Lithuanian Innovation Strategy for 2010-2020.* The Strategy is aimed at developing a creative society, facilitating the promotion of entrepreneurship and innovations so that the Lithuanian Summary Innovation Index reaches the European average in 2020. Planned measures include:

- implementation of integrated programmes of science, studies and business centres (valleys) 'Saulėtekis', 'Santara', 'Santaka', 'Nemunas' and the Lithuanian Marine Sector, and implement other valley development measures;
- development and implementation of a scheme for providing grants to researchers through competition and other programme competition-based funding schemes;
- implementation of High Technologies Development and Industrial Biotechnology Programmes;
- implementation of a financing model for commercialisation of results of common science-business projects intended for research conducted in the areas of joint research programmes;
- provision of financing for the implementation of innovative business cluster activity projects;
- development of support mechanisms for innovative enterprises during their incubation activities;
- promotion of the establishment of research companies;
- preparation of the BSR Stars Programme for the Development of the Innovation, Clusters and SMEs Network in the Baltic Sea Region;
- provision of financing to natural and legal persons seeking to protect their industrial property rights at the international level;

- increasing access to continuing non-formal education of adults (advanced training and re-qualification);
- creation of conditions for cooperation between the business community and higher education and research institutions in the area of R&D.

*National Programme for the Development of Studies, Research and Experimental Development for 2013–2020.* This Programme is aimed at strengthening the country's competitiveness and increasing welfare by developing the study, R&D and innovation systems. Planned measures include:

- continuous update and improvement of the study content and process;
- modernisation of the necessary study infrastructure for the organisation of the quality study process;
- ensuring the implementation of R&D activities conforming to the highest international level, meeting public and economic demands and creating a high value added, strengthening of intellectual R&D potential;
- development, update and concentration of infrastructure which would enable high impact technologies and other promising R&D directions and economic sectors to be developed;
- creation and development of the innovative use of R&D results;
- ensuring the monitoring of activities, quality assessment and communication between research and study institutions.

*National Education Strategy 2003–2012.* This Strategy is aimed at ensuring education quality in line with the needs of an individual living in an open civil society under market economy conditions, and the universal needs of the modern world society. Planned measures include:

- implementation of measures provided for in the General Education Curriculum Formation, Assessment, Updating and Implementation Strategy (2006–2012) pertaining to the teaching and widened choice of foreign languages and increasing student choice in studying foreign languages;
- implementation of projects of the School Improvement Programme Plus (SIP+) and other projects aimed at improvements in school infrastructure, developing management competences and leadership skills, increasing student choice in foreign language learning, improving early teaching of foreign languages and ensuring project continuity.

*National Education Strategy 2013–2022.*

*General National Programme for Cooperation Between Research and Science on the One Hand and Business on the Other Hand.* This Programme is aimed at promoting closer long-term cooperation between national research institutions and business by developing the most promising R&D directions in Lithuania, determining the commercialisation of R&D results and technology development. Planned measures include:

- promotion of business investments in R&D and creation of conditions for business to take advantage of R&D results;

- development of high-competence R&D centres in Lithuania;
- concentration of the available scientific potential for the resolution of problems that are important and relevant to the State, in order to ensure the practical use of R&D results;
- promotion of the establishment and engagement of national research networks into international research networks;
- creation of conditions for the activities of research groups in the centres of excellence;
- promotion of commercialisation of R&D results.

*General National Complex Programme.* This Programme is aimed at increasing the comparative share of R&D-intensive economic sectors and meeting the horizontal R&D demand in economic sub-sectors through the complex combination of training highly qualified specialists, R&D implementation, strengthening the links between science and business, development of common infrastructure and other measures fostering competitiveness. Planned measures include:

- ensuring sustainable development of specific science-intensive economic sub-sectors (science-intensive business segments);
- complex combination of training highly qualified specialists, R&D implementation, strengthening of links between science and business.

*Researchers Career Programme.* This Programme is aimed at promoting the continued professional development of scientists and other researchers in all stages of their careers and increasing human resource capacity in the R&D field in quantitative and qualitative terms. Planned measures include:

- improvement of researcher qualifications and competencies;
- promotion of researcher mobility;
- assistance in increasing the number of researchers and reducing their average age in Lithuania.

The goals will also be implemented through:

*National Programme on Development of Research, Technologies and Innovation in the Space Sector for 2010–2015;*

*Strategy for the Promotion and Development of Creative and Cultural Industries;*

*National research programmes;*

*Export Development Strategy of the Republic of Lithuania for 2009–2013;*

*Strategy of Securing Lifelong Learning 2008–2012;*

*Investment Promotion Programme for 2011–2019;*

and activities of the public enterprises Invest Lithuania and Enterprise Lithuania.

#### **4.4. ENSURING STRUCTURAL CONDITIONS FOR ECONOMIC GROWTH: IMPROVING THE BUSINESS ENVIRONMENT AND DEVELOPING THE INFRASTRUCTURE**

Improvements in the business environment can provide a significant boost to Lithuania's economic growth. It is especially important to improve the conditions for business start-ups, reduce the administrative burden for businesses, ensure the availability of financial resources, free and fair competition by removing burdens for new players willing to enter the market, and promote productive investments. Together with the assistance of EU Structural Funds, these measures will improve the competitive position of Lithuanian enterprises, facilitating the shift towards higher value-added activities.

**To improve the business environment, Lithuania will follow these priority action directions:**

- create favourable conditions for starting and developing a business;
- support entrepreneurship-promotion initiatives;
- improve funding opportunities for expanding an existing business;
- reduce the administrative burden and simplify legal regulation;
- increase the efficiency of partnership between businesses and state entities;
- achieve transparent and effective functioning of the Lithuanian public procurement system;
- guarantee competition in public procurement;
- create conditions for the establishment of new science-intensive companies;
- strengthen the enforcement of equal competition rights for businesses.

**Key measures in implementing the priority action directions:**

Regulatory reform aimed at consolidating the initiatives to improve the business environment, ensuring higher transparency, more effective and less disruptive business supervision based on risk assessment, reduced administrative burden and compliance costs for businesses. Key action directions will be implemented through:

- the Administrative Burden Reduction Action Plan for 2012 encompassing administrative burden assessment and reduction on the basis of the European Commission methodology in 7 priority areas of transport, tax administration, employment relations, statistics, environmental protection, real estate operations, territorial planning and construction; developing the administrative capacities of civil servants in this area and disseminating information about better regulation;
- business environment improvement according to the World Bank's *Doing Business* Report;
- maintenance of a favourable and stable business taxation base;
- ensuring the availability and diversity of required financial resources meeting the needs of business entities;

- development of the legal regulation for a new business legal form aimed at shortening the time required to start up a business and providing legal preconditions to get established at the lowest possible cost;
- organisation of entrepreneurship-promotion events and implementation of projects;
- improving effectiveness in managing the Sunrise initiative in order to achieve better results from the implementation of the Sunrise Commission proposals;
- Reviewing business licensing to guarantee continuous mutual evaluation according to the Service Directive and possible extension of the scope of licensing review until 2015;
- Amendments to the Law on Competition as a follow-up of the proposals of the Sunrise Commission and recommendations of the National Audit Office with a view to improving implementation of competition rules and strengthening the powers of the Competition Council by 2012;
- Optimisation of business-inspecting authorities: simplification of the inspection function, reduction of the inspection burden for businesses and improvements in inspection transparency.

*Strategy of the Development and Improvement of the Lithuanian Public Procurement System for 2010–2013*, aimed at developing a system of public procurement in Lithuania so that contracting authorities can acquire, at the lowest possible cost, the goods, services or works best satisfying their needs, guaranteeing promotion of the development of a competitive and innovation-based economy and the creation of a favourable environment for constructive cooperation between public procurement participants. Planned measures include:

- reduction of administrative burden in the sphere of public procurement;
- encouraging SME participation in public procurement;
- intensifying the development of e-procurement;
- improvement of the public procurement value calculation methodology;
- reduction of corruption in public procurement;
- upgrading the qualifications of participants in public procurement.

