



Lithuania: National Reform Programme 2014

Vilnius
2014



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I. GENERAL PROVISIONS

The National Reform Programme 2014 (hereinafter referred to as the NRP) was updated taking into consideration the annual European Union's economic policy coordination cycle, the so-called European Semester. The National Reform Programme 2014 summarizes the main structural reforms that are being implemented or that are planned to be implemented in the effort to achieve quantitative targets of the *Europe 2020* Strategy. These include the following: to implement the Council Recommendation on the National Reform Programme 2013 of Lithuania and delivering a Council opinion on the updated convergence programme of Lithuania, 2013–2016, and to fulfil the obligations assumed by Lithuania for 2011 under the Euro Plus Pact. The document has been drafted taking into account the provisions of the Lithuanian progress strategy *Lithuania 2030*, which was approved by the Seimas of the Republic of Lithuania (hereinafter – the Seimas) on 15 May 2012. When planning new measures in the field of structural reforms, the evaluated proposals of the European Commission (hereinafter – the EC) to the EU Member States are provided in the *Annual Growth Survey 2014*.

The structure and format of the updated National Reform Programme 2014 have been drafted according to the guidelines published by the European Commission on 15 October 2013. The National Reform Programme 2014 is supplemented with three annexes: Annex No. 1 lists current national quantitative targets in the areas sought and projections for 2015 and 2020; Annex No. 2 presents data on the implementation of the Council recommendations for Lithuania; Annex No. 3 provides information on national *Europe 2020* targets as well as on implementation of commitments undertaken by Lithuania under the *Euro Plus Pact*, *Annual Growth Survey* and flagship initiatives, as well as key commitments for the next 12 months.

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

The implementation of the priorities of *Europe 2020* – smart, sustainable and inclusive growth – will be measured by quantitative targets. These priorities include increasing employment and investments into R&D, energy and fight against climate change, social inclusion and educational development.

In the *Annual Growth Survey 2014*, the EC presented its proposals regarding the EU priorities for the next 12 months in the area of economic and budgetary policies, as well as reforms that would promote growth and job creation. This document marked the opening of the fourth European Semester of economic governance. The EC believes that in 2014, just like in 2013, national and EU level efforts should be directed at the same five priority actions: to continue differentiated, growth-friendly, fiscal consolidation; restore normal lending to the economy; promote growth and competitiveness; tackle unemployment and social consequences of the crisis; and to modernise public administration.

Having regard to the priorities outlined in the *Europe 2020* Strategy and activity priorities established in the Lithuanian progress strategy *Lithuania 2030* as well as the Programme of the Government of the Republic of Lithuania (hereinafter – the Government) for 2012–2016 approved by the Resolution of the Seimas of the Republic of Lithuania of 13 December 2012, the immediate priorities of the Government are related to fostering employment, reduction of unemployment, poverty and social exclusion, improvement of investments and business environment, ensurance of financial sustainability, preparation for the adoption of the common European currency, the euro, complex review of the taxation system, implementation of the new multi-annual financial framework 2014–2020 of the European Union started in a timely manner, education and higher education reform, creation of electricity and gas markets. In the medium-term period, in order to implement the goals of the *Europe 2020* Strategy, it will be important to implement social insurance reform and to continue

reforms in the energy and health care sectors as well as to further improve the business environment and conditions for research and innovation. The EU structural funds will be of high importance in the implementation of these reforms.

The NRP 2014 was being prepared at the same time as the 2014 Convergence Programme of Lithuania and is in line with the strategic programme documents of the Government. Ensurance of sustained macroeconomic stability remains the guiding principle in planning structural reforms in the near- and medium-term.

The NRP 2014 was prepared by an inter-institutional working group comprising representatives of ministries, the Bank of Lithuania and Statistics Lithuania. The preparation of the programme was coordinated by the Minister of Economy. With a view to including social and economic partners in the process, offers received from public organisations representing different interest groups, social and economic partners were taken into consideration in the preparation process of the NRP 2014.

A draft NRP 2014 received an approval in the Seimas Committee on European Affairs of 21 March 2014. The final document was approved in the Government meeting of 31 March 2014. During the consideration, active discussions were held between members of the Seimas and political-level representatives from responsible ministries on the issues of education and science, innovation promotion, social policy, employment enhancement and promotion of competitiveness. During the meeting, issues regarding the progress made in the implementation of the 2013 Council recommendations for Lithuania were also discussed. On 25 March 2014, the draft NRP 2014 was presented in the meeting of ministry representatives (chancellors, vice ministers) of the Government of the Republic of Lithuania. During the meeting, it was decided to revise the draft document in accordance with comments of representatives. After the consideration of the comments, the final document was approved in the meeting of the Government of 31 March 2014.

II. MACROECONOMIC PERSPECTIVES

According to the data provided by the Statistics Lithuania, in 2013, the GDP grew by 3.3 percent as compared to 2012. Economic growth was positively affected by the growth of investments, export and domestic consumption.

Moderate growth of the EU and Euro area as well as expansive monetary policy carried out by the European Central Bank will create favourable conditions for the growth of economy of Lithuania as well.

The annual average inflation calculated based on the Harmonised Consumer Price Index accounted for 1.2 percent in 2013 and was lower by 2 percentage points than in 2012 (3.2 percent).

According to the data of Statistics Lithuania, in 2013, the unemployment rate in the country accounted for 11.8 percent and was 1.6 percentage points lower as compared to 2012. Youth unemployment rate (15-24 year olds) decreased by 4.8 percentage points and was 21.9 percent in 2013.

More detailed information on the medium-term central economic development scenario and the mid-term objective for general government finances is presented in the 2014 Convergence Programme of Lithuania.

III. IMPLEMENTATION OF COUNCIL RECOMMENDATIONS FOR LITHUANIA

When preparing the recommendations, the European Commission assessed the National Reform Programme 2013 of Lithuania and its Convergence Programme for 2013^{*}. Not only the fiscal,

^{*} For more information: http://ec.europa.eu/europe2020/pdf/nd/swd2013_lithuania_en.pdf

social and economic policy of Lithuania, but also the compliance with the EU rules and guidelines was evaluated, since the implementation of national measures will allow reaching common EU goals as well. 6 recommendations prepared by the EC for Lithuania regarding its economic policy and structural reform for 2013–2014 were approved by the European Council on 27-28 June 2013.

This section presents the measures planned and those being implemented, which are aimed at the implementation of the Council recommendations for Lithuania within the period 2013–2014.

3.1. Fiscal Discipline and Taxation Policy

Recommendation 1:

Ensure growth friendly fiscal consolidation and implement the budgetary strategy as planned, pursuing a structural adjustment effort that will enable Lithuania to reach the medium-term objective. Prioritise economic growth-enhancing expenditure. Continue to strengthen the fiscal framework, in particular by securing enforceable and binding expenditure ceilings in the medium-term budgetary framework. Review the tax system and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including introducing car taxation, while continuing to reinforce tax compliance.

Strengthening the fiscal policy and implementation of the budgetary policy

The implementation of the Council's recommendation to ensure growth-friendly fiscal consolidation and implement budgetary strategy is ensured as planned, and the medium-term general government balance indicators should be: the deficit of 1.9 percent of GDP in 2014, the deficit of 0.9 percent of GDP in 2015, while in 2016 – the surplus of 0.1 percent of GDP. The budget of 2014 was approved in the view of the expenditure restraint enshrined in the Law on Fiscal Discipline as well as the obligation provided for in the Stability and Growth Pact to seek for the general government balance in the medium-term.

The mid-term deficit objectives and structural measures allowing for the fulfilment of those tasks are presented in the Lithuanian Convergence Programme 2014.

In 2012, the fiscal framework was strengthened by supplementing the Law on Budgeting, establishing that draft state budget for a certain year and draft financial indicators of municipal budgets can deviate from the planned indicators of consolidated entirety of the state budget and municipal budgets for three fiscal years approved by the Seimas only in case the Government presents to the Seimas a written explanation on how new economic policy priorities are reflected in those changes. The Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets of 2014 (hereinafter – the Law on Budget 2014) was prepared following these provisions for the first time.

In order to strengthen the fiscal framework, the adoption of the Law Amending and Supplementing the Law on Budgeting in planned in 2014, the aim of which is to enhance the budgetary discipline of general government bodies and to gradually reduce the deficit of municipal budgets, i.e. to establish that municipal deficit cannot exceed the amount of expenditures from borrowed funds, which is necessary for funding investment projects co-funded from the European Union and other receivable international financial assistance funds.

In the implementation of the Council recommendation, the priority in the Law on Budget 2014 was placed on expenditures stimulating economic growth in 2014, i.e. investment expenditures greater by 0.2 percent of GDP were set, moreover, state guarantees for investment projects are planned to be increased by 0.4 percent of GDP.

Strengthening the fiscal framework and tax administration

The Law on Land Tax of the Republic of Lithuania took effect as from 2013, based on which the procedure for calculating land tax was changed – the tax is now calculated from the average market value of land rather than from its nominal value, also a 5-year transitional period was established, during which land value, if it increased as compared to the value applied in the calculation of land tax for 2012, is consistently increased by 20 percent. Given this fact, in 2014, land tax for land lots, the value of which has increased, will be calculated of the land value 20 percent greater than it was in 2013.

Amendments to the Law on Excise Tax of the Republic of Lithuania provide for an increase of excise rates on ethyl alcohol and alcoholic beverages as from 1 April 2014 and an increase of excise taxes on tobacco products as from 1 March 2014.

For the purpose of the ensurance of the fulfilment of tax obligations, draft Law Amending Article 6.929 of the Civil Code was prepared, establishing that settlements in cash for transactions between persons may be effected only if they do not exceed LTL 10 thousand. These settlements shall be made via the payment service providers, who have the right to accept and pay out cash for settlements without any restraints on the amount thereof. The restriction shall not apply when settlements in non-cash transactions cannot take effect, because payment service providers do not provide services in the venue of these settlements, while it is necessary to make a settlement immediately under the transaction, if a competent state authority has been informed about that. At the same time a draft amendment of respective Articles of the Code of Administrative Offences was drawn up, providing for administrative liability for settlement offences.

Accession to international documents strengthening the fight against illicit trade in tobacco products and their smuggling was initiated: a Protocol to Eliminate Illicit Trade in Tobacco Products adopted in Seoul on 12 November 2012 was signed.

In order to promote the implementation of new waste management technologies (sorting, recovery, recycling), reduce amounts of waste disposed of in landfills, collect funds for the creation and development of waste management system, a draft Law Amending the Law on Environmental Pollution Tax of the Republic of Lithuania, providing for an introduction of environmental pollution tax on waste going to landfills (landfill tax) as from 2016, was prepared.

On 14 November 2013, the Seimas ratified the Convention on Mutual Administrative Assistance in Tax Matters.

Draft laws governing tax administration, improving regulation of third person obligations in the area of information provision, reducing the risk of unaccountable income and allowing for the ensure of conditions for the performance of effective tax administrator functions were drawn up. The drafts are planned to be submitted to the Government in 1st half-year of 2014.

When it comes to practical tax administration, in 2013, the State Tax Inspectorate (hereinafter referred to as STI) implemented measures aimed at the promotion of taxpayer awareness and voluntary tax payment, changing a favourable approach of a part of taxpayers towards tax evasion and shadow economy, ensurance of voluntary execution of tax obligations in correct manner and within the deadlines provided for by laws, also reduction of tax avoidance and evasion. To this end, the STI has implemented a consolidated plan for measures ensuring the fulfilment of tax obligations of and tax collection from taxpayers for 2013–2014.

Planned works:

The STI and Customs of Lithuania are expected to fully implement the tasks and measures of state financial control and law enforcement authorities for 2014 for the control of the phenomena of shadow economy approved for the coordination of cooperation of the EU national economic and financial control and law enforcement authorities.

Also, the STI will continue the application of systematic, preventive and control measures promoting voluntary payment of taxes in the implementation of the consolidated plan for measures ensuring the fulfilment of tax obligations of and tax collection from taxpayers for 2014–2015.

For more detailed information on specific measures undertaken for the implementation of the 1st Council recommendation, see Annex No. 2.

Assessment of progress / problems related thereto:

A progress was made in reducing the general government deficit: according to the preliminary data, the deficit of the general government dropped to 2.1 percent of GDP in 2013. The undertaken fiscal policy trend is essentially in line with the recommendations; tax administration is being consistently strengthened.

3.2. Implementation of a Comprehensive Pension Reform

Recommendation 2:

Adopt and implement legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of ongoing reforms. Underpin pension reform with measures that promote the employability of older workers.

Adopt and implement legislation on a comprehensive pension system reform.

A comprehensive pension system reform is implemented following the reform guidelines adopted by the Seimas and action plan for the implementation thereof approved by the Government.

Measures implemented under the pension accumulation system reform:

In November 2012, the Seimas adopted amendments to legal acts in accordance with which a new pension accumulation financing procedure took effect as from 1 January 2014 providing for a possibility to transfer additional contribution (from salary) paid by participant himself (herself) to a pension fund, where a fraction of social insurance contributions is accumulated, and to receive an incentive payment from the state budget (of the country’s average wages). This procedure applies to those participants who have signed agreements on accumulation of pensions after 1 January 2013:

Table No 1. Contributions to pension funds

Year	Fraction of Sodra contributions, percent	Personal contribution (paid of a person’s insured income), percent	Incentive payment from the state budget (of average wages), percent
2013	2.5	-	-
2014	2	1	1
2016	2	2	2
2020	3.5	2	2

Persons, who have become pension accumulation participants before 1 January 2013, had to make a decision during the period from 1 April 2013 till 30 November 2013 under which conditions they wish to continue their participation in pension accumulation:

- 1) accumulate a part of social insurance contribution only, just like before the amendment of the law (this choice did not require any action);
- 2) submit to a pension accumulation company consent to transfer an additional contribution to a pension fund, thus receiving an incentive payment from the state budget;

3) submit a request to suspend contributions to pension fund.

