

# NATIONAL REFORM PROGRAMME FOR 2020

## CHAPTER I SUMMARY

1. Compared to other European Union (hereinafter – the EU) Member States, the economic growth of the Republic of Lithuania was one of the fastest last year – the gross domestic product (hereinafter – GDP) of the Republic of Lithuania increased by 3.9% in 2019. These results were driven by strong domestic demand. Decisions of the Government of the Republic of Lithuania increasing the income of the population contributed to this – the minimum monthly wage (hereinafter – MMW) has been increasing for several years in a row, the public sector wage policy is being implemented, the private sector wage growth is driven by a tight situation in the labour market as well as business' aspirations to remain profitable by investing in productivity-enhancing measures as the labour costs are increasing and labour resources dwindle. Domestic demand should continue to be a key driver of the economy.

2. Largely positive migration developments: a sharp increase in immigration of persons exceeding the flow of emigration – and increased activity of the working age population in 2019 mitigated the shortage of workers in the country's labour market. In 2019, the employed population increased by 0.2% and the unemployment rate was 6.3%. According to the Eurostat forecasts, in 2020–2022, due to natural population replacement, the working age population will decrease by 11.3 thousand each year due to the aging of the population. Therefore, the supply of workers in the labour market will decrease.

3. The tensions in the labour market, that had led to wage changes in the country's economy in recent years, have weakened in 2019, which has led to a slowdown in wage growth. In 2019, wages in the national economy increased by 8.8% on average. Changes in wages in the country have been affected by the amendments to the tax system that have entered into effect from 1 January 2019: amendments to the Law on Corporate Income Tax of the Republic of Lithuania, amendments to the Law on Personal Income Tax of the Republic of Lithuania, amendments to the Law on Motor Vehicle Registration Tax of the Republic of Lithuania, amendments to the Law on Real Estate Tax of the Republic of Lithuania. The changed procedure for calculating the amount of tax-free income, the decisions made by the Government on the increase of wages in the public sector, increase of the MMW by 7.5% (up to EUR 555) have had an effect as well.

4. The average annual inflation, calculated based on the harmonized index of consumer prices, amounted to 2.2% in the country in 2019 and, compared to 2018, decreased by 0.3 percentage points. Inflation was driven by strong wage growth, which has led to higher service prices, and the rapid rise

in food prices that has emerged due to external factors. The reduction of prices of the energy goods – district heating, vehicle fuel, solid fuel – had a negative effect on inflation.

5. In 2018, the rates of at-risk-of-poverty or social exclusion decreased (by 1.3 percentage points) and so did the income inequality rate (from 7.3 down to 7.1 percentage points). However, 28.3% of the population is at risk of poverty or social exclusion and the income of the 20% richest people in the country were 7.1 times higher than of the 20% lowest income people.

6. In order to reduce the risk of poverty, social exclusion and income inequality, amendments to the Law on Social Assistance Pensions of the Republic of Lithuania were adopted, establishing the granting of pension bonuses related to the accrued record of pension social insurance and the amount of minimum consumption needs (hereinafter – AMCN): 95% of AMCN (EUR 238) in 2019; 100% of AMCN (EUR 257) in 2020.

7. Due to the increase of the social assistance pension, from 1 January 2020, from EUR 132 up to EUR 140, orphans, disabled children, adults disabled since childhood and other disabled persons and old-age pensioners who had not accumulated a minimum amount of seniority obligatory for insurance pension (a total of about 60 thousand persons) will be receiving higher social assistance pensions and benefits.

8. Starting from 2020, the lowest threshold of social assistance pensions for the disabled has been increased, i.e. a disabled person cannot receive a social assistance pension of less than EUR 140, whereas in 2019 the minimum threshold was EUR 99.

9. In 2019, the development of Community and Integrated Services for Families and Children in municipalities was carried out and specialized comprehensive assistance was provided to all persons who had experienced domestic violence and agreed to receive such assistance.

10. Important decisions in the field of integration of socially vulnerable person into the labour market were adopted in 2019, which will help ensure the efficiency and control of provision of state aid to social enterprises, integration of the disabled persons into the open labour market, the legal framework provided will encourage employers to employ the most severely disabled persons; a disabled person is now provided with possibilities to perform housing adaptation works on his own.

11. Important works have been carried out to promote the integration of the disabled: from 2019, the criteria for assessing a person's independence have been changed substantially, affecting the final determination of disability; the procedure for providing means of technical assistance to the disabled and reimbursing the costs of acquiring these means has been changed.

12. The demographic situation remains difficult. The total birth rate remains low: it was 1.63 in 2018, the same as in 2017. In order to create a family-friendly environment and increase the birth rate, the most important work done in this area in 2019 was the payment and increase of the amount of the child benefit, the development of financial incentives for the acquisition of first housing in the

regions, and the increase of the number of the available services for families. From 1 January 2019, the child benefit was increased from 0.79 basic social benefit (hereinafter – BSB) (EUR 30.02) up to 1.32 BSB (EUR 50.16) per month, and for disabled children – to 1.84 BSB (EUR 69.92) per month. On average, in one month of 2019, about 516.5 thousand children received the child benefit. From 1 January 2020, the universal child benefit was increased from 1.32 BSB (EUR 50.16) to 1.54 BSB (EUR 60.06) (from 2021 – up to 1.8 BSB (EUR 70.20) per month.

13. In order to achieve the quality and the availability of healthcare services, in 2019 measures were implemented that lead to the improved quality and availability of family doctor services. The share of the budget of the Compulsory Health Insurance Fund allocated for primary outpatient personal health care services, of the total funds allocated for personal health care services, is increasing – the share amounted to 19.6% in 2019 (17.7% in 2018). The average salary of doctors and nurses increased by 13% in 2019, compared to 2018.

14. In 2019, the total amount of patient-payable premiums for medicines and medical aids decreased by as much as EUR 16.8 million, compared to the same period in 2018.

15. From 1 July 2020, low-income people aged 75 and over will be receiving reimbursable medicines and reimbursable medical aids without paying the patient's premium.

16. According to the data of 2020, in the Republic of Lithuania greenhouse gas (GHG) emissions decreased by 1.7% in the year 2018, compared to the year 2017. As in the previous year, the largest share of GHG emissions was in the sectors of transport – 30.2%, energy – 28.6%, and agriculture – 21.1%, and slightly less GHGs were generated in the sectors of industry – 15.6% and waste – 4.5%. Compared to 2017, the GHG emissions increased in the sectors of transport – by 6.4%, cement production – by 13.5%, use of fuels by industrial enterprises – by 7.2% and remained almost the same or decreased in other sectors.

17. For the purpose of achieving sustainable development of territories and infrastructure, two alternatives to the concept of the new master plan of the territory of the Republic of Lithuania and a report on the strategic impact on the environment were drafted and submitted to the Seimas of the Republic of Lithuania.

18. In 2019, significant work was started to update the education curriculum “Guidelines for Updating the National Curriculum were approved. A system for assessing student achievements has been developed, focusing on people with different educational needs.

19. The diversity, accessibility and quality of non-formal education of children has been increased. In 2019, more than three-fifths of students used opportunities of non-formal education at school or elsewhere. In order to increase the opportunities for non-formal education, financing agreements were signed with partners in 2019, aimed at establishing 7 regional open-access centres for sustainable development, creativity, information technology and natural sciences, technology,

engineering, arts and mathematics (hereinafter – STEAM). Financing agreements aimed at the establishment of methodological STEAM centres have also been signed with Vilnius and Klaipėda universities.

20. The school network optimization works were carried out: in 2019, the number of general education schools with 120 students or less decreased by almost a quarter compared to 2016–2017, as well as 6 mergers of vocational schools were carried out. Implementing the plan for optimization of the network of higher education and research institutions, on 1 January 2019, the reorganization of the Lithuanian University of Educational Sciences and Aleksandras Stulginskis University by merging with Vytautas Magnus University was completed.

21. Three national teacher training centres were established, the activities of which are carried out at Vilnius University, Vytautas Magnus University and Šiauliai University. Wages of teachers were increased. According to the data of the Statistics Lithuania, the average net monthly wage of teachers (hereinafter – AMW) was EUR 928 in Q3 of 2019 (EUR 739.1 in Q3 of 2018); thus, the net AMW increased by EUR 188.9 or 25.6%.

22. In 2019, the wages of teachers, researchers and other science workers were increased by an average of 16% (EUR 23.1 million were allocated, the same as in 2018). A review conducted by the Government's Strategic Analysis Centre in 2019 showed that the wages of academic staff in the country grew on average twice as fast as wages in the national economy, and the increase of wages of teachers and researchers in public science and education establishments was the largest in 4 years.

23. In order to make the career of a researcher more attractive, from 1 January 2019, the support for doctoral candidates was increased by 83%. Furthermore, the "Next 100" programme for funding the studies in foreign countries of the most talented students continued successfully, with an increased funding and the number of beneficiaries.

24. In 2019, in the course of restructuring of the strategic planning and budgeting systems, draft legal acts regulating the strategic management system were drawn up, and the structure of new strategic planning documents was defined. In December 2019, the draft Law on Strategic Management of the Republic of Lithuania was submitted to the Seimas, which will help link strategic objectives with the state's financial resources and ensure the proper implementation of the state's strategic objectives.

25. The electronic healthcare system (e-healthcare system) is being used more and more every day: all personal health care institutions (hereinafter – PHCIs) are connected to the central e-health system, abandonment of medical documents and reduction of administrative burden for healthcare professionals continue. According to the data of December 2019, 96% of all prescriptions of reimbursable medicines, 93% of inpatient epicrisis, 31% of referrals, 63% of outpatient descriptions,

93% of medical certificates of the driver's medical examination, 100% of child's birth certificates and medical death certificates are issued electronically.

26. In 2019, in the survey of the Corruption Perceptions Index of the global non-governmental organization Transparency International, the Republic of Lithuania was awarded 60 points out of 100 possible and took the 35th place in the list among 180 countries. The Republic of Lithuania ranks 15th out of 28 EU Member States, with Denmark taking the first place both in the EU and in the world (87 points). The Republic of Lithuania's results improved for the first time in 5 years. A slight positive change in the Corruption Perceptions Index shows that targeted efforts are paying off.

27. According to the World Bank's Doing Business 2020 study, the results of which were published on 24 October 2019, the Republic of Lithuania reached the highest position ever held – 11th place among 190 countries and is among the top-ranked countries in the world in terms of business conditions. Among all 28 EU Member States, the Republic of Lithuania ranks 4th, behind only Denmark, the United Kingdom and Sweden.

28. In 2019, the greatest progress was made in the field of connection to the electricity networks, which determines the attractiveness of the country to productive investments: not only the number of procedures and costs were reduced, but also the time it takes to connect to the electricity networks was shortened. The next year's Doing Business rankings are expected to take into account the insolvency reform for legal entities, that has been implemented starting from 1 January 2020.

29. Measures to increase competencies and promote participation in international projects and infrastructures, increased networking, the establishment of the Lithuanian RDI Liaison Office in Brussels (LINO), and the introduction of technology transfer centres have led to the growth of income of research and education institutions from research and development (hereinafter – R&D) activities. The growth of higher education and research institutions' R&D-related income received from business enterprises of the Republic of Lithuania and foreign countries reached 59% in 2018.

30. According to Eurostat data, in 2018, business expenditure on R&D in the Republic of Lithuania reached EUR 148.8 million and was the highest in the history of measurement of this indicator.

31. In order to promote circular economy, amendments to the Law of the Republic of Lithuania on Environmental Pollution Tax have been prepared, the population has been consistently educated on environmental matters, and campaigns to encourage the population to reduce the use of plastic shopping bags were carried out. 71.8% of the packaging waste is reused, including recycling.

32. The indicator of the total amount of final energy saved since 2013 (GWh) in 2016 exceeded the plan by more than fourfold and amounts to 2,045 GWh. Although many measures have been taken to make use of energy more efficient and implement smart solutions, the final energy consumption in 2018 increased by 3.8% compared to 2017. The largest energy consumption – 39.8%

– was in the transport sector, and 26.6% – in households. The industrial sector consumed 19.2% of final energy. In 2018, compared to 2017, 3.4% more energy was consumed in the industrial sector, 6.3% – in transport, and 1.5% – in households.

33. In order to increase domestic energy production, a new support model for the promotion of power plants using renewable energy sources has been introduced. On 2 September 2019, the first technologically neutral auction was initiated, in which all the technologies were allowed to compete, such as solar, wind, biogas, biomass. The auction's participants competed for access to the stock exchange premium.

34. Exports of the services of Lithuanian origin in the 1st – 3rd quarters of 2019 increased by 31.4% compared to the same period of 2018. In 2019, the most services of Lithuanian origin were exported to Germany and France, while exports of the services of Lithuanian origin to exploratory target markets saw the largest increase.

35. In 2019, the process of active foreign direct investment (hereinafter referred to as FDI) continued: 56 high value-added FDI projects were attracted. Realisation of the new high value-added FDI projects enabled creation of 5,074 new jobs in 2019. Service centres were attracted, such as McKesson Europe AG (Vilnius), which plans to create 500 new jobs during the project implementation period, the Western Union Company is expanding its operations in the Republic of Lithuania and plans to create 300 jobs, whereas World Courier Management Ltd has plans for 200 jobs.

According to the data of 2019, investments of the companies operating in free economic zones (hereinafter – FEZ) amounted to EUR 158.6 million in 2018.

36. In 2019, as many as 420 new start-ups were established (140 – in 2018). The boost for the development of the start-up ecosystem was primarily generated by the organization of information and educational events for start-ups, the Startup Visa Program, the establishment of venture capital funds, acceleration funds as well as the Co-investment Fund. Opportunities have been created for start-ups to issue and publicly distribute equity securities through crowdfunding platforms. In 2018, the growth of investments attracted by start-ups was mainly due to the investment of UAB Prime Leasing (City Bee) (EUR 110 million) and the investment attracted by UAB Vinted in 2019 (EUR 128 million).

37. In 2019, the promotion of the development of financial technologies (hereinafter – FINTECH) remains a priority. The improvement of the favourable business conditions and investment environment has led to the continued growth of the FINTECH sector. In 2019, 3 notable FINTECH companies transferred a part of their activities to the Republic of Lithuania: Earthport, SumUp and Flywire. Currently, there are more than 200 FINTECH companies operating in the Republic of Lithuania (18% more than in 2018).

38. In order to curtail the shadow economy and increase the efficiency of taxation and social security systems, in 2019 measures for voluntary disclosure and promotion of tax payment, as well as intolerance for tax evaders, came into effect and were implemented. Taxpayers, taking advantage of the one-time opportunity to pay "forgotten" taxes without facing sanctions, declared additional taxes, totalling EUR 41.7 million.

39. The indexation mechanism of social insurance pensions introduced in 2017 has resulted in a consistent increase in the average social insurance old-age pension (hereinafter referred to as the "old age pension"): compared to 2016, the average old-age pension has increased by 34% in 2019.

40. Starting from 2019, the state social insurance contributions paid by the employer and the employee have been merged, the general (main) part of the pension is financed from the state budget, the state social insurance (except compulsory health insurance) contribution ceiling has been introduced, and the state social insurance contribution rate has been reduced.

41. In the course of the project of construction of the gas pipeline connection between the Republic of Lithuania and Poland (hereinafter – GIPL), a GIPL gas pipeline purchase agreement (worth EUR 26.4 million) was signed in July 2019, and an agreement for gas pipeline connection works between Poland and the Republic of Lithuania was signed. Although the implementation of the GIPL project is still behind schedule, the project is expected to be operational in 2021.

42. During the implementation of the strategic project "Development of the Railway Connection Rail Baltica", in 2019 the construction of the railway line in the section Polish-Lithuanian border – Kaunas was carried out. Upon completion of these works, in 2020 the Kaunas intermodal terminal will be connected to the European railway network and will become a major transshipment hub.

### **Progress in implementing the Council recommendation for Lithuania**

43. It is important to note that 13 measures provided for in the Action Plan for the Implementation of the Council Recommendation to Lithuania for 2019–2020 have already been fully implemented. Other measures have been partially implemented (many of them have a longer implementation period than the reporting period), constituting 29.5% of all planned measures (44 measures in total). The remaining measures are planned to be implemented in 2020.

44. In 2019, the greatest progress has been made in improving tax compliance and broadening the tax base in order to shift to sources of taxation that are less detrimental to growth (implementing structural reforms in tax regulation and the shadow economy) and reducing income inequality, poverty and social exclusion, among other things, by improving the structure of the tax and social benefit system (measures implement a structural reform of social insurance (pensions)): 10 out of 18

measures have been fully implemented (implementation progress of 55.5%). It should be noted that the progress made is not yet reflected in the poverty indicators, as the currently available statistics mostly show the performance of 2017-2018.

45. In 2020, more emphasis will be placed on measures to increase the quality and efficiency of education and training at all levels, including lifelong learning, improve the quality, affordability and efficiency of healthcare, promote investment-related economic policies, as well as science-business cooperation and the consolidation of agencies implementing research and innovation policy.

## **CHAPTER II**

### **INTRODUCTION**

46. The National Reform Programme for 2020 (hereinafter referred to as the NRP) summarizes the most important ongoing and planned structural reforms aimed at overcoming the biggest economic and social policy challenges facing the Republic of Lithuania as an EU Member State in participating in the EU Semester of Economic Policy Coordination (hereinafter – European Semester). Each year, EU Member States submit their National Reform Programmes, setting out the planned structural reforms, to the European Commission with the aim of boosting growth and employment.

47. The NRP presents the Government's actions taken in the implementation of the Commission Recommendation of 5 June 2019 for a Council Recommendation on the 2019 National Reform Programme of Lithuania and delivering a Council opinion on the 2019 Stability Programme of Lithuania (COM (2019) 515 final) (hereinafter – the Recommendation):

47.1. improve tax compliance and broaden the tax base to sources less detrimental to growth. Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.

47.2. Improve quality and efficiency at all education and training levels, including adult learning. Increase the quality, affordability and efficiency of healthcare system.

47.3. Focus investment-related economic policy on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities. Stimulate productivity growth by improving the efficiency of public investment. Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies.

48. In 2019, an action plan for the implementation of the Recommendation for 2019–2020 was prepared and submitted to the Seimas, along with the 2019 Activity Report of the Government of the Republic of Lithuania. By resolution of the Government of the Republic of Lithuania of 25 March



2020 No. 300 “On Submission of the 2019 Activity Report of the Government of the Republic of Lithuania to the Seimas of the Republic of Lithuania”.

49. The NRP has been prepared taking into account the 17 December 2019 Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank — Annual Sustainable Growth Strategy 2020 (COM(2019) 650 final) (hereinafter – the Annual Sustainable Growth Strategy), which launched the European Semester 2020, and to the EU-wide priorities: environment, productivity, stability and justice.

50. On 26 February 2020, the European Commission published a Commission staff working document entitled “Country Report. Lithuania 2020” (SWD (2020) 514 final) (hereinafter – the Country Report), which includes the general economic assessment of the Republic of Lithuania, implementation of the Recommendation, implementation of structural reforms, national targets in accordance with the 3 March 2010 Communication of the Commission “Europe 2020. A strategy for smart, sustainable and inclusive growth” (COM (2010) 2020 final) (hereinafter – the “Europe 2020” Strategy) and the United Nations' (hereinafter – the UN) Sustainable Development Goals. Based on the country reports, the European Commission will highlight the contribution of national reforms to the achievement of specific sustainable development goals in 2020, in its proposals for country-specific recommendations to be published in May, where this will be important to ensure economic and employment policy coordination in dealing with economic challenges of common interest.

51. According to the assessment of the progress in the implementation of the recommendations, this year the Republic of Lithuania is assessed as having made limited progress. The key challenges identified in the Country Report are as follows: reducing income inequality and poverty, ensuring inclusive growth and increasing investment, in particular in human capital, increase in productivity and availability of labour force. The NRP sets out the Government’s key actions to address these challenges.

52. The NRP consists of the following parts:

52.1. "Macroeconomic Impact Context and Scenario" (NRP Chapter III);

52.2. "6 structural reforms" (NRP Chapter IV);

52.3. "Policy Instruments to Address Key Economic Challenges" (NRP Chapter V);

52.4. information on the implementation of the “Europe 2020” strategy and the UN Sustainable Development Goals (NRP Chapter VI);

52.5. "Interinstitutional Cooperation" (Chapter VII of the NRP);

52.6. Report on the implementation of the Action Plan for the Implementation of the Recommendation 2019–2020 (Annex to the NRP).

### CHAPTER III

#### MACROECONOMIC IMPACT CONTEXT AND SCENARIO

53. The extent of the negative economic consequences of an outbreak of the COVID-19 virus and the measures taken to contain it will depend on the time it took to contain the COVID-19 pandemic and the duration of the measures taken to limit the spread of the virus which have a constrictive impact on economy.

54. The Stability Programme presents two scenarios of economic development of the Republic of Lithuania in 2020–2021, in which the extent of the GDP decline of the Republic of Lithuania in 2020 depends not only on the duration of the measures restrictive on economic activity in our country, but also on the economic situation in export markets of the Republic of Lithuania. It is envisaged in these scenarios that due to the shock related to the COVID-19 virus crisis, the economy of the Republic of Lithuania could shrink by 2.8–7.3% in 2020. In 2021, GDP could grow by 5.4–6.6%.

55. The volatile external environment, deteriorating business expectations and the impact of COVID-19 virus will hamper the development of investment. Expenditures on gross fixed capital formation could decrease by 5.1% in 2020.

56. The income of the population will be supported by the reduction of labour taxation, higher social benefits, the measures of the Economic Stimulus and Coronavirus (COVID-19) Mitigation Action Plan to help preserve jobs and the income level of the population. However, the consumption expenditure will be limited by the economic shock caused by COVID-19 virus, deterioration in prevailing consumer expectations, that used to be optimistic up until recently, and declining level of employment. Household consumption expenditure may decrease by 3.7% in 2020.