The development of energy, transport, environmental and IRT infrastructure and its integration into the EU systems are important preconditions for Lithuania's future economic development.

A significant obstacle depressing economic growth and competitiveness in Lithuania is the lack of gas and electricity connections with the EU. In terms of energy sector integration, Lithuania does not yet belong to the European Union and is not on the EU map, being therefore referred to as having the status of an 'electricity and gas island'. Due to its scale, insufficient energy infrastructure cannot be tackled effectively by national measures alone; therefore EU-level political and financial support is crucial.

Such assistance would stimulate rapid infrastructure development, determine timely project implementation, and could encourage investments from the private sector.

To ensure favourable conditions for economic growth, there is a need to develop the currently underdeveloped and insufficiently modernised Lithuanian transport infrastructure. Otherwise, inadequate technical parameters and service quality may impede full use of Lithuania's potential for providing transit services in the future. The areas requiring improvement include not only the isolated railway sector that is technically and technologically behind other European countries due to its different track gauge, but also the road network and public transport. Getting rid of those barriers will ensure adequate internal mobility and communication resulting in more effective business relationships, facilitating dynamic economic development.

The success and efficiency of economic activities is also closely related to adequate and efficient environmental infrastructure. Water supply and sewage treatment, waste management infrastructure development are lagging behind the pace of economic development and the growing demand for public water supply and wastewater treatment services.

**In developing economic infrastructure, Lithuania will follow these priority action directions:**

- integrate into the European electricity networks and system;
- create a functioning gas market;
- improve the development of its transport infrastructure, its technical parameters and the quality of services;
- develop an adequate and effective environmental infrastructure;
- develop information and communication technologies based on new R&D results.

**Key measures in implementing the priority action directions:**

*National Energy (Energy Independence) Strategy (Draft)*. aimed at securing Lithuania's energy independence, providing the basis for a competitive and sustainable energy sector that would fulfil long-term consumer interests by 2020. Planned measures include:

- full integration into the European energy system through the completion of the Lithuania-Poland (LitPol) and the Lithuania-Sweden (Nord-Balt) power links to create a synchronous connection of Lithuania to the European Continental Network along with Latvia and Estonia, and through integration into European electricity markets;
- ensuring sufficient local electricity generation capacities to cover domestic demand (by 2020) through the construction of a new nuclear power plant in Visaginas, and through generating a higher share of electricity from renewable energy sources;

- implementation of the Third EU Energy Package to unbundle energy transmission activities from its generation and supply;
- energy market liberalisation;
- development of the natural gas sector: to this end, Lithuania will construct a liquefied gas terminal in Klaipėda; make every effort to build an underground gas storage facility and a gas pipeline linking the country to Poland and the rest of the EU. Lithuania will also promote competition in the gas market by unbundling gas supply and transmission functions.

*National Research Programme 'Future Energy'*. This Programme is aimed at ensuring Lithuania's energy independence, integrating into the EU energy systems, preparing for participation in free energy markets, complying with increasingly stringent environmental protection requirements, and creation of conditions for development of new energy technologies and ensuring the quality of the energy supply. Planned measures are as follows:

- development and analysis of Lithuania's energy security and development models;
- development of the scientific base for future energy generation, supply and efficient use.

*Long-term (until 2025) Development Strategy of the Lithuanian Transport System*. This Strategy is aimed at guaranteeing continuous public mobility and freight carriage to maintain dynamic development of the national economy and increase the competitive capacity of Lithuania and the enlarged EU in international markets; creating, by 2025, a modern and sustainable multimodal transport system, which by its technical parameters, safety and service quality will measure up to the level of the older EU Member States. The plan of measures of this programming document includes:

- implementation of the Rail Baltica project to eliminate the isolation of Lithuanian and Baltic connections from the rest of Europe and to enter the European railway transport market;
- upgrading the East-West corridor transport infrastructure, increasing the freight volume transited by national road and railway systems, shortening the travel time;
- modernisation of the Klaipėda Seaport infrastructure;
- construction of an outer deep-sea port;
- upgrading and developing airport infrastructure to extend the geography of flights and attract new airlines.

*Strategy of Development on the Supply of Drinking Water and Wastewater Management for 2008–2015*; the *National Strategic Waste Management Plan* and the *National Sustainable Development Strategy* are aimed at achieving economic and social development and efficient resource use indicators equalling the older EU Member States average by 2020, and ensuring that environmental pollution indicators are within the limits established by the EU. The plans of measures of these programming documents provide for:

- renovation and extension of water supply and wastewater management systems;

- implementation of waste management projects.

*Programme for Information Society Development in Lithuania for 2011–2019* is aimed at defining information society development priorities, goals and tasks to ensure optimal use of social and economic opportunities offered by ICT and in particular of the internet. Planned measures include:

- promoting and providing conditions for Lithuanian residents to acquire knowledge and skills in the use of ICT;
- encouraging residents to use public and administrative e-services, guaranteeing data transmission quality and ensuring the functioning of search systems infrastructure;
- promoting the development of e-business;
- guaranteeing even geographical development of the broadband e-communication network infrastructure across the country and promoting the use of e-communication services;
- ensuring the security and reliability of the electronic environment, increasing household and business confidence in the e-environment.

*Programme For Ensuring the Operation and Development of the Lithuanian Academic and Research Computer Network LITNET-3 for 2012–2016*. This Programme is aimed at ensuring data transmission and other innovative e-services for international and interinstitutional activities of Lithuanian education and research institutions. Planned measures include:

- creation of conditions for the integration of the Lithuanian broadband academic network LITNET into the Northern (the Baltic Ring project) and EU (the GEANT project) education and research networks;
- ensuring access to Internet updates for all education institutions in the country;
- encouraging the development, updates and activities of common information systems, networks and databases intended for cooperation between the public and private sectors in the R&D field and provision of R&D services.

#### **4.5. PREVENTING STRUCTURAL UNEMPLOYMENT AND DEVELOPMENT OF AN INCLUSIVE LABOUR MARKET**

The situation in the labour market has improved; however, it is still unstable, and the unemployment rate is still high. Even though the economy is recovering, neither the public nor the private sector is able to create the required number of jobs necessary to reduce unemployment. The possibilities of the public sector are limited by the public finance savings policy. During the economic recession, the private sector was restructured in such a way that businesses are able to carry out their activities with fewer employees, and there are not many incentives for businesses to create new jobs. Furthermore, the control of unofficial and undeclared employment is insufficiently effective. The non-flexibility of the labour market does not encourage hiring more employees. Applicable support measures do not promote voluntary work, and there are not enough initiatives in the economic and labour market policy to

encourage the development of an entrepreneurial environment. To resolve the problem of unemployment, conditions for businesses must be improved, independent work and new jobs must be created, and measures intended to switch from unofficial or undeclared work to legal work must be strengthened.

Unfavourable demographic tendencies and large migration are reducing the share of the working age population and limiting the possibilities to cover social security costs of an ageing population. In order to ensure favourable conditions for economic growth and the performance of the social obligations of the State, it is necessary to increase workforce participation and retention in the labour market. However, young people are prevented from entering the labour market due to inappropriate vocational orientation, insufficient skills, and competence. Labour market integration of older people and pre-pensioners is impeded by their low vocational mobility and unwillingness to adapt to change. Because of the high unemployment level and limited job opportunities, the number of long-term unemployed individuals who lose their professional skills, activity and motivation to participate in the labour market keeps growing. More active participation in the labour market must be encouraged in the immediate future and incentives to work must be created, to support employment and ensure the rapid integration of young graduates into the labour market.

