

## **NATIONAL LISBON STRATEGY IMPLEMENTATION PROGRAMME**

### **INTRODUCTION**

The Lisbon strategy, approved at the European Council (EC) meeting in Lisbon, Portugal in 2000, set a new strategic goal for the EU for 10 years *“to become the most competitive and dynamic knowledge-based economy in the world”*. This is to be achieved by speeding up technological progress, development of an informational society, completion of necessary economic reforms and minimising social exclusion.

The challenges revealed themselves more difficultly than believed when the slowdown of the world economy started. When considering the execution of the Lisbon agenda for the first five years on March 2005, the EU reoriented the Lisbon strategy by taking the decision to focus priorities on economic growth and job creation. The newly oriented strategy combines three aspects (economic, social and environmental) and is introduced as the strategic vision in the areas of macroeconomic, microeconomic and the employment policy. These strategic provisions have been concretised for the period of 2005-2008 as an integrated package of guidelines (see Annex 4).

The integrated guidelines are implemented by realisation of the Broad Economic Policy Guidelines (BEPGs) and the Guidelines for Employment Strategy. In addition, each member state shall develop the national reform program, which contains specific measures for the guarantee of economic growth and job creation for the first three years.

While preparing for EU membership, Lithuania has been successfully fulfilling its systematic economy and social policy reforms, has overcome production decline and has assured a speedy economic growth. As stressed in the Report of 2004 of a group of high level experts, lead by former Prime Minister of the Netherlands Wim Kok, the growth of production volume and productivity in Lithuania in the period of 1999-2003, as well as in other seven counties of Eastern Europe and the Baltic countries as well as the EU candidates, was twice as high as in the USA and much higher than in the EU.

The basic goal of the economic strategy in Lithuania is to minimise the backwardness of economic development levels in comparison with the average of all of the EU countries. This goal is being concretised in economic policy that is based on obligations related to full-fledged membership in the Economic and Monetary Union (EMU). Key policies are related to ensuring the macroeconomic stability and at the same time, implementing structural labour market reforms, encouraging competitiveness and ensuring stability of the financial sector. This will ensure an even rate of real convergence with the EU States and a stable macroeconomic environment.

Lithuania has committed itself to pursue a sustainable fiscal policy providing optimum conditions for economic growth. Pension reforms being carried out and the effectiveness of the health care system and financial stability remain as the main tasks. A tax system reform being implemented in 2005 and planned changes in the public expenditure policy should help to achieve effective allocation of resources by ensuring stability of budget revenue and expenditure, to reduce the imbalance between taxation of labour and capital gain in the medium-term.

Priorities of economic growth and fiscal policy shall be closely interfaced with the social cohesion goals covering not only the increase of the overall employment level, but also the positive changes in wages. An integrated approach towards key areas of social life will be activated by proportioning the fiscal policy measures to the social needs of the society, implementation of strategic structural reforms and the stability of labour and capital market. These issues in addition to active new technologies and research and development remain the long-term goal.

Full-fledged participation in the EMU from January 2007 is one of Lithuania's key medium-term objectives. Successful pursuance of nominal convergence criteria confirms the expectations related to

early participation in the EMU that in turn shall increase Lithuanian's opportunities to pursue a real convergence. Lithuania seeks to build an information society, to create a knowledge-based economy and follow the way of concerted development and to create and develop a modern, dynamic and competitive economy. The basic condition of these objectives is to thoroughly develop the research and development system of the country. The social partners (private businesses) have been invited and encouraged to increase investments into SR&ED. The innovation policy of the State shall be targeted at all sectors including industry, services and business operating both in high-tech and traditional companies.

Clearly one of the basic conditions for innovative activities and a knowledge-based economy is the expansion of information and communication technologies. The State shall further develop the needed infrastructure and provide supportive conditions for the provisions of public services by harmonising the public information sources (registers and information systems).

The enhancing of industrial competitiveness in the medium- term shall be carried out making use of the comparative advantages at the present time. However, it will be of the utmost importance to acquire not inherited, but comparative advantages created in the State and the competitiveness of business in the global economy will depend on them. The creation of these new advantages will depend on the potential of all economic sectors to master and create new technologies and develop innovative activities and on workforce basis, to improve and alter the qualifications.

The sustainability of economic growth requires ensuring that the sustainable use of resources, the rate of production and service growth being more rapid than the use of natural resources for the creation of them. In order to reach this objective, the broader use of recyclables in production is of great importance. Furthermore, substances posing a threat to the environment and human health shall be replaced with safer alternatives, while non-renewable resources will be replaced with renewable ones.

When ensuring the development of the internal market and improving the business environment, the economic policy of Lithuania will seek to reduce the administrative burden by better regulation, a more effective assessment of the effects of new legal acts and the support of market competitiveness.

Small and medium-sized business will play an important role in the development of the internal market by receiving more support. For this purpose, consulting centres, business incubators and technological fleets will be established.

When developing and improving the European scale infrastructure and implementing cross-border projects of high priority, great attention will be focused on the timely modernisation of the Trans-European network infrastructure. The aspects most important for Lithuania's transportation system include a smooth implementation of the Rail Baltica project, which has been included in the list of 30 priority projects forming part of the new Trans-European transport network development guidelines adopted by the European Parliament in April 2004; further development and modernisation of multi-modal corridors I and IX as well as branches thereof; improvement of connections with the Trans-European networks; modernisation of the Klaipėda Seaport; improvement of interaction with multi-modal transport corridors; modernisation of international airport infrastructure; increasing flight safety and security. For the implementation of the European- track in the Rail Baltica railway, the principle of public-private partnership capital will be used.

The link of economic and social policy will be ensured by Lithuania's job creation policy aimed at achieving full employment, enhancing quality of work and increasing productivity. The essence of the policy is to develop legal assumptions for a more flexible organisation of labour relations, more proper response to unavoidable market changes and facilitation of employees adapting to changes and at the same time, ensuring their social and job security.

Lithuania has identified the following national priorities to be implemented in order to promote economic growth and increase job creation:

- **Macroeconomic Area:** to sustain speedy economic growth, a stable macroeconomic environment and to seek full- fledged membership in the EMU;
- **Microeconomic Area:** to promote the competitiveness of Lithuanian companies;
- **Employment Area:** to promote employment and investments in human capital.

This program with exception to the introduction and annexes consists of three parts. The first part is for the description of macroeconomic policy, the second is for the description of microeconomic policy and the third is for the description of the employment policy. The material of each part is introduced according to this logical scheme: the first section contains the description of the present situation, the identification of the issues, the definitions of the objectives and tasks necessary for the implementation of a strategic approach of a set priority and the results to be achieved by using these goals and tasks.

# **I MACROECONOMIC POLICY TO SUSTAIN FAST GROWTH OF THE ECONOMY AND A STABLE MACROECONOMIC ENVIRONMENT**

## **Background, Key Issues, Objectives and Tasks**

### **PRIORITY - TO SUSTAIN FAST GROWTH OF THE ECONOMY, A STABLE MACROECONOMIC ENVIRONMENT AND TO SEEK FULL-FLEDGED MEMBERSHIP IN THE ECONOMIC AND MONETARY UNION**

1. The growth of the Gross Domestic Product (hereinafter referred to as the GDP) of the recent years in Lithuania has been one of the largest of the EU Member States. According to the data of the Department of Statistics under the Government of the Republic of Lithuania (hereinafter referred to as the Department of Statistics) the real GDP growth of 2004 amounted to 7 percent. According to the preliminary data of the Department of Statistics, the actual GDP growth of the first six months of 2005 (in comparison with the first six months of 2004) was 6.4 percent. The growth of the State economy is the basis for positive assessment of the sustainability of the fiscal policy and attempting to approach the budget goal of the medium-term. One of the key objectives of the fiscal policy is approaching the fiscal deficit task of the medium-term, taking into consideration the Stability and Growth Pact approach with regard to the budget discipline. When seeking for fiscal consolidation, the orientation of the fiscal policy was changed in 2000. The deficit of the public sector amounted to 3.5 percent of the GDP in 2000, it decreased to 2 percent of the GDP in 2001. The fiscal deficit of the public sector was 1.2 percent of the GDP in 2003, and it amounted to 1.4 percent of the GDP in 2004. (Financial data of the public sector in the period of 2000-2004 and previous years were specified taking into consideration the resolution of the Eurostat with respect to the obligations for the population related to the restitution of real estate and the accounting of re-established savings in roubles).

2. According to the Lithuanian Single Programming Document (hereinafter referred to as the SPD) of 2004-2006, Lithuania is entitled to the support of EU structural funds in the period 2004-2006. For implementation of the measures defined by the SPD, during the first three years of membership in the EU, it is foreseen to allocate EUR 895.172 million from the EU structural funds and EUR 309.465 million of total Lithuanian budgetary funds (in total EUR 1204.637 m). The basic objective for the development raised by the SPD is to improve the conditions for the long-term State economy competitiveness and for the fast development of a knowledge-based economy, expressed, first and foremost, in the growth of a real GDP and employment leading to increasing prosperity and higher living standards in the whole State for all.

### ***Review of Economic Changes (Guidelines No. 1 and 6)***

3. The current account deficit (hereinafter referred to as the CAD) increased in Lithuania from 6.8 percent of the GDP in 2003 to 7.7 percent of the GDP in 2004. The increased foreign trade deficit had the most influence on the CAD and the surplus of the balance of services was the deficit-reducing factor. In the first six months of 2005, the CAD amounted to LTL 2.1 billion or 6.5 percent of the GDP and in comparison with 2004, it decreased by 18.6 percent. The fluctuation of the CAD has been determined by the decreased foreign trade deficit. On a more rapid increase of exporting than importing, the foreign trade deficit decreased by 1.2 percent of the GDP per year and in the first six months amounted to 10.2 percent of the GDP. Due to the income from the EU, the positive balance of current transfers increased by 0.3 percent of the GDP and the income deficit has slightly decreased (0.7 percent of the GDP). The positive balance of services increased to 3.6 percent of the GDP.

When analyzing the moving CAD sums of four quarters, the tendency of the decrease of this indicator is seen from the second half of 2004. In QIII of 2004, the moving CAD sum of four quarters was ranked as the largest within five years (8.7 percent of GDP). In the second half of 2004, when exports increased more rapidly than the GDP, this indicator started to decrease and in QII of 2005, amounting to 6.6 percent of the GDP. Assessing according to the savings and investments, the decrease of the CAD was determined both by slightly decreased investments due to the slowdown of internal requests and by the increased internal saving standard (according to the data of the QI of 2005). In 2004 the foreign direct investments (hereinafter referred to as the FDI) was the primary financing source for CAD which amounted to 3.4 percent of the GDP. In the first half of 2005, the flow of direct investments and capital transfers into the State, i.e. capital flows not considering the increase of foreign debts was financed at 2.0 (out of 6.5) percent of the GDP of the current account deficit. The net income of the investment portfolio amounted to an additional 0.8 percent of the GDP. The analysis of the moving sums of four quarters indicates that the tendency of internal capital flows slightly changed in the QII of 2005. The net flow of direct investments to Lithuania decreased, but the number of other investments increased. In addition, during the latter quarters both the FDI flow to Lithuania and the direct investment abroad of investors from Lithuania increased. Slightly more than half of the flow to Lithuania of all direct investments make up reinvestments, while investors from Lithuania are investing abroad directly into share capital of companies. During the latter four quarters, the sum of Lithuanian investment abroad in the QI and QII of this year amounted to 1.1 percent of the GDP, investments from them amounted to a share capital of 0.7 and 0.6 percent of the GDP respectively. During the first quarter, Lithuanian companies made investments mostly to the share capital of newly opened markets and companies of new EU countries (the Ukraine, Czech, Poland, Romania, Bulgaria, and Croatia). Among the direct foreign investment of Lithuania, the dominating investment was to wholesale and retail and to the production of rubber and plastic products.

4. In the middle of 2004, the four quarters sum of the foreign credit line provided for legal or naturalized persons of the Lithuanian economy reached historically high levels (6.1 percent of the GDP). During the latter quarters, when the banks were more active to take credit in the domestic market, the credit amount provided by the main banks significantly decreased. During the first half of the year, the credit line to Lithuania of four quarters amounted to 2.1 percent of the GDP.

The turnover of foreign trade in 2004, in comparison with previous year, increased by 18.7 percent. It was determined by the increasing volumes of the import and export of oil products. Without taking into account mineral products, the foreign trade turnover increased only by 14.6 percent in 2004. In the first half of 2005, the foreign trade turnover increased by 21.6 percent (without mineral products by 12.8 percent) in comparison with the first quarter of 2004. The nominal rate of the annual import growth in the second quarter of 2005 was more expedient and amounted to 24.1 percent. The increased import of oil products was the primary factor for that. Excluding fuel and petrol, the annual rate of imports slowed down to 6.4 percent during the QII. During the first half of 2005, the increase of nominal exportation was prompt in comparison with the same period last year, the increase was 24.2 percent (excluding fuel and petrol at 18.9 percent). The timely increase of exportation was determined mostly by the newly opened EU markets and EU export subsidies for the export of some agriculture products to non-EU countries. The increase of exportation was primarily because of the increase of intermediate consumption (11.4 percentage point) and consumer goods (5.9 percentage point) particularly with food products.

The results of foreign trade January through July of 2005 confirm that the economy of Lithuania remains competitive. Although it is not easy to assess the perspectives of export growth due to the changed foreign trade methods, however, the introduction of the Euro should encourage export development. Therefore, it is likely that in the medium-term, Lithuania will have the opportunity to develop export markets and to compete in the existing areas.

5. Low risk relating to the dynamics of the changing bank credit remains an important precondition of economic stability. The year 2004 witnessed a notably fast development of credit that was determined by several reasons: low credit bases (domestic credit and the GDP ratio in 2004 amounted only to 30 percent, while the average of the EU Member States in 2003 amounted to 120 percent), the medium term of credit terms became longer, the expectations of the inhabitants and

companies have improved and comparatively good financial conditions of companies promoted growth of the credit portfolio. A friendly macroeconomic environment prompted the more reasonable attitude towards the credit risk, and it was reflected by the reduced extra risks for interest rates and by subdued conditions for providing credit. The latter phenomena were also determined by intensive bank competitiveness.

At present it is comparatively easy for domestic commercial banks to borrow necessary funds from the main foreign banks for the increase of their credit portfolio. The credit and deposit ratio in the domestic bank system is close to 1. Credit offers with a currently low interest rate are not very flexible for the changes in the interest rate. Therefore, the main factor for credit changes remains as the changes in demand allow. The borrowing demand for companies has been formed by the increased in demand for investments. The expectations of the household related to the forthcoming increase of wages and a low level of debt (12 percent of controlled income) have stimulated the fast development of home and usable credit portfolios.

Fast development of credit may have a negative effect on the growth of the economy in the long-term especially in cases where the provided financial resources are allocated ineffectively. Due to the constant increase of the credit portion for the population in the joint credit portfolio (at the end of 2003 at 18.4 percent and at the end of 2004 at 26.4 percent) the risk exists, that the growth of productive investments is less promoted by credit development. On the other hand, because of the solid capitalization of the banking system, relations between the main banks and the use of risk transferring mechanisms, the threat for banking systems still remains insignificant.

**Table 1. Basic discrepancies of macroeconomic indicators, in comparison with average of the EU Member States**

Indicator	The Situation in Lithuania			The EU (25) Average	Discrepancy Level
	2003	2004	2005	2004	
Real GDP growth, %	10.5	7.0	6.4 <sup>I</sup>	2.3	High yet positive
Public sector deficit, % of the GDP	-1.2	-1.4	-2.3 <sup>F</sup>	-2.6	No
Current account of payment balance, % of the GDP	-6.8	-7.7	-6.5 <sup>I</sup>	-0.2	High

*Source: Eurostat, Department of Statistics, the European Central Bank*

*F- forecast*

*I- first half of*

### ***Long-term Sustainability of Public Finance (Guideline No.2)***

6. The second stage of the pension system reform being the voluntary pension accumulation system began to function in 2004. The installments for it are formed by reallocating a portion of installments of compulsory State social pension insurance. Pension accumulation contracts have started to be made in 2003 and already in 2004 more than 50 percent of the individuals having State social pension insurance, signed pension accumulation contracts. The third stage of pension system reform -voluntary pension system, has recently started to function in Lithuania. In 2005 (according to the data of September 1) 5,763 individuals signed pension accumulation contracts in the third stage with voluntary extra accumulation. Though in the near future, the subsidies from the budget of Lithuania will still be needed, the reallocation of State social insurance installments for the present pension system and the accumulation of pension, decreases the State's commitments to oncoming pensioners as well as a negative population ageing effect for the long term.

7. Seeking to avoid the groundless increase of the State's expenses for health care and their negative affect for the stability of the macroeconomic environment, it is necessary to insure the

effectiveness of the health care system, its accessibility and quality of service. To this end, the restructuring of health care institutions will be continued, a national medicine policy will be implemented and a health insurance system is being developed. The implementation of the reforms will help to use State funds allocated for health care more effectively, to improve labour conditions and at the same time, the productivity level will be increased. When developing the health insurance system, it is sought to improve the quality of the health care services and accessibility for the entire population of the country, to improve the efficiency of the health system, to introduce more effective forms for the usage of funds (see Annex 1).

The State debt policy has a significant influence on the fiscal sustainability. The debt of the public sector in Lithuania at the end of 2004 amounted to 19.5 percent of the GDP (indicator of the public sector debt is presented when assessing the adjusted GDP of 2004). This indicator was satisfactory for the Maastricht criterion and was one of the least in the EU Member States (see Annex 1).

### ***Quality of the Public Sector Expenditure (Guideline No.3)***

8. The public sector expenditure in 2000-2004 progressively amounted to a lesser portion of the GDP: 39.2 percent in 2000 and (according to preliminary data of the Department of Statistics) 33.2 percent of the GDP in 2004. These tendencies have been determined by the strict fiscal deficit decrease policy and progressively less participation of the public sector in the market of goods and services. The subsidies of the public sector in 2000-2004 fluctuated around 0.8 percent of the GDP and maintained the decreasing tendency. Since 1999 the expenditures for the accumulation of the total fixed capital progressively have become less and in 2001 amounted to 2.2 percent of the GDP. However, in 2002 that expenditure showed the upward tendency again and amounted to 3.4 percent of the GDP in 2004 (see Annex 1). The budget policy of the Republic of Lithuania has been designed in respect of the strategic national and the EU priorities and is based on the reforms stimulating the effectiveness of the allocation of resources. Since 2000 the expenditures related to the integration into the EU are underlying. Therefore, the efforts are made to provide maximum assurance for the implementation of the projects with regard to the EU.

The legal acts adopted in the period of 2000-2004 specify the most important provisions for strategic planning, the budget publicity and the majority of non-budget funds to be included in the budget. When performing the budget reforms, the model of strategic planning and formation of programmable budget started to apply. That model provided the opportunity to co-ordinate the activities between the assignment managers and the Government of the Republic of Lithuania by setting priorities. When preparing the State's draft budget of 2006, the implementation of a new system of assessment criteria has been started. Planning the activities for the period 2006-2008 by the institutions have to include the creation of a three-level system of assessment criteria that reveals not only provided services and performed work, but also the exact implementation of strategic goals and programmes. When seeking to use the EU support funds more effectively, the Law of the Republic of Lithuania of 2005 on the Approval of the State Budget and Financial Indicators of the Municipality Budgets empowers the Government of the Republic of Lithuania or its authorized institution to reallocate the EU support funds and funds allocated to programmes and projects of joint financing between the assignment managers, investment areas and economic classification articles, as well as funds to pay the value added tax for the said programmes and projects, to cover the temporary shortage of the EU support program funds and to use the turnover and borrowed funds of the State budget for non-planned payments to the EU budget.

### ***Tax Policy (Guideline No.3)***

9. The key objective of the tax policy is the rapid GDP growth and stable income relating to the budget. At present, there is a significant gap between the taxation of labour and capital: labour is applied the burden of higher taxation. Taxation of capital is much easier. Therefore, the system of taxes promotes business through legal persons; in addition, high workforce costs have a negative influence on the competitiveness growth in the region. It has been attempted to find methods for the portion of wages to be kept secret and wages not to be officially increased. A successive decrease of labour taxation level and the scheduled equation leverage will help to avoid a sudden fall of income and

will ensure the stability of the State's finances during the medium-term period. When implementing the provisions of the Government of the Republic of Lithuania programme for the period 2004-2008 that has been approved by Resolution No. X-43 of the Seimas of the Republic of Lithuania dated December 14, 2004 (*Valstybės žinios* (Official Gazette), 2004. No. 181-6703), seeking to ensure the competitiveness growth of business in Lithuania and a more favorable taxation balance between the workforce and the capital by the gradual diminishing the income tax burden for the population, the amendments of the Law on Income Tax of the population were adopted in 2005. The changes will allow for the progressive decreasing of the income tax tariff in the period of 2006-2008 from 33 percent to 24 percent. In addition, the amendments envisage the supportive conditions to annul the double taxation for the income gained in foreign countries.

The Seimas of the Republic of Lithuania adopted the Law on the Administration of Taxes of the Republic of Lithuania on April 13, 2004 (*Valstybės žinios* (Official Gazette), 2004, No.63-2243), that covers a clear regulation of legal relations for the administration of taxes. The respective arrangement of the taxation of the foreign company income (taxation at the source, regular residence conception) and the taxation of the dividends according to the currently valid provisions of the Law on Profit Taxes (*Valstybės žinios* (Official Gazette), 2001, No. 110-3992) has been followed by the application of the general taxation principles typical to a free market.

### ***Labour Market and the Tendencies of Productivity (Guidelines No.4 and 5)***

10. The markets of goods, services and the labour, possessing flexible adaptability to external changes are becoming a prerequisite for the integration of Lithuania into the EMU and constitutes one of the future priority structural reform tendencies that will receive constant attention seeking to maintain the present rate of the reforms.

Integrated measures in the areas of taxes and social policy that ensure the increase of wages for all social groups, especially for a poorly provided population, and promote general growth of employment and living standard have been actively applied during the recent years. During the several latter years, the positive tendencies of the general employment growth have been observed: from 57.2 percent in 2001 to 61.1 percent in 2004. The employment level of elderly people has also been showing a fast growth. In Lithuania this indicator amounted to 46.9 percent in 2004, being considerably higher than the average of the EU. The employment level in the QII of 2005 amounted to 62.6 percent and the employment of elderly people amounted to 50.4 percent.

11. The calculations of performed by the Department of Statistics on the basis of the assessment of total value added and actually worked hours of individual types of economic activities showed that the productivity of the State's economy in 2004, in comparison with the year 2000, increased by 27.2 percent. The speediest growth of the productivity and value added was observed in the activities related to the production and consumption (industry, construction and industrial services). The growth of labour expenditures (average monthly gross wages) during the latter years matched the productivity growth and helped to maintain the competitiveness under the conditions of the increasing nominal rate of Litas. From 2002 to the middle of 2004, when the yearly rate of growth of wages and productivity approximated to 5 percent, the growth of piece-rate labour expenditures was close to zero and had no effect on inflation. Since the second half of 2004, the wages that have increased more rapidly started to overtake the growth of productivity. During the QIV of 2004, piece-rate labor expenditure increased by 2.7 percent per year and during the QI of 2005 it increased by 7.6 percent (see Annex 1), while the average monthly gross wages (not including sole proprietorships), according to the data of the Department of Statistics, during the QI of 2005, in comparison with an appropriate period in 2004, increased by 10.8 percent, and during the QII – by 9 percent. The growth of wages was determined by the increase of minimum monthly wages and base monthly wages from May 2004, a higher number of working days, seasonal fluctuation and other factors.



**Table 2. Basic discrepancies of macroeconomic indicators, in comparison with the average of the EU Member States**

Indicator	The Situation in Lithuania			EU (25) average in 2004	Discrepan- cy level
	2003	2004	2005		
Unemployment level, %	12.4	11.4	8.5 <sup>II</sup>	9	Low
Average monthly gross wage*, LTL	1073	1158	1331.5 <sup>II</sup>	No data	No data
Growth of average monthly gross wage*, %	5.8	7.9	9 <sup>II</sup>	No data	No data

Source: Eurostat, Department of Statistics

*p* - forecast

*II* –quarter

\*Except sole proprietorships

### ***Monetary and Exchange Rate Policy (Guideline No.6)***

12. Participation in the dynamic and well functioning EMU constitutes one of the basic economic policy priorities in the medium-term period. Therefore, there will be aims to join to the policy trend combination that leads to strengthening of the economic growth, sustainability of fiscal policy and is compatible with the stability of prices and the pursued monetary policy.

In Lithuania the tendencies of the fluctuation of customer prices in 2004 changed towards the boost trend and the yearly inflation calculated on the basis of the Harmonized Index of Consumer Prices (hereinafter referred to as the HICP) amounted to 2.8 percent in December and the average yearly inflation made up 1.1 percent. At the beginning of 2005 the yearly inflation showed slight fluctuations of around 3 percent, and since May, upon the disappearance of the influence of a onetime price jump of May 2004, the yearly inflation decreased to the level of 2 percent. The yearly inflation reached 2.3 percent in August, and 2.6 percent in September. The main reasons for the change and further growth of inflation tendencies in Lithuania include the fluctuation of food, administrated and fuel prices.

Implementation of a fixed exchange rate according to the principles of the currency board has been an important factor for the achievement of a stable macroeconomic growth. It has stabilized the inflation expectations, diminished the risk premiums for the State and currency, increased the trust in the national economic policy and speeded up the nominal and real convergence. The following features of the Lithuanian economy are favorable for the successful application of the fixed rate of Litas; openness of the economy; the importance of the stable exchange rate to a price level and relative flexibility of prices and wages.

When being integrated as an EU Member State, Lithuania has committed itself to replace the Litas with the Euro in the future. Lithuania has been successfully participating in a currency exchange rate mechanism with unilateral commitment to sustain the regime of a fixed exchange rate and stable national exchange rates in respect of the Euro. Economic and fiscal policies being pursued cover the measures, the successful implementation of which will ensure the conformance of Lithuania to the Maastricht criteria and the possibility to ensure receiving a positive decision by the EU Economic and Financial Affairs regarding the introduction of the Euro at the beginning of 2007.