57. The price level in the country will be largely determined by changes in oil prices. According to the updated technical assumptions, due to more rapidly declining oil prices the harmonized index of consumer prices may fall from 2.2% in 2019 to 1% in 2020.

58. A decline in economic activity due to the spread of COVID-19 virus and the measures taken to curb it, such as the quarantine introduced in mid-March and the restrictions on retail trade and consumer services, will have a negative impact on the labour market in 2020. This effect will be mitigated by the economic stimulus measures planned by the Government, part of which will be used to preserve jobs and income. The unemployment rate in the country is expected to increase temporarily and will reach 8.7–10.5% in 2020, while the number of the employed will decrease by 2.6–4.5%.

### CHAPTER IV

#### 6 STRUCTURAL REFORMS

59. On 8 January 2018, the Government singled out 6 key structural reforms<sup>1</sup>: education,

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<sup>1</sup>6 most important Government reforms: <https://lrv.lt/uploads/main/documents/files/LRV%206%20strukturines%20reformos.pdf>.

covering secondary education, vocational education and higher education; healthcare, covering healthcare services of all levels, nursing, measures to promote a healthy lifestyle; the reduction of the shadow economy, which will make it possible to put forward measures to promote fair payment of taxes; tax regulation, which aims to make labour taxation more attractive for job creation, promotion of investment and entrepreneurship; social insurance (pensions), which aims to prevent a general decrease in the level of income protection in old age; innovation, which would stimulate investment in innovation, create a major innovation stimulus package and consolidate and strengthen the research, experimental development and innovation (R&D&I) system.

60. The ongoing impact of most reforms (i.e. changes in the structure of key economic flows) and the subsequent second-round effects on the country's economy will be felt beyond the period 2019-2025, ensuring further GDP growth. The dynamics of the impact on GDP suggest that the maximum relative effect will be achieved around 2025-2027, when the reforms will lead to around 2.0% higher GDP or over EUR 1.2 billion higher GDP compared to what would have been the case without the reforms in place.

## **SECTION ONE**

### **STRUCTURAL REFORM OF EDUCATION**

61. The most important works of the structural reform of education in 2020: the project “Education for the Future” is underway, the main goals of which are to update the entire curriculum and student assessment system (EUR 4.30 million from the EU Structural Funds are allocated for that in 2020), to create a safe school for everyone (EUR 1.3 million in the state budget and EUR 3.1 million in the EU structural funds are allocated for that in 2020), development of non-formal education services (EUR 0.04 million in the state budget and EUR 24.23 million in the EU structural funds are allocated for that in 2020), the restructuring of education and science funding (EUR 175.6 million in the state budget and EUR 0.9 million in the EU Structural Funds are allocated for that in 2020), the optimization of the networks of public universities and vocational education institutions (a total of EUR 53.30 million are allocated for that in 2020), the development of a lifelong learning system (a total of EUR 29.3 million are allocated for that in 2020).

62. Student achievements are the most important goal of education for the future. At<sup>2</sup> least 3rd proficiency level reached a half of 15-year-olds: in the field of mathematics – 50.2%, reading and

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<sup>2</sup>The international research of fifteen-year-olds, *Programme for International Student Assessment (PISA)*, is being carried out by the *Organization for Economic Co-operation and Development (OECD)* and the ministries of education of the countries.

science – 49.5% (these results for 2018 were announced at the end of 2019)<sup>3</sup>. Since 2015, the share of students achieving at least the 3<sup>rd</sup> proficiency level has increased slightly in all three domains, with the biggest increase of 3,9% points in the science literacy. The share of students results of the Republic of Lithuania who achieve basic proficiency level in 2018, is close to the average of the EU countries participating in the PISA,, however, the gap between urban and rural student achievements remain stable or increase. In 2018, the gap in the field of reading skills reached 77 points, in the field of science literacy – 72 points, in mathematics – 75 points.

63. In order to achieve a steady improvement of students' learning outcomes, in 2019 the renewal of the National Curriculum was undertaken. It started from the broad discussion with education community, students, parents and other stakeholders on the vision of a student and changes regarding National Curriculum. As a result in 2019 “Guidelines for Updating the National Curriculum” were approved. In 2020, the planned work on updating the General Programs has started. It is planned that in 2020 the first version of Primary and Lower secondary education will be developed, which are to be piloted in 2021. In order to prepare for the successful implementation of the National Curriculum a number of activities has been undertaken, among them the work with school principals has started as the Structural Reform Support Programme project “Strengthening the Role of the School Leader in Implementing the Updated Curriculum”, implemented with the support of the European Commission and the British Council. Other activities include planning teacher training activities and consultations with municipality education departments and regional teacher training centres. In order to educate children, from the beginning of education in pre-school institutions, using advanced methods, in 2019 the concepts of methodological material on how to include STEAM educational elements in pre-school and pre-primary education were prepared for educators. In 2020, a set of methodological tools will be developed for the education of children of pre-school age (from birth to 6 years) and pre-primary education age (for children from 5 to 7 years), and in 2021 the putting the recommendations into practice will begin. Furthermore, the system of measurement of achievements of students, which was launched in 2019 and is being further developed in 2020, which is focused on people with different educational needs and will better meet the learning needs, is expected to be contributing to the improvement of achievements.

64. In creating a safe school for everyone, educational, social and healthcare services, including psychological assistance to children and parents, are provided in a coordinated manner in all municipalities of the Republic of Lithuania. In 2018 through 2019, 100 additional positions of a psychologist were established in 35 municipal schools. In 2019, there were 270 such cases when a

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<sup>3</sup>The international research of fifteen-year-olds, Programme for International Student Assessment (PISA), is being carried out by the Organization for Economic Co-operation and Development (OECD) and the ministries of education of the countries.

child and his/her family were provided with coordinated educational assistance, social and healthcare services. In 2020, it is planned to establish another 75 positions of a psychologist in schools and 20 positions of a psychologist in municipal pedagogical psychological offices and educational support offices. Violence prevention, bullying prevention and other prevention programmes are also being implemented in schools, and the number of schools implementing them is increasing: in 2016, 54% of schools have implemented at least one programme, 72% in 2017 and 85% in 2018. In implementing the education structural reform project “Safe School for Everyone”, the development of implementation of prevention programmes continued in 2019: as of yet, the programmes have been implemented in a total of 1,058 general education schools and vocational education institutions as well as in 432 pre-school education institutions implementing pre-primary curricula. In 2020, the final stage of the programme development will take place, the programmes will be implemented in 1181 general education schools and vocational education institutions and 522 pre-school education institutions implementing pre-primary curricula.

65. In 2020, the diversity, accessibility and quality of non-formal education for children will be further enhanced. In 2019, more than three-fifths of students were taking advantage of opportunities for non-formal education for children at school or elsewhere, and their number increased by about 3 percentage points over the year (55% in 2017, 59.7% in 2018, 62.6% in 2019). Ensuring the development of children non-formal education curricula (priorities – STEAM programmes and programmes in those fields that are absent from the municipality or there are relatively few of them) and mitigating educational disparities in the regions, priority is given to receiving funding for non-formal education of disadvantaged children (those with special educational needs and recipients of social support)<sup>4</sup>. In 2020, municipalities will be consulted on the improvement of non-formal education funding models for children. In 2019, financing agreements were signed with partners – Alytus College, Marijampolė College, Šiauliai University, Panevėžys city municipality and Panevėžys Education Centre, Tauragė district municipality and Tauragė Teacher and Student Support Centre, Telšiai district municipality and Telšiai Education Centre, Utena district municipality and Utena Education Centre – on the establishment of 7 regional STEAM open access centres. Financing agreements have also been signed with Vilnius and Klaipėda universities regarding the establishment of STEAM methodological centres. STEAM centres will start operating in 2022. Implementing the EU-funded projects for the modernization of state and non-state non-formal children's education spaces, in 2019 through 2020 it is planned to: renovate 65 non-formal education institutions or non-state non-formal education spaces (29 of them have already been renovated); to renovate 36

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<sup>4</sup>Order of the Minister of Education and Science of the Republic of Lithuania of 12 September 2018 No. V-758 “On the approval of the Description of the Procedure for Allocation and Use of Funds for Non-Formal Education of Children”.

educational spaces in state and non-state schools of general education (1 of them has already been renovated).

66. In 2020, the transformation of education and science funding will continue. In 2020, the reform of remuneration for the teachers' work was completed. The full-time teacher pay was introduced in two stages: from 1 September 2018 and from 1 September 2019, adding 3 additional paid non-contact hours (6 hours in total) to form a teaching post with a workload rate of 36 hours per week. Legal acts on remuneration for the teachers' work have been amended accordingly and are being improved to better meet the needs of the educational community. From 1 September 2019, full-time teacher pay is implemented in full. A total amount of EUR 95 million of the state budget was allocated for that in 2020. It was planned that the wages of teachers who had done 30 hours of pedagogical work per week before the reform would increase by 20% upon formation of a post, and the average teacher's wage would increase to EUR 1,000. The teachers' wages exceeded the planned growth: According to the data of the Statistics Lithuania, the teachers' net AMW in the 3rd quarter of 2019 was EUR 928 (gross EUR 1480.6); in the 3rd quarter of 2018 net AMW was EUR 739.1 (*gross* AMW – EUR 951.9); increase in the net AMW was EUR 188.9 or 25.6% (*gross* AMW – EUR 528.7, or 55.5%, but the gross AMW increased due to the tax reform of 1 January 2018, therefore the situation is better reflected by the net AMW).

67. In order to improve the working conditions of teachers, it is planned to increase the teachers' wages in 2020. It is planned that the official wage of teachers (of general education, non-formal education and vocational education) from 1 September 2020 will be 10% higher on average than in 2019, and the official wage of pre-school and pre-primary teachers from 1 September 2020 will become equal to the wage of teachers of general education and will be more than 30% higher than in 2019. In addition, from 1 January 2020, the ranges of the teachers' wage coefficients have been abolished, and the highest coefficient differs from the lowest by 40.5% (the coefficient (in basic amounts) of a teacher expert with more than 25 years of pedagogical work experience is 9.02, and the coefficient of a teacher who has not been awarded a qualification category and whose work experience is up to 2 years is 6.42).

68. The structural reform of the education and research system, being carried out from 2018, is aimed at creating favourable working conditions for teachers and researchers, ensuring stable growth of their wages. This is done gradually, by increasing wages in stages: in 2018, the wages of teachers and researchers were increased by an average of 20% (allocation of EUR 23 million) and in 2019 – by another 16% (additional allocation of EUR 23.1 million). Wage growth will continue in 2020 as well. It is planned that from 1 September 2020 the wages of teachers, researchers and other science workers will be 10% higher on average compared to the ones set in 2019 (additional allocation of

EUR 4.6 million). The general average increase of wages of teachers and researchers over three years (compared to 2017) will be about 50%.

69. In order to increase the attractiveness of a researcher's career, from 1 January 2019 support for doctoral students was increased by 83%.

70. In order to reorganize the basic funding of studies, a draft amendment to the Law on Higher Education and Research Science of the Republic of Lithuania was submitted to the Seimas, according to which it is planned to develop opportunities to acquire state-funded higher education qualifications (bachelor's degree), to establish funding of state higher education institutions, which is intended to promote the progress of activities, to reorganize the allocation of funds for financing of studies, providing for the permissible limit of “drop-out” of students, when the financing would not be reduced. Upon approval of these changes, the individuals would have improved access to state-funded studies, during the study period efforts would be focused not on maintaining the number of students, but on improving the quality of studies, leaving no incentives to distort the internal quality assurance systems of higher education institutions, a more stable funding of studies would bring additional motivation to improve the quality of studies and strengthen scientific excellence. It is expected that improved access to state-funded studies will be implemented already in 2020. It is planned that the number of admissions to state-funded slots will increase by 20% in 2020. Implementation of other changes in the financing of studies, if approved by the Seimas, would begin in 2021.

71. The optimization of the networks of state universities and vocational education institutions is being carried out. In 2019, Lithuanian University of Educational Sciences and Aleksandras Stulginskis University were reorganized by merger with Vytautas Magnus University. In 2020, preparations are underway to reorganize Šiauliai University by merging it with Vilnius University. By optimizing the network of vocational schools, institutions of a similar profile are merged, and cooperation between vocational education and general education is encouraged. In 2019, 6 mergers of vocational education institutions were implemented. In 2020, a plan for the reorganization of the network of vocational schools will be prepared, as well as the merger of 4 vocational education institutions and their other reorganization is planned. This will ensure a more rational use of funds allocated for vocational education. Curricula will be specialized and duplicate ones will be abolished to ensure high quality education.

72. The aim is to create effective conditions and incentives for lifelong learning. In 2017–2018, the situation with lifelong learning improved slightly (5.9% in 2017, 6.6% in 2018), but if compared to the EU average, the situation remained almost unchanged: in 2018, as in 2017, on average almost twice as many people aged 25–64 have been studying in the EU as in the Republic of Lithuania. An initial draft model for a modernized adult education system has been developed to promote lifelong learning. The aim is that the newly developed system would enable each person to

receive a learning proposal according to his or her specific situation in the labour market, as well as reflecting other specific needs – based on the “individual learning accounts” model. In 2020, the structure of the system will be prepared and decisions related to its implementation will be made. It is planned that the system will become operational in 2023. Furthermore, in 2020, a project financed by the EU Structural Funds will be launched, which will promote the involvement of municipalities in the activities of developing, coordinating and financing the adult education system. The project will benefit those municipalities that will themselves contribute to the development of the adult education system and allocate funds for the implementation of non-formal adult education programmes in the municipal government. At the same time, it is planned to strengthen the capacity of municipalities to plan adult education activities in a targeted manner: to implement a study of municipal learning needs, on the basis of which municipalities will update their adult education plans and launch targeted adult education programmes focused on regional needs.

## **SECTION TWO**

### **HEALTHCARE STRUCTURAL REFORM**

73. During the implementation of the Primary Outpatient Healthcare Services Development and Patient Registration System Restructuring Project of the Healthcare System Structural Reform, in 2018–2019 the composition of the family doctor's team was expanded – it was supplemented with the positions of nurse assistant, social worker, lifestyle specialist, physiotherapist. According to the data of the State Health Insurance Fund, in 2019, 5% of patients waited less for admission to the family doctor or his/her team for planned assistance: in 2019, 79% of patients were admitted to the family doctor within 7 calendar days, whereas in 2018 there were 73% of such patients.

74. In order to improve the availability of primary outpatient personal healthcare services, the competencies of nurses were expanded in 2019: they were allowed to independently consult patients according to their competence. With the change in the procedure of organization of immunoprophylaxis, not only doctors but also nurses and midwives are able to prescribe and administer vaccines themselves. The patient health assessment questionnaires for evaluation of possible vaccination contraindications were prepared and approved.

75. The Republic of Lithuania is in need of systematic measures that would help not only to attract healthcare professionals to peripheral regions, but also to create preconditions to ensure meeting of long-term needs, therefore in 2019 after redistribution of the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 from other areas, the development and implementation of the tiered competency model is financed, that would ensure a constant flow



of resident doctors to the regions and equal access to the necessary healthcare services for the residents of the regions and other target groups.

76. In order to reduce the administrative burden on the family doctors, from 1 September 2019 onwards, a certificate issued to educational institutions regarding the school, pre-school, pre-primary education institution days missed is no longer required. With the revocation of this certificate, the number of visits to family doctors by children aged 3-17 from September 2019 to December 2019, compared to the same period in 2018, decreased by 35%. Following the mandatory annual preventive health examination of a student, a hard copy of the child's health certificate is no longer required – from 1 May 2020 onwards, it will be completed electronically. From 1 January 2019, persons who need a repeat visit to a professional in order to determine disability and special needs may apply to professionals directly – without referral from a family doctor.

77. In 2019, the implementation of the model for the provision of remote healthcare services (patient-family doctor and of the remote visit family doctor-doctor specialist being developed) continued. In 2019, ophthalmology telemedicine services were legitimised.

78. As the Republic of Lithuania is unable to ensure equal access to emergency medical care for residents of districts and regions and cities, in 2019 it was agreed to redistribute the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 from other areas directing them to the development of telemedicine services. Upon creation of telemedicine services, the availability and quality of consultations and specialized healthcare services provided by highly qualified professionals (at the level of university and state hospitals) will be improved for the residents of district municipalities and the gap between large cities and district municipalities will be reduced accordingly. The proposed changes will also contribute to achieving the goal of Europe 2020 flagship initiative “European platform against Poverty” to improve access to healthcare services.

79. The development of digital healthcare continues – all PHCIs are connected to the central e-health system. The PHCIs are able to connect to the e-health system (hereinafter – ESPBI IS) and use the ESPBI IS data exchange subsystem or the portal [www.esveikata.lt](http://www.esveikata.lt) free of charge. ESPBI IS is serviced by 100% insured patients who are enrolled in institutions with which the Territorial Health Insurance Funds have concluded contracts. According to the data of December 2019, 96% of all reimbursable prescriptions of medications, 93% of inpatient epicrises, 31% of referrals, 63% of outpatient descriptions, 93% of medical certificates of the driver's medical examination, 100% child's birth certificates and medical death certificates are issued electronically.

80. In 2019, the integration of the Advance Patient Registration Information System (hereinafter – IPR IS) with the ESPBI IS was developed and the integration interfaces of the IPR IS with the PHCI IS were prepared. It is planned that all PHCIs of the Lithuanian National Health System (hereinafter

– LNHS) will connect to the IPR IS in the period of 2020–2021. Thus, all PHCIs will be able to declare the time of visits to doctors online.

81. The number of active treatment beds in the Republic of Lithuania remains high: according to the data of 2017, there were 547.2 active treatment (excluding psychiatric) beds per 100 thousand people. The EU27 average is 296.05 beds per 100 thousand people. In 2019, a project of the Healthcare Structural Reform Programme “Infrastructure Transformation and Adaptation to the Needs of the Population, Creation of Efficiency Incentives” was launched to develop a new hospital network restructuring model. The project is funded by the European Commission's Structural Reform Support Programme. The project envisages the implementation of pilot models for the consolidation of active treatment hospitals in 2-3 selected regions. The project will run until June 2021. After summarizing the results of the project, decisions will be made on the continuity of the project at the national level.

82. Continuing in implementation of commitments on consistent and sustainable increase of wages of medical personnel (the average wage (gross) of doctors working in PHCIs of the LNHS (the Lithuanian National Health System regulated by the Law on the Health System) would be at least EUR 3250 and for nurses – EUR 1625, in the beginning of the second half year of 2020), assumed in collective negotiations that took place on 13 December 2017, and the tax reform, EUR 41 million were allocated in 2019 for increase of the wage funds of PHCIs being part of the LNHS of the Republic of Lithuania, starting from 1 September 2019. This created an additional impetus for the increase of average wage of doctors and nurses by 13% in 2019 compared to the data of 2018. In 2020, it is planned to allocate additional funds for increasing wages of medical personnel.

83. In October 2019, an application was submitted under the European Commission's Structural Reform Support Programme for expert assistance in developing a System for Monitoring the Quality Indicators of Healthcare Institutions. This tool is designed to take evidence-based public policy decisions in the health sector and to monitor progress towards the raised goals of the structural reform of the healthcare system.

84. In order to reduce premature or avoidable mortality from cardiovascular diseases, the strategic project “Infrastructure Transformation and Adaptation to the Needs of the Population, Creation of Efficiency Incentives” was supplemented in 2019 with activities aimed at improving the system of provision of integrated healthcare services. In 2019, preconditions were created for modernization of the network and infrastructure of admission and emergency departments, by distributing patient flows rationally, increasing the amount of procedures and monitoring services provided therein, and introducing new and efficient emergency medical services.

85. In 2020, it is planned to reorganize the organization of emergency medical service (hereinafter – EMS) in order to increase the accessibility and efficiency of EMS service, changing

the principles of their work organization (decoupling their service areas from boundaries of municipalities and transferring EMS to regions along with the regional management reform, leading to a more rational use of resources).

86. From 1 January 2020, a stroke cluster of a new organizational model was launched, the stroke cluster service quality indicators were approved, and a project of modification of the cluster for acute myocardial infarction with severe myocardial injury was drafted.

87. From 1 January 2020, with the entry into force of the new provisions of the Law on the Rights of Patients and Compensation for the Damage to Their Health, the so-called strict liability model was introduced, which will ensure that patients would be able to receive compensation faster and easier if their health has been harmed.

88. Implementing the activities of the Healthcare System Structural Reform project “Development of Measures to Reduce the Cost of Medicines”: after adopting changes in the Procedure for Calculating Basic Prices of Medicines and Patient Premiums Co-payments for Them and increasing the reimbursement percentages of medicines included in the List of Diseases and Reimbursable Medicinal Products for Treating Them, the average co-payment per prescription in December 2019, compared to June 2017, decreased by EUR 3.2. The total amount of patient co-payments paid for medicines and medical aids in 2018 decreased from EUR 55 million to EUR 40 million (by about 27% or EUR 15 million), and in 2019 this amount decreased by as much as EUR 16.8 million (compared to the same period in 2018). Patient co-payments are expected to decline in 2020 due to amendment to the articles of the Law on Health Insurance of the Republic of Lithuania, of 17 October 2019, which will enter into force on 1 July 2020. This law provides for the acquisition of reimbursable medicines and reimbursable medical aids for low-income earners and persons aged 75 and over without paying the patient co-payment.<sup>89</sup> The implementation of the project “Development of Nursing Services by Implementing a Long-Term Care Model” aims to expand outpatient nursing services provided at the patient’s home, to introduce innovative mobile nursing services and integrated long-term care services. In 2019, in cooperation with the Ministry of Social Security and Labour of the Republic of Lithuania, the concept of integrated long-term care (social care and nursing services) was prepared. In 2019, a decision was made to supplement the strategic project with the activities required for the development of a sustainable long-term care model combining the fields of healthcare and social security, as well as its financing mechanism.