One of the key bottlenecks to economic development is the mismatch between the demand and supply of workforce abilities and the lack of skills. Educational and training systems are not responding quickly enough to the need to provide workers and jobseekers with the skills and capacities matching labour market needs. The situation developing in the labour market at present is as follows: in spite of high unemployment and intensive migration, filling certain vacancies is difficult as there are not enough skilled workers to fill the vacancies, or there is a mismatch between the skills of jobseekers and the skills required for the vacancies. Given the high unemployment level and the gap between qualifications acquired and labour market needs, there is a risk that high unemployment will grow into structural unemployment and the labour market will be imbalanced in the long-term. A lot of attention will be paid to the resolution of this problem. In the immediate future, it is necessary to implement systematic measures, which would ensure a match between specialist qualification and re-qualification to labour market needs.

The increased demand among employers and employees to resolve employment-related problems more effectively, the necessity to improve the quality of the public services provided, the growing role of the non-governmental sector in the country's economic development and information technology development require modernisation of the labour market system administration and assurance of its efficiency, openness to citizens, and efficient and effective response to the rapidly changing labour market circumstances. The Lithuanian Labour Exchange and the territorial labour exchange office

system, play the most important role; their efficiency directly determines the impact of active labour market policy measures on employment. In addition, it is important that the public has confidence in the labour exchange system. The Labour Exchange must operate as the main workforce movement intermediary in the national labour market, regulating the balance of supply and demand. In the immediate future the measures, which will help the Lithuanian Labour Exchange become more flexible and open, will be implemented and it will thus better meet the needs of jobseekers and employers.

**To prevent structural unemployment and ensure better matching in the labour market, the priority action directions in the short- and medium-term are as follows:**

- improvement of conditions for business, individual work, and new job creation;
- increase in labour market participation and employment assistance, particularly to young people;
- reduction of the mismatch between demand and supply of skills and competences;
- enhancement of the coverage and efficiency of the activities of labour market institutions.

**Key measures in implementing the priority action directions:**

Improvement in the conditions for business, individual work, and new job creation. Planned measures include:

- by improving the regulation of working hours and the conclusion and termination of employment contracts, to provide possibilities in the Labour Code of the Republic of Lithuania for companies to respond faster to market changes by expanding the possibility for concluding fixed-term employment contracts; establishing a deadline for giving notice of the termination of an employment contract based on the employee's years with that company; repealing the provisions regarding the dismissal of certain categories of employees only in exceptional cases; cancelling the payment of severance allowances exceeding the average wages for four months; providing the possibility for extending the duration of daily work; allowing the establishment of a more flexible work week; establishing annual leave in working days; providing the possibility for parties to agree on unpaid leave; enabling the provision of a list of specific jobs and duties for concluding contracts with full material liability in the work regulations, etc.
- Seeking to balance the responsibility of employers and reduce the administrative burden on employers in the field of labour relations, the Labour Code of the Republic of Lithuania provides for the repeal of service contracts, employment contract logbooks, the model employment contract and the model document certifying the employee's identity established by the Government by granting the right to economic entities to use working time sheets in the form approved by the employer, free-form employment contract, and free-form documents certifying the employee's identity. Having taken due account of the fact that the information obligation resulting in the largest administrative burden on

companies is the compulsory service of information leaflets to the employee, it is provided that the issuance of this leaflet is at the employee's request (the procedure for the provision of information is established in a collective agreement or work regulations).

- Seeking to facilitate the establishment of companies and natural persons who receive a loan from the Entrepreneurship Promotion Fund in the market in the initial stage of independent activities, additional financial incentives are provided through subsidies to compensate the paid compulsory social security contributions.
- With a view to improving the quality of business support and financial assistance systems, it is planned to increase the availability of financial resources to SMEs, by further implementing financial engineering measures (guarantees to credit institutions to secure loans granted to SMEs, preferential loans, venture capital invested in the share capital of SMEs) and new measures (guarantees for leasing transactions concluded by SMEs, new venture capital measures – investments for the start of activities).
- Seeking to encourage the transition from unofficial or undeclared work to official work, it is planned to carry out continuous educational activities related to prevention of illegal working, by informing the public of the negative social and economic consequences, damage caused, and to foster intolerance for illegal work. It is intended to carry out educational activities in schools (to year 11-12 students), vocational schools and higher education institutions, by familiarising youth with employee rights at the beginning of their employment, and harm done to the employee by illegal work. The plans are to provide information to new employers about employment and pending liability on employers hiring illegal workers.

*Increase in labour market participation and employment assistance, particularly to young people.*

Planned measures include:

- The monetary social support reform launched in 2012 is aimed at making the provisions thereof more transparent, promoting employment, and reducing the possibilities for the misuse of state support. Depending on the duration of the social benefit period, it is planned to proportionally reduce the amount thereof for unemployed people of working age (except for cases where a person is unemployed because of objective reasons). Thus, they will be encouraged to actively search for a job and to participate in active labour market policy measures and activities beneficial to the general public rather than being satisfied with long-term social support. It is intended to apply strict measures to those persons who, while receiving monetary social support, have illegal income or are working illegally – to suspend the provision of support for a certain period and to demand a refund of the unlawfully received monetary social support. Since the beginning of this year, experimental (pilot) projects have been implemented in five municipalities by granting more rights and more responsibility to municipalities in the field of granting monetary social support.

- Formation of mobile specialist teams for working with young people; drafting of the National Voluntary Activity Programme intended to assist young people to acquire personal, social and professional competences and experience, to choose a profession and enter the labour market; implementation of pilot social exclusion reduction projects by applying the existing methodologies intended to reintegrate young people into the labour market and/or formal education system by placing a particular focus on individuals experiencing social exclusion.
- Development of informal education of young people through volunteering, which allows them to acquire competences and working skills and helps them in making a decision regarding further learning or work, thus ensuring that the competences acquired in the labour market during informal education are properly recognised.
- Organisation of training for unqualified young unemployed individuals under primary vocational training programmes by applying the principles of the student's basket so that unqualified youth, under 21-years of age, and registered at the Labour Exchange can acquire their first professional qualifications under formal vocational training programmes.
- Development of attractive internship systems for students, thus providing possibilities for them to participate in temporary employment projects, creating student internship organisation models (systems) in companies and/or non-profit organisations, and supporting the development of internship and apprenticeship search and organisation portals by involving employers, youth organisations and education institutions in the process.
- Preparation of the draft agreement for the acquisition of professional skills and accompanying documents by providing the possibility to sign practical training contracts between the employer and the intern. These contracts would be effective together with tripartite training agreements (through educational institutions) and enhance the possibilities to acquire work skills.
- Development of forms of apprenticeship training – to organise practical vocational training at actual workplaces in order to ensure continuous communication between educational institutions and business entities, and to enhance employment opportunities. Initiatives are planned for the creation of information systems about apprenticeship places.
- Support for the provision of consulting, information, business training (mentoring) and coaching (coaching specialist) services to young people on the subjects of business start-ups, business financing and development. Support for programmes prepared by universities and entrepreneurship centres of associated business structures aimed at encouraging graduates to start up their own business and develop it successfully. Subsidies for consulting services and working place lease for rapidly growing businesses (Startup Nitro baskets).

- Subsidies for skill acquisition by young people at the start of their working careers.
- Implementing projects promoting the integration of the unemployed into the labour market, giving priority to vocational training of the young unemployed and persons who have been notified of their dismissal by linking it with the future workplace.
- Seeking to reduce the burden of taxation on employers, continuation of the application of the compulsory social insurance advantage and, by reimbursing social security contributions for persons who are employed for the first time, ensuring all social security guarantees for them after 31 July 2012.
- Preparation of the Lifelong Learning Action Plan, which would be an integral part of the National Education Strategy 2013-2022.