36.7 percent of all pension accumulation participants (409 000 persons) will take part in the new pension accumulation system. 24 000 participants decided to suspend further transfer of contributions to private pension funds, which accounts for 2.1 percent of all participants in pension accumulation, while 684 000 of pension accumulation participants (i.e. 61.2 percent of all participants) will continue their participation in pension accumulation accumulating only the fraction of the state social insurance contribution, i.e. without making any additional payments and receiving an incentive payment from the state budget.

On 13 November 2012, amendments to the Law on Pension Accumulation also reduced administrative fees applied by pension funds:

- maximum contribution fee: 2 percent in 2013, 1.5 percent in 2014, 1 percent in 2015, 0.5 percent in 2016, 0 percent from 2017.

- maximum assets fee – 0.65 percent in conservative investment pension funds since 2013, and 1 percent in other pension funds.

Pension system reform implementation measures:

Schedule for the preparation of legislation necessary for the implementation of pension reform was also approved in the Programme Action Plan 2012–2016 of the Government. In the view of the fact that pension system reform is inseparable from labour relations, currently the implementation of the project of the essential complex labour relations and social insurance as well as pension reform has been started. We plan to implement this project aimed at the creation of a new legal – administrative model by second half-year of 2015. Draft legislation necessary for the implementation of the pension system reform is not planned to be submitted separately.

Other implemented measures:

The Law on Structure of the State Social Insurance Fund Budget provides for the fact that interest on loans disbursed for the budget of the state social insurance fund as from 1 January 2014 will be covered from the funds of the budget of the Republic of Lithuania, thus such a decision will have a positive impact on balancing the state social insurance fund budget in the future, and a smaller financial burden will be assumed.

Align the statutory retirement age with life expectancy.

Currently we do not plan to align retirement age with life expectancy, as in accordance with the schedule provided for in the Law on State Social Insurance Pensions, retirement age is increasing each year. Retirement age is delayed faster than the average expected life expectancy is increasing. However, the implementation of this recommendation could be considered after 2026, when the retirement age of both men and women will reach 65 years.

Restrict access to early retirement, establish clear rules for the indexation of pensions.

Effective Law on Early Payment of State Social Insurance Old-age Pensions established that an early old-age pension can be entitled for those persons, who have no more than 5 years remaining to the statutory retirement age, they have acquired the state social pension insurance record of at least 30 years and do not have any labour relations-related income, or do not receive any other pension or pension benefits. The law also provides for the fact that an early old-age pension shall be calculated in the same manner as an old-age pension and is decreased by 0.4 percent for each full month remaining till the retirement age. This reduction is applied till both reaching the retirement age and afterwards, i.e. if, for example, a person has chosen to receive an early old-age pension 5 years (60 months) till the statutory retirement age, the calculated pension for early retirement will be reduced by 24 percent for as long as the person lives. Given the extent of pension reduction, the number of recipients of early pensions is not large and has remained about the same for several years (for comparison, in Q 4 of

2013, 599 566 persons received old-age pensions, while early pensions were paid to 11 055 recipients during the same period). Thus further tightening of conditions for early allocation of pensions is currently not planned for.

Rules for the indexation of pensions will be established along with the essential pension system reform in the 2nd half-year of 2015.

Underpin pension reform with measures that promote the employability of older persons.

Currently, the preparation of the Action Plan for the Implementation of the Strategy of National Demographic (Population) Policy for the Welfare of Families for 2014–2015 (hereinafter referred to as the Plan) aimed at the implementation of goals and tasks set in the Strategy of National Demographic (Population) Policy is coming to the end. Given the connection between problems and goals and seeking for continuity, actions contributing to the implementation of the National Strategy for Overcoming Consequences of Aging Population have also been included into the Plan. The draft action plan provides for measures contributing to increased employment of older persons and their health promotion. Actions provided for in the action plan of the Programme for the Promotion of Employability for 2014–2020 will also contribute to increased employability of older persons.

Planned works:

- draft legislation necessary for the implementation of the pension reform is planned to be prepared by the 2nd half-year of 2015;
- the regulation of the formation of the state social insurance fund budget reserve is planned to take effect in 2015 in order to be better prepared for potential financial crises in the future and to create a more sustainable social insurance system;
- completion of the preparation of the Action Plan for the Implementation of the Strategy of National Demographic (Population) Policy for the Welfare of Families for 2014-2015 is planned for.

Assessment of progress / problems related thereto:

Changes in the pension accumulation funding procedure have been implemented, allowing a participant to transfer an additional contribution from his own funds and receive an incentive contribution from the state budget.

3.3. Reducing Unemployment

Recommendation 3:

Tackle high unemployment amongst low-skilled workers and long-term unemployment by refocusing resources on active labour market policies while improving their coverage and efficiency. Improve the employability of young people, for example through a Youth Guarantee, enhance the implementation and effectiveness of apprenticeship schemes and address persistent skill mismatches. Review the appropriateness of labour legislation with regard to flexible agreement conditions, dismissal provisions and flexible working time arrangements in consultation with social partners.

Tackle high unemployment amongst low-skilled workers as well as long-term unemployment.

Long-term unemployment rate has been decreasing each year in Lithuania: in 2011 it accounted for 8.0 percent, in 2012 – for 6.6 percent. In accordance with data of Statistics Lithuania, in 2013, long-term unemployment rate amounted to 5.1 percent and was 1.5 percentage point lower than in 2012.

The issue of long-term and low-skilled unemployment was being solved by conducting profiling of the unemployed at the time of their registration with public employment service (known as

Lithuanian Labour Exchange and local labour exchanges), when the level of their motivation and preparedness for labour market was assessed, creating individual employment action plans. Long-term and low-skilled unemployed are one of additionally supported groups of people in the labour market, thus, they are included in the active labour market policy measures to the possible extent.

21.4 thousand long-term unemployed took part in active labour market policy measures in 2013. Among the persons sent for vocational training in 2013, the long-term unemployed accounted for 19 percent (in 2012 - 9 percent), among those who were employed under subsidies they accounted for 31 percent, and among those employed for acquiring job skills the long-term unemployed totalled 25.2 percent.

For solving the long-term unemployment problem, the project *Assistance in Finding Employment*, the aim of which is to speed up the process of return of long-term unemployed and those who are at risk of long-term unemployment to the labour market and their staying therein, was started in the end of 2013 (the project value is LTL 31.5 million, number of participants – 6 450 unemployed).

Upon the entry into force of the Law on the Provision of Services in Agriculture and Forestry under Service Voucher on 1 April 2013, another measure bringing the unemployed, especially low-skilled, closer to the labour market and contributing to their employability took effect. Pursuant to provisions of this law, persons can provide temporary or occasional agricultural or forestry services, for the provision of which no specific skills, qualification, permits, certificates, trainings or courses are required. Persons providing these services, if they have been registered with local Labour Exchanges, fully retain their existing status, i.e. they can continue to participate in job search, receive job offers and make use of all other services offered by local Labour Exchanges.

Refocus resources on active labour market policies while improving their coverage and efficiency.

In 2013, as compared to 2012, funding for the active labour market policy (hereinafter - the ALMP) was increased from LTL 156.1 million to LTL 171.1 million, allocating additional LTL 15 million.

Out of all LTL 171.1 million allocated for the implementation of the ALMP measures, 29.2 percent was intended for vocational training, 11.3 percent – for supporting the acquisition of professional skills, 16.2 percent – for the support of job creation and 25.7 percent – for public works.

In 2013, 65.5 thousand people took part in the active labour market policy measures, of which 59 thousand were sent for participation in 2013. The coverage of the active labour market policy measures amounted to 19.7 percent of all registered unemployed.

For increasing the effectiveness of the active labour market policy, a new methodology for evaluating efficiency of ALMP was introduced in 2013, in accordance with which the Public Employment Service (Labour Exchange) is now carrying out the evaluation of the efficiency of the active labour market policy measures.

In order to increase the rate of employability of the participants in the active labour market policy measures, a Description on the Cooperation with Employers governing the organization of cooperation with employers in local Labour Exchanges was approved.

So that the funds allocated for funding active labour market policy measures intended for the creation of jobs and compensation of employment costs are used efficiently and effectively, a Description on the Procedure for Measuring and Evaluating the Efficiency and Performance of Operations of Public Employment Services (Labour Exchanges), governing the operational areas to be supervised, the procedure for measuring operating efficiency and performance, setting the indicators for evaluating efficiency and performance of supervision activities and methods for calculating thereof, was prepared in 2013.

Improve the employability of young people, for example through a Youth Guarantee.

Improvement of employability, especially of young people, is one of the most important priorities of Government activities during the 2013–2014 period.

Unemployment rate of young people (aged 15-24) decreased by 4.8 percentage points in 2013 and accounted for 21.9 percent. There were 27.4 thousand unemployed 15-24 year olds and, as compared to 2012, their number decreased by 4.8 thousand, or 14.9 percent.

The implementation of the measure *Support for the First Job*, funded from the European social fund, launched on 1 August 2012, was continued in 2013. In order to encourage employers to hire young people, a part of salary of 16-29 year old persons, who have not yet been employed under an employment agreement, employed full-time for the first time, is reimbursed. An employer is compensated 23.3 percent of the calculated salary amount for a period no longer than 12 months. By 31 December 2013, LTL 10 million was paid out to 9 062 employed young persons, 1 714 companies received support for that.

The implementation of the project *Increased Employability of Young People* carried out since 1 August 2012 was completed on 1 December 2013. The project helped young unemployed to acquire missing labour skills right in a workplace. By hiring a young person without any work experience, an employer could receive a subsidy in the amount of up to 50 percent of the calculated salary. 6 600 persons under 29 years old were involved in the project activities. The employment rate of young unemployed persons was 86 percent within 6 months after the participation in the programme for acquiring labour skills.

Young people (up to 29 years of age) are one of the priority groups having a possibility to make use of the financial engineering instrument *Promoting Entrepreneurship*, funded from the European Social Fund. The activities of the Entrepreneurship Promotion Fund include the disbursement of loans up to LTL 86 000, training and consulting entrepreneurs, assistance in preparation and implementation of business plans. In 2013, 266 young people took part in entrepreneurship trainings held by the Entrepreneurship Promotion Fund, 88 loans for starting a business were disbursed to young persons under 29 years old. Young persons created 130 new jobs in their start-ups.

The implementation of the *National Youth Volunteering Programme* was started in 2013. During the 18-month programme implementation period, 200 hiring public organizations will admit up to 6 volunteers for the period of 3-6 months. Young people participating in the volunteering project will acquire skills necessary for more conscious and self-organized personal life, also the skills most often required by employers: communication, organization, planning, decision-making, also, experience of a particular job in a particular organization or institution.

Intensive Assistance Programme for Unemployed Young School Drop-outs was approved by the Order of the Minister of Social Security and Labour of 17 April 2013. Under this programme, the project *Trust in Yourself* was started in the end of 2013. In order to encourage the inclusion of socially disadvantaged young people into the labour market and/or educational system, the expansion of the scope of services of youth employment centres is planned by adding services of the organization of social rehabilitation and preparation for employment in the labour market for young people registered and not registered with Labour Exchanges. The target group of the project is 16-25 year olds, who do not work, do not study and are not engaged in the active labour market policy measures; 2 thousand young people are planned to be included in the project, the project value is LTL 4 million.

11 youth employment centres (there is a total of 22 youth employment centres operating in the country), which help young people to get a better understanding of social and labour environment, solve their employment problems on their own, were opened under local Public Employment Service (Labour Exchanges) in 2013 (it is planned to establish youth employment centres in each municipality).

A plan for the implementation of *Youth Guarantee* was approved by the Minister of Social Security and Labour on 16 December 2013. This document aims to ensure that all young people under 29 years old receive a job offer, continue studying, including apprenticeship, or get a practice or internship within four months after losing a job or completing formal learning.

Enhance the implementation and effectiveness of apprenticeship schemes.

At the end of 2013, the Seimas was presented with two draft amendments to the Law on Support for Employment, the provisions of which are aimed at legitimizing the acquisition of professional skills under bilateral agreements, when an employment agreement is not concluded and a salary is not paid, while a participant does not have to be qualified.

Draft amendments of the Law on Vocational Training and its implementing legal acts, a part of which is related to apprenticeships (i.e. practical training in the actual workplace) and implementation of modular vocational training programmes, were prepared.

Measures for the enhancement of the relation between education and life-long learning systems and labour market needs, easier transition from school to the labour market creating quality models of teaching practice, apprenticeship and dual learning, learning in an educational institution and gaining on-the-job experience were carried out in 2013. The development of the model for arranging internships of postgraduate and integrated study students in enterprises and (or) non-profit organizations, including the training of student practice supervisors (tutors), improving their skills, creation and installation of information systems in practice places was started. The main goal is to improve the quality of the performance of practices and practical skills of students enabling students to be competitive in the labour market. Such student practices can be organized together with foreign partners. Practice models in Lithuania are created and adapted in the implementation of EU structural assistance projects.

Address persistent skill mismatches.

