

Lithuania: The National Reform Programme of 2016

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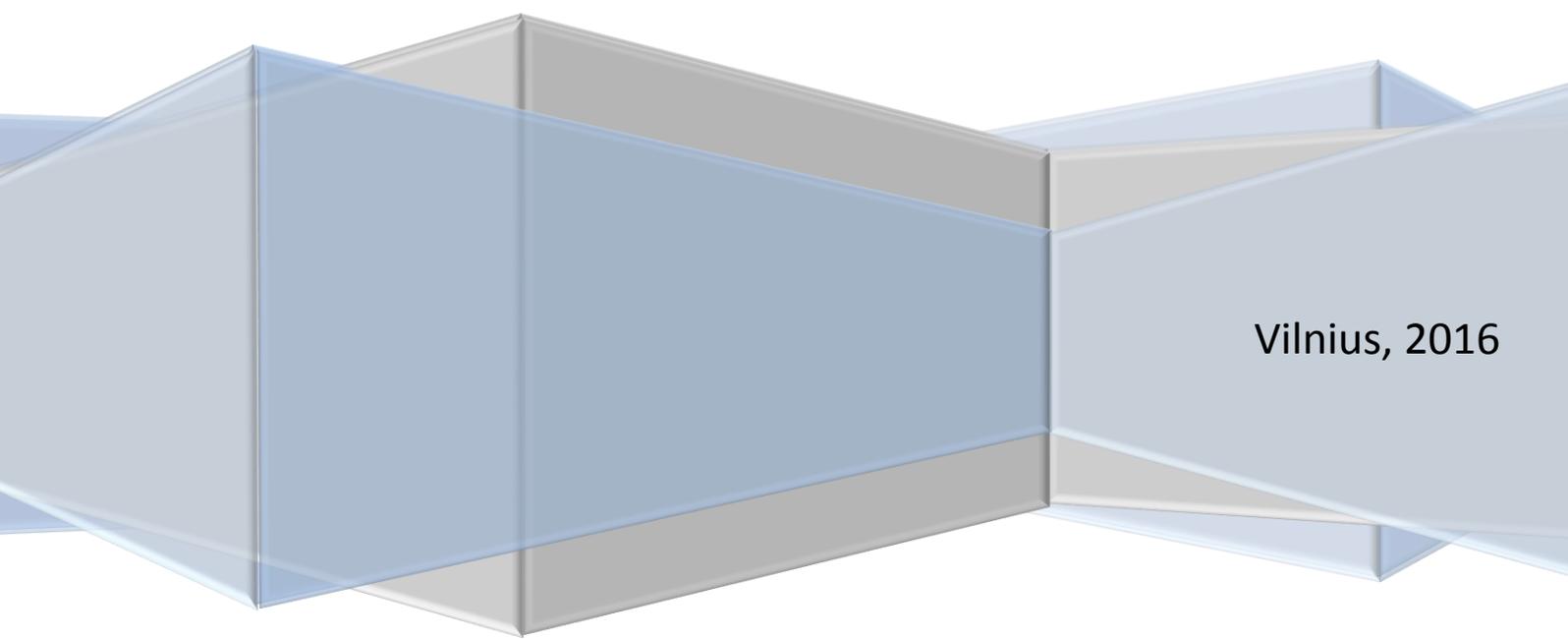


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1. INTRODUCTION

On 26 November 2015, the European Commission (hereinafter referred to as the EC) published the Annual Growth Survey of 2016 (hereinafter referred to as the Survey), which starts the European Semester of 2016. The Survey presents the main elements of the jobs and economic growth agenda, determines the actions that may be performed at European Union (hereinafter referred to as the EU) level to help Member States support growth, improve economic convergence, create jobs, and promote social justice. In order to support economic recovery and stability, the EC recommends following the same three economic and social policies of the EU established in 2015: boosting investment, pursuing structural reforms, and adhering to responsible fiscal policy.

With a view to better integrating the Euro area and the national economic governance aspects of the EU, in addition to the Survey, a set of recommendations has been provided for the Euro area for 2016–2017. Euro area countries are advised to continue to take steps to promote economic recovery, improve convergence, reduce macroeconomic imbalances, and strengthen competitiveness and performance. Countries are encouraged to reform their labour, goods and services markets, to reduce the taxation of labour, especially for low-income earners, and to encourage job creation according to budget neutrality principles.

The National Reform Programme of 2016 (hereinafter – NRP) summarises key ongoing and planned structural reforms to overcome major economic challenges and to achieve the quantitative “Europe 2020” targets as well as the EU Council recommendation “On the 2015 National Reform Programme of Lithuania and delivering a Council opinion on the 2015 Stability Programme of Lithuania”. During the planning of new instruments in the area of structural reforms, EC proposals regarding EU Member States presented in the Survey and in the Euro area recommendations of 2016–2017 were evaluated as well.

The structure and format of the NRP were prepared in accordance with the updated EC guidelines published on 10 December 2015. The macroeconomic outlook is briefly described in the second chapter. The third chapter analyses the policies and ongoing reforms that address the main economic challenges. The fourth chapter contains information on the implementation of the “Europe 2020” targets. The use of structural funds is described in the fifth chapter. The sixth chapter provides a summary of how the NRP was drawn up. The NRP annex contains an overview of the implementation instruments plan of the EU Council recommendations for Lithuania of 2015–2016.

2. MACROECONOMIC OUTLOOK

The economic development scenario for 2016–2019 prepared by the Ministry of Finance on 18 March 2016 stipulates that decreased dependency on the Russian market, the relatively stable development of Lithuania’s main export markets (according to the EC winter forecasts of 2016), and the EU-wide promotional economy management policy in the medium term will provide the basis for balanced growth of the Lithuanian economy to occur faster than in 2015. In 2016, the gross domestic product (hereinafter referred to as GDP) of Lithuania could grow 0.6 percentage points faster than last year – approximately 2.5 %. It is anticipated that as dependency on the Russian market decreases and external demand recovers, and the export of goods and services accelerates in 2016, GDP will be able to grow even faster in 2017 – by approximately 3.2 %. During the later years of the medium term, as a result of unfavourable demographic tendencies somewhat slower GDP growth is anticipated, but it would still exceed 3 %. Domestic demand will remain an important component of GDP growth, while the contribution of export to GDP growth will gradually become more prominent throughout the medium term.

Projections for the number of employed persons show that in 2016 this number will increase by 0.6 %, in 2017 – by 0.3 %, in 2018–2019 – by 0.1 % per year. While unemployment will steadily decline: in

2016 it will be 8.0 %, in 2017 – 7.1 %, in 2018 – 6.3 %, and in 2019 – 5.4 %. Due to increasing demand for labour, the pace of wage increase during the medium term will remain fast. Wages will increase most rapidly in those spheres of private sector activities characterised by high labour productivity and high demand for labour, as well as in spheres of activity where wages are the lowest. In this case, an increase of the minimum wage will have an impact (from January 2016 it will be increased by EUR 25, to EUR 350).

As wages increase, the income of individuals during the medium term will steadily increase as well. As in previous years, most of the income of Lithuanian residents will be spent on the consumption of goods and services; however, increasing inflation will reduce the purchasing power of the population; therefore, household consumption expenditure (at constant prices) during the medium term will grow more slowly than in 2015.

It is anticipated that deflationary processes will end in 2016 (insignificant inflation of 0.7 % is projected), while as of 2017, when negative externalities disappear (when global oil prices recover), higher inflation rates, which will last throughout the medium term, are anticipated.

Downside risks with regard to the economic growth scenario remain and essentially emerge as a result of the uncertain external economic environment.

There are also positive risk factors, and if these were to occur they would improve the economic indicators anticipated in the economic development scenario. Should the euro become cheaper than anticipated during the drafting of the scenario, Lithuanian exporters could make use of the advantages of the weak euro by trading with non-euro countries and accelerate export expansion beyond the projections of the scenario. Greater economic activity in the EU and in the euro area would also be a factor of upside risk.

If amendments to the Labour Code of the Republic of Lithuania (hereinafter referred to as the Labour Code) to modernise the labour market are approved, more flexible employment relations would be created and there would be a possibility of attracting more investments and creating new jobs.

More detailed information on the economic growth scenario for 2016–2019 is provided in the Stability Programme of Lithuania for 2016.

3. THE POLICIES THAT ADDRESS THE MAIN ECONOMIC CHALLENGES

On 14 July 2015, the EU Council recommendations for Lithuania of 2015–2016 were approved:

Recommendation 1: Avoid deviating from the medium-term objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the systemic pension reform. Broaden the tax base and improve tax compliance;

Recommendation 2: Address the challenge of a shrinking working-age population by improving the labour-market relevance of education, increasing attainment in basic skills, and improving the performance of the healthcare system; reduce the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth;

Recommendation 3: Adopt a comprehensive reform of the pension system that also addresses the challenge of pension adequacy. Improve the coverage and adequacy of unemployment benefits and cash social assistance and improve the employability of those looking for work.

In light of these recommendations and the Country Report of Lithuania issued by the EC on 26 February, the most important structural reform of 2016 is the New Social Model. Other important reforms are implemented in the spheres of skills, cash social assistance, and taxes.

3.1. LABOUR MARKET POLICY AND SOCIAL POLICY

The New Social Model

The Government of Lithuania according to the resolution of 9 June 2015 approved the law package of the legal administrative model of labour relations and state social security (hereinafter referred to as the New Social Model), which consists of three main laws: the Labour Code, the Draft Employment Law, and the Draft Law on Unemployment Social Security. On 15 October 2015, the New Social Model was presented in the Parliament of the Republic of Lithuania (hereinafter – Parliament). The goal of updating the Labour Code is to eliminate labour relations regulation drawbacks, reduce the level of undeclared labour, encourage various forms of employment agreements, balance employment protection, and enshrine the balance between employment flexibility and security. Implementation of the new version of the Labour Code is expected to help employees reconcile work and other family and learning obligations more easily and to encourage employers to create legal jobs and not to lay off employees immediately in the event of a crisis.

The goal of the Draft Employment Law is to expand the current employment support application area by providing a classification of employment forms; to formalise a new more effective model of applying active labour market policy instruments which would help to solve the employment problems of social benefit recipients and to lower the risk of long-term unemployment; to expand the opportunities of learning and practice at the workplace for the unemployed in order to integrate the unemployed into the labour market more efficiently; to lower the risk of illegal work by providing for liability for illegal and undeclared work and for undeclared self-employment activities and for violating the procedure of aliens employment; to promote the creation of more sustainable employment, compliance with demand for labour, more flexible labour relations, and social security corresponding to the needs of the population.