90. In the course of implementation of the Healthcare System Structural Reform project “Creating New Healthy Lifestyle Incentives and Strengthening Prevention” an Action Plan for the Implementation of the Policy Guidelines for the Precautions and Strengthening of Health for 2020-2022 was approved, which sets out specific measures for promotion of a healthy, balanced diet, physical activity, improvement of mental health and the strengthening of psychological well-being,

development of health assessment, creation and maintenance of a safe, ecological environment, promotion of scientific and educational activities, sustainable financing of the health improvement system and effective coordination of the health improvement system.

91. In order to take care of healthy nutrition of children and promote children's physical activity, recommendations on introduction of the buffet breakfast in educational institutions, intended for professionals of municipal public health offices, have been prepared and published on the website of the Ministry of Health of the Republic of Lithuania; technological cards of sample meal recipes have been prepared for organizing catering for children by educational institutions; establishing criteria for recognizing schools as being "health-promoting" and "active"; a unified determination of students' physical capacity has been established, which is intended to help to timely identify the risks to the child's physical health and to individualize the process of his physical education and physical activity. The determination of physical capacity under this procedure is exercised from February 2020.

92. Healthy nutrition education procedures have been put in place for districts with health inequalities in order to improve the knowledge of healthy nutrition among the population of relevant target groups. Clear rules have been set for the organization of nutrition for suppliers of food for hospitals, based on the latest research in the field of healthy nutrition, recommendations of the European Commission and the World Health Organization, quality requirements for foodstuffs, permissible quantities of sugar, salt and dietary fibre in foodstuffs supplied for catering of patients have been set. A list of foodstuffs non-recommended for supply was prepared as well.

93. In 2020, the EU-funded project "Improving the Quality and Accessibility of Healthcare Services in the Field of Oncological Diseases" will be continued, which is aimed at the development of the requirements for three screening programmes to help primary and secondary level healthcare professionals provide the patients with quality services which are mandated under the programmes. In order to increase the number of persons participating in the screening programmes, it is planned to create the infrastructure of the Regional Coordination Centres for the Screening programmes and to create and implement an information system, adapted to the coordination of the screening programmes, with the appropriate data set needed for operation.

94. By resolution of 17 October 2019 No. XIII-2493 "On the amendment of resolution of the Seimas of the Republic of Lithuania of 26 June 2014 No. XII-964 "On the amendment of the Lithuanian Health Strategy for 2014–2025" the Seimas of the Republic of Lithuania approved the updated Lithuanian Health Strategy for 2014–2025. The strategy was complemented by provisions on enhancing psycho-emotional health and suicide prevention. It is planned to increase the availability of psychological and psychiatric assistance services, to expand the implementation of preventive measures of psychological assistance and reduction of suicide risk factors, intended for persons suffering from serious illnesses.

95. In 2019, grants (amounting to EUR 2.5 million) were allocated to municipal public health offices to organize the provision of addiction counselling services to persons suffering of harmful alcohol consumption; for carrying out activities of early intervention programmes for children and young people using psychoactive substances; to organize activities aimed at increasing the capacities of employees (in schools and teams of workers in enterprises) in the field of mental health.

96. In 2019, the Description of the Procedure for the Provision of Psychotherapy Services was approved, which expanded the circle of professionals who are permitted to apply the method of psychotherapy and increased the number of psychotherapy consultations paid from the Compulsory Health Insurance Fund.

97. In 2019, legal preconditions were created for institutions to provide in-patient psychiatric day hospital services for children and adolescents. A new service has been introduced – psychosocial rehabilitation for children and adolescents, which will be provided by a team of professionals: a child and adolescent psychiatrist, a medical psychologist, a social worker, a mental health nurse and, if necessary, a psychotherapist, an occupational therapist, a physiotherapist, an art therapist.

98. In 2019, the Action Plan for Assistance to Children Diagnosed with Autism or Other Developmental Disorders for 2019–2020 was approved, which will develop comprehensive and integral healthcare, social assistance and education for children diagnosed with autism or other developmental disorders.

99. In order to improve the availability of assistance to persons at risk of suicide, training of specialists (“gatekeepers”) was organized, aimed at recognition of the risk of suicide and development of the necessary skills in providing assistance. In 2019, more than 9 thousand individuals were trained to recognize the risk of suicide, to be able to ask questions and refer for help, 2,677 individuals were trained to recognize the risk of suicide and to provide primary emotional assistance (helpers). By the end of 2021, it is planned to have 16 thousand individuals and 4,000 helpers trained to recognize the risk of suicide, to be able to ask questions and to refer for help.

100. Taking into account the fact that due to the prevailing opinion the people usually search for information on mental health on the Internet, the national website [www.tuesi.it](http://www.tuesi.it) is being developed, high-quality content focused on the needs of the target group was created and availability information on assistance has been ensured: relevant and reliable information on various mental health disorders, self-help measures, access to specialist care, and patients' rights will be provided and the proper attitudes towards mental health disorders will be formed in one place.

### **SECTION THREE**

#### **STRUCTURAL REFORM TO REDUCE THE SHADOW ECONOMY**

101. In recent years, a large number of measures have been implemented, due to which the scale of the shadow economy in the Republic of Lithuania has been constantly decreasing. According to various estimates, the size of the shadow economy measures between 13% of GDP and 26% of GDP. According to Professor F. Schneider of the University of Linz (Austria), the extent of the shadow economy in the republics of Lithuania, Latvia and Estonia is similar and in 2019 in the Republic of Lithuania it accounted for 21.9% of GDP (decreased by 1.9 percentage points compared to 2017). Illegal activities and do-it-yourself activities excluded, in 2019 the shadow economy in the Republic of Lithuania accounted for 14.6% of GDP – a decrease of 0.9 percentage points in two years.

102. The value added tax (VAT) gap indicator, which measures the difference between the theoretical VAT liability and the VAT revenue actually received, is also an important indicator of the scale of the shadow economy. According to the latest data of the EC, in 2017 the VAT gap in the Republic of Lithuania amounted to 25.3%. During the period of 2013–2017, both the theoretical VAT liability (19.5%) and VAT revenue (26.8%) increased, and the VAT gap decreased by 4.2 percentage points. In order to further reduce the shadow economy, it is necessary to create additional preconditions and conditions that would further strengthen the capacity of supervisors, inter-institutional cooperation and, at the same time, encourage voluntary tax payments. Against this background, a structural reform to reduce the shadow economy was initiated in 2018, which was consistently implemented in 2018–2019 and will be continued, being expanded with new activities starting from 2020. It should be noted that a large part of the work of this reform was carried out in 2018–2019, implementing the project measures for the creation of Shadow Economy Reduction Incentives and introduction of Tax Payment and Liability Assurance Measures approved by a protocol decision of the Strategic Project Portfolio Commission. Virtually all the expected results were achieved in 2019: the amendment to the Law on Tax Administration of the Republic of Lithuania came into effect, which provides for temporary exemption from sanctions by means of paying "forgotten" taxes, as well as the amendments to the Law on Personal Income Tax of the Republic of Lithuania, allowing residents to reduce their costs of housing repairs, car repairs or babysitting services, i.e. by legally purchasing services in the areas where the prevalence of the shadow economy is high. The State Tax Inspectorate under the Ministry of Finance has implemented an accounting service for small businesses (i.APS) in the intelligent tax administration information system (i.MAS), as well as the amendments to the cash register usage rules have entered into force. Furthermore, all the measures under the project for the introduction of Tax payment and Liability Enforcement Measures were implemented in 2019. Amendments to the Law on Tax Administration legalized the

institute of minimum criteria for a reliable taxpayer, failure to comply with which has negative consequences in the field of tax law and other fields, i.e. results in the loss of the right to participate in public procurement, loss of aid, longer tax limitation periods, difficulties in obtaining bank financing, as well as proportionate liability for breaches of tax law and a transparent mechanism for imposing fines were introduced. The introduction of reverse charge for VAT on electronic goods has also been introduced, the activities where there is the highest prevalence of shadow economy were removed from the List of Activities That Can Be Carried Out With a Business License and the option of applying a tax exemption on a part of non-profit entities' income from commercial activities was removed as well. In order to establish additional measures to combat tax evasion and avoidance and taking into account the results of recommendations of the EU and the Organization for Economic Cooperation and Development (hereinafter – OECD), the Law on Corporate Income Tax of the Republic of Lithuania lays down rules on taxation of transfer of assets and the rules for elimination of discrepancies between tax frameworks of countries.

103. The measures implemented in 2018 to improve the administration of taxes and social security contributions resulted in approximately EUR 181 million in revenue and EUR 221 million in 2019. The impact of measures to improve tax administration on revenue in 2020 is planned to amount to EUR 187 million. In 2020 through 2021, work will continue on the implementation of technical solutions to simplify the payment of taxes, of which the priority work is the virtual cash register service.

104. In accordance with the decision of the Government Strategic Projects Portfolio Commission, from 2020 onwards the shadow economy reduction reform will be managed at the programme level, by supplementing it with new projects: the project of implementation of the model of the Data Analysis and Competence Centre at the national level, aimed at selection of the optimum model of making use of the potential of the data on the national level, taking decisions on the implementation of this model and maximize the impact at national level on all manifestations of the shadow economy, using the available institutional and inter-institutional capacity for data analysis; a project for the implementation of the Vehicle Owners Accounting System, aimed at creation of a general vehicle owners accounting system; Builder ID information system development and modernization project, which aims to enable control authorities to identify legally employed natural persons, have access to the declared working hours, declared independent activities, declared objects, operating legal entities in the object remotely in real time, thereby reducing the shadow economy in the long run, streamlining the control of illegal, undeclared work, through general, secure and reliable centralized access to the IS controlled and managed by the state, which is linked to other state information resources.

## SECTION FOUR

### STRUCTURAL REFORM OF TAX REGULATION

105. Amendments to the tax legislation implementing the structural reform of tax regulation were adopted in 2018–2019:

105.1. In order to streamline the labour taxation system and bring more clarity to it by enabling employees to assess the tax burden on their income, from 1 January 2019, the payment of state social insurance contributions has been reorganized (the employer's social insurance contributions are transferred to the employee, leaving only the contributions for accidents at work and occupational diseases and unemployment insurance to the employer). In addition, from 2019, the total taxation of labour has been reduced by 1.55 percentage points, a gradual increase in the amount of non-taxable income was recorded (in 2019 through 2021), which led to a reduced tax burden for the lowest- and middle-income earners. In addition, the income threshold of 120 AMW has been applied since 2019, above which the state social insurance contributions are no longer paid, at the same time a higher personal income tax rate of 27% is applied to such income (from 2020, this rate has been increased to 32%). From 2020, the said limit has been reduced to 84 AMW, and from 2021, it will be reduced to 60 AMW.

105.2. In order to shift the tax burden from the labour force and expand the base of taxes less detrimental to economic growth, while at the same time contributing to the implementation of environmental and health goals, housing market regulation, amendments to the Law on Excise Duties were adopted, increasing the rates of excise duties on tobacco products, ethyl alcohol, unleaded petrol, gas oils and imposing excise duties on electronic cigarette liquid, as well as amendments to the Law on Real Property Tax, which expands the taxation of real property of natural persons (by reducing the allowance threshold applicable to non-commercial real property of natural persons).

106. Given that, in the implementation of the structural reform of tax regulation, the substantial changes in tax law were carried out in 2018 through 2019, in 2020 it is planned to continue the implementation of the changes adopted for the years 2019–2021, which include an increase in the allowance threshold, an increase in excise duty rates and changes in ceilings of social security contributions. Furthermore, in order to contribute to increasing of investment in human capital, additional tax incentives to promote lifelong learning are planned for 2020: it will be proposed to extend the personal income tax exemption to recover part of the income tax paid on expenses incurred on tuition or vocational training, regardless of the number of previous educations completed or qualifications acquired.



## CHAPTER FIVE

### STRUCTURAL REFORM OF PENSION SYSTEM

107. In the Republic of Lithuania, old-age pensioners receiving the lowest pensions are the most deprived – in 2018, the at-risk-of-poverty rate in the age group of 65 years and older was 37.7% and has increased by 4.3 percentage points compared to 2017. The increase was driven by an increase in the at-risk-of-poverty threshold due to higher labour income and a relatively lower increase in old-age pensions.

108. In addition, there is an increasing ratio of the elderly to the working age population in the country, which is indicative of poverty trends of future retirees (currently 3.5 employed persons are to support one senior person and the proportion will go down to 1.7 in 2050).

109. In order to avoid a general decrease in the level of income protection in old age, a structural reform of pension system was carried out, according to which, starting from 1 January 2019, transfers made by the State Social Insurance Fund Board under the Ministry of Social Security and Labour (hereinafter – Sodra) to private pension funds were abandoned, therefore the old-age pension to be paid by Sodra will not decrease for those accumulating a personal pension. During the reform, individuals had time until 1 July 2019 to decide whether they wanted to accumulate for retirement in the second pillar pension funds, at what tariffs and in which pension accumulation company they were willing to do that.

110. As of 31 December 2018, there were a total of 1,318,603 participants of the pension accumulation system. In 2019, 152,269 persons under the age of 40 were auto-enrolled to the second pillar pension funds of which 73,928 persons consented to take part in (by paying a contribution of 1.8% or 3%), i.e. 48.6% of the participants agreed to participate in the pension accumulation scheme. During 2019, 32,481 people concluded new contracts (a significant part of them were enrolled, but refused to accumulate pensions in the company assigned to them and concluded a contract with another company on their own initiative). There were a total of 106,409 new participants in 2019. In 2019, the participants who had been accumulating their pensions according the formula 2+0+0 (only the part of social insurance contribution transferred to the second pillar pension funds) were also enrolled in the pension scheme, of which:

110.1. 589,184 persons chose to contribute by paying 1.8%, making up 83.5% of the ones who had been involved under the 2+0+0 model;

110.2. 116,676 persons chose to contribute by paying 3%, making up 16.5% of the total number of the ones who had been involved under the 2+0+0 model.

111. Persons who withdrew from the accumulation of pensions in 2019: 61,628 (of which 3.4% withdrew due to the death of the participant, 22.3% after the conclusion of a pension benefit

agreement, 72.5% withdrew from participation and returned to Sodra and other reasons). The total number of participants in 2019 (including those who are not currently transferring contributions, for example, the unemployed) is 1,346,859.

112. In order to implement the life cycle strategy, the pension funds companies established 7 target group pension funds, the assets of which are invested in accordance with the life cycle investment strategy, and one asset preservation fund each. These pension funds started their activities on 1 January 2019 and the old pension funds were liquidated, resulting in the participants accumulating pensions in the second pillar pension funds as of the 1st half of 2019 being transferred either to the target group pension funds or the asset preservation fund, corresponding to their birth year.

113. It will be possible to withdraw the funds accumulated in the pension fund in several ways, depending on the accumulated amount. If the accrued pension assets are less than or equal to EUR 3,000 (from 1 July 2020 – EUR 5,000), a lump-sum pension benefit will be paid. This amount can be inherited. If the accrued pension assets are more than EUR 3,000 (from 1 July 2020 – EUR 5,000), but less than EUR 10,000, then periodic benefits will be paid. These benefits can be inherited. When the accumulated pension assets are equal to or more than EUR 10,000, and the person wants to withdraw the accumulated assets, a pension annuity must be purchased.

114. It is also envisaged that from 1 July 2020 Sodra becomes a centralized annuity payer. With a small market and correspondingly limited capacity for several market players to effectively manage longevity risk, pension annuities are relatively expensive. Due to centralised provision of the pension annuity service, pension annuities would become less expensive to the pension annuity payer due to economy of scale, a more efficient risk management, absence of a profit margin and lower administration costs for pension annuities.

## **SECTION SIX**

### **STRUCTURAL REFORM OF INNOVATION**

115. As part of the structural reform of innovation, restructuring of the formation and implementation of science, technology and innovation (hereinafter – STI) policy has begun. In 2018, the Seimas passed the Law on Technology and Innovation of the Republic of Lithuania and amendments to the Law on Higher Education and Research of the Republic of Lithuania, which established the structure of the technology and innovation system. The Ministry of the Economy and Innovation of the Republic of Lithuania has become responsible for the formation of technology and innovation policy. This will provide the Ministry of the Economy and Innovation with the means to attract more private sector investment and encourage companies to innovate more actively.

116. By resolution of the Government of the Republic of Lithuania of 15 April 2019 No. 343 “On the establishment of the Science, Technology and Innovation Council and approval of its Rules of Procedure”, the Science, Technology and Innovation Council (hereinafter – the STI Council) was established and its Rules of Procedure were approved. The STI Council is an advisory body to the Government on the matters of the state STI policy-making and strategic management. The STI Council will be generating insights, visions, plans in the field of STI, submitting proposals to the Government on setting priorities, directions and guidelines at the national level in the field of STI, coordinating the implementation of STI policy and strategic management of the STI system, integrating individual areas into the general STI state policy, etc. The STI Council is composed of the minister making the national technology and innovation policy, ministers of ministries of education, science and sports which have been vested with implementation of smart specialisation directions, and representatives of associated business and research structures.

117. In order to improve the functioning of the innovation ecosystem of the Republic of Lithuania, the work started on consolidating the fragmented implementation of STI policy was continued in 2019. In 2019, a study called “Development of a Model for Consolidating the Activities of Institutions Whose Functions Are Related to the Implementation of Science, Technology and Innovation Policy” was commissioned by the Ministry of the Economy and Innovation. The main goal of the consolidated agency is to ensure the availability of public investments and services to business clients.

118. In order to attract more investments in the field of STI, the Ministry of the Economy and Innovation, implementing the provisions of the Law on Technology and Innovation adopted in 2018, has plans to establish the Innovation Promotion Fund (hereinafter – the Fund) in 2021. The fund would ensure efficient financing of the R&D&I activities and contribute to their development. The fund would also make it much easier for businesses to access funding for bringing various innovative ideas to life. The fund's investments would be made through financial instruments, i.e. in the form of loans, issuance of guarantees and venture capital investments in innovative businesses. This would ensure a return of a considerable part of the fund's investments. The operation of the fund would also provide sustainable incentive funding for innovative activities, fundamental research and/or applied research and/or experimental development and/or innovation in times of economic hardship in the country and allow businesses to adapt to the use of the EU funding. Resolution of the Government of the Republic of Lithuania of 19 February 2020 No. 146 “On the approval of the draft Law on the Innovation Promotion Fund of the Republic of Lithuania and draft Law Amending Articles 14 and 21 of the Law on Technology and Innovation of the Republic of Lithuania No. XIII-1414 and submission thereof to the Seimas of the Republic of Lithuania” approved the draft law on the Innovation Promotion Fund of the Republic of Lithuania, which is planned to be submitted to the Seimas in 2020.

119. Based on the Interim Evaluation Report on the Smart Specialization, prepared in 2018 by the Ministry of the Economy and Innovation (before 31 December 2018 – the Ministry of the Economy of the Republic of Lithuania) and the Research and Higher Education Monitoring and Analysis Centre, resolution of the Government of the Republic of Lithuania of 24 July 2019 No. 760 “On the amendment of the Programme for the Implementation of Directions of Priority Research and Experimental (Social, Cultural) Development and Innovation Development (Smart Specialization) and Their Priorities” approved the updated Programme for the Implementation of Priority for Priority Research and Experimental Development and Innovation Development (Smart Specialization): 20 action plans were merged into one; out of 6 directions and 20 priorities, 7 priorities remained. This will ensure the sustainability and continuity of investment in the Smart Specialization priorities, allow for a more efficient project selection procedures by eliminating an overly detailed description of technologies, and reduce administrative burden. The monitoring and evaluation of the implementation of the Smart Specialization Strategy revealed differences between the priorities in terms of the use of support instruments, the ratio of submitted and successful applications, achieved results and other aspects, indicating that some priorities are more active and have a greater impact on socio-economic processes than others; with that in mind, a two-level Smart Specialization Programme is planned for the EU funding period 2021-2027.

## **CHAPTER V**

### **POLICY MEASURES TO ADDRESS THE MAJOR ECONOMIC CHALLENGES**

#### **SECTION ONE**

#### **LABOUR MARKET AND SOCIAL POLICY**

120. From 1 January 2020, the MMW increased from EUR 555 to EUR 607. About 156 thousand workers earn a MMW and less in the Republic of Lithuania. The minimum hourly wage, now at EUR 3.72, increased by 33 euro cents since 2019. The basic amount of the civil servants' wage (salary) paid to the employees of budgetary institutions increased from EUR 173 to EUR 176. The increase of the basic amount of the civil servants' wage will affect about 200 thousand public sector civil servants and employees.

121. On 1 September 2019, amendments to the Law on Social Enterprises of the Republic of Lithuania were adopted, which improved and clarified the legal regulation of social enterprises in order to ensure the efficiency and control of provision of state aid to social enterprises, create legal preconditions to encourage employers to employ persons who are unable to compete on the labour market on equal terms with others. The measures established by the law promote the employment in

social enterprises of persons with the most severe disabilities, at the same time establishing a requirement for social enterprises to allocate a part of their profits to the return of persons to the labour market, their social integration and reduction of social exclusion. The law came into force on 1 January 2020.

122. On 1 September 2019, amendments and supplements to the Law on Employment of the Republic of Lithuania have been adopted, which establish new labour market services for the disabled (employment with assistance: assistance with employment procedures; accompanying assistance after employment) in order to provide them with individual assistance in finding a job and/or remaining at the place of work.<sup>123</sup> By resolution of the Government of the Republic of Lithuania of 19 June 2019 No. 618 “On the approval of the Basic Family Services Package” the Basic Family Services Package was approved, which includes fourteen family strengthening services, which must be available to families in all municipalities starting from the year 2020.

124. From the month of September 2019, a family card system was launched for large families raising 3 or more children and for families caring for (nursing) a disabled person. The family card includes a wide range of goods and services that are available to the family card holders on more favourable and beneficial terms.