In order to identify the need for specialists, their prospects in the labour market and find out the graduates of which study and training programmes are needed the most, a specialist qualifications map is being created. The already existing information systems will be used in the qualifications map: information held in the Registry of Diplomas and Certificates and the Residents' Register will be linked to the state social insurance information system and supplemented with data on occupations, which is to be presented by employers.

The collection of data on occupations was started on 1 November 2013. When hiring employees, employers must present data on occupations to the State Social Insurance Fund Board. The Lithuanian Classification of Occupations prepared by the Ministry of Economy is applied for coding occupations. A period of 4 months, i.e. till 1 March 2014, is planned for this goal. Collected information will be used in the preparation of the Specialists Qualifications Map.

Review the appropriateness of labour legislation with regard to flexible agreement conditions, dismissal provisions and flexible working time arrangements in consultation with social partners.

Review of labour legislation related to flexible employment agreement conditions, dismissal provisions and flexible working time arrangements was carried out and draft amendments to laws were prepared in consultation with social partners. Draft laws amending the Labour Code of the Republic of Lithuania and Code of Administrative Offences of the Republic of Lithuania were approved by the Resolution of the Government of the Republic of Lithuania of 27 November 2013 (submitted to the Seimas).

In order to reduce administrative burden borne by employers, it is proposed that employment agreement registration journals are renounced, because information on the employment of an employee is recorded in the database of the State Social Insurance Fund Board; also, that a document

identifying an employee, mandatory state determined sample employment agreement form and sample time sheet form are no longer used (leaving them as alternatives), allowing economic entities to use time sheets in the form approved by an employer, conclude free-form employment agreements and refuse the mandatory presentation of pay slips.

The possibility of concluding fixed-term employment agreements for newly set-up places has been extended till 31 July 2015.

In order to create favourable conditions for businesses to create new jobs and improve laws governing labour relations, the preparation of labour relations and state social insurance legal – administrative model was started in 2014. The plan is to create a labour relations and state social insurance legal – administrative model and to prepare a legal act governing labour relations determining more flexible regulation of labour relations and ensuring employment security during the period of 15 months.

Planned works:

Information is presented in part IV, section 4.7.

Assessment of progress / problems related thereto:

- progress has been made in reducing unemployment and increasing the efficiency of active labour market policy measures;
- the share of funds allocated for funding active labour market policy measures remains one of the lowest in the European Union, leading to low coverage of active labour market policy measures;
- preparatory works have been started in preparation of a new legal act governing labour relations (Labour Code) setting a more flexible regulation of labour relations and ensuring employment security.

3.4. Reduction of Poverty and Social Exclusion

Recommendation 4:

Implement concrete targeted measures to reduce poverty and social exclusion. Strengthen the links between the cash social assistance reform and activation measures.

Measures being implemented include:

- Since 2014 maximum non-taxable allowance has been increased by the Law on Personal Income Tax of the Republic of Lithuania from LTL 470 to LTL 570, while due to the changed procedure of application of non-taxable allowance the progressiveness of personal income tax is increasing. Also, additional non-taxable allowance applied for the first child has been increased from LTL 100 to LTL 200;

- granting an additional social benefit upon employment. In order to promote the integration of the recipients of cash social assistance into the labour market, additional allocation of social benefit, which equals to 50 percent of the average social benefit amount received by them and which can be paid no longer than for 6 months, is paid to persons, who have been registered with a local Labour Exchange for at least 12 months, without considering the period of time for which they participated in active labour market policy measures or performed public works. The restraining condition allowing to pay additional social benefit only to persons raising children was waived. In order to reduce the long-term dependence on cash social benefits, the period of the receipt of social benefit has been reduced to 12 months, starting from which a benefit is reduced for working age employable but unemployed persons (their families), except for social benefit paid for children. Social benefit is not reduced also in the cases when a Lithuanian local Labour Exchange or Public Employment Service of another state did

not offer a job or to take part in active labour market policy measures during the period when social benefit was paid;

In 2013, in pilot municipalities the number of recipients of social benefits decreased by 18.7 percent (from 15.5 to 12.6 thousand) as compared to 2012, while expenses for the payment of social benefits fell by 26.8 percent (from 38.1 to 27.9 million);

Taking into consideration the fact that pilot municipalities provide cash social assistance implementing independent function in accordance with the Law on Local Self-Government of the Republic of Lithuania, the reallocation of unused funds is exclusively a prerogative of municipal councils;

Given the good practice of the provision of cash social assistance by pilot municipalities and results of the implementation of independent function, amendments to the Law on Cash Social Assistance for Poor Residents of the Republic of Lithuania, creating a legal framework for other 55 municipalities to provide social assistance in the implementation of their individual function as from 1 January 2014, were adopted in 2013. Moreover, this law expanded the discretion of municipality administrations further more in making decisions on the provision of cash social assistance. Having evaluated living conditions, municipal administration shall have the right to allocate social benefits when persons meet the requirements established by laws, but their income exceeds the state supported income amount of LTL 350 by no more than 20 percent;

According to the data of the Lithuanian Labour Exchange, a consistent number of the recipients of social benefits registered with the Lithuanian Labour Exchange has been observed, as in 2012 they accounted for 22.5 percent and in 2013 for 21.3 percent of all persons registered with the Lithuanian Labour Exchange;

In order to integrate the recipients of social benefits into the labour market, according to the data of the Lithuanian Labour Exchange, in 2013 16 396 unemployed recipients of social benefits found permanent employment, 3 141 were employed for a fixed term, 7 431 obtained business licenses and 14 297 were involved in the active labour market policy measures.

Planned works:

- In 2014, the cash social assistance reform for poor residents will be continued: a pilot project when cash social assistance is granted while implementing independent function of municipalities will be carried out in 5 municipalities till 31 December 2014; meanwhile, in 55 non-pilot municipalities from 1 January 2014 social benefit is provided while implementing independent function of municipalities, while compensations for heating, drinking water and hot water costs is provided while implementing state (delegated by the state to municipalities) municipal function;

- In 2014, the decision on a unified model of provision of cash social assistance in all 60 municipalities, which will take effect as from 1 January 2015, will be made.

Assessment of progress/ issues related thereto:

- In all 60 municipalities an average of 190 thousand people (6.5 percent of all residents of Lithuania) received social benefits in one month of 2013. As compared to 2012, the number of social benefit recipients decreased by 14.4 percent on average (from 221.9 thousand to 190 thousand people), expenses for the payment of social benefits decreased by 15.2 percent (from LTL 599.5 million to LTL 508.2 million);

- In 55 non-pilot municipalities, LTL 480.2 million was spent for paying social benefits in 2013. As compared to 2012, expenses for the payment of social benefits dropped by 14.5 percent (i.e. from LTL 561.4 million to LTL 480.2 million). 177.4 thousand people received social benefits in the said 55 municipalities in 2013. As compared to 2012, the number of recipients of social benefits fell by 14.1 percent (from 206.4 thousand to 177.4 thousand persons);

- It may happen that certain municipalities will not be able to establish the planned 66 pre-school or 57 pre-primary education groups in 2014– 2016 due to the lack of financial funds;
- The establishment of new pre-school and/or pre-primary education groups in general education schools is planned in only half of the municipalities. Not all municipalities create favourable conditions for children to get education in pre-school or pre-primary education programmes, as they do that using their own funds;
- In certain municipalities there are only slightly more than 20 percent of children educated under the pre-school or pre-primary education programmes;
- Not all municipalities carry out the provisions of paragraph 2 of Article 7 and paragraph 3 of Article 8 of Section II of the Law on Education of the Republic of Lithuania, and not all the children who should receive mandatory pre-school or pre-primary education are taught in such establishments.

3.5. Implementation of the Reform of State-Owned Enterprises

Recommendation 5:

Complete the implementation of the reform of the state-owned enterprises, in particular to ensure separation of ownership and regulatory functions, and closely monitor compliance with the requirements of the reform.

The Council stated in its recommendations of 9 July 2013 that the Government has been undertaking an ambitious reform of state-owned enterprises (hereinafter – SOEs), which is relevant and involves legislative as well as organizational changes. The Council also acknowledged that regulatory aspects of the reform have been put in place and broad compliance with reporting requirements has been achieved. It also recommended to Lithuania completing the implementation of the SOE reform first of all by ensuring the separation of ownership and regulatory functions, and closely monitoring the compliance with the requirements of the reform.

In 2013, works listed in the Description of the Procedure for the Implementation of State Property and Non-Property Rights of Ownership within State-Owned Enterprises, especially those implementing the principles of separating the policy-making of certain industry sector, organizing, coordinating and controlling the implementation of such a policy thereof from the functions of state representation as an owner within certain SOEs. In some cases one ministry is responsible for the policy-making within the sector that certain SOEs operate, while the management of these enterprises is transferred to another ministry. In other enterprises this separation has been achieved inside the ministries, having separate divisions, one of which is responsible for the implementation of ownership functions and another for regulation of a specific area of economy, and different vice-ministers supervise these divisions.

Given the recommendation of the Council to separate commercial and non-commercial functions of SOEs, the Government of the Republic of Lithuania determined by its Resolution of 11 December 2013 that since now on SOEs will have to prepare information on special obligations carried out by these enterprises (so-called non-commercial functions) – functions that SOEs are obliged to perform under laws – along with a set of annual financial reports. Given the Recommendation on Setting Special Obligations of State-Owned Enterprises and the Provision of Information approved by the Order of the Minister of Economy of 20 December 2013, SOEs shall have to submit to a state representing authority information on costs, profit, investments, assets attributed to execute these special obligations. In turn, the state representing authorities will submit this information to the Governance Coordination Centre, which will analyse the information on the performance of special obligations and will provide conclusions to the Government on the impact of executing special obligations on SOEs' performance indicators, scope of these obligations and funding by 15 August of each year.

As long as monitoring of compliance with the requirements of SOE reform is concerned, 4 quarterly and 1 annual aggregate reports on the activities of SOEs and their performance results were prepared in 2013.

Moreover, in order to improve the governance of state and municipal enterprises and public and private limited-liability companies, the Government of the Republic of Lithuania submitted to the Parliament amendments to respective laws. Amendments proposed in the draft document amending the Law on State and Municipal Enterprises aims at increasing the competence, independence and motivation of the boards of these companies. The draft Law on Companies proposes to provide public and private limited-liability companies with the possibility to form a collegial body, which would carry out the functions of both supervision and management.

Assessment of progress:

- The activities of SOEs have become more transparent and efficient: based on unaudited data, in 2013 sales revenues of SOEs amounted to LTL 7.5 billion (3.1 percent more than in 2012), net profit reached LTL 484.1 million (increase of 11.9 percent);
- In 2013, the last aspects of the SOE reform were implemented and since now on Lithuania will monitor the compliance of the implementation of reform measures.

3.6. Increasing the Energy Efficiency of Buildings and Competition of Energy Networks

Recommendation 6:

Step up measures to improve the energy efficiency of buildings, including through removing disincentives and rapid implementation of the holding fund. Promote competition in energy networks by improving interconnectivity with other Member States for both electricity and gas.

Step up measures to improve the energy efficiency of buildings, including through removing disincentives and rapid implementation of the holding fund.

Measures being implemented include:

A new funding model for renovation (modernization) of multi-apartment buildings was created and launched in 2013:

- The role of municipalities in the implementation of the renovation (modernization) programme of multi-apartment buildings was expanded and defined – municipalities selected energy inefficient buildings, arranged the preparation of the renovation (modernization) investments plans, approved and started the implementation of programmes for improved energy efficiency of buildings, appointed administrators for the implementation of municipal programmes;
- A new mechanism was established encouraging low-income families to take part in the renovation process – low-income families, who wish to receive a compensation for heating costs, must participate in making decision on the implementation of a modernization project and agree with it;
- Methods for the implementation and funding of modernization projects were expanded - it was determined that in the implementation of modernization project, apartment owners and owners of other premises are to be represented by a municipality programme implementation administrator under an agency agreement, if projects are implemented in accordance with the programme approved by a municipality, that has the right to organize project funding and conclude credit agreements with credit institutions upon the decision of owners and in accordance with the conditions set by them;
- More favourable conditions were created for the implementation of renovation (modernization) projects – additional state support amount provided from the funds of Special Programme for Climate Change was increased by 25 percent (15+25=40 percent), reimbursement of expenses for municipal housing project preparation and its implementation was enshrined, conditions for the provision of state support for project preparation, administration of their implementation and

performance of maintenance were improved (it was determined that these expenses can be both covered or compensated);

- Procurement procedures and conditions of services and works related with project preparation and implementation – it was determined that these services and works shall be purchased using the e-catalogue of the Central contracting authority CPO LT or, if this cannot be done, following the Law on Public Procurement or in the procedure approved by Minister of Environment;

- Public Institution Housing Energy Efficiency Agency, which is in charge of programme implementation, provision of state support, evaluation of municipal programmes, performance of the supervision of project implementation, consultations to modernization process participants, arrangement of public information, education and awareness, was established;

All municipalities were involved in the process of renovation (modernization) of multi-apartment buildings in 2013:

- ✓ 914 the most energy inefficient multi-apartment buildings were selected in municipalities for stage I of the multi-apartment building renovation (modernization) in accordance with municipal energy efficiency enhancement programmes (an average of 16 buildings from each municipality). 56 partnership and cooperation agreement were signed with municipalities in order to increase energy efficiency of multi-apartment buildings. 56 municipal energy efficiency enhancement programmes were prepared and approved;

- ✓ 1 269 investment projects for renovation (modernization) of multi-apartment buildings were prepared and approved, of which 1 015 are planned to be implemented under municipal programmes (instead of planned 800);

- ✓ A call for stage II of the renovation (modernization) was announced – 58 municipalities with selected 1 683 multi-apartment buildings expressed their wish to participate therein; on 31 October 2013, agreements on the preparation of investment plans for renovation (modernization) stage II were signed with municipalities.