The Draft Law on Unemployment Social Security is intended for increasing the number of insured persons who have the right to receive unemployment social security benefits; for ensuring adequate unemployment social security benefits depending on the changes of unemployment status; and for revising the grounds for suspending or stopping the payment of benefits.

Implementation of these legal acts will improve the performance and dynamics of the labour market, increase the flexibility of labour relations, enshrine guarantees for employees remaining in the labour market and increase the coverage and adequacy of unemployment social security benefits.

The goal of the social model is to establish the indexation of pensions based on clear criteria that take into account the economic conditions and demographic indicators. Annual automatic indexation of social security pensions according to the rolling average of the growth of the Labour Compensation Fund is planned. In addition, the procedure for calculating disability pensions is also to be changed by linking the sizes of disability pensions to the determined disability level of the person.

The intention of the project on amending the Law on State Social Security Pensions is to reorganise the system of social security pensions by making the calculation clearer and more transparent, to make pension amounts more dependent on paid pension contributions, and to facilitate financial sustainability of the pensions system and the adequacy of pension amounts. The goal of the draft legal acts is to reorganise social security pensions, to further strengthen the connection between contributions and payments: to separate the basic pension part from social security and to finance them from general taxes. Thus, in the long term, financial sustainability of the pension system and the adequacy of contributions would be increased.

According to the calculations of the currently considered draft legal acts that regulate the New Social Model, indexation of pensions on the basis of the growth rate of the Labour Compensation Fund, as well as other instruments of pensions reform (increasing the retirement age, increasing the requirement of necessary work experience, decreasing the period for receiving early retirement pensions) in the long term would allow a balanced pensions system and, in the presence of existing macroeconomic assumptions, would

allow reducing the pension costs to 3.7 percentage points of GDP on average (in comparison with the basic pensions projections scenario). Introduction of new types of employment agreements and shorter dismissal notification periods as well as smaller severance payments will encourage employers to create new jobs. All the above-mentioned innovations (more flexible working time regulation, introduction of new types of employment agreements and adjustment of dismissal conditions to market conditions, reduction of administrative burden) are projected to encourage the creation of approximately 85,000 new jobs.

Skills

In order to create a legal framework for a common human resources monitoring system, a Description of the Framework of National Human Resources Monitoring was approved. The Description defines the purpose, executives, principles and coordination of national human resources monitoring. In 2016 it is planned to form a Government commission which will coordinate the monitoring of human resources nationally. Also, descriptions of indicators and provisions of the Education Management Information System will be approved. The approval of descriptions of indicators will prepare the ground for the regular monitoring of the careers of third-level education graduates and graduates of vocational training. Regular monitoring performed by the Third-Level Education Monitoring and Analysis Centre will allow long-term employment trends to be analysed and compliance of the education system with labour market needs to be improved. For this purpose, a system for monitoring the employment and careers of third-level education graduates is being created and developed. The results will be used for planning a formal and non-formal education state policy, for implementing a qualifications system and lifelong learning, for evaluating and accrediting study programmes and distributing them in proportions between colleges and universities, for fields of study, regulated professions, for evaluating regional particularities and for other purposes. In addition, opportunities will be created to improve the system for predicting the average duration of the demand for human resources.

Monitoring data will be taken from the Students Register, the Register of Studies, Training Programmes and Qualifications, the Sodra database, the database of the State Tax Inspectorate, the database of the Lithuanian Labour Exchange, and the Population Register. After collecting the data from these information sources, it will be possible to define the human resources situation in Lithuania more accurately than before.

Linking study and training programmes with groups of professions listed in the Lithuanian Classification of Occupations approved by the Minister of Economy is being implemented. This will make it possible to determine whether people are working in the field in which they acquired their qualification. Documents regulating the use of EU structural funds that are necessary for implementing this instrument are being drafted. In addition, there are plans to analyse the linkages between professional qualifications and jobs.

Structural funds will be used to create professional standards for all sectors, which will be the basis for creating modular programmes. According to plans, professional standards for 17 sectors will be created and formalised by 2022. The intention is to create modular professional training programmes based on flexible practical training at the workplace by taking into consideration the economy supply of the country and the needs of employers, to increase the availability of vocational training programmes, to implement theoretical and practical training at the workplace using apprenticeships in training organisations. According to plans, all modular programmes will be prepared according to approved professional standards by 2021. By the end of 2016, the Apprenticeship Development and Implementation Action Plan will be created, which will contain specific proposals regarding regulation and governance of apprenticeship in Lithuania as well as involvement of employers. It is planned to amend the Law on Education. The amendments will provide for a definition of the concept and functions of a career professional, thereby ensuring the availability of

professional guidance (career education) services to all citizens of the Republic of Lithuania (these amendments would come into force as of 1 January 2018). It is also planned to further develop the provision of high-quality career services in the real as well as virtual environment.

Implementing legislation to amend the Law on Non-formal Adult Education and the Development Programme of Non-formal Adult Education and Continuous Training for 2016–2023 will be drafted in 2016. The financing methodology for learning according to non-formal adult education and continuous training programmes was approved in January 2016. The system of adult lifelong learning will be created, which will help adults to adjust to changing demands of the labour market, and also increase the level of lifelong learning in the 25–64 age group.

In order to encourage educational institutions, science and studies institutions to develop adult educational services and to adjust them to the needs of society and the labour market, a projects contest is being organised in 2016 to finance non-formal adult education programmes – EUR 290,000 were allocated for this purpose.

In 2016, EC funds are being used to implement projects expanding the network of regional adult education coordinators; those participating are the implementers of non-formal adult education policy who were appointed by municipalities. They will receive assistance related to information, coordination and methodology; training will be organised.

Cash Social Assistance

As of 2015, all municipalities of the country have the same model for granting cash social assistance. The provision of cash social assistance to poor residents (social benefits and reimbursements of costs of domestic heating, hot and drinking water) was transferred to municipalities as an independent function, which is financed from municipal budgets. After the changes of the regulatory framework came into force, all municipalities grant cash social assistance to poor residents under the same conditions; the discretion of municipalities to grant, not grant or reduce the assistance according to the procedure set by the municipal councils was abolished. Municipalities now only have discretion to grant social assistance in cases that are not provided for in the law on granting cash social assistance to poor residents.

Cash social assistance became more focused and transparent, it encouraged the communities of municipalities to actively participate in granting the assistance, interinstitutional cooperation improved in order to achieve more comprehensive, detailed analysis of individual cases and ensure the provision of appropriate services for integrating socially vulnerable people into the labour market and society.

In 2015, in comparison with 2014, the average monthly number of people receiving social assistance decreased by 21 % (from 140,100 to 110,700 persons). This was influenced by consistent implementation of the restructuring of cash social assistance, the improving economic situation in the country, and positive changes on the labour market. Altogether 45 % of former social benefit recipients returned to the labour market in 2015. A total of 55 % of social benefit recipients left the cash social assistance system due to other reasons: increased income, increased value of available assets, terminated job search, refusal to participate in motivation activities, illegal income or undeclared labour, emigration.

Having considered the monitoring results on the implementation of the cash social assistance regulatory framework, and in order to create more favourable conditions for poor residents to receive cash social assistance, amendments to the Law on Cash Social Assistance for Poor Residents have been drafted. These amendments suggest increasing the adequacy of cash social assistance and motivating all those of working age who are capable of working to integrate into the labour market, i.e. to expand the list of circumstances when a proportional decrease of social benefits would not be applied, to waive the provision that provides for not allocating social benefits to persons who have been receiving them for more than 60

months, and to create more favourable circumstances for receiving an additional social benefit part after gaining employment.

3.2. HEALTHCARE

The goal of the fourth stage of expansion of the health system and hospital network consolidation is to improve the quality and availability of healthcare services, to optimise the scope and structure of provided services, to rationalise the use of financial and infrastructure resources of the health system, to stabilise the financial situation of healthcare institutions and to create opportunities to increase the wages of employees working in the healthcare system.

The plan of the fourth stage of health system expansion and hospital network consolidation provides for three main reform directions:

1. Development of outpatient care, particularly the improvement of primary healthcare and disease prevention;

2. Development of nursing, long-term care, palliative care and geriatric services, more intensive development of day patient facilities, day surgeries, and monitoring services;

3. Optimisation of in-patient services, transfer of uncomplicated services to in-patient facilities, day surgeries and day patient facilities, without reducing the quality and safety of these services.

In 2015, the e-health services and cooperation infrastructure information system, which gives patients and healthcare professionals safe access to electronic health records, the opportunity to store medical images and to issue electronic prescriptions, was created. E-health development information system projects were implemented in approximately 170 personal healthcare establishments, which started completing patient documents electronically according to the scope of the projects.

In 2016, the goal is to create a more effective and accurate model for monitoring health disparity indicators. This model would encompass a list of health disparity indicators suggested for monitoring and a description of methods for analysing and assessing them. This would allow interpreting the results in the same manner and health disparity reduction principles to be selected in a more targeted way.

In order to prepare the ground for objective assessment of the activity of the health system, a model for assessing health status outcomes will be created in 2016. This model will describe the processes needed to improve the quality for coding causes of death and disease registration to reduce the scope for systemic errors.

As part of the fight against corruption in healthcare establishments, instruments for reducing and eliminating unofficial payments in the healthcare sector are planned. It is also planned to implement a common system for monitoring and assessing instances of corruption in the health system. In addition, the "Clean Hands" anti-corruption initiative is being implemented in national health system establishments. The initiative regulates the assessment of anti-corruption activity of personal healthcare establishments and the setting of a corruption index.

3.3. TAXATION POLICY

Tax Base Development and Tax Burden Redistribution

One of the ways for transferring the tax burden to taxes that are less harmful to economic growth is the taxation of landfill operators, imposing a landfill tax of EUR 3 per tonne. On 23 December 2015, the amendment to the Law on Environmental Pollution Tax was adopted, and came into force on 1 January 2016.

Another tax instrument is the increase of excise rates. In 2015, the amendment of the Law on Excise Duty was adopted. According to the amendment a minimal excise rate has been imposed since 1

January 2016 on natural gas that is used as heating fuel. As of 1 March 2016, excise duties on cigarettes, cigars and cigarillos increased (by approx. 5 %). In addition, in 2016–2018 there are plans to consistently (every year as of 1 March) increase excise rates of ethyl alcohol (2.5 % a year) and other alcoholic beverages – beer, wine of all categories and other fermented beverages as well as all intermediate products (8 % a year).