125. On 12 February 2019, a recast Republic of Lithuania Law on Support for the Acquisition or Rental of Housing was passed, under which starting from 1 September 2019, a new form of social housing fund development has been established, enabling municipalities to lease housings belonging to natural or legal persons for a period of at least 5 years, which would provide individuals and families entitled to lease social housing. In order to facilitate the use of support for the acquisition or rental of housing, the income levels, which determine whether individuals and families are entitled to social housing and support for the acquisition of housing, have been increased by 20%. Moreover, in order to create conditions for all persons and families who are not entitled to rental of social housing and who are unable to take advantage of the mortgage loan partially reimbursed by the state, to receive compensation for the part of the housing rent, to increase the amounts of assessed income determining the right to the said compensation by 60%. According to the data of 2018, 10,543 persons (families) were waiting for social housing.

126. In 2019, with the help of experts from the World Bank and the World Health Organization, implementation of a project "Improvement of Establishment of the Disability" was started by the Ministry of Social Security and Labour with the funds of the EC Structural Reform Support Programme. The experts completed an initial report assessing the current disability establishment system and providing recommendations. Preparations are also underway for a pilot project of the system of assessment of disability, which will be launched in July 2020 (unless the quarantine remains

in place). Until then, disability assessment trainings will be taking place. The project is expected to be completed in 2021.

127. In order to increase the availability of social services, in 2019 the infrastructure of social services in the community was further developed by establishing or modernizing nursing homes for the elderly, independent and group living homes, day care centres, and providing integrated assistance (nursing and social care) at a person's home. Comprehensive services for the family are provided in all municipalities.

128. In 2019, pilot projects for the provision of personal assistant services were being implemented, which in 2020 will cover almost all municipalities, except for Širvintos district and Neringa. Persons can apply for the services of a personal assistant if they are aged 16 or older, provided they have an established mild, moderate, severe disability level or an established level of working capacity of 55% or lower due to mobility, visual, hearing, visceral impairments or complex disabilities that completely or moderately limit their participation in the society and require assistance of others.

129. In 2018, the implementation of comprehensive services for pregnant women and women raising children under 3 years of age alone (a pilot service with an accommodation service) was started. By the end of 2019, 168 women, raising a total of 265 children in their families, had been provided this service.

130. The aim is to ensure a harmonious environment and conditions for every child (and a disabled child) to grow up in his or her own family, and for children left without parental care – to grow up in a foster family or adoptive family and receive assistance in the community. The goal is to have no institutional orphanages left by 31 December 2020 (by 31 December 2023, there should be no orphanages left for which the EU Structural Funds' investments were allocated under the measure “Development of Infrastructure of Inpatient Social Services” of the Operational Programme for Cohesion Policy Funding 2007-2013 or which were financed from the Norwegian Financial Mechanism and the European Economic Area Financial Mechanism for 2004-2009). It also aims to ensure that, from 2030 onwards, there would be no long-term social care for children with disabilities in social care homes for children with disabilities.

131. The new forms of child care in the community are being developed further: on-call caretakers are being trained, care centres are being established with the aim of mobilizing on-call guardians, guardians, adoptive parents and foster family members, providing assistance to them, organizing attracting and training of new on-call caretakers, guardians, adoptive parents. The aim is for care centre services to be continuous and preventive for admission to institutional care. At the end of 2019, there were 66 care centres and 24 mobile teams in the country. By the end of 2022, 85

community orphanages and 105 children's day care centres must be established – new or existing children's day care centres are being developed.

132. Starting from 2019, persons whose special needs have not been established may not be admitted to state social care institutions; alternative community services to institutional care are being developed in accordance with the restructuring plans of institutions and municipalities. By the end of 2019, investment projects of 4 regions (Kaunas, Telšiai, Tauragė and Marijampolė) had been prepared. In February 2020, investment projects of Vilnius and Šiauliai regions were prepared.

133. During the period of 2020–2022, the following services will be provided: employment with assistance, social workshops, protected housing and employment with assistance (starting from 2019, the service of a personal assistant is already provided in 43 municipalities).

134. By the end of 2020, it is planned to establish 16 more group living homes for adults with intellectual disabilities or mental disorders (currently 28 group living homes are in operation).

135. In December 2019, the Commission for the Development of Competences of Social Partners was established under the Tripartite Council of the Republic of Lithuania, the aim of which is to solve problems related to the strengthening of competences and capacities of social partners. Among other activities, this commission also plans to address issues related to the involvement of national partners and their participation in the European Semester process.

136. The Ministry of the Economy and Innovation actively supports the development of competencies and improvement of qualifications of employees of enterprises through the EU investment instruments. In the current programming period, by the year 2020, it is planned to allocate about EUR 84 million from the European Social Fund for improvement of the competence of employees of enterprises. The main directions that support the improvement of professional qualifications of employees of enterprises are: training of employees of foreign investors, development of sectoral competencies, improvement of employees' abilities to work with new technologies, apprenticeships and professional development in the workplace, professional development of employees of small and medium-sized enterprises (hereinafter – SMEs) through competency voucher system. By 31 December 2019, 43,067 persons have been trained under the measures to increase the competence of employees of enterprises. The implementation of these measures is to continue in 2020.

## **SECTION TWO**

### **PROMOTING PRODUCTIVITY GROWTH**

137. In 2018, compared to 2017, the value-added structure of the Republic of Lithuania did not change significantly, as well as no significant changes in the structure can be observed compared to

2010. It can be stated that the shares of construction, administrative and service activities have increased slightly, while the shares of electricity, gas steam supply, public administration and defence, and education activities have decreased.

138. In 2017, the real growth of labour productivity by 7.6% was recorded. Labour productivity has increased in most economic activities. However, in 2018, the real growth of labour productivity in the country was lower and amounted to mere 1.8%. This was influenced by the base effect, a sizeable jump in labour productivity growth in 2017. The highest growth of labour productivity of 17% was recorded in financial and insurance activities, and the highest drop of labour productivity of 21.6% was in the field of mining and quarrying activities. Despite larger one-off increases and decreases in labour productivity, there is a downward trend in labour productivity growth. A long-term 5-year average productivity growth in all the domestic activities and the manufacturing activity is similar to that of the year 2016, which is the lowest labour productivity growth after the global recession. The fastest long-term productivity growth among all activities in the country and among business-type activities is specific to transport and warehousing activities, whereas the largest slowdown among business-type activities was recorded in information and communication activities.

139. The growth of labour productivity is influenced by the specifics of activities. The wages of employees and prices of goods and services in the activities such as manufacturing, construction, wholesale and retail trade, transport and warehousing, accommodation and catering activities, information and communications, professional, scientific and technical activities depend on changes in supply and demand in the market. Labour productivity trends in business-type activities can be an important and more valuable indicator for assessing the outlook of the country's economic growth or progress than the labour productivity growth in the economy as a whole.

140. Manufacturing is of great importance for all activities of the country, where the growth trends of labour productivity are similar to the growth of labour productivity of all activities of the country. The productivity of the business-type group in 2018 grew faster than in all the activities of the country, and unit labour costs in manufacturing in 2009–2018 grew slower than in many other areas of activity. This is a positive growth risk. From 2014 to 2018, the quality of investment improved, especially of general investment – the share of technological investment increased from 41.8 to 48.8% (by 7 percentage points). The technological investment diffusion index shows a broad growth of labour productivity, but there is also a narrowing trend visible. Faster growth in technological investment is needed for higher productivity growth to dominate in the long run. It is likely that we are entering a phase of economic slowdown, especially if the external environment deteriorates. Trends in labour productivity and hours worked reflect the prospects for slower economic growth and a potential shortage of skilled workers and investment needed to increase the country's growth potential more tangibly.



141. In order to keep up with the ongoing industrial revolution, the Republic of Lithuania must encourage companies to develop new business models and invest in digital technologies. To this end, the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 were redistributed among the priorities – they were directed to promotion of productivity and competitiveness of enterprises.

### **Digital transformation**

142. In order to improve the quality of life of the population and increase the productivity of the activities of enterprises, various digital projects are being initiated and implemented in the Republic of Lithuania. These projects are being implemented in accordance with the goals and objectives set in the Information Society Development Programme for 2014–2020 “Digital Agenda of the Republic of Lithuania”, coordinated by the Ministry of the Economy and Innovation (hereinafter – the Lithuanian Digital Agenda), approved by resolution of the Government of the Republic of Lithuania of 12 March 2014 No. 244 “On the approval of the Information Society Development Programme for 2014–2020 “Digital Agenda of the Republic of Lithuania”. The strategic goal of the Digital Agenda of the Republic of Lithuania is to achieve that by 2020 at least 85% of the population of the Republic of Lithuania would be using the Internet, and 95% of the businesses would be using high-speed Internet. It should be noted that in 2019, 81% of the entire population aged 16-74 were using the Internet. 99% of the population aged 16–24 were using the Internet, as well as 40% of the population aged 65–74. The use of the Internet is also dependent on a place of residence, income, other socio-economic factors. 73% of the population aged 16–74 were using the Internet daily (compared to 68% in 2017) and 8% at least once a week, but not daily. The Internet has been mainly used for communication, search for information, and banking services.

143. The Digital Agenda for the Republic of Lithuania envisages goals that include improving digital skills of the population, creating and expanding public and administrative electronic services, fostering the Lithuanian language and culture in the digital space, opening up of the public sector's data, and developing a secure, reliable and interoperable infrastructure.

144. As the number of people using the Internet grows, so does the number of users of public and administrative electronic services. In 2019, 54.7% of the population of the Republic of Lithuania were using these services (the value in 2018 was 50.8%). The following services are the most popular among the population: the income tax return service was used by 31%, health-related services (search for information on the provision of services in different hospitals, registration with healthcare professionals) – by 23%, job-related services – by 15%, service related to personal documents (passports, identity cards, driving licenses) – by 13%, vehicle registration service – by 10%, birth

record, marriage certificate issuance service – by 9% of all the respondents. The top-rated services by the residents: declaration of the place of residence, reports/notices to the police, vehicle registration, identity documents, availability of public library catalogues and income tax return.

145. The Digital Agenda of the Republic of Lithuania is being implemented through the inter-institutional action plan approved by resolution of the Government of the Republic of Lithuania of 27 April 2015 No. 478 “On the approval of the inter-institutional action plan for the implementation of the Information Society Development Programme for 2014–2020 “Digital Agenda of the Republic of Lithuania”, which includes the main information society development tasks completed by various state institutions. Most of the work is done with the help of the EU investment instruments "Promotion of the Information Society".

146. Taking into account strong dynamics in the digital space and in order to empower the digital market of the Republic of Lithuania, in 2020 the Digital Transformation Programme of the Republic of Lithuania for 2021–2030 will be prepared, that will address new challenges such as the creation and development of innovative and user-friendly public digital services using artificial intelligence technology solutions; implementation and improvement of interoperable solutions in the public sector to improve access to technology for citizens and SMEs; promotion of the use of electronic identification tools and trust services for electronic transactions; putting into use of the shared infrastructure created during the consolidation of the state information resources infrastructure; opening up data from public authorities and encouragement to use this data to develop innovative solutions and digital services.

147. Putting into use of the artificial intelligence is one of the priority areas for action. Participation in international cooperation networks and investments in the field of artificial intelligence in the Republic of Lithuania are important in both the public and private sectors. By applying artificial intelligence technologies, it is expected to create digital solutions that would allow citizens and businesses to receive digital services by communicating in the state language (written and spoken), creating Lithuanian language-specific technological solutions based on artificial intelligence technologies, that take into account the peculiarities of Lithuanian grammar and lexical semantics.

148. The development of digital transformation solutions will aim to reduce citizens' need to turn to public administrations, for example by relying on (re)use of data and ensuring improved public digital access to services and information for all citizens and businesses. It is planned to reduce the administrative burden in the provision of digital public services and measures are being taken to increase the quality and technical availability of the data held by public authorities. To ensure the security and reliability of the use of public and administrative services, information security and privacy needs will be taken into account through a risk-based approach and state-of-the-art solutions.

To ensure openness and transparency in data processing, citizens and businesses will be better able to process their own personal data kept by public authorities.

### **Digital transformation of industry**

149. During the implementation of the strategic initiative of digitalisation of national industry, an analysis of the current industrial situation in the Republic of Lithuania was performed and recommendations were prepared, which envisage the direction of increasing the competitiveness of industry through digitalisation. The comparative analysis has shown that the Republic of Lithuania has advantages in terms of the share of production and the share of production workers among all categories of workers, but the areas of labour productivity and medium-high technological development sector are clearly lagging behind. Although wages are growing disproportionately faster than productivity, there is still much room for growth in this field. In addition, the percentage of labour costs in total production costs has not changed recently, which indicates that the Republic of Lithuania is investing too little in automation and robotics. Incentives are needed to increase the productivity of companies and the share of industry producing higher value-added products. To this end, at the beginning of 2019, the Lithuanian Industrial Digitalisation Roadmap for 2019–2030 was prepared, which identified the following challenges: the lack of qualified professionals and talents and a fragmented system of support for innovation. To address these challenges, 4 strategic directions have been proposed: investing in people, knowledge, infrastructure and the environment, combining public and private investment, and measures that should be implemented both in the short term and in the long term.

150. By joint order of the Minister of the Economy and Innovation, the Minister of Education, Science and Sports, the Minister of Social Security and Labour and the Minister of Finance of 11 May 2020 No. 4-297/V-696/A1-392/1K-135 “On the approval of the Lithuanian Industry Digitalisation Action Plan for 2020–2030”, the Lithuanian Industry Digitalisation Action Plan for 2020–2030 (hereinafter – the Action Plan) was approved, based on which the recommendations presented in the Lithuanian Industry Digitalisation Roadmap 2019–2030 will be implemented:

150.1. to promote introduction of digital technologies in the industry;

150.2. to advance the development of pilot production and digital technology demonstration infrastructure;

150.3. to support the development and integration of digital innovation hubs into national and international networks;

150.4. to enable integration of industries into international value chains;

150.5. to encourage the industries to adopt standards related to the digitalisation of industry;

150.6. to ensure continuous maintenance of the level of qualification of employees in the field of digitalisation;

150.7. to develop the concept and selection criteria for European digital innovation hubs.

151. The approved Action Plan will be integrated into the key strategic documents of the Republic of Lithuania currently being prepared.

152. The successful process of industrial transformation depends on the development of digital innovation hubs. A Digital Innovation Hub (hereinafter – DIH) is a tool to support the competitiveness of enterprises where the business or manufacturing processes, products and services are improved through digital technologies.

153. At the beginning of 2020, there were 14 DIHs (registered in the European DIH catalogue) in the Republic of Lithuania, active in various areas of the market – biotechnology, smart manufacturing, maritime economy, construction, transport, public administration, education, health and smart energy.

154. A new measure has been prepared, according to which the Ministry of the Economy and Innovation will allocate EUR 18.3 million for the development and strengthening of SICs by promoting their integration into international networks. The first call was announced in December 2019.

155. The Republic of Lithuania actively participates in the European DIH (hereinafter – EDIH) network development initiative envisaged in the Digital Europe Programme of the European Commission. The initiative is about helping companies integrate into European and global value chains through the digitalisation of industry in the Republic of Lithuania, join EDIH networks, have access to the latest European technologies and the opportunity to offer various digitalisation services and solutions. The EDIH selection criteria are currently being prepared, according to which the Republic of Lithuania will select and submit a list of candidates to the European Commission by September 2020.

156. In 2019, the project “Smart INOTECH for Industry” was approved for the coordinators of digital innovation hubs (for digitalisation of production processes of industrial enterprises). The aim of the project is to encourage industrial companies to implement R&D results in the field of smart specialization by digitizing production processes in order to scale-up production of high value-added products. The expected results of the project: 100 industrial companies that have developed and implemented innovations, 300 digitalisation innovation audits, 150 digitalisation recommendations.

157. The Ministry of the Economy and Innovation considers a far-reaching and fundamental technological and structural transformation of industry as a strategic task to be completed by 2050, which would not only down-scale the manufacturing of labour-intensive goods, expand industries applying global innovations and technologies, but would also allow the challenges of digitalisation

and the circular economy to be turned into opportunities as well as allow for convergence of productivity and wages with the EU average and the implementation of climate change targets in industry. In order to achieve these goals, keep up with global trends and take advantage of the opportunities of the new stage of industrial development, the Ministry of the Economy and Innovation prepared an application and was selected to participate in the pilot project "Regions in Industrial Transition" initiated by the European Commission. During the implementation of this project, the obstacles to the transformation of Lithuanian industry and the factors that hinder the modernization of industry were assessed. When assessing the results and the available potential, it was emphasized that the Republic of Lithuania lacks a systematic approach and political choices in several of the topics examined, therefore, taking into account the results received, the following projects were initiated:

157.1. Preparation for transition to low-carbon energy. In order to create favourable conditions for targeted business investments in new technologies by increasing the recovery of raw materials and using the opportunities provided by European programmes to promote extensive industrial modernization, the project "*Roadmap for Lithuania's Industrial Transition to a Circular Economy*" was prepared; funding for its implementation was received from the European Commission in January 2020, but due to the procedures carried out by the European Commission, the launch of the project has been delayed and its implementation is planned for 2021. The aim of the project is to examine the possibilities of transitional period for the industry based on the priorities of advanced specialization of the Republic of Lithuania, integration of directions of industrial transformation leading to a circular economy into the plans for economic development, competitiveness and productivity growth. This would pave the way for a wider distribution and uptake of innovation, by removing barriers to investment and/or financing and preparing for industrial and societal change through the transition to low-carbon technologies.

157.2. Inclusive growth. In 2019, the Ministry of the Economy and Innovation initiated and the Lithuanian Science Council allocated funding for the project "Industry 4.0 Challenges and solutions for the productivity, employment and integral growth". The implementation of the project is scheduled for the end of 2020. The aim of the project is to identify areas where Lithuania could successfully exploit its potential in the field of industrial digitalisation, identify shortcomings and provide recommendations (on improvement of the legal environment, development of skills of the workforce, development of industrial digitalisation in the regions) on how to address the issues of urban and district convergence and integrated development, make proposals on an effective public policy promoting the development of Industry 4.0 in the regions.

157.3. Integration into the strategic value chains of the European Union. In order to achieve a wide-reaching transformation of the industry of the Republic of Lithuania, when implementing

innovative technologies and in the event of market failure, the issue of mobilizing private investment and public finances becomes of paramount importance. Starting from the year 2018, the Ministry of the Economy and Innovation is taking part in the activities of projects of common European interest, initiated by the European Commission. In 2019, the European Commission has adopted nine strategic value chains in which Member States are able to use such projects for mobilization of financial resources, taking rapid action and connecting the right actors in all key value chains. Taking into account that the Republic of Lithuania does not have experience in financing large-scale innovation projects on a cross-border basis, the Ministry of the Economy and Innovation initiated and prepared, and in 2019 The European Commission has selected the organizers and in 2020 started to implement, the project “Roadmap for the Integration of Lithuanian Industry into European Value Chains”. The project is scheduled for completion in 2021. The aims of the project are to identify European value chains that are important for future prospects of companies of the Republic of Lithuania; to provide policy guidelines and public interventions suitable for the promotion of integration of the economy of the Republic of Lithuania into European value chains in 2020–2030; to define guidelines for the integration of companies of the Republic of Lithuania into European value chains in 2030–2050.

158. Focusing on the implementation of the New Industrial Strategy for Europe approved by the European Commission and striving for greater competitiveness and strategic independence of industry of the Republic of Lithuania related to reducing its dependence on third countries (key raw materials and technologies, food, infrastructure, security and other strategic areas), they focal point will be the key high-impact technologies, robotics, microelectronics, high-performance computing and data cloud computing infrastructure, blockchains, quantum technologies, photonics, industrial biotechnology, biomedicine, nanotechnology, pharmaceuticals, advanced materials and technologies.

### **Promotion of research, experimental development and innovation activities**

159. In order to encourage enterprises to invest in R&D activities required for the development of innovative products, services or processes, a new 2014–2020 EU investment instrument “Experiment” was created in mid-2019, for the implementation of which EUR 72.7 million have been allocated from the EU funds. It is estimated that the number of companies receiving grants under this measure will exceed 120 after the implementation of the projects; private investment equivalent to public support for innovation or R&D projects will amount to almost EUR 73 million; the number of certified products, in the field of R&D, of the companies that have received investments will exceed 30; the number of companies that have received investments in certified technologies in the field of R&D will reach 5, and so on.

160. In order to encourage the public sector contracting authorities to develop demand-oriented innovative products under the 2014–2020 EU Investment Instrument “Pre-commercial Procurement LT”, 13 contracts for EUR 7.35 million were signed. Application of this method of procurement addresses the public health, energy consumption, traffic safety and similar issues. In 2019, 2 lists of state projects were approved and 6 financing agreements were signed for EUR 5.25 million. Under this measure, 18 projects are currently being implemented with a total funding of EUR 12.2 million.

161. In order to encourage public sector cooperation in the field of application of new technologies, in 2018 the GovTech Forum was organized on the initiative of the Ministry of the Economy and Innovation, the "Create for Lithuania" programme and the Bank of Lithuania. The result of the GovTech Forum is the creation of the GovTech laboratory. This laboratory started operating in March 2019 as an initiative of the "Create for Lithuania" programme and the Ministry of the Economy and Innovation, and in December it officially started at the Science, Innovation and Technology Agency. In cooperation with the Bank of Lithuania, the Ignitis Group and PI Kaunas 2022, a pilot series of GovTech challenges was implemented in 2019. During this process, the start-ups proposed solutions to the challenges of the public sector. GovTech lab has won the “Innovation in Politics” award as the Best European Policy Innovation in the Field of Prosperity.

162. The international dimension is strengthened by encouraging the enterprises and higher education and research institutions of the Republic of Lithuania to participate in the Horizon 2020 programme. To this end, the Agency for Science, Innovation and Technology organized 7 trainings on various topics (application preparation, business planning, presentation of ideas, etc.) in 2019; 15 companies have provided international expert networking and consortium development services; carried out pre-reading of 33 applications; to help find international partners, paid for participation of 61 companies in 34 foreign events; provided funding to 10 companies that have prepared high-quality programme applications; provided funding to 4 higher education and institutions for the preparation of programme applications for receiving consulting services.