### **The Key Macroeconomic Policy Objectives and Tasks in the Medium-term Period**

**Objective 1: TO RETAIN A STABLE MACROECONOMIC ENVIRONMENT AND SUSTAINABILITY OF THE PUBLIC FINANCES PROVIDING SUPPORTIVE CONDITIONS FOR THE GROWTH AND JOB CREATION**

13. Key tasks (*Guideline No. 1*):
- 13.1 To retain a fast growth of the economy in the period of the medium-term.
  - 13.2 To retain the sustainability of the current account balance by implementing appropriate measures.

**Objective 2: TO ENSURE A LONG-TERM SUSTAINABILITY OF FISCAL POLICY AS A BASE OF HIGHER EMPLOYMENT**

14. Key tasks (*Guidelines No. 2 and 3*):
- 14.1 To seek for sustainability of the State debt during the long-term period.
  - 14.2 To perform an effective pension system reform.
  - 14.3 To seek for the effectiveness and financial stability of the health care system and to continue the restructuring of health care institutions.
  - 14.4 To promote the growth of employment and productivity necessary for the assurance of the financial stability of the public sector.
  - 14.5 To pursue the State budget policy taking into consideration strategic national and EU priorities and to provide the grounds for the policy by the reforms promoting the effective allocation of the resources.

**Objective 3: TO PROMOTE THE COHESION OF ECONOMIC POLICY, STRUCTURAL REFORMS AND SOCIAL POLICY FOR THE STIMULATION OF PRODUCTIVITY AND COMPETITIVENESS GROWTH**

15. Key tasks (*Guidelines No. 4 and 5*):
- 15.1 To promote political dialog in relation to the improvement of the systems of nominal wages, corresponding to the development of the economy and labour market, taking into consideration individual social groups.
  - 15.2 To proceed with the started reforms in the markets of labour and products, seeking to conform to globalization, technological and cyclic changes.

**Objective 4: TO SEEK A FULL-FLEDGED PARTICIPATION IN THE ECONOMIC AND MONETARY UNION FROM JANUARY 1, 2007**

- 16. To seek a full-fledged membership in the EMU, to pursue sustainable fiscal policy; to retain low extra risk over a base interest and low inflation.

**Results to be achieved**

(following the macroeconomic projections drafted on September 29, 2005)

***Medium-term Scenario of Economic Policy (Guidelines No. 1 and 6)***

17. The macroeconomic environment in Lithuania and the fiscal policy of the public sector are influenced by the commitments related to membership in the EU. Special attention is paid to budget discipline and to the requirements set by the Maastricht criteria seeking to ensure the opportunity to participate in the EMU. Political priorities of Lithuania and the anticipated rapid growth of the economy in the medium-term period provide the hope for positive results when performing the structural reforms in the basic areas of social life.

The key objective of the fiscal policy is to seek that the budget deficit of the public sector does not exceed 3 percent of GDP in the period 2005-2008 and approaches the target of a medium-term deficit.

To this end, it is necessary to implement the measures specified in Lithuania's Convergence Programme that has been approved by Resolution No. 54 of the Government of the Republic of Lithuania dated January 21, 2005 (*Valstybės žinios* (Official Gazette), 2005, No.11-341). It is being sought that in the period 2005-2008 the deficit of the public sector does not exceed 2.3 percent of the GDP, 1.8 percent of the GDP, 1.5 percent of the GDP, 1.3 percent of the GDP respectively (the projections of the fiscal deficit are presented according to the Convergence Programme). The performance of the measures specified in Lithuania's Convergence Programme will be continued with the aim to achieve the medium-term targets of the public sector deficit. It seems likely that the implementation of the fiscal policy targets in the years 2007-2008 will also be positively influenced by a more firm use of the EU financial support of the years 2007-2013 (the EU structural support during the years 2007-2013 could be used in Lithuania only upon the drafting and coordination with the European Commission of the National Strategy of the Use of the EU Structural Support and separate action programmes for the implementation of this strategy).

18. The state economic policy under implementation that is aimed at the creation of stable macroeconomic environment, implementation of labour market reforms and contribution to the growth of employment and improvement of the labour environment, determines the rapid growth of the economy and the improvement of the living standards of the society. It is anticipated that during the medium-term period Lithuania will retain a fast economic growth: the GDP increase may amount to 7 percent in 2005, 6 percent in 2006, 5.3 percent in 2007 and 6.8 percent in 2008. The greatest stimulus for the economic growth provided by the EU support is likely to be noticeable in 2005. Basic external economic conditions correspond to the conditions declared by the European Commission (hereinafter referred to as the EC) (in 2005 quarterly EC Report on the Euro Zone) in relation to exchange rate and oil prices. Though the dynamics of oil prices is not favourable for the economy, the application of the unused 2004 and 2005 EU support funds in 2006 and the improved economic infrastructure due to the support of the EU and the increased industrial capabilities in the years 2007-2008 would compensate the negative influence of high fuel prices.

The prevailing tendencies as of 2003 indicate that the influence of the internal demand will continue to remain strong for the growth of economy. The investments and consumption will rapidly increase in the years 2005-2008, and trade liberalization between the EU will stimulate a nominal growth of exportation. With the growing trust of investors in economic stability, the investments will form a consistently rising high portion of the GDP. The impulse for consumption in the period in question will be accelerated by the wage growth, declining unemployment, newly opening EU labour markets and positive expectations of the consumers in respect to economic growth. New technologies being imported will increase the capability of the economy to compete in the international markets. Later, the increased industrial capabilities caused by the stimulus of the EU financial support, will provide the conditions to satisfy the domestic demand by the goods and services produced within the State.

19. Significantly increased provisions of credit for consumers in the years 2003-2004 increased investments and consumption. In the first half of 2005, the portfolio of credits provided to bank clients increased by 17 percent (in the first half of 2004 by 16.7 percent, respectively). Therefore, it seems likely that the credit portfolio of investors and consumers will continue to increase in 2005, though the increase rates will remain similar to those of the years 2003-2004. The pressure of the progressively increasing domestic demand in the years 2006-2008 will be decreased by the ever-decreasing GDP portion for consumption expenditures of the public sector.

The introduction of the Euro on January 1, 2007 would encourage foreign investments and the growth of exportation. Fast growth of productivity would remain after 2008 and would determine Lithuania's approaching the living standard average of the EU in the perspective period of the years 2007-2013.

### ***Long-term Sustainability of Public Finance (Guideline No. 2)***

20. Lithuania's fast economic development of the recent years has proved that sustainable fiscal policy has been pursued which has ensured the stability of public finance and has won the trust of domestic and foreign investors. In the finance sustainability context of the public sector, the key objective of Lithuania is to pursue pension and health care reforms in a smooth and effective way, which will strengthen the sustainability of the public finance for a long-term period.

21. When implementing the pension reform, the direct financial obligations of the State to the future pensioners will become lower. This will create the conditions for avoiding the crises of the pension system related to demographic changes in the long-term perspective. The provisional estimates show that the amount of the State social insurance installments transferred to pension accumulation funds made up LTL 173 million in 2004. It is anticipated that this amount will approximate LTL 300 million in 2005, LTL 497 million in 2006, LTL 666 million in 2007, LTL 715 in 2008. The yearly increase of the capital transfers to private pension accumulation funds will range from 0.3 percent of the GDP in 2004 up to 0.8 percent of the GDP in 2008. It is scheduled that a portion of the budget expenditures of the State Social Insurance Fund to be compensated from the budget surplus of this fund caused by the short-term improvement of demographic conditions as well as from the State budget appropriations and other sources. The pension system reform will increase the liquidity of financial markets and will promote a speedier economic growth. Although pursuing of the pension reform will result in a higher fiscal deficit, the funds accumulated in the pension accumulation funds will diminish the direct financial commitments of the State for oncoming pensioners.

The measuring system for the increase of employment directly related to the pension system is calculated based on the age increase of the old-age pension plan. Starting in 2012, it is planned to increase this age by 2 months for men and 4 months for women every year until the age of old-age pensions for both sexes will reach 65 years in 2026. The extension of the pension age up to 65 years would make the financial burden much easier for employed people and would help for the population that are paying social insurance installments.

22. When seeking to assure accessible, qualitative and safe health care services for the population of the State, the restructuring of health care institutions is being implemented. The objectives and priorities of the restructuring are as follows: development of initial health care and ambulatory services, optimization of stationary services and the development of alternative activity forms, development of medical nursing and long-term and supporting treatment services. When using the investment funds of the State capital, the implementation of new medical technologies, renovation and restructure of health care institutions, creation of integral and openly developed information systems are foreseen.

When performing the reforms of the public health care system, it is sought to make it close to the society, a part of functions is transferred to municipalities and they are encouraged to provide the financial support and to develop the possibilities in such a way that the reaction to emerging threats would be fast.

23. When developing the health insurance system, voluntary health insurance is promoted that will attract additional private fund and will contribute to the additional financing of health care. The funds of the Compulsory Health Insurance Fund are allocated according to the statistic demographic indicators of the population, i.e. taking into consideration the number, sex and age of the population in the in the region being served.

Investments to the health care system reform, when seeking a more effective use of the funds provided by the State to this system, is a long-term contribution of the State, to the social and economical welfare of the population by improving living quality, promoting productivity, the increase of entrepreneurs and higher economic achievements.

24. When assessing the State debt tendencies, the main task is to ensure the financing of public expenditures and debt commitments taken in the name of the State using debt funds by spending the least possible and with acceptable risks during the medium-term period, not exceeding the fixed limits of debt and borrowing and following the requirements raised for the EU Member States striving for the introduction of the Euro. It is anticipated that in 2005, the level of the public sector debt (according to EDP requirements) will remain as in 2004. It will later slightly increase to 20.1 percent of the GDP anticipated for 2006 and within the medium-term period will decrease consistently to 19.2 percent of the GDP anticipated at the end of 2008.

**Table 3. The debt of the public sector and the projections of interest to be paid**

<b>In comparison with the GDP, percent</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Public sector debt at the end of the year</b>	<b>19.5</b>	<b>19.5</b>	<b>20.1</b>	<b>20.0</b>	<b>19.2</b>
<b>Interest</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

*Source: The Ministry of Finance*

***Quality of the Public Sector Expenditure (Guideline No. 3)***

25. When implementing the set objectives, an important factor is the financing efficiency of the public sector. The objectives and priorities of the budget expenditure of the Republic of Lithuania being set in the approved strategy documents are interrelated and combine an integral system. The main tasks and priorities of the national budget expenditure are set out in the State Long-Term Strategy, SPD and Government of the Republic of Lithuania programmes, region development plans, integration into the EU and NATO documents. When preparing the medium-term budget (to 2008) and the appropriate programmes, the strategic objectives (priorities) approved by Resolution No. 221 (*Valstybės žinios* (Official Gazette), 2005, No.30-944) of the Government of the Republic of Lithuania dated February 28, 2005 have been taken into consideration: to strengthen the influence of Lithuania when preparing EU economic policy and resolutions related to the issues important to the State, to seek the participation in the Euro zone from 2007, to seek for harmonious development and even more regional social economic expansion, to ensure further improvement of business development conditions, to insure the expansion of national culture and health care, to ensure correct labour relations, proper labour conditions and to minimize social exclusion; to develop information and a knowledge-based society, to promote legal education of the society, to ensure the harmonious development of the public transport infrastructure and other key issues.

***Tax Policy (Guideline No. 3)***

26. The decrease of the population income tax tariff will gradually ensure a better balance of workforce and capital taxation which will promote the employment and at the same time, the increase of competitiveness in the region that will be determined by the decreased workforce costs. Profit tax set by the Law is one of the lowest profit tax tariffs among the EU Member States, favourable dividend taxation rules that ensure the liquidity of funds for foreign and Lithuanian investors, general taxation characteristic for free markets being implemented should ensure not only the growth of competitiveness in the region, but also to encourage investment income. The measures of tax policy will stimulate the investment to the human capital, the ability of persons participating in the labour market to adopt them to the demand changes in the labour market and speed up the advance of technologies.

27. The early estimates show that the impact of the change of the Law on Population Income Tax on the public sector income in the years 2006-2008 will approximate to LTL 3,354 million (accumulative principle). The loss of the public sector income because of the decreased tariff of the population income tax will be compensated by a temporary social tax, calculated from the profit of legal

persons (the early estimates suggest that, upon coming into effect of this tax, the State budget in 2006-2008 will receive an additional income of LTL 0.8 billion), the expansion of the tax base for real estate will also have a positive effect - from January 1, 2006 real estate tax will be paid not only for real estate possessed by the companies by proprietary rights, but also for real estate possessed by inhabitants by proprietary right used for commercial purposes (the early estimates suggest that because of the expansion of the tax base for real estate, the national budget will receive income of LTL 20 million per year). The decreased tariff of the inhabitant's income tax will also determine the increase of tax elasticity; will promote the employment growth and a more fast development of the economy and higher budget income within the medium-term period. It will also help to avoid the deceleration of cyclic GDP growth in the years 2007-2008.

**28.** The provisions of tax law in the future will be changed taking into consideration the changes of the EU tax policy, the practice of the European Court of Justice, the results of the European Commission working group activities, the most advanced taxation policy in the world, as well as the potential of economic growth, competitiveness and employment promotion.

#### ***Labour Market and Productivity Tendencies (Guidelines No. 4 and 5)***

**29.** The remaining tendency of the employment growth indicates that the companies have already used the available workforce resources and the further increase of the production amount possibly providing an additional workforce will be employed. The employment growth will also be promoted by EU support. The number of employed persons will increase in the medium-term period and it will contribute to the production growth. When national economic potential, political, social and economical objectives are thoroughly assessed, it is anticipated to achieve employment of 70 percent, to decrease and to retain low unemployment in a stable condition at around 6 - 7 percent in the nearest 12-15 years.

**30.** Improvement of labour taxation provisions (the decrease of population income tax) and long-term structural reforms in the social policy area, which will provide additional motivation to participate in the labour market and will improve the system of social guarantees, will promote positive wage tendencies in the medium-term period. During the latter years, the production of companies is more profitable and it will provide for the preconditions for the increase of wages not losing their competitiveness. Rational increase of wages (from comparatively low) will also help to achieve the sustainability of the current account. The reforms under implementation allow for a likelihood that net wages will increase, a portion of black wages will decrease and the competitiveness and productivity of the region will also increase. Increase of workforce demand, growing productivity, anticipated increase of minimal monthly salary (taking into consideration the national financial possibilities and the rate of economic growth), improving expectations of the economy players and the convergence of prices, will also have a positive influence on the increase of wages. It is anticipated, that the tendencies started in 2004 will proceed at the rate of average monthly wages growing in the State and the acceleration of wages will increase from LTL 1.158 in 2004 to LTL 1.600 in 2008.

**31.** Re-qualification of the workforce from the low productivity sector to the higher productivity sector in the medium-term period becomes an important factor for GDP growth, having the possibility to protect from the lack of workforce: a lower number of people employed in the agriculture sector determined the increase of productivity around 13 percent in this sector, while the remainders managed to maintain the previous production volumes. When seeking to ensure macroeconomic stability and growth, the growth of wages corresponding to the productivity acceleration rate will be promoted. It is sought, that yearly average productivity change in the period of 2005-2008 are projected to amount to 4-5 percent. Taking into consideration the rate of productivity growth and, also, the fact that the income tax tariff is one of the lowest between the EU Member States, Lithuania should remain

attractive to foreign investors. Higher acceleration of FDI is one of the main conditions for productivity growth.

32. Structural reforms being performed in labour and product markets, tax policy being implemented, purposeful use of the EU structural support, political commitments for the pursuance of economic and social policy allow for a likelihood that in the period of the medium-term, the rate of economic growth will be retained, productivity indicators will be improved, the commitments of social policy will be reached and the reforms of the labour market will be implemented.

### ***Monetary and Exchange rate Policy (Guideline No. 6)***

33. When seeking full-fledged membership in the EMU, it is essential to ensure the conformance of the macroeconomic indicator to the Maastricht criterion, paying special attention to price stability.

34. In the near future, the changes of inflation will mostly be influenced by the global oil price increase along with the decreasing Euro rate in respect to the US Dollar. Inflation can emerge in those groups of consumer goods and services where competition impresses not so much. However, the slowdown of the demand for the growth of currency and the decrease of credit increments and higher competition in the market will liquidate favourable conditions for the increase of prices. The projections of inflation are based on the precondition that it will manage to avoid the influence of pro-cyclic decreases of tax tariffs at least to the second half of 2006. In case the preconditions are met, the yearly average inflation level in 2005 would be 2.5 percent and in 2006 - 2.1 percent.

35. It could be expected that a portion of the labour tax decrease in the years 2005-2007, due to competition will be used to maintain low prices. The decrease of population income tax tariffs, more effective use of economic potential and productivity growth, will slow down the increase of prices in the future. In 2007, the inflation would be slightly higher because of the Euro introduction costs and the possible effect of the inflation slowdown. At the end of the medium-term period, the yearly average level of inflation will fluctuate around a value of about 2.5 percent.

The national plan for the introduction of the Euro and the information for the society of Lithuania on the introduction of the Euro and communication strategy are approved by Resolution No. 1050 of the Government of the Republic of Lithuania dated September 29, 2005 (*Valstybės žinios* (Official Gazette), No. 117-4235).

36. When seeking to retain the stable prices for goods and services after the Euro is introduced, measures specified in the National plan for introduction of the Euro will be implemented:

36.1 It will be obligatory to indicate prices (pensions, wages and other payments) in Euros and Litas not shorter than 60 calendar days before the date the Euro is to be introduced and 60 calendar days when the Euro is already introduced.

36.2 The turnover of two currencies is applied.

36.3 Approximation of prices will be performed according to set rules.

36.4 Trade organizations will be encouraged to adopt the business code of goodwill that will be established when recalculating the prices to pursue the retaining of price levels without any discrimination, seek to effect changes in the Euro, etc.

36.5. Institutions and the society will be informed on the changes of prices for consumer goods and services by recording prices in Litas and the Euro and by taking into account the effect of the recalculation of the prices in Litas to the prices in Euro on the total change of consumer prices.

37. Every effort will be made in the period of exchange process in order to avoid the misuse of increasing the prices and baseless expectations of inflation. The shift to the Euro will promote investments and trade relations, provide more favourable conditions for the growth of national economy and accelerate the increase of population income.

**Table 4. Macroeconomic policy objectives of Lithuania for the years 2005-2008**

Indicator	Lithuania's objective 2005-2008	EU objective 2005-2008
Fiscal deficit, % of the GDP	< 3, seek medium- term period fiscal deficit task	< 3, to approach to balanced
Current account of payments balance, % of the GDP	To maintain sustainability	To maintain sustainability
Unemployment level, %	7.5	To decrease
Average growth of monthly net wages*, %	8-9	No data

Source: the Ministry of Finance

\*excluding individual companies

38. In the medium-term period, a sustainable finance policy will be pursued, primarily oriented into medium-term objectives and a fiscal deficit task. The reforms of pensions and health care systems are being implemented, growth of total employment level and stability of national credit will ensure long-term sustainability of the Public finances. The tendencies of economic growth, structural reforms in the markets of products and labour, successive productivity growth, trust of investors in the domestic market, tax policy measures, expectations related to membership in the EMU, provides the hope to believe that the approach to the implementation of national tasks set in this programme will take place.

#### **Macroeconomic Policy Implementation Measures, Division of Responsibility and Financial Resources**

39. Taking into consideration key priorities and objectives of economic policy in the medium-term period, the following national measures are foreseen:

Demand for funds: additional funds for the implementation of the measures for the Implementation Programme of the National Lisbon Strategy are planned taking into consideration the national financial capabilities and their demand is corrected when preparing Draft Law on the Approval of Financial Indicators of the Budget of the Republic of Lithuania and Municipalities Budgets, National Investment Programmes and the National Strategy of the Use of the EU Structural Support and the action programmes.

#### **Objective 1: TO RETAIN STABLE MACROECONOMIC ENVIRONMENT AND SUSTAINABILITY OF PUBLIC FINANCES, PROVIDING FAVOURABLE CONDITIONS FOR GROWTH AND JOB CREATION (Guideline No. 1)**

Measures	Responsibility	Term	Demand for funds
<b>To retain fast growth of the economy in the medium-term period</b>			
1. To implement and improve the system for the analysis and monitoring of the implementation of the State long-term development strategy, when seeking to analyze the results of national economic development and to provide proposals related to economic trends and the	Ministry of Economy, Ministry of Education and Science, Ministry of the Interior, Department of Statistics	QIV 2005	General appropriations



conformance of strategic documents to the Lisbon strategy objectives.			
2. To prepare proposals for the investigation of the economic growth of Lithuania and factors and tendencies (taking into consideration June 22, 2004 Memorandum provisions of political parties of Lithuania and the institutions of academic society)	Ministry of Economy, Ministry of Education and Science, Ministry of Finance, Ministry of Social Security and Labour, Ministry of Environment, Ministry of Transport and Communications, Ministry of the Interior, Ministry of Agriculture	QIV 2005	General appropriations
3. Taking into consideration the tendencies of the national economy, the priorities of the EU strategies (Lisbon, Goteborg, European Employment strategies), strategic guidelines of the EU cohesion policy for the years 2007-2013 and national strategic documents, to provide proposals for the strategy being prepared for the use of the EU structural support for the years 2007-2013, for the programme of actions for the implementation of this strategy, for the creation of institutional management and administration system and its functioning, for the implementation of a general information system for the administration of structural funds	Ministry of Finance and other state institutions	2005 - QIV 2006	General appropriations
4. To prepare the analyses of the development of the national economy in the medium-term period, to investigate the economic effect of structural reforms and to provide the conclusions related to the issues of the economic policy being implemented	Ministry of Finance	2005-2008	General appropriations
5. Taking into consideration the national financial capabilities and the tendencies of the economy growth and provide proposals for additional national assignation and fiscal measures in order to strengthen the R&D sector, when coordinating the process with the use of structural support and the proposals of social partners. Seeking the total investment level in percentage of the GDP in R&D for 2008 to be 1.2 percent	Ministry of Education and Science, Ministry of Economy and Ministry of Finance	2006-2008	General appropriations

6. When analyzing the indicators of economic growth, the tendencies of budget income collection and the nature and scale of the Tax Law infringements, to identify the most risky areas of economic activities in respect of avoiding the taxes and to prepare and implement the fight measures (programmes) against a black economy on the basis of this analysis	State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania	QI 2006, QI 2007, QI 2008	General appropriations
<b>To retain the sustainability of the current account balance by implementing appropriate measures</b>			
7. To encourage the activities of exporting companies by examining the effect of market liberalization, by fiscal measures and using the finance of the EU structural funds for strengthening the potential of scientific investigations and innovations, by implementing the conception of clustering and the order for subsidizing of innovative projects	Ministry of Finance and other institutions	2005-2006	LTL 53.4 m (under the SPD)
8. To prepare and to submit to the Government of the Republic of Lithuania the draft resolution related to strategic trends for the export development and promotion in the years 2005-2008	Ministry of Economy, Ministry of Agriculture	QIII 2005	General appropriations
9. To monitor the tax reform implementation effect on the state budget funds and the fiscal deficit, to submit proposals on the improvement of the tax administration and on the fiscal lever under implementation intended to diminish the risk of exceeding the deficit limit of 3 percent of the GDP in the public sector	Ministry of Finance and other institutions	2005-2008	General appropriations

**Objective 2: TO ENSURE LONG-TERM SUSTAINABILITY OF FISCAL POLICY AS THE BASES OF HIGHER EMPLOYMENT** (*Guidelines No. 2 and 3*)

Measures	Responsibility	Term	Demand for funds
<b>To seek for sustainability of State debt during long-term period</b>			
1. To make sure, that medium- term credit policy trends of the Government of the Republic of Lithuania listed in the schedule, approved by Resolution No. 602 dated June 1, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No.70-2533), should be observed 2. To finance the major part of the Government borrowing demand by emission of Government securities of the Republic of Lithuania in domestic and foreign markets	Ministry of Finance	2005-2008	The interest for total credit of the public sector in 2006-2008 would amount to LTL 1,985 m (planned interest (Financing: national budget funds))

<p>3. When the Government securities of the Republic of Lithuania is emitted in the domestic market, it should be concentrated into borrowing of a 3, 5 and 10 year term and to establish in this way some liquid emissions</p> <p>4. To borrow in Litas and Euros or in other currency that could be exchanged in Litas or Euros, using derivative financial measures</p> <p>5. To decrease gradually national borrowing in foreign currency the exchange rate of which in respect of Litas and Euros could provoke undesirable fluctuation of credit service expenditures</p> <p>6. To ensure that Government securities of the Republic of Lithuania denominated in Euros should form a progressively higher portion of borrowing commitments taken in the name of the government and to establish rather large and liquid emissions of Government securities of the Republic of Lithuania in Euros that could be marketed in international electronic stock trade systems.</p>			
<b>To perform an effective pension system reform</b>			
7. To prepare the project of the conception for the modernization of the national pension system taking into consideration the short-term and long-term tendencies of the development of the pension system	Ministry of Social Security and Labour	QIV 2006; QII 2007	For the accumulation of pension funds around LTL 2,178 million (forecast) will be transferred in the years 2005-2008; (Financing: State Social Insurance Fund; Reserve (stabilisation) fund (LTL 149.9 million in 2005; LTL 248.5 million in 2006
8. To participate when implementing the EU Member State programme, dedicated to apply for open co-ordination method that covers the joint tasks of these States, when fighting with results of the ageing society and ensuring long-term stability of national pensions system	Ministry of Social Security and Labour		
9. To develop a medium-term and long-term forecast model for the Lithuanian State Social Insurance Fund budget indicators	Ministry of Social Security and Labour and other state institutions		
10. To carry out the monitoring of a new pension accumulation system and the forecasts of demographic changes following the results of this monitoring. When needed, to prepare Draft Law on the change of the Law on Pension Accumulation of the Republic of Lithuania, seeking to improve a new pension accumulation system	Ministry of Social Security and Labour, Ministry of Finance, Department of Statistics, Lithuanian Securities Commission, Insurance Supervisory Commission	2005-2008	