To reduce the tax burden for low-income earners, an amendment to the Law on Income Tax of Individuals was approved in 2015, according to which the maximum tax-exempt amount of income as of 1 January 2016 was increased from EUR 166 to EUR 200, for disabled persons – from EUR 175 to EUR 210, for severely disabled persons – from EUR 235 to EUR 270. The tax-exempt amount for children was increased from EUR 60 to EUR 120.

In addition, in order to distribute the tax burden more equally between labour and capital income taxation, the tax-free threshold of income from the transfer of securities and from interest on deposits and debt securities was lowered from EUR 3,000 to EUR 500. The real estate retention period for real estate other than housing, after which income from the transfer of these assets is not taxed, was extended from 5 to 10 years, while reliefs related to income from housing transfer remained valid.

By the end of 2016, the plan is to create a draft law on environmental pollution tax that would regulate the tax imposed on environmental pollution caused by vehicles in accordance with the conclusions of the study “On the Criteria of Determining the Amount of the Vehicle Tax on the Basis of other Countries’ Experience and Statistical Data and on Proposals regarding the Taxation of Vehicles in the Republic of Lithuania, with Substantiation of Suggested Rate Amounts and Expected Results”. The new law would prepare the ground for more effective reduction of air pollution caused by vehicles, while the tax burden would not impede economic growth.

Improving the Enforcement of Tax Obligations

On 1 January, amendments to the Law on Tax Administration came into force. According to the amendments the tax administrator is given the right to form a tax obligation for a taxpayer on the basis of information available to the tax administrator and the right to recover it if the taxpayer does not file a tax return. In addition, unpaid and undeclared taxes will be recovered faster and opportunities for tax evasion in the case of cash payments are restricted.

Furthermore, in accordance with the aforementioned amendments, financial institutions of Lithuania are obligated to process and automatically provide the tax administrator with information that is important for taxation regarding the accounts of residents of Lithuania once a year, if the account balance at the end of the year exceeds EUR 5,000 or if annual revenue exceeds EUR 15,000.

One of the instruments for improving the enforcement of tax obligations, to increase the effectiveness of administration and to reduce the burden on taxpayers is the i.MAS tax administration information system that is based on the newest technological solutions. The Parliament has approved the appropriate amendments to the Law on Tax Administration and other laws that create legal premises for the implementation of i.MAS. By October 2016, it is anticipated that subsystems of electronic invoices, electronic consignment notes, and analysis and risk management will be implemented in practice. It should be noted that the tax administrator has already instructed the riskiest taxpayers and entities that operate in sectors where tax evasion risk is the highest to periodically submit register data of VAT invoices. It is anticipated that by the middle of 2016 such notifications will be sent by almost one half of VAT taxpayers, while as of October, after i.MAS instruments have been implemented, the obligation will become universal.

4. IMPLEMENTATION OF THE OBJECTIVES OF THE “EUROPE 2020” STRATEGY

4.1. EMPLOYMENT, POVERTY AND SOCIAL EXCLUSION

Rate of Employment of Persons in the 20–64 Age Group

Table 1. Rate of Employment in the 20–64 Age Group

EU 2020 target	National 2020 target	Current situation in Lithuania
An employment rate of 75 percent in the 20–64 age group	An employment rate of 72.8 percent in the 20–64 age group	An employment rate of 73.3 percent in the 20–64 age group

Lithuania has made progress in achieving the national employment objective of the “Europe 2020” – to reach a rate of employment of 72.8 % in the 20–64 age group. During the first quarter of 2015, the rate of employment in the 20–64 age group of individuals was 72.2 %, during the second quarter – 73.2 %, during the third quarter – 74.0 %, during the fourth quarter – 73.9 %.

On the Lithuanian labour market, trends of increasing employment rates of individuals in all age groups and decreasing unemployment rates remained constant in 2015. The rate of employment of individuals in the 15–64 age group was 67.2 % in 2015 and increased by 1.5 p.p. over a year. The rate of employment of men in the 15–64 age group was 68 %, women – 66.5 %; respectively, 1.5 and 1.6 p.p. more than a year ago. The rate of employment of individuals in the 55–64 age group in 2015 increased by 4.2 p.p. and was 60.4 %.

In 2015, the rate of unemployment was 9.1 % and was 1.6 p.p. lower than in 2014. The unemployment rate of men in 2015 was 10.1 %, women – 8.2 %. Within a year, the unemployment rate of men decreased by 2.1 p.p., and of women – by 1 p.p. The unemployment rate of young people (15–24 years of age) decreased in 2015 by 3 p.p. and was 16.3 %. The level of long-term unemployment in 2015 was 3.9 % and was 0.9 p.p. lower than in 2014.

Over the course of the year, 91,000 young people up to 29 years of age registered at the labour exchange. Almost 40 % had no professional qualifications, and 32 % were first-time job seekers. Over the course of the year, 57,000 unemployed persons in the 16–29 age group (that is, 62.6 % of registered young unemployed people) were employed. Active labour market policy activities were attended by 20,100 young unemployed people in the 16–29 age group.

According to the Programme for Increasing Employment for 2014-2020, over the course of 2015 more than 16,500 unemployed people and employees who were notified of dismissal acquired new professional qualifications or improvement of existing ones. This group included 9.9 % of persons with third-level education, 6.5 % with post-secondary education, 59.7 % with secondary education, and 23.8 % with primary or basic education. Within 3 months, 86 % of people with vocational training gained employment, and within 6 months, 92 % were employed. The indicator of persons who gained employment and worked for at least 6 months after being hired was 85 %.

In 2015, 4,700 unemployed persons participated in activities aimed at acquiring occupational skills at the workplace. The percentage of people starting work according to their acquired qualifications comprised 73.7 % of all participants. The labour market integration indicator over the course of 6 months following the expiration of financing the activity was 90 %. The indicator for persons who gained employment and worked for at least 6 months after being hired was 58 %.

Employment of almost 22,000 unemployed persons was supported by subsidies. The long-term unemployed comprised 26.8 % of the aforementioned group. Within 6 months, after participation in the activity ended, 88 % had gained employment. The indicator of persons who gained employment and worked for at least 6 months after being hired was 53 %.

Almost 4,200 unemployed persons and persons looking for jobs started independent activity according to business licences and received partial subsidies for income tax expenses and state social insurance contributions. Of subsidised persons who engaged in independent activity according to business licences, 40 % were women, 18 % were long-term unemployed, 3 % were disabled, and 33 % were young people under 29 years of age.

In territories where unemployment is high, local employment initiatives were implemented to help increase the employment of residents of a certain territory and develop local social and economic infrastructure. In 2015, a total of 96 local employment initiatives were implemented. Of these, 11 % were implemented in regions of national minorities, and 57 % were carried out in villages and small towns.

Individuals Facing the Risk of Poverty and Social Exclusion

Table 2. Individuals Facing the Risk of Poverty and Social Exclusion

EU 2020 target	National 2020 target	Current situation in Lithuania
To reduce the number of people living in poverty and facing social exclusion or people in danger of poverty or social exclusion by at least 20 million	To reduce the number of people living in poverty and facing social exclusion by at least 170,000 people, and the number of these people in 2020 must not exceed 814,000	804,000 people

Economic growth, reduction of unemployment rates and rapid growth of the minimum wage and tax-exempt amount of income increased the growth of minimum labour income and mitigated the poverty trap. Over the year, the number of people living in poverty and facing social exclusion dropped by 12.3 %. The increasing risk of poverty threshold (2.7 %) did not increase the poverty risk gap, which dropped by 2.1 p.p., i.e. lower-level income increase rates exceeded higher income increase rates. One of the instruments that will help to reduce the number of people living in poverty and facing social exclusion is the pension reform described in subchapter 3.1. In addition, a new Unemployment Social Security Law will be adopted and will allow increasing the adequacy level of unemployment social security benefits and the scope of recipients in case of unemployment by increasing the unemployment security benefit and extending its duration and scope. Legal regulation of cash social assistance for poor residents is being improved (described in subchapter 3.1, "Cash Social Assistance"). A transition from institutional care to providing services to disabled children and children who have lost their parents in the family and community is planned. In 2016, EUR 4 million will be allocated for this instrument in the state budget.

In order to increase the scope and adequacy of unemployment benefits and cash social assistance, the reduction of unemployment security benefits that was introduced during the crisis became invalid and the maximum amount of the unemployment social security benefit increased to EUR 303. The average amount of the unemployment social security benefit increased by EUR 22 over 2015 to EUR 178. The average number of monthly recipients of unemployment social security benefits over 2015 increased by 4,000 to 45,000 people (over 26 % of all registered unemployed persons).

As of 1 July 2015, the minimum monthly wage was increased to EUR 325 (increased by 8.3 %), as of 1 January 2016, it was increased to EUR 350 (increased by 7.7 %). In addition, minimum amounts of official remuneration schemes were increased in order to better acknowledge employee qualifications and job complexity as well as to increase the wages of lowest-income employees.

In 2015, the average monthly wage before taxation, including sole proprietorships, increased by 5.1 %, or EUR 35, compared to 2014 and amounted to EUR 712. The average monthly wage after taxation increased by 4.8 %, or EUR 25, over the course of the year, and amounted to EUR 553. The real wage (wage

after taxation by taking into consideration the changes in consumer prices) increased by 5.8 % over the course of the year.

4.2. INNOVATIONS, RESEARCH AND DEVELOPMENT

Table 3. Investments in Research and Development

EU 2020 target	National 2020 target	Current situation in Lithuania
Increasing investment in R&D to 3 percent of GDP	Increasing investment in R&D to 1.9 percent of GDP	1.01 percent of GDP

The Ministry of Economy and the Ministry of Education and Science prepared a Smart Specialisation Strategy (hereinafter – Strategy) – the first in the Baltic states to obtain the approval of the EC. The Strategy contains 6 priority axes: energy and sustainable environment; agricultural innovations and food technologies; health technologies and biotechnologies; inclusive and creative society; new production processes, substances and technologies; transportation, logistics, information and communication technologies. The purpose of the Strategy is to transform the country's economy in the sphere of advanced technologies and innovations, to strengthen the international competitiveness of the Republic of Lithuania, to accelerate the development of the most promising sectors that are receptive to science and business, to involve foreign companies in using the research and development (hereinafter – R&D) infrastructure created in Lithuania, and to contribute to the economic growth of the EU and the promotion of competitiveness.