163. The implementation of the charter of the Plan of European Cooperating State (PECS) signed in 2015 between the Republic of Lithuania and the European Space Agency (hereinafter – ESA) is being completed. The Republic of Lithuania is thus nearing completion of the first stage, which is mandatory for obtaining membership in this organization:

163.1. In 2019, a feasibility study of the space sector of the Republic of Lithuania was prepared, which reveals that the Republic of Lithuania has the potential to develop the space sector in the following areas: life and physical sciences, optics and optoelectronics, materials and processes, radio frequency systems, payloads and technologies.

163.2. In the month of January of 2020, ESA published a report on the final plan, which assesses the completed stage of cooperation and provides recommendations to the Republic of Lithuania on

the further development of relations with ESA. The business also has potential in the areas of space systems software (especially using Earth observation data) and electrical, electromechanical and electric components and quality assurance.

163.3. Since 2015, the Republic of Lithuania has participated in five ESA PECS tenders, based on which a total of more than EUR 5.5 million have been allocated to 34 projects. In 2019, 15 applications were submitted to the competition, 9 business and research projects were declared as winning ones, to which a funding of nearly EUR 1.7 million in total was granted. Since 2016, 5 students from the Republic of Lithuania have completed an internship at ESA and 3 graduates have worked at ESA under the Young Interns Programme.

163.4. In order to strengthen the space sector of the Republic of Lithuania and help prepare for the membership of the Republic of Lithuania in ESA, in July 2019, the Lithuanian Space Bureau was established on the initiative of the Ministry of the Economy and Innovation and the Agency for Science, Innovation and Technology. Its main goal is to create and develop the space ecosystem of the Republic of Lithuania, based on the cooperation of innovative business, science and public sectors and integration into the international space community.

### **Development of the ecosystem of start-ups**

164. In 2019, the Ministry of the Economy and Innovation has paid special attention to the promotion of start-ups: at the end of 2019, the number of start-ups in the Republic of Lithuania registered in their database increased significantly, reaching a total of 940. They attracted more than EUR 171.4 million in investment, whereas Vinted start-up, having attracted the most investment in the Republic of Lithuania as of yet – as much as EUR 128 million – became the first unicorn (a company worth more than EUR 1 billion).

165. In the Law Amending Articles 2, 8 and 9 of the Law on Small and Medium-Sized Business Development of the Republic of Lithuania No. VIII-935, passed in the Seimas on 13 June 2019, the official definition of a start-up was established, which will allow the creation of exclusive support measures for the incorporators and employees of innovative enterprises in the future. Start-up means a micro or small enterprise with high and innovation-based business development potential, registered in the Register of Legal Entities for up to 5 years.

166. Amendments to the Law on Personal Income Tax, passed on 11 July 2019, introduced a more flexible regulation of options, establishing a tax relief for the company's employees. If an employee of the company exercises the option (receives or acquires shares) not earlier than after 3 years, neither personal income tax nor social insurance contributions will have to be paid. This incentive encourages start-ups to attract new highly skilled employees and retain the current ones.



167. From the 1st quarter of 2019, the fund managers of the financial instrument Acceleration Fund – 70 Ventures and Startup Wise Guys – launched acceleration activities (mentoring, expert advice, legal assistance, development of marketing strategy, etc.) and started investing in start-ups. In concert with the venture capital funds established by the initiative of the Ministry of the Economy and Innovation (Open Circle Capital, Iron Wolf Capital, Practica Capital and the Co-Investment Fund), which launched operations in 2018–2019, these funds contributed to the early stage of improving the investment environment for start-ups in the Republic of Lithuania and were pivotal in enabling more than 40 start-ups of the Republic of Lithuania to attract investments in the Republic of Lithuania in 2019 (in total, these funds invested about EUR 15 million in 2019).

168. In order to encourage early investment opportunities for start-ups in the Republic of Lithuania, in 2019 a tender for the purchase of a package of business angel acceleration and networking services took place, which was won by LITBAN, a network of business angels of the Republic of Lithuania. A training programme for business angels was implemented, at the end of which an actual investment was made in a start-up UAB Mark ID, 3 events were organized, in which start-ups looking for investments made presentations to business angels.

169. Moreover, an annual international start-up event “Startup Fair. Change 2019” took place in 2019. It was attended by 1,500 participants, 60 investors from 10 countries of the world, more than 300 business meetings took place. The desire to take part in the *Pitch Battle* during the event was expressed by more than 100 start-ups from 25 countries of the world, from which the best 44 start-ups fought for the name of the winner presenting themselves on stage and

170. Intensive work is being done to encourage foreign start-ups to relocate to the Republic of Lithuania (Startup Visa Lithuania Program): more efficient and two times shorter procedures of the Startup Visa Program have been established and this was achieved by approval of the description of the Assessment Procedure by amendment to order of the Minister of the Economy of the Republic of Lithuania of 26 January 2017 “On the approval of the description of the Assessment Procedure to determine whether the activities of the enterprise Intended to be established are related to the Implementation of new technologies or other innovations significant for the economic and social development of the Republic of Lithuania and whether the foreigner has the necessary qualification, financing and business plan for carrying out the said activities”, approved by order of the Minister of the Economy and Innovation of the Republic of Lithuania of 12 June 2019 No. 4-362. 8 presentations of the Startup Visa Program were organized, a record number of received Startup Visa applications were approved in 2019 – as many as 71 (out of 274 applications received) and 21 start-ups were established (during the entire period of implementation of the Startup Visa Program (i.e. from 2017) 40 companies that have received a start-up visa certificate were incorporated in the Republic of Lithuania).

171. After signing an inter-institutional cooperation agreement between the Ministry of the Economy and Innovation, the Ministry of the Interior of the Republic of Lithuania and the Migration Department under the Ministry of the Interior on 29 April 2019, the Startup Employee Visa procedure was created to promote attracting, retaining and integrating foreign talents in the Republic of Lithuania. The procedure ensures the provision of services to highly qualified professionals from foreign countries, required by the start-ups of the Republic of Lithuania, a in a priority order – within the shortest possible term, on the basis of one-stop shops.

172. In 2019, an international conference Fintech Inn was successfully organized in the course of a financial technology innovation popularization and promotion project FinTech Lt (it was attended by 3,000 participants from 68 countries of the world, more than 2,200 business meetings took place) under the 2014-2020 EU investment measure Inogeb LT; the Fintech ecosystem of the Republic of Lithuania was presented at 8 international events that took place abroad and 4 events that took place in the Republic of Lithuania; 7 commissioned articles were published abroad and in the Republic of Lithuania, as well as 2 visual publications.

173. Startup Lithuania, a facilitator of the start-up ecosystem of the Republic of Lithuania, has provided individual consultations to early-stage start-up developers and persons wishing to create start-ups (93 consultations in total), as well as has provided consultations to foreign start-ups (more than 220 consultations) interested in relocating to the Republic of Lithuania.

174. An agreement was signed between the Ministry of the Economy and Innovation and the European Organization for Nuclear Research (CERN) on 4 July 2019, on the basis of which two business incubators were established in the Republic of Lithuania – in Vilnius and Kaunas, supporting innovative start-ups by providing them with CERN technical - consultative assistance, access to the CERN brand and facilitating acquisition of licenses to CERN technology.

175. In order to promote the development of the start-up ecosystem, in 2020 it is planned to implement the activities of promoting the creation of new start-ups, raising their competences, creating a favourable business environment for start-ups:

175.1. In order to remain competitive in attracting start-ups from third countries, it is planned to further improve migration procedures in 2020. It is planned to analyse the possibilities of creating a special package of services for the relocating start-ups (providing a workplace, legal consultations, etc.);

175.2. In order to ensure the development of competencies of early-stage start-ups, in the 2nd quarter of 2020, it is planned to create (acquire) an electronic pre-acceleration programme, to actively attract potential and early-stage start-ups to participate in the programme and to encourage them to complete the programme successfully. It is planned to establish a partnership with the participants of

the start-up ecosystem, the organizers of hackathons in order to attract potential start-up developers, participating in their activities, to take part in the pre-acceleration programme;

175.3. Early investment promotion – provision of business angel acceleration and networking services;

175.4. In 2020, the implementation of the financial technology innovation promotion project FinTech Lt under the of the EU investment instrument Inogeb LT for 2014–2020 will be completed (a budget of EUR 1.962 million). The aim of the project is to promote FINTECH innovations by providing specialized innovation consulting and support services to FINTECH companies, and to establish 20 new start-ups operating in the field of FINTECH. In total, in 2019 there were more than 200 FINTECH companies operating in the Republic of Lithuania (there were about 170 of them in 2018 and 117 in 2016).

### **Improving the business environment**

176. According to the results of a business survey on the EU single market<sup>5</sup> barriers, carried out in the 4th quarter of 2019 of the Republic of Lithuania, as much as 61% of the companies of the Republic of Lithuania intending to provide services or sell goods in other EU Member States face difficulties in those countries. The following obstacles get mentioned most often: problems of product recognition, local language requirements, unclear authorization procedures, stricter or different legal regulation applied in the Republic of Lithuania, lack of access to electronic services.

177. According to the World Bank's Doing Business 2020 survey assessing business conditions, the Republic of Lithuania ranks 11th among the 190 world's countries assessed. This is the highest position achieved since the publication of this ranking. Among all 28 EU Member States, the Republic of Lithuania ranks as high as 4th.

178. By the starting business indicator (34th place), the overall assessment of the Republic of Lithuania in points has slightly improved due to the growth of income (per capita) as the amount of the authorized capital, expressed as a percentage on per capita income, has decreased. Resolution of the Government of 27 February 2019 No. 205 "On amendment of resolution of the Government of the Republic of Lithuania of 12 November 2003 No. 1407 "On approval of the regulations of the Register of Legal Entities"", abolishing the mandatory reservation of the name of a company when establishing a legal entity, entered into force on 1 January 2020. In 2021, it is planned to modernize the tools of the electronic service for registration of legal entities.

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<sup>5</sup>Results of the business survey on barriers in the EU single market:  
<http://eimin.lrv.lt/uploads/eimin/documents/files/Survey%20on%20barriers%20in%20SM.pdf>

179. By the connection to the electricity networks, the Republic of Lithuania rose by 11 positions up to 15th place due to the following changes:

179.1. reduced administrative burden. One procedure was eliminated – the requirement for private investors (voltage of whose electrical equipment is less than 1,000 V) to obtain a certificate of completion from the State Energy Regulatory Authority to complete the installation of internal electricity networks was abolished;

179.2. the time period for connection to the electricity grid has been shortened due to the One-click story project implemented by the energy distribution operator, where private investors can submit their applications online, access the necessary documents, obtain technical conditions and sign the connection service agreement;

179.3. reduced costs of connection to the grid.

180. A positive change in the positions of the Republic of Lithuania in the category of obtaining credit (48th place) is expected in the Doing Business 2023 survey. In the perspective of next year, the ongoing reforms and regulatory changes will be assessed: amendments to the Civil Code of the Republic of Lithuania and related laws, passed on 19 December 2019, modernizing the process of registration of pledges in a public register. The new register of transactions and encumbrances will be operational from 1 January 2022.

181. The World Bank assessed the changes implemented by the Government in the field of small investor protection (37th place): the rise in this category was due to amendments to the Law on Companies of the Republic of Lithuania having entered into force on 1 July 2018, which have set mandatory requirements for listed companies concerning the independence of members of supervisory bodies: at least 1/3 of the members must be independent (unrelated to the company, controlling shareholder, etc.). The World Bank also welcomed the amendments to the Law on Companies, which introduced an institute of transactions with related parties.

182. For the third year in a row, the Republic of Lithuania maintains stable positions in the areas of taxation and foreign trade (18th and 19th places, respectively). On 1 January 2019, the merger of the employer's and employee's social security contributions came into effect, which was not assessed in the 2020 Doing Business study, therefore a positive change is expected in 2021. In the field of foreign trade, the Republic of Lithuania scored almost maximum possible assessment points (97.8 out of 100).

183. The Republic of Lithuania also occupies a high 7th position in the area of performance of contracts.

184. The assessment of the insolvency index of the Republic of Lithuania (in points) remains almost unchanged (89th place). This year's survey did not take into account the implemented

insolvency reform: on 13 June 2019, the Law on Insolvency of Legal Entities of the Republic of Lithuania was passed and entered into force on 1 January 2020.

### **Business supervision**

185. In 2019, an annual assessment of the progress of the institutions supervising the activities of economic entities (hereinafter – supervisory authorities) was performed, which allows to measure, by objective criteria, how a supervisory authority is implementing advanced business supervision measures and applying various modern practices in this area.

186. The progress assessment of 2019 covered 3 (out of 10) assessment categories: performance of consulting activities, application of the “Business Newcomer” status and the policy of minor violations of legal acts. The survey data show that the majority (36 out of 48 authorities assessed) of supervisory authorities have taken active steps to improve business supervision processes and tools. Authorities are increasingly looking for solutions to provide relevant information to entrepreneurs in more convenient ways of counselling, investing in improvement of the quality of counselling services.

187. The assessment of 2019 showed positive tendencies of change in the area of improvement of the counselling process and introduction of modern counselling tools.

188. Annual business surveys also show positive assessments of the supervisory authorities' performance. Over the last 4 years, the indicators of satisfaction of economic entities with the activities performed by business supervisory authorities have been increasing: the positive (very good and good) assessment has increased from 69% in 2016 up to 77% in 2019.

189. In 2019, the development of the Information System of Supervisory Authorities (PAIIS) was continued, which will enable convenient and expeditious receipt and provision of data required by supervisory authorities in the course of supervision processes of economic entities (technical specifications are being prepared, public procurements are being carried out).

190. In 2019, greatest focus was on the development of competencies of professionals of supervisory authorities. Three specialized training (for improvement of theoretical knowledge and practical skills) programmes have been prepared, over 170 workshops took place in which more than 2,200 supervision professionals have been trained to date. The intensive training cycle will continue in 2020; the goal is to train 3,500 professionals.

### **Better regulation**

191. According to the data provided by the institutions, the administrative burden on business was reduced by almost EUR 12.8 million in 2019. During the whole period of assessment of the

change in administrative burden, from 2014, the administrative burden decreased by a total of EUR 122.2 million. The following had the biggest impact on easing the administrative burden in 2019:

191.1. The change of food handling requirements for small grocery stores in 2019, i.e. the daily filling in of three self-monitoring logbooks was abandoned, leaving their filling in cases of non-compliance only (administrative burden decreased by EUR 9.2 million).

191.2. The change of the accounting and reporting procedure for the activities of healthcare institutions in 2019 (the administrative burden was reduced by EUR 1.2 million) – the family doctor no longer issues certificates justifying the absence from an educational institution due to illness, thus saving not only time of children attending educational institutions and their parents (administrative burden on citizens) but also the time of employees of a healthcare institution.

192. For reducing the administrative burden on business, in 2019:

192.1. measures were implemented in the field of legal regulation of energy consumption, production and supply, in the field of legal regulation of PHCIs, public healthcare institutions, as well as in the field of legal regulation of agricultural entities, which were approved by resolution of the Government of the Republic of Lithuania of 10 October 2018 No. 1016 “On the approval of Directions for Reducing Administrative Burden 2018–2019 (action plan)”. By implementing the measures of the action plan, in 2019 the administrative burden on economic entities was reduced by EUR 2.9 million;

192.2. the Regulations of the License Information System and the draft Government resolution appointing the Ministry of the Economy and Innovation as the manager of the License Information System have been prepared and submitted to the Government. It is planned to improve the integration interfaces for obtaining and issuing licenses, to expand the possibilities of administration of the License Information System;

192.3. the proposals prepared by the service provider of the EU-funded project “Regulatory Compliance Check” on improvement of legal regulation and reduction of the regulatory burden, the value of which is EUR 1.47 million (in the field of chemicals and transport), were implemented in 2019.

192.4. during the implementation of the EU-funded project “Assessment and Reduction of Administrative and Other Regulatory Burdens in Municipalities”, the service provider prepared proposals on how to reduce the regulatory burden in 5 (five) selected municipalities, the value of these proposals being EUR 5.08 million. It also prepared Recommendations on Reducing the Regulatory Burden on Business in All Municipalities (including the recommendations on the preparation of municipal level strategic plans).

192.5. in 2019, the Ministry of the Economy and Innovation prepared recommendations for the institutions drafting legislation, which will help ensure that businesses would be asked to provide

information only in exceptional cases. The said recommendations are intended to address two issues related to an excessive administrative burden: firstly, the situation where authorities too often oblige businesses to provide information, but it is not clear whether it is subsequently used in a targeted way. Another problem is the unreasonably frequent changes of the forms of fulfilment of the information obligations (e.g. reports, requests, declarations). The practical tool developed will help the authorities to assess, whether the information obligations imposed, the manner and form of their implementation do not restrict business more than it is necessary. The guidelines set out the basic principles that will make it possible to assess whether the information obligations laid down in the legislation are justified. It is emphasized that business obligations relating to the provision, periodicity and change of form of statutory information obligations should not be changed more than twice a year.

193. In order to improve the conditions for business, further systematic development of better regulation measures is planned for 2020, focusing on the application of the "one-for-one" rule, meaning that when introducing a new administrative burden on business one of the existing requirements must be abolished or streamlined, and on paving the way for a change in the existing legal framework for better regulation by introducing the concept of regulatory burden and the related measures into the existing legislation.

### **Investment and export promotion**

194. In 2020, it is planned to further improve the investment climate and the implementation of the system of incentives for investment from various sources of funding. In order to attract large, high value-added productive investments (the value of long-term capital investments amounting to at least EUR 30 million and at least 200 new jobs created), it is planned to adopt a special legal framework and targeted incentives for such investment projects in 2020. It is planned to prepare draft legal regulations for free economic zones and industrial parks in order to improve their activities.

195. In 2019, Invest in Lithuania attracted 47 FDI projects, the implementation of which is planned to result in creation of 4,598 new jobs. Compared to 2018, the number of the FDI projects scheduled for implementation increased by 7% (it was 44 in 2018), the number of jobs planned to be created increased by 4% (4,420 jobs were planned to be created in 2018). The amount of investments in fixed assets, which amounted to EUR 179 million in 2018, decreased by 24% and amounted to EUR 136 million in 2019.

196. In order to attract highly qualified professionals to the Republic of Lithuania, whose workforce could be offered to investors, the following talent attraction projects were implemented in 2019: "Development of an Incentive System for Attracting Highly Qualified Professionals", "Improvement of the Immigration Model for Attracting Highly Qualified Professionals and Their

Families” and “Development of a Model for the Integration of Highly Qualified Workers and Their Families, Returning and Arriving to Lithuania”. During the implementation of the projects, the concept of the International House – a one-stop-shop – was developed, guidelines and models for teaching Lithuanian language to highly qualified professionals and their family members were prepared, recommendations and schemes for servicing foreigners in English, German, Polish and Russian languages were prepared and submitted to healthcare institutions. Visa centres have been opened in countries without Republic of Lithuania's visa services (e.g. in Nigeria and Uzbekistan). On 16 July 2019, amendments to the Law on the Legal Status of Aliens of the Republic of Lithuania were adopted, establishing the legal basis for speeding up immigration procedures, reducing administrative burden and enabling the submission of certain documents electronically.

197. In order to facilitate the conditions of employment of professionals, possessing a high level of professional qualifications, from third countries in the Republic of Lithuania, the Ministry of the Economy and Innovation periodically updates the list of Professions that require high professional qualification and whose staff is in short supply in the Republic of Lithuania. In 2019, the current version of the list was approved. The list is updated to take account of labour market needs.

198. The export results reveal successful efforts of companies to establish themselves in international markets. According to preliminary data, in 2019, as compared to 2018, the exports of goods from the Republic of Lithuania increased by 4.7%. The exports of goods of Lithuanian origin increased by 2.9% over the year. In 2019, the exports of goods of Lithuanian origin (excluding energy products) grew by 6.1%. In 2019, as in previous years, the EU remained the main export market for the goods of Lithuanian origin (excluding energy products) (72.4% of the total exports of goods). The following sectors contributed the most to the growth of the goods of Lithuanian origin (excluding energy products): agriculture, food industry, furniture sector, engineering industry, chemical industry.

199. In the first – third quarters of 2019, the value of services exports increased by 21.9% over the year, therefore annual growth rate of 19.2% is expected (up to EUR 11.5 billion). In 2019, the exports of transport services had the largest impact on growth, but business services made a significant contribution as well. As the outlook for real GDP growth in EU markets in 2020 remains positive, further growth in services exports is expected in 2020 through 2021 as well. A 4.7% growth in services exports (up to EUR 12.1 billion) is projected for 2020, and a 4.4% increase in 2021 (up to EUR 12.6 billion). In order to help businesses establish themselves in international markets, in 2019 measures were implemented to facilitate expansion of businesses of the Republic of Lithuania in the target export markets as well as to ensure efficient use of resources and consistent growth of exports in short and long terms:

199.1. In 2019, the project “Internationality LT” administered by the Lithuanian Business Support Agency is being implemented further. The aim of the project is to increase the export of



promising sectors of goods and services of Lithuanian origin to SMEs through the development of strategies for promising sectors in the target export markets and marketing initiatives. The project focuses on priority sectors of the Ministry of the Economy and Innovation: 3 traditional economic sectors (furniture, food and beverages and traditional engineering industry) and 3 high-tech sectors (biotechnology, medical devices and scientific instruments, high-tech engineering industry and IT services). Project monitoring indicator – the export growth in the 6 promising sectors identified during the project implementation – should be higher by 8% or more than the total export growth of the country in the end of 2022. The project's duration – 1 January 2018 to 31 July 2021.