11. To improve regularly the legal acts regulating the pension system	Ministry of Social Security and Labour, Ministry of Finance, and other state institutions	2005-2008	
---	---	-----------	--

<b>To seek for the effectiveness and financial stability of the health care system and to continue the restructuring of health care institutions</b>			
12. To prepare and approve the promotion measures for non-governmental organizations, participating in healing activities	Ministry of Health	2006	General appropriations
13. To prepare and to submit to the Government of the Republic of Lithuania the draft programme for the national medicine policy for the years 2006-2010	Ministry of Health	2005	General appropriations
14. To prepare and to submit to the Government of the Republic of Lithuania the draft strategy of health care investment	Ministry of Health	2006	General appropriations
15. To prepare the draft law on health care of the individual of the Republic of Lithuania, specifying the implementation of a quality management system and the provision of favourable conditions for the activities of private health care institutions	Ministry of Health	2006	General appropriations
16. To implement national e. health system	Ministry of Health	2005-2008	LTL 75 m (World bank credit, the EU structural funds)
17. To prepare and to submit to the Government of the Republic of Lithuania the draft strategy for the second reconstruction stage of health care institutions	Ministry of Health	QIV 2005	General appropriations
18. To continue the development of primary health care, to transfer the major portion of the services to private treatment institutions	Ministry of Health	2005-2008	LTL 195.6 m (the EU structural funds, national budget)
19. To optimize the stationary services by applying different hospital models according to set criteria	Ministry of Health	2005-2008	LTL 507.7 m (the EU structural funds, state budget)
20. To expand the volume and forms of ambulatory rehabilitation by optimizing stationary rehabilitation	Ministry of Health	2005-2008	LTL 21 m (the EU structural funds, national budget)
21. To integrate nursing services into hospital of general character, to start to provide them along to patronage services and to expand nursing at patient's homes	Ministry of Health	2005-2008	LTL 42 m (the EU structural funds, national budget)

22. To prepare and approve the schedule of the procedure for providing payable health care services for individuals	Ministry of Health	QIV 2006	General appropriations
<b>To promote the growth of employment and productivity necessary for the assurance of the financial stability of the public sector</b>			
23. To participate in the implementation of the EU Member States programme that diminishes poverty and social exclusions according to the open co-ordination method	Ministry of Social Security and Labour	2005-2006	General appropriations
24. To implement the measures for the 2005-2013 implementation of the National strategy for overcoming the ageing results of the population approved by Resolution No. 5 as of January 10, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No.5-112)	Ministry of Social Security and Labour, Ministry of Environment, Ministry of Finance and other institutions	QIV 2008	
25. Seeking to promote the diverse economic activities in rural areas, to implement the measures of the Single Programming Document of Lithuania for the years 2004-2006 approved by Resolution No. 935 as of August 2, 2004 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2004, No.123-4486)	Ministry of Agriculture	2005-2006	LTL 375.9 m (under the SPD)
26. To prepare and submit to the EC the rural development plan for the years 2007-2013	Ministry of Agriculture	2006	General appropriations
27. To prepare the draft state rural development programme for the years 2006-2008 and the measures for its implementation, and to implement these measures	Ministry of Agriculture and other responsible institutions	QIV 2005 (drafting); 2006-2008 (implementation)	General appropriations
28. To increase opportunities for the employment of youth by promoting business capabilities of the youth, the establishment of centres and associated structures, co-operation with the State and Municipality institutions (also see the measures for the employment policy implementation)	Ministry of Social Security and Labour, State Council of the Youth Affairs, Ministry of Economy, Ministry of Education and Science and other institutions	2005-2008	General appropriations
29. To draft, approve and implement specialized consulting and increase motivational programmes for elderly people in order for them being recognized as having a demand and to remain in the labour market	Ministry of Social Security and Labour and other institutions	QIV 2006 (drafting); QIV 2008 (implementation)	General appropriations
<b>To form the State budget policy having regard to the strategic national and EU priorities and to support the reforms promoting the effective allocation of resources</b>			

30. To provide with institutional and administrative conditions in order to use the funds of the EU budget and general financing more effectively and to finance the investment projects by applying the partnership of public and private sectors	Ministry of Finance and other institutions	2005-2008	General appropriations
31. To manage more effectively the financial flows for the public sector in order to decrease additional load to the budget that may emerge because of expenditures related to the membership in the EU and NATO	Ministry of Finance	2005-2008	
32. To improve the management of national finances according to the methodology for finance accounting and assessment and forecast of finance indicators applied in the EU Member States and also by improving technical bases and specialists qualifications	Ministry of Finance	2005-2008	

**Objective 3: TO STIMULATE COHESION OF ECONOMIC POLICY, STRUCTURAL REFORMS AND SOCIAL POLICY INCREASING PRODUCTIVITY AND THE GROWTH OF COMPETITIVENESS** (*Guidelines No. 4 and 5*)

Measures	Responsibility	Term	Demand for funds
<b>To promote political dialog in relation to the improvement of the systems of nominal wages, corresponding to the development of the economy and labour market, taking into consideration separate social groups</b>			
1. To achieve better a balance of workforce and capital taxation by preparing the draft laws of taxes and their changes	Ministry of Finance	2005-2008	General appropriations
2. Taking into consideration the resolutions of the Trilateral Council and the Government of the Republic of Lithuania and national financial capabilities to provide assignments for the increase of the minimal monthly salary in preliminary draft law on the approval of financial indicators of the budget of the appropriate year of the Republic of Lithuania and Municipalities	Ministry of Social Security and Labour, Ministry of Finance	2005-2008	
3. To organize information and consulting campaigns, workshops and to encourage in such a way, collective negotiations related to the wages at the level of company and their branches	Ministry of Social Security and Labour, Trilateral Council Secretariat under the Ministry of Social Security and Labour	2005-2008	General appropriations

4. To provide the Government of the Republic of Lithuania with the proposals related to the increase and indexation of a minimal monthly salary, income supported by the State, base social payments and other values taking into consideration the growth of the national economy, the increase of the consumer price index and budget capabilities of the public sector. To seek that until 2008, an average wage should be increased to LTL 1,800 and a minimal monthly salary to LTL 800	Ministry of Social Security and Labour, Ministry of Finance	2005-2008	General appropriations
5. To increase regularly the wages in the public sector taking into consideration the productivity tendencies. To prepare a draft law on the wages for the employees of the State and Municipality institutions	Ministry of Social Security and Labour, Ministry of Finance	QI 2006 (drafting); QI 2007 (implementation)	General appropriations
<b>To continue the implementation of the started reforms in the markets of labour and products, seeking to conform to globalization, technological and cyclic changes</b>			
6. To perform a yearly forecast of the labour market demands	Ministry of Social Security and Labour	2005-2008	General appropriations
7. To promote investments to human resources, knowledge and innovations and also "green field" investment, investments to public infrastructure and the creation of industrial zones	Ministry of Economy, Ministry of Finance, Ministry of Environment, Ministry of the Interior, Ministry of Agriculture, Lithuanian Development Agency	2005	
8. To ensure an effective use of structural support (2004-2006 according to GPG, in period of 2007-2013)	Ministry of Finance other institutions	2005-2008	
9. To implement the tax reform smoothly by seeking the balance of labour and capital taxation	Ministry of Finance	2005-2008	
10. To implement the measures of the EU general agriculture policy	Ministry of Agriculture	2005-2008	
11. To finish the restitution of the citizens rights to the extant real estate (land, forest and water)	Ministry of Agriculture, Ministry of Finance	QIII 2007	LTL 137 million in 2006 (national budget); LTL 448.5 million in 2007-2008

*\* See also the measures of microeconomic policy and the implementation of employment policy*

**Objective 4: TO SEEK FULL-FLEDGED PARTICIPATION IN ECONOMIC AND MONETARY UNION FROM JANUARY 1, 2007 (Guideline No. 6)**

Measures	Responsibility	Term	Demand for funds
<b>To seek full-fledged membership in the EMU, to pursue a sustainable fiscal policy;</b>			

<b>to retain low extra risks over a base interest and low inflation</b>			
1. To pursue a sustainable fiscal policy conforming to the Maastricht criteria and other commitments related to the EU	Ministry of Finance and other State institutions	2005-2008	General appropriations
2. To annually prepare and submit to the Government of the Republic of Lithuania the convergence programme (until the Euro is introduced)	Ministry of Finance	2005-2006	General appropriations
3. To develop a consumer price index model of co-ordinated forecasts	Ministry of Finance	2005	General appropriations
4. To pursue the observation of the consumer price index, the monitoring of a fiscal deficit of the public sector and other economic indicators	Ministry of Finance	2005-2008	General appropriations
5. To implement the plan of the introduction of the Euro in Lithuania approved by Resolution No. 1050 dated September 29, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 117-4235)	Ministry of Finance, Bank of Lithuania	2005-2007	Around LTL 140 m (resources of the Bank of Lithuania)
6. To publicize the information related to the introduction of the Euro in publications, the internet and to inform the society	Ministry of Finance and other state institutions	2005-2007	LTL 10-11 m (EC and the European Central Bank will finance not less than 50 percent)
7. To reconsider the legal acts regulating the finance market and in if needed, to make appropriate changes	Ministry of Finance and other State institutions	2005-2006	General appropriations

## **II. MICROECONOMIC POLICY TO PROMOTE THE COMPETITIVENESS OF LITHUANIAN COMPANIES**

### **Background, Key issues, Objectives and Tasks**

#### **PRIORITY - TO PROMOTE THE COMPETITIVENESS OF LITHUANIAN COMPANIES**

**40.** National competitiveness - the capability of the States to compete at an international level and to ensure a high income of the population and low unemployment level for the long term. The competitiveness of national industrial companies takes the role of the national competitiveness motive power stimulating the increase of the competitiveness of the country as a whole.

The competitiveness of Lithuanian industry and at the same time, the competitiveness of the whole State and capability to integrate into the world economy depends on the capability of industry to produce and install new technologies, to develop innovative activity on favourable business infrastructure created in the State promoting the competitiveness of the companies in domestic markets, on sufficient qualified workforce and on finance and services resources.

***Increase of investments, primarily of private business, into scientific research and experimental development (R&D) (Guideline No. 7), upbringing of innovation culture in business and the increase of innovative capabilities for companies (Guideline No. 8)***



**41.** Knowledge and the capability to use the most recent discoveries, to create new knowledge and technologies is the basic motivational force not only of an up-to-date economy, but also of a number of other living areas. One of the dominant provisions for the development and modernization of the State is an economy based on innovation and knowledge, capability to create and to apply new knowledge in all areas of living. In many States a knowledge-based society is acknowledged as the objective to be achieved or already existing phenomena. When perceiving the importance of innovation both for companies and competitiveness of a national economy and economic growth now in a number of strategic documents of Lithuania, the emphasis is put on the necessity to promote the use of innovation and knowledge for the creation of competitive products and processes and to introduce them into the market. At the same time, it is acknowledged that insufficient activities of the companies, when investing into scientific research, experimental development and innovation, may have an adverse outcome for long-term development of the national economy and economic growth. Insufficient funds for R&D and not sufficiently and effectively using the imperfect mechanisms to promote business investments to R&D have also had a significant influence on the present situation. The outcome is depicted by structural indicators characterizing the R&D. (see Table 5.)

**Table 5. Comparison of key R&D indicators with the average of the EU Member States**

<b>Indicator</b>	<b>Year</b>	<b>Lithuania</b>	<b>EU average</b>	<b>Non-uniformity level</b>
Approximated innovation index -SII (scores)	2004	0.26	0.44*	High
Total investment level to R&D (GDP%), out of them:		0.68	1.94	High
Public sector funds	2003	0.54	0.67	High
Business sector funds	2003	0.14	1.27	High
Number of investigators per thousand of workforce	2003	4.0	5.68**	High
Percentage of companies in business, %	2004	6.7	49.7**	High
Number of employees engaged in the industry of high and medium-high tech (percent out of total number of employees)	2004	3.03	6.60	High
Number of employees engaged in the service sector of high tech (percent out of total number of employees)	2003	1.66	3.19	High
Number of requests submitted to the European Patent Office per 1 million of citizens (units)	2003	2.6	133.6	High
Number of the requests submitted to the USA Patent Office per 1 million of citizens (units)	2002	0.5	59.9	High

\* *EU –indicator 15;*

\*\* *2002*

**42.** Successful innovative activity is not dissociated from the improvement of human resources, where higher education plays the main role. The present situation shows that the co-operation between the companies and higher education is insufficient in Lithuania. The same could be said about the interface between the Institutes of Science and business. In addition, scientific institutions of the well-developed countries directly participate in the innovative activity by providing consultations for companies, develop technologies and generate innovative companies.

R&D and innovative development should not be separable from the commercialization of scientific research results. Various methods of commercialization: beginning from co-operation with companies

interested in the results of research, the performance of their orders up to institutions of science commercializing their own research results and the establishment, to this end, of advance technology start-up and spin-off (companies establishing on the basis of the units of science and scientific research institutions or researchers' groups) companies. From the point of the States interest, the establishing of higher technology companies of such type is the most useful, because such companies provide the highest value added, create new work space for the specialists of the highest qualifications, etc.

43. The development of innovation and the latest technologies requires only financial support but also other assistance. In order to ensure the said support, the infrastructure for public service business is created in Lithuania including non-profit institutions such as business information centres, business incubators, technological business incubators, science and technology fleets, centres of innovation and technologies as well as agencies performing the functions related to economic growth, business promotion, development of technologies and innovation.

In Lithuania in the middle of 2005, there were 6 science and technology parks, the Innovation Centre of Lithuania, 42 business information centres, 7 business incubators (1 of them a technological business incubator and other institutions). Since this infrastructure for the business of public service emerged quite recently, the majority of its institutions are still at the initial stage of development, where the utmost attention is paid to the development of the physical infrastructure of the institutions, strengthening of a technical base, competence upbringing, preparation to provision of qualitative services, setting of partnerships with other organizations and gaining the acknowledgement of society.

44. When promoting innovative culture and seeking to ensure the spread of information on innovation, a special operating website (innovation portal) [www.innovation.lt](http://www.innovation.lt) has been created, that is administrated by the Innovation Centre of Lithuania. This portal is providing, free of charge, information about innovation possibilities in Lithuania and the world. Using the "one window" principle, the information is provided about services of innovation support, politics, events in Lithuania, the EU and other countries.

When promoting the innovative activity of the State regions, currently 2 projects have been carried out which are related to the preparation of regional innovation strategy (hereinafter referred to as the RIS). It is anticipated that these strategies promoting the "bottom-up" initiatives, co-operation of various institutions, including institutions of business, business and innovation support, municipality institutions and institutions of the Government, implementation of modern technologies and creation of new products for the market will contribute to the increase of the development of regional and national innovation and competitiveness.

45. The assessment of the current situation allows for a statement that the Lithuanian R&D system lags behind the system of the leading EU Member States. It is related to these basic issues:

45.1 R&D results of the science and study systems of Lithuania are not sufficiently used in the business sector because the trends of scientific research are poorly related to business development and demand.

45.2 The system of science and study does not sufficiently react to the state needs for long-term development, the amount of high qualification specialists conforming to the demand of modern industry and business proves insufficient.

45.3 Business investments to R&D are small and the promotion to do it is insufficient.

45.4 Higher schools and institutions of scientific research practically do not generate new innovative companies.

***Spread of information and communication technology, the ease of effective use and the creation of a universally receptive knowledge-based society (Guideline No. 9)***

46. The key factor of economic growth, job creation and social welfare is the creation of a knowledge-based society. The development of information and a knowledge-based society in Lithuania is one of the strategic objectives. However, for Lithuania, as well as for the majority of the new EU Member States, the use of information and communication technology (hereinafter referred to as ITC) remains quite actual, notwithstanding the more extensive use of internet and computers.

**Table 6. Comparison of key ICT indicators with an average of the EU Member States (2004)**

Indicator being analysed	Indicator unit	Value (Lithuania)	Value (EU average)	Non-uniformity level
Permanent internet users	Citizens of the country using internet at least once per week, %	26	39	Medium
Household internet	Internet in household, %	12	42	High
Subscribers using broadband communication technology	Households using broadband communication technology, %	4	15	High
Level of public electronic services	Basic public services, reached by the Internet, %	59	72	Medium
Public mobile telephone subscribers	Number of public mobile telephone subscribers per 100 citizens, %	79	83	Low

47. According to the research data of 2005, 36 percent of households in the city possessed computers, in the country at 14 percent. 20 percent of city citizens had Internet at home and in the country at 4 percent. The use of ICT much depends on the citizen's age. A major factor of working with computers is youth: 89 percent of 16-24 year olds and only 4 percent of the people within the age group 65-74. Because of an insufficiently developed infrastructure, 4 percent of households are using broadband data transmission networks.

According to the research data of 2005, 15 percent of 15-24 year old citizens of Lithuania are using the Internet to apply to public administration institutions (by visiting the Internet websites). More and more citizens are using the Internet websites of public administration institutions to fill in forms or to perform certain procedures. According to the research data of 2005, electronic services provided by the public administrations were used by 6.3 percent of the population of Lithuania (in 2004 at 4 percent, in 2003 at 2.6 percent). In 2005, the level of transferring of basic public services into electronic mediums amounted to 64 percent. Services dedicated to business are transferred to the Internet more rapidly (76 percent) than services dedicated for inhabitants (56 percent).

48. Problems:

48.1 Rather big differences of ICT use still remains in Lithuania in geographical and in social respects (between the inhabitants of cities and villages).

48.2 Insufficient level of IT use among the inhabitants of Lithuania, development of infrastructure, transferring of public services provided by the State into an electronic medium.

***Strengthening of competitiveness of national industry (Guideline No. 10)***

49. The competitiveness of national industry branches depends on the ability to create and master new technologies and to develop innovative activities. In recent years, the trade rate of national industry production remains rather high. The companies of extracting and proceeding industry of Lithuania in 2004 received LTL 29.9 billion (excluding value added tax and excise taxes) and respectively in the first quarter of the 2005 at LTL 16.4 billion for the post-sale production. Notwithstanding, the productivity of Lithuanian industry was one of the lowest in the EU.

**Table 7. Comparison of key productivity indicators with the average of the EU Member States**

Indicator	Situation in Lithuania	EU average	Non-uniformity level
Goods production per employee, 1,000 EUR per year, 2003	31.9	169.7	High
Value added per employee, 1,000 EUR per year, 2003	9.7	45.1	High
Productivity per employee, 2004 (EU-25=100)	49.8	100	High
Business investments, %, 2004	18.7	17	High

50. Key problems of Lithuanian industry:
- 50.1 Out-of date industrial structure (a small part of companies are producing sophisticated products).
- 50.2 Non-developed cooperation between different economy subjects.
- 50.3 Low productivity.
- 50.4 Insufficient rate of increase of direct foreign investments.
- 50.5 Professional and management competence are not adequate to the requirements imposed by the modern and volatile market.
- 50.6 A small amount of companies are performing activities of research and innovation.
- 50.7 Science and research are not oriented into the needs of industry.
- 50.8 A system promoting the investments of companies into the development of technology is fragmentary and limited.
- 50.9 Business service infrastructure is not sufficiently developed.

### *Sustainable use of resources (Guideline No. 11)*

51. The competitiveness of Lithuania also depends on the effective use of energy resources, the strengthening of environmental protection and the concept of growth, the increase of the energy supply. Long-term objectives and tasks of economic and social development are mostly related to the indicators of the present and the EU sectors: of energy consumption and natural resources for the GDP unit, exhaust into the air, the amount of industrial wastewater or waste for the GDP unit, etc.

**Table 8. Key indicator of environmental protection and sustainable development**

Indicator	Year	Situation in Lithuania	EU average	Non-uniformity level
Portion of treated wastewater of the set requirements, %	2003	69	92	High
Final energy consumption for the GDP unit, (oil equivalent), USD	2002	0.132	0.124	Close
Final energy per capita, (oil equivalent), per capita	2002	1.38	2.6	Very high

\* Department of Statistics, Eurostat

52. In the area of the sustainable consumption of resources, Lithuania faces the following main problems:
  - 52.1 Fast increase of privately owned vehicles, greater number of older cars (92 percent of privately owned vehicles are older than 10 years), heavy traffic in central streets, and insufficient consumption of energy in transportation.
  - 52.2 Great dependence on the national economy of the strategic resources of one country and on one of the basic fossil energy resources - oil, well-known to be the primary cause of environmental pollution.
  - 52.3 Ineffective energy consumption in dwellings and public buildings.
  - 52.4 Insufficient effectiveness of the consumption of energy and energy resources in the industrial process.

***Extension and deepening of the internal market (Guideline No.12.), assuring of market openness and competitiveness inside and outside Europe (Guideline No.13)***

**53.** There are no big problems of systemic character related to the internal EU market. One of the main preconditions ensuring uniform functioning of the internal market in the expanded EU is expediently implementing Directives in the Member States. Lithuania is leading between Member States according to the Directives transfer indicator into national law. According to the data of July 2005, the deficit of Directive transfers amounted to 0.7 percent (out of 11 Directives) (EU-25 average at 1.9 percent). Though it is lagging behind by adopting European standards. According to data of March 2005, the deficit of Lithuania was one of the greatest of the Member States (the deficit of adoption amounted to 15.5 percent out of a total number of 17 thousand standards). The effective functioning of the internal EU market in Lithuania shows the number of the infringements of the Union Law (proceedings initiated). This number shows the Directives transferring into national law and the implementation condition in the Member states, conformance to the EU law in the areas of non-harmonized national legal acts. According to this indicator, Lithuania is leading between the EU Member States - by July 2005, only one Society law infringement lawsuit has been brought against Lithuania.

**54.** Lithuanian markets of goods and services are open for competition. During the preparation period for EU membership, the national law has been reviewed and baseless limitations for the production and services of the companies of other Member States have been cancelled. However, Lithuania when compared with other States is distinguished as being very liberal when regulating the service sector. Modern information technologies are not sufficiently used for the arrangement of administrative procedures, information retrieval about requirements for companies, for goods produced by them and for services being provided is highly complex. With the further increase in the finance market, continued integration of the finance market will depend on the strengthening of co-operation between the interstate supervision institutions of the finance market, the regulation of legal and finance sector and the improvement of supervision practice.

**55.** Lithuania has joined the mechanisms of the Community by the means of which the obstacles are eliminated in the internal EU market (SOLVIT, notification of national technical regulations). The public tender market in Lithuania is open for the suppliers of other Member States already since the agreement on the associated membership of Lithuania and the EU came into force. 4,000 public tenders are performed in Lithuania per year, approximately LTL 4 billion are spent (EUR 1.14). Public tenders amount to 8 percent of the national GDP.

When seeking to protect the economy against the competence limiting actions and misrepresentation of competition, the base of competition law and the practice of the implementation have developed in Lithuania substantially to conform to competition rules valid in the EU.

**56.** Problems:

- 56.1 Some sectors that need specific infrastructural attention, primarily energetic and railway transport are not open. Liberalisation of the energy sector, development and competition of energy markets depend on specific conditions of Lithuania and on the dependence on one resource of supply (primarily natural gas). The situation becomes more complex because the project of the connection of electricity networks of Lithuania and Poland are still not implemented.
- 56.2 Companies and the citizens are not completely familiarized with the general principles of EU law and the functioning of the EU internal market do not have sufficient information regarding their own rights and measures to protect these rights. The competence of state institutions and courts in this area is not always sufficient.
- 56.3 The economy of Lithuania very much depends on trade (export of goods and services amounts to around 60 percent of the GDP). Therefore, the integration into the markets of other countries is of great importance. Some third countries, existing or being potential partners of Lithuanian trade have set higher duties than applied to the production of these countries for the EU and have created other obstacles for the exports that complicate the integration in the market of those countries.

***Creation of a more competitive business environment and encouragement of private initiatives through better regulation (Guideline No. 14), creation of a supportive environment for small and medium enterprises, promotion of entrepreneurial culture (Guideline No. 15)***

57. One of the important elements for the improvement of the business environment is the development of legal regulation. In the latter years in Lithuania, the priority was given for the transferring and implementation of the EU law. Therefore, the issue of improvement of the quality of national law, primarily the research of the influence on the business environment, received insufficient attention.

58. An enormous administrative burden for business is one of the most important hindrances of business and the development of entrepreneur activity. The methodology is not created in Lithuania when through its application it could be possible to assess the administrative burden placed on perspective companies. Though there are quite a number of elements of a better administrative system (for example, an evaluation system for the influence of decisive projects), but the complex programme combining the principles of better administration is not yet developed, interface between separate elements of better regulation is not sufficient, the mechanism of consultations with interest groups is not legally regulated and the programmes for the simplification of legal acts are not yet developed. The improvement of regulation contributes also to the development of entrepreneur activity and establishment of small and medium enterprises in the State.

59. The portion of operating small and medium enterprises in 2000-2004 amounted to 99.3 percent of the total number of operating companies (their number was stable). A portion of the GDP created by small and medium enterprises amounted to 69.1 percent in 2004. The entrepreneur activity level (number of enterprises per 1000 inhabitants) in Lithuania amounted to 16 in 2004, but this indicator varies greatly in separate regions.

60. Key problems related to the development of small and medium enterprises:

- 60.1 Low entrepreneur activity level.
- 60.2 Non-uniform spread of enterprises in the regions.
- 60.3 Lack of qualified workers and management skills.
- 60.4 Lack of financing sources for starting businesses and innovative, risky business projects.
- 60.5 Rather high expenditures for administration of enterprises. Expenditures are related to the implementation of legal acts and a changing legal business environment.