The Ministry of Education and Science suggested the guidelines for reforming the quality of the science and studies system. The main aspects of the proposal are related to restructuring the requirements imposed on third-level education institutions and the assessment of schools, restructuring the accreditation of studies and financing programmes, restructuring the network of state universities, reform of the Research Council of Lithuania, and validation of the possibility of joint science doctorate programme and business. During the first quarter of 2016, the proposals were presented to the Government and Parliament committees. Premises for the reform regarding the possibilities of improving the quality of the science and studies system would emerge as a result of appropriate amendments to the Law on Third Level Education and Research.

In order to achieve targeted development of science and technology parks and to enhance their role in the Lithuanian innovations ecosystem while implementing the Strategy, a resolution of the Government was adopted on 25 February 2015 to change the development concept of science and technology parks. It establishes the operational activities and tasks of science and technology parks, defines the services provided by them, sets the performance monitoring and evaluation indicators, and describes the role of parks in the implementation of the Strategy.

In order to increase the human resources potential, according to a Government resolution, the scholarships of doctoral candidates were increased by 25 % as of 2 November 2015.

In 2015, 13 new knowledge intensive firms (*spin-off*) founded in science and studies institutions were supported by allocating EUR 182,500, including approx. EUR 100,000 that will be granted to 9 companies (continued projects) in 2016. In total, 48 new knowledge intensive firms were supported in 2012–2015. To create a favourable environment for innovation, EUR 2.011 million were allocated in 2015 to state science and studies institutions for laboratory accreditation.

In 2015, two projects were completed with the goal to promote the establishment of innovative technological companies. As a result, 116 new technological companies were established, 18 new products were introduced to the market, and 7 companies were given the opportunity to accelerate in foreign business accelerators.

As part of the promotion for the creation and implementation of joint innovative solutions of companies and science and studies institutions as well as participation in international clusters, the state project “Fostering Internationalisation of Partnership between Business and Science” was implemented. As a result, 5 new clusters were founded in 2015.

In order to increase the use of innovation demand encouragement instruments, in 2015 the Ministry of Economy drafted a Description of the Pre-commercial Procurement Procedure, a scheme for financing pre-commercial procurement from EU structural funds. During pre-commercial procurement, innovative abilities of companies are enhanced and innovative activity is encouraged in order to create the products necessary for solving the state’s social and economic problems.

In order to create new opportunities for innovative solutions, in 2015 the Ministry of Economy of Lithuania prepared a draft public procurement law and suggested a new procurement method – a partnership of innovations, which will open up new opportunities for contracting authorities to purchase the creation of a new product that is not yet on the market. This procurement method will allow contracting authorities to purchase an innovative product prototype, and later, goods that were produced on the basis of it. In addition, the aforementioned draft law also suggests that contracting authorities may evaluate innovative aspects by establishing proposal evaluation criteria and conditions of public procurement agreements.

To carry out state orders in the field of defence, almost EUR 225,000 were allocated to R&D projects in 2015. At the end of 2015, the presentation of the first stage project results took place under real conditions, i.e. flight testing of pilotless aircraft.

Continuing the promotion of the protection of intellectual property, EUR 155,700 of state support were allocated to intellectual property projects in 2015. Support was intended for patenting 20 inventions and registering 8 design projects.

To improve accounting and reporting of R&D services and results in businesses and publicly funded research organisations, a project was implemented in 2015, during which “Inoskaita” consultations were held (on R&D activity and reporting) for operators of small and medium-sized enterprises (hereinafter – SME) that start implementing new R&D activities. A total 1009 SME operators availed of these consultations.

To use state resources for the most promising science disciplines and knowledge intensive business areas, actions in 2016 are inseparable from the smart specialisation process. In the areas of smart specialisation, science and studies institutions plan to create and update the scientific research infrastructure, to encourage the implementation of R&D activities that result in new technologies, products, and processes, and to strengthen the human potential. As part of improving the capacities of scientists and other researchers to implement R&D activities, attention will be focused on R&D projects intended at increasing the potential of high-level researchers, on exchange of scientific ideas, post-doctorate studies, and attraction of foreign researchers. In accordance with smart specialisation, there are plans to increase the interest of pupils in natural sciences, technologies, engineering, and mathematics.

In addition to integrated instruments promoting scientific research, instruments of smart specialisation areas will be consistently continued with a view to training researchers in the most popular areas in terms of market, developing science management competences, enhancing the commercialisation skills of the scientific results of science and studies institutions, and creating science intensive business. In order to strengthen the R&D potential of the country, international cooperation, participation in international R&D programmes, and knowledge and technology transfer will be encouraged.

In addition, the following is planned for 2016:

1. Encouraging the development of young innovative business by implementing the instrument intended to promote the culture of new companies, incubation and acceleration of young companies.

2. During the first six months of 2016, as part of the Strategy, to announce invitations of the instruments of priority axis 1 of the EU structural funds, which are intended for the promotion of R&D and innovations (“Inovaciniai čekiai”, “Inoconnect”, “Inopatentas”, “Inomokymai”). The invitation of the instrument intended for the joint business and science projects (“Intellect. Joint Business and Science Projects”) was announced at the end of 2015.

3. To start the implementation of technology intelligence and brokerage activities that will facilitate and accelerate the creation of innovative products or services as well as the implementation of innovations. To form an industrial doctorate programme instrument whose goal is to encourage applied scientific research on business-relevant topics and to promote cooperation between studies and science institutions and companies.

4. To improve the methodology for assessing the scientific (artistic) activity of science and studies institutions, to create framework conditions to organise a joint doctorate programme with business in order to enhance smooth cooperation between science and business.

5. In order to ensure functioning of the detailed innovations system link, to create an instrument encouraging the creation of technology centres intended for experimental development activities that include proof of concept, creation of mock-ups and prototypes, testing and demonstration, standardisation and certification procedures, pre-production and preparation of the product for the market.

6. To continue project activity in order to improve the accounting and reporting of R&D services and results in businesses and publicly funded research organisations.

7. To initiate the implementation of the first pilot pre-commercial procurement.

Alternative Financial Instruments

As of 2015, in order to increase the financial stability of all of Europe as well as of Lithuania, particular attention was paid to a new EC initiative – creation of a union of capital markets, whose main goal is to encourage the financing of the economy via non-banking means. Accordingly, a national regulatory framework is being improved in Lithuania to ensure that the selection of sources of financing is as broad as possible. Proposals that have been prepared in this sphere with regard to instruments to encourage alternative SME financing in Lithuania included the regulation of focused financing activity, public distribution of bonds of private limited companies, a mechanism for protecting the interests of bond holders, criteria for non-public supply of securities of private limited companies, and the opportunity for companies to grant shares to employees as well as the improvement of legal acts of the business of collective investment undertakings. As part of the implementation of these instruments, proposals on amending respective legal acts were drafted in 2015. This goal of diversifying the sources of financing will also contribute to more effective risk distribution and, finally, to a more sustainable financial sector. In 2016, work on developing alternative sources of financing continues. In this field, the Ministry of Finance is devoting significant attention to draft laws that regulate joint financing activity. These laws will be submitted to the Government in May 2016. Joint financing is a new financing method that supplements bank financing and facilitates and simplifies the process of bringing together those who look for additional funds (including SMEs that wish to start or continue developing their business) and potential investors.

In Lithuania, the market of risk capital and business angels as an alternative financing source for active SMEs is in the early stage of development; therefore, the state actively contributes to the development of this market. As of 2008, when EU structural funds were used to establish the JEREMIE holding fund, the implementation of 5 risk capital instruments began. As a result of these instruments, EUR 57 million (in addition to funds from private investors) have already been invested in 90 SMEs.

In 2012, the European Investment Fund and the governments of the three Baltic states established the Baltic Innovation Fund of EUR 130 million (Lithuania’s contribution comprises EUR 26

million); the fund will allow at least EUR 260 million (in addition to attracted funds of private investors) to be invested in innovative companies operating in the Baltic region. Via this fund of funds, 4 risk capital and mezzanine funds have been selected (the value of EUR 261.5 million), which have already invested EUR 22 million (in addition to funds from private investors) in 5 SMEs operating in the Baltic region.

In order to continue expanding the possibilities for SMEs to continue receiving external financing sources, during the EU 2014–2020 funding period, there are plans to implement 6 new risk capital instruments by allocating EUR 83.6 million of EU structural funds and funds obtained after implementing financial instruments in 2007–2013 to them. One of the newest instruments will promote the market of business angels in Lithuania, while two others, in accordance with the Strategy, will be focused on promoting the transfer of ideas generated in science and studies institutions to business.

In order to attract risk and private capital investments to partnerships or limited partnerships (hereinafter – partnerships), the draft law on amending the Lithuanian Law on Partnerships, whose goal is to improve the regulatory framework of partnerships, has been drafted and is being coordinated with the institutions concerned. The proposal is to reduce the amount of obligatory information specified in the document on establishing a partnership; legal possibilities are being created to discuss confidential matters concerning the activity of a partnership and the relations between the participants in a separate, non-notarised and non-public, agreement.

4.3. EDUCATION

The Reduction of Early School Leaving of Young People

Table 4. The Reduction of Early School Leaving of Young People

EU 2020 target	National 2020 target	Current situation in Lithuania
To ensure that school drop-out rates are below 10 percent	Not more than 9 percent	5.5 percent

As of 2016, pre-primary education will be obligatory for all children who turn 6 during the respective calendar year. In 2015, municipalities, in preparation for creating the opportunity for all future six-year-olds to participate in pre-primary education, founded 151 new pre-primary education groups. It is planned to create over 80 such groups in 2016. In addition, as part of increasing the availability of pre-primary and preschool education, 301 new pre-primary and preschool education groups (including 63 in rural areas) were created in 2015; according to preliminary data, the number of children attending them increased by 2,800 (including 980 in rural areas).

In 2016, activities for creating more targeted educational content and new learning organisation methods will continue and it is planned to introduce criteria-based cumulative assessment and recognition of learning outcomes. Implementation of the project of the Education Exchanges Support Foundation and the Ministry of Education and Science “Initiative for Municipalities” has started. The main goal is to provide expertise and methodological support to municipalities. On 25 January 2016, new programmes of the Lithuanian Language Primary Education and the Lithuanian Language and Literature Basic Education, whose goal is to improve pupils’ writing and reading skills, were confirmed. To reduce the number of low-achieving pupils, standardised instruments were created and offered to schools to allow schools to compare their pupils to pupils of the entire country and to receive a detailed analysis of the results of each child. Many different teaching and learning instruments have been prepared and published to address the issue of low achievements and to broaden the selection of instruments for developing higher order thinking skills.