199.2. From the beginning of 2019, export development agency “Enterprise Lithuania” continued to organize events on business trends and the situation in the target export markets and new markets with high potential. In 2019, a total of 21 events took place (20 Export Clubs and the Republic of Lithuania-US Defence Forum), with 873 participants in total.

199.3. Furthermore, in 2019, due to the popularity of previous training topics and the already mentioned assessed impact on exports, “Enterprise Lithuania” repeated the training cycle and continued to inform/consult the exporters of the Republic of Lithuania on relevant export topics and shared the news. In the autumn of 2019, BrandLAB trainings took place, which were attended by 25 companies – a total of 50 participants. Training participants presented their brand improvement plans. Continuous monitoring of the export volume of the companies participating in the training is also planned.

199.4. “Enterprise Lithuania” has prepared and launched a programme aimed at training of high-level export professionals through theoretical and practical experience in business enterprises. The implementation of the programme started in July 2018, after attracting 24 participants to the programme, who were given theoretical and practical competencies of export and who started half-year rotations in the companies of promising export sectors of the Republic of Lithuania starting from 2019. During the first and second rotations, 47 companies increased their export maturity by improving their export procedures, communication adapted to foreign target markets, conducting in-depth analysis of target export markets and customer analysis, finding contacts abroad, helping to properly prepare and participate in international exhibitions. During the implementation of the programme, there was an intensive sharing of experience, the achieved progress was discussed, mentoring sessions were held in order to ensure closer cooperation between Lithuanian companies not only in implementing the programme objectives, but also in sharing good export expansion practices. Satisfaction of businesses with the programme is as high as 98% (a survey of mentors of the first rotation).

200. From January to June 2020, the third – and the final – rotation will take place, during which the programme participants will be working in 19 companies of promising Lithuanian sectors and increase the maturity of their exports for expansion into target markets.

201. The draft National Progress Plan for 2021–2030 (hereinafter – the NPP), which will be approved by the Government, envisages the task “To promote exports of goods and services”, which aims to increase not only the volume of exports but also their competitiveness by changing the structure of exports and increasing the share of high added-value exports. The draft NPP envisages four indicators of ambitious export development:

201.1. Exports of goods (excluding mineral products) and services of Lithuanian origin – a change in the year 2030, compared to 2018, is plus 72%;

201.2. Exports of hi-tech goods of Lithuanian origin – a change in the year 2030, compared to 2018, is plus 133%;

201.3. Exports of knowledge-intensive services – a change in the year 2030, compared to 2018, is plus 117%;

201.4. Exports of audio-visual and related services – a change in the year 2030, compared to 2018, is plus 33%.

202. The aim will be for the exports of high-tech goods and knowledge-intensive services to grow faster than total exports, thus changing the structure of exports by increasing the share of higher value-added exports.

203. Pursuant to the draft NPP, the Ministry of the Economy and Innovation is preparing a pilot Programme for Economic Development and Increasing Competitiveness by 2025, which will identify the problems of export development to be solved, their causes, financial projections with financing sources and a set of planned measures. During the preparation of this project, the issues related to export promotion are discussed with institutions, business structures and representatives of other organizations.

**CHAPTER VI**  
**ACHIEVING OBJECTIVES OF THE “EUROPE 2020” STRATEGY**

**SECTION ONE**  
**EMPLOYMENT LEVEL, POVERTY AND SOCIAL EXCLUSION**

**Employment rate of the population aged 20-64**

Table 1. Employment rate in the 20-64 age group

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2019</b>
75% of the population aged 20-64 should be employed	72.8% of the population aged 20-64 should be employed	78.2% employment rate of the population aged 20-64

204. The employment rate of the population aged 20–64 in the Republic of Lithuania in 2019 was 78.2%, an increase by 0.4 percentage points compared to 2018.

205. In 2019, the unemployment rate was 6.3% and was lower by 0.2 percentage points than in 2018. The unemployment rate was 7% for men and 5.5% for women. Over the year, the unemployment rate for both men and women increased by 0.1 percentage points. The unemployment rate of young people (aged 15–24) was 11.9% in 2019 and was higher by 0.8 percentage points than in 2018 (11.1%). The long-term unemployment rate, compared to 2018, remained almost unchanged at 1.9% (2% in 2018).

206. In 2015–2018, young people not in employment, education or training (NEETs) participated in the primary intervention project “Discover Yourself” funded by the Youth Employment Initiative and the European Social Fund. Not having been offered any work, study or internship in the open market, the participants of the “Discover Yourself” project were able to participate in the secondary intervention project “New Start”, funded by the Youth Employment Initiative and the European Social Fund and implemented in 2015 through 2019, in which young people were offered participation in active labour market policy measures (subsidized employment, support for the acquisition of work skills, vocational training, support for self-employment, and from 1 July 2017 – traineeships, employment under an apprenticeship contract, recognition of non-formally acquired competencies).

207. In 2019, new projects implementing the Youth Guarantee Initiative were launched and will be implemented by the Employment Services under the Ministry of Social Security and Labour of the Republic of Lithuania (hereinafter referred as the Employments Services) until 2021: the initial intervention project “Increasing Social Competences of Young People”, aimed at involving young

people in active social life and reducing the level of unemployment among young people, and the secondary intervention project “Promotion of Youth Employment”, during which young people are offered to participate in active labour market policy measures: vocational training, apprenticeship, traineeship, non-formal recognition of competencies, support for acquisition of work skills, subsidized employment measures.

208. Since 2019, the Employment Services has also been implementing the project “Be Entrepreneurial”, which aims to increase the employment of the unemployed by supporting job creation. Young people under the age of 29 are one of the target groups in this project.

209. In order to solve the problem of employment in the regions, attract investments to the regions, promote entrepreneurship, as well as reduce the gap between the regions, it is proposed to create preconditions for the implementation of a more efficient integrated territorial investment (hereinafter – ITI) mechanism. To this end, the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 have been redistributed from other areas and are intended to promote local employment initiatives, support for labour mobility, and the social and solidarity economy through the ITI model.

210. Furthermore, the Department of Youth Affairs under the Ministry of Social Security and Labour has been implementing the project “Let's Move” since 2019, which is aimed at implementing the measures of initial intervention and measures to promote activity, with a special focus on young people from disadvantaged families, having been involved with law enforcement and returning from prison, suffering lack of income or other deprivation, suffering from addictions, residents of care facilities or those who have already left them.

211. From 2019, a pilot model for the provision of employment promotion and motivation services to the unemployed and recipients of social assistance was launched. To implement this model, the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 were redistributed from other areas. The aim of the model is to facilitate the transition of the long-term unemployed from unemployment to employment in the labour market; to harmonize the provision of employment promotion and motivation services and monetary social support for the long-term unemployed being integrated into the labour market; to ensure the coordination of the activities of state and municipal institutions, establishments and/or organizations providing employment promotion, motivation services and financial social support to the unemployed, and to promote their co-operation. The project was implemented in six municipalities and involved 460 people. The project will be continued in the same municipalities in 2020–2021. From 2020, it is planned to invite more municipalities to participate in the project, the ones that have the highest unemployment rate, a large number of the long-term unemployed and are providing the most financial social assistance to the population.

### People at risk of poverty or social exclusion

Table 2. People at risk of poverty or social exclusion

The EU's 2020 target	National 2020 target	Situation in the Republic of Lithuania in 2018
Reduce the number of people living in poverty and social exclusion or those at risk by at least 20 million	Reduce the number of people at risk of poverty or social exclusion by at least 170 thousand, so that it would not exceed 814 thousand in 2020.	794 thousand people at risk of poverty or social exclusion

212. According to the data of 2018, although the economic and employment indicators have improved, the level of poverty and social exclusion remains significantly higher than the EU average. In 2018, 28.3% of the population of the Republic of Lithuania were at risk of poverty or social exclusion (29.6% in 2017) (the EU average was 21.9% in 2018). According to the data of the statistical survey on income and living conditions conducted by the Statistics Lithuania, the at-risk-of-poverty rate has not changed since 2017 and was at 22.9%. In 2018, about 645 thousand of the country's population lived below the at-risk-of-poverty threshold.

213. The highest at-risk-of-poverty rate was in the population aged 65 and over. In 2018, it reached 37.7% and was higher by 4.3 percentage points compared to 2017. The increase was driven by an increase in the at-risk-of-poverty threshold due to higher labour income and a relatively slower increase in old-age pensions.

214. The at-risk-of-poverty rate for children aged 0-17 decreased by 1.8% compared to the previous year and amounted to 23.9%, for persons aged 18–64 it decreased by 0.8%, whereas in 2018 it amounted to 18%. The decrease was influenced by higher wages, lower unemployment and increased cash social benefits.

215. The impact of social benefits on the at-risk-of-poverty rate remained almost unchanged (according to the 2018 data, social benefits have reduced the at-risk-of-poverty rate by 6.8 percentage points). The largest impact of social benefits on the at-risk-of-poverty rate was recorded in households with children – the at-risk-of-poverty rate in such households would increase from 18.8% up to 28.7% and the poverty of children aged 0-17 would increase from 23.9% up to 34.8%.

216. In order to continue to provide financial support to families raising children and to ensure a consistent increase in the amount of child benefit, the amount of the child benefit was increased up to EUR 60.06 per month from 1 January 2020. An additional child benefit of EUR 40 is allocated to children with disabilities, as well as for children living in large or low-income families. The increased child benefit is expected to contribute to reducing the at-risk-of-poverty rate among children by 2.5 percentage points.

217. From 2020, the universal free meals for pupils studying under pre-primary or primary curricula will be implemented in stages – from 1 January, by implementation of a pilot project (for

pupils studying under pre-primary curricula in schools of general education selected by municipalities, where meals are organized on a self-service basis), and from 1 September – by providing free meals to all pupils studying under pre-primary or primary curricula..

218. On 1 January 2020, amendments to the Law on Benefits for Children of the Republic of Lithuania entered into force, which legalized a new type of benefit – a child temporary care benefit (EUR 234 per month) paid for each child under temporary care to a person temporarily caring for the child..

219. From 1 January 2020, a lump-sum benefit for a pregnant woman who is not entitled to maternity benefit according to the Law on Sickness and Maternity Social Insurance of the Republic of Lithuania was increased (from EUR 76 to EUR 250).

220. In 2020, the amount of state-supported income was increased from EUR 122 to EUR 125. The cash social assistance for the poor residents (social benefit, compensation for heating costs, drinking water costs and hot water costs) depends on the amount of state-supported income. This amount is also used to determine the entitlement to social assistance for pupils, additional child benefit, support for the acquisition or rental of housing and other social assistance.

221. Since 2019, pensions have been indexed by 7.63%. Old-age and work incapacity pensions are planned to grow by more than 9% in 2020, exceeding the growth of wages for the first time. The general part of the old-age pension will increase by 9.94% and the individual one – by 8.11%. It is estimated that in 2020 the average old-age pension will reach EUR 377 and the average old-age pension with the obligatory record of pension social insurance established for old age pension – EUR 399. The pension indexation coefficient is determined by the seven-year average of the change in the wage earnings of all employed persons in the country.

222. In 2019, bonuses were paid from the state budget to the recipients of the smallest pensions, who have acquired a minimum and longer record of pension social insurance. The specific bonus for a person depends on the record of pension social insurance acquired, and for a pensioner who has acquired the obligatory record of pension social insurance, the total amount of all pensions received could not be less than 0.95 of the amount of minimum consumption needs per month, i.e. EUR 238. The bonus was increased from 2020 and the total amount of all pensions received may not be less than 1 AMCN per month, i.e. EUR 257.

223. About 72 thousand persons receive pension bonuses. There are about 615 thousand old age pensioners and 172 thousand work incapacity/disability pensioners in the Republic of Lithuania.

224. In 2020, the social assistance pension base increased from EUR 132 to EUR 140. It is estimated that social assistance benefits have increased by EUR 4-18, depending on the type and the category of beneficiaries. One of the most significant changes since 2020 has been the increase in the lower limit ("floor") of the social assistance pension for the disabled. A disabled person cannot receive

a social assistance pension of less than EUR 140, up from a minimum of EUR 99 in the last year. About 60 thousand people receive social assistance pensions.

225. The targeted compensation is paid to disabled people with special needs, the basic amount of which increased from EUR 114 to EUR 117 in 2020. 93 thousand people are paid targeted compensations. This is a supplementary benefit that can be paid along the social insurance or social assistance pension.

226. The compensation for transport costs is paid to disabled persons for whom a special need for compensation for transport costs has been established. The compensation is paid once every 6 years (up to EUR 1,248). This is a supplementary benefit that can be paid along the social insurance or social assistance pension. Amendments to the Law on Transport Privileges of the Republic of Lithuania propose to double the compensation for the purchase of a car for the disabled starting from 2021. Over 47 thousand disabled people receive a compensation for transport costs and about 600 disabled people and families raising a disabled child receive compensation for the costs of purchasing a car and costs of its technical adaptation.

227. In accordance with the draft NPP, the Ministry of Social Security and Labour is preparing a pilot Programme for the Development of Social Inclusion (Solidarity), the objectives of which are to increase the well-being, integration into society and the labour market of the disabled and their families, the elderly and other socially excluded groups and to strengthen community spirit and the attitude towards social participation and social responsibility in the society. The Ministry of Health and the Ministry of Education, Science and Sports of the Republic of Lithuania will also participate in the preparation of this project.

## SECTION TWO

### RESEARCH, EXPERIMENTAL DEVELOPMENT AND INNOVATION

#### Investment in R&D activities

Table 3. Investment in R&D activities

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2018</b>
Increased investment in R&D up to 3% of GDP	Increased investment in R&D up to 1.9% of GDP	Investment in R&D amounted to 0.88% of GDP

228. According to the data of the Statistics Lithuania and Eurostat, the total expenditure on R&D activities in the Republic of Lithuania in 2018 amounted to 0.88% of GDP (or EUR 397 million). Compared to 2017, expenditure on R&D activities increased by EUR 17.9 million or by 5%. This was mainly due to the increased foreign funding of R&D activities, most of which consisted of

the EU funds redistributed through the state budget. In 2018, expenditure on R&D activities through the higher education sector was 0.34% of GDP, and through government sector – 0.21% (0.32% and 0.25% in 2017). 0.33% of GDP were spent on R&D activities through the business sector in 2018 (0.33% in 2017).

229. According to the *source of funds*, expenditures for R&D activities in 2018 were distributed as follows: state budget funds – 0.31% of GDP, private sector as a source of funding – 0.29% of GDP, foreign funds (including the EU structural funds) – 0.25% of GDP, higher education sector – 0.03% of GDP.

230. It should be noted that since 2015, the funding allocated by the state budget of the Republic of Lithuania for R&D activities has been decreasing: in 2015, the state budget funds for R&D activities accounted for 0.37% of GDP, in 2017 – 0.33% of GDP, and in 2018 – 0.31% of GDP. This is almost two times less than the average R&D funding in other EU Member States at 0.61% of GDP.

231. Expenditures of the business sector as a source of financing for R&D activities in the Republic of Lithuania remain low (0.3% of GDP in 2015, 0.32% of GDP in 2017, and 0.29% of GDP in 2018) and the Republic of Lithuania lags behind the EU average four times according to this indicator (EU average – 1.2% of GDP).

232. According to the European Innovation Scoreboard assessment prepared by the European Commission in 2019, in 2018, the value of the total innovation index of the Republic of Lithuania grew and reached 81.1% of the EU average of 2011. Lithuania has remained in the group of moderate innovators.

232.1. This group has not changed since 2018, when the value of the total innovation index of the Republic of Lithuania reached 74.5% of the EU average of 2018.

232.2. Compared to 2017, when the value of the aggregate innovation index of the Republic of Lithuania was at 74.7% of the EU average of 2011, the value of the aggregate innovation index of the Republic of Lithuania increased by 6.4 percentage points. This growth of the value of the aggregate innovation index shows that the condition of the innovation ecosystem of the Republic of Lithuania is improving. Moreover, in 2018, the Republic of Lithuania was the leader among all the EU Member States in terms of long-term (2011–2018) progress of the innovation ecosystem. In 2011, the value of the aggregate innovation index of the Republic of Lithuania was at 55.4% of the EU average of 2011, whereas in 2018 it reached the above-mentioned 81.1% of the EU average of 2011. In total, in 2011 through 2018, the ratio of the aggregate innovation index of the Republic of Lithuania to the EU average of 2011, increased by 25.7 percentage points, i.e. more than in any EU country. This means that in 2011 through 2018, the innovation ecosystem of the Republic of Lithuania improved the most among all the EU Member States, although the overall value of the aggregate innovation index of the Republic of Lithuania still lags behind the both EU averages of 2011 and 2018.



233. Compared to 2011, out of the 27 scoreboard indicators of the EU innovation indicators scoreboard, the values of 23 indicators in the Republic of Lithuania have improved. Compared to 2011, the value of the broadband Internet penetration indicator improved the most (+166.6 percentage points) in the Republic of Lithuania. Among the indicators whose values have improved the most are *non-R & D innovation expenditures* (+99.4 percentage points), *cooperation between innovative small and medium-sized enterprises* (hereinafter – SMEs) *in the field of innovation. Innovative SMEs collaborating with others* (+87.1 percentage points); *SMEs innovating in-house* (+62.9 percentage points); *SMEs that have introduced product/process innovations to the market* (+58.3 percentage points); *trademark applications* (+57.6 percentage points); *the share of new-to-market/firm innovations in the sales structure of enterprises* (+50.7 percentage points); *SMEs that have provided marketing/organizational innovations* (+40.7 percentage points).

234. In order to identify business needs and present relevant existing scientific potential to the market, the innovation and technology transfer centres will be further expanded in 2020. To this end, 9 projects of science and study institutions have been smoothly implemented since 2017 (“Promotion of Activities of Competence Centres and Innovation and Technology Transfer Centres”) – innovation and technology transfer centres of science and study institutions are being strengthened (one-stop shops of science and study institutions intended for knowledge transfer, performance of functions of commercialisation of intellectual property and results of R&D activities). A total of EUR 5.7 million has been allocated to the projects. The duration of projects is until 2021. It is expected that the implementation of the projects will strengthen the potential higher education and research institutions to commercialize the results of R&D activities, and create preconditions for<sup>6</sup> the development of entrepreneurship. As the potential strengthens and the scale of the transfer of the results of R&D activities to the market increases, there will be an improvement of the conditions for business entities' investment in the R&D activities they need. The public sector is also expected to make greater use of the services of innovation and technology departments.

235. In order to strengthen the largest value-added business segment – the so-called knowledge-based *spin-offs*, a call for proposals was launched in 2019 to finance their operational projects (“Promotion of commercialization and internationalization of R&D results”). Five contracts were signed (with higher education and research institutions and with microenterprises and SMEs. The allocated funding amounted to EUR 111,578.27). The projects' maximum duration is 12 months. At the end of 2019, a call for applications was published, according to the updated description of the conditions for the funding of projects under the measure. There are plans for one more call. Due to the increased attractiveness of the measure, after the update of the description of project financing

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<sup>6</sup>Entrepreneurship is defined by experts as the creation of business ideas, the establishment of new enterprises, the carrying out of risky business ideas, and social and economic responsibility.

conditions, there will be a considerable increase in the number of applications, as well as investments in R&D activities, knowledge-intensive businesses.

236. The Science and Innovation Dissemination Centre is being established, which will make a significant contribution to improving the dissemination of science and innovation in the Republic of Lithuania and, indirectly, to increasing investment in R&D activities. The centre will connect the community of scientists, engineers, researchers with the general public, providing an attractive and interactive platform to promote national and global scientific achievements. This year, a description of the financing conditions of the centre's projects was adopted, and the investment project was generally approved. Furthermore, the Law on Higher Education and Research of the Republic of Lithuania, which is currently being amended, will authorise the future Science and Innovation Dissemination Centre to perform the function of science and innovation dissemination and promotion. In 2019, the project of the Science and Innovation Dissemination Centre was included in the list of state projects and in 2020 its implementation will start. To fund this centre, the funds under the Operational Programme for EU Structural Funds Investments for 2014-2020 were redistributed from other areas.

237. In the financial period 2014–2020, EU investment measures administered by the Ministry of the Economy and Innovation focus on applied research, experimental development activities, clustering, promotion and dissemination of innovations, increasing the internationalization of enterprises, attracting foreign direct investment, increasing the demand for innovation. The aim is for support to cover the entire innovation cycle and become an incentive to ensure its smooth functioning. Attention is paid to each of the stages of the cycle – from the creation of the idea of the new product to its introduction to the market. The EU investment facilities entitled "Inogeb LT", "Inovaciniai čekiai", "Inočekiai", "InoConnect", "Inopatentas", "Intelektas. Bendri mokslo-verslo projektai", "Eksperimentas", "Inoklaster LT", "Ikiprekybiniai pirkimai LT", "Inostartas", "SmartInvest LT+", "Smart FDI", "Verslo klasteris LT", "Skaitmeniniai inovacijų centrai", "Naujos galimybės LT", "Expo Sertifikatas LT", "DPT pramonei LT+", "EcoInovacijos LT", "Eco-inovacijos LT+", "RegioInvest LT+", "Pramonės skaitmeninimas LT", "Regio Potencialas LT" are being implemented for this purpose.

238. In the financial period 2014–2020, the facilities “Development of R&D infrastructure and integration into European infrastructures”, “Promotion of commercialization and internationalization of R&D results”, “Targeted research in the field of smart specialization”, “Promotion of operation of centres of excellence in the directions of smart specialization”, "Promotion of operation of centres of excellence and innovation and technology transfer centres", as well as "Capacity building of scientists and other researchers", "Development of scientific competence of scientists, other researchers and students through practical research" implemented by the Ministry of Education, Science and Sports

contribute to improvement, strengthening, concentrating of the potential of human resources in the field of R&D&I, encourage the involvement of science and study institutions in international science and innovation programmes, directly contribute to science-business cooperation by strengthening the knowledge and technology transfer chain; providing incentives for the establishment of spin-offs contributes to the development of a business sector in need of latest scientific knowledge, as well as to the consistent development of the environment favourable for R&D.