*Reduction of the mismatch between the demand and supply of skills and competences.* Planned measures include:

- Development of a medium-term human resource demand forecasting system, which will enable identification of the different aspects between demand and supply of the workforce in the labour market as well as forecast labour market needs according to groups, sectors and education levels of the Lithuanian Occupational Classification.
- Development of a monitoring system for relationships between human resource qualifications and workplaces, which would allow creating a workplace map by occupational groups and requirements imposed on them and that would help in obtaining objective information about the employment and careers of graduates from education institutions and comparing the efficiency of training provided to graduates under study and vocational training programmes. This information would be used for measures of vocational orientation and information measures and the preparation of medium-term human resource demand forecasts.
- Performance of professional qualification demand surveys in two economic sectors (out of the five priority sectors, namely: energy and environmental protection; construction and architecture; accommodation and catering, tourism, sports and recreation; information technologies and communication; transport and storage services).
- Linking of Lithuanian higher education and professional training qualifications according to the Lithuanian Qualifications Framework with the European Qualifications Framework.
- Establishment of 7 sectoral practical training centres in vocational training institutions by adapting the vocational training institution system accordingly.
- Vocational training of the unemployed and persons who have received a notice of dismissal, by organising the updating of skills and qualifications provided that there are concrete employment opportunities.

*Enhancement of the coverage and efficiency of activities of labour market institutions.* Planned measures include:

- Implementation of a new model for service to the unemployed. This model will be aimed at determining the abilities, readiness to work and motivation of the unemployed. This model will help identify the groups of unemployed that are hardest to integrate, to which individual measures of a more rapid return to the labour market will be applied.
- Implementation of a result-oriented and evidence-based management model in employment intermediation activities, to apply new employee motivation methods by linking their activities with the results of gaining employment by jobseekers.
- Enhancement of the effectiveness of individual occupational activity plans. The unemployed person themselves, will be encouraged to conclude a preliminary individual occupational activity plan by providing a purposeful activity aimed at achieving the main goal of integration into the labour market, and will be involved in the career planning process.
- Transfer of services provided by the Labour Exchange into the virtual space will improve access to services for labour market participants – this will enable clients of the Labour Exchange to use modern information technologies to search for a suitable job or workers.
- Seeking to strengthen the coverage Labour Exchange services, it is planned to develop cooperation with municipal institutions and non-governmental organisations by providing possibilities to provide labour market services not only in the premises of remote work centres but also through e-services.

## **V. IMPLEMENTATION OF THE PRIORITIES OF THE EUROPE 2020 STRATEGY: SMART ECONOMIC GROWTH**

### **5.1. INCREASING INVESTMENT IN SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (R&D)**

The results of R&D and innovative activity in Lithuania have to achieve the general targets declared at the European level and ensure Lithuania a strong competitive position in global markets. Over the next decade, Lithuania has to create an economy based on innovations, new technologies and qualified human resources and create better general and financing conditions for scientific research and innovation so that innovative ideas are translated into goods and services aimed at promoting growth and new job creation.

In 2011, the Summary Innovation Index (SII) of Lithuania was 0.255, while the EU-27 average was 0.539. Taking into account recent trends in the Lithuanian SII and the economic, social and political situation, it is expected that the Lithuanian SII will be 0.280 in 2015, reaching the EU-27 average observed in 2008 by 2020.

One of the main factors determining the relatively low national SII is the insufficient level of investment in research and development (R&D). In 2009, LTL 765 million were allocated for R&D activities (0.84% of GDP), whereas, in 2010 this amount was LTL 755.6 million (0.79% of GDP). In 2010, the largest share of investment in R&D comprised funds of the general government (47.5%), business entities (24.1%), foreign funds (20.0%), higher education and non-profit institutions (8.4%). While R&D expenditure in the general government and higher education sectors corresponds to the EU average, it remains low in the business sector.

It has been projected that Lithuanian R&D expenditure should reach 1.9% of GDP in 2020, first of all, by providing better conditions for the private sector to invest in R&D. Private investments in R&D may be attracted by raising the level of the quality of scientific research, which requires adequate infrastructure and intellectual potential, and by creating favourable conditions for science-business partnerships and developing common support schemes for business-science projects. As significant EU assistance is already scheduled for 2011-2012, R&D expenses will apparently increase; and subsequently, additional investments by the state and the private sector will grow in importance. When setting the rate of targeted R&D expenditure, it was assumed that by increasing its investment in R&D infrastructure, environment and human resources to about 1% of GDP, the State could attract larger investments from the private sector and foreign investors that could provide funding amounting to around 0.9% of GDP. Important factors expected to contribute significantly to raising the R&D expenditure are corporate income tax allowances for enterprises that invest in R&D<sup>1</sup> and technology renewal.<sup>2</sup> Reforms in the education and studies system should also contribute to attracting foreign investment. Moreover, it is crucial to project R&D expenditure during the 2014-2020 EU assistance period; otherwise the risk that the national objective will be not achieved could increase significantly

**To promote R&D and innovation development, these priority action directions will be followed:**

- accelerate Lithuania's integration into the global market ('Lithuania without borders');
- create and use R&D results in highlighting and strengthening the available advantages of the country;
- educate a creative and innovative society;
- develop broad-based innovation;
- implement a systematic approach to innovation;
- enhance the public sector's R&D potential and its integration with the European and international research area;

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<sup>1</sup> Corporate income tax relief for companies investing in technological renewal R&D: company costs incurred from investing in R&D are deducted from the taxable profit base 3 times; the acquisition price of fixed assets used in R&D activities may be written off as costs over 2 years.

<sup>2</sup> Income tax relief for companies investing in technological renewal: the tax base is reduced by up to 50% of the value of costs incurred when investing in machinery, communication devices, computer hardware and equipment.

- develop an intellectual property protection system guaranteeing fair remuneration and free access to information.

**Key measures in implementing the priority action directions:**

[Lithuanian Innovation Strategy for 2010–2020](#). This Strategy is aimed at developing a creative society, facilitating the promotion of entrepreneurship and innovations so that the Lithuanian Summary Innovation Index will reach the European average in 2020. Measures provided in addition to those listed in Chapter 2.2 *Fostering Competitiveness*:

- implementation of the innovation voucher scheme to promote innovations in businesses;
- implementation of joint research programmes in Biomedicine and Biotechnology, Material Science, Physical and Chemical Technology, Engineering and Information Technology, Natural Resources and Agriculture;
- implementation of consolidation and internal optimisation in academic and research institutions, enhancing their R&D potential;
- development and implementation of national integrated programmes, research programmes and educational programmes of different levels;
- developing student practical training and entrepreneurial skills and providing conditions for students and teachers to travel for internships in foreign companies;
- developing and implementing a scheme of subsidy provision for scientists by tender, using tender programmes to implement other funding schemes;
- providing funding for the implementation of business-initiated R&D projects;
- implementing various types of study programmes and cross-border studies so that by 2020 a minimum 20% of Lithuanian students do some of their studies abroad.

*National Programme for the Development of Studies, Research and Experimental Development for 2013-2020*. This Programme is aimed at strengthening the country's competitiveness and increasing welfare by development of the study, R&D and innovation systems. Planned measures include:

- ensuring the implementation of R&D activities conforming to the highest international level, meeting the demands of the public and the economy and creating a high value added, as well as strengthening the intellectual R&D potential;
- development, update and concentration of infrastructure which would enable high impact technologies and other promising R&D directions and economic sectors to be developed;
- creation and development of a system for the innovative use of R&D results.

[Programme for the Implementation of Provisions of the National Education Strategy 2003-2012](#). This Programme is aimed at ensuring education quality in line with the needs of an individual living in an open civil society under market economy conditions, and the universal needs of the modern world society. Planned measures include:

- implementation of measures pertinent to the development of analytical and problem-solving, idea-generation and practical skills, creative thinking of students to achieve a higher level of general literacy;
- School Improvement Programme Plus (SIP+) projects and their continuity to develop the general competences of students, their creativity and practical skills, and also activating cooperation between researchers and schools to provide assistance to secondary schools in the areas of natural, exact, humanitarian and social sciences and technologies. To provide for the continuity of these projects.

*The National Education Strategy 2013-2022* will be drafted.