***Expansion, improvement and link-up of European infrastructure and implementation of cross-border projects having priority***

61. The emergence of new intersystem connections of energetic networks with the States of Western Europe and/or Scandinavian countries, besides the increased safety aspect of the energy supply, would generate extra opportunities to use the status of Lithuania as an energy transit country. In addition, the opportunity would appear to participate in joint European markets of electricity and gas and it would be a positive influence on the fluctuation of energy prices. Those factors could partly compensate the losses of electricity.

62. The project “Rail Baltica” that is included in new guidelines for the development of a Trans-European network adopted by the European Parliament on April of 2004 is of great importance for the transport system of Lithuania. The guidelines contain the approved list of 30 projects having priority. The project covers smooth implementation, further expansion and modernization of multimodal corridors I and IX and their branches, improvement of connections with Trans-European networks, modernization of Klaipeda seaport and international airports, expansion of short-distance navigation and fast sea ways and the integration of Lithuanian sea transport into networks of European transport, promotion of intermodal transport and the establishment of public logistic centres.

**Table 9. Key indicators of non-uniformity of transport infrastructure**

Indicator	Year	Situation of Lithuania	EU average	Non-uniformity level
Transportation of passengers (passengers kilometers per one inhabitant per year)	2002	1153	2638	High
Electrified railway lines, % out of the length of all lines	2003	7.0	52.0	Very high
Penetration of railway lines (km per 1000 km <sup>2</sup> )	2003	27	47	High

**Key Microeconomic Policy Objectives and Tasks in the Medium-term Period**

**Objective 1: TO PROVIDE CONDITIONS FOR BUSINESS TO USE THE R&D RESULTS OF THE PUBLIC SECTOR AND TO INVEST PERSONALLY INTO R&D THROUGH THE DEVELOPMENT OF R&D CAPABILITIES OF THE PUBLIC SECTOR**

63. Key tasks (*Guideline No. 7*):

- 63.1 To set priorities for R&D and an economic development policy
- 63.2 To support more actively R&D works performed by business, to promote close co-operation between institutions of science and scientific research institutions and the networks of competence.
- 63.3 To increase the effectiveness of higher education systems, to improve the supply of specialists of the highest qualification conforming to the demands of modern industry and business.
- 63.4 To increase the effectiveness of R&D activities of science and study systems and compliance with the national economic needs.

**Objective 2: TO SEEK MORE COMPANIES THAT WOULD BE COMPETITIVE ON THE INTERNATIONAL LEVEL AND THE INDUSTRY AND BUSINESS STRUCTURES RELATED TO IT AND A PORTION OF CREATED NATIONAL PRODUCTS THAT WOULD BE CLOSE TO THE INDICATORS OF THE EU MEMBER STATES**

64. Key tasks (*Guidelines No. 8, 10, 13, 14 and 15*):
- 64.1 To develop innovative culture in business and to increase innovative capabilities of enterprises.
  - 64.2 To strengthen the competitiveness of national industries.
  - 64.3 To ensure openness of the markets and competition inside and outside Europe.
  - 64.4 To generate and install the system of better regulation.
  - 64.5 To promote entrepreneurial culture and to create a supportive environment for small and medium enterprises.

**Objective 3: TO CREATE A SOCIETY USING ITS KNOWLEDGE AND THE LATEST TECHNOLOGIES FOR ITS OWN ACTIVITIES**

65. Key tasks (*Guideline No. 9*):
- 65.1 To provide conditions for the increase of population competence and social cohesion in the area of ICT use.
  - 65.2 To modernize public administration using information technologies.
  - 65.3 To promote an economy based on knowledge, innovation, science achievements and information technologies.

**Objective 4: TO PROMOTE SUSTAINABLE USE OF RESOURCES AND STRENGTHEN THE SYNERGY OF ENVIRONMENTAL PROTECTION AND GROWTH**

66. Key tasks (*Guideline No. 11*):
- 66.1 To improve the system of evaluation and management of the surrounding air quality, to ensure that the amount of pollution released into the atmosphere and generating the greenhouse effect should increase twice slower than the growth of industry.
  - 66.2 To apply broad implementation and to promote economically clean production methods based on modern technologies.
  - 66.3 To promote the increase of effectiveness of energy consumption and the use of renewable energy resources.
  - 66.4 To preserve the biological and landscape diversity of the country, to promote the restoration of destructive elements of nature and to ensure the rational use of landscape and biological diversity.

**Objective 5: TO ENSURE PROPER FUNCTIONING OF THE EU INTERNAL MARKET IN LITHUANIA**

67. Key tasks (*Guideline No. 12*):
- 67.1 To eliminate the remaining obstacles for the functioning of the internal market and to pursue the prevention of new obstacles.
  - 67.2 To implement the reforms of the service sector provided in new initiatives of the EU.
  - 67.3 To strengthen the functioning, supervision and interstate co-operation of the finance market.
  - 67.4 To spread information about the internal EU market.

**Objective 6: TO CONNECT ENERGETIC NETWORKS OF LITHUANIA WITH NETWORKS OF WESTERN EUROPE AND TO DEVELOP AND IMPROVE TRANSPORT INFRASTRUCTURE OF INTERNATIONAL AND LOCAL IMPORTANCE**

**Results to be achieved**



***The stimulation of investments, primarily of private business into R&D, the development of innovative culture in business and the increase of innovative capabilities of enterprises***

68. Lithuania is seeking to create a knowledge-based society and to keep a way of harmonized development and to create and develop a modern, dynamic and competitive economy. The basic provision of the implementation of such an objective is the universal strengthening of national scientific research, development of technologies and innovation systems to increase the potential. Basic political initiatives in the areas of scientific research, experimental development and innovation are regulated in the strategies and programmes of the State (see Annex 3).

Essential principles of Lithuanian innovation policy are set out in innovation business programmes and in the measures of its implementation in the years 2003-2006. The measures are approved by Resolution No. 911 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2003, No.71-32250) dated July 15, 2003. The objective of the programme is to increase the competitiveness of Lithuanian industry and business by providing supportive conditions for the renewal of operating enterprises and the establishment of modern enterprises and also providing conditions for the enterprises to use the potential of science for the creation of high value added and to compete in global markets.

69. Taking into consideration that the portion of enterprises using high tech is very small in the industry of Lithuania, the role of science institutions when developing the industry of high tech is very important. The enterprises of high tech shall emerge from the State scientific research sector. In addition, the institutions of science shall co-operate with enterprises existing in Lithuania. It is also necessary to co-operate with multinational high tech companies from other countries as this may encourage the latter to invest in the innovation system of Lithuania.

70. Taking into consideration the present expenditure level of Lithuania for scientific research and experimental development, the current and future support from structural funds and the general tendencies of the national economy development, it is acknowledged that it will be difficult for Lithuania to achieve that the 2010 expenditure for scientific research and experimental development reaches 3 percent of the GDP, especially in the business sector. In any case, the attention of the institutions of Lithuanian authorities and organizations of business and science, the efforts and financial funds will be focused on the achievement of the result under which the expenditure level for scientific research and experimental development makes up the GDP share indicated in Table 10.

**Table 10. The basic objectives of Lithuania expenditure for scientific research and experimental development in 2008 and 2010 (GDP %)**

Indicator	Situation in 2003	Objectives of Lithuania	
		2008	2010
Investment into R&D (GDP %), including:	0.68	1.2	2.0
Public sector funds	0.54	0.7	1.0
Business sector funds	0.14	0.5	1.0

***The spread of information and communication technologies, easement of effective use and development of a universally receptive knowledge-based society***

71. The programme of the Government of the Republic of Lithuania for the years 2004-2008 includes the undertaking to speed up the progress of national science and technologies, the development of information and a knowledge-base society. When seeking these objectives, the main priorities of this area are set in the strategy of the development of information society of Lithuania approved by Resolution No. 625 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2005, No. 73-2649) dated June 8, 2005.

72. It is sought to provide conditions for the inhabitants of Lithuania to gain knowledge and skills needed for successful an ICT application in everyday activities and to ensure the possibilities of their usage when orienting into equal opportunities and uniform development of the State. When implementing ICT, the modernisation of public administration is ensured by increasing the effectiveness of the activities of public administration institutions, by expanding the services provided by electronic mean and by ensuring the creation of electronic democracy. It is promoted by knowledge, innovation, achievements of science and economic development in Lithuania being predicated by information technologies.

73. In 2005 when implementation term of e. Europe action plan 2005 (COM (2002) approved by the European Council comes to an end, the initiatives of the development of information society by 2010 are being prepared that are set out in the EC communication of June 1, 2005 for the Council, the European Parliament, the European Committee of Economy and Social Affairs and the Committee of Regions "i2010 - European information society for the promotion of growth and employment" (COM (2005) 229 final).

74. Taking into consideration these initiatives special attention will be focused on the development of electronic context and infrastructure. The insufficient spread of communication infrastructure in the State determines the need of investment into the broadband communication. The development of broadband communication (electronic communications network) will be ensured by implementing the projects in a peripheral, non-competitive (the market does not ensure the access of adequate broadband communication) areas of the State, it is planned to provide the possibility for the inhabitants, enterprises and public administration institutions to connect to a broadband communication network. It is also sought to integrate information systems and registers, to achieve that the created information systems of public institutions would use a uniform standardized data exchange model, and newly created systems would operate using open standards and it would form infrastructural preconditions to provide public services using a "one window" principle. When developing an electronic context, it is foreseen to develop public services provided by the State, to diminish digital exclusion, ensuring easy use of technologies, to transfer the context and provide services, to provide conditions for the consumers of Lithuania to use information technologies, possessing a Lithuanian interface.

#### ***Strengthening of competitive superiority of the national industry***

75. Seeking to increase the growth of sectors attributable to high and medium high tech industry and the growth of innovative potential of traditional sectors, it is necessary to continue strengthening the national innovation system and to increase its effectiveness. The aim of Lithuania is to avoid the perspective of countries with weak technologies when local enterprises in the international production circuit perform assemblage functions simple elements with a minimal transfer of technology and knowledge. The most successful industry branches are those where groups of enterprises and other institutions are formed and the activity of which is based on intercommunication seek general economic growth of the whole group. Therefore, one of the measures for which the most attention is planned to be paid, will be the formation of clusters, highlighting the role of the State through promotion the formation of clusters.

## *Sustainable use of resources*

76. The joint objective is to harmonize the interests of the environmental protection programmes and economical and social development, to guarantee a clean and healthy environment, an effective use of natural resources, economic welfare of the society and strong social guarantees.

One of the transport tasks from the National Strategy of Harmonious Development that was approved by Resolution No. 1160 as of September 11, 2003 (*Valstybės žinios* (Official Gazette), 2003, No. 89-4029) of the Government of the Republic of Lithuania is to develop transportation that is environmentally friendly, especially railroads and multimodal transport systems. It is also foreseen to encourage the use of fuels with a minimal amount of pollution (liquid oil/gas and pressed natural gas, fuel oil for ships having a small content of sulphur) or equivalent, to achieve that by 2020 bio-fuel (bio-diesel oil, bio-ethanol would amount to not less than 15 percent of fuel used for highway transport.

77. Taking into consideration the EC European transport policy provisions of 2001 of the White Book, great attention will be focused on the development of inter-modal transport and on the promotion of transport not harmful to the environment.

78. Pursuant to the Law on Biofuel, Biofuels for Transport and Bio-oils of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2000, No.64-1940; 2004, No. 28-870) the amendment of Order No. 4-105/131/3-172 as of March 21, 2003 "Concerning the approval of the compulsory indicators of oil products and liquid fuel used in Lithuania" (*Valstybės žinios* (Official Gazette), 2003, No. 30-1269) of the Minister of the Economy, the Minister of the Environment and the Minister of Transport, has been drafted specifying that, from December 31, 2005 biofuels for transport should make up to not less than 2 percent of the total amount of transport fuels in the market, and reach up to 5.75 percent by December 31, 2010.

79. Electric energy capacity proves sufficient at present, however, its consumption is increasing every year; in addition, taking into the scheduling to decommission the Ignalina Nuclear Power Plant, a more effective consumption of energy is necessary. Final energy intensity decreased from LTL 80.1 million per tne of the GDP in 2000 up to LTL 70.8 million per tne of the GDP in 2003. Great potential for saving energy is in the household sector. It is determined that by 2020 it is possible to decrease heating energy consumption for area units up to 30 percent. It is also important to increase the portion of recovering energy resources in total balance of initial energy. (In the national energetic strategy it is foreseen to seek that in 2010, a portion of recovering energy resources would amount to 12 percent in total balance of initial energy.

**Table 11. The forecast of key indicators for 2005-2008**

Indicator	Year	Situati on in Lithua nia	EU average	Difference assessment	Year	Objective of Lithuania	Objective of the EU
A portion of recovering energy resources in total balance of initial energy, %	2003	7.8 <sup>1</sup>	6 <sup>2</sup>	Medium (positive)	2010	12	12
A portion of electric energy produced by using recovering energy resources of total consumption of electric energy, %	2003	2.7 <sup>3</sup>	14.2 <sup>4</sup>	Very high	2010	7	12

***Expansion and deepening of the internal market, assurance of market openness and competitiveness inside and outside Europe***

80. The key objective is to seek that the EU internal market properly functioning in Lithuania creates a supportive environment for the increase of the competitiveness of the national economy, to guarantee universal possibilities for the enterprises and citizens of Lithuania and other Member States to make use of the advantages provided by internal the EU market. Lithuania observes the commitment of membership in the area of the internal EU market and will further actively support the initiatives of the EU reforms, primarily in the service sector.

81. When transposing the Directives into the national law, Lithuania will follow further the anticipated maximum allowable deficit (-1.5 percent) and will seek to remain between the leading the EU Member States in this area. It will be sought that there would not be the Directives the transferring of which lag behind more than two years. The obstacles are emerging in the internal EU market not only because of lagging behind or improper transferring of Directives, but also because of the adoption of national legal acts not fully conforming to the principles of EU law. The prevention of such obstacles by using the mechanisms established in the Society is one of the important objectives that are to be sought out in Lithuania. The plans include the improvement of the implementation of the mechanisms (SOLVIT, notification of national technical regulations and national draft standards to European Commission according the Directive 98/34/EC of the European Parliament and of the Council of June 22, 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and the Directive 98/48/EC of the European Parliament and of the Council of July 20, 1998 amending Directive 98/34/EC laying down a procedure for the provision of information in the field of technical standards and regulations) assuring the proper functioning of the internal market of the EU and the spread of information about them.

82. Much attention will be focused on the practical implementation of measures set out in the action plan of finance service, on the promotion of co-operation with the supervision institutions from other countries, on the improvement of regulation and supervision of finance markets (primarily in the insurance area).

83. By improving the conditions for the activities of enterprises, the obstacles for joining of Lithuanian companies with companies established in other countries, to transfer the residencies of the companies into the other EU Member States will be eliminated. When establishing the enterprises and improving the access to the information about their activities, modern information technologies will be used more widely.

84. For the assurance of an open and competitive market, it will be continued to seek to improve legal regulation, the quality of national legal acts regulating business and to reduce business expenditures related to the implementation of legal acts. It will also be sought out to increase the effectiveness of the implementation of the Law of the Republic of Lithuania on Competition (*Valstybės žinios* (Official Gazette), 1999, No.30-857), to harmonize Lithuanian competition rights, taking into consideration legal changes in the area of competition.

85. With the liberalization of external trade, it will be sought to open the markets of third countries for Lithuanian goods in the area of assurance of competitiveness both by means of multilateral and bilateral negotiations and to continue the liberalization of the international trade of services. In the context of regional economical co-operation, it will be sought to improve the trade regime with the closest Eastern European states (the Ukraine and Russia). In perspective, the contracts of free trade will be made when countries in question will join the World Trade Organization. Further increase of the openness of the Lithuanian market will provide the conditions to improve the competitiveness of the national economy.

**86.** Seeking to increase the competitiveness of the energetic sector, legal conditions for opening of the markets of electricity and gas and for more effective competition are created. The liberalization of post services market will be continued. Great attention will be focused on the development of infrastructure and its connection to the infrastructure of the EU. It is one of the important preconditions of further economical integration and successful expansion of internal markets of the EU.

**87.** When performing the restructuring of railway transport and opening for competition, high priority should be given for the building up of the infrastructure in the North-South axis. It would provide real technical conditions for the integration into the EU railway network and market of railway transport service. Supportive conditions could be generated for competition and for emergence of new carriers.

**Table 12. The forecast of key indicators for the years 2005-2008**

Indicator	Objective of Lithuania by 2010	EU objective	2005	2006	2007	2008
Transport of passengers (passengers kilometres per one inhabitant per year)	2400	NA	1533	1870	2100	2355
Electric railway lines (percent of the length of all lines)	11.1	NA	7.0	7.0	7.0	7.0
Density of railway lines (km /1000 km <sup>2</sup> )	28.6	NA	27	27	27	27

***Creation of a more competitive business environment and encouragement of private initiatives through better regulation Creation of a supportive environment for small and medium enterprises and the promotion of entrepreneurial culture***

**88.** Seeking to provide supportive conditions for the business development and to create a competitive business environment, an action plan for the 2005-2006 implementation of the strategy of The Development of Public Administration until 2010 approved by Resolution No. 197 as of February 21, 2005 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2005, No. 26-830) has been implemented. The description of strategic trends for the development of small and medium business until 2008 and the description of the measures for the development of small and medium business until the years 2005-2008 approved by Resolution No. 1104 as of October 19, 2005 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2005, No. 126-4491) have been drafted.

**89.** At present, as per commission of the EC, the OECD (Organization for Economic Cooperation and Development), research is being prepared regarding better regulation conditions in Lithuania. Scientific research work is also performed "Administrative burden for business, possibilities of simplification of regulation of business". According to the conclusions and recommendations of these investigations, the measures will be prepared and implemented for the improvement of legal regulation and the business environment.

***Expansion, improvement and link up of European infrastructure and the implementation of cross-border projects having priority***

90. Having priority with projects of infrastructure for energy dedicated for Lithuania are included in the Resolution of the Council and European Parliament concerning the guidelines for a Trans-European energy network, recalling Decisions No. 96/391/EC and No. 1229/2003/EC project: the project for the connection of an electricity network of Lithuania and Poland; the project transit gas line to the EU (study of project "Gintaras"), storage of natural gas inside and/or outside Lithuania by seeking to insure the safety of the natural gas supply. There is one more project of infrastructure for energy that is not included in the document, but is very active for Lithuania. It is project for the connection of an electricity network between Lithuania and Sweden (SwindLit).

91. A harmonious development of transport variants is planned to be performed by establishing public logistic centers, with the priority to railway transport in order to use fast methods in the Baltic sea and to promote combined transport. The railway sector will constitute the priority in the new finance period of the years 2007-2013, taking into consideration a rather poor existing infrastructure and not sufficiently used capabilities of this transport sector: the funds allocated for the implementation of the railway projects would amount to 42 percent, for air transport - 1.6 percent and for other projects around 15 percent of the investments of a new financial period. Furthermore, the development of multimodal I and II transport corridors will be continued, the connections to the Trans-European network have been improved. The implementation of some transport sector projects is rather complicated due to the limited budget possibilities, therefore it is very important to attract private capital.

#### **Microeconomic Policy Implementation Measures, Division of Responsibility and Financial Resources**

92. Measures and initiatives planned by the Government for the purpose of implementation of the following national priorities and objectives:

#### **Objective 1 – TO CREATE CONDITIONS FOR BUSINESSES TO MAKE USE OF THE PUBLIC SECTOR'S R&D RESULTS AND TO INVEST IN R&D BY DEVELOPING R&D CAPACITIES OF THE PUBIC SECTOR** (*Guideline No. 7*)

Measures	Responsibility	Term	Resources
<b>To establish priority lines for economic and scientific research and experimental development (hereinafter R&amp;D) policies</b>			
1. Prepare a scenario for Lithuanian economic development according to the regional and global tendencies	Ministry of Economy, Ministry of Education and Science	QIII 2006	LTL 0.7 m
2. Based on the scenario results, formulate priority lines for national scientific research and experimental development, draft the relevant action programmes and start implementing them seeking to achieve that R&D in public sector would meet business and market needs to the highest extent possible	Ministry of Education and Science, Ministry of Economy	QI 2007	LTL 0.5 m

<b>To provide more active support for R&amp;D carried out by businesses, promote closer cooperation between business and research institutions and competence networks</b>			
3. Prepare combined programmes including specialist training, in strategic R&D future technologies areas in which Lithuania has a scientific and /or production	Ministry of Education and Science,	2006-2008	LTL 0.5 m; LTL 100 m (allocate more

potential allocating Structural funds (hereinafter SF) and national budget resources for their implementation	Ministry of Economy, Ministry of Social Security and Labour		resources for this measure) (2007-2013 structural funds)
4. Promote, using Structural Funds assistance and/or national budget funds, R&D (new product and technologies development) projects carried out by businesses (including joint projects with research institutions)	Ministry of Economy	From 2005	LTL 180 m (2005-2008)
5. Establish and apply financial promotion measures to the economic entities carrying out R&D	Ministry of Economy, Ministry of Finance, Ministry of Education and Science	From 2007	General appropriations
6. Legalize financial measures for employee promotion, employ students for practice periods and employ young specialists	Ministry of Education and Science, Ministry of Finance	From 2007	General appropriations
7. Organize tendering procedures to finance scientific research and technology development orders by economic entities to educational/academic establishments promoting partnership within the framework of PPP development	Ministry of Education and Science, Lithuanian State Science and Studies Foundation, Ministry of Economy, Ministry of Agriculture	From 2005	LTL 2 m (2004-2006 structural funds); LTL 10 m (2007-2012 structural funds)
8. Promote participation of educational/academic establishments, businesses and innovation support infrastructure institutions in the EU research programmes 6 and 7, technological development and demonstration programmes, CIP*, COST** and other international research and technological development programmes, including the initiative EUREKA***	Ministry of Education and Science, Ministry of Economy, Ministry of Agriculture	From 2005	LTL 5 m
9. Create favourable conditions for and promote participation of educational/academic establishments and businesses in EU technological platforms	Ministry of Education and Science, Ministry of Economy, Ministry of Environment, Ministry of Agriculture, Ministry of Transport and Communication, other ministries	From the 1st half of 2006 to 2008	LTL 0.6 m (study); LTL 5 m (implementation)

10. Develop a programme for the funding, on tender basis, of the scientific cooperation programmes and common excellence centres (i.e. the centres of the highest competence in certain science and study fields in the country) between businesses and higher schools	Ministry of Education and Science, Ministry of Economy, Ministry of Finance, Ministry of Agriculture	2006	LTL 0.1 m
--	---	------	-----------

<b>To increase efficiency of the higher education system and improve the supply of highest-qualifications specialists matching the needs of modern industry and business.</b>			
11. With the help of international experts, make an assessment of activities of universities in individual study areas, identifying their strengths and weaknesses and make proposals regarding the enhancement of the teaching base and improvement of the specialist training quality.	Ministry of Education and Science, Lithuanian Centre for Quality Assessment in Higher Education	2006	LTL 1.5 m
12. Prepare and start the implementation of the concept of higher education reform policy	Ministry of Education and Science	From 2006	General appropriations
13. Reform self-government bodies of public higher schools (councils) so that social/external partners would play key role in them with the purpose of the former being to ensure the higher school accountability to the public at the same time securing the higher school autonomy and integrity	Ministry of Education and Science, public higher schools	From 2006	LTL 0.1 m
14. Develop high excellence centres not only in Vilnius and Kaunas but also in other regions taking into account their specificity and ensuring their harmonious development	Ministry of Education and Science, Ministry of Economy, universities	From 2006	LTL 0.2 m (to carry out study)
15. Establish the number of students to be admitted to higher schools of the country taking account of the needs of businesses, at the same time aiming to attract more students to studies of physical and technological professions, by expanding career opportunities. Carry out research on the employment and job career opportunities for graduates	Ministry of Education and Science, higher schools	From 2006	LTL 0.5 m; LTL 1 m (2004-2006 structural funds)
16. Create conditions for and promote students' practical periods at research centres, businesses and farms of farmers	Ministry of Education and Science, Ministry of Economy, Ministry of Social Security and Labour, Ministry of Agriculture	From 2006	LTL 0.9 m; LTL 1.7 m (2004-2006 structural funds)
17. Encourage that researchers, in particular teachers of high-tech subjects, would be temporarily hired to work	Ministry of Education and	From 2006	LTL 0.3 m



as consultants at businesses	Science, Ministry of Economy, Ministry of Agriculture		
18. Draft a programme that would financially promote the development of entrepreneurship centres at public higher schools	Ministry of Education and Science, Ministry of Economy, Ministry of Finance, Ministry of Agriculture	From 2006	LTL 1 m
19. Prepare and start the implementation of the programme necessary to attract foreign R&D competence specialists. Promote the return of Lithuanian scientists trained abroad	Ministry of Education and Science, Ministry of Foreign Affairs, Ministry of Economy	From 2006	LTL 0.5 m; LTL 2.6 m (2004-2006 structural funds)
20. Reform student aid system by making it social aid – oriented, part of the funds should be allotted to the development of student credit guarantee fund and management of social environment	Ministry of Education and Science, Ministry of Social Security and Labour	From 2006	LTL 0.2 m; LTL 2 m (2007-2013 structural funds)

<b>To increase efficiency of R&amp;D carried out by the education and study system as well as its matching to the needs of the economy.</b>			
21. Carry out R&D financing reform, supplementing basic financing model of scientific research by financing on programme/tender basis	Ministry of Education and Science, Ministry of Economy	From 2006	LTL 0.2 m; LTL 1.475 m (2004-2006 structural funds)
22. Upon the restructuring the current system of Lithuanian research institutes, establish Lithuanian Institute/Institutes of Technology toward assisting businesses in resolving scientific research and technological development and innovation issues and related issues of production/services development	Ministry of Education and Science, Ministry of Economy	From 2006	LTL 0.2 m; LTL 10 m (2007-2013 structural funds)
23. Finance the research and training base of public universities and the public sector from the state budget and structural funds	Ministry of Education and Science, Ministry of Finance	From 2006	LTL 62 m (2004-2006 structural funds); LTL 100 m (2007-2013 structural funds)
24. Finance from structural funds the projects related to improvement of quality of human resources in the areas of research and innovation	Ministry of Education and Science	From 2005	LTL 80 m (2004-2006 structural funds); LTL 80 m (2007-2013 structural funds)

25. Create conditions for mobility of researchers within public and private research institutions maintaining the equality of legal status of researchers	Ministry of Education and Science, Ministry of Social Security and Labour	From 2006	LTL 0.1 m
26. Separate from the institutes the monitoring and other non-R&D functions of state significance (ecological, environmental monitoring etc.) and the establishments performing those functions, and commission the implementation thereof to the agencies under ministries and finance them from funds other than the state budget funds allotted to R&D	Ministry of Education and Science, Ministry of Environment, Ministry of Economy	From 2006	LTL 0.1 m
27. Assign the functions of technology transfer centres to the part of the scientific institutes of universities	Ministry of Education and Science	From 2006	LTL 0.2 m

\*CIP – Competitiveness and Innovation Framework Programme established under the Decision of the European Parliament and the Council with the aim of promoting a long-term European development and creating jobs. The programme is based on three pillars: Entrepreneurship and Innovation Programme, ICT Policy Support Programme, Intelligent Energy Programme.