- Modernization of individual houses was started, achieving energy efficiency Class C and decreasing energy consumption costs by at least 20 percent. Subsidy amount accounts for up to 30 percent. In 2013, LTL 3.38 million from the funds of the Special Programme for Climate Change was allocated for the achievement of these goals;

- Projects for the modernization of public buildings were being implemented; LTL 76 million from the funds of the Special Programme for Climate Change was allocated for the implementation thereof in 2013;

- In accordance with the programme for the renovation (modernization) of multi-apartment buildings approved by the Resolution of the Government of 23 September 2004, a total of 593* multi-apartment buildings were modernized (completed projects) * (243 multi-apartment buildings during the 2005–2008 period, 350* multi-apartment buildings during the 2009–2013 period). A total of about 244* GWh heat energy was saved in the modernized multi-apartment buildings. In 2013, as compared to 2005, a relevant reduction in calculated heat energy costs was 4.89* percent; currently, 444* multi-apartment buildings are undergoing modernization;

- The main goal of measures aimed at the improvement of energy efficiency of public buildings implemented under Task 4 *Increasing the Energy Production and Consumption Efficiency and the Use of Renewable Energy Sources* of Priority 3 *Environment and Sustainable Development* of the *Operational Programme for Promotion of Cohesion* is to reduce costs for energy consumed in

* in accordance with the Multi-apartment Building Renovation (Modernization) Programme approved by the Resolution No. 1213 of 23 September 2004 of the Government of the Republic of Lithuania, multi-apartment building modernization projects funded under this Programme and other state supported programmes or programmes approved by municipalities (including the development programmes of municipalities - problem territories coordinated by the Ministry of Internal Affairs) and separate energy saving measures implemented upon the initiative of multi-apartment building common use facility managers and of residents are evaluated.

buildings. Supported activities include the following: repair and (or) reconstruction of external fencing of public buildings, modernization and (or) reconstruction of energy systems of buildings – improvement of their energy characteristics. The Ministry of Economy is responsible for the implementation of these measures. The total EU and co-funding amount accounts for LTL 1,037.461 million.

- Reduction of disparities of living conditions and quality in the main and other cities of Lithuania improving housing conditions and at the same time improving energy efficiency of buildings in less developed municipalities was funded from the EU funds under the regional measures of Priority No 1 *Local and Urban Development, Preservation of Cultural Heritage and Nature and Adaptation for Tourism Development* of the *Operational Programme for Promotion of Cohesion*. The goal of these measures was to renovate multi-apartment buildings, firstly by improving characteristics determining energy efficiency thereof and to increase or improve the municipal social housing fund, which would be leased for low-income families entitled to social housing. The Ministry of Internal Affairs is in charge of the implementation of the said measures. The total EU and co-funding amount intended for these measures accounts for LTL 201.171 million.

- renovation of public buildings (Operational Programme for the European Structural and Investment Funds 2014–2020). Funding was allocated for 90 projects in 2013. A total of 769 public buildings were renovated by the end of 2013.

Planned works:

- To implement at least 350 multi-apartment building renovation (modernization) projects in 2014, reducing heat energy costs of the renovated (modernized) buildings by about 70 GWh. Start contract works for about 500 projects;

- Coordinate the implementation of the *Multi-apartment Building Renovation (Modernization) Programme*. Revise legislation in order to ensure proper management of the modernization process and quality of the works performed;

- Coordinate the preparation of municipal programmes for improving energy efficiency intended for stage II of the modernization of multi-apartment buildings, draw up investment plans for renovation (modernization) of least energy efficient buildings selected by municipalities;

- Carry out the monitoring of the implementation of *Multi-apartment Building Renovation (Modernization) Programme* and conduct a sociological study on modernization issues, carry out public awareness, training and education;

- To create in e-catalogue of the public institution CPO LT, carrying out the functions of the central purchasing body, new modules of renovation (modernization) works and separately design service modules, which would ensure a more efficient, effective and faster procurements of renovation (modernization) works and design services;

- Renovate public buildings (Operational Programme for the European Structural and Investment Funds 2014–2020). The plan is to implement over 612 projects under the measures *Renovation and Modernization of Governmental Institutions and Offices Buildings* and *Renovation and Modernization of Municipality institutions and offices buildings* by 2020. The planned energy savings – more than 200 GWh.

Assessment of progress / problems related thereto:

Taking into consideration the pace at which multi-apartment buildings were renovated (modernized), Lithuania has made insufficient progress towards the objective for improved energy efficiency of buildings. After the creation and launch of the new modernization funding model and active involvement of municipalities in the modernization process in 2013, the pace of modernization has been rapidly increasing.

Promote competition in energy networks by improving interconnectivity with the Member States for both electricity and gas.

Measures being implemented include:

Infrastructure projects integrating Lithuania into the EU energy market:

By its Delegated Regulation (EU) No. 1391/2013 of 14 October 2013 the European Commission approved the first list of EU projects of common interest, which also includes 6 projects carried out in Lithuania: LT part of power interconnection between Alytus and LT/PL border of LitPol Link, project of synchronous interconnection of the Baltic counties with the Continental European networks, project of construction of the 5th hydro unit in Kruonis PSP, gas interconnection between Poland and Lithuania (GIPL), capacity enhancement of Klaipėda–Kiemėnai gas pipeline (KKP), enhancement of Latvia–Lithuania gas interconnection.

The completion of the construction of the liquefied natural gas (LNG) terminal in Klaipėda is planned by the end of 2014. The terminal will ensure gas supply alternative thus promoting competition between suppliers and developing gas market. In 2013, in the implementation of this project:

- Contracts were signed with infrastructure installation contractors selected in international tender procedures, upon which Contractors will design and build offshore jetty and pipeline connecting the liquefied natural gas terminal to gas transmission pipeline;
- Territory planning procedures were completed, a special plan of the LNG terminal infrastructure was approved, servitudes with land owners were established;
- In July 2013, a long-term loan agreement was signed by Klaipėdos Nafta and the European Investment Bank under particularly favourable conditions – they have agreed on the loan of EUR 87 million, which will be used for the construction of terminal infrastructure;
- In July 2013, the Law on LNG Terminal was amended waiving a “25 percent rule” and replaced by less intervening mechanisms;
- An international LNG supplier selection tender was carried out in 2013, meeting with LNG suppliers having submitted initial tenders were held, supply conditions were being approved;
- In November 2013, construction works of the gas pipeline Jurbarkas–Klaipėda were completed, an LNG terminal facility connector unit for connection with the gas transmission system was installed.

Construction of electricity connections with Poland (LitPol Link) and Sweden (NordBalt) is planned to be completed by the end of 2015. The projects of LitPol Link and NordBalt connections are carried out on schedule.

In the implementation of these projects of international connections, environmental impact assessment procedures have already been carried out, special plans were approved, contractors for main works were selected, projects were drawn up and construction permits were received, also, actual construction works have already been started.

Construction works of LitPol Link and NordBalt interconnections planned to be continued in 2014:

- laying on-land cable and construction works of cable converter (NordBalt);
- construction works of 330 kV Alytus switchyard, 500 MW Back-to-back station with 400 kV switchyard in Alytus and 400 kV overhead line Alytus–Lithuania/Poland border (LitPol Link).

Regulatory measures promoting electricity and gas supply competition:

- In order to ensure that contracts on the sale of liquefied natural gas are signed and effective diversification of natural gas supply sources is promoted, implementing legislation of the Law on LNG terminal was prepared and adopted – clear, transparent rules understandable to all market participants were set for ensurance of efficient operations of the LNG terminal. Conditions for Klaipėdos Nafta, a

company implementing the LNG terminal project, to carry out certain functions attributed to the LNG terminal operator were created, requirements for the diversification of natural gas supply were set and tender conditions for the selection of the designated LNG supplier were prepared and published.

- A project for synchronous interconnection of Lithuania and other Baltic countries with the Continental European networks. A feasibility study ordered by Estonian, Latvian and Lithuanian transmission system operators *Integration of the Baltic States in the EU Internal Electricity Market* was completed in September 2013 (prepared by the Swedish company *Gothia Power AB*), establishing possible options of synchronous interconnection of the Baltic States with the Continental European networks (CEN) and making an essential conclusion on the fact that operation in synchronous mode from the technical CEN perspective, i.e. given the distributions of electricity flows in electrical networks, system management and ensurance of its stability, is possible.

In the meeting of Baltic Prime Ministers held on 8 November 2013 a decision was made that the most important strategic electric power issues related to joint electricity production, synchronization with the Continental European networks and electricity market operation, shall be solved at intergovernmental level. The Committee of Senior Officials of the Baltic Council of Ministers will have to prepare proposals on the method for synchronous connection of electricity systems of Baltic States with the Continental European networks and agree on the actions necessary for synchronous connection of energy systems of Estonia, Latvia and Lithuania with the CEN.

Planned works in electricity sector:

- Lithuanian–Polish electricity interconnection LitPol Link to be put in operation in 2015 and expansion of the capacities of the interconnection by 2020;
- Completion of the Lithuanian–Swedish power link NordBalt in 2015;
- Implementation of the project for synchronous interconnection of Lithuania and other Baltic countries with the Continental European networks by 2020.

Planned works in the natural gas sector:

- Implementation of the LNG terminal project (commissioning of the terminal is scheduled for December 2014);
- Completion of a feasibility study for the installation of Syderiai underground natural gas storage facility and presentation of the results to the Government;
- Construction of the second line of gas distribution pipeline Klaipėda–Kuršėnai (December 2015);
- Construction of gas interconnection Poland–Lithuania (GIPL) connecting the Lithuanian gas system to the EU gas networks and markets in 2018;
- Research of shale gas potential in Lithuania and possible extraction thereof.

- Assessment of progress/ issues related thereto:

Energy infrastructure projects ensuring the Lithuania's integration into the EU internal energy market are implemented on schedule and should start operating on time set. The gas interconnection Poland–Lithuania is especially important for integration of the Baltic States into the EU energy market. The interconnections projects are non-commercial, thus, the implementation thereof requires EU's financial assistance. It is expected that these projects will benefit from the *Connecting Europe Facility* financial support.

IV. IMPLEMENTATION OF THE PRIORITIES OF THE EUROPE 2020 STRATEGY

4.1. Increasing Investment in Research and Development

Lithuanian Research and Development (R&D) and Innovation performance results must reach the common European objectives and ensure that Lithuania has strong competitive positions in international markets. By 2020, Lithuania will have to create a knowledge economy based on innovation, new technologies and qualified human resources and also develop better common and financing conditions for R&D and Innovation in order to ensure the conversion of innovative ideas into products and services promoting growth and creation of new jobs.

In 2012, more funds, i.e. LTL 1 025.5 million, or 5.1 percent, were allocated for R&D activities as compared to 2011. Total investments into R&D accounted for 0.90 percent of GDP in 2012; meanwhile this ratio was 0.66 percent in higher education and governmental sectors and 0.24 percent in business sector. Based on the ratio of investments into R&D, Lithuania surpassed its neighbour Latvia, however it fell far behind the EU average of 2.06 percent of GDP.

In accordance with the indicators of the published *Innovation Union Scoreboard 2014*, the total innovation index of Lithuania was 0.289 in 2013 (it was 0.280 in 2012). Lithuania along with Italy, Spain, Portugal, the Czech Republic, Greece, Slovakia, Hungary, Croatia, Poland and Malta fall within the group of moderate innovators. According to the assessment of the Innovation Union Scoreboard 2014, strengths of Lithuania include such areas as human resources and non- R&D innovation expenditure. However, Lithuania's research system is not sufficiently open and attractive. It has a low number of patent applications, low number of doctoral students in countries outside the EU, insufficient scope of company investments into R&D.

In order to achieve better commercialisation of R&D results and to have more effective innovation system, the *Innovation Development Programme of Lithuania for 2014-2020* was prepared and approved by Resolution of the Government of the Republic of Lithuania of 18 December 2013. The Programme embraces measures covering the entire innovation cycle, the particular attention is devoted to experimental development and product preparation for the market. It also aims at strengthening innovation performance of the Lithuanian economy and increasing investments into R&D to 1.9 percent of GDP by 2020.

The 2013–2015 action plan of the *State Programme for Higher Education, Research and Experimental (Social, Cultural) Development for 2013–2020* was approved by the Order of the Minister of Education and Science of 25 June 2013.