*General National Programme for Cooperation Between Research and Science on the One Hand and Business on the Other Hand.* This Programme is aimed at promoting closer long-term cooperation between national research institutions and business by developing the most promising R&D directions in Lithuania, determining the commercialisation of R&D results and technology development. Planned measures include:

- promotion of business investments in R&D and creation of conditions for business to take advantage of R&D results;
- development of high-competence R&D centres in Lithuania;
- concentration of the available scientific potential on resolution of problems that are important and relevant to the State, in order to ensure the practical use of R&D results;
- promotion of the establishment and engagement of national research networks into international research networks;
- creation of conditions for the activities of research groups in centres of excellence;
- promotion of the commercialisation of R&D results.

*General National Integrated Programme.* This Programme is aimed at increasing the comparative share of R&D-intensive economic sectors and meeting the horizontal R&D demand in economic sub-sectors through the complex combination of training of highly qualified specialists, R&D implementation, strengthening the links between science and business, development of common infrastructure and other measures fostering competitiveness. Planned measures include:

- ensuring sustainable development of specific science-intensive economic sub-sectors (science-intensive business segments);
- complex combination of training of highly qualified specialists, R&D implementation, and strengthening the links between science and business.

*Researcher Career Programme.* This Programme is aimed at promoting the continued professional development of scientists and other researchers in all stages of their careers and increasing human resource capacity in the R&D field in quantitative and qualitative terms. Planned measures include:

- improvement of researcher qualifications and competencies;
- promotion of researcher mobility;

- assistance in increasing the number of researchers and reducing their average age in Lithuania.

*Programme for Raising Public Awareness on Intellectual Property Rights*. This Programme is aimed at improving public knowledge in the field of intellectual property rights with an emphasis on the aspects of regulation, implementation and protection of copyright and related rights that are relevant in the context of an information society. Planned measures include:

- informing creative production users and the general public about the damage of piracy;
- informing the holders and users of copyright and related rights and the general public about the need to reconcile their interests in the information society and promote discussions on this subject;
- drawing the attention of the younger generation (pupils and students) to the relevance of intellectual property, engaging in discussions about problems in this area;
- upgrading the qualifications of employees of culture institutions in the area of intellectual property right protection.

## **5.2. REDUCING THE NUMBER OF EARLY SCHOOL LEAVERS**

Reducing the number of early school leavers is one of the most important national objectives. The EU-level aim for 2020 is to reduce the share of 18-24 year-old early school leavers to no more than 10%. In Lithuania, the share of individuals leaving the education system early was 7.4% in 2008, 8.7% in 2009, 8.1% in 2010 and 7.9% in 2011; however, large gaps remain between urban and rural areas (4.7% and 13.4%, respectively), boys and girls (10.6% and 5%, respectively). The main causes of such regional differences are considered to be an inadequate school network, underdeveloped infrastructure of education support, and insufficient qualifications and competences of teachers.

Lithuania's aim for the next decade is to keep the share of early school leavers at below 9%, which is also enshrined in the National Education Strategy approved in 2003, and to reduce the differences observed between urban and rural areas and between boys and girls.

**To achieve its national target of reducing the number of early school leavers, the following priority action directions will be provided:**

- develop infrastructure and scope of services in pre-school education;
- reduce pre-school and general education quality differences between regions (urban and rural areas), boys and girls and people with different training needs;
- upgrade the training and education support infrastructure for socially vulnerable groups, the disabled and individuals with special training needs and develop the range of services offered to them;

- increase the flexibility of educational/teaching programmes and provide other alternatives for acquiring basic and (or) secondary education;
- improve practical vocational training infrastructure in vocational training institutions;
- develop student skills in their career management;
- encourage young people to continue studying in vocational training institutions and to obtain the professional qualifications demanded in the job market.

**The priority action directions will be implemented in compliance with these documents:**

*Pre-primary and Pre-school Education Development Programme for 2011-2013.* This Programme is aimed at improving access to pre-primary and pre-school education and raising its quality. It is planned to implement measures to upgrade the infrastructure of pre-primary and pre-school education and to increase the choice of available services, educational curriculum and organisation.

*National Programme for the Implementation of Provisions of the Education Strategy for 2003-2012.* This Programme is aimed at developing a continuing, socially fair, accessible education system which guarantees lifelong learning. Planned measures include:

- implementation of measures aimed at promoting personalisation, differentiation, evaluation of the educational curriculum and innovations.

*The National Education Strategy 2013-2022* will be drafted.

The targets will also be implemented through the *National Programme for Vocational Guidance in Education System* and *Practical Vocational Training Resource Development Programme*.

### **5.3. RETAINING THE SHARE OF INDIVIDUALS WITH HIGHER OR EQUIVALENT EDUCATION**

The National Education Strategy approved in 2003 aims at raising the number of people with higher education; in 2003 the share of 30-34 year-old people with a tertiary or equivalent degree was only 25.2%. Recently, the increased choice of college and university courses and changes in labour market requirements have led to an increase in the number of young people choosing tertiary studies after completing secondary education.

In Lithuania, the share of the population aged 30-34 having completed university education is increasing every year: in 2009, it was 40.6%, and in 2010 – 43.8%. However, if young people prefer vocational education or enter the labour market immediately after secondary school, it might be difficult to retain the indicator at above 40% by 2020. Therefore, the target share of the younger population (aged 30-34) with a tertiary or equivalent degree will not be raised significantly – Lithuania aims to achieve that by 2020 it constitutes at least 40%. With higher education becoming more widespread, there is a need to focus on ensuring the quality of courses while maintaining a high level of education among the population.

**To retain the share of young individuals aged 30-34 with higher or equivalent education, Lithuania will follow these priority action directions:**

- to train highly qualified specialists meeting public and economic demands by improving the quality of studies.

**The priority action directions will be implemented on the basis of these documents:**

*National Programme for the Development of Studies, Research and Experimental Development for 2013-2020.* This Programme is aimed at strengthening the country's competitiveness and increasing welfare by development of the education, R&D and innovation systems. Planned measures include:

- ensuring an informed and conscious choice of studies;
- constant update and improvement of the content and process of studies;
- ensuring access to education;
- promotion of the internationalisation of education;
- creation of conditions for lifelong learning and adult education in higher schools;
- upgrading of education infrastructure necessary for the organisation of a high quality education process.

*National Education Programme.* This Programme is aimed at achieving a competitive Lithuanian university education system capable of providing quality courses and education, ensuring the contribution of human resources to the development of education and the study process. Planned measures include:

- implementing projects to diversify study programmes and develop flexible study methods and a modular structure;
- improving the system of financial support for students and student loans;
- continuing the consolidation of the network and infrastructure of tertiary education establishments.

*Programme for Promoting the Internationalisation of University Education.* This Programme is aimed at making Lithuania a centre for international studies. Planned measures include:

- developing and implementing joint study programmes with foreign universities and adapting such programmes for foreigners;
- promoting and supporting the international mobility of students and lecturers;
- increasing the international attractiveness of university education.

*Strategy for Securing Lifelong Learning,* which is aimed at identifying lifelong learning development directions and their implementation measures. Planned measures include:

- introducing and implementing a system for recognition of skills acquired through non-formal and self-education by higher educational establishments;
- creating conditions for the provision of continuing studies in higher educational establishments by training highly qualified specialists;

- supporting projects intended for the development of teachers' practical knowledge and skills.

The existing legal framework is going to be improved in order to encourage individuals to continue their studies in universities after having acquired a professional qualification in vocational training institutions.

## **VI. IMPLEMENTATION OF THE PRIORITIES OF THE EUROPE 2020 STRATEGY: SUSTAINABLE ECONOMIC GROWTH**

### **6.1. INCREASING THE USE OF RENEWABLE ENERGY SOURCES**

Development of renewable energy sources (RES) is an important alternative to traditional energy, which is helpful not only in addressing climate change issues, but also in increasing Lithuania's energy independence. In 2010, the production of power using RES accounted for approximately 19.7% of the final energy consumption in Lithuania. Since energy produced from RES is generally more expensive than that extracted from fossil fuels, development in the use of RES is supported by the State. At present, the following support measures are being used: access to a grid discount, priority for RES in cases of limited transmission capacity, tax exemptions for biofuels, feed-in tariffs for electricity and heat purchases, and concessions for balancing electricity.