\*\* COST – European Cooperation in the Field of Scientific and Technical Research programme for coordination of nationally funded research at a European level promoting the cooperation between different national organizations, institutes, universities and businesses in the field of science and technical research.

\*\*\* EUREKA – pan-European cooperation programme that aims at supporting market-oriented scientific research and technological development in all the advanced technologies fields and enhancing European competitiveness, improving the quality of products, processes and services, strengthening multilateral cooperation through involvement of businesses and scientific research institutions.

**Objective 2: TO SEEK TO INCREASE THE NUMBER OF BUSINESSES ABLE TO COMPETE INTERNATIONALLY AND ACHIEVE THAT THE SHARE OF THE GDP CREATED BY INDUSTRY AND RELATED BUSINESS STRUCTURES WOULD APPROACH EU MEMBER STATES' LEVEL** (*Guidelines No. 8, 10, 13, 14, 15*).

Measures	Responsibility	Term	Resources
<b>To promote innovation culture and increase innovation potential of businesses</b> ( <i>Guideline No. 8</i> ):			
<i>To increase innovation potential of businesses, promote innovation culture, grant more support for both technological and innovations in business</i>			
1. Promote, from structural funds and state budget funds, implementation of innovation and technology transfer projects by businesses	Ministry of Economy, Ministry of Agriculture	2005-2008	LTL 220 m
2. Implement the measures for propagating innovations and increasing public awareness in the area of innovations (seminars, conferences, innovation tenders, etc.)	Ministry of Economy, Ministry of Education and Science, Ministry of Agriculture, Ministry of Finance, Department of Statistics, Information Society Development Committee	2005-2008	LTL 5 m

	under the Government of the Republic of Lithuania		
3. Set up a National Agency for Technologies and Innovation Development agency and/or the Innovation Foundation specifying the measures for promotion of private capital investments	Ministry of Economy, Ministry of Education and Science	From 2006	LTL 10 m
4. Promote projects related to the preparation and implementation of regional innovation strategies	Ministry of Economy	From 2005	LTL 0.5 m
5. Create new (more flexible and more effective) public procurement procedures (competitive dialogue, dynamic procurement procedure, online auction, etc.) and analyze the efficiency of the use of funds	Ministry of Economy	From 2006	General appropriations

<i>To strengthen the infrastructure for innovation development and create conditions for establishments of modern technology start-ups and spin-off companies (companies establishing on the basis of the units of science and scientific research institutions or researchers' groups)</i>			
6. Finance, from structural funds and national budget funds, development of infrastructure favourable to innovation (projects on setting up and development of innovation and technology centres, research and technology parks, technological business incubators, etc.)	Ministry of Economy, Ministry of Agriculture	2005-2008	LTL 185 m
7. Finance, from structural funds and national budget funds, technology transfer and provision of business/innovation promotion services in order to improve access to and quality of such services; seek that institutions for business and innovation support would be managed by managers with high qualifications and business experience (well-known in the business society)	Ministry of Economy, Ministry of Agriculture	2005-2008	
8. Improve the system of intellectual rights protection by transposing, to this end, the respective EU directives, provide financial support for patent procedures abroad	State Patent Bureau, Ministry of Economy	2005-2008	LTL 1 m
9. Prepare the legal framework and envisage the support measures for spin-off companies (companies establishing on the basis of the units of science and scientific research institutions or researchers' groups)	Ministry of Education and Science, Ministry of Economy, Ministry of Justice	From 2006	LTL 0.2 m

<b>To strengthen the competitiveness of the national industrial base (Guideline No. 10):</b>			
<i>To carry out technological renovation of industry and promote investments, in particular in high technologies</i>			
10. Prepare and submit to the Government of the Republic of Lithuania, also, implement an investment promotion programme allowing for the creation of favourable legal, economic, financial and administrative conditions for private capital investments and conditions for PPP, attract in Lithuania	Ministry of Economy, Ministry of Finance, Ministry of Environment,	2005-2008	Average of LTL 30 m each year

investments of large global companies operating in high-tech areas	Ministry of the Interior, Association of Local Authorities in Lithuania, Lithuanian Development Agency		
11. Provide economic and administrative abatements to foreign companies intending to transfer high-tech production to Lithuania	Ministry of Finance, municipalities, Ministry of Economy	From 2006	General appropriations

<i>To introduce effective management into Lithuanian industry</i>			
12. Develop the system for continuous supervision and assessment of the competitiveness of individual industrial activities and prepare aid mechanisms aimed at eliminating barriers restricting the competitiveness growth of individual businesses	Ministry of Economy, Lithuanian Development Agency, Lithuanian Small & Medium Business Development Agency	From 2006	LTL 4 m
13. Develop an institutional (competence) system enabling the provision of information/consulting services to Lithuanian businesses related to the internationalization of activities and improvement of production processes	Ministry of Economy, Lithuanian Development Agency	From 2007	LTL 2 m
14. Promote the introduction of effective production and supply chain management systems, business initiatives for introduction of new sectoral quality and environment management systems	Ministry of Economy, Ministry of Finance, Lithuanian Development Agency	From 2006	LTL 2 m

<i>To improve image and search for new markets</i>			
15. Ensure that Lithuania's achievements in improving business environment would be properly represented to global investors	Ministry of Economy, Lithuanian Development Agency, Ministry of Foreign Affairs	2005-2008	LTL 6 m
16. Promote initiatives for presenting Lithuanian enterprises and their brands in foreign markets	Ministry of Economy, Lithuanian Development Agency, Ministry of Foreign Affairs, Ministry of Agriculture	From 2006	LTL 2 m

<i>To promote cooperation and clusterization</i>			
17. Prepare and introduce the system of instruments for the promotion of Lithuanian industry and business clusterization	Ministry of Economy	2006	LTL 2 m
18. Prepare a map of Lithuanian industry and business clusterization with relation to the economic structure of neighbouring countries and tendencies of its change	Ministry of Economy	2006	LTL 0.7 m
19. Prepare, approve and the implementation of the Clusterization Development programme	Ministry of Economy	2006-2008	LTL 6 m

<b>To ensure open and competitive markets inside and outside Europe (Guideline No. 13):</b>			
<i>To continue the liberalization of the energy, railway carriage and postal services markets</i>			
20. Continue implementation of the strategy for the development of Lithuanian postal sector for 2004-2008	Ministry of Transport and Communication	2006-2008	General appropriations

<i>To seek opening of third country markets to the EU goods</i>			
21. Seek consistency and balance between the EU market protection and export development interests in DDA multilateral negotiations round	Ministry of Foreign Affairs, Ministry of Economy, Ministry of Agriculture	2006	General appropriations
22. Take an active part in the process of Ukraine's and Russia's accession to World Trade Organization	Ministry of Foreign Affairs, Ministry of Economy, Ministry of Agriculture	2005-2008	
23. Seek to improve bilateral trade conditions for the EU trade with Russia/Ukraine and potential entering into free trade agreements in the future	Ministry of Foreign Affairs, Ministry of Economy, Ministry of Agriculture	2005-2008	

<b>To create and implement a better regulation system (Guideline No. 14):</b>			
<i>To improve quality of legal acts governing business and reduce the administrative burden falling on businesses</i>			
24. Draft and submit to the Minister of Economy the methodology for identification and assessment of administrative burden falling on business (as part of the implementation of Resolution No.197 as of February 21, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 26-830))	Ministry of Economy, Ministry of Finance, Ministry of the Interior	QIV 2005	General appropriations

25. Based on the methodology for assessment of administrative burden falling on business, examine legal regulation of certain business areas	Ministry of Economy, Ministry of Finance, Ministry of the Interior and other interested ministries	QII 2006	
26. Prepare and submit to the Government of the Republic of Lithuania the national plan/programme for better regulation based on the guidelines provided in the Organization for Economic Cooperation and Development (OECD) report	Ministry of Economy, Ministry of the Interior and other interested ministries	QIV 2006	

<i>To establish clear business surveillance principles</i>			
27. Prepare and submit to the Government of the Republic of Lithuania a draft legal act regulating the activities of business surveillance bodies (as part of the implementation of Resolution No.197 as of February 21, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 26-830))	Ministry of Economy, Ministry of Justice and other interested ministries	QIII 2006	General appropriations

<b>To promote a more entrepreneurial culture and create a supportive environment for small and medium enterprises (Guideline No. 15):</b>			
<i>To develop entrepreneurship among residents</i>			
28. Update modules for business basics training (entrepreneurship development) taking account of changing conditions for SMEs development upon accession to the EU and include such modules in education (study) programmes; initiate other forms of entrepreneurship development	Ministry of Education and Science, higher schools, Ministry of Economy	2006	General appropriations
29. Conduct employer surveys concerning quality of specialists training, linking the survey results to allocation of funding to academic establishments	Ministry of Education and Science	2006-2008	
30. Promote the preparation and implementation of National employer development programmes and programmes for training (development) of other entrepreneurs	Ministry of Economy, National Confederation of Industrialists	2006-2007	LTL 2 m
31. Organize entrepreneurship promotion campaigns: publicize successful business examples, disseminate a concept of socially responsible corporation; finance conferences and seminars on subjects important for business etc.	Ministry of Economy, Ministry of Agriculture, Lithuanian Small & Medium Business Development Agency	2006-2008	LTL 5 m
32. Finance information, consulting, training and other services to business through business information centres and business incubators. Implement measures for improving quality of business information centres' and incubators' services, identifying the increasing entrepreneurship as a clear and predominant line of the	Ministry of Economy, Lithuanian Small & Medium Business	2006-2008	LTL 20 m

activities of these establishments	Development Agency		
33. Promote businesses that employ (accept for practice period) young people for transfer of business experience	Ministry of Economy	2006-2008	LTL 2 m
34. Finance preparation of methodical material, business directories, databases of legislation and other information measures for entrepreneurs	Ministry of Economy, Lithuanian Small & Medium Business Development Agency	2006-2008	LTL 1 m

<i>To promote competitiveness of small and medium-sized business</i>			
35. Promote application of practical IT solutions at small and medium-sized enterprises. Prepare methodical materials on opportunities provided by e-business and e-business solutions applied in practice	Information Society Development Committee	QII 2007	General appropriations
36. Disseminate information on the infrastructure for support for innovation/technology development in Lithuania and abroad, opportunities for taking part in national and international programmes and receive funding for the implementation of innovation projects	Ministry of Economy, Ministry of Education and Science, Ministry of Agriculture, municipalities	2006-2008	
37. Prepare and implement enterprises' business development projects including assessment of enterprises, identification of areas for improvement and presentation of solutions, product research, innovations, personnel training and analysis of production processes	Ministry of Economy, Lithuanian Development Agency	2006-2008	LTL 5 m

<i>To improve legal and administrative environment for SMEs</i>			
38. Present proposals to the Government of the Republic of Lithuania regarding the amendment of the provisions of the Law on Bankruptcy of Enterprises of the Republic of Lithuania to speed up bankruptcy proceedings and protect creditor interests	Ministry of Economy, Bankruptcy Management Department under the Ministry of Economy	2007	General appropriations
39. Conduct an inventory of statistical accounting and the system of statistical indicators, refuse irrelevant or repetitive indicators and report forms; introduce electronic report forms for collection of statistics	Department of Statistics	2006–2008	
40. Charge state authorities and establishments to consult those interest groups that will be affected by draft decisions on small and medium enterprises and establish a mechanism for such consulting	Ministry of Justice, Ministry of the Interior, Office of the Government of the Republic of Lithuania	2005	

<i>To improve financial support for small and medium-sized business entities</i>			
41. Develop and implement a microcrediting system adapted to SME needs. For this purpose, adopt relevant legal acts and extend microcredits to enterprises in accordance with the established procedure	Ministry of Economy, Ministry of Finance	2005-2006	LTL 29 m ( <i>for microcredits</i> )
42. Disseminate experience of investment culture of EU and other countries “business angels”	Ministry of Economy, Lithuanian Small & Medium Business Development Agency	2005-2008	
43. Examine an opportunity of and seek establishment of venture capital funds, promote investment in small and medium entities, including spin-offs that separated from public scientific research establishments and operate in advanced technologies industry, and draft relevant legal acts	Ministry of Economy, Ministry of Finance	2006	EU support, private capital, state funds
44. Provide guarantees for the loans of credit institutions in order to create more favourable conditions for farmers and other small and medium-sized business entities to get funds necessary for the development of business	Ministry of Agriculture, Ministry of Economy, Agricultural Loan Guarantee Fund, private company “Investicijų ir verslo garantijos” (UAB)	2005-2008	General appropriations

**Objective 3: TO BUILD A SOCIETY WITH ITS ACTIVITIES BASED ON KNOWLEDGE AND ADVANCED TECHNOLOGIES** *(Guideline No. 9)*

Measures	Responsibility	Term	Resources
<b>To create conditions for increasing residents' competencies and social cohesion in the area of ICT use</b>			
1. Draft a remote learning programme for Internet basics and e-services for Lithuanian residents	Information Society Development Committee	QIII 2007	LTL 0.04 m, state budget
2. Promote targeted programmes for adapting information environment to the needs of the disabled	Information Society Development Committee	2005-2008	LTL 0.05 m, state budget
3. Develop and expand an integrated network of public Internet access centres and ensure its functioning	Ministry of the Interior, Ministry of Education and Science	QIV 2005 – 300 public Internet access centres; QI 2007 – 400 public Internet access centers;	LTL 9.6 m, (LTL 2.2 m state budget, LTL 7.4 m structural funds)



		QIV 2008 – 200 public Internet access centres	
4. Implement the general computer literacy programme approved by the Resolution of the Government of the Republic of Lithuania No.1176 as of September 15, 2004 ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 140-5124)	Ministry of Education and Science	2005-2008	General appropriations

<b>To modernize public administration by means of IT</b>			
5. Develop and maintain an e-government portal for the provision of public administration services on a “one-window” basis	Information Society Development Committee	2005-2008	LTL 6.4 m, (LTL 1,5 m state budget, LTL 4.9 m structural funds)
6. Develop a secure network of state and local authorities and establishments: join all the state registers and information systems, ensure secure and effective provision of data to state institutions of the Republic of Lithuania, joining the EU and telecommunication networks within the Interchange of Data between Administrations (IDA) programme among administrations of the Member States, integrate information systems of county governors’ administrations, municipalities and local authorities into the state network for the secure transmission of data, ensure the security of the personal data transmitted	Ministry of the Interior, Ministry of Transport and Communication, Ministry of Agriculture, Information Society Development Committee, county governors	QIV 2008	
7. Achieve that 85 percent of main public services would be transferred to electronic environment	Ministry of the Interior, Information Society Development Committee	2005-2008	
8. Create the technique of surveillance of public services provision by the use of ICT, conduct surveillance of public services provision in public administration institutions by the use of ICT	Ministry of the Interior	2008	-
9. Draft a legal act on the functioning of an e-government gate for the provision of public services	Information Society Development Committee, Ministry of the Interior	QIV 2005	-
10. Draft a law regulating the management of public information systems	Information Society Development Committee	QIII 2007	-

<b>To promote an economy based on knowledge, innovations, scientific achievements and IT</b>			
11. Prepare a Programme for Innovations Promoting Development of Information Society in accordance with the objectives and tasks of the EU IST programme	Information Society Development	QIV 2006	LTL 0.03 m state budget

	Committee , Ministry of Transport and Communicatio n, Ministry of the Interior, The Communicatio ns Regulatory Authority of the Republic of Lithuania		
12. Promote research and practical work aimed at adaptation of open source software	Information Society Development Committee	2005-2008	LTL 0.81 m, state budget
13. It is scheduled to provide an opportunity of connecting 80 percent of the country's territory to the existing broadband networks, i.e. to all small and medium enterprises and residents; at least 60 percent of public administration bodies will be connected to broadband networks	Ministry of Transport and Communicatio n	2006-2008	LTL 90 m, (LTL 20.8 m state budget, LTL 69.2 m structural funds)

**Objective 4: TO ENCOURAGE SUSTAINABLE USE OF RESOURCES AND STRENGTHEN SYNERGY BETWEEN ENVIRONMENTAL PROTECTION AND GROWTH** (*Guideline No. 11*)

Measures	Responsibility	Term	Resources
<b>To improve the air quality assessment and management system; seek to achieve that atmospheric emissions and greenhouse gas increase would be twice as slow as production growth</b>			
1. Draft a National programme for management (restriction on) of the amount of atmospheric emissions	Ministry of Environment	QIV 2005	State budget
2. Expand the capacities of air quality measurement by acquiring the necessary equipment	Ministry of Environment	2007	LTL 1.1 m, state budget
3. Prepare the draft amending the national strategy for implementation of the United Nations Framework Convention on Climate Change approved by Resolution of the Government of the Republic of Lithuania No. 1236 as of October 25, 1996 ( <i>Valstybės žinios</i> (Official Gazette), 1996, No. 105-2409)	Ministry of Environment, Ministry of Economy	QII 2006	LTL 0.067 m, state budget
4. Prepare and approve the National Allocation Plan for Greenhouse Gas Emission Allowances for the period 2008-2012	Ministry of Environment, Ministry of Economy	QII 2006	LTL 0.18 m, state budget
5. Develop a national system for implementation of the joint implementation mechanism under the Kyoto Protocol	Ministry of Environment, Ministry of Economy	2006	LTL 0.1 m, state budget
6. Develop an effective greenhouse gas emissions trading system	Ministry of Environment	2006	LTL 0.216 m, state budget
<b>To widely implement and economically stimulate the clean means of production based on advanced technologies</b>			
7. Prepare and approve the national guidelines for the implementation of the EU Environmental Technology Action Plan	Ministry of Environment, Ministry of Agriculture	2006	LTL 0.02 m, state budget

8. Prepare and approve the national guidelines for the implementation of the EU Integrated Product Policy	Ministry of Environment	2006	LTL 0.02 m, state budget
9. Prepare and approve the national green public procurement implementation plan	Ministry of Environment, Ministry of Economy	2006	LTL 0.04 m, state budget
10. Prepare and approve the programme for the introduction of the eco-labeling scheme for product groups in the Republic of Lithuania	Ministry of Environment	Q IV 2006	LTL 0.02 m, state budget
11. Stimulate recycling of local recyclables and private capital investments in waste management and processing	Ministry of Economy, Ministry of Environment	2008	LTL 10 m, state budget

<b>To promote the increase in energy efficiency and the use of renewable sources of energy</b>			
12. Ensure that electric power generated from renewable energy resources would account for at least 6.4 percent of power consumed in Lithuania	Ministry of Economy	2008	Private funds
13. As part of the implementation of the revised and updated National Energy Efficiency Programme, the summary of which has been approved by Resolution of the Government of the Republic of Lithuania No. 1121 as of September 19, 2001 ( <i>Valstybės žinios</i> (Official Gazette), 2001, No. 82-2856), seek to achieve that, starting from 2007, energy resource/energy savings would amount to 1 percent compared to the previous year	Ministry of Economy	2007-2008	LTL 6.018 m, state budget
14. Draft the main provisions of the new National Energy Strategy approved by Resolution of the Seimas of the Republic of Lithuania No. IX-1130 as of October 10, 2002 ( <i>Valstybės žinios</i> (Official Gazette), 2002, No. 99-4397) in line with the EU market opening and liberalisation policy, with identification of priority lines for energy efficiency increase	Ministry of Economy	2006	LTL 0.1 m, state budget
15. Implement the programme for the stimulation of biofuel production and use for 2004-2010 approved by Resolution of the Government of the Republic of Lithuania No. 1056 as of August 26, 2004 ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 133-4786)	Ministry of Economy, Ministry of Agriculture	2005-2008	LTL 62.58 m, state budget

<b>To preserve landscape and biological diversity, promote restoration of damaged natural elements, ensure rational use of landscape and biological diversity</b>			
---	--	--	--

16. Fit out tourist paths and tracks of educational nature in national parks, develop ecological education system	Ministry of Environment, Lithuanian State Department of Tourism under the Ministry of Economy (hereinafter referred to as the State Tourism Department), State Service for protected Areas under the Ministry of Environment)	2008	LTL 20 m, state budget
17. Implement measures of a forestation of agricultural land provided for in the Programme on Increase of Forest Coverage for Lithuania approved by Order No. 616/471 as of December 2, 2002 of the Minister of Environment and the Minister of Economy ( <i>Valstybės žinios</i> (Official Gazette), 2003, No. 1-10), with a priority given to territories with nature bodies	Ministry of Environment, Ministry of Agriculture	2008	LTL 92 m, state budget, private funds
18. Complete the formation of the protected areas network ("NATURA 2000") and draft planning documents of the environmental management of such territories	Ministry of Environment	2008	LTL 16.5 m, state budget
19. Implement the project for the restoration and preservation of the Lithuanian Baltic coastal zone	Klaipėda County Governor, Ministry of Environment	QIII 2006	LTL 5.6 m, state budget

**Objective 5 - TO ENSURE PROPER FUNCTIONING OF THE EU INTERNAL MARKET IN LITHUANIA** (*Guideline No. 12*)

Measures	Responsibility	Term	Resources
<b>To remove any remaining barriers to the internal market functioning and prevent emergence of new barriers</b>			
1. Monitor transposition of EU directives into national law minimizing the directive transposition deficit	Office of the Government of the Republic of Lithuania	2006-2008	General appropriations
2. Improve the adoption of European standards	Ministry of Environment, <b>NSD</b>	2006-2008	General appropriations
3. Ensure effective control over implementation of mechanisms laid down in Directives 98/34/EC and 98/48/EC	Ministry of Economy, <b>NSD</b>	2006-2008	General appropriations
4. Provide the services of the Register of Legal Persons electronically	Ministry of Justice	QI 2007	General appropriations
5. Remove obstacles to Lithuanian companies' merging with companies registered in other EU Member States	Ministry of Economy	2007	General appropriations
6. Grant opportunities for Lithuanian companies to transfer their offices to another EU Member State and for companies registered in other EU Member States to	Ministry of Economy	2008	General appropriations

transfer offices to Lithuania			
<b>To implement service sector reforms provided for in the new EU initiatives</b>			
7. Prepare, submit to the Government of the Republic of Lithuania and implement an action plan for the information provision and completing of administrative procedures online for the service sector	Ministry of Economy	QI 2006 - QIV 2008	General appropriations
<b>To enhance functioning of and surveillance over financial markets and relevant international cooperation</b>			
8. Implement measures provided for in the Financial Services Action Plan (COM (1999)232)	Ministry of Finance	2006-2008	LTL 4.5 m
9. Improve crisis management, market discipline, accounting and financial statements systems at companies of the financial sector	Ministry of Finance, Bank of Lithuania	2006-2008	General appropriations
<b>To disseminate information on the EU internal market</b>			
10. Provide information to an EU website Your Europe	Ministry of Economy	2006-2008	General appropriations
11. Disseminate information on the EU internal market among state authorities and interest groups	Ministry of Economy	2006-2008	General appropriations

**Objective 6: TO CONNECT THE NATIONAL ENERGY NETWORKS WITH WEST EUROPEAN NETWORKS AND DEVELOP AND IMPROVE TRANSPORT INFRASTRUCTURE OF BOTH INTERNATIONAL AND LOCAL SIGNIFICANCE** (*Guideline No. 16*)

Measures	Responsibility	Term	Resources (2006-2008)
1. Develop and implement priority energy projects:  connection of Lithuanian and Polish electric power networks; transit gas pipeline to Europe ("Gintaras" phase);  connection of Lithuanian and Swedish power networks (SwindLit)  storage of natural gas in and/or outside the territory of Lithuania	Ministry of Foreign Affairs, Ministry of Economy	2005-2008	LTL 1070 m  LTL 0,3 m  LTL 1381 m  LTL 100 m
2. Modernise the infrastructure of the Trans-European transport network in the territory of Lithuania (road, railway, water transport and civil aviation)	Ministry of Transport and Communication	2006-2008	LTL 1530 m
3. Reconstruct the transport infrastructure of local and regional significance	Ministry of Transport and Communication	2006-2008	LTL 1115 m

Note. Measures 2 and 3 under the Long-Term Transport System Development Strategy (by 2025) approved by Resolution No. 692 as of June 23, 2005 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2005, No. 79-2860)).

### III. EMPLOYMENT POLICY TO PROMOTE EMPLOYMENT AND INVESTMENTS INTO HUMAN CAPITAL

## **Background, Key Issues, Objectives and Tasks**

### **PRIORITY - TO PROMOTE EMPLOYMENT AND INVESTMENTS INTO HUMAN CAPITAL**

**93.** Lithuania has already achieved certain objectives and standards defined by the European Employment Strategy. The target established for secondary educational attainment by 2010 (85 percent) has already been achieved. Employment level for women and elderly people (55 to 64 years) having reached respectively 57.8 percent and 46.9 percent exceeds the Lisbon and Stockholm targets set in 2005 and has approached the targets fixed for 2010.