Measures being implemented:

- Under the *High Technology Development Programme* for 2011–2013 during the implementation of 21 ongoing projects (LTL 3.61 million) in 2013, 14 new technologies were developed and implemented, 38 new products or services were created, 2 international and 5 national patent applications were submitted and 1 international patent was received. During the period of the Programme implementation in 2011–2013, LTL 11.75 million was allocated for the projects. In 2011–2013, 28 new technologies were developed, 19 new technologies were implemented and 85 new projects were created;

- During the implementation of the *Industrial Biotechnology Development Programme for Lithuania* for 2011–2013, the funding of 6 projects was completed in 2013: 4 projects started in 2011 and 2 launched in 2012. LTL 1.158 million was allocated for the projects in 2013. During the period of the Programme implementation (in 2011–2013), LTL 2.752 million was allocated for the projects. In 2011–2013, 6 new technologies were developed, 3 new technologies were introduced, 9 new products were created, 1 international and 2 national patent applications were submitted;

- The *Programmes of Integrated Science, Studies and Business Centres (Valleys)* are developed by implementing 14 R&D infrastructure development projects financed by the Ministry of Education and Science and 10 innovation infrastructure projects financed by the Ministry of Economy;
- In 2013, 16 open access centres established in science and study institutions on the basis of R&D infrastructure which was developed during the implementation of 14 R&D infrastructure development projects funded by the Ministry of Education and Science with the aim of implementing valley development programmes were registered in the register set up by the Agency for Science, Innovation and Technology. Other 5 registered open access centres were established on the basis of another infrastructure developed using other funds. An open access centre provides services which are necessary for the performance of Research and (or) Experimental Development;
- A total of 16 projects under the measure for promoting the commercialization of R&D results were implemented in 2013. There are already 17 companies established for commercialization of R&D results, more than 50 new jobs were created, 5 patent applications were submitted and about 40 innovative products were developed;
- During the implementation of the *Framework National Integrated Programme*, the implementation of 10 projects for the creation and renewal of public, technological and information R&D infrastructure was continued in 2013 (the total project value including additional funding allocated for the projects in 2013 amounted to LTL 122.133 million);
- 19 projects were being implemented under the measure *Execution of R&D Activities in Accordance with the Thematic Areas of National Integrated Programmes*, the total value of which was LTL 35 207 million (LTL 12 092 million was used). 32 subsidies were funded for research activities of scientists and other researchers (except for students). 357 scientists and other researchers (except for students) were employed in the public sector under employment agreements;
- Additional funding of LTL 7 258 881.39 was allocated for the project *Improvement of Training of Highly - Qualified Specialists for the Development of Research-Intensive Sub-Sectors of Economy – NKPDOKT*, carried out by the Research Council of Lithuania, during the implementation of which highly qualified specialists within the thematic areas of national integrated programmes -have been trained;
- In the implementation of the funding model for joint science – business projects aimed at commercialization of scientific research results, the Ministry of Education and Science funded 25 projects, the value of which was LTL 41 409 million (projects are currently under implementation);
- Funding was allocated for companies under the EU structural assistance measures *Intellect LT* and *Intellect LT+* in order to enhance the intensity of research and development activities in the private sector. During 2013, 66 contracts were signed under the measure *Intellect LT* (total of LTL 49.12 million allocated from the European Union structural funds) and 35 contracts were signed under the measure *Intellect LT+* (total of LTL 58.08 million allocated from the European Union structural funds);
- To promote business–science cooperation and the application of research results in business, de minimis aid under the updated innovation vouchers scheme was provided in 2013. Funding was approved for 174 applications, the aid of LTL 2.5 million was allocated, while private investments of companies accounted for LTL 0.889 million. Companies were able to choose research services out of 1 251 services provided by 25 research and science institutions throughout Lithuania;
- In order to promote more active business–science cooperation and technology transfer processes, the implementation of the project *Science and Technology for Innovative Businesses* aimed at the provision of innovation-related services for small and medium-sized enterprises (SMEs) was started in 2012. In the implementation of its activities, 440 unique SMEs were advised in 2013; having made use of advice received by project employees, 18 new technology companies were established in 2013;

- In 2013, the implementation of the project *Incubation of New Technology Companies (Technostartas)* was started. The goal of the project is to promote the establishment of new innovative SMEs by reducing the initial operational costs in the initial stage of company operations and introduction of new products, technologies and services into the market. To promote clusterization, the implementation of the project aimed at the search for common innovative solutions by SMEs as well as higher education and research institutions, also, for the creation of innovative networks and merging into international clusters *Promotion of Internationalisation of Business – Science Partnership* was started. Funding of LTL 3.7 million was allocated for the project. 10 new clusters were created during the project; funding for the implementation of projects of innovative business cluster activities was allocated under the EU structural assistance measures *InoclusterLT* and *Inocluster LT+*. In 2013, LTL 2.78 million was allocated for projects under the measure *Inocluster LT* and LTL 14.47 million – under the measure *Inocluster LT+*;

- The implementation of the programme *BSR Stars* and the project *StarDust* aimed at the development of innovations, clusters and SME networks was being continued in 2013;

- In the implementation of the measures *Inocluster LT* and *Inocluster LT+* of the project *Promotion of Internationalisation of Business - Science Partnership* and the *BSR Stars* programme, 14 new clusters were created, 3 of which were international: iVit@ cluster; Natural mineral water cluster; new BSR Food cluster formed within the framework of *StarDust* project;

- 11 creative industries incubator development projects were launched in Lithuania;

- The preparation for the new 2014–2016 stage of the action plan under the measure Information and Communication Technologies in General Education and Vocational Training was started;

- In the implementation of *Green Industry Innovation Programme* funded by the Norwegian Financial Mechanism 2009–2014, guidelines for applicants were prepared and calls for applications under the Partnership and Small Project Schemes of the Green Industry Innovation Programme were announced in 2013. Implementation of the projects related to innovative environmental technologies and green products was funded from the Programme funds. This initiative is also aimed at enhancing bilateral cooperation between Lithuanian and Norwegian businesses and science. Upon the expiry of the deadline for calls for applications for project funding, 19 applications for LTL 23.4 million have been registered;

- Corporate Income Tax incentive for companies implementing investment projects and investing into essential technological renovation was extended for 5 years by amendments to the Law on Corporate Income Tax of the Republic of Lithuania effective as from 1 January 2014.

Planned works:

- In 2014, financial support will be provided under the Green Industry Innovation Programme funded by the Norwegian Financial Mechanism 2009–2014. Total scope of the assistance is LTL 19.6 million. In 2014, additional call is planned to be announced under the Partnership Project Scheme of the Green Industry Innovation Programme and 10 contracts are planned to be signed for the implementation of projects aimed at the creation of new environmental technologies;

- The Ministry of Economy plans to continue contributing to the promotion of protection of intellectual property, providing assistance for acquiring patents for inventions and registering design at the international level. The Ministry of Economy together with the Agency for Science, Innovation and Technology and the State Patent Bureau is considering the possibility to further encourage businesses to commercialise and acquire patents for their inventions. The aim is to strive for partial compensation of expenses incurred for international search of patents by Lithuanian applicants registering national patents;

- The Ministry of Economy plans to draw up draft legislation and amendments necessary for the implementation of innovation demand measures (innovative public procurement, pre-commercial procurement);

- On 24 October 2013, the Government of the Republic of Lithuania approved 6 priority areas in R&D and innovation (smart specialization) development: 1) energy and sustainable environment; 2) inclusive and creative society; 3) agro-innovation and food technology; 4) new production processes, materials and technologies; 5) health technologies and biotechnologies; 6) transport, logistics, information and communication technologies (ICT). Currently, R&D and innovation priorities in the above-listed areas are being coordinated with interested ministries and will be submitted for approval of the Government of the Republic of Lithuania. R&D and innovation priority is defined as a group of thematically concentrated innovative technologies, products, processes and (or) methods, created using the existing R&D and Innovation potential and application of these technologies, products and (or) methods for public needs (including their introduction into the market) using the existing business and other potential;

- In parallel, a project of the Programme for the Implementation of Priority Areas of R&D and Innovation Development (Smart Specialisation) Priority Areas and Concrete Priorities was drawn up.

Assessment of progress/ issues:

According to the *Innovation Scoreboard 2014*, even though the innovative activity level of Lithuania is 52 percent of the EU average, the country made significant progress in this area in 2011-2013. The gap between Lithuania and the EU average is mostly determined by insufficiently open and attractive research system, low number of patent applications, insufficient scale of industrial investment in R&D. The impact of innovative activities of Lithuania on the competitiveness of the country and job creation remains low.

Lithuania is ahead of most of EU countries and is close to the EU average according to the following indicators: number of employees with high and secondary education, non- R&D innovation expenditure, R&D expenditure in the public sector, level of collaborating of innovative small and medium-sized enterprises with other companies, number of fast-growing innovative companies.

4.2. Reducing the Number of Early School Leavers

The aim is to reduce the share of 18-24 year-old early school leavers to no more than 9 % in Lithuania. This indicator was 7.9 percent in 2010, 7.4 percent in 2011, 6.5 percent in 2012 and 6.3 percent in 2013. Large gaps remain between urban and rural areas (4.8 and 12.4 percent respectively in 2011, 3.7 and 11.7 percent in 2012 and 3.6 and 11.4 percent respectively in 2013). The main causes for such increasing regional differences are believed to be inadequate school network, underdeveloped infrastructure of educational support, and insufficient qualifications and competences of teachers.

Measures being implemented include:

- As from 2011 to the end of 2013, 31 non-state pre-primary education institution was established (there is a total of 67 of them). Conditions were created for more than another 10 370 pre-schoolers to get education in state, municipal and non-state institutions under pre-school education programmes. According to the data as at the end of 2013, there was a total of 92 313 children educated under pre-school education programmes. According to the data of Q 4 of 2013 (as compared to the data of 31 December 2012), the number of children who started receiving education under pre-school education programmes in pre-school education institutions increased by 4 441 (an increase of almost 5 percent per year). Also, the number of children educated under pre-primary education programmes increased by more than 500. According to the data of December 2013, there were more than 117 700 children educated under pre-school and pre-primary education programmes;

- During the implementation of the *National Youth Policy Development 2011–2019*, in 2013, 5 projects for entrepreneurship education of young people were being carried out in schools of the country: Implementation of Innovative Methods in the Process of Entrepreneurship Education, Practical Entrepreneurship Education Programmes *Entrepreneurship Academy*, Creation and Implementation of Methods of Entrepreneurship Education in Schools of Lithuania and Creative Path to Entrepreneurship. On 18 October 2013, the Minister of Education and Science approved the action plan for the Improvement of Funding of Non-Formal Education of Children, which provides for non-formal education funding trends in 2014–2016, also, the appropriateness of the EU funds, creating preconditions for further development of non-formal education of children and improvement of quality thereof. *Programme for the Preparation for Family-Life and Sex Education* is being implemented in schools, while in the implementation of the Law on Minimum and Average Child Care, the *Programme on the Courses for Improved Communication with Children* was approved and trainings on the subject of *Holding Courses for Improved Communication with Children: Theoretical and Practical Aspects* for municipal administrations were held. In order to evaluate and select efficient prevention programmes and implement them in schools, accreditation of prevention programmes was carried out under activities of the project *Creating Safe School Environment*;

- In 2013, a two-part tool for teaching the Lithuanian Language *Language Raises Me* was published and distributed to primary school students studying in schools in minority languages (16 thousand copies). An educational tool FREPPY – playful language education tools (200 pcs.) was purchased and distributed to each pre-school education group studying in a minority language;

- In the implementation of the ESF project *Dissemination Model of Curriculum Innovations* digital teaching tools for native Polish, Russian, Belarussian languages for 9-12 grade students were developed in 2013. Methodical tools for teaching the Polish, Russian and Belarussian languages, also material for getting familiar with the Roma, Jewish history were prepared;

- The *National Education Strategy 2013–2022*, the aim of which is to make sure that the Lithuanian education forms a foundation for an impetuous and independent person responsibly and jointly and severally creating his own future as well as the future of the country and the entire world, was approved in 2013;

- In 2013, statistical analysis of the Lithuanian language and literature was conducted, on the basis of the results of which the preparation of evaluation norms for 2014 is planned, creating a different evaluation system of literacy and style of students from minority language schools.

Planned works:

- Prepare an action plan aimed at strengthening primary schools and junior gymnasiums intended for the improvement of quality of primary and basic education, arranging targeted complex assistance for schools, promotion of the creation of schools – multifunctional centres, pre-school and pre-primary school education groups in schools of general education;

- Prepare an action plan for the accessibility of inclusive education, the provision of quality complex education assistance for children with special educational needs and their families, inclusion of school drop-outs and early school leavers;

- Prepare and test non-formal education targeted preventive programmes for the creation of safe schools, enhancing health of children and their social and emotional resilience and implement them;

- Approve and implement an action plan for the socialization of children and young people for 2014–2016, including the organization of summer recreation activities, reorganization of socialization centres and other activities;

- Approve and implement an action plan for the development of vocational training for 2014–2016, including the reorganization of vocational training institution networks, in the view of perspectives of prospects of regional industries, training vocational teachers and arrangement of their

internships in actual workplaces, encouraging highly – qualified employees working in production to work as vocational teachers, student practices, initiatives promoting entrepreneurship, implementation of the European and national qualifications framework, by rearranging vocational training programmes into modular ones and the system of examination for qualification in order to have qualifications obtained in Lithuania to be equated to qualifications received in a way of formal, non-formal or self-education in European Union member states. A strategic plan goal includes the development of a modern vocational training system compliant with the needs of a studying person, the public and the state. The plan provides for 9 goals aimed at the optimization of vocational training institution network, improvement of infrastructure of vocational training institutions and the improvement of their implementation quality, enhancement of scope of training in workplaces, improvement of the assessment system of competencies for gaining qualification, improvement of management of vocational training institutions, enhancement of attractiveness of vocational training, etc.;

- Along with the preparation of an action plan for the development of vocational training for 2014–2016, a draft amendment to the Law on Vocational Training of the Republic of Lithuania is being prepared, its implementing legislation is being reviewed. Amendments to these laws are directly related to and affect the measures provided for in the action plan.