Lithuania has set its national target for increasing the share of RES in its final energy consumption to 23% by 2020. One component of this indicator is a commitment that energy generated from RES used by all forms of transport would amount to 10% of the final energy consumed in the transport sector. The Lithuanian National Renewable Energy Development Strategy does also outline a commitment to increase the share of electricity produced from RES to 20% in 2020, reaching 36% in the heating and cooling sectors, and contributing at least 60% in district heating supply.

#### **To increase the use of RES, Lithuania will follow these priority action directions:**

- improve conditions for RES development in the areas of administrative regulation and infrastructure accessibility;
- get local authorities involved in implementing RES development policy;
- support research and promote cooperation between science and business in the field of RES;
- create, develop and ensure operation of the inter-disciplinary and intersectoral R&D infrastructure in the direction of renewable energy, encouraging public-private partnerships.

#### **The priority action directions will be implemented in compliance with the following documents:**

[\*National Strategy for the Development of Renewable Energy Sources\*](#), the aim of which is to increase the share of RES in energy balance, the electricity, heat production and transport sectors in order to

satisfy energy demand with domestic resources and to eliminate the use of imported fossil fuel leading to increased safety of the energy supply and energy independence as well as to contribute to international efforts in reducing greenhouse gas emissions. [\*The Action Plan for 2011-2020\*](#) provides for the following measures:

- establishing a general system of incentives for the use of RES;
- obligating municipalities to promote the use of RES through municipal development plans for 2011-2020;
- financing pilot projects in the RES area;
- improving public awareness and education on RES matters;
- implementing the national research programme 'Future Energy', and other scientific research programmes in the RES area aimed at guaranteeing energy security for the country;
- installing material facilities for studies intended for training energy specialists;
- establishing R&D laboratories operating in the direction of renewable energy as open access centres in research and study establishments;
- ensuring activities of R&D laboratories operating in the direction of renewable energy.

## **6.2. IMPROVING ENERGY EFFICIENCY**

Energy consumption accruing to one unit of Lithuanian GDP is 2.5 times higher than the EU average. However, it can be significantly reduced through improvements in energy use efficiency. It is estimated that by applying saving measures, the final energy consumed in 2020 could be 17% lower than it was in 2009. By successfully realising this potential, annual savings of 740 kilotons of oil equivalent (ktoe) could be achieved by 2020. Households and the transport sector have the largest propensity to save energy: total savings could amount to 65% (the potential in household and transport sectors are 290 ktoe and 300 ktoe, respectively).

According to the 2007 data, total energy consumed per capita in Lithuania is 26% lower than the EU-27 average, while electricity consumption per capita is 2.2 times lower than the EU average. Given the projected future Lithuanian electricity consumption growth, there is a possibility that the effects of energy saving measures will be outweighed by the rise in electricity consumption. According to the macroeconomic development scenario, gradual economic recovery might increase energy consumption. Taking into account the overall energy saving potential in Lithuania, the key strategic goal in the field of energy efficiency is to consume 1.5% less energy each year by 2020.

**To achieve its national target of increasing energy efficiency, Lithuania will follow these priority action directions:**

- pursue energy policy in line with sustainable development goals;

- improve energy consumption efficiency in the housing, energy, service, industry and transport sectors;
- enhance the implementation of energy efficiency measures at the regional level;
- educate society on the issues of energy consumption efficiency.

**The priority action directions will be implemented in compliance with the following documents:**

*Energy Efficiency Action Plan.* The aim of this Plan is to establish measures, which should be taken in order to increase the efficiency of final energy consumption, and which should ensure that the national targets on energy efficiency are achieved by 2016. In 2011, the European Commission received the Second Energy Efficiency Action Plan, which contains the results of achievement of the national intermediate target on energy efficiency for 2010 and provides for measures to promote energy efficiency.

*Special Climate Change Programme.* This Programme is aimed at implementing projects to increase the efficiency of energy consumption and energy generation, modernising residential and public buildings, and implementing other projects providing for the most efficient reduction of greenhouse gas emissions in the energy, industry, construction, transport, agriculture, waste management sectors, etc.

*Programme for the Renovation of Multi-apartment Buildings.* This Programme is aimed at encouraging the owners of flats and other premises in multi-apartment buildings to use support for the renovation (modernisation) of multi-apartment buildings and residential blocks. Between 2005 and the end of 2011, 442 multi-apartment buildings were modernised; 273 multi-apartment buildings were fully modernised by insulating the exterior walls. In modernised multi-apartment buildings, a total of 96.2 GWh of heat energy was saved, which is 21.8% more than the planned 79 GWh reduction in heat energy expenditure.

*Renovation of Public Buildings (EU Structural Assistance for 2007–2013 (Operational Programme for Promotion of Cohesion).* The purpose of this measure is to reduce energy consumption in public buildings. The plans are to implement over 742 projects under the Measures 'Renovation of Public Buildings at the National Level' and 'Renovation of Public Buildings at the Regional Level' by 2020. The planned energy savings – 187,92 GWh. In 2011, financing was allocated to 66 projects.

*Voluntary agreements with energy companies.* The purpose of these agreements is to increase the efficiency of energy resources and energy consumption by increasing the efficiency of energy generation, transmission, distribution, supply and final consumption, and thus to contribute to the enhancement of energy independence of the Republic of Lithuania and the reduction of the negative impact on the energy sector. Indicative quantitative targets for an increase in the efficiency of energy consumption were set for Lithuanian electricity distribution companies, heat and natural gas suppliers – to save 10% in energy consumed by final consumers during the 2010–2020 period, compared to the average consumption in 2001-2005. Nine voluntary agreements with energy companies were signed in 2011.

*National Transport Strategy (Draft)*. The draft Strategy provides for the following key measures: to implement public bicycle use programmes and develop short-distance bicycle transport infrastructure in cities and towns; to organise information campaigns promoting the rational use of vehicles, using public transport and walking; to upgrade public transport fleets by replacing them with ecological vehicles; to draft recommendations for the promotion of effective car-sharing and installation of the related system; to draft legal acts intended to differentiate the road usage charge payable by owners or managers of road vehicles according to the energy efficiency indicators and quantity of emissions; to upgrade the rolling stock fleet; and to encourage the use of biofuels and other alternative fuels. The plans are to reduce final energy consumption in the transport sector by 8% by 2020.

*National Research Programme 'Future Energy'*. This Programme is aimed at ensuring Lithuania's energy independence, integrating into the EU energy systems, preparing for participation in free energy markets, complying with the increasingly stringent environmental protection requirements and creating conditions for development of new energy technologies as well as ensuring the quality of the energy supply. Planned measures are as follows:

- development and analysis of Lithuania's energy security and development models;
- development of the scientific base for future energy generation, supply and efficient use.

### **6.3. LIMITING GREENHOUSE GAS EMISSIONS**

In relation to its commitments agreed at the EU level, Lithuania is permitted to increase its greenhouse gas (GHG) emissions by no more than 15% until 2020, compared to the basic 2005 level, in the sectors that are not covered by the European Union Emission Trading Scheme (ETS). In 2005, all sectors combined in Lithuania emitted 22.6 million tonnes of GHG: 6.6 million tonnes of GHG were emitted from installations participating in the EU ETS, and 16 million tonnes of GHG were emitted in sectors not covered by the EU ETS. In 2009, 15.8 million tonnes of GHG were emitted in sectors not covered by the EU ETS (the permissible amount until 2020 is 18.7 million tonnes of GHG).

Different scenarios show that the potential to reduce GHG emissions in Lithuania is highly dependent on the course of energy sector development and the measures implemented to reduce climate change in the other sectors.