It is intended to increase the diversity and availability of non-formal education of children. In 2016, EUR 9.72 million were allocated to finance non-formal education of children according to the basket

principle. The non-formal education activities of 60,000 pupils will be financed by target funds. In addition, to improve the quality, diversity and availability of non-formal education programmes for children and young people studying in general schools, EUR 3.24 million were allocated on 1 October 2015. In 2015, non-formal education opportunities in schools and elsewhere were used by a total of 30.9 % of children (in 2014 – 28.4 % of children and young people).

There are plans to gradually reorganise special education and socialisation institutions. The aim is to reduce the number of children educated in them by establishing model institutions (of a new type), to develop assistance being provided in an integrated manner in municipalities, to improve the system of minimum and average childcare instruments, to implement safe school, bullying, addiction and other prevention and assistance programmes for children in general schools.

Preservation of the Share of Persons who completed Third Level or Equivalent Education

Table 5. Preservation of the Share of Persons who completed Third Level or Equivalent Education

EU 2020 target	National 2020 target	Current situation in Lithuania
To ensure that at least 40 percent of 30-34-year-olds complete third level education	48.7 percent	56.4 percent

To enhance the quality and availability of studies as well as the correspondence thereof to labour market demands, a monitoring system to assess the progress of science and studies will be developed in 2016 by using the allocated EUR 2.316 million. This system will create conditions for constant and systematic state monitoring of the activity of third-level education establishments, creation of evidence-based policy of science and studies, management-related decision-making, and improvement of science and studies activity at both national and institutional level.

In 2015, the updated law on science and studies was submitted to the Parliament; the law is intended for implementing a reform of third-level education: a more precise and rational mechanism of students acceptance planning (according to individual fields of study or groups of fields of study) is envisioned, which will ensure that the professionals needed by the state are trained. Also students acceptance requirements will be stricter: undergraduate and continuous education positions in public and private third-level education institutions will be available to those who correspond to the minimal indicators confirmed by the Minister of Education and Science. During the spring session of the Parliament in 2016, it is planned to discuss the draft law on amending the law on science and studies. In February 2016, the Ministry of Education and Science submitted proposals to the Government regarding improvement of the quality of third level education system. The main axes are as follows: a more precise definition of universities and colleges to describe their mission in society, transition from study programmes to assessment and accreditation of fields of study, financing reform of third-level education – only those science and studies institutions that fulfil the established requirements (minimum requirements for all applicants, minimum numbers of students accepted to a studies programme or field (to achieve effectiveness and cost-efficiency of studies) may receive state financing (study baskets amounting to the regulatory studies price, study scholarships).

In 2016, invitations to submit applications to finance projects for the professional development of teachers will be announced. With the use of 2014–2020 EU structural funds, a project is planned for the professional development of teachers in third-level educational institutions. During the project, teachers' pedagogical and didactic competences will be improved, a system for the improvement of teachers' pedagogical and didactic competences as well as competence centres will be created. A new initiative will be started to encourage international exchanges of students – support will be given to students of joint

programmes (travel expenses to the third level education institution of a partner country will be covered). The goal is to increase the internationalisation of third-level education. According to preliminary data, the number of students going abroad for part-time education or practice is increasing: in 2013–2014 it was 3.17 % and in 2014–2015 it was 4.1 %. The number of foreign students in Lithuania is growing as well. In 2014, the share of foreign students studying their entire study programme or a part thereof, in comparison with the total number of students in the country, was 4.3 % (in 2013, it was 3.7 %). In 2015, in order to support the visits of foreign teachers to third-level education institutions of Lithuania, tenders were held to support visiting foreign teachers. The visits of 80 teachers to third-level education institutions of Lithuania were financed. The modes for evaluating and recognising qualifications acquired abroad were adopted by two third-level education institutions: Vilnius University and Vilnius Gediminas Technical University. In addition, activities will be carried out in 2016 to encourage students to strive for good academic performance and to participate in scientific (artistic) activity; the internationalisation of the study process in third-level education institutions is increased, financial support is provided to students who go abroad according to joint programmes, scholarships for doctorate programmes are increased, and foreign masters students are supported. In 2017, an update of the Third-Level Education Internationalisation Action Plan is planned.

It is important to create social and financial incentives for students from socially sensitive groups – to allocate targeted payments and social scholarships. Social scholarships will be increased by 8.3 %; it is planned to allocate EUR 8.27 million for the scholarships. Targeted payments will be paid according to the project supported by the European Social Fund. A total of EUR 7.24 million will be allocated for this.

4.4. ENERGY AND CLIMATE CHANGE

Increasing the Use of Renewables

Table 6. Share of Renewables in Gross Final Consumption of Energy

EU 2020 target	National 2020 target	Current situation in Lithuania
By 2020, to increase the share of renewables to 20 percent of gross final consumption of energy	By 2020, to increase the share of renewables to 23 percent of gross final consumption of energy	In 2014, the share of renewables comprised 23.86 percent of gross final consumption of energy

In order to reduce dependency on imported fuel, sustainable development of renewable energy resources was being implemented. Strategic objectives in the area of renewables allowed the capacities of local energy production to be developed and to develop renewable energy in Lithuania.

On 2 March 2015, amendments to the Law on Energy from Renewable Sources and the Law on Energy came into force and legalised the double accounting system for solar power plants (in households <10kW, in budgetary and public establishments <50 kW). This will encourage the installation of additional solar power plants with overall installed capacity up to 10 MW.

In 2016, the National Renewables Development Programme for 2016–2020 will be approved. The goal is to set the national targets for consumed energy from renewables in electricity, thermal power and transport sectors by 2020 and to ensure optimal development of the use of these energy sources for the production of energy.

In addition, amendments to the Law on Energy from Renewable Sources are planned in 2016 in order to have a clear regulation of the conditions and the procedure for issuing permits to use the territorial sea of the Republic of Lithuania and (or) the exclusive economic zone of the Republic of Lithuania for the construction of power plants and operation thereof.

Increasing Final Energy Consumption Efficiency

Table 7. Increasing Final Energy Consumption Efficiency

EU 2020 target	National 2020 target	Current situation in Lithuania
By 2020, to consume 20 percent less final energy in comparison with 2009	By 2020, to consume 17 percent less final energy in comparison with 2009	According to the data from 2014, consumption of final energy decreased by 4.4 percent in comparison with 2010 (not including the transport sector)

To achieve the target of increasing final energy consumption efficiency, the Programme for the Renovation (Modernisation) of Multi-apartment Houses and the Programme for the Improvement of the Energy Efficiency of Public Buildings are being implemented.

According to the Programme for the Renovation (Modernisation) of Multi-apartment Houses, 767 multi-apartment houses were modernised in 2015 (3.7 times more than in 2014). On the initiative of residents, 1,798 individual instruments reducing heat energy consumption were implemented in multi-apartment houses. Renovation (modernisation) work is being carried out in 969 multi-apartment houses with a total investment of EUR 304 million.

According to the preliminary data of the Ministry of Environment, the rated consumption of heat energy in multi-apartment houses built according to the technical requirements for construction that were valid before 1993 (from 2005) was reduced by approximately 485 GWh. Consumption has been reduced by approximately 15.5 % more in comparison with the target provided for in the Programme for the Renovation (Modernisation) of Multi-apartment Houses in 2015.

Modernisation of at least 500 multi-apartment houses is planned in 2016. Therefore, the rated consumption of heat energy should drop by another 100 GWh.

Restriction of Greenhouse Gas Emissions

Table 8. Restriction of Greenhouse Gas Emissions

EU 2020 target	National 2020 target	Current situation in Lithuania
By 2020, to reduce greenhouse gas emissions by 20 percent in comparison with the level of 1990.	During the 2013–2020 period, in sectors that are not a part of the EU emission allowance trading system, every year not to exceed the annual quantitative quotas (hereinafter referred to as tonnes of CO ₂ eq.) of greenhouse gases that were set for Lithuania and to ensure that greenhouse gas emissions in 2020 do not increase by more than 15 percent in comparison with the level of 2005 and do not exceed 15.46 million tonnes of CO ₂ eq.	In 2014, the quota of sectors that are not a part of the EU emission allowance trading system comprised 13.297 million tonnes of CO ₂ eq. According to the data of the National Report on Greenhouse Gas Emissions Quantity Accounting of 2016, the actual quantity of greenhouse gas emissions in 2014 comprised 13.126 million of tonnes of CO ₂ eq.

To achieve the goal of restricting greenhouse gas emissions, the Strategy of the National Climate Change Management Policy (hereinafter – Interinstitutional Action Plan of Climate Change Management) is being implemented. The plan provides for instruments related to reducing greenhouse gas emissions in

various sectors that are not part of the EU emission allowance trading system. In addition, instruments provided for in the Interinstitutional Action Plan of Climate Change Management include renovation (modernisation) of multi-apartment houses, increasing the energy efficiency of public buildings, and waste management.

In 2015, on the basis of the Law on Financial Instruments of Climate Change Management, about EUR 29.9 million were allocated to finance new projects for increasing energy efficiency and use of renewables.

In 2016, funds of the Special Climate Change Programme, which was created on the basis of the Law on Financial Instruments of Climate Change Management, will continue to be used for financing projects whose implementation results in quantitative reduction of greenhouse gas emissions. It is planned that a total of EUR 39.4 million will be allocated in 2016 for projects aimed at increasing energy efficiency and use of renewables.

5. INVESTMENTS OF THE STRUCTURAL FUNDS OF THE EUROPEAN UNION

According to the Operational Programme for EU Funds Investments for 2014-2020 (hereinafter – Operational Programme), EUR 6.709 billion were allocated for economic growth and jobs. It should be noted that in 2015 Lithuania fulfilled all *ex ante* conditionalities intended for the implementation of regulatory requirements in order to avoid ineffective investment of EU funds in respective areas or fields.

For more effective use of EU funds, wider use of financial instruments (loans, guarantees) is planned. These include application of new methods (integrated territorial investments intended for regional development and community-led local development); implementation of public and private partnership projects; simplification of procedures and reduction of the administrative burden.

The target of the “Europe 2020” Strategy to increase investments in R&D is being implemented by carrying out priority axis 1 of the action programme “Strengthening Research and Development and Innovation”, to which EUR 678 million of EU funds were allocated.