**94.** Upon the Lithuanian Labour Exchange under the Ministry of Social Security and Labour (hereinafter referred to as the Lithuanian Labour Exchange) joining the EURES (European Employment Services) - the European network of employment agencies - job seekers in Lithuania may get information about jobs offered by any labour exchange of any Member State. Upon introduction of the one-stop model for servicing the unemployed, including individual employment plans, persons are motivated from the day of registration to seek jobs actively. Funds are being raised for active measures (from 0.18 percent GDP in 2000 to 0.24 percent in 2004) with their volume and variety expanding. This has resulted in an increase of the share of the unemployed participating in the active labour market programmes in the period 2001-2004 (from 42.7 percent to 63.6 percent of the total amount of the unemployed).

**95.** According to the Department of Statistics, in 2004, 85 percent of Lithuanian population aged 25-64 had secondary or higher educational attainment. In 2000-2004 the share of persons in formal education systems increased (from 25 to 26 percent of the total population). In 2004, 79.6 percent of persons having finished secondary education continued their studies further in the same year: including 46.6 percent at universities and 22 percent at colleges.

**96.** A popular interdepartmental Open Information, Counseling and Guidance System (AIKOS) has been created to help balancing the number of persons studying and admitted for studying with the demands of the labour market.

**97.** In 2004, only 9.5 percent of students, which achieved basic education, had not continued their studies (EU average is 15.7 percent). During an academic year the least number of students who abandoned studies were in full-time schools of general education (1.2 percent), while the number of dropouts from colleges and universities were respectively 11.6 percent and 10.3 percent. The highest number of dropouts (12.8 percent) was observed in vocational schools. On the other hand, complicated labour market problems still exist. Public authorities are working towards their resolution and social partners are encouraged to contribute to this work.

**98.** The decrease of the Lithuania's population and the negative change of its demographic structure cause the growing need of social security and health care. During the last four years, the share of young people (under 25-year old) in the labour force decreased by 42,200 (3.3 percent), while that of elderly people (over 50) grew by 60,600 (11.6 percent). Due to lower birth rates and a quite high scope of economic emigration to foreign countries, the population is decreasing: as of the beginning of 2005, the number has decreased by 218,000 (by 6 percent) if compared to the data for the beginning of 1995.

**99.** The ever-increasing number of the EU Member States opening their borders caused a more active economic emigration from Lithuania, which results in the loss of a qualified workforce, consisting mainly of young people. A misbalance between the demand and

the supply of a qualified workforce is already felt in many branches of the economy. The loss of work skills and qualifications makes problematic the return of workers who left the labour market, especially women raising pre-teens and elderly people who lost their jobs, whereas a traditionally low mobility of people within the country makes effective use of labour resources difficult.

100. Although the labour force decreases in absolute numbers, the level of labour activity remains stable (approx. 69 percent). Over the last four years, the level of activity of young people (15-24 year old) has lowered markedly: from 32.6 percent in 2001 to 26.2 percent in 2004. The average annual employment level made up 61.1 percent in 2004, which was lower than the EU average of 63 percent (Table 13).

**Table 13. Main Disparities Between Lithuanian and EU Employment Indicators, 2004**

Indicator, %	Lithuania	EU-25 average *	Disparity
Employment rate:			
15-64 age group	61.1	63.0	Small
women	57.8	55.4	Small but positive
55-64 age group	46.9	40.7	Large but positive
Unemployment rate	11.4	9.0	Medium
Share of the long-term unemployed	53.3	44.2	Large
Employment by sectors:			
agriculture;	15.8	5.1	Large
services	56.0	69.5	Large

\* Preliminary data

101. Although the growth of Lithuania's economy has had a positive impact upon employment, slowing-down employment growth rates are one of the key problems of the labour market: in 2004 there has been only a 0.2 percentage point increase in employment.

Marked territorial inequality in social cohesion remains. In 2003 annual income from employment per household member in 7 of 10 counties was lower than the national average. Monthly gross pay varies from county to county rather significantly and the differences are growing, whereas the average annual unemployment rate is characterized by stability of territorial differentiation in unemployment. The distribution of employed persons by economic activities has been changing slowly towards a rational employment structure. Employment in the services sector is increasing at an insufficiently rapid pace: in 2004, 56 percent of employed persons worked in the services sector (55.6 percent in 2001). Reorientation of rural population from agricultural to alternative activities (non-traditional crafts, rural tourism and other services) is slow.

102. Amendments to legal acts are adopted in order to widen legalization of collective labour relations with most issues to be handed over for resolution to social partners by agreement. However, the number of persons working under flexible work organizations and payment arrangement schemes is not increasing. Although social dialogue is becoming more active, its role, however, should grow in order to provide flexibility of labour market as well as qualitative and socially secure employment.

103. There are differences between employment of men and women in individual sectors of the economy. Education remains a "female" area, with women accounting for 79 percent of workers in 2004. The number of women employed in the government sector exceeds that of men by as much as 1.8 times, whereas men dominate such sectors as public administration and defence, compulsory

social insurance and transport, storage and communications. Men also make up a larger share of employers and self-employed persons (62 percent). The average monthly gross pay received by women remains much lower than that of men (by 1/5 in 2004).

104. Relatively high taxation of labour and comparatively low pay rates make an obstacle to increase attractiveness of labour. High taxation burden falling on labour has undesirable consequences: ways to conceal official pay are sought, shifting from undeclared work to legal employment is hindered, and creation of new jobs is discouraged. Although during the last 2 years, the minimum monthly pay (MMP) was increased by almost 30 percent, the average annual pay growth rate in the national economy was under 5 percent in 2003 (only in 2004 a 7.9 percent rate was recorded). In comparison to the sufficiently high GDP change rates, the growth in average pay has been too slow.

105. Although labour productivity is obviously growing, it is still low, and, in this respect, Lithuania lags behind many other EU countries: in 2004 labour productivity here was twice as low as the EU average.

106. Infrastructure of social services is not developed. Only 50 persons per 10 thousand can obtain social services. Infrastructure of social and occupational rehabilitation and activities of social institutions for integration of social risk and exclusion groups has not been developed. The network of labour market institutions, their services and professional training should be improved by means of modernization and increasing availability and quality of services.

107. In recent years the share of the long-term unemployed, i.e. people who have been looking for jobs for one year or more, has been increasing: they accounted for 53.3 percent of all the unemployed in 2004 (approximately 50 percent in 2003). The number of the non-qualified persons (51 percent of all the unemployed) was the most important factor affecting such growth. A misbalance of the labour force in the labour market is increasing: a surplus of specialists of certain professions and a lack of qualified workers is noticeable. It is difficult to achieve a proper balance between the demand and supply of qualified labour because the professional training system responds to labour market changes is not flexible, distribution of individuals' continuing education is not sufficiently rational and prognostication of demand in professions is lacking.

108. Both quality and prestige of vocational training are insufficient: only 18.1 percent of persons having finished basic education entered vocational schools in 2002; 17.7 percent in 2003. Lithuania noticeably lags behind the European average according to popularity of vocational training, which is assessed as a share of those studying on ISCED (International Standard Classification of Education) 3-4 levels. Only every fourth pupil is studying under vocational training (ISCED 3 level) programmes (24.7 percent in Lithuania in 2003, whereas the EU average amounted to 57.5 percent).

109. Only a small part (approximately 6.5 percent) of the population aged 25-64 takes part in lifelong learning, which shows that Lithuania is lagging behind the EU average of 9.4 percent. Continuous education of employees in the public administration, health care, education and energy sectors is funded by the state, while private sector training expenses are covered by employers and employees. Education costs per studying persons, if compared to GDP per capita, have decreased from 25.3 percent in 1999 to 22.1 percent in 2002, while the EU average has grown from 24.3 to 25.1 percent.

**Table 14. Main Disparities Between Lithuanian and EU Education Indicators, 2004**

Indicator, %	Year	Lithuania	EU-25 average	Disparity
Lifelong learning rate (residents aged 25-64 who have taken part in educational/vocational activities during	2004	6.5	9.4	Large



last 4 weeks)				
Share of young people having finished basic school and studying at vocational schools male female	2003	31.7 20.5	57.5 53.9	Large
Unemployment rate by educational attainment in 25-59 age group ISCED* 0-2 ISCED 3-4 ISCED 5-6	2003	14.5 12.0 5.7	11.7 8.5 4.8	Medium
Share of annual expenditure per student of public and private educational establishments of the GDP per capita	2002	22.1	25.1	Large

\* International Standard Classification of Education

110. Many employers still fail to realize the importance of personnel training in full and make only poor investment in training. The share of the entities organizing continuous training courses for employees is almost 3 times smaller than in the old EU Member States. On-the-job training is also underdeveloped in Lithuania.

### **Key Employment Policy Objectives and Tasks in Medium-term Period**

#### **Objective 1: ATTRACTING AND RETAINING MORE PEOPLE ON THE LABOUR MARKET BY PROVIDING QUALITATIVE AND SECURE EMPLOYMENT, AS WELL AS MODERNISING THE LABOUR MARKET AND SOCIAL SECURITY SYSTEM**

111. Key tasks (*Guidelines No. 17-20*):

- 111.1. Develop services provided to community members by creating conditions to come back to the labour market and take active part in it;
- 111.2. Retain experienced employees in the labour market as long as possible by applying a flexible retirement system;
- 111.3. Improve health status and ensure work efficiency of population as high as possible;
- 111.4. Promote employment of job-seekers, including young people, and enhance attractiveness of work;
- 111.5. Promote integration of social risk persons into the labour market by broadening infrastructure of services and increasing access to them;
- 111.6. Modernize labour market institutions and optimize services provided by them;
- 111.7. Enhance social partnership to ensure employment security.

#### **Objective 2: IMPROVING ADAPTABILITY OF EMPLOYEES AND ENTITIES**

112. Key tasks (*Guidelines No. 21, 22*):

- 112.1. Reduce labour market segmentation and initiate restructuring of economy;
- 112.2. Introduce innovative work organization methods and reduce undeclared work;
- 112.3. Promote professional and territorial mobility of population and their adaptability;
- 112.4. Improve labour taxation system.

#### **Objective 3: TO REDUCE STRUCTURAL UNEMPLOYMENT BY INCREASING INVESTMENTS INTO HUMAN RESOURCES**

113. Key tasks (*Guidelines No. 23, 24*):
- 113.1. Restructure lifelong learning system after compulsory education;
  - 113.2. Develop assistance to students and teachers;
  - 113.3. Make minimum standards of school material conditions higher;
  - 113.4. Update the contents of education, training and studies;
  - 113.5. Develop competence of teachers and lecturers;
  - 113.6. Develop quality-oriented management culture.

### **Results to be achieved**

114. The Government of the Republic of Lithuania, with regard to Article 125 of the Treaty establishing the European Community and following the conclusions by the European Council of 22-23 March 2005, and the guidelines of the Member States' employment policy guidelines approved by Decision of the Council 2005/6000/EC as of 12 July 2005, will pursue an employment policy in 2005-2008.
115. In order to achieve qualitative and socially secure employment by improving work quality and efficiency, enhancing social and territorial cohesion for a medium term the main challenges are envisaged as follows: raising employment, improving capacities of employers and employees to react into changes, and reaching balanced labour.
116. The main target in employment policies is to ensure qualitative and secure employment. To implement the Programme of the Government of the Republic of Lithuania for the years 2004-2008, the efforts are to be combined to solve the most important main social problems: increase employment, reduce poverty and social exclusion, increase welfare and strengthen intellectual potential by applying measures directed towards quality of employment, promotion of civilized employer-employee relations, and development of social partnership and collective labour relations so that each person able and wishing to work can find an appropriate job. The Government undertakes to create conditions for each able-bodied person to ensure his/her life level by its own work; it has also been undertaken to set a great deal on most vulnerable persons, reduce stimuli to work illegally, promote positive economic and social changes in rural areas, develop flexible work organization and pay systems, improved vocational education, training and lifelong learning systems. Applying measures improving the demographic situation, the labour migration flows will be regulated, taking into account labour market demands in Lithuania and general EU labour migration policies, as well as employment of elderly people will be promoted and active work market measures will be applied.
117. Implementing the Law of Social Enterprises of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2004, No. 96- 3519) the measures applied are to promote creation of new workplaces by creating favourable conditions for certain specific groups of occupationally and generally disabled, economically inactive, to promote their return to the labour market and their social integration and reduce their social exclusion.
118. To implement the Long-Term Strategy of Regional Policy, efforts will be made to ensure welfare for population in all areas of Lithuania and reach higher level of territorial social cohesion. The National Action Plan Against Poverty and Social Exclusion for the period 2004-2006 approved by Resolution No. 1002 as of 13 September 2005 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2005, No. 112-4091), provides measures to support co-ordination of actions and policies aimed at reducing poverty and social exclusion. Therefore, adopting the State Budget the objectives of social range are taken into account as a priority with an aim to make the State Budget socially orientated as much as possible.

119. The National Programme on Equal Opportunities for Women and Men 2005-2009 approved by Resolution No. 1042 as of 26 September 2005 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette) 2005. No. 116-4202), currently under implementation, will enable to reduce disparities in employment of women and men and solve related gender-related problems of equal opportunities.
120. Labour Councils, having started their activities, will contribute to the development of social partnership on the enterprise and industry level; they should facilitate employer-employee negotiations on labour hours, flexible work organization forms and pay, depending on work efficiency and final result.
121. Improving capacities of employers and employees to react into changes can be reached by raising professional competence of employers and employees and investing into human capital, as well as reacting flexibly to changes in labour market and business. The Long-Term Strategy of Lithuania's Economy Development by 2015 approved by Resolution No. 853 as of June 12, 2002 of the Government of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2002, No. 60-2424) specifies long-term economic policies focused at acceleration of national economy restructuring and enabling its timely adaptation to changing internal and international situation, as well as efficient use of the country's economic potential and the increase thereof to the highest extent. The Strategy envisages that, seeking to achieve that Lithuania in 15-25 years reaches the economic level of the Western EU Member States, the following economy growth factors will be developed at due level: workforce, capital, knowledge, and entrepreneurship. Upon the reduction of unemployment, the prolongation of pension age and the inflow of new generation into labour market, the use of the workforce will grow by at least 10 percent. The educational calibre of the workforce will be higher. Highly qualified persons, able to use modern IT means will dominate the labour market. Structure and content of acquired education will better meet the demands and the workforce will be more mobile.
122. A knowledge-based economy becomes a priority in Lithuania's aspirations in order to reach the level of old EU Member states in 2015. Lifelong learning strategy and the action plan for its implementation approved by Order No. ISAK-433/A1-83 as of March 26, 2004 of the Minister of Education and Science and the Minister of Social Security and Labour (*Valstybės žinios* (Official Gazette), 2004, No. 56-1957) envisages improving funding of continuous training by establishing special foundations and by including employers and employees, as well as applying measures for the updating of qualification of training and vocational consulting staff. Funding of continuous learning should be improved.
123. Small and Medium Business Development Strategy projects envisage promoting establishment and development of small and medium enterprises by using more local material and human resources and innovative technologies. This would contribute to the growth of the economy and employment.
124. The balancing of the Labour Market is aimed at increasing conformity of vocational training with labour market demands. Having regard to the current challenges facing the society, the provisions of the State Strategy for Education for the period of 2003-2012 approved by Resolution No. IX-1700 as of July 4, 2003 of the Seimas of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2003, No. 71-3216), and the priorities of information society, secure society and competitive economy defined in the State Strategy for Long-Term Development approved by Resolution No. IX-1187 as of November 12, 2002 of the Seimas of the Republic of Lithuania (*Valstybės žinios* (Official Gazette), 2002, No. 113-5029), the following mission is established for the education system: to help a person to realize the modern world, acquire cultural and social competence and become a self-dependent, active, and responsible human being who wants and is able always to go on studies and create his/her and their community's life; to help a person to acquire occupational

qualifications corresponding to modern level of technologies, culture and personal abilities, and to create conditions to lifelong learning - i.e., to constantly satisfy the need of knowledge, to strive for a new competence and qualification necessary for his/her occupational advancement and life sense, to ensure sustainable development, based on the knowledge of the State's economy, environment and culture, internal and international competitiveness of the economy, national security and democratic course of the State, as well as enhance creative power of the society, guarantee successive development of the nation and the homeland's culture, constant creativeness, conservation of identity, and nourish openness of this culture.

125. The Strategy recognizes that education must raise employment of people, promote modernisation of economy and consistent development. One of the main objectives is to orient the education of all levels towards nurturing personal value and the capacity system necessary for the modern labour market, as well as create a system for permanent adaptation of vocational training to the market economy.
126. The Strategy for Lifelong Learning and Related Action Plan provides for increasing influence of vocational training and continuous learning over employment. It is necessary to improve the access to education, (in particular for those who had benefited the least from the educational system), to provide "second chance" opportunities for children under 16, who have no basic educational attainment. Moreover, education infrastructure is to be developed by gradually increasing investments into institutions providing education, vocational information, guidance and consulting services, including renovation of facilities of such institutions.
127. Guidelines for Integrated Training Programmes that encompass learning, communication and ICT, civic qualities, entrepreneurship, harmonious development, cultural competence envisage examining and updating of existing curricula for primary and secondary schools. Objectives and evaluation of knowledge will be linked to competencies acquired. National Qualifications System will be developed including instruments to assist both adults and young people to present their qualifications and competencies in any EU Member State in a clear manner.
128. General Programmes and Education Standards intended for pre-school, primary, basic and secondary education mostly focus on improving conditions for pupils who must be provided with more favourable conditions to acquire and develop personal, social, cognitive and cultural competences. Labour Market Vocational Training Programmes provide for extension of the scope of on-the-job training (at enterprises and organizations). Practical on-the-job training has been included in primary vocational training and study programmes. Participation of social partners in the management of training and qualifications assessment is also promoted.

Concept for Training of Educators provides a description of professional competencies of educators in comparison to competencies of specialists in other fields.

129. The main EU and Lithuanian employment targets by 2010 and the intermediate targets for 2005-2008, as based on an impartial assessment of key employment problems, basic strategic documents, programmes adopted and the European Council guidelines addressed to Lithuania, are as follows (Table 15):

**Table 15. The Main EU and Lithuanian Employment Targets by 2010 and the Intermediate Targets for 2005-2008**

Indicator, %	EU target	National target	2005	2006	2007	2008
Employment rate among residents aged 15 – 64, including:						
women	70.0	68.8	62.5	64.0	65.0	66.0
residents aged 55-64	60.0	61.0	58.4	58.8	59.2	59.7
	50.0	50.0	47.2	47.5	48.0	48.5
Granting new opportunities to the						

unemployed (training, work practice, employment):						
during 6 unemployment months to the young unemployed (under 25)	100.0	100.0	85.0	88.0	91.0	94.
during 12 unemployment months to the adult unemployed (25-64)	100.0	100.0	83.0	87.0	91.0	94.4
Share of the long-term unemployed that have participated in active measures (training, work practice, employment):	25.0	25.0	16.0	18.0	20.0	22.0
Share of residents aged 25-64 who have taken part in educational/vocational activities during the last 4 weeks (lifelong learning rate)	12.5	10.0	6.5	7.0	8.5	9.0
Share of the young people aged 18-24 without secondary education (ISCED 3 level) and not enrolled in studying	10.0	9.0	9.5	9.4	9.3	9.2
Age of leaving the labour market (years)	64.9	64.5	63.5	63.8	64.4	64.3
Provision of child care						
children under 3 years of age	33.0	30.0	18.9	20.0	24.2	27.8
from 3 years of age till school age	90.0	90.0	65.0	73.0	81.5	87.0

130. Apart from these key objectives and tasks the Government intends to:
- 130.1. Provide conditions for creating at least 150,000 new jobs in the country in 2005-2008;
- 130.2. Reduce youth unemployment by 15 percent, long-term unemployment by 3.5 percent and achieve that unemployment rate does not exceed 8 percent by 2010;
- 130.3. Achieve that the share of pupils studying under technological profile and vocational training programmes (ISCED 3 level) accounted for 45 percent by 2010;
- 130.4. Achieve that by 2013 no region of Lithuania would have an unemployment level more than 35 percent higher than the national average.

### **Employment Policy Implementation Measures, Division of Responsibility and Financial Resources**

131. Taking into account the top priorities in employment policies and targets fixed for a medium period, the national means are planned as follows:

**Objective 1 – TO ATTRACT MORE PEOPLE INTO THE LABOUR MARKET AND RETAIN THEM BY PROVIDING QUALITATIVE AND SECURE EMPLOYMENT, AS WELL AS MODERNISING SYSTEMS OF LABOUR MARKET AND SOCIAL PROTECTION** (*Guidelines No. 17-20*)

Measures	Responsibility	Terms	Resources
<b>To develop services provided for community members, to ensure the possibility for them of returning to labour market and taking active part in it</b>			
1. Develop infrastructure of social services	Ministry of Social Security and Labour, Ministry of Education	2007–2008	LTL 94.3 m (under the SPD)

	and Science, municipalities		
2. Ensure access training of job-seekers and enhance provision of practical skills	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2007–2008	LTL 26.6 m (under the SPD)
3. Increase employment capacity for non-qualified and the long-term unemployed and their integration into the labour market	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2007–2008	LTL 126.9 m (under the SPD)
4. Improve employment capacity for the unemployed in order to prevent long-term unemployment and enhance administrative capacity of labour market administrative staff	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2005–2006	LTL 115.0 m (under the SPD)
5. Having regard to the present situation, to draft territorial employment support programmes for people of working age, wishing and having ability to get employed, to return to the labour market	Lithuanian Labour Exchange, municipalities	2005–2008	
6. Draft, approve and implement the programmes regarding the return to the labour market of parents who had left it due to raising children	Ministry of Social Security and Labour, Ministry of Education and Science, Ministry of Finance, municipalities	2005–2008	Funding provided in the Programme
7. Implement the National Programme of Women and Men's Equal Opportunities for 2005-2009 approved by Resolution No. 1042 as of September 26, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 116-4202)	Ministry of Social Security and Labour and other ministries, NSD	2005–2008	Funding provided in the Programme
8. Draft and submit to the Government of the Republic of Lithuania the draft programme for promotion and development of creative industries for 2007-2013	Ministry of Culture, Ministry of Economy	2006-2008	Funding provided in the Programme

<b>To retain experienced employees in labour market by applying flexible systems for their retirement</b>			
9. Analyze, based on the research being conducted, the financial opportunities of partial (gradual) retirement schemes for elderly people and application of partial employment models, as well as assess shifting the pension age to 65 years old	Ministry of Social Security and Labour, State Social Insurance Fund Board under the Ministry of Social Security and Labour (hereinafter referred to as the State Social Insurance Fund Board), social partners	2008	LTL 0.12 m, state budget
10. Promote longer participation of elderly people in the labour market	Lithuanian Labour Exchange, Lithuanian	2007–2008	LTL 29.7 m (under the

	Labour Market Training Authority		SPD)
11. Ensure protection of rights for those taking part in systems of professional and supplementary voluntary accumulation of pensions as they move inside the EU	Ministry of Social Security and Labour, State Social Insurance Fund Board	2005–2008	
12. Implement the programme for development of a system of social adaptation, medical rehabilitation of retiring officials and militaries and their professional guidance to other activity spheres, approved by Resolution No. 1030 as of September 20, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 113-4128)	Ministry of the Interior, Ministry of Social Security and Labour	2005–2008	Funding provided in the Programme
13. Draft and approve the recommendations for employers and representatives of employees on conclusion of collective agreements	Ministry of Social Security and Labour	2006	

<b>To improve health status and ensure higher working capacity of people</b>			
14. Prepare and submit to the Government of the Republic of Lithuania the draft programme for the primary prevention of non-infectious diseases, and to implement the programme, upon the approval thereof	Ministry of Health	2006-2008	General appropriations
15. Implement the measures of non-infectious disease prevention, health programmes	Ministry of Health	2005–2008	Funding provided in the Programme
16. Implement the measures foreseen in the National Mother and Child Programme for 2004-2006 approved by Resolution No. 754 as of June 16, 2004 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 96-3534)	Ministry of Health	2006	Funding provided in the Programme
17. Prepare and submit to the Government of the Republic of Lithuania the draft National Programme for the Family Health for 2007-2008, and to implement the programme, upon the approval thereof	Ministry of Health	2006 -2008	General appropriations
18. Prepare, approve and implement the Community Nursing Home Support Programme	Ministry of Health, Ministry of Social Security and Labour	2006-2008	-
19. Prepare the draft amendments to the Lithuanian National Strategy of Social Health	Ministry of Health	2005	General appropriations

<b>Promote employment of job-seekers and youth and enhance work attractiveness</b>			
20. Organise training of job-seekers on business basics	Lithuanian Labour Exchange	2005–2008	
21. Prepare business development area maps for those seeking jobs on their own	Lithuanian Labour Exchange, municipalities	2005–2008	
22. Develop local employment initiative projects and other community measures, especially in high unemployment areas	Ministry of Social Security and Labour, Ministry of the Interior, Ministry of Economy, Lithuanian Labour Exchange, social partners, municipalities	2005–2008	LTL 14.0 m, state budget; LTL 14.0 m, employment fund