**In order to achieve its national target of limiting greenhouse gas emissions, Lithuania will follow these priority action directions:**

- reduce the negative impact of the energy, industrial, transport, agricultural, forestry and household sectors on climate change;
- increase the production and consumption of renewable energy sources;
- increase energy efficiency in the housing sector;
- increase the use of waste energy resources;

- develop scientific research and raise public awareness on climate change;
- create, develop and ensure the functioning of interdisciplinary climate change research infrastructure;
- create and develop the interdisciplinary and intersectoral R&D infrastructure increasing the efficiency of waste processing, encouraging public-private partnerships, and ensure the functioning of this infrastructure.

**The priority action directions will be implemented in compliance with the following documents:**

*National Strategy for the Implementation of the United Nations Framework Convention on Climate Change until 2012.* The Strategy is aimed at ensuring that between 2008 and 2012 GHG emissions are reduced by 8%, and by 2020 they are at least 20% below the 1990 level. With a view to achieving this goal, the Plan of Measures of the Strategy (2008–2012) provides for the following:

- encouraging cleaner production methods and environmentally friendly technologies in the industrial and other sectors;
- developing and implementing flexible market-based mechanisms (joint implementation projects, CDM projects, the green investment scheme, the EU ETS and other new market mechanisms);
- enhancing the recycling of secondary raw materials (also provided for in the National Strategic waste Management Plan which aims at closing down all waste dumps that do not conform to environmental protection and public health requirements by end-2011, creating the capacities required for managing domestic sewage sludge and recycling or otherwise using at least 50% of domestic waste by 2013, promoting waste recycling through creating markets for products manufactured from recyclable waste);
- carrying out afforestation and reforestation (this measure is also provided for in the Lithuanian Forest Policy and its Implementation Strategy as well as in the Lithuanian Programme on Increase of Forest Coverage Afforestation);
- promoting the generation and use of renewable energy sources;
- promoting the consumption of biogas and other forms of energy produced from waste;
- promoting scientific research by providing information and educating the public;
- implementing the National Research Programme 'Ecosystems of Lithuania: Climate Change and Human Impact', other scientific research programmes in the field of climate change, informing and educating the public.

**VII. IMPLEMENTATION OF THE PRIORITIES OF THE EUROPE 2020 STRATEGY:  
INCLUSIVE ECONOMIC GROWTH**

**7.1. INCREASING EMPLOYMENT RATE**

In implementing the inclusive growth priority of the Europe 2020 strategy, Lithuania will seek to achieve that each resident willing and able to work has the opportunity to use his labour potential to the full and thus secure an adequate subsistence level through work at any stage of life. By end-2020, Lithuania will seek to achieve an employment level of 72.8% for men and women aged 20-64. This employment target has been set with consideration to developments in unemployment and employment levels during 2000-2009 and forecasts until 2014. The threats arising from demographic tendencies and work force migration, and employment opportunities associated with economic growth have also been accounted for.

The targeted employment level will be reached through increased employment of women, men, the youth, and the elderly, and by facilitating labour market integration for the disabled, people with young children and other individuals. Employment level targets for 2015 and 2020 established for these groups are presented below (Table 2).

Table 2. Employment Targets for 2015 and 2020

<b>Targets</b>	<b>Employment level, %</b>	
	<b>2015</b>	<b>2020</b>
General employment level (20-64)	69	72.8
Female employment level (20-64)	68.5	69.5
Male employment level (20-64)	71.2	76.5
Seniors' employment level (55-64)	52.5	53.4

To ensure that economic recovery results in accelerated job creation, bottlenecks in the business environment will be eliminated while increasing internal and external labour market flexibility. Incentives to create new high-quality jobs will be raised by reducing the tax burden for employers, relating wage changes with productivity growth, applying targeted subsidies for the creation of new jobs in high-level unemployment territories and developing social responsibility of enterprises. Through social dialogue, labour relations will be modernised to make conditions in employment contracts, regulation of working time and options of work organisation more flexible.

Qualitative changes in the education, vocational training and skills-upgrading systems will be of particular importance in supplying the labour market with people that possess the qualifications demanded, resulting in higher employment in the long-term. Establishment of a national qualification system and ensuring fully-fledged lifelong learning opportunities through state, private and business investments will contribute to the professional mobility of the work force. Retraining of the unemployed will make it possible to attract, and retain in the labour market, more labour resources. Long-term forecasting of qualification demand will reduce the mismatch between labour supply and demand and will increase the level of employment.

In the longer term, improvements in the employment situation and sustainable high employment will depend on the success of the integration and retaining of inactive residents into the labour market. To develop an inclusive labour market, existing obstacles to participation in the labour market must be removed, employment incentives for the unemployed must be increased, dependence on social benefits must be reduced, and measures aimed at illegal employment implemented. The success in achieving these goals will depend on the effectiveness of territorial labour exchange in focusing on individual assistance to persons who need such assistance, as well as the accessibility, quality and effectiveness of the services provided, and cooperation with private employment agencies. Active labour market policy measures will be aimed at addressing the issues of training, development of skills and employment of specific target groups – youth, long-term unemployed, and the elderly.

During the economic downturn, the disabled and people with children or carers have limited possibilities to integrate into the labour market. It is important to develop a network of health care and social services which are diverse, of high quality and accessible. There is a need to strengthen the importance of public health in municipal policy as well as structural links between all parts of the health system, especially in public health and primary health care so as to reconcile family and work responsibilities. This will facilitate labour market integration of the social groups in which one family member often has to sacrifice their professional career if the family has a disabled child, a patient who needs nursing or an old family member who needs care.

**To achieve higher employment level, Lithuania will follow these priority action directions:**

- promote job creation and demand for labour;
- supply the labour market with a highly skilled and educated workforce;
- form a more inclusive labour market;
- enhance possibilities for reconciliation of work and private/family life.

**The priority activity directions will be implemented in compliance with the following documents:**

*Operational Programme for the Development of Human Resources, Priority I 'Quality Employment and Social Inclusion'*. Planned measures include:

- promoting job creation and work force demand by implementing measures for encouraging entrepreneurship, retraining the rural work force from agricultural to other activities, organising temporary work in enterprises suffering economic difficulties, supporting employment of the disabled in social enterprises, implementing social responsibility programmes in enterprises and promoting social dialogue.
- providing the work force with the qualifications required for jobs by training labour resources in enterprises (measures 'Development of Human Resources in Enterprises' and 'Development of Human Resources INVEST+'), developing employee skills in the public

sector, raising qualifications of health specialists, and developing the computer literacy skills of residents;

- forming an inclusive labour market by organising vocational training and supporting working skills for the unemployed (project 'Be Active in the Labour Market' aimed at increasing youth employment), carrying out public works (project 'Don't Lose Your Work Skills'), implementing projects for employment of the jobless through subsidies and work rotation, projects facilitating the reconciliation of work and family life, carrying out professional rehabilitation of the disabled, preparing and implementing new labour market integration projects for jobseekers.

*Strategy of Securing Lifelong Learning*, which is aimed at defining lifelong learning development trends and their implementation measures. Planned measures include:

- introducing and implementing a system for the recognition of competences acquired through non-formal and informal education by universities; creating conditions for the provision of continuing studies in higher education establishments by training highly qualified specialists;
- supporting projects intended for the development of the practical knowledge and skills of lecturers.

*National Programme for Vocational Guidance in Education System*, and other continuing projects aimed at creating conditions for the further development of a vocational guidance system. Planned measures include:

- implementing projects for the creation and development of a model for a person's career education and monitoring of guidance services in general education and vocational training as well as infrastructure projects;
- implementing projects for the development and implementation of a model for the career education of students; monitoring guidance services and graduate student careers in higher education; enhancement of the professional qualifications of vocational guidance specialists working with students and development of the measures and infrastructure required for them;
- implementing the project for further development of the Open Information, Counselling and Guidance System (AIKOS).

*Practical VET Resources Development Programme*, aimed at increasing the flexibility of vocational training, conformity of vocational training to labour market needs, and other continuing projects. Plans include the implementation of projects for the development of qualifications and creation of a modular vocational training system, upgrading the technological competences of teachers and lecturers, as well as projects for establishment of the infrastructure for practical training centres.

