Lithuania’s Response to Country Report Challenges

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Vice-Minister of the Economy and Innovation
Implementation of Country Specific Recommendations: what determines results?

Level of implementation of 2011–2017 CSRs in EU

- Full implementation 9%
- Substantial progress 17%
- Limited progress 25%
- Some progress 44%
- No progress 5%

Source: European Commission, 2018
Lithuania at a glance

- #14 in Doing Business
- GDP growth
  - 2017: 4.1%
  - 2018: 3.4%
  - 2019: 2.6%*
- Lithuania became the 36th member of the OECD
- 1st in the EU for GDP per capita growth since 2000
- 45 FDI projects by Invest Lithuania
- #3rd by the added value of working places created by FDI projects
- The largest immigration to Lithuania since 1990

Source:
1 Source: Statistics Lithuania, 2019
2 IBM Global Location Trends report, 2018
3 Ministry of Finance, 2019
Convergence: when will Lithuania overtake Europe?

GDP per capita in PPS

Source: Eurostat; Ministry of the Economy and Innovation
Recent developments: 6 reforms

- Taxation
- Reduction of shadow economy
- Pension
- Education
- Health
- Innovation

+2 % of GDP or EUR 1.2 billion in 2025–2027
Sustainable finance: the path to growth

- Real estate tax law submitted to the Parliament
- Improving tax administration, sanctions
- Incentives not to participate in the shadow economy
- Semi-automated accounting service for revenue and expenses
- Increased excise duties
- Consolidated the employer and employee base for social security contributions with introduced ceiling
- Expanded limits on the application of nontaxable income, progressive personal income tax
- Application of VAT reverse mechanism
- GDP will grow by 2.6% (2019)
- A new procedure for managing public investment is under preparation

General government budget surplus 0.6% of GDP (2018)

General government debt 39.4% of GDP (2017)

VAT gap decreased by 2.6% from 24.5% (2016) to 21.9% (2017)*

GDP will grow by 2.6% (2019)

* Ministry of Finance, 2019
Social exclusion and poverty reduction

Transfer of the basic pension part of the State Social Insurance Fund to the State Budget

Indexation of pensions

Increased social assistance pensions

Established a universal child benefit system

Increased the minimum monthly salary

Additional activities have been funded in order to reduce social exclusion

Involvement of disabled people to the social life and labor market

From 2019 the minimum monthly salary increased by 7.5 % to EUR 555 (bruto)

From 2019 pensions increased by 7.6 % on average
Tackling demographic challenges, long-term unemployment and attracting a skilled workforce

In 2018, the average unemployment rate was 6.1%* in Lithuania (EU average makes 7.7%)

The Strategy and the Action Plan for the Demographic, Migration and Integration Policy 2018–2030

* Source: Statistics Lithuania, 2019
Improving the quality of education

- Retaining the share of the population having the tertiary education
- Possibilities to get an earlier access to pre-school and pre-primary education
- Reform of education funding
- Reducing early school leaving
- Matching of the education system compliance with labor market needs
- Optimisation of the university network
- Improving of working conditions for teachers and researchers

The 5.4% early school leaving rate is significantly below the EU average (10.6%), but PISA results show poor learning outcomes.

Tertiary attainment in Lithuania was 58% in 2017, which is among the highest in the EU.
Improving the quality and accessibility of the health care system as well as the attractiveness of the profession

- Rational use of available resources
- Improving health literacy and healthy lifestyle skills promotion
- Increasing the availability of medicines (reduced the average premium per prescription by 52% from EUR 4.8 to EUR 2.3)
- Reducing imbalances of health workers in regions and increasing the retention of specialists
Innovation-based industries are the backbone of the economy

- Leadership of the Ministry of the Economy and Innovation
- The Long Term Strategy of Science, Technology and Innovation development
- Legal basis for the Innovation Support Fund
- Legal basis for 1 implementing innovation agency
- Adopted Life Sciences Guidelines
- More focused Smart Specialisation Program
Digital policy – key for change

Leadership of the Ministry of the Economy and Innovation

The Open Data Program

The Artificial Intelligence Strategy

The consolidation of the public information resources infrastructure

Virtual office initiative
Industrial transformation – industrial shift to digitisation

20.4% of Lithuania’s GDP is generated by its manufacturing sector

# 2\textsuperscript{nd} most attractive location for manufacturers\textsuperscript{1}

5 Strategic directions of industrial digitisation


Industry Digitisation LT
EUR 40.5 million

\textsuperscript{1} Manufacturing Risk Index 2018 report
Boosting of the start-up ecosystem

**Number of start-ups, 2018**

- **EUR 183 million of investments in 2018**: 4.5 times larger than in 2015
- **‘Startup Employee Visa’, ‘Startup Lithuania’, ‘Startup Visa’, etc.**
- **10 venture capital funds with EUR 117 million**
- **Fast-developing Fintech ecosystem – 170 of Fintechs in Lithuania (+45% in 2018)**

**Source:** Startup Lithuania
Special regulation for new large investors

Large investment projects

‘Green corridor’

≥ EUE 30 millions CAPEX ≥ 200 jobs

PSO project: Vilnius – London LCY

FDI PROJECTS

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<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>FDI projects</td>
<td>36</td>
<td>39</td>
<td>45</td>
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NEW JOBS

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>New jobs</td>
<td>3716</td>
<td>5040</td>
<td>4600</td>
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TOTAL INVESTMENT

<table>
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<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>Total investment, mln EUR</td>
<td>239</td>
<td>358</td>
<td>360</td>
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Dear World,

Challenge me and I’ll deliver!  

Sincerely yours,  

LITHUANIA