23. Promote the entrepreneurship of the unemployed; upon the start of their business, assist financially in establishment of workplaces and in employing the first two hired employees	Ministry of Social Security and Labour	2006–2008	LTL 9.7 m (under the SPD)
24. Investigate influence of entrepreneurship training of job-seekers on employment	Ministry of Social Security and Labour, Lithuanian Labour Exchange	2007	LTL 0.09 m, state budget
25. Finance projects of business alternative to agricultural activities implemented in rural areas	Ministry of Agriculture	2005–2006	LTL 80.0 m (under the SPD)
26. Arrange seminars for the working population engaged in agriculture and rural people and advise them on business organisation and service business opportunities in rural areas	Ministry of Agriculture	2005–2006	LTL 20.5 m
27. Create legal conditions for partly compensation of the investment expenses intended for rural alternative business projects	Ministry of Agriculture, Ministry of Economy, county governors, municipalities	2006	
28. Prepare and submit to the Government of the Republic of Lithuania the draft programme for rural tourism and crafts development in rural areas for 2007-2013, and to implement the programme, upon the approval thereof	Lithuanian State Department of Tourism under the Ministry of Economy, Ministry of Economy, Ministry of Agriculture	2006–2008	Funding provided in the Programme
29. Develop activities of labour market institutions, to promote young people to make rational decision on choosing their profession, training and job-seeking	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2007–2008	LTL 34.3 m (under the SPD)
30. Prepare and submit to the Government of the Republic of Lithuania the draft National Youth Entrepreneurship Promotion Programme for 2006-2008, and to implement the programme, upon the approval thereof	Ministry of Social Security and Labour, Ministry of Economy, Ministry of Education and Science, Ministry of Agriculture, the State Council of Youth Affairs	2006–2008	Funding provided in the Programme
31. Envisage the conditions for promotion of young people engaged in studies or those who already acquired professional qualification to get working experience, including by means of apprenticeship	Ministry of Social Security and Labour, Ministry of Education and Science, associated employer organizations	2006	
32. Expand network of Youth Labour Centres in county capitals by establishing two new Youth Labour Centres	Ministry of Social Security and Labour, Lithuanian Labour Exchange	2007–2008	LTL 1.4 m Employment Fund
33. Investigate and assess contribution of non-governmental youth institutions and volunteers into expansion and improvement of youth integration into labour market	Ministry of Social Security and Labour, the State Council of Youth Affairs, non-governmental youth organisations	2006	LTL 0.12 m, state budget



<b>To promote integration of social risk persons into the labour market by developing infrastructure of services and increasing their availability</b>			
34. Prepare and submit to the Government of the Republic of Lithuania the draft strategy on Development of Professional Rehabilitation Services for 2007-2012, and to implement the strategy, upon the approval thereof	Ministry of Social Security and Labour, the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania	2006–2008	
35. Create more favourable conditions for social risk persons to be employed in social enterprises and promote establishment of such enterprises and enhance their activities	Ministry of Social Security and Labour, Lithuanian Labour Exchange, municipalities	2005–2008 2007–2008	LTL 29.6 m state and municipal budgets LTL 28.6 m (under SPD)
36. Reduce social exclusion by applying prevention means and promoting equal opportunities in labour market	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2005–2006	LTL 53.3 m (under the SPD)
37. Assess efficiency and influence of the labour market professional training on employment of women and elderly people	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2007–2008 m.	LTL 0.16 m state budget
38. Prepare and submit to the Government of the Republic of Lithuania the draft National Anti-discrimination Programme for 2006-2008, and to implement the programme, upon the approval thereof	Ministry of Social Security and Labour, Ministry of Justice, Ministry of Health, Ministry of Education and Science, Ministry of the Interior, Ministry of Economy, the Department of National Minorities and Lithuanians Living Abroad under the Government of the Republic of Lithuania	2006–2008	Funding provided in the Programme
39. Create and develop the network of professional rehabilitation services for the disabled	Ministry of Social Security and Labour	2005–2008	LTL 64.3 m (under the SPD)
40. Organise social and professional integration of social risk and exclusion groups	Ministry of Social Security and Labour, Ministry of Education and Science, Lithuanian Labour Market Training Authority, Ministry of Justice	2005–2008	LTL 53.4 m (under the SPD)
41. Co-ordinate the implementation of the Strategy for Lithuanian Regional Policy Strategy up to 2013, approved by Resolution No. 575 as of May 23, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 66-	Ministry of the Interior	2005–2008	

2370) and create the monitoring system for its implementation			
42. Implement the measures planned for 2005-2006 in the Lithuanian National Action Plan Against Poverty and Social Exclusion for the period 2004-2006, approved by Resolution No. 1002 as of September 13, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 112-4091)	Ministry of Social Security and Labour, Ministry of Education and Science, Ministry of the Interior, Ministry of Health, Ministry of Culture, Ministry of Justice, the Department of National Minorities and Lithuanians Living Abroad under the Government of the Republic Lithuania, the State Council of Youth Affairs, county governors, municipalities, non-governmental organisations	2005–2006	Funding provided in the action plan

<b>To modernise labour market institutions and optimise services they provide</b>			
43. Perform analysis of labour market services in order to assess the possibilities of its optimisation	Ministry of Social Security and Labour	2007–2008	LTL 0.17 m state budget
44. Modernise state labour market institutions, decrease the gap between quality of services provided and their availability	Ministry of Social Security and Labour, Ministry of Education and Science, Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2005–2006	LTL 50.0 m (under the SPD)
		2007–2008	LTL 19.7 m (under the SPD)
45. Expand IT network of labour market and create new public services provided by electronic means to the unemployed, employers and social partners	Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority, social partners	2007-2008	LTL 8.6 m (under the SPD)
46. Establish and develop the network of professional guidance centres	Ministry of Social Security and Labour	2006-2008	LTL 5.7 m (under the SPD)
47. Develop labour market monitoring system and the system for labour market management indicator control with higher transparency in assessment of the services provided	Lithuanian Labour Exchange	2007–2008	LTL 0.3 m (under the SPD)
48. Prepare, approve and introduce the methods for the medium-term forecasting of the need of the qualified force in the labour market	Ministry of Social Security and Labour, Ministry of Education and Science, Lithuanian Labour Exchange, Lithuanian Labour Market Training Authority	2007	
49. Perform annual forecasting of labour market needs and prepare the report "Barometers of	Lithuanian Labour Exchange	2006–2008	LTL 0.06 m state budget

Employment Opportunities"			
<b>To enhance social partnership to ensure employment security</b>			
50. Arrange and implement the agreements between the Government of the Republic of Lithuania, trade unions and employer organizations on the trilateral co-operation, and social partnership development action plans	Ministry of Social Security and Labour, social partners	2005–2008	
51. Initiate improvement of legal acts regulating labour relations in order to make the relations more flexible, as well as coordination of professional security and health principles, basing on the proposals of social partners	Ministry of Social Security and Labour, Ministry of Economy, the State Labour Inspectorate, social partners	2005–2008	
52. Develop training of social partners (development of social dialogue capacities, increase of competence in the fields of work pay, labour efficiency and productivity, establishment of labour councils, and propagation of working person dignity)	Ministry of Social Security and Labour, social partners	2007–2008	LTL 14.3 m (under the SPD)
53. Enhance social partnership, introduce more flexible work organisation forms, ensuring secure employment and better working conditions	Ministry of Social Security and Labour, social partners	2005–2008	
54. Work out proposals on means to control economic migration (to promote working in Lithuania and coming back from abroad to work)	Ministry of Social Security and Labour, Ministry of Finance, Ministry of Education and Science	2005–2006	
55. Organize annual agreements of municipalities, trade unions and employers (on regional level) on tripartite co-operation, as well as prepare and implement action plans for social partnership development	County governors, social partners	2006–2008	

**Objective 2 - To Improve the Adaptability of Employees and Enterprises** (*Guidelines Nos. 21, 22*)

Measures	Responsibility	Terms	Resources
<b>To reduce labour market segmentation and initiate economic restructuring</b>			
1. Prepare and implement unemployment prevention programmes	Lithuanian Labour Exchange, social partners	2005–2008	
2. Perform improvement of skills and consulting for those employed in agriculture	Ministry of Agriculture	2005–2008	LTL 34.0 m (under the SPD)
3. Educate population of target regions and enhance their skills and qualification	Ministry of Social Security and Labour	2007–2008	LTL 42.9 m (under the SPD)
<b>To introduce innovative work organisation methods and reduce undeclared work</b>			
4. Improve the respective legal acts providing for the introduction of innovative work organisation forms: agency, homeworking, telework (i.e. work by the use	Ministry of Social Security and Labour, social partners	2006–2008	

of information technologies), etc.			
5. Perform efficient prevention of illegal work by developing inter-institutional control measures	State Labour Inspectorate, State Social Insurance Fund Board, Financial Crime Investigation Service, State Tax Inspectorate, Police Department under the Ministry of the Interior	2005–2008	
6. Perform analysis of the situation of part-time employment of elderly people and envisage recommendations to develop their opportunities	Ministry of Social Security and Labour	2006–2008	LTL 0.09 m State Budget

<b>To promote professional and territorial mobility and adaptability of people</b>			
7. Promote territorial mobility of job-seekers and organise territorial programmes	Ministry of Social Security and Labour, Lithuanian Labour Exchange, municipalities	2006–2008	
8. Improve competence and abilities of employees of governmental, municipal and other public institutions and establishments, as well as industrial and business enterprises	Ministry of Social Security and Labour, State, public, municipal and other institutions and establishments of the public sector, industrial and business enterprises	2007–2008	LTL 257.2 m (under the SPD)
9. Increase computer literacy of employees	Ministry of Social Security and Labour, social partners	2007–2008	LTL 28.6 m (under the SPD)
10. Enhance the ability of employers, employees and social partners to adapt themselves to changes and needs in the labour market by applying investments into formal and informal training	Ministry of Social Security and Labour, social partners	2005–2006	LTL 208.9 m (under the SPD)
11. Implement means of the participation of the Lithuanian Labour Exchange in the European Employment Services (EURES) system	Lithuanian Labour Exchange	2005–2008	LTL 2.7 m state budget

<b>To improve the work taxation system</b>			
12. Render methodological assistance to enterprises and institutions in order to introduce methods for Work and Position Evaluation necessary to set impartial and reasonable work pay and incentive conditions to be fixed in collective agreements	Ministry of Social Security and Labour Ministry of Finance	2005–2008	
13. Reduce income tax rate from 33 percent to 24 percent	Ministry of Finance	2006–2008	General appropriations

**OBJECTIVE 3 – TO REDUCE STRUCTURAL UNEMPLOYMENT BY INCREASING INVESTMENTS INTO HUMAN RESOURCES** (*Guidelines No. 23, 24*)

Measures	Responsibility	Terms	Resources
----------	----------------	-------	-----------

<b>To restructure the system of education carried on after compulsory educations is finished</b>			
1. Promote the schools of general secondary education to form technological profile or course	Ministry of Education and Science, Ministry of Social Security and Labour	2006-2008	LTL 7.5 m (under the SPD)
2. Continue the implementation of the Lifelong learning strategy and the action plan for its implementation approved by Order No. ISAK-433/A1-83 as of March 24, 2004 of the Minister of Education and Science and the Minister of Social Security and Labour: broaden the network of services, creating remote education programmes, especially for persons of limited mobility and those having special needs	Ministry of Education and Science, Ministry of Social Security and Labour, Ministry of the Interior, Ministry of Economy, Ministry of Health, Ministry of Agriculture, county governors, municipalities	2005-2008	LTL 17.0 m (under the SPD)
3. Adapt and introduce the programmes of vocational education and consulting for people having low education level	Ministry of Social Security and Labour, Ministry of Agriculture, Lithuanian Labour Market Training Authority	2005-2008	
4. Organize the restructuring of the network of schools pursuing formal education programmes according to the Rules for the Creation of the Network of Schools Pursuing Formal Education Programmes approved by Resolution No. 745 as of June 14, 2004 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 95-3509)	Ministry of Education and Science, Ministry of Social Security and Labour, Ministry of Health, Ministry of Agriculture, county governors, municipalities	2005-2008	LTL 2.0 m

<b>To develop assistance for students and teachers</b>			
5. To implement the Programme for Provision of Schools with Yellow Buses for 2006-2008 approved by Resolution No. 1110 as of October 19, 2005 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2005, No. 126-4497), and acquire the busses for children with special needs	Ministry of Education and Science	2006-2008	LTL 12.0 m
6. Develop the Open Information, Counselling and Guidance System (AIKOS)	Ministry of Education and Science, Ministry of Social Security and Labour, NSD	2005-2007	LTL 20.0 m (under the SPD)
7. Elaborate and implement programmes for familiarisation with vocational programmes in order to change the attitude to vocational training prestige and prompting people to choose such programmes	Lithuanian Labour Market Training Authority, Lithuanian Labour Exchange	2006-2008	
8. Carry on vocational consulting of students	Ministry of Social Security and Labour, Ministry of Education	2005-2008	LTL 4.3 m (under the SPD)

	and Science		
9. Prepare and submit to the Government of the Republic of Lithuania the draft programme for compulsory pre-school education and the action plan for the implementation of the programme, and to implement the programme, upon the approval thereof	Ministry of Education and Science, Ministry of Social Security and Labour, Ministry of Health, county governors, municipalities	2006–2008	LTL 2.0 m
10. Implement the Special Education Services Provision Programme approved by Resolution No. 1475 as of November 22, 2004 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 170-6263)	Ministry of Education and Science, Ministry of Social Security and Labour, Ministry of Health, county governors, municipalities, the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania	2005-2008	LTL 3.5 m
11. Implement the Programme for Implementation of the New Payment System for Teachers approved by Resolution No. 1231 as of September 30, 2004 of the Government of the Republic of Lithuania ( <i>Valstybės žinios</i> (Official Gazette), 2004, No. 146-5310)	Ministry of Education and Science	2005-2008	LTL 218.0 m
12. Engage young people who had early dropped out of school into the activities of youth organisations and develop their social capabilities	Ministry of Social Security and Labour, Ministry of Education and Science, the State Council of Youth Affairs, non-governmental youth organisations	2005–2008	

<b>To make minimum standards of school material conditions higher</b>			
13. Implement the Programme for Renovation of Comprehensive and Vocational Schools and Their Provision with Teaching Appliances for 2006-2008	Ministry of Education and Science, county governors, municipalities	2006-2008	LTL 150.0 m
14. Modernize and develop facilities of regional professional training centres	Ministry of Social Security and Labour, Ministry of Education and Science	2007–2008	LTL 120.0 m (under the SPD)

<b>To update the contents of education, training and studies</b>			
15. Elaborate vocational training standards and corresponding programmes to meet economic needs and do their expert-level tasks	Ministry of Social Security and Labour, Ministry of Education and Science, Ministry of Agriculture	2007–2008	LTL 14.9 m (under the SPD)
16. Create unified, common and transparent National Qualification System	Ministry of Social Security and Labour, Ministry of Education and Science, social	2005–2008	LTL 7.5 m (under the SPD)

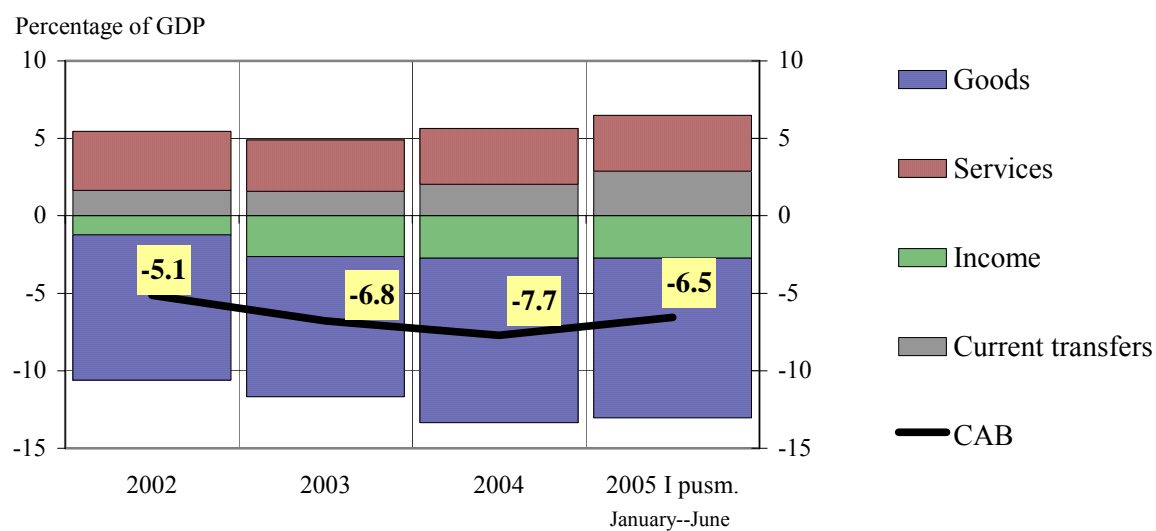
	partners		
17. Implement the projects and programmes of entrepreneurship, foreign languages, ICT and other general capabilities necessary for information society	Ministry of Education and Science	2005–2008	LTL 62.7 m
18. Confirm the regulations on study trends	Ministry of Education and Science	2005–2007	LTL 0.3 m
19. Introduce training quality ensuring system and perform qualification perfection assessment and recognition	Ministry of Social Security and Labour, Ministry of Education and Science	2007–2008	LTL 10.7 m (under the SPD)

<b>To develop competence of teachers and lecturers</b>			
20. Improve qualification of training centre specialists to work with new programmes and traineeship performance	Ministry of Social Security and Labour, Ministry of Education and Science	2005–2008	LTL 2.0 m (under the SPD)
21. Train the National Qualification System experts responsible for the development and acknowledgement of qualification, and enterprise employees taking part in pedagogical activities	Ministry of Social Security and Labour	2007–2008	LTL 1.7 m (under the SPD)
22. Prepare and submit to the Government of the Republic of Lithuania the draft National Teacher Training and Professional Development Restructuring Programme, and to implement the programme, upon the approval thereof	Ministry of Education and Science, Ministry of Social Security and Labour	2005–2008	LTL 4.0 m

<b>To develop quality-oriented management culture</b>			
23. Develop the assessment and consulting of educational institutions	Ministry of Education and Science	2005–2008	LTL 3.5 m
24. Establish permanent information system for education control, carry on research and analyses necessary for education monitoring	Ministry of Education and Science	2005–2008	LTL 4.0 m

Macroeconomic Indices

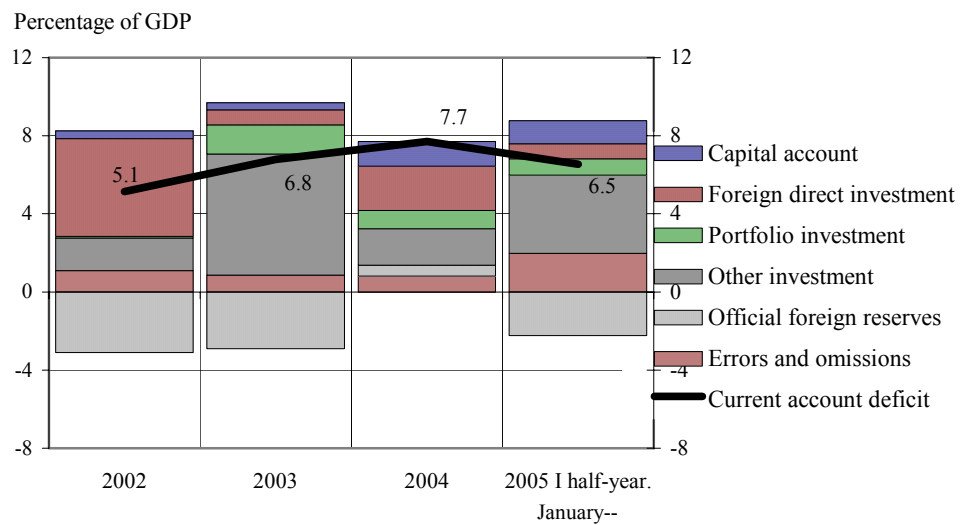
**1. Current account balance factors**



Source: Lithuanian Central Bank, LB calculations

**2. Funding of current account deficit**





### 3. Debt of the governmental sector

The debt of the governmental sector according to the surplus/deficit procedure (SDP) requirements

	2000	2001	2002	2003	2004
<b>Government debt at the end of the year (LTL million)</b>	10841.63	11100.55	11591.06	12045.52	12162.08
<b>Percentage of GDP</b>	23.6	22.9	22.3	21.2	19.5

### 4. Projections of key macroeconomic indices for 2005-2008

Macroeconomic indices	2003	2004	Projections			
			2005	2006	2007	2008
<b>Real GDP growth, %</b>	10.5	7.0	7.0	6.0	5.3	6.8
<b>Inflation (average annual), %</b>	-1.2	1.2	2.5	2.1	2.8	2.5
<b>Inflation (December, annual inflation), %</b>	-1.3	2.9	2.2	2.6	2.8	2.5
<b>Average gross monthly wage*, LTL</b>	1072.6	1157.8	1260.0	1361.0	1470.0	1600.2
<b>Growth of average gross monthly wage*, %</b>	5.8	7.9	8.8	8	8	8.9
<b>Unemployment level, % (workforce research data)</b>	12.4	11.4	9.6	8.6	7.9	7.5
<b>Balance of goods and services in the balance of payments, % of GDP</b>	-5.8	-7.1	-6.4	-6.1	-6.1	-5.7
<b>Real growth of consumption, %</b>	10.5	9.2	9.6	6.8	5.2	6.3
<b>Real growth rate of gross capital formation, %</b>	18.7	25.5	10.6	5.1	6.1	6.8
<b>Nominal GDP growth, %</b>	9.3	10.0	9.7	9.9	8.2	9.6

\* - quarter data without individual enterprises

## 5. Health care

Disparity analysis and aims in health care system according to key indices

Index dimension	Lithuania's situation**	EU situation*	Lithuania's aim
Death rate per 1,000 population	12.0	9.7	Reduce
Average lifespan, inclusive	72.06	79.08	Increase (to 73 years in 2010)
Women	77.75	82.02	Increase
Men	66.36	76.01	Increase
Standardised death rate, heart and blood vessel diseases (0–64 year group) per 100,000 population	147.8 (in 2003)	38.1	Reduce (to 92.39 in 2010)
Hospital beds per 100,000 population	845.4	600.0	Reduce to 700 (in 2010)
Hospitalisation number per 100 population	23.8	18.4	Reduce to 18

Sources: \* average for 15 old EU Member States (2002), WHO data base 2005

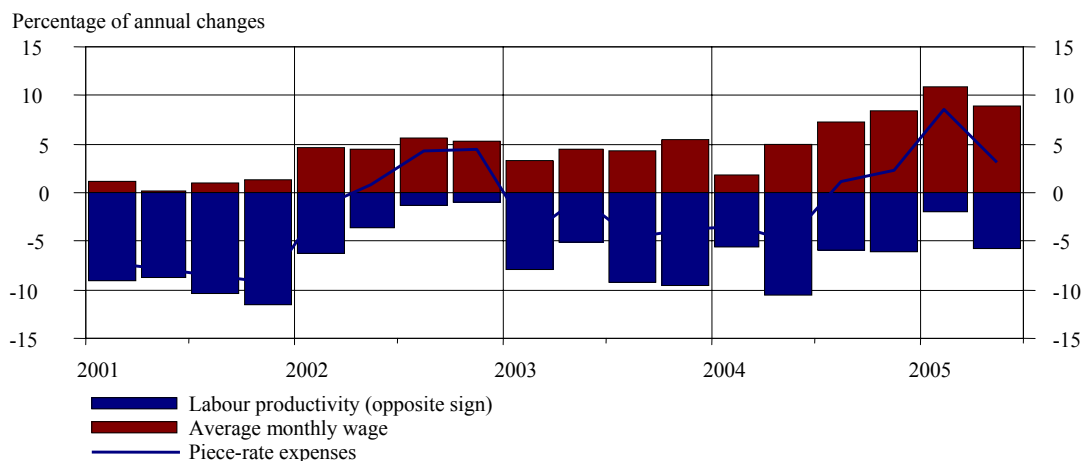
\*\* Lithuanian Health Information Centre Data, data of 2004

Department of Statistics to the Government of the Republic of Lithuania, data of 2004

## 6. Government Budget Expenditure for 2000-2004 (percent of GDP) ESA '95 system

Indices	ESA code	2000	2001	2002	2003	2004
Total expenditure		39.2	35.0	34.2	33.1	33.2
Collective use expenditure	P32	9.5	8.0	7.7	7.6	7.4
Individual use expenditure	P31	12.0	11.8	11.5	10.7	10.4
Capital depreciation	K1	-2.0	-1.8	-1.4	-1.3	-1.3
Social allowances except for those paid in cash	D62	10.6	10.6	9.3	9.1	9.1
Interest	D41	1.7	1.6	1.4	1.3	1.0
Subsidies	D3	0.8	0.8	0.8	0.8	0.5
Accumulation of basic capital	P51	2.4	2.2	2.9	3.0	3.4
Other		4.1	1.7	2.0	1.9	2.7
Budget balance	B9	-3.5	-2.0	-1.4	-1.2	-1.4

Source: Department of Statistics to the Government of the Republic of Lithuania



Sources: Department of Statistics, LB calculations

Annex 2 of the  
National Lisbon  
Strategy  
Implementation  
Programme

### Use of Support from Eu Structural Funds

The following priorities in investment of EU and Lithuanian general funding resources into the development of national economy have been envisaged in the Lithuanian GPD for 2004-2006:

**Priority 1. Economic and social infrastructure (transport, energy, health care, education, and social sectors).**

Funding will be applied to improve transport access and services, ensure energy supply and availability, improve environment quality, prevent damages to environment, modernise health care institutions, develop infrastructures of labour market, education, vocational training, science and studies institutions and social services. For 2004-2006 about 459.109 million Euros are planned to be allocated from EU and national general funding resources.

**Priority 2. Human resources (education, vocational training and re-qualifying, ensuring equal opportunities in labour market, reducing unemployment).**

Funding will be applied to develop employment abilities, raise work force competence and its adaptation to changes, support prevention of social exclusion and social integration, the introduction of human quality research and innovations, and to develop lifelong training. For 2004-2006 about 217.054 million Euros are planned to be allocated from EU and national general funding resources.

**Priority 3. Production sector (support for business and direct subsidies for certain business projects, various State-supported services for business, tourism, development of information society).** For 2004-2006 about 300.662 million Euros are planned to be allocated from EU and national general funding resources.