4.3. Retaining the Share of Individuals with Higher or Equivalent Education

In Lithuania, the share of the population aged 30-34 having completed university education is increasing every year: in 2010, it was 43.8 percent, in 2011 – 45.7 percent, in 2012 – 48.6 percent and in 2013 – 51.3 percent. Lithuania aims to achieve that by 2020 at least 48.7 percent of the population aged 30-34 would have a higher or equivalent education. Since more and more young people seek for higher education, a need for devoting more attention to the quality of education has recently emerged. This would lead to retained high education level among the population.

Measures being implemented include:

- For the implementation of the *Programme for the National Vocational Guidance within Education System*, 4 EU Structural Fund project activities for strengthening methodological base (training programs, methodologies and other tools) for vocational guidance (career) services, training of career specialists, provision of services, arrangement of service monitoring as well as improvement of infrastructure were being implemented since 2012. The provision of vocational guidance (career) services of high quality was started to pupils and students in general education schools, vocational training institutions and universities;

- General programme for career education for general education schools and vocational training institutions as well as methodical tools were prepared;

- During the implementation of the project *Development of Open Information, Counselling and Guidance System (AIKOS)*, educational registers providing data to the system were updated;

- Activity under the project *Development and Implementation of Models for Career Education of Students of Schools of Higher Education and Career Tracking of Graduates, Creation of Necessary Tools* (Stage II) is being completed;

- LAMA BPO system is undergoing further development (as from 2014, information in the English language will also be provided, curriculum database will be associated with programme accreditation database);

- Initial analysis of data of the Specialist Qualifications Map is being prepared, the data of which will be used in planning the training of specialists and determining student enrolment rates in subsequent years.

Planned works:

In 2014, the implementation of the measures of the 2013–2015 action plan of the 2013–2020 *Programme of the State Higher Education, Research and Experimental (Social, Cultural) Development* aimed at the ensurance of informed and conscious choice and availability of studies approved by the Minister of Education and Science on 25 June 2013 will be continued.

4.4. Increasing the Use of Renewable Energy Sources

Lithuania has set its national target for increasing the share of RES in its total final energy consumption to 23 percent by 2020. In 2012, energy produced from RES accounted for about 21.7 percent (in 2011 – 20.2 percent) in the Lithuania's final energy consumption. Since energy produced of RES is generally more expensive than that extracted from fossil fuels, development in the use of RES is supported by the state. At present, the following support measures are being used: access to a grid discount, priority for RES in cases of limited transmission capacity, excise tax concessions for biofuels, feed-in tariffs for electricity and concessions for balancing electricity.

Measures being implemented include:

- The implementation of measures provided for in the National Renewable Energy Sources Action Plan and other measures promoting production and consumption of energy generated from renewable sources has been continued:

- ✓ Feed-in tariffs for electricity generated from renewable energy sources;
- ✓ Access to a renewable energy sources grid discount;
- ✓ Priority for RES transmission to electricity transmission or distribution networks;
- ✓ Reservation of capacities and permeability of electricity grids;
- ✓ Electricity balancing and reservation of electricity generation capacities;
- ✓ Purchase of excess electricity;
- ✓ Promotion of the use of renewable energy sources in the production of heat and cooling energy;
- ✓ Environmental pollution tax concessions;
- ✓ Mandatory blending of biofuels in mineral fuels;
- ✓ Excise tax relief for biofuels;
- ✓ Funding biofuel production;
- ✓ European Union structural assistances and others.

- On 17 January 2013, 30 May 2013 and 2 July 2013, the Seimas agreed to amendments to the Law on Energy from Renewable Energy Sources. The main objectives of these amendments were to ensure the protection of the public interest and avoid increasing electricity prices as well as to balance the development of renewable sources.

Planned works:

- To prepare *National Renewable Energy Sources Development Programme*;
- To prepare an inter-institutional action plan of the National Renewable Energy Sources Development Programme;
- To improve, optimize and revise the system for the promotion of the use of renewable energy sources in accordance with the National Renewable Energy Sources Development Programme.

Assessment of progress / problems:

Almost all tasks provided for in the Law on Energy from Renewable Sources in the energy sector to increase the capacity installed in power plants using renewable energy sources subject to incentives by 2020 were completed at the end of 2013. A part of capacities provided for in this law

have already been built, and permits for the development of electricity production from renewable energy sources were issued for others.

However, the promotion of the development of renewable energy has not gone without errors. Electricity generation from solar energy could be as an example in this case. Due to high feed-in tariffs the development of solar energy has become uncontrollable.

For this reason, in order to avoid significant distortion in the market, important amendments to the Law on Energy from Renewable Sources were made in 2013 and unsustainable development of solar power plants of up to 30 kW was stopped:

- it was established that fixed-tariffs shall be set and incentive quotas greater than 10 kW of installed capacity shall be distributed among power stations by auction, while the allocation procedure of incentive quotas for power stations with an installed capacity of up to 10 kW shall be determined and approved by the Government;

- it was determined that power stations of up to 10 kW shall also be included into the overall development objective to be achieved by 2020;

- it was determined that highest possible amounts of incentive tariffs shall be reviewed each quarter thus allowing the National Control Commission for Prices and Energy to respond to rapidly changing equipment prices;

- free of charge access to grid of power stations of up to 30 kW was revoked.

4.5. Improving Energy Efficiency

Energy consumption per unit of Lithuanian GDP in 2012 in Lithuania was 2 times higher than the EU average. The national target of Lithuania is to consume 17 % (740 ktoe) less energy than in 2009. In 2010, 1.8 percent, or 67 ktoe, less of final energy was consumed. Households and industrial sector have the largest saving potential: total savings could amount to up to 61 % (the potential in household and industry sectors is 290 ktoe and 150 ktoe, respectively).

Given the projected future Lithuanian electricity consumption growth of 1 percent per year, there is a possibility that the implementation of energy saving measures will allow maintaining electricity consumption at the same level. Taking into account the overall energy saving potential in Lithuania, the key strategic goal in the field of energy efficiency is to consume 1.5 % less energy each year until 2020.

Measures being implemented include:

- The implementation of measures provided in the Energy Efficiency Action Plan is continued. Given the requirements established in the Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency, the new energy efficiency action plan is currently under preparation;

- A list of state-owned heated and (or) cooled state institutions and bodies – buildings used by state administrative entities, on the basis of which a list of buildings used by public institutions, 3 percent of the total area of which will be renovated starting from 2014, will be drawn up, was prepared and published;

- *Special Climate Change Programme* was implemented. More detailed information on the implementation of the Programme is presented in part III, section 3.6;

- *Programme for the Renovation (Modernization) of Multi-apartment Buildings*. More detailed information on the renovation (modernization) of multi-apartment buildings is presented in part III, section 3.6;

- *Renovation of Public Buildings* (Operational Programme for the European Structural and Investment Funds 2014-2020). The plan is to implement more than 612 projects under the measures *Renovation and Modernization of Governmental Institutions and Offices Buildings* and *Renovation*

and Modernization of Municipality institutions and offices buildings by 2020. The planned energy savings – above 200 GWh. In 2013, funding was allocated for 90 projects. A total of 769 public buildings were renovated by the end of 2013;

- The *National Transport Development Programme 2014–2022* was drawn up.

Planned works:

- To prepare the draft of the Law on Energy Efficiency and drafts laws amending the related branch Laws on Energy, Electricity, Heat and Natural Gas;
- To prepare and approve the Plan of the National Energy Efficiency Measures;
- To prepare methodology for the compilation of a list of state-owned heated and (or) cooled institutions and bodies – buildings used by state administration entities suitable for renovation;
- To create the Energy Efficiency Obligation Scheme in the implementation of the Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency. Each year until 2020, new energy amount would be saved equivalent to 1.5 % of energy amount transmitted by all energy distributors and (or) retail energy businesses to end-users annually, calculated in accordance with the 2010–2012 average. The common goal of final energy savings in accordance with the requirements of the Directive on energy efficiency is 287 ktoe starting from 2015 till 31 December 2020.

Assessment of progress/ problems:

The already prepared draft of the Law on Energy Efficiency and drafts laws amending the related branch Laws on Energy, Electricity, Heat and Natural Gas will be presented for the approval of the Seimas in its spring session. The final deadline for the implementation of the Directive 2012/27/EU is 5 June 2014.

Currently, the set intermediate energy savings target is 3 797 GWh (327 ktoe) until 2016. By the end of 2012, a total of 1 603 GWh (138 ktoe) was saved, i.e. during the period of five years (from 2008 till 2012), 42 percent of the required amount was saved. About 27 percent of all savings was achieved through the signed voluntarily agreements between the Ministry of Energy and energy companies.

The achievement of the goals set can be affected by the ending financial period of 2007–2013 and not yet started the new period of 2014–2020. The currently carried out coordination and approval of funding procedure of the new 2014–2020 period can slow down the implementation of new projects.

In the implementation of the Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency Lithuania will have to save another 3 336 GWh (287 ktoe) of energy from the period starting from 2014 till 31 December 2020. *Energy Efficiency Obligation Scheme* is being created for this purpose, also, some energy will be saved by renovating multi-apartment and public buildings. Since a new system is being created, some difficulties may be faced in the initial development stage thereof. Also, the preparation and approval of the necessary laws can require additional time.

4.6. Limiting Greenhouse Gas Emissions

In relation to its commitments agreed at the EU level, Lithuania is permitted to increase its greenhouse gas emissions by no more than 15 % (15.46 million CO₂ e) until 2020 compared to the base year 2005 level, in the sectors that are not covered by the European Union Emission Trading Scheme (EU ETS). In 2005, all sectors combined in Lithuania emitted 23.5 million tonnes of greenhouse gases (GHG): 6.6 million tonnes of GHG were emitted from installations participating in the EU ETS, and 16.7 million tonnes of GHG were emitted in sectors not covered by the EU ETS. In 2012, 15.867 million tonnes of GHG were emitted in sectors not covered by the EU ETS.

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

Measures being implemented:

The National Strategy for the Climate Change Management Policy, the aim of which is to achieve a much faster growth of the country's economy than the increase of GHG emissions by 2020, is being implemented.

The allowed annual GHG emissions were decreased thus increasing GHG mitigation goals in sectors not covered by the EU ETS. In accordance with the Decision 2013/162/EU of the Commission of March 2013, Lithuania was granted an annual quota of 18.6 million tonnes of CO₂ e. After the deduction of the amount of 3.675 million CO₂ e. revised by the implementing Decision 2013/634/EU of the Commission, due to the inclusion of chemical industry to the EU ETS, a lower annual quota of 14.45 million CO₂ e in 2020 was set, which Lithuania cannot exceed.

On 23 April 2013, the Government approved the inter-institutional action plan for the implementation of the tasks and objectives of the National Strategy for the Climate Change Management Policy 2013–2020, which provides for the measures for the implementation of the tasks and objectives for the GHG emissions for 2013–2016 established in the Strategy. The aim of the action plan is to establish climate change mitigation and adaptation measures and assignment allocations for the implementation of these measures as well as to ensure inter-institutional cooperation in order to implement the goals and tasks established in the Strategy.

In 2013, projects for increasing energy efficiency and renewable energy sources, upon the implementation of which GHG emissions in the transport, energy and industrial sectors will be reduced, were funded from the funds of the Special Climate Change Programme (hereinafter – the SCCP).

In accordance with the 2013 estimate for the use of the Special Climate Change Programme funds, revenues planned amounted to LTL 85 million. The total amount planned for projects in the 2013 estimate for the use of the SCCP funds (including funds unused in 2012) – LTL 174.96 million.

Most funds in the area of increased energy efficiency were allocated for modernization projects of public buildings – LTL 76 million.

Also, modernization projects of public buildings, upon the implementation of which energy efficiency class of at least D will be achieved and calculated heat energy expenses will be reduced by at least 40 percent as compared to the calculated heat energy expenses before the project implementation, were funded. LTL 40 million was allocated for the implementation of these projects, however, only LTL 1.8 million was used for this purpose.

Calls for the execution of modernization projects of individual residential houses (LTL 3.38 million) were announced.

In the implementation of the trend of projects for the implementation of renewable energy sources, projects for installation of biofuel boilers in public buildings were funded, replacing boilers incinerating polluting fossil fuel with boilers incinerating biofuel (LTL 22 million), while LTL 13 million was allocated for the installation of large capacity biofuel boilers (up to 10 MW). Installation of renewable energy sources (solar, wind, geothermal energy, biofuel, etc.) in private residential houses was promoted by compensating a part of investments incurred by natural persons (LTL 2 million). Assistance was planned for compensating expenses incurred for the removal of logging waste for biofuel production from forest sites (LTL 5.38 million).

Planned works:

In 2014, projects of the following trends will continue to be funded from the SCCP funds: increase of energy consumption and production efficiency as well as the promotion of the use of renewable energy sources, implementation of environmentally-friendly technologies, including

cogeneration as an efficient way to produce electricity. A total of LTL 135.96 million is planned for these measures.

It is estimated that the trend of increased efficiency of energy consumption and production will be allocated LTL 74.47 million. Funding of multi-apartment building modernization (renovation) projects is planned to be continued, reducing energy consumption expenses by at least 40 percent (LTL 71 million allocated for this purpose). Also, modernization of single or two-apartment individual residential houses of natural or private legal entities will be continued, achieving class C energy efficiency and decreasing energy consumption by at least 20 percent (LTL 3.47 million).