### SECTION THREE

#### EDUCATION

##### Tackling early school leaving by young people

Table 4. Reducing early school leaving by young people

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2018</b>
Ensure that the proportion of early school leavers should be under 10%.	Ensure that the proportion of early school leavers does not exceed 9%.	The share of early school leavers is 4.8% (preliminary data)

239. According to the Eurostat data, the share of persons aged 18–24 who have not completed secondary education and are not continuing their studies in the Republic of Lithuania is relatively small (it was 4.8% in 2018, the Republic of Lithuania being in fifth place among the EU countries). However, there are still twice as many boys who have left the education system early than girls. According to the Statistics Lithuania, the share of early school leavers in cities increased slightly from 3.2 to 3.4% compared to 2016, while the share of such persons in rural areas decreased from 7.8% to 6.6%, but still remains about twice as high as in the city.

240. Violence, bullying prevention programmes and other prevention programmes are implemented in order to improve the emotional climate in schools, which encourage striving for better academic achievements<sup>7</sup>. In 2020, the last stage of the implementation of programme development will take place, the programmes will be implemented in 1,181 general education schools and vocational training institutions and in 522 pre-primary education institutions implementing pre-school curricula. Teaching material and tools of the model of social, emotional and health competencies have also been prepared, which were tested in 20 schools in 2018–2019. A study is currently being carried out on the testing of the developed measures in schools (5 EU countries are

<sup>7</sup>This is shown by the PISA International Fifteen-Year Achievement Survey 2018: the schools where bullying is prevalent score lower (scores of Lithuanian schools with prevalent bullying are lower by 75 points. The scores of Lithuanian schools, that have their bullying index increased by 1point, drop by 33 points). This study also shows that the overall emotional background has a significant positive effect: schools with lower students' fear of failure and higher confidence in action perform higher.

participating in the study). According to the results of this study, when updating the curriculum in 2020, it is planned to include social, emotional and healthy lifestyle competencies in the curriculum.

241. In order to better respond to the needs and abilities of students, according to Guidelines for the General Curricula, the updating of the curricula began in 2020: tuition will encompass the notions of sustainable development, creativity, emotional intelligence, cooperation, healthy lifestyle, as well as the concepts of entrepreneurship, financial literacy, modern reading and writing. The planning of curriculum updating steps is currently underway. It is planned that in 2020 the drafts of the general curricula of primary and basic education will be prepared, which could be tested in 2021. Cooperation with school leaders is also underway, their role in implementing the updated curriculum in schools is emphasized (Structural Reform Support Project “Strengthening the Role of the School Leader in Implementing the Renewed Curriculum”, supported by the European Commission). It is hoped that the development of student achievement evaluation system aimed at people with different educational needs, which was started in 2019 and is being further developed in 2020, will contribute to the improvement of achievements. New tools for external evaluation of student achievements are currently being developed and improved. It is planned to develop a national professional development programme for teachers, aimed at teacher's competence in evaluating students' learning and achievements.

242. In order to reduce the early school leaving of young people with disabilities, the Children's Inclusion in Learning and Multidisciplinary Education Plan is being improved, which will act as a framework for providing general education schools with special teaching and technical support facilities needed for students, establishment of jobs of teacher's assistants, ensuring a variety of programmes in education institutions adapted for people with disabilities.

243. The career guidance system is being updated in order to harmonize and ensure the provision of career guidance services to all stakeholders. The aim is to review the services currently provided in the system, to refine the service packages that need to be provided in schools. Moreover, based on the experience of one-stop shop centres active in Europe, it is planned to establish regional career centres in the regions, which would also provide professional orientation services and organize vocational activation. The updated system will also include professional orientation services for adults. Agreements on the essential elements of the system to be updated will be adopted and the Government resolution regulating the professional orientation system will be adopted based on them in 2020.

### Retention of the share of persons with tertiary or equivalent education qualification

Table 5. Retention of the share of persons with higher or equivalent education qualification

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2019</b>
Ensure that at least 40% of persons aged 30-34 would have a tertiary degree	Ensure that at least 48.7% of persons aged 30-34 would have a higher education qualification	No less than 57.6% of persons aged 30-34 have higher education qualification (preliminary data)

244. The share of persons aged 30–34 with higher education qualification in the Republic of Lithuania has been growing every year until 2016, in 2017 it decreased slightly and in 2019, as in 2018, it accounted for 57.6%. According to this indicator, the Republic of Lithuania is the second in the EU (after Cyprus), markedly above the average of the EU countries (41.3%). However, in the Republic of Lithuania, the share of women aged 30–34 with higher education qualification is almost one and a half times higher than that of men. Moreover, although the share of educated people is one of the highest in the EU, its quality is at a relatively average level. According to the results of the international Programme for the International Assessment of Adult Competencies (PIAAC), the adults' mathematical skills are slightly above average compared to other countries, reading skills are average, and problem-solving skills using information technology are markedly below average (only 18% of people achieved the highest ratings in the survey, compared to 31% on average in the EU countries).

245. The restructuring of study funding, which is being implemented through the implementation of the structural reform of Education, will contribute to the increase of the accessibility and quality of higher education. As mentioned above, the number of state-funded slots in undergraduate studies is to increase by more than 20% in 2020.

246. In order to encourage the financially disadvantaged to strive for higher education, the system of social support for students is being revised. The Seimas is planning to adopt amendments to the Law on Higher Education and Research, which are aimed at the following: to ensure that students at all levels of study and students studying according to vocational study programmes would receive social scholarships, as well as to establish the basis for granting social scholarships un the law, a larger amount, which is proposed to be increased from 3.25 (EUR 126.75) up to 3.5 basic social benefits (EUR 136.5) per month; in the draft, the wording “students may be eligible for social scholarships” is changed to the wording “social scholarships are awarded to students”, enshrining a mandatory provision establishing the obligation of a public administration entity to award and pay scholarships to the students who meet the minimum conditions established by law. It is also proposed

to establish in the amended law, that the students with more than 3 academic debts in accordance with the procedure established by the higher education institution are not eligible for social scholarship.

## **SECTION FOUR ENERGY AND CLIMATE CHANGE**

247. In 2019, the Ministry of Energy of the Republic of Lithuania has implemented the measure “Preparation of the Lithuanian Integrated National Energy and Climate Action Plan and Ensuring the Implementation of Lithuania's Commitments in Achieving the EU Energy Union and EU Climate Change and Energy Goals by 2030”:

248. By a protocol decision of the meeting of 30 December 2019 "On the National Energy and Climate Action Plan 2021-2030 (Protocol No. 52, Question 2) the Government of the Republic of Lithuania approved the updated National Energy and Climate Action Plan 2021-2030 (hereinafter referred to as the NECP plan), which sets out five key areas for reducing climate impact: reducing dependence on fossil fuels, energy efficiency, energy security, developing the internal energy market, developing research and innovation. The NECP plan has been submitted to the European Commission, which should produce an assessment of the national plans by June 2020. In order to ensure the achievement of the national energy and climate policy goals, it is planned to transpose the measures of the NECP plan to the strategic planning documents in the coming years. The NECP plan envisages that by 2030, the Republic of Lithuania must achieve a 9% reduction in greenhouse gas (hereinafter – GHG) emissions (compared to 2005), to reduce energy intensity by at least 1.5 times (compared to 2017), to increase the share of renewable energy sources in total energy up to 45%. The NECP plan envisages that after the implementation of all the planned measures, GHG emissions in the transport sector of the Republic of Lithuania will decrease by 8.1% by 2030, in agriculture – by 9.1%, in industry – by 9.8%, and in the waste sector – by as much as 52.4%.

249. In order to reduce the negative effects of climate change and reduce the vulnerability of ecosystems and the national economy, natural disaster management capacity and response resources need to be strengthened accordingly. Taking into consideration the challenges of climate change being faced, the funds under the Operational Programme for EU Structural Funds Investments for 2014–2020 were redistributed, by directing them from other areas, in 2019. In order to deal with the consequences of climate change more effectively, the State Fire and Rescue Service was allocated funds for acquisition of 62 rescue modules that will enable quicker and more efficient arrival, assess the nature of the incident and effectively prevent it from escalating and/or liquidate it. This will also contribute to the implementation of the flagship initiative for resource-efficient Europe under the “Europe 2020” strategy.

### Increasing the use of renewable energy sources

Table 6. Share of renewable energy sources in gross final energy consumption

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2018</b>
Increase the share of renewable energy sources (hereinafter – RES) up to 20% of the total energy consumption, in 2020	Increase the share of RES up to 23% of the total energy consumption, in 2020	The share of RES was 25.26% of the total energy consumption (24.45% after taking into account the statistical transmission to Luxembourg)

250. The Law Amending Articles 1, 2, 3, 5, 11, 13, 14, 17, 20, 20-1, 21 of the Law of the Republic of Lithuania on Renewable Energy No. XI-1375, Supplementing the Law with Article 63-1 and repealing Article 15 and the Law Amending Articles 2, 16, 22, 34, 40, 46, 67, 74 of the Law on Electricity No. VIII-1881 of the Republic of Lithuania and Supplementing the Law with Article 21-1, were adopted on 20 December 2018 (hereinafter – Amendments to the Law on Renewable Energy Sources and the Law on Electricity). They approved a new model of support for the development of green energy – neutral RES power generation auctions. Under the new framework, support for RES power plants will continue to be distributed through auctions, as this will ensure the lowest price possible. The model will be financed through Public Interest Services in the electricity sector (PIS) funds and will not incur any additional cost to consumers, as starting from 2021, an incentive period will end for some RES producers receiving support under the current support scheme and the support will be discontinued. In addition, a gradual decrease in support for renewable energy from PISs is planned due to technologies becoming cheaper and maximum orientation of RES towards operation under market conditions. Power plants using various renewable energy technologies for electricity generation are eligible for participation in the auctions.

251. In December 2018, the amendments to the Law on Energy from Renewable Sources of the Republic of Lithuania and the Law on Electricity of the Republic of Lithuania were passed, which create favourable opportunities for residents of multi-apartment houses to become electricity prosumers (consumers, producing electricity for their own needs). The changes introduced encourage the development of small green and clean energy and an increase in the number of prosumers among the urban population. Under the current system, not only the residents of individual houses, but also the residents of multi-apartment houses may become prosumers by building a remote power plant or purchasing a part of the power plant in the park of remote power plants.

252. Until 2021, funding from the EU Structural Funds amounting to approximately EUR 25 million will be granted. Requirement of permits for activities in the electricity sector have been abandoned when the capacity of a power plant does not exceed 30 kW. Differentiation of connection

costs for prosumers has been established and the aggregate capacity of power plants of prosumers has been increased from 100 MW to 200 MW.

253. As of 30 January 2020, there were 3,591 electricity prosumers, i.e. three times as many as in 2018. In the year 2019, prosumers supplied over 9,000 MWh of non-consumed electricity to the electricity grid, which they later had the opportunity to recover by paying the electricity network usage fee.

254. In January 2020, a second call was announced for residents to apply for compensation for the installation of small scale private solar power plants. Applications for the construction of solar power plants have been received from over 7,000 residents who intend to become prosumers. The increase of prosumers contributes to the growth of the share of RES, increases the local generation, contributes to energy security, promotes green and clean energy.

### **Increasing the efficiency of final energy consumption**

Table 7. Increasing the efficiency of final energy consumption

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2018</b>
Consume 20 percent less final energy in comparison with 2009 by 2020	Consume 17 percent less final energy in comparison with 2009 by 2020	Consumption of final energy in 2018 increased by 3.3 percent compared to 2010 (excluding the transport sector)

255. Modernization of public buildings is an important priority of the Government in the field of energy. The goal set in the programme for increasing the energy efficiency of public buildings is to renovate about 365 thousand square meters of central government public buildings by 2020. This would lead to saving of about 60 GWh (gigawatt hours) of annual primary energy consumption in these facilities, i.e. an annual saving of about EUR 3 million.

256. Under the Multi-Apartment House Renovation (Modernization) Programme approved by resolution of the Government of the Republic of Lithuania of 23 September 2004 No. 1213 “On approval of the Multi-Apartment House Renovation (Modernization) Programme”, 269 multi-apartment houses were modernized in 2019, renovation works of another 48 multi-apartment houses were completed in 2019, but construction completion procedures are still underway. In 2019, EUR 15.5 million from the State budget and EUR 10.5 million from the Climate Change Programme were used for this purpose. The modernization results achieved in 2019 will lead to annual saving of about 77.8 GWh of thermal energy, i.e. the people will save about EUR 3.3 million per year. Modernized houses, heated from the city's district heating networks, consume 50-70% less thermal energy for heating of premises than before the renovation.



257. In 2020, it is planned to modernize at least 500 multi-apartment houses, therefore the calculated heat energy costs should decrease by another 100 GWh.

258. In order to implement the goals of increasing the energy efficiency in Lithuania, the Energy Efficiency Fund (hereinafter – the ENEF fund), established by the Ministry of Energy in 2015, invests not only in renovation of public buildings, but in the modernization of street lighting as well. The funds of the ENEF fund are allocated to the guarantee financial instrument, which can be used by municipalities or their enterprises implementing urban street lighting system modernization projects. In 2019, the funds under the Operational Programme for EU Structural Funds Investments for 2014–2020 were redistributed from other areas, allocating additional EUR 12 million for the modernization of the street lighting system.

259. In 2018, a street lighting project was implemented by Jonava district municipality, leading to reduced lighting operating and energy costs. The total power of all installed and modernized luminaires is 118,510 kW. Electricity savings should amount to 412 megawatt hours per year.

260. In 2019, a street lighting project was launched by Vilnius City Municipality. It is planned to save about 11,822 megawatt-hours of electricity per year and reduce GHG emissions by 8,357 tonnes.

261. In 2019, investment projects were prepared and scheduled for implementation in 2020 by the municipalities of Šilutė, Plungė, Telšiai, Trakai districts and Visaginas. It is planned to save about 2,485 MWh of electricity per year and to reduce GHG emissions by 1,843 tonnes.

262. In order to replace inefficient household boilers with more efficient technologies using renewable resources for heat production, in April 2019, funding was allocated to the Environmental Projects Management Agency under the Ministry of Environment of the Republic of Lithuania (hereinafter – EPMA), which will distribute EUR 14 million to natural persons for conversion of inefficient biomass heating boilers (it is planned to replace at least 4,200 old boilers) to efficient heating equipment (biofuel boilers or heat pumps) by 2022, a natural person will be able to receive compensation amounting up to 50% of the price of the new heating equipment. The implementation of this measure is expected lead to saving of about 0.22 TWh of energy, which corresponds to about 2% of all electricity consumed in Lithuania during the year.

263. In promoting high-efficiency cogeneration, in October 2017, funding was provided for the promotion of high-efficiency cogeneration in Vilnius. It is planned that the installed electricity generation capacity of the Vilnius cogeneration power plant, fired with waste and biofuel, will reach 92 MW, and the heat generation capacity will reach about 229 MW. The electricity generated by it will be enough to satisfy a demand of about 230 thousand households and heat – of about 50% of the amount of heat supplied centrally in Vilnius. When the power plant starts operating, heat consumers

will be saving about EUR 13 million per year on average. In addition, the population of the region will be saving about EUR 10 million per year on average by avoiding waste disposal in overcrowded landfills. The operating power plant will contribute to the protection of the environment – due to the use of non-recyclable municipal waste for energy production, the need for landfill space will be reduced by about 95%. The operating power plant will also help to implement Lithuania's strategic goal of achieving energy independence.

264. According to the call for proposals announced in March 2019, EUR 15.2 million were allocated from the EU Structural Funds for 2014–2020 for financing the project “Modernization and Development of Electricity Distribution Networks by Implementing Smart Solutions (Phase III)”, which will be implemented by AB Energijos Skirstymo Operatorius. The project is designed to modernize transformer substations and distribution points by upgrading the existing power transformers, switchgear, relay protections and other equipment, or installing new ones. The implementation of the project will lead to increase in reliability and energy efficiency of the electricity distribution network.

265. In 2019, the Lithuanian Energy Agency (hereinafter – the LEA), a new energy competence and data centre, started operations, having taken over the functions of two liquidated state enterprises: the Energy Agency and the Lithuanian Petroleum Products Agency, as well as having acquired other new functions important for the efficient functioning of the energy sector. The LEA collects, systematizes and analyses energy sector data, coordinates and supervises the implementation of the updated National Energy Independence Strategy. The new institution will be submitting proposals related to research and experimental development in the energy and sustainable environment sectors, and will coordinate the development of wind energy in the Baltic Sea.

266. In 2019, legal measures were drafted to ensure that Lithuania's primary energy consumption would not exceed 5,461 ktoe (kiloton of oil equivalent), final energy consumption would not exceed 4,526 ktoe and the total amount of energy saved by energy efficiency improvement measures would be no less than 27,280 GWh in 2030. Setting targets will provide more stability for investors, encourage long-term investment and long-term energy efficiency measures, and will have an impact on creating conditions for economic growth and job creation throughout the Republic of Lithuania.

267. In consolidating the regulation and supervision of the energy sector, in July 2019, the National Energy Regulatory Council (hereinafter – the NERT) started operation. The NERT carries out its activities by consolidating the functions of energy regulation, market supervision and control, by merging the State Energy Inspectorate with the State Price and Energy Control Commission under the Ministry of Energy of the Republic of Lithuania.

268. In order to encourage consumers to use energy more efficiently, during 2018–2019, 69 energy companies undertook to educate and consult energy consumers in agreements with the Ministry of Energy. During the examination of the accounts of the implemented education and counselling measures for energy consumers, submitted by the electricity providers, carried out by the Lithuanian Energy Agency at the beginning of 2019, it was found that the energy savings in agreements with suppliers in 2018 amounted to 201.05 GWh whereas the recognized final energy savings amounted to 41.86 GWh in 2017.

269. The procedures for connection to the electricity and natural gas networks for large electricity and gas consumers were streamlined and simplified, enabling them to install the networks of electricity and natural gas operators related to the connection of consumer equipment at their own expense (the fast-track procedures). The fast-track procedure is expected to benefit around 15-30 large electricity consumers and around 10-20 large gas consumers per year. These would include real property developers, supermarkets and other consumers. The flexible fast-track procedure will give consumers more control over the network connection process and make it shorter, which will help create a more attractive business environment for investors.

270. From 2020, it is planned to approve a unified certification scheme for employees in energy sector and to establish uniform requirements for their certification procedure.

### Limiting greenhouse gas emissions

Table 8. Limiting greenhouse gas emissions

<b>The EU's 2020 target</b>	<b>National 2020 target</b>	<b>Situation in the Republic of Lithuania in 2018</b>
To reduce the GHG emissions compared to the level of 1990 by 20% by 2020. In the sectors not covered by the EU Emissions Trading Scheme to reduce this amount by 10% compared to 2005	In 2013–2020, in the sectors not participating in the EU Emissions Trading Scheme, not to exceed the annual emission quotas set for the Republic of Lithuania (hereinafter – t CO <sub>2</sub> eq.) and to achieve that in 2020 the GHG emissions would not increase by more than 15% compared to the level of 2005 and would not exceed 15.24 million t CO <sub>2</sub> eq.	The quota for sectors not participating in the EU Emissions Trading Scheme (ETS) is 14.497 million t CO <sub>2</sub> eq., according to the preliminary data of the National GHG Emissions Accounting Report 2020, the actual amount of the GHG emissions in non-ETS sectors in 2018 was 14.137 million t CO <sub>2</sub> eq.

271. A draft amendment to the Strategy for National Climate Change Management Policy was prepared and submitted to the Seimas, approval of which would lead to the formation of the long-term vision of management of climate change of the Republic of Lithuania, compliant with the long-term objectives of the Paris Agreement on Climate Change and future climate change policy of the European Union – to achieve climate neutrality of the country's economy by 2050, ensure resilience

of the country's economic sectors and ecosystems to the environmental changes caused by climate change and, through sustainable financing and investment, to develop a competitive, low-carbon, socially just economy, create new green jobs, introduce eco-innovative technologies, and increase energy production and consumption efficiency as well as the use of renewable energy sources in all sectors of the country's economy.

272. The implementation of the actions under the NECS strategy aims to reduce GHG emissions by 43% in the sector of industrial polluters participating in the Emission Trading Scheme, and by 9% in other sectors<sup>8</sup> (compared to 2005), to reduce energy intensity by at least 1.5 times compared to 2017, more than double the share of renewable energy sources in final energy consumption up to 45%.

273. In 2019, Climate Change Programme funds amounting to EUR 134 million were distributed (of which: EUR 80 million in revenue received from the auctioning of allowances in 2019, EUR 54 million from the uncommitted revenue balance of the previous year). The major part of the funds (EUR 79 million) was allocated for the promotion of the use of renewable energy sources and the introduction of environmentally-friendly technologies. The remaining funds are intended for the increase in the efficiency of energy consumption and production, and implementation of management measures. New funding initiatives were launched in 2019:

273.1. promotion of less polluting mobility measures for natural persons (a total of EUR 30 million were allocated for the measure and EUR 5 million for the call in 2019);

273.2. modernization of internal heating and hot water systems of multi-apartment houses – small renovation (EUR 5 million were allocated for the call in 2019);

273.3. modernization of the existing equipment adapting it for heat storage, installation of absorption heat pumps and/or use of renewable energy sources (solar cells) in the district heating sector to increase energy efficiency, load of existing installations using renewable resources and the share of renewable energy sources (EUR 7 million were allocated for the call in 2019).