Direct subsidies in business area are to be allocated for enhancing competitiveness of enterprises (renewal of facilities, acquiring IT technologies, introducing control systems which could increase competitiveness of an enterprise); activities related to environment (pollution reducing facilities); tourism business (constructing new hotels and resort sites, renewal of old ones, adaptation of heritage sites for tourism).

Indirect support of business: information network (business incubators, consulting, business information centres); innovation systems; science and technology parks; put in order industrial zone infrastructure; support of associated business structures, including industrial groups (clusters).

**Priority 4. Rural development, agriculture, and fisheries.** Funding will be applied for investments into the agriculture holdings, settling of young farmers, processing of agriculture products, improving of marketing, adaptation of rural areas and their development, forest development, training and various fishing measures: updating ships and development of fishing harbours. For 2004-2006 about 192.005 million Euros are planned to be allocated from EU and national general funding resources.

The above-mentioned investment priorities, enhancing each other, promote competitiveness of Lithuania's economy, employment growth and broad economic and social integration. By using the EU structural funds, it is expected to reach a strong and competitive economy, raise qualified modern workforce and promote social and economic cohesion in Lithuania.

From the start (the second quarter of 2004) of the implementation of Lithuania's General Programming Document for 2004-2006 to June 30, 2005 (inclusive) the total sum under all GPD measures makes up 6260.855 million Lit. This is 1.5 times more than it was allocated for the present period of programming. The requests for support have been covered for 1647.141 million Lit. in total. The highest number of contracts (234) has been signed under the Rural Development and Fisheries priority. The highest sum (542.129 million Lit.) has been allocated to support projects of Economic Infrastructure Development priority.

According to the data of the assessment performed at the start of the programming about the influence of GPD on macroeconomics, the use of Structural Funds in Lithuania should raise the GDP from 1.2% in 2004 to 1.8% in 2006. New workplaces will be created, especially in construction and services sectors and education area. The most important result caused by the influence of Structural Funds would be the rise of added value in the sectors of construction and (although lower) industry and education. The secondary influence of higher workplace numbers would be also felt in three key sectors: trade, transport and storage, and communications.

*Provisions of European Union Structural Support Use in Lithuania for 2007-2013.*

The process of planning how to use the strategic ES Structural Support began in May of 2005 by the decision of the Government of the Republic of Lithuania of May 2, 2005, No. 484, to form the Commission for Elaboration of Strategy for Use of EU Structural Support and to Determine Action Plan (further Commission) that decided to organise its work in the following stages:

(1) Preparation of proposals on EU Structural Support Use Strategy (further Strategy) in Lithuania for 2007-2013;

(2) Preparation of proposals on determination of action programmes and appointment of institutions to be responsible for these preparations;

(3) Elaboration of strategy draft.

The Strategy will define the priorities in the use of support means from the European Regional Development Fund, European Social Fund and Cohesion Fund. The objectives raised in the Strategy will be pursued by implementing several separate action programmes where the priorities will be detailed and concrete areas to be supported will be indicated. These action programmes were planned to be prepared by the autumn of 2005.

Implementing the Strategy the following general goals will be pursued:

- (1) Rapid growth of economy for a long period;
- (2) Create more and better workplaces;
- (3) Reach social cohesion.

Determination of priorities was based upon the strategic principle that the support of rapid growth of economy and, hence, creation of workplaces in higher numbers and of higher quality, as well as raising employment are key goals of Lithuania's development. Moreover, the peculiarities of Lithuania, as a society that had experienced big challenges in a last decade and economic changes during the transition period, had been recognised with the resulting necessity to ensure social cohesion, since only integral society based on consensus can create the base for long-term development of economy.

Three priorities of the Strategy will help to reach these goals:

1. Information society.
2. Competitive economy.
3. Quality of life and cohesion.

To implement the first two priorities it is necessary to promote growth of Lithuania's economy, initially. The third priority, which should complement the former two, would result in the formation of the base for harmonious development. The entire Lithuanian population would feel the benefits of such growth, independent of where they live (territorial cohesion) and what their social level is (social cohesion). These priorities represent three closely related directions.

Elaboration of the Strategy and action programmes is based on:

- (1) EU horizontal level priorities such as stable development, equal opportunities, and an information society;
- (2) Necessity of reforms in various spheres of public policies (e.g., health care, education and science) in Lithuania;
- (3) Funding of application of EU law principles (e.g., in environment protection) from EU Structural Support resources and support of enhancing administrative capacities;
- (4) Support of measures to reduce possible market deviations and negative impacts on competitiveness from the EU structural funds.

Elaboration of the Strategy and action programmes is based on the partnership principal and taking into account preliminary results and lessons of the present programmes (Lithuania's General Programming Document for 2004-2006, in particular). Moreover, implementing National Strategy and action programmes it will be striven for complex development of regions (co-ordinating various measures) and partnership between public and private sectors (by developing public infrastructure and services).

## MAIN POLITICAL INCENTIVES

- Convergence Programme for Lithuania approved by the Government of the Republic of Lithuania on January 21, 2005, Decision No. 54 (Žin., 2005, No. 11-341)
- Long-Term Strategy for the Development of the State approved by the Seims of the Republic of Lithuania on November 12, 2002, Decision No. IX-1187 (Žin., 2002, No. 113-5029).
- Long-Term Strategy for the Development of Lithuanian Economy by 2015 approved by the Government of the Republic of Lithuania on June 12, 2002, Decision No. 853 (Žin., 2002, No. 60-2424).
- Long-Term Strategy for Scientific Research and Experimental Developments and Programme for Implementation of Lithuanian Science and Technologies White Book with realisation measures indicated, approved by the Government of the Republic of Lithuania on 22 December 2003, Decision No. 1646 (Žin., 2003, No. 121-5489).
- Lithuanian General Programming Document for 2004-2006, approved by the Government of the Republic of Lithuania on August 2, 2004, Decision No. 935 (Žin., 2004, No. 123-4486).
- High Technologies Development Programme approved by the Government of the Republic of Lithuania on December 22, 2003, Decision No. 1645 (Žin., 2003, No. 121-5488).
- Priority Trends for Scientific Research and Experimental Development in Lithuania approved by the Government of the Republic of Lithuania on July 19, 2002, Decision No. 1182 (Žin., 2002, No. 74-3180).
- Programme for Innovations in Business and its implementation measures for 2003-2006, approved by the Government of the Republic of Lithuania on July 15, 2003, Decision No. 911 (Žin., 2003, No. 71-3225).
- Concept of Science and Technology Park Development approved by the Government of the Republic of Lithuania on July 18, 2003, Decision No. 963 (Žin., 2003, No. 73-3397).
- Strategy for Information Society Development in Lithuania approved by the Government of the Republic of Lithuania on June 8, 2005, Decision No. 625 (Žin., 2005, No. 73-2649).
- State Education Strategy. Provisions for 2003-2012 and Programme for the Implementation of the Strategy, approved by the Government of the Republic of Lithuania on January 24, 2005, Decision No. 82 (Žin., 2005, No. 12-391).
- Programme for the Government of the Republic of Lithuania for 2004-2008 implementation measures, approved on March 24, 2005 Decision No. 315 (Žin., 2005, No. 40-1290).

- Memorandum of Reciprocal Understanding on National Agreement to Seek for Economic and Social Progress, signed on May 16, 2002.
- Memorandum of Lithuanian Political Parties and Academic Community Institutions, signed on June 22, 2004.
- Strategy for Public Administration Development by 2010, approved by the Government of the Republic of Lithuania on April 28, 2004, Decision No. 488 (Žin., 2004, No. 69-2399).
- National Sustainable Development Strategy approved by the Government of the Republic of Lithuania on September 11, 2003, Decision No. 1160 (Žin., 2003, No. 89-4029).
- National Regional Policy Strategy for the Period by 2013 approved by the Government of the Republic of Lithuania on May 23, 2005, Decision No. 575 (Žin., 2005, No. 66-2370).
- Measures Aimed at Implementation of the National Demographic Policy for 2005-2007 approved by the Government of the Republic of Lithuania on May 23, 2003, Decision No. 572 (Žin., 2005, No. 66-2367).
- National Strategy for Overcoming Consequences of Population Aging and Action Plan for 2005-2013 approved by the Government of the Republic of Lithuania on 10 January 2005, Decision No. 5 (Žin., 2005, No. 5-112).
- National Programme for Integration of Disabled People for 2003-2012 approved by the Government of the Republic of Lithuania on June 7, 2005, Decision No. 850 (Žin., 2002, No. 57-2335).
- National Action Plan Against Poverty and Social Exclusion for the period 2004-2006, measures for implementation in 2005-2006 approved by the Government of the Republic of Lithuania, Decision No. 1002 of September 13, 2005 (Žin., 2005, No. 112-4091).
- State Policy on Children's Welfare Strategy and a plan for implementation measures to be applied in 2005-2012 approved by the Government of the Republic of Lithuania on February 17, 2005, Decision No. 184 (Žin., 2005, No. 25-802).
- State Programme for Equal Opportunities to Women and Men approved by the Government of the Republic of Lithuania on September 26, 2005, Decision No. 1042 (Žin., 2005, No. 116-4202).
- Action Plan for the Development of Social Partnership of the Government of the Republic of Lithuania, Trade Unions and Employers Organisations for 2005-2006 approved by the Government of the Republic of Lithuania, trade unions and employer organisations on trilateral co-operation, signed on June 13, 2000 and (Žin., 2005, No. 75-2726).
- Agricultural and Rural Development Strategy approved by the Seimas of the Republic of Lithuania on June 13, 2000, Decision No. VIII-1728 (Žin., 2000, No. 50-1435).

#### **Documents to be elaborated:**

- State Rural Development Programme for 2006-2008.
- Concept for Development of Partnership between Public and Private Sectors in Lithuania.
- Strategy for Use of EU Structural Support in Lithuania for 2007–2013.



- Draft decision on strategies for export development and promotion for 2005-2008.
- Draft concept for National Pension System Modernisation taking into account short- and long-term tendencies in development of pension system.
- Plan of encouragement measures for NGOs taking part in health improvement area.
- Draft Programme of National Medication Policy for 2006-2010.
- Draft Strategy for Health Care Investments.
- Personal Health Care Law to regulate introduction of quality management systems and creating favourable conditions for activities of private health care institutions.
- Develop strategy for restructuring health care institutions in the stage 2, 2006-2008.
- Rural development plan for 2007–2013.
- Annual Lithuania's Convergence Programme (before introduction of Euro).
- Concept of higher education reform and to launch its implementation.
- Clusterisation development programme.
- Distant learning programme for Lithuanian population about Internet elements and e-services.
- Draft of a legal act on the functioning of an electronic government gate to provide public e-services.
- Law that will regulate the control of state information.
- National programme for the control of atmosphere polluting emissions.
- Renew national strategy on implementation of UN General Climate Fluctuation Convention.
- National plan for distribution of pollution permit licences for 2008-2012.
- National guidelines for implementation of EU Environmental Technologies Action Plan.
- National guidelines for implementation of EU Integrated Product Policies.
- National guidelines for implementation of Green Purchases.
- Programme for introduction of Eco-label conferment system to certain product groups.
- Key principles of New Energy Strategy to conform it to the EU market opening and liberalisation policy and envisaging priority trends of efficiency growth.
- Develop and launch a plan of measures for providing e-information and performing administrative e-procedures in the sphere of services.
- Programmes for parents, which had left labour market to raise their children, to come back to the labour market.
- Programme for promotion and development of creative industries for 2007-2013.
- Develop a project to change national public health strategy in Lithuania.
- Family Health Programme for 2007-2008.
- Programme to support community nursing homes.
- Programme for development of rural tourism and crafts in rural areas for 2007–2013.
- Programme to promote national youth entrepreneurship for 2006–2008.

- Strategy for providing services to disabled on occupational rehabilitation for 2007–2012.
- National Antidiscrimination Programme for 2006–2008.

## **INTEGRATED GUIDELINES FOR GROWTH AND JOBS 2005-2008**

1. Guarantee the economic stability for sustainable growth
2. Safeguard economic and budgetary sustainability, a prerequisite for more jobs
3. Promote an efficient allocation of resources, which is geared to growth and jobs
4. Ensure that the development of salaries contributes to macroeconomic stability and growth
5. Strengthen the consistency of macroeconomic, structural and employment policies
6. Contribute to the dynamism and smooth operation of EMU
7. Increase and improve investments in research and development, in particular in the private sector, with a view to establishing a European area of knowledge
8. Facilitate all forms of innovation
9. Facilitate the spread and effective use of ICTs and build a fully inclusive information society
10. Strengthen the competitive advantages of its industrial base
11. Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth
12. Extend and deepen the internal market
13. Ensure open and competitive markets inside and outside Europe, reap the rewards of globalisation
14. Create a more competitive business environment and encourage private initiative by improving regulations
15. Promote a more entrepreneurial culture and create a supportive environment for SMEs
16. Expand, improve and connect European infrastructures and complete priority cross-border projects
17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion
18. Promote a lifecycle approach to work
19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive
20. Improve matching of labour market needs
21. Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of social partners
22. Ensure employment-friendly labour costs developments and wage-setting mechanisms
23. Expand and improve investment in human capital
24. Adapt education and training systems in response to new skill requirements.

## **STRUCTURAL INDICATORS**

### **GDP per capita in PPS**

*Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-25) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, i. e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Please note that the index, calculated from PPS figures and expressed with respect to EU-25 = 100, is intended for cross-country comparisons rather than for temporal comparisons.*

### **Labour productivity per person employed**

*GDP per person employed is intended to give an overall impression of the productivity of national economies expressed in relation to the European Union (EU-25) average. If the index of a country is higher than 100, this country's level of GDP per person employed is higher than the EU average and vice versa. Basic figures are expressed in PPS, i. e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Please note that 'persons employed' does not distinguish between full-time and part-time employment.*

### **Total employment rate**

*The employment rate is calculated by dividing the number of persons aged 15 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent.*

### **Total employment rate of older workers**

*The employment rate of older workers is calculated by dividing the number of persons aged 55 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent.*

**Youth education attainment level**

*This indicator is defined as the percentage of young people aged 20–24 years having attained at least upper secondary education attainment level, i. e. with an education level ISCED 3-4 minimum. The denominator consists of the total population of the same age group.*

**Total R&D expenditure**

*The four indicators provided are GERD (Gross domestic expenditure on R&D) as a percentage of GDP, percentage of GERD financed by industry, percentage of GERD financed by government and percentage of GERD financed from abroad. "Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications" (Frascati Manual, 2002 edition, § 63). R&D is an activity where there are significant transfers of resources between units, organisations and sectors and it is important to trace the flow of R&D funds.*

**Comparative price levels**

*Comparative price levels are the ratio between Purchasing power parities (PPPs) and market exchange rate for each country. PPPs are currency conversions rates that convert economic indicators expressed in national currencies to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison. The ratio is shown in relation to the EU average (EU-25 = 100). If the index of the comparative price levels shown for a country is higher (lower) than 100, the country concerned is relatively expensive (cheap) as compared with the EU average.*

**Business investment**

*Gross fixed capital formation by the private sector as a percentage of GDP. Gross fixed capital formation (GFCF) consists of resident producers' acquisitions, less disposals of fixed assets plus certain additions to the value of non-produced (usually natural) assets realised by productive activity. GFCF includes acquisition less disposals of, e.g. buildings, structures, machinery and equipment, mineral exploration, computer software, literary or artistic originals and major improvements to land such as the clearance of forests. The private sector consists of non-financial corporations, financial corporations, households and non-profit organisations serving households. The denominator is gross domestic product (GDP), i. e. the value of all goods and services produced less the value of any goods or services used in their creation. The ratio gives the share of GDP that is used by the private sector for investment (rather than being used for e. g. consumption or exports).*

**At-risk-of-poverty rate after social transfers**

*The share of persons with an equivalised disposable income below the risk-of poverty threshold, which is set at 60 per cent of the national median equivalised disposable income (after social transfers).*

**Total long-term unemployment rate**

*Long-term unemployed (12 months and more) as a percentage of the total active population. Long-term unemployed (12 months and more) persons are those aged at least 15 years not living in collective households who are without work within the next two*

*weeks, are available to start work within the next two weeks and who are seeking work (have actively sought employment at some time during the previous four weeks or are not seeking a job because they have already found a job to start later). The total active population (labour force) is the total number of the employed and unemployed population. The duration of unemployment is defined as the duration of a search for a job or as the length of the period since the last job was held (if this period is shorter than the duration of the search for a job).*

#### **Greenhouse gas emissions**

*Under the Kyoto Protocol, the EU has agreed to an 8% reduction in its greenhouse gas emissions by 2008-2012, compared to the base year 1990. The reductions for each of the EU-15 countries have been agreed under the so-called EU Burden sharing agreement, which allows some countries to increase emissions, provided these are offset by reductions in other Member States. The ACCs have chosen other reduction targets and other base years, as allowed under the Protocol. Emissions of the 6 greenhouse gases covered by the Protocol are weighted by their global warming potentials (GWPs) and aggregated to give total emissions in CO<sub>2</sub> equivalents. The total emissions are presented as indices, with the base year = 100.*

#### **Energy intensity of the economy**

*This indicator is the ratio between the gross inland consumption of energy and the gross domestic product (GDP) for a given calendar year. It measures the energy consumption of an economy and its overall energy efficiency. The gross inland consumption of energy is calculated as the sum of the gross inland consumption of five energy types: coal, electricity, oil, natural gas and renewable energy sources. The GDP figures are taken at constant prices to avoid the impact of the inflation, base year 1995. Since gross inland consumption is measured in kgoe (kilogram of oil equivalent) and GDP in 1000 EUR, this ratio is measured in kgoe per 1000 EUR.*

#### **Volume of freight transport relative to GDP**

*This indicator is defined as the ratio between tonne-kilometres (inland modes) and GDP (in constant 1995 EUR). It is indexed on 1995. The unit used is the tonne-kilometre (tkm), which represents the movement of one tonne over a distance of one kilometre. It includes transport by road, rail and inland waterways.*



**ES šalių struktūriniai rodikliai <sup>1</sup>**  
**Structural indicators of EU countries <sup>1</sup>**

	ES-25 EU-25	ES-15 EU-15	Airija Ireland	Austrija Austria	Belgija Belgium	Čekijos Respublika Czech Republic	Danija Denmark	Estija Estonia	Graikija Greece	Ispanija Spain	Italija Italy	Jungtinė Karalystė United Kingdom	Kipras Cyprus	Latvija Latvia
BVP, tenkantis vienam gyventojui, perkamosios galios standartais, ES-25 = 100, 2004 m.	100,0	109,0 <sup>p</sup>	138,6 <sup>p</sup>	122,2	118,5	70,1	121,7	50,7	81,8	98,3 <sup>p</sup>	105,0 <sup>p</sup>	119,1 <sup>p</sup>	81,3	43,3
Darbo našumas vienam dirban- čiajam, ES-25 = 100, 2004 m.	100,0	106,5 <sup>p</sup>	132,2 <sup>p</sup>	105,1	129,2	64,0	104,0	50,6	96,8	100,2	108,5	108,8	72,3 <sup>p</sup>	43,3
Užimtumo lygis, (15–64), 2004 m., %	63,3	64,8	66,3	67,8	60,3	64,2	75,7	63,0	59,4	60,9	57,6	71,6	69,2	62,3
Vyresnio amžiaus dirban- čiųjų užimtumo lygis, (55–64), 2004 m., %	40,5	41,9	49,5	28,8	30,0	42,7	60,3	52,4	39,4	41,3	30,5	56,2	50,4	47,9



Jaunimo išsilavinimas, (20–24), 2004 m., %	<b>76,7*</b>	<b>73,8*</b>	85,3	85,3	82,1	90,9	76,1	82,3	81,9	61,8	72,9	76,4	80,1	76,9
Išlaidos mokslo tiriamajai veiklai, palyginti su BVP, 2003 m. %	<b>1,95<sup>e</sup></b>	<b>2,00<sup>e</sup></b>	1,12*	2,22 <sup>†</sup>	2,33*	1,35	2,6*	0,77*	0,62	1,11	1,16 <sup>5</sup>	1,87 <sup>5</sup>	0,33*	0,39
Santykiniai kainų lygiai, ES-25 = 100, 2003 m.*	<b>100,0</b>	<b>104,0</b>	127,0	107,2	103,9	55,2	139,3	62,2	84,3	85,6	102,2	103,2	93,9	55,1
Verslo investicijos 2004 m., %	<b>17,0</b>	<b>16,9</b>	20,7 <sup>p</sup>	19,9	17,0	22,9	17,9	25,2	21,4	24,3	16,9	14,5	14,6	23,9
Skurdo rizikos lygis po socialinių išmokų 2003 m., %	<b>15<sup>3e</sup></b>	<b>16<sup>3e</sup></b>	21*	13*	15*	8	12*	18	21*	19	19 <sup>3</sup>	18	15	16 <sup>5</sup>
Ilgalaikio nedarbo lygis 2004 m., %	<b>4,1</b>	<b>3,4</b>	1,6	1,2	3,8	4,2	1,2	4,8	5,6	3,5	4,0	1,0	1,1 <sup>2</sup>	4,3
Šiltnamio efektą sukeliančios dujos	<b>91,0<sup>e</sup></b>	<b>97,1</b>	128,9	108,5	102,1	74,3	99,2	44,8	126,5	139,4	109,0	85,1	149,7 <sup>4</sup>	36,9

2002 m.

Energijos  
intensyvumas

2003 m.      **209,49**   **190,82**   161,74   150,53   223,87   889,59   128,19   1208,45   250,12   226,59   192,61   213,10   278,61   728,83

Krovinių  
apyvartos san-  
tykis su BVP,

2003 m.      **99,7**   **100,6**   141,7   118,5   95,2   99,0   87,2   190,0   122,7<sup>e</sup>   139,2   93,4<sup>e</sup>   85,4   99,6   133,1

---

<sup>1</sup> Eurostato duomenų bazė *New Cronos* (2005 m. liepos 19 d.).  
*Eurostat's database New Cronos (19 July, 2005).*

<sup>2</sup> 2003.

<sup>3</sup> 2001.

<sup>4</sup> 2000.

<sup>5</sup> 2002.

Lenkija <i>Poland</i>	Lietuva <i>Lithuania</i>	Liuksemburgas <i>Luxembourg</i>	Malta <i>Malta</i>	Nyderlandai <i>Netherlands</i>	Portugalija <i>Portugal</i>	Prancūzija <i>France</i>	Slovakija <i>Slovakia</i>	Slovėnija <i>Slovenia</i>	Suomija <i>Finland</i>	Švedija <i>Sweden</i>	Vengrija <i>Hungary</i>	Vokietija <i>Germany</i>	
--------------------------	-----------------------------	------------------------------------	-----------------------	-----------------------------------	--------------------------------	-----------------------------	------------------------------	------------------------------	---------------------------	--------------------------	----------------------------	-----------------------------	--

46,8<sup>p</sup>    **47,8**    222,3<sup>p</sup>    71,3    119,4<sup>p</sup>    72,6<sup>p</sup>    110,4    52,1    78,0    114,5    116,1    61,0    109,0    *GDP per capita  
in PPS EU-25 =  
100,  
2004*

59,6<sup>p</sup>    **49,8**    146,3    83,7    103,2<sup>p</sup>    66,3<sup>p</sup>    120,4    59,5    76,0    110,3    105,4    69,3    100,9    *Labour  
productivity per  
person employed  
EU-25 = 100,  
2004*

51,7    **61,2**    61,6    54,1    73,1    67,8    63,1    57,0    65,3    67,6    72,1    56,8    65,5    *Total employment  
rate (15–64),  
2004, %*

26,2    **47,1**    30,8    30,9    45,2    50,3    37,3    26,8    29,0    50,9    69,1    31,1    39,2    *Total employment  
rate of older  
workers (55–64),  
2004, %*

89,5	<b>86,1</b>	69,8 <sup>2*</sup>	47,9	74,5*	49,0	79,8	91,3	89,7	84,6	86,3	83,4	72,8	<i>Youth education attainment level – total (20–24), 2004, %</i>
0,59	<b>0,68*</b>	1,71 <sup>4</sup>	0,28 <sup>5</sup>	1,89 <sup>3</sup>	0,79*	2,19	0,57	1,53*	3,51*	4,27 <sup>3</sup>	0,97	2,5*	<i>Gross domestic expenditure on R&amp;D, as a percentage of GDP, 2003, %</i>
53,3	<b>54,4</b>	105,3	72,8	106,6	79,5	108,2	49,8	77,1	125,9	124,3	58,0	108,9	<i>Comparative price levels, EU-25 = 100, 2003 *</i>
14,8	<b>18,7</b>	14,3	16,4	17,1	19,3	15,9	22,2	21,9	15,8	12,9	19,2	15,8	<i>Business investment, 2004, %</i>
17 <sup>5</sup>	<b>17<sup>5</sup></b>	10*	15 <sup>4</sup>	12 <sup>5</sup>	19*	12 <sup>5</sup>	21*	10 <sup>5</sup>	11	11 <sup>5</sup>	10 <sup>5</sup>	15	<i>At-risk-of-poverty rate after social transfers, total, 2003, %</i>
10,2	<b>5,5</b>	1,0	3,4	1,6	3,0	3,9	11,7	3,1	2,1	1,2	2,6	5,5	<i>Total long-term unemployment rate, 2004, %</i>
67,7	<b>39,8</b>	84,9	128,5	100,6	141,0	98,1	71,8	98,7	106,8	96,3	69,0	81,1	<i>Total greenhouse gas emissions, 2002</i>

663,12	<b>1204,81</b>	201,51	268,95	208,74	251,32	187,64	937,33	338,14	280,70	218,63	581,99	159,50	<i>Energy intensity of the economy, 2003</i>
78,4	<b>120,9</b>	109,0	...	89,3 <sup>°</sup>	118,3 <sup>♦</sup>	93,7	48,6	93,3	91,5	90,8	87,2	104,5	<i>Volume of freight transport relative to GDP, 2003</i>

---