*Lithuanian National Public Health Strategy for 2006–2013*, aimed at improving the prevention of diseases, developing opportunities for a quick response to health threats, reforming the system of health care and bringing it closer to society. Plans include forming a positive societal attitude towards a healthy lifestyle, involving all sectors in health promotion activity, extending the scope of good quality and accessible public health care services to all groups of individuals; implementing national research programmes 'Chronic Non-infectious Diseases', 'Healthy and Safe Food', other scientific research programmes in the sphere of medicine and healthy lifestyle.

The targets will also be implemented through:

*Pre-primary and Pre-school Education Development Programme for 2011-2013;*

*National Programme for the Implementation of Provisions of the Education Strategy for 2003-2012;*

*Regional Culture Development Programme for 2011-2020;*

*Operational Programme for Economic Growth, Priority 3 'An Information Society for all'*. Plans include implementation of the project 'Transfer of public employment services to the electronic environment – e-DBIRŽA' (e-Labour exchange).

## **7.2. REDUCING SOCIAL EXCLUSION**

Rapid economic growth has led to increased differentiation in population incomes, as income growth for the most socially vulnerable population groups has been slower relative to the other population groups. The economic financial crisis increased rather than decreased the income differentiation growth because the lowest income level was declining more rapidly, compared to changes for those at the highest income level. According to the data of the Survey on Income and Living Conditions 2010, 110,900 residents, or 33.4% of Lithuania's population were at risk of poverty or social exclusion. The consequences of the negative social crisis determined the rapid growth in the number of residents suffering from severe material deprivation or living in households with very low employment levels. The number of individuals suffering from material deprivation grew by 146,000, or 29.1%, compared to the previous year. The number of individuals living in households with very low employment levels grew by 57,000, or 31%. The at-risk-of-poverty threshold, which had dropped by 15.6%, reduced the number of persons facing the risk of poverty by 15,000, or 2%. The most rapid decline in the risk of poverty was observed in the group of old-age pensioners – from 27.6% to 13.3%. However, the gap between the income level of individuals living at risk of poverty and the at-risk-of-poverty threshold was becoming wider. The income of persons living at risk of poverty was 32.6% below the at-risk-of-poverty threshold (701 LTL).

Lithuania is committed to reducing the number of individuals living at risk of poverty or social exclusion from the current 985,000 to 814,000 by 2020, which constitutes 170,000 people. This figure includes the population experiencing severe material deprivation and (or) the population whose equivalent disposable income is below 60% of the median equivalent disposable income and (or)

people living in households with very low work intensity (households with persons who are unemployed or have very low work intensity). The main preconditions for reducing poverty and social exclusion are successful policies of social exclusion prevention and employment promotion as well as health care policies that enforce fair relationships of social security and health care.

**To achieve its national target of reducing social exclusion, Lithuania will follow these priority action directions:**

- enhance opportunities for the socially disadvantaged groups to participate in the labour market;
- improve the system of education, assistance and services satisfying individual, society and market needs for the prevention of socially disadvantaged groups;
- implement the provisions of the United Nations Convention on the Rights of Persons with Disabilities, carry out special measures facilitating the improvement of conditions for people with disabilities in the field of access to social security and health care, employment, education, environment, etc.;
- improve access to and development of high-quality social and cultural services through wider community and NGO involvement, ensuring the transfer of social integration innovations created by such organisations to State practice;
- develop a financially stable system of social security benefits guaranteeing adequate income, and implement the pension system reform ensuring its sustainability, transparency and adequacy;
- improve access to housing for socially disadvantaged groups;
- improve access to and quality of health care services in order to reduce morbidity and mortality from the main non-infectious diseases.

**The priority action directions will be implemented in compliance with these documents:**

*Programme for the Reduction of Morbidity and Mortality from Main Non-Infectious Diseases 2007–2013*, which is aimed at reducing morbidity and mortality from main non-infectious diseases and external death causes.

The directions of the implementation of the Programme: reduction of morbidity and mortality from cardiovascular diseases; reduction of mortality and disability caused by traumas and other external causes of death, diagnosis of early-stage oncological diseases and comprehensive treatment, and optimisation of mental health care services infrastructure.

This Programme will be implemented to improve the quality of health care services and access to it by investing in upgrading the infrastructure of health care institutions and installation of modern technologies.

*Programme of Modernisation of the Infrastructure of Stationary Institutions of Social Services*, which is aimed at guaranteeing high quality services for the elderly, people with disabilities and children deprived of parental care. Measures for 2011-2015 include:

- modernisation of the existing stationary institutions of social services;
- starting the reorganisation of social care establishments for people with disabilities, setting up small modern homes for such people to live in groups;
- promoting the establishment of small stationary social care establishments for elderly people and innovative accommodation- related institutions of social services.

*National Programme of Equal Opportunities for Women and Men for 2010-2014* aimed at:

- improving labour market reintegration opportunities for women and men returning to the labour market after childcare leave, elderly as well as rural women, and for their stay in the labour market by implementing measures for the acquisition of working skills, disseminating information about their rights and fulfilment of guarantees, conditions for starting up and developing a business and recruiting employees, organising training that promotes motivation to work;
- promoting equal treatment of women and men in the labour market, equal recognition and assessment reducing thereby sectoral and vocational exclusion in the labour market on the grounds of gender; integrating the matters of ensuring equal labour market opportunities for women and men in social partnership and dialogue; seeking to reduce the gap between the wages paid to women and men.

*National Programme for Social Integration of People with Disabilities for 2003–2012* aimed at creating equal opportunities and improved quality of life for people with disabilities. The plan of measures for 2010-2012 provides for:

- developing community services for people with disabilities and improving the quality of their life (analysing the existing system of services and assistance, possibilities to acquire dwellings, providing proposals on their improvement, financing projects of social rehabilitation services to people with disabilities within the community);
- improving legal regulation and financing adaptation of the environment for people with disabilities, providing funding for the adaptation of dwellings and respective surroundings to the needs of the disabled;
- assessing the need for the transportation of pupils with special needs to education and training institutions and ensuring that this need is satisfied;
- increasing the opportunities for the disabled to gain employment and stay in the labour market.

*National Youth Policy Development Programme for 2011–2019*, which is aimed at creating a favourable environment (conditions) for a fully-fledged life and the self-expression of youth in Lithuania. The Action Plan of the Programme Implementation for 2011-2013 provides for:

- developing non-formal education seeking its integration with formal education;
- educating a conscious, civic, patriotic, mature, cultured and creative personality of youth capable of playing an active part in a diversified society;
- creating favourable conditions for youth and organisations dealing with youth to engage in consistent high-quality activities stimulating more active (self) involvement of youth in organised activities.

*Programme for Reducing Social and Economic Differences between Regions for 2011–2013*, aimed at facilitating the implementation of purposeful national regional policy in Lithuania. The Programme Implementation Plan for 2011-2013 provides for:

- implementation of local employment initiative projects, subsidising jobs for unemployed people in problem areas;
- renovating and heating multi-apartment houses in problem areas;
- adapting buildings to subsidised housing needs in problem areas;
- addressing matters of quality, supply and accessibility to educational and social services in rural areas – creating, implementing and developing a modern educational and social services infrastructure for individuals of different age groups.

*Lithuanian Housing Strategy*, which is aimed at establishing long-term housing policy goals and priorities serving as a basis for: the improvement of legal acts regulating the housing sphere and its management and a public awareness-raising system; preparation and implementation of the programmes and measures for housing development, renovation and modernisation, financial and social assistance to individuals. By 2020 the strategy envisages:

- increasing the scope for individuals to choose rented dwellings in the private sector;
- drafting and implementing the procedure for compensating the rental charge to low-income individuals.

The targets will also be implemented by:

*National Child Welfare Policy Strategy;*

*Strategy for the Reorganisation of Child Care (Welfare) System for 2007-2012;*

*Regional Culture Development Programme for 2012-2020.*