LTL 54.38 million is also planned for the trend of the promotion of the use of renewable energy sources, implementation of environmentally-friendly technologies, including cogeneration as an efficient way to produce electricity. Under this trend, the use of renewable energy sources (solar, wind, thermal energy, biofuel, etc.) in public buildings, entities engaged in commercial activities (LTL 44.78 million) and individual residential houses (LTL 3.1 million) will be promoted. Funding is planned for the modernization of the production of biofuel from logging waste by reimbursing the acquisition of equipment for biofuel production (LTL 6 million). Also, funding is planned for projects aimed at the development of eco-friendly public transportation and infrastructure, environmentally-friendly technologies and measures reducing greenhouse gas emissions (LTL 0.5 million).

The following results will be achieved in 2014 from the use of SCCP funds (using funds allocated in 2012–2013):

- 150 individual houses will be modernized achieving energy class of a building of at least C;
- Installations using renewable energy sources will be installed in 350 individual houses;
- 33 public buildings will be modernized – emitted CO₂ volumes will decrease by about 2.24 thousand tonnes per year;
- 30 biofuel boilers with total installed capacity of 75.9 MW will be installed and launched, replacing the use of fossil fuels;
- 344 thousand MW of heat energy per year will be generated in heat supply companies using biofuel emitted CO₂ volumes will decrease by about 50.8 thousand tonnes per year;
- 93 eco-friendly busses will be commissioned in 9 cities – CO₂ emissions will decrease by about 1.3 thousand tonnes per year.

Assessment of progress/ problems related thereto:

GHG emissions decreased significantly in 2009 due to the global economic crisis. In 2010, increase in GHG gas emissions was forecasted due to the decommissioning of Ignalina nuclear power plant. However, because of electricity imports and slower economic growth, GHG emissions did not increase significantly. The current forecast is that in 2020 GHG emissions will account for up to 25.532 million tonnes of CO₂ e. The increase in the GHG emissions is mostly determined by GHG emissions related to industrial processes, which were affected by economic recovery of Lithuania in 2010.

Additional reduction of GHG emissions by 20-30 percent can be achieved in industrial, agricultural and electricity production sectors, and by about 5-10 percent in transport sector. Implementation of additional mitigation measures of GHG emissions is planned in the mentioned sectors. Upon the implementation of additional measures in transport, cement production and agricultural sectors, total GHG emissions could be reduced from 25.5326 to 23.590 million tonnes of CO₂ e in 2020.

It was predicted that with its existing climate change mitigation measures, Lithuania will implement its strategic goals for 2020 with a goal of reduction of EU GHG emissions by 20 percent. However, by its implementing Decision No. 2013/634/EU of October 2013, the EC tightened annual quotas for sectors not covered by the EU ETS during the 2013–2020 period and set a lower annual

quota for 2020 of 15.46 million t CO₂ e, which Lithuania cannot exceed. In case of failure to implement any additional measures in sectors of agriculture, transport, waste management, services and households, according to preliminary estimates, about LTL 30 million might be needed for paying for annual reduction goals of GHG emissions during the 2013–2017 period to purchase annual part of GHG emissions, or up to LTL 150 million (assuming that the price for 1 t CO₂ e is 15 euros) applying flexibility mechanisms. In order to achieve the goals of reduction of GHG emissions, increased use of renewable energy sources and energy efficiency, measures requiring LTL 15 929 million of public sector funds are necessary during the 2014–2020 period. Measures and funds are provided for in the National Strategy for Climate Change Management Policy and inter-institutional action plan for the implementation thereof, other planning documents of specific sectors in the county's economy, for example, the National Transportation Development Programme 2014–2020, National RES Development Programme, etc.

4.7. Increasing Employment

Measures being implemented:

In 2013, specialists of Public Employment services (Labour Exchanges) mediated in finding employment for 197.4 thousand job seekers. Mediation services in finding employment were provided to about 36 thousand young people up to 25 years of age, who accounted for 20.1 percent of all job seekers employed. Almost every fifth employed person was a job seeker older than 50 years of age (18.7 percent).

9 381 new participants took part in vocational trainings held for unemployed persons and job seekers. LTL 49.4 million was used for vocational training.

In order to help find temporary employment and allow for earning funds necessary for living, the unemployed were temporarily employed under the country's municipal public work programmes and projects prepared by local Labour Exchanges in territories of increased unemployment levels. 26 562 people took part in public work programmes, out of whom 57.6 % were long-term unemployed and 41% – persons older than 50 years of age. LTL 43.4 million was used for funding public works.

Subsidies for job creation are granted for the establishment of a work place for oneself or for starting individual business under a business certificate. In 2013, 59.7 thousand persons started working under a business certificate, which was by one-fourth more than in 2012 (47.3 thousand). On average of 5 thousand people were self-employed each month, while in 2012 there were 3.9 thousand of them. LTL 14.1 million was allocated for the assistance for job creation. 9 649 job seekers created jobs for themselves through the use of the assistance for job creation.

During 2013, 131 local employment initiative project (11 funded from the state budget) was implemented in territories of high unemployment, 461 new jobs were created (of which 39 were funded from the state budget), and LTL 15. 8 million was used from the state support fund (of which LTL 1.5 million – from the state budget fund).

On 31 December 2013, 662 loans for business start-ups were issued from the Entrepreneurship Promotion Fund, the aim of which is to enable micro and small companies as well as natural persons to start their own businesses, also, for social enterprises to develop their business thus promoting entrepreneurship and self-employment as well as job creation. New start-ups created 1 373 new jobs.

On 23 August 2013, the Description of the financial engineering measure *Subsidies for Promoting Entrepreneurship* of the *Human Resources Development Programme* for 2007–2013 was approved. LTL 10 million is planned to be allocated for funding projects under this measure from the European Social Fund. Activities supported under the measures include reimbursement of a part of salary expenses for Entrepreneurship Promotion Fund loan recipients. Applicants are recipients of the Entrepreneurship Promotion Fund loans (except for social companies), having submitted their

applications to INVEGA (i.e. those who have been or will be issued a loan for starting a business from the Entrepreneurship Promotion Fund). 272 applications were received under the measure, where 253 affirmative decisions for reimbursement of a part of salary expenses for 835 employees were made (reserved maximum possible allocation amount amounted to more than LTL 5 million).

As from 2013, active labour market policy efficiency has been increased in all local Labour Exchanges by implementing result-oriented operational model. The main result thereof is employment. Through the application of a profiled service methodology, readiness of an unemployed person for labour market as well as his motivation is assessed and an individual employment action plan is created, which, based on individual needs, provides for specific ALMP measures for increasing the possibilities for employment, thus ensuring a more effective integration process and the use of the resources held.

For the ensurance of labour market service quality and effectiveness, standards for consulting and mediation services in finding employment as well as determination of the level of readiness of unemployed persons for labour market were approved and implemented in local Labour Exchanges in 2013.

For the improvement of accessibility and quality of consulting services for job seekers, focusing on their readiness for the labour market and individual needs, a consulting service package for the unemployed was prepared.

In order to motivate the unemployed for job search and to ensure a prompt and quality filing of vacancies, in 2013 a profiled model for servicing the unemployed and setting the level of readiness for the labour market was being developed in 2013. Customers were provided with differentiated services in the view of their ability to compete in the labour market and job motivation. Job seekers were divided into four groups: ready for the labour market and motivated, ready for the labour market unmotivated, not ready for labour market but motivated, not ready for labour market and unmotivated. Applicable measures were determined for each of the group of job seekers.

In order to promptly solve employment problems, E-Labour Exchange was implemented in the Public Employment Service, offering a wide range of services for employers and job seekers. The system is convenient to use and allows for an effective job and employee search and recruitment. All Labour Exchange services can be accessed online at www.ldb.lt/epaslaugos. Portal visitors searching for jobs can review job offers, create and send their CVs to employers, order e-mail messages in accordance with pre-set criteria about job offers of interest to them. Using the E-Labour Exchange system employers are able to publish vacancies, search for and review candidate CVs, contact selected candidates electronically, and order automated employee selection in accordance with the selected criteria. During 2013, the country's employers registered 71.7 vacancies online, i.e. every third job offer was submitted using Labour Exchange e-services.

In order to focus and coordinate actions of various institutions for increasing employment, on 25 September 2013 the Government of the Republic of Lithuania approved the *Employment Enhancement Development Programme* for 2014–2020, the strategic goal of which is to achieve greater population employment, so that each resident is able to find a job matching his skills and ensure for himself a decent standard of living.

The Employment Enhancement Programme was prepared in order to integrally solve problems related to job creation and increasing labour demand, match of skills of workforce with the labour market needs, maximum use of the potential of the current job resources and participation in the labour market by bringing together business, education and labour market sectors, including social partners and municipalities into the formation of employment policy. Programme measures will be implemented by the Ministry of Social Security and Labour, Ministry of Education and Science, Ministry of Economy, Ministry of Agriculture and other ministries. The Programme provides for the provision of assistance to employers creating new jobs to encourage young people to acquire

professional qualifications, enable graduates to improve their professional skills in actual workplace, learn their profession in a way of apprenticeships, practice or internship in a company.

On 26 February 2014, the inter-institutional action plan for the Employment Enhancement Development Programme 2014-2020, providing for specific actions and obligations of competent authorities in the implementation of this Programme, was approved.

In the promotion of the creation of new jobs, the following entrepreneurship initiatives were being implemented:

In second half-year of 2013, *PI Enterprise Lithuania* implemented the project *First Business Year Service Vouchers for Young Persons up to 29 Years Old*. Young entrepreneurs could discover benefits of business start-up vouchers even without having established a company - they were provided with advance consultations on starting a business. Entrepreneurs having established a new company within the first half-year from the receipt of a voucher were able to receive professional advice on the issues of accounting, marketing, strategic management, negotiations and other issues, also, to take part in various trainings for the entire first year of business. A total of 483 vouchers were distributed and 148 companies were set up. This project was a continuation of the project carried out in 2011 -2013 aimed not only at young people, when a total of 3 773 business vouchers were distributed. In order to use them, a total of 1 747 companies were established, of which 659 were set up in 2013.

Also, *Startup Nitro* vouchers were being allocated in 2013, allowing authors of innovative business ideas to use office premises free of charge for three months and receive professional business advice. A total of 38 *Startup Nitro* vouchers were distributed and used in 2013.

In 2013, the Ministry of Economy under its competence participated in the preparation of the description of funding projects under the measure *Assistant-4*, the aim of which was to promote providers of public services to businesses in various regions of Lithuania to provide information and consultation services of better quality compliant with business needs, which is funded from the EU structural funds. LTL 1 332 thousand was allocated for a total of 15 projects allowing entrepreneurs and persons planning to start a business to use information and consultation services free of charge in various regions of Lithuania.

The measure *Creation of New Instruments for the Provision of Public Services for Businesses*, aimed at restoring the possibility for entrepreneurs to receive information and consultation services on various business organization-related issues at concessional terms in case of need was implemented in 2013. In 2013, a study was prepared covering two consulting models for budding entrepreneurs: the first consulting model provides for the creation of a national registry of consultants and the creation of business consultation centres and their development in regional centres, while the other one plans for the creation of a national registry of consultants and the activities of the network of mobile representatives. During the new European Union assistance period 2014–2020, the implementation of a selected method for consulting entrepreneurs will be started using the European Union structural funds.

In order to encourage business start-ups, e-tools of the portal www.verslovartai.lt intended for budding entrepreneurs were being developed and expanded in regions. 5 booklets for entrepreneurs intended for individual business sectors were created in 2013.

In 2013, in cooperation with the Ministry of Social Security and the Ministry of Labour and Finance, Private Company “Investicijų ir Verslo Garantijos” (INVEGA) proposed to businesses loan funding assistance for starting and developing a business, also, assistance in employing young people:

- Concessional loans for starting and developing a business. Micro credits up to LTL 86 thousand from the Entrepreneurship Promotion Fund (EPF) are disbursed for starting and developing a business, investments and turnover. Those having received an EPF loan not only could make use of INVEGA guarantee (up to 80 % of loan amount), get back 95 % of the paid interest, but also to receive

a compensation for a part of employee salary. Disbursement of these loans was coordinated with free of charge training and consultations of budding entrepreneurs, assistance in the preparation and implementation of business plans. 662 SMEs received support by 31 December 2013 (during 2013 – 292), with loan amount accounting for LTL 32.46 million, guarantee amount – LTL 31.87 million, and 3 699 training participants.

- Measure for the retention of created jobs – *Subsidies for Entrepreneurship Promotion*. Under this measure budding entrepreneurs, who have made use of or will use a concessional loan from the Entrepreneurship Promotion Fund for the establishment or development of businesses, are enabled to partially compensate salary expenses of their employees. Maximum assistance amount is LTL 25000, if an applicant belongs to a priority group (young people up to 29 years of age, the disabled and older than 50 years old), or LTL 20 000, if an applicant does not fall under any priority group. Applications to INVEGA can be submitted by 31 May 2014.

- Support for employing young people – the measure *Support for the First Job*. Support is provided to employers having employed persons without any working experience, i.e. of the calculated salary of a young person (up to 29 years of age) having found employment for the first time. In such a case up to 23.3 percent of the calculated salary amount was reimbursed, but no more than LTL 1 700. Salary is reimbursed for no longer than 12 months. Private and public legal entities (except for budgetary institutions), branches and representative offices of foreign companies in Lithuania and natural persons having employed a young person could apply for this measure. By 31 December 2013, 13 345 application for compensation of a part of salary of young persons were received, of which 10 564 affirmative decision were made. Companies have already been paid LTL 10 million for 9 062 young people employed for the first time, 1 714 companies received support.