The goals of the “Europe 2020” to reduce the number of early school leavers and to increase the number of young people with third-level education are being implemented by carrying out priority axis 9 of the action programme “Educating the Society and Strengthening the Potential of Human Resources”. EUR 150 million of EU funds have been allocated for these purposes.

The targets of the “Europe 2020” Strategy to increase the use of renewables and energy efficiency and to restrict greenhouse gas emissions are being implemented by carrying out priority axis 4 “Promoting Energy Efficiency and Production and Use of Renewable Energy”, to which EUR 971 million of EU funds were allocated.

To implement the action programme instrument “Increasing Energy Efficiency in Public Infrastructure” approved by the Minister of Energy, the Energy Efficiency Fund was established in 2015 and it is funded by the European Regional Development Fund. The goal of this fund is to increase energy efficiency by investing in public infrastructure. It is intended to allocate approximately EUR 80 million to the fund.

The goals of the “Europe 2020” to promote employment and reduce social exclusion are being implemented through respective activities of priority axis 7 “Promoting Quality Employment and Participation in the Labour Market” and priority axis 8 “Promoting Social Inclusion and Combating Poverty”. Approximately EUR 186.1 million of EU funds have been allocated to finance these activities.

EU Council recommendation of 14 July 2015 on the Stability Programme of Lithuania of 2015, which recommends to solve the problem of the decline in the working age population, to increase the compliance of skills granted by the education system with the demands of the labour market, as well as to improve the results related to key competences and the results of the healthcare system. In order to implement these recommendations activities of the actions programme are planned. The goals of the programme are: the

formation of a qualifications framework and the development of a system of evaluation and recognition of competences and qualifications; the support and promotion of the acquisition of practical skills; the strengthening of systems and processes for managing and ensuring the quality and attractiveness of vocational training and lifelong learning; the development of formal and non-formal learning opportunities, etc. It is planned to allocate approximately EUR 276 million from EU structural funds to these activities.

To improve the healthcare results specified in the aforementioned recommendation, the Minister of Health approved the Action Plan for Reducing the Healthcare Inequity Gap in Lithuania for 2014–2023. The instruments of the specified plan will allow reducing the territorial disparities of public and personal healthcare availability and health level. To achieve these goals, EUR 260 million of EU funds and co-financing have been allocated. In addition, investments in healthy ageing are planned according to the Action Plan to Ensure Healthy Ageing in Lithuania for 2014–2023. Implementation of this plan will allow improving the health of older people.

From 2007 to the end of 2015, EU funds were invested in 109 projects for the development of outpatient care and optimisation of in-patient services as well as in the modernisation of the infrastructure of healthcare institutions.

6. INTERINSTITUTIONAL COOPERATION

On 29 July 2015, the Government resolution on amending the resolution “On Coordinating the Implementation of the National Reform Programme in Lithuania” was drafted. The resolution was drafted in cooperation with the Government office and the Ministry of Finance.

The resolution states that by the 1st of June of every year the Government shall receive respective proposals on the improvement of legal regulation in order to ensure that the drafting of the National Reform Programme is smooth and its implementation in Lithuania complies with the requirements of the European Semester.

This new resolution regulates the drafting of the NRP and the process for implementing the Recommendations in a more detailed manner:

1. By the 1st of April of every year, the draft NRP shall be submitted to the Government;
2. By the 15th of September of every year, the plan of instruments for implementing the Recommendations shall be submitted to the Government;
3. After the Government confirms the NRP, the NRP shall be submitted to the EC.

To insure the implementation of instruments established in the priority axes of the comprehensive assessment of Lithuania and in the Annual Growth Survey, it is anticipated that these documents will be taken into consideration during preparation of the respective priority axes of Government activity of the respective year. To ensure the timely and comprehensive implementation of tasks specified in the Plan of Instruments for Implementing the Recommendations, it is anticipated that the ministries, institutions under the ministries, Government institutions and other institutions and establishments reporting to the Government will prepare strategic activity plans and will plan the activity priorities of the corresponding year as well as the most important tasks for their implementation according to the instruments provided for in the Instruments Plan.

IMPLEMENTATION OF EU COUNCIL RECOMMENDATIONS FOR LITHUANIA OF 2015–2016

Objective	Instruments that are being implemented or are planned	Impact on the objective/result	Implementation period	Responsible institution	Implementation progress 15/04/2016	
CHAPTER I						
Recommendation I: Avoid deviating from the medium-term budgetary objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the systemic pension reform. Broaden the tax base and improve tax compliance						
1. Avoid deviating from the medium-term budgetary objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the systemic pension reform	1.1.	To improve the financial monitoring system of the government sector – to include information provided by the local government subsector on anticipated implementation indicators of municipal budgets of the current year	Projections of anticipated financial results of the current year prepared and submitted by municipalities give the opportunity to receive more accurate data for the financial monitoring of the government sector	Q4 2016	The Ministry of Finance	Resolution “On Approving the Description of the Procedure of the Provision of Municipal Information Relevant to Predicting the Government Sector Balance Indicator in 2015” of 13 May 2015 of the Government was adopted, according to which major municipalities were obligated to provide the Ministry of Finance with forecast information on budget implementation every quarter. This practice continues in 2016 according to the provisions of the Law on Confirming the Financial Indicators of the State Budget and Municipal Budgets of 2016.
	1.2.	To improve the provisions of the Reserve Fund in order to accumulate emergency financial resources (reserves), to manage them effectively and to establish the circumstances for using these reserves	The accumulated state financial resources (reserves) will contribute to the financial stability of the government sector in case of emergency. The project of the Reserve (Stabilisation) Fund provides for additional sources of funds	Q4 2015	The Ministry of Finance	Implemented The Resolution of the Parliament of 17 November 2015 On Amending the Confirmation of the Provisions of the Reserve (Stabilisation) Fund as well as other related legal acts were adopted.
	1.3.	To create a draft law on mending the Fiscal Discipline Law of Lithuania	The goal is to ensure that at the level of all entities and groups of entities in the government sector and the entire government sector monitoring of financial indicators is performed, financial management problems are identified in time and appropriate	Q4 2016	The Ministry of Finance	The draft law is in preparation.

			measures are applied. Liability for improper monitoring is planned. This instrument will allow financial sustainability problems in the government sector to be identified faster			
1.4.	To prepare the projects of the 2016 state budget, the budget of the Compulsory Health Insurance Fund (hereinafter referred to as the CHIF), and the budget of the State Social Insurance Fund (hereinafter referred to as the SSIF)	The draft budgets will ensure that legal acts which regulate financial discipline of the government sector are carried out and that deviation from the average period target is within acceptable limits		Q4 2015	The Ministry of Finance, the Ministry of Social Security and Labour, the Ministry of Health	Implemented The SSIF and CHIF budgets of 2016 have been confirmed, which, together with the state budget financial indicators, ensure compliance with fiscal discipline rules of the government sector. In 2016, considering the costs of the systemic pension reform, the structural deficit of the government sector will comprise up to 1.1 % of GDP. Instruments to improve tax administration that are currently implemented lower the risk of higher deficit in the government sector.
1.5.	The use of the conclusions of the analysis of the effectiveness of the Lithuanian government sector expenses that was carried out by the International Monetary Fund in June 2015 to plan the state budget and the budgets of funds belonging to the social funds sector of 2016	Budget funds saved in the areas of education, healthcare and social security that could be used to finance structural reforms or to improve the balance of the government sector		Q4 2016	The Ministry of Health, the Ministry of Education and Science, the Ministry of Social Security and Labour, the Ministry of Finance	Implemented (the instrument is continuous) The ministries analysed the conclusions of the IMF report and according to their expertise drafted instruments to improve the effectiveness of the expenses of the government sector in respective areas. The analysis process will continue and the results will be applied to planning the budgets of subsequent years. Achievements of the Ministry of Education and Science: A new experimental methodology for calculating and distributing training funds was approved. A plan for testing this methodology in 5 municipalities of the country in 2016 was created. Municipalities where the new methodology will be tested as of 1 January were selected. EUR 3.75 million have been allocated for this purpose; The Description of the Procedure of Remuneration for the Work of the Employees of Educational Institutions and Pedagogical Specialists of Other Institutions was amended; The provision that the position of the school principal includes 5 hours per week for teaching has been removed. EUR 1.5 million have been allocated for this purpose.

2. Broaden the tax base and improve tax compliance	2.1.	To draft amendments to the Law on Tax Administration (hereinafter referred to as the LTA) that regulate the provision of information to the tax administrator by financial market participants (on accounts opened and closed by individuals, on turnovers, balances, interest, debt obligations, securities, insurance premiums); by legal persons (on monetary contributions and amounts to be settled of natural persons; on services received from foreign legal persons in the Republic of Lithuania and vehicles rented from abroad) and by individuals (on received income and the sources of acquisition of property as well as their validity) and the implementing legislation	Provision of information to the tax administrator is being optimised in order to receive as much data as possible to be able to promptly identify the risk of non-payment of tax; to control the validity of the sources of assets and income; to impose tax on undeclared income, including income from illegal “shadow” activities	Q4 2015	The Ministry of Finance	Implemented Amendments to the Law on Tax Administration were approved and came into force on 1 January 2016. In addition, a Resolution of the Government was adopted on 23 September 2015 to implement the Council Directive of 15 February 2011 on administrative cooperation in the field of taxation and the provisions of international treaties regarding automatic exchange of information on financial accounts. See subchapter 3.3, Taxation Policy, Improving the Enforcement of Tax Obligations.
	2.2.	To give the tax administrator the right to form a tax obligation for the taxpayer on the basis of information available to the tax administrator and the right to recover it if the taxpayer does not file a tax return. To expand the right of the tax administrator to instruct the taxpayer to use only non-cash means of payment when there are grounds for believing that the taxpayer may fail to discharge tax obligations by paying cash	Unpaid and undeclared taxes are recovered faster and opportunities of tax evasion in the case where cash payments are restricted	Q4 2016	The Ministry of Finance	Implemented Amendments to the Law on Tax Administration were approved and came into force on 1 January 2016.
	2.3.	To restrict cash payments	To reduce the scope of the shadow economy	Q4 2016	The Ministry of Finance	In December 2014, the draft Law on Restricting Cash Payments was submitted to the Parliament. Since 17