274. In 2020, the projects leading to marked decrease in GHG reduction will continue to be funded under the Climate Change Special Programme. In 2020, it is planned to allocate about EUR 170 million for the implementation of projects focusing on energy efficiency improvement and development of renewable energy sources (EUR 80 million will be in planned revenue, EUR 90 million will be in the uncommitted revenue balance of the previous year). In 2020, the funds of the programme will be aimed at financing measures, in accordance with the National Action Plan in the Field of Energy and Climate Change, that would contribute to the implementation of the objectives

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<sup>8</sup>Transport, agriculture, waste management, industries engaged in other activities, or combustion plants with an installed capacity of less than 20 MW (small district heating plants), public buildings, households, fishing, construction, services and other sectors.

set for the Republic of Lithuania. It is planned to provide support to natural persons for projects focusing on modernization of individual houses and promotion of less polluting mobility measures, to provide support to companies, municipalities and residents of multi-apartment houses to finance implementation of the energy efficiency and renewable energy promotion measures, and to support new initiatives related to the development of green transport and its infrastructure.

## CHAPTER FIVE

### ACHIEVING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

275. In order to ensure the achievement of sustainable development of countries, in 2015 the United Nations (hereinafter – the UN) adopted 17 Sustainable Development Goals (hereinafter – the SDGs), covering the areas of improvement of the social environment, economic development, environment protection and cooperation. Sustainable development is based on three fundamental dimensions: economic growth, the well-being of society and the quality of the environment, ensuring the sustainable development of all three, without prioritizing either at the expense of the other two.

276. According to the *Global Index Score* of 2019, the Republic of Lithuania ranks 32nd (out of 162 UN members) and lags behind neighbouring countries (Estonia ranking 10th, Latvia 24th, and Poland 29th). So far, none of the SDG goals has been achieved in the Republic of Lithuania. The main challenges are associated with these goals: to reduce inequality, reduce the impact of climate change and partnership in achieving the goals.

277. Goal 1. Given the high risk of poverty and social exclusion, especially for children, the elderly and the disabled, it is planned to increase social assistance pensions, further increase benefits for families with children and bonuses for the recipients of smallest pensions. Quality employment is also an integral part of reducing poverty and social exclusion. The aim is to ensure the sustainable integration of available labour resources into the labour market, so that as many people as possible would be able to work and receive a fair wage. In 2020, the aim is to improve the indicator “Percentage of persons at risk of poverty or social exclusion”, by bringing it down to 24%, and the indicator "Share of severely materially deprived people", by bringing it down to 10%. Financial instruments are provided for this – indexation of average old-age pensions, bonuses paid to recipients of small pensions, social assistance disability pension limits – social assistance pension base (EUR 140).

278. In order to promote social inclusion, poverty reduction and economic development in rural areas, the measures of the Lithuanian Rural Development Programme 2014–2020, such as “Leader”, “Cooperation” and others, are being implemented. In 2014–2020, it is planned to allocate EUR 136.08 million for these measures.

279. Goal 2. In the Republic of Lithuania, about EUR 3 billion were allocated for direct payments in 2014–2020. The budget of the Lithuanian Rural Development Programme 2014–2020 amounts to EUR 2.1 billion. 3,565 projects were implemented under the measure “Investments in Tangible Assets”. 96 projects related to investments in processing and marketing of agricultural products were also approved, of which 62 projects have already been implemented. Under the measure “Economic and Business Development”, 4,031 agriculture-related projects were implemented, of which 699 were focused on helping young farmers to establish themselves and 3,332 were small farm projects. About 3,000 operators are receiving support for organic farming and the cultivation of fruit, berries and vegetables under the national agricultural and food quality scheme. Support was granted for activities of 70,000 economic operators, related to promotion of environmentally friendly farming systems in areas with natural handicaps.

280. In order to make the diet of the population more balanced and healthful, strategic planning and other normative documents, which help to improve the situation related to nutrition and health, have been adopted and are being implemented.

281. On its own initiative, the Ministry of Agriculture of the Republic of Lithuania encourages children to eat healthful and high-quality products by covering the difference which results from choosing organic products compliant with the national quality scheme instead of conventional foodstuffs and raw materials, and by increasing the consumption of fruit and vegetables and milk and milk products, which are organic and have been grown or produced in compliance with the national quality scheme, as well as by raising children's awareness of the positive health effects of the consumption of fruit and vegetables as well as milk and milk products.

282. Goal 3. The Lithuanian Health Strategy 2014–2025 was updated by resolution of the Seimas of the Republic of Lithuania of 17 October 2019 No. XIII-2493 “On the amendment of the Lithuanian Health Strategy 2014–2025, approved by resolution of the Seimas of the Republic of Lithuania of 26 June 2014 No. XII-964 “On the approval of the Lithuanian Health Strategy 2014–2025” and supplemented with relevant provisions related to the 2030 Agenda for Sustainable Development, assessment of the Lithuanian health system by the Organization for Economic Co-operation and Development, proposals of social partners, ensuring that the health policy of the Republic of Lithuania would be integrated and sustainable as well as based on the principle “Health in all Policies”.

283. In 2019, the project of structural reform of the health system “Strengthening of New Healthy Lifestyle Incentives and Prevention” was continued, which is aimed at improving the availability and quality of municipal public healthcare for all residents, especially the students attending pre-school, general education and vocational education institutions, by expanding the

availability of the public health strengthening and disease prevention measures being implemented, the variety and scope of public health services provided.

284. In order to systematize all health promotion measures implemented in the country, by implementing the provisions of resolution of the Seimas of the Republic of Lithuania of 9 July 2019 No. XIII-2304 “On the approval of the Policy Guidelines for the Precautions and Strengthening of Health”, an action plan for the implementation of the Policy Guidelines for the Precautions and Strengthening of Health for 2020–2022 was prepared and approved in 2020.

285. In 2019, the network of institutions providing public healthcare services in municipalities was further developed, ensuring the equal and constant provision of public healthcare services throughout the territory of the Republic of Lithuania to all residents of municipalities. 2019 funding for municipal public health offices has been significantly increased. In 2019, EUR 23,436 thousand were allocated from the state budget for the public healthcare, strengthening and monitoring of public health of students.

286. The funding allocated in 2019 for the performance of state public healthcare functions (transferred by the state to municipalities) helped to solve long-standing problems related to the lack of highly qualified public health professionals, improved the availability and diversity of public health services.

287. In order to achieve significant changes in the next 3 years in reducing the number of suicides in the country through joint efforts of the state and municipalities, the objective "Creation of the Early Suicide Recognition and Comprehensive Assistance System" of the Government's Strategic Project “Creating New Incentives for Healthy Lifestyle Prevention” aims to reduce the number of suicides down to 19,5 per 100 thousand people by 2022, by ensuring the provision of healthcare services to the residents of the Republic of Lithuania.

288. In order to improve the availability of psychiatric services for children and adolescents, in 2019 the network of medical institutions providing day care services for children and adolescents was expanded, and comprehensive, integrated healthcare, social assistance and education for children diagnosed with autism or other developmental disorders were developed. Early educational interventions in the education system and several measures to improve the quality of education are planned for. The number of psychotherapy consultations paid from the Compulsory Health Insurance Fund was increased.

289. The concept of the Health programme of the European Economic Area Financial Mechanism 2014–2021 was approved, which provides for measures to strengthen mental health, with a special focus on the well-being of children, young people and their families. More than EUR 9 million will be allocated for the implementation of measures initiated by the Ministry of Health by

2024. The programme focuses on the services for children and youth, one of the most vulnerable and sensitive groups in society.

290. Positive trends associated with the entry into force of new alcohol control measures in 2018, have been observed in 2019, showing positive results of the implemented alcohol control policy. Various interventions to reduce the use of psychoactive substances are being developed.

291. For as long as 25 years, the Ministry of Health in cooperation with the Ministry of Education, Science and Sports have been coordinating the Network of Health-Promoting Schools active in the Republic of Lithuania, the aim of which is to involve school communities in health promoting activities through physical activity, create a healthy environment and promote healthy eating.

292. Pursuant to the amendments to the Law on the Health System of the Republic of Lithuania, the State Public Health Promotion Fund has been in operation from 1 January 2016, which is assigned, on a yearly basis, a state-set percentage of excise revenue from the sale of alcoholic beverages and processed tobacco and revenue from the lottery and gambling tax. In 2019, the said fund had EUR 3,087 thousand in its disposal. The funds are used for activities aimed at safeguarding and strengthening public health, including prevention projects, social advertising, research.

293. Goal 4. The Memorandum “On Accessibility of Education and Healthcare Institutions”, signed by the Lithuanian Association of Municipalities, the Ministry of Health, the Ministry of Education, Science and Sports and the Association Lithuanian National Forum of the Disabled in January 2020, aims to ensure that at least one general education school and one healthcare institution would be adapted for people with disabilities every year. Assessing the adaptation of general education schools for the disabled in the 4th quarter of 2019, 61% of school corridors are adapted for people in wheelchairs, 54% of the schools have an external ramp installed, premises have been repaired in 51% of the institutions within the past 5 years, etc.

294. Goal 5. The gender pay gap (unadjusted) is projected to narrow down to 13.8. To achieve this goal, a measure is being implemented to encourage mothers/fathers to return to the labour market after parental leave and not to lose grip off the work while on the leave, and at the same time it is planned to introduce sustained communication programmes for mothers/fathers to come to the company for trainings 1-4 times a year. It is also planned to have the gender gap between the inactive members due to family responsibilities reduced to 16. For this purpose, the EU Structural Funds are allocated to women returning to the labour market after a longer break (after 24 months).

295. Goal 6. More than EUR 1 billion from EU structural funds have been invested in the water management sector, which accounted for a larger share of the entire infrastructure required for the provision of drinking water supply and waste water services. In 2018, 82.44% of the residents used centrally supplied drinking water, waste water of 75.88% of the residents was collected through



centralized waste water collection systems. For the long-term sustainability of the drinking water supply and waste water treatment sector, it is necessary to make better use of the opportunities of economies of scale and to enlarge water companies. In January 2020, possible scenarios for the restructuring of companies were presented to the government – the model of gradual enlargement of companies, taking into account their compliance with the criteria for licensed activities, was chosen. An amendment to the Law on Drinking Water Supply and Waste Water Management is being prepared with implementation of this model in mind.

296. Goal 7. In 2018, the Law on Renewable Energy and the Law on Electricity were amended, approving a new support model for the development of green energy – neutral auctions of electricity production from renewable energy sources. The aim is to increase the local production capacity from renewable energy sources (solar, wind, biofuel, biogas) to 5 TWh in 2025, ensuring that electricity from renewable energy sources in the electricity balance of the Republic of Lithuania in 2030 would take up 45%.

297. In 2019, the regulatory environment for electricity prosumers was improved by eliminating redundant permits and opening new opportunities for the consumers to produce electricity for their own needs. A sustainable and long-term financing model has been developed. Residents installing solar power plants can receive a payment of EUR 323 per 1 kW of installed capacity. In total, about EUR 25 million funding from the EU Structural Funds is provided for until 2021.

298. In the field of increasing energy efficiency, it is planned to ensure that by 2030 the intensity of primary and final energy would be 1.5 times lower than in 2017, and by 2050 – about 2.4 times lower than in 2017. These goals are expected to be achieved through a comprehensive renovation of multi-apartment houses and public buildings, with priority given to renovations on a block scale. By 2020, 36 municipalities of the country have prepared and started to implement block energy efficiency improvement programmes – 113 blocks are planned to be renewed. It is planned to save 5-6 TWh of energy in the renovated multi-apartment houses and public buildings by 2030.

299. Goal 8. Although the growth of the entire EU economy has slowed down, the real GDP of the Republic of Lithuania increased by 3.9% in 2019. In the medium term, gross GDP could grow by an average of 2.2% per year. The growth rate of gross value added per employee in the Republic of Lithuania decreased from 2010 to 2018 and was at 2.2% in 2018. The biggest positive impact on the change in GDP in 2019 was made by the value added created by industry and service enterprises. In 2019, 3.5% more industrial production was sold at constant prices than in 2018.

300. The value added created in the tourism sector, as compared to the total value added, has been constantly increasing since 2010 (by 2.8% in 2010, by 3.1% in 2017). Changes in value added created in the field of tourism: by 11.3% in 2017 (by 1.4% in 2010). The share of the population

employed in the tourism sector (excluding the public sector) in relation to the total employed has also been on the rise (by 4.3% in 2010 and by 4.9% in 2017).

301. The goal is that in 2020 the number of fatal accidents per 100 thousand people would drop to 2. To this end, it is planned to continue with consistent control of the implementation of requirements of occupational safety and health in undertakings engaged in certain economic activities (forestry, transport and storage, construction, manufacture of products of wood, wholesale and retail trade, agriculture).

302. Goal 9. Implementation of solutions leading to circular economy, resource efficiency, green infrastructure, adaptation to climate change, energy efficiency and renewable energy solutions are key to building resilient infrastructure, promoting inclusive industrialization and innovation. The industrial sector is the largest and constantly growing the economic sector of the Republic of Lithuania in terms of production volume and number of enterprises, creating 22% of GDP and more than 80% exports of goods and services. Although the progress made in digital technology integration is above the EU average, the National Industrial Digitalisation Platform “Industry 4.0” and the objectives of the Lithuanian Industrial Digitalisation Roadmap for 2019–2030, cooperation between science and business in the field of innovation aren't any less relevant when aiming for sustainable economic growth.

303. Insufficient transport connections hinder competitiveness of the Republic of Lithuania and limit the benefits of the single market. Traffic flows run mainly along the east-west axis and the north-south axis remains underdeveloped. Therefore, the implementation of the Rail Baltica and Via Baltica projects is being continued. The infrastructure of Klaipėda State Seaport is being modernized and reconstructed, increasing competitiveness, ensuring interoperability with railways and efficient, safe navigation. The infrastructure of the airports of the Republic of Lithuania and the number of flight directions are being developed. Intelligent high-bandwidth networks for high-speed broadband are being laid to provide high-speed broadband access to the Internet for people and businesses in more remote areas.

304. Goal 10. In order to improve one of the main indicators of the poverty situation – the at-risk-of-poverty rate, the government increased the MMW to EUR 607 in 2020, introduced a social model, introduced a threshold (floor) for social security contributions (i.e. the employers paying less than the MMW now have to pay contributions on MMW), redistributed social security contributions between employer and employee, increased child benefits, provided for a consistent increase in social benefits and indexation of their basic amounts, therefore in 2020 the focus will be on reducing the at-risk-of-poverty rate to 21.2 (its value was at 17.1 for EU28 in 2018). Along the economic growth and rapid growth in labour income, income inequality tends to increase due to insufficient growth in social benefits, but the Government will use the above measures to ensure that the income distribution ratio

(which represents a difference between the 20% highest income earners and the 20% lowest income earners) would improve.

305. Goal 11. In 2017, the preparation of the new Master Plan for the Territory of the Republic of Lithuania was started, which will be the basic spatial planning document of the Republic of Lithuania, integrating the provisions of sectoral policy and the UN SDGs in the territorial aspect. In 2019, the main directions of Lithuanian urban policy and recommendations for their implementation were approved: mitigation of the impact of climate change and strengthening of resilience; creating synergies between urbanised and non-urbanised areas; vitality of society and local communities, combating exclusion; sustainable development of urbanised and non-urbanised areas. These directions are integrated into the solutions of the concept of the general plan of the territory of the Republic of Lithuania, which determine the priorities of sustainable development of urbanised and non-urbanised territories in the social, cultural, economic and environmental aspects.

306. In order to improve connectivity of urban and rural areas, roads of national significance are being reconstructed, traffic safety measures are being implemented, municipal transport infrastructure is being developed, and railway infrastructure is being modernized. Noise prevention and reduction measures are installed during the modernization of transport infrastructure in high-traffic sections.

307. Goal 12. Innovations, especially ecology-driven ones and the ones that lead to creation of new technologies, processes, products, services and business models required for the change in production and consumption patterns, have an important role to play in the transition to more efficient use of resources. The Ministry of the Economy and Innovation administers the measure “Eco-innovation LT +”. The measure provides an opportunity for SMEs to use the measures' funds to finance the implementation of technological eco-innovations and to promote the mitigation of the negative effects of climate change and the greenhouse effect. Currently, 90 projects are being implemented under this EU investment facility and 30 projects have already been completed. Promoting resource efficiency and developing new production models remains relevant in the period of 2021–2027.

307. Goal 13. In order to properly adapt to climate change and contribute to achievement of the goals of the Paris Agreement, the main national climate change policy planning documents were prepared in 2019 – a draft amendment to the Strategy for National Climate Change Management Policy was submitted to the Seimas, the Government approved the National Energy and Climate Action Plan 2021-2030. The National Climate Change Information Portal <http://klimatokaita.lt> is being completed for the dissemination and effective coordination of information on climate change.

308. In the field of agriculture, agri-environmental programmes are supported, farmers are consulted on farm management and agricultural practices beneficial to the climate and the

environment, most farmers implementing advanced techniques study the agrochemical properties of their farm soil every year, 162 agricultural water management projects have been granted support in the period of 2015-2018, for the purpose of reducing the amount of methane emitted by livestock farms, the implementation of investment projects for the collection and use of biogas for energy production in rural areas is promoted. 37.8% of the funds under the Lithuanian Rural Development Programme 2014–2020 are planned to be allocated to climate change mitigation and adaptation goals. In the transport sector, the renewal of the city's public transport fleet, the implementation of e-tolling in the field of freight transport, the creation of a sustainable mobility fund, the promotion of the use of electric vehicles, the development of their charging infrastructure, etc. are planned. It is planned to electrify the Vilnius railway junction and Kaišiadorys–Radviliškis and Radviliškis–Klaipėda sections by the end of 2023 (the total length of electrified railway roads in the Republic of Lithuania will be about 35%).

310. Goal 14. In 2017, the goals, objectives and desired results of the water sector of the Republic of Lithuania until 2023 were set, which oblige to improve the integrated management of marine and inland waters by applying the principles of sustainable development. The influx of nutrients is one of the greatest challenges. In order to reduce the influx of nutrients that promote eutrophication into the Curonian Lagoon and the Baltic Sea, it has been committed to reduce the influx of nitrogen by 19% and the influx of phosphorus by 56% (compared to the reference period of 1997-2003).

311. Goal 15. The Natura 2000 Priority Action Programme of the Republic of Lithuania for 2021–2027 provides for measures to ensure a favourable conservation status of species and habitats of European Community importance. These measures aim to improve the conservation status of at least 30% species and at least 30% of habitats and to ensure no protected species and habitats would have its conservation status decline, as well as to complete the establishment of the Natura 2000 network of protected areas.

312. According to the European Commission, in 2016–2019, the Republic of Lithuania made significant progress in mapping, assessing and integrating into decision-making ecosystems and the services they provide. In 2019, 7 priority sectors of public administration and economy, policy areas which would be the first to integrate aspects of assessment of ecosystems and their services were identified; ecosystem services, their demand, supply and potential are assessed (in 2017–2021, the national ecosystem services assessment and mapping project of the Republic of Lithuania is being implemented).

313. The measures of the Lithuanian Rural Development Programme 2014–2020 aim at the restoration, preservation and increase of biological diversity in Natura 2000 territories as well as high

nature value farming. It is forecasted that a total of 3600 ha of forest area will be planted under the measure “Area of Afforested Land” by the end of the programming period.

314. Goal 16. Since 2014, the State Programme for the Prevention of Domestic Violence and the Provision of Assistance to Victims has been implemented, the strategic goal of which is to reduce the level of domestic violence at the state level. By raising awareness of the problem of violence against women and providing specialized assistance to victims of violence, it is planned to decrease the value of the indicator “Share of women who have experienced physical and sexual abuse in the last 12 months (in %)” down to 5.

315. Goal 17. The priority in development cooperation of the Republic of Lithuania are the EU's Eastern Partnership countries and countries of origin and transit in migration. The Republic of Lithuania actively participates in the EU twinning programme and is the leader among the EU Member States in terms of the number of projects being implemented. The aim is to contribute to the achievement of all sustainable development goals in partner countries, prioritising poverty reduction, quality of education, gender equality, climate change mitigation, and securing of peace and justice.

316. The national strategic documents enshrine the international commitment of the Republic of Lithuania to allocate at least 0.33% of gross national income (GNI) for official development assistance by 2030. According to the OECD, the official development assistance (ODA) of the Republic of Lithuania in 2018 amounted to EUR 55 million or 0.12% of GNP. EUR 44.8 million were allocated for multilateral assistance and EUR 10.2 million – for bilateral assistance. For comparison, in 2017, Lithuania's ODA amounted to EUR 52.5 million or 0.13% of GNP. It should be noted that although in absolute terms the assistance provided by the Republic of Lithuania is gradually increasing every year, its percentage is decreasing every year due to the growth of GNP.

## **CHAPTER VII**

### **INTERINSTITUTIONAL COLLABORATION**

317. In December 2019, the Commission for the Development of Competences of Social Partners was established under the Tripartite Council of the Republic of Lithuania, the aim of which is to solve problems related to the strengthening of competences and capacities of social partners. Among other activities, this commission also plans to address issues related to the involvement of national partners and their participation in the European Semester process.

318. On 26 February 2020, the Country Report published by the European Commission and the challenges it raises for the Republic of Lithuania were discussed in detail in the Seimas Committee on European Affairs, with the participation of representatives of other committees of the Seimas.

319. The NRP was prepared in co-operation with an inter-institutional working group composed of representatives of ministries. The preparation of the NRP was coordinated by the Minister of the Economy and Innovation.

320. The country report prepared by the European Commission for Lithuania was discussed in the meeting of the National Reform Programme Implementation Monitoring Commission, formed by resolution of the Government of the Republic of Lithuania of 17 August 2011 No. 967 “On the Coordination of the Implementation of the National Reform Programme in Lithuania”, that took place on 27 February 2020 and where the main aspects for the contents of the NRP for 2020 were agreed upon.

321. The draft NRP for 2020 was made publicly available in the information system of legal acts of the Office of the Seimas of the Republic of Lithuania on 9-17 March 2020. The economic and social partners and the public were able to post comments and suggestions for it.

**ANNEX. Report on the implementation of the action plan for the implementation of the Council Recommendation for 2019–2020.**

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