- In order to reduce the negative impact of health disorders on the society's working capacity, the implementation of the *Programme for the Reduction of Morbidity and Mortality from Main Non-communicable Diseases 2007–2013*, modernization of health care infrastructure and the improvement of quality and accessibility of services will be continued till the end of 2015. Having made use of the 2007–2013 EU assistance and national funding for the implementation of the Programme for the Reduction of Morbidity and Mortality from Main Non-communicable Diseases by 2013, quite significant changes in quality and accessibility of certain health care services have already been observed in Lithuania: trauma centre network infrastructure was essentially created, health care institutions providing integrated oncological assistance were supplied with essential infrastructure necessary for early diagnosis and full-fledged treatment, network of mental health care institutions was developed, the necessary early and specialized diagnostic equipment for cardiovascular diseases was acquired and premises were renovated for the provision of quality services. After the implementation of projects aimed at increased accessibility and effectiveness of complex measures by 2014, more than 580 thousand patients were provided with quality health care services in the areas of cardiovascular, oncological diseases, also, traumas and other external causes of death, mental illness prevention, early and specialized diagnostics and treatment. Improving statistical indicators show that such trends are positively affected by both investments in the planned areas of reduction of morbidity and mortality from main diseases as well as actions aimed at health improvement of population implemented at the national level.

Year 2013 was declared to be the Year of Health by Resolution of the Seimas of the Republic of Lithuania. During this year, hundreds of fitness events, about 3 000 measures attended by more than 300 000 residents were held in Lithuania. The main goal of the Year of Health was to inform people about healthy lifestyle, its potential and advantages, encourage them to try healthy lifestyle and to inventory and mobilize all institutions and organizations participating in health promotion.

In order to improve the accessibility to public health services in 2007–2013, development of public health offices took place in the country. These offices work towards health improvement and supervision, carry out prevention and control of infections, non-infectious diseases and injuries, implement public health programmes, also, great attention is devoted to health care of children and young people. A total of 34 public health offices are currently operating in the country.

Planned works:

- To organize and provide professional consultation and motivation services for job seekers, provide professional consultation and motivation services personally or to groups of people, improve the accessibility and quality of professional consultation services, apply new consultation measures;
- To implement the Youth Guarantee Initiative and other comprehensive programmes promoting youth employment. Improve the accessibility and quality of professional guidance (career) services. To promote self-employment and entrepreneurship;
- By matching labour supply and demand, to support the integration of the unemployed into the labour market (vocational training, assistance for job creation);
- To support employment of young persons, long-term unemployed, low-skilled persons and people older than 50 years of working age. To create and implement long-term social rehabilitation and preparation for employment in the labour market assistance system;
- To prepare and implement career competence development programme, organize trainings using modern information technologies for specialists and those working with young people;
- To create data bank of students wishing to work during their summer holidays and inform employers about that;
- To increase the coverage of youth employment centres;
- To send low-skilled young people to study under primary labour market and vocational training programmes of general education;
- To increase participation of the disabled in the labour market;
- To allow returning emigrants to integrate in the labour market;
- To improve the quality of services of authorities implementing the employment support policy;
- To create and develop models of career education and monitoring in the areas of general education and vocational training;
- To create and develop the system for monitoring employment and careers of high school graduates. To prepare reviews and recommendations based on the data of qualifications map and career management information system on determining student enrolment indicators, professional training and career service development in high schools;
- To draw up new and update the existing descriptions of study areas (groups of areas, fields);
- To promote and modernize vocational training, ensure that it matches needs of the labour market;
- To create a tool for forecasting demand for human resources and monitoring qualification matching with jobs;
- To improve the qualifications of human resources, increase their competence and develop labour force skills;
- To prepare and implement the system for formalizing skills acquired in a non-formal, work or self-education environment, develop competence evaluation system;
- To implement life-long learning incentives;
- To make the system of qualification development of vocational teachers working in vocational training institutions, create and implement the scheme for the integration of graduates in the labour market (internships, etc.);

- To direct domestic investments to regions, implement local employment initiative projects in territories of highest unemployment;
- To provide assistance to budding entrepreneurs;
- To allow target youth groups (for example, vocational school graduates, high school graduates from technological programmes, etc.) to receive assistance from financial institutions operating in Lithuania, venture capital funds, co-investment fund representatives and entrepreneurs (*Business Angels*), who have successfully developed businesses, also assistance from financial engineering measures;
- To support quality on-going consultation services on starting a business and trainings;
- To provide specialized consultation and training services in a voucher principle;
- To develop public access services for business;
- The preparation of the Lithuanian Entrepreneurship Action Plan for 2014–2020 is planned in 2014.

4.8. Reducing Poverty and Social Exclusion

According to data of the survey on Income and Living Conditions conducted in 2012, 975 thousand residents, or 32.6 percent of Lithuania's population, were at risk of poverty or social exclusion. The number of residents at risk of poverty or social exclusion decreased by 3.6 percent, compared to the previous year. The number of persons whose income was lower than the at risk of poverty threshold declined by 4.6 percent, from 586 thousand to 559 thousand. In the view of the reduction of the risk of poverty level and increase of the at-risk of poverty threshold by 12.5 percent from LTL 666 to LTL 749, growth rate of low income can be stated to have been more rapid than that of residents receiving greater income. Increasing employment decreased the number of individuals living in households with very low work intensity levels, i.e. their number dropped by 12.5 percent during the year, from 296 thousand to 259 thousand persons. However, the number of persons suffering severe material deprivation grew by 2.8 percent. Severe material deprivation was mostly suffered by single person households or households consisting of three adults with children.

In order to implement the commitment assumed by Lithuania to reduce the number of individuals living at risk of poverty or social exclusion to 814.000 by 2020, it is necessary to increase the possibilities of residents to actively participate in the labour market and public life, promote social innovation and the development thereof and to seek for a more efficient use of funds allocated for the implementation of social policy.

Measures being implemented:

In the implementation of active labour market policy measures, 59 000 persons found employment. In order to help the low-skilled unemployed to integrate into the labour market, the unemployed were provided with opportunities to acquire a profession or competence marketable in the labour market. In 2013, 68 percent more people availed themselves of this possibility as compared to 2012. Application of active labour market policy measures reduced the registered unemployment by 0.9 percentage point. In order to promote integration of the recipients of cash social assistance into the labour market, as from 1 June 2013 a social benefit of 50 percent of the amount of the previously received benefit was additionally allocated for the period of 6 months for persons, who have been registered with a local Labour Exchange for at least 12 months.

In October 2013, the action plan* for *Increasing Social Inclusion 2014–2020*, the main focus of which is children and young people, was prepared and approved. The action plan provides for investments into accessibility of pre-school and non-formal education, activities of child day-care

centres, provision of comprehensive services, social work with children in foster care, employment enhancement measures for young people. Also, a large share of measures provided for in the action plan for Increasing Social Inclusion 2014–2020 are aimed at the development, renovation and improvement of public service system and infrastructure, improvement of skills of service providers, inclusion of service users and non-governmental sectors into decision-making and service provision.

The action plan for Increasing Social Inclusion 2014–2020 lists quantitative goals for the reduction of poverty and social exclusion, which will form the basis for the evaluation of the action plan implementation results.

The development of services for families was being continued in 2013 involving in it non-governmental organizations and making communities more active. In 2013, in the implementation of the *Child Welfare Programme 2013–2018*, comprehensive services for parents in crisis situations raising children were provided for 807 families raising 1 087 children. There was a total of 1 999 of the recipients of such services.

The implementation of 2011–2013 action plan for the *National Youth Policy Development Programme 2011–2019* was aimed at the development and coordination of the system for working with young people and ensuring cooperation between various social sectors. In 2013, 12 open youth centre projects and 13 open youth space projects were funded for the achievement of operational quality of youth organizations, promotion of youth entrepreneurship and the development of open youth centres and open spaces. The promotion of national and regional youth structures, also youth organizations was continued in 2013 – 60 programmes and projects aimed at strengthening youth organizations and organizations working with young people were financed. The *National Youth Volunteering Programme*^[1], the aim of which is to enable young people to participate in voluntary activities and gain personal, social, professional skills and work experience, was approved in the beginning of 2013.

Non-governmental organizations working in the field of family welfare will be financed when implementing the *National Demographic (Population) Strategy*. 22 projects were funded in 2013. During the implementation of the projects, 259 families and 700 individuals received psychological consultations, while 759 families and 2 821 individuals were provided with social consultation services. Project implementers held 5 603 events of different nature (educational, group classes, lessons, trainings, information, entertainment events) for families, engaged couples and individuals.

The *National Programme for Social Integration of the Disabled 2013–2019* and its action plan was being implemented in 2013. 420 social rehabilitation service projects for the disabled in communities were selected in all municipalities in a tender procedure. In the implementation of the projects, funding was allocated for activities and services in line with social rehabilitation of permanent nature. 41 000 disabled person benefited from the implementation of the National Programme for Social Integration of the Disabled for 2013–2019 and its action plan in 2013. In 2013, 896 persons took part in the vocational rehabilitation programme, of which 317 persons were sent to the programme in 2012 and 579 in 2013. Employment rate within 6 month from the completion of the programme was 61 percent. Works of housing adaptation for the disabled were carried out in 56 municipalities in 2013. 200 apartments are planned to be adapted to meet the needs of the disabled in 2014. 1 478 buildings important for the disabled were approved and accepted in 2013. The approval of acceptance of 1 500 buildings important for the disabled is planned in 2014. In 2013, 1 080 disabled people studying in high schools received financial assistance. 930 disabled people studying in high schools are planned to receive financial assistance in 2014.

^[1] Order No. A1-73 of the Minister of Social Security and Labour of the Republic of Lithuania *On the Approval of the National Youth Volunteering Programme* of 25 February 2013.

In the implementation of the *Programme of Social Development of Communities 2011–2013*, works in two directions were being carried out: capabilities of non-governmental organizations to provide social innovation-based public services were strengthened and mutual cooperation of organizations as well as their cooperation with municipalities was promoted. In 2013, 81 social activity projects of community organizations was funded, 5 regional community forums aimed at the development of social entrepreneurship and promotion of innovative ideas were held. In 2013, activities of organizations representing elderly people aimed at enhancing the expansion of voluntary activities of non-governmental organizations representing elderly persons and strengthening the impact of these organizations, were supported.

For increasing employment and cultural and social inclusion of residents, cultural activity projects attended by persons in social exclusion - the disabled, children from foster homes, seniors, unemployed, low-income persons - received funding from the state budget in 2013. Special attention was devoted for encouraging cultural institutions and artists to involve in creative activities children and young people with low motivation and not participating in any other cultural activities. 23 534 persons in social exclusion, of which 1 200 were children from foster homes and 1 300 - disabled people of different ages - actively participated in cultural activities. Over 700 events visited by 181000 viewers were arranged during the implementation of the projects. LTL 800 000 was allocated to co-fund the projects. This activity will be continued till 2014.

In 2013, in order to increase the cohesion of social, cultural and health areas, 14 projects contributing to the enhancement of positive impact of arts on human health and social welfare as well as improvement of quality of life were partially funded and implemented. Activities of these projects were carried out in institutions providing health care and social services.

In the implementation of the *Health Care System Reform Continuity and Health Care Infrastructure Optimization Programme*, municipal personal health care institutions providing specialized outpatient, day surgery, admission – emergency, nursing and therapy services, also municipal public health offices were modernized.

In the implementation of the *Programme for Reducing Social and Economic Differences between Regions for 2011–2013*, by the end of 2013:

- 88 multi-apartment building were renovated. 350 multi-apartment buildings will be renovated by the end of 2015;
- 401 people received social housing built using the funds from the EU structural funds in problem areas. Another 415 are planned to be provided with housing by 2015;
- 356 jobs were created during the implementation of the projects of local employment initiatives, 4 257 people engaged in individual activities under a business licence were granted subsidies in the implementation of self-employment programmes of the unemployed;
- Public infrastructure and environment was arranged in 106 rural areas. The arrangement of 244 places is planned for in the end of 2015 in accordance with the contracts under execution.

Planned works:

- To get ready for the implementation of the prepared Regulation of the European Parliament and of the Council on the European aid to the most deprived persons and to provide food assistance to about 300 thousand persons;
- In 2014, the development of services for families will be continued by involving non-governmental organizations and activating communities. In the implementation of the measures of the *Child Welfare Programme 2013–2018*, the expansion of child day care centres in municipalities is planned for in 2014, by providing non-institutional day care services for children and families. Larger funding amount is planned for this purpose;
- Successful activities in order to increase the number of children raised in foster families rather than in institutions will be continued: searches for foster parents (care givers) and adopted

parents will be held, services and assistance for their preparation, selection and consultation will be provided. Comprehensive services for families in a crisis situation will be developed;

- Action plan for the implementation of the *National Demographic (Population) Policy Strategy in the Field of the Family Welfare* aimed at the implementation of goals and tasks established in the *National Demographic (Population) Policy Strategy* is planned to be prepared and approved in 2014;

- In 2014, the *National Programme for the Prevention of Violence in Immediate Environment and Assistance for Victims of Domestic Violence for 2014–2020* will be prepared and approved;

- Projects for social rehabilitation of the disabled in communities selected in a tender procedure will be funded in 2014. The plan is that 40 thousand disabled persons will benefit from the implementation of the measures in 2014. The provision of vocational rehabilitation services to the disabled will be continued in 2014. The plan is to have 400 persons sent to vocational