						March 2016, the aforementioned draft law has been discussed by three committees of the Parliament. The next discussion is planned to take place in May.
	2.4.	To install the tax administration information system ("Smart Tax Administration System, i.MAS") based on recent technological developments:	Improvement of tax collection, increase of administration effectiveness and reduction of taxpayers' burden. After this system is installed, taxpayers will be obligated to provide the tax administrator with data regarding invoices and consignment notes, the tax administrator will be able to implement constant taxpayer control procedures better, to ensure the prevention of tax-related violations, while taxpayers will be able to receive electronic services related to the creation of preliminary VAT returns, the use of electronic consignment notes, electronic accounting services, etc.		The Ministry of Finance, the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI)	The concept of i.MAS has been approved. According to the minutes of the Government meeting that took place on 27 April 2015, the implementation plan of the smart tax administration system was approved.
	2.4.1.	To prepare the amendments to the LTA that are necessary for the implementation of i.MAS, as well as prepare the draft laws to amend the accompanying value added tax law and the road traffic code;		Q4 2015		In November 2015, the Parliament approved the amendments to the LTA and other laws that will create legal premises for the implementation of i.MAS. According to the amendments, taxpayers are obligated to constantly provide data of VAT invoices and consignment notes to the STI while allowing for the use and transfer of information in electronic form. These amendments and modern tax administration methods will be used to manage tax non-payment risks, increase business transparency, and reduce the administrative burden of business. The amendments will come into force in October 2016.
	2.4.2.	To implement subsystems for electronic invoices, electronic consignment notes, analysis and risk management		Q4 2016		Implementation in progress.
	2.5.	To implement the project of VAT invoices where high-risk taxpayers are obligated to periodically provide the STI with data of VAT invoice registers	The received data will be used to cross check the VAT invoices, to identify risky transactions involving taxpayers suspected of fraud, taxpayers who do not pay taxes, etc.	Q4 2015 (the term for implementing the instrument is to be extended)	The STI	Implementation in progress.
	2.6.	To implement a standard accounting data file that will be formed and submitted for the purposes of tax inspection	More effective tax administration, shorter procedures of control actions; the standard of data submission to public	Q4 2015	The STI	Implemented According to the Government resolution as of 1 July 2015, the "Description of the Procedure of Submitting the Data of Accounting Documents in a Standard Accounting Data File" was confirmed.

			administration institutions has been implemented			
	2.7.	To implement the target projects "Ratai", "Skaidri gamyba", "Šou be šešėlių", "Atsakinga statyba", "Nuostolinga įmonė", "Sportas", "Mediena"	Proper and timely discharge of tax obligations by taxpayers and guarantee of tax collection	Q3 2016	The STI	Implementation of the projects "Ratai", "Skaidri gamyba", "Šou be šešėlių", "Atsakinga statyba" and "Nuostolinga įmonė" continues; in addition, two new projects have been started: "Sportas" and "Mediena".
CHAPTER II						
Recommendation II: Address the challenge of a shrinking working-age population by improving the labour-market relevance of education, increasing attainment in basic skills, and improving the performance of the healthcare system; reduce the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth						
3. Address the challenge of a shrinking working-age population by improving the labour-market relevance of education, increasing attainment in basic skills, and improving the performance of the healthcare system	3.1	To start the implementation of a new apprenticeship promotion project (training of masters, compensation for their work, compensation for materials used by companies for training apprentices)	More extensive application of training at the workplace, more active participation of employers in professional training	Q4 2016 (anticipated implementation duration: until 2020)	The Ministry of Education and Science	In cooperation with the experts of CEDEFOP (<i>European Centre for the Development of Vocational Training</i>), an overview of apprenticeship development opportunities in Lithuania has been created. Guidelines for apprenticeship organisation have been prepared for companies and institutions.
	3.2	To participate in and to implement the project of Estonia, Latvia and Lithuania for the improvement of practical vocational training (<i>Work Based Learning, WBL-BALT</i>)	Exchange of experience related to the reforms of the vocational training system between the Baltic states, particularly with regard to practical work-based learning and apprenticeship	Q4 2016	The Ministry of Education and Science	By the end of 2015, on the basis of the <i>Erasmus +</i> programme project, the analysis of the apprenticeship situation in Lithuania was prepared, as was a primary action plan for the development and implementation of apprenticeship. By the end of 2016, the final action plan will be prepared; this will provide for specific proposals on apprenticeship regulation and management and the involvement of employers.
	3.3.	To renew vocational training programmes according to regional demands and demands of the economy: to prepare 20 modular vocational training programmes and 5 professional standards	A developed modern vocational training system	Q4 2016	The Ministry of Education and Science	To prepare 10 professional standards and obtain the approval of the relevant sector committees. In 2014–2015, 60 modular vocational training programmes were created and approved by relevant sector committees. By 31 December 2015, 28 modular programmes were registered in the Register of Training, Studies, and Qualifications. On 1 September 2015, the testing of 6 modular vocational training programmes started in 19 vocational training institutions
	3.4.	To increase the compliance of the qualifications of the workforce with the demands of the labour market, to provide vocational activation services according to the	Better availability and quality of guidance (career) services	Q4 2016	The Ministry of Education and Science	In 2015, 864 cooperation agreements were signed with companies, institutions and organisations on the professional activation of pupils. In 2015, 90,118 pupils received professional activation services. A database of professional activation institutions was created – http://www.mukis.lt/mod/sarasai/pvo/imones/

		project “The Creation and Development of Career Education and Monitoring Models in General Education and Vocational Training” of the European Social Fund (ESF)				
3.5.	13 sector-specific practical training centres were opened	Acquisition of high-quality skills was ensured in the education and training system	Q4 2015	The Ministry of Education and Science	Implemented. 19 sector-specific practical training centres were opened in 2015. 42 sector-specific practical training centres operate in Lithuania in total.	
3.6.	To begin the implementation of the project according to the scholarship programme “Implementation of Norwegian Experience in the Field of Adult Education in Lithuania” of the European Economic Area, which is intended for the development of services of non-formal education of adults	Services of non-formal education of adults have been developed	Q4 2016	The Ministry of Education and Science	According to the financial mechanisms project of the European Economic Area, methodological tools are being created for the development of the basic competences of andragogues.	
3.7.	To prepare implementing legislation of the law on amending the law on non-formal adult education and continuous training: the development programme of non-formal adult education and continuous training for 2015–2022; the financing methodology for learning according to non-formal adult education and continuous training programmes; the description of the procedure of improving the quality of non-formal adult education and continuous training, ensuring the quality of activity self-assessment, external assessment, self-assessment of participants and their progress	A lifelong learning system was created for adults that will help them to adjust to the changing demands of the labour market. Increased lifelong learning level in the 25–64 age group	Q4 2015	The Ministry of Education and Science	Government resolution of 14 January 2016 “On Approving the Financing Methodology of Learning according to Non-formal Adult Education and Continuous Training Programmes” was adopted. Government resolution of 6 April 2016 “On Approving the Development Programme of Non-formal Adult Education and Continuous Training for 2016–2023” was adopted. The “Description of Learning Forms and the Training Organisation Procedure” was amended. The Minister for Education and Science confirmed the “Description of the Procedure of the Right to Implement Non-formal Adult Education and Continuous Training Programmes Financed from the State Budget and (or) Municipal Budgets”.	

		financed from the state budget and (or) municipal budgets				
3.8.	To develop the platform created for distance non-formal learning of adults – the adults learning information system (ALIS)	The teaching of general lifelong learning skills to various target groups is promoted	Q4 2016	The Ministry of Education and Science	A call centre was established. Website address www.smis.lt	
3.9.	To coordinate and encourage the initiatives to create lifelong learning based on partnership between institutions in vocational training institutions and third level education institutions	Non-formal adult education programmes are being implemented	Q4 2016	The Ministry of Education and Science	A tender regarding the financing of non-formal adult education programmes in 2015 was announced. EUR 289,620 were allocated to 23 successful tenderers. EUR 290,000 have been allocated for this purpose in 2016. The Minister for Education and Science approved the “Description of the Procedure of the Financing of Non-formal Adult Education Programmes in 2016”.	
3.10.	To start the implementation of the project “Implementation of Adult Learning Agenda for 2015–2017”	Interinstitutional cooperation in the area of adult lifelong learning is being coordinated	Q4 2017	The Ministry of Education and Science	An agreement has been concluded between the Ministry of Education and Science and the EC.	
3.11.	To participate in international and national lifelong learning and adult education research	Better focused non-formal education and professional development programmes	Q4 2016	The Ministry of Education and Science	Since 2014, Lithuania has been taking part in PIAAC (the Programme for the International Assessment of Adult Competences). It is expected that the research results will be published in the fourth quarter of 2016. The results will be important for the successful implementation of the adult education policy in the regions of Lithuania: they will help to determine the need for key competences and to prepare more focused training programmes.	
3.12.	To create and develop a system for monitoring the employment and careers of third-level education graduates, to constantly update the Lithuanian	The results of the map of specialists’ qualifications will be used for the implementation of state policy in the areas of formal and non-formal education,	Q4 2016	The Ministry of Education and Science	On 1 July 2015, amendments to the Law on Education came into force; they provide the legal framework for the management of the Register of Studies, Training Programmes and Qualifications and for creating connections to departmental registers and state	

		economy forecast, to plan acceptance to third-level education institutions on the basis of system data: to implement connections with the databases of the State Social Insurance Fund Board under the Ministry of Social Security and Labour (hereinafter – SODRA), the STI, and the Labour Exchange of Lithuania under the Ministry of Social Security and Labour (hereinafter –Labour Exchange), and the Population Register (this will allow transitioning to constant monitoring of graduates’ careers) and to prepare an analysis of the links between the qualifications of specialists and their jobs	the qualifications system, lifelong learning, and research and development, including for the purposes of planning the acceptance to state-funded positions, targeted studies financing, external evaluation and accreditation of science and studies institutions and study programmes, establishing and reorganising science and studies institutions, issuing and reviewing permits to provide studies and (or) studies-related activity, informing the public and groups concerned about graduate careers, education supply and other topical issues, and for performing other functions stipulated in legal acts			information systems in order to monitor the education system. According to the Government resolution of 18 February 2016, the “Description of the Framework of National Human Resources Monitoring” was approved; the purpose of the Description is to draft and confirm the indicator descriptions (Q1 2016), to form a Government committee which will coordinate the processes for implementing the monitoring of human resources at national level (Q2 2016); to draft the provisions of the Education Management Information System (Q2 2016).
	3.13.	To link studies and training programmes to profession groups in the Lithuanian Classification of Occupations (hereinafter – LPC) approved by the Minister of Economy	It is possible to determine whether people are working in jobs relevant to their qualification	Q3 2016	The Ministry of Economy	Documents regulating the use of EU structural funds that are necessary for implementing this instrument are being drafted. Studies and training programmes are linked to profession groups in the LPC.
	3.14.	To implement the Programme for Reducing Morbidity and Mortality from Major Non-infectious Diseases in 2007–2013 approved by the Minister for Health, which is intended to ensure essential high-quality accessible healthcare services after investing in the modernisation of the infrastructure of healthcare establishments and	Investments will prepare the ground for reducing the morbidity and mortality of the population from major non-infectious diseases, preserving their ability to work for as long as possible, and increasing healthy life years. Early diagnosis of diseases, a shorter time for establishing the correct diagnosis, urgent qualified	Q2 2016	The Ministry of Health	The evaluation of programme implementation will be carried out in 2016. The programme is intended to ensure essential high-quality accessible healthcare services after investing in the modernisation of the infrastructure of healthcare establishments and implementation of modern technologies, while improving the prevention of major non-infectious diseases.

		implementation of modern technologies, while improving the prevention of major non-infectious diseases to minimise the negative impact of health problems	necessary aid and specialised healthcare services will have a positive impact on labour productivity in the country			
3.15.	To prepare and implement the plan for the fourth stage of health system expansion and hospital network consolidation	Effective functioning of the national system of healthcare establishments	Q2 2016	The Ministry of Health	The Plan of the Fourth Stage for Health System Expansion and Hospital Network Consolidation was approved by the Government resolution on 9 December 2015.	
3.16.	To create a more effective and accurate model for monitoring health disparity indicators	The created model will allow prompt measuring and consistent interpretation of the scope of disparities. It will also allow the selection of minimisation interventions in a more targeted manner, while focusing on priority problem territories	Q3 2016	The Ministry of Health	The concept of the model is being created. The creation of a more effective and accurate model for monitoring health disparity indicators is one of the instruments (projects) to be financed by EU structural assistance funds.	
3.17.	To create a model for evaluating health outcomes	Conditions have been created for objective evaluation of the activity of the health system in accordance with the final results of the health system activity	Q4 2016	The Ministry of Health	The implementation of the model for evaluating health outcomes is one of the instruments (projects) to be financed by EU structural assistance funds.	
3.18.	To prepare instruments for reducing and eliminating unofficial payments in the healthcare sector	The common system for monitoring and assessing instances of corruption in the health system has been implemented. It is expected that employees of healthcare institutions who tolerate corruption (percentage of all medical staff) will comprise 50 % in 2016; 45 % in 2017; 40 % in 2018; 35 % in 2019; Individuals that have given bribes within the last 12 months in relation to public	Q4 2016	The Ministry of Health	Implementation in progress.	

			services (percentage of all individuals) will comprise 24 % in 2016; 23 % in 2017; 22 % in 2018; 21 % in 2019.			
	3.19.	To implement the “Clean Hands” anti-corruption initiative in Lithuanian health system establishments	The assessment of anti-corruption activity of personal healthcare establishments and the setting up of the corruption index is regulated	Q1 2016 (Planned to be carried out annually)	The Ministry of Health	In March-May 2015, the assessment of personal healthcare establishments reporting to the Ministry of Health of Lithuania according to confirmed criteria was carried out
4. Reduce the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth	4.1.	While preparing drafts of the relevant year of the Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets, to draft and submit proposals regarding the increase of the tax-exempt amount of income (hereinafter referred to as TEA)	Increased TEA would allow to reduce the tax burden for low income earners	Q4 2015; Q4 2016	The Ministry of Finance	Implemented. See section 3.3 of chapter 3 of the NRP, Taxation Policy, Tax Base Development and Tax Burden Redistribution.
	4.2.	To tax landfill operators by introducing a landfill tax	Expansion of the base of environmental taxes	Q4 2016	The Ministry of Environment	On 23 December 2015, the law on amending the Law on Environmental Pollution Tax was adopted, which came into force on 1 January 2016.
	4.3.	To increase excise rates of alcoholic beverages and tobacco products	Increasing the excise rates will allow transferring the tax burden to taxes that are less harmful to economic growth	Q4 2015	The Ministry of Finance	Implemented See section 3.3 of chapter 3 of the NRP, Taxation Policy, Tax Base Development and Tax Burden Redistribution.
	4.4.	To create draft legal acts regarding the tax imposed on environmental pollution caused by vehicles in accordance with the conclusions of the study “On the Criteria of Determining the Amount of the Vehicle Tax on the Basis of other Countries’ Experience and Statistical Data and on Proposals regarding the Taxation of Vehicles in Lithuania, with Substantiation	Tax imposed on environmental pollution caused by vehicles would allow transferring the tax burden to sources that are less harmful to economic growth	Q4 2016	The Ministry of Environment, The Ministry of Finance	Research was completed and the results were transferred to institutions concerned. Relevant draft legal acts will be prepared by the end of 2016

		of Suggested Rate Amounts and Expected Results”				
CHAPTER III						
Recommendation III: Adopt a comprehensive reform of the pension system that also addresses the challenge of pension adequacy. Improve the coverage and adequacy of unemployment benefits and cash social assistance and improve the employability of those looking for work.						
5. Adopt a comprehensive reform of the pension system that also addresses the challenge of pension adequacy	5.1.	To prepare draft legal acts to reorganise social security pensions, to further strengthen the connection between contributions and payments: to separate the basic pension part from social security and to finance them from general taxes	In the long term, financial sustainability of the pension system and the adequacy of contributions is increased	Q4 2015	The Ministry of Social Security and Labour	The Government according to the resolution of 9 June 2015 approved the law package of the legal administrative model of labour relations and state social security (New Social Model), which consists of three main laws: The Labour Code, the Employment Law, and the Law on Unemployment Social Security These legal acts were submitted to the Parliament for consideration. These legal acts were considered during a plenary meeting of the Parliament on 12 April 2016.
	5.2.	To increase the retirement age	In 2015, the retirement age was 61 years 4 months for women and 63 years 2 months for men. The long-term goal is to reach a retirement age of 65 years for men and women by 2026. After 2026, it will be extended by taking into consideration the increased future life expectancy	Q4 2015	The Ministry of Social Security and Labour	The Government on 9 June 2015 approved the New Social Model that consists of three main laws: The Labour Code, the Employment Law, and the Law on Unemployment Social Security These legal acts were considered during a plenary meeting of the Parliament on 12 April 2016.
	5.3.	To establish the indexation of pensions based on clear criteria to take into account the economic conditions and demographic indicators	Annual automatic indexation of social security pensions according to the rolling average of the growth of the Labour Compensation Fund is planned	Q4 2015	The Ministry of Social Security and Labour	The Government on 9 June 2015 approved the New Social Model that consists of three main laws: The Labour Code, the Employment Law, and the Law on Unemployment Social Security These legal acts were considered during a plenary meeting of the Parliament on 12 April 2016.
	5.4.	To change the procedure for calculating disability pensions	The amounts of disability pensions are related to the determined disability level of a person	Q4 2015	The Ministry of Social Security and Labour	The Government on 9 June 2015 approved the New Social Model that consists of three main laws: the Labour Code, the Employment Law, and the Law on Unemployment Social Security. These legal acts were considered during a plenary meeting of the Parliament on 12 April 2016.

6. Improve the coverage and adequacy of unemployment benefits and cash social assistance	6.1.	To improve the regulatory framework of cash social assistance for poor residents – to expand the list of circumstances when the scheme of proportional decrease of cash social assistance would not be applied	The adequacy of cash social assistance was ensured, i.e. poor residents are guaranteed state support when they are unable to find employment because of objective reasons	Q4 2016	The Ministry of Social Security and Labour	On 30 March, the Government approved the draft law on cash social assistance for poor residents. The draft law has been submitted to the Parliament for consideration.
	6.2.	To provide persons with better social security in case of unemployment: To increase the unemployment security benefit and to extend its duration and scope	The adequacy of the unemployment social security benefit and the scope of recipients have been increased	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft law on unemployment social security was submitted to the Parliament; discussion of the draft law was finished on 24 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
7. Improve the employability of those looking for work.	7.1.	More flexible regulation of employment relations in the Labour Code	Conditions were created for increased employment	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft Labour Code of Lithuania was submitted to the Parliament. Discussion of the draft Labour Code of Lithuania was finished on 24 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
	7.2.	To create conditions for more effective employment of social support recipients via employment promotion programmes organised by municipalities, via active labour market instruments and according to advance payment service vouchers	Increased scope for the participation of social support recipients in active labour market instruments	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft employment law was submitted to the Parliament. The legal act is being discussed by Parliament committees. The discussion was finished on 11 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
	7.3.	To apply active labour market policy instruments to separate groups of the unemployed according to priority selection procedure and considering the age, unemployment duration and qualification of the unemployed	Faster integration of older, unskilled, and long-term unemployed persons in the labour market	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft employment law was submitted to the Parliament. The legal act is being discussed by Parliament committees. The discussion was finished on 11 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
	7.4.	To start applying the new instrument of employment according to an apprenticeship agreement, where practical training is organised at the	Greater inclusion of workers via the learning instrument will help to maintain and improve their qualifications	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft employment law was submitted to the Parliament. The legal act is being discussed by Parliament committees. The discussions of the Committee of Social Affairs and Labour of the Parliament ended on 11 February 2016.

		workplace, while theoretical knowledge is acquired at a vocational training institution				
	7.5.	Organise internships of up to 6 months as a period of unpaid work practice for improving, reacquiring or perfecting work skills or professional qualification, and to provide scholarships	Increased motivation of the unemployed to acquire work skills during internships and assistance in avoiding long-term unemployment	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft employment law was submitted to the Parliament. The legal act is being discussed by Parliament committees. The discussion was finished on 11 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
	7.6.	To establish the procedure for compensating an unemployed person for increased personal travel and accommodation expenses when they find employment by filling a vacant position, according to an apprenticeship or work training employment agreement, by participating in a supported employment instrument	Increased motivation of the unemployed to find employment farther from their places of residence	Q4 2015	The Ministry of Social Security and Labour	On 15 October 2015, the draft employment law was submitted to the Parliament. The legal act is being discussed by Parliament committees. The discussion was finished on 11 February 2016 by the Committee of Social Affairs and Labour of the Parliament.
	7.7.	To prepare a programme to motivate older persons and promote volunteering	Longer participation of older persons (54+) in the labour market and easier return to the labour market for those who have left it	Q4 2015	The Ministry of Social Security and Labour	Implemented. The action plan to motivate older persons and promote volunteering in 2016–2020 approved by the Minister of Social Security and Labour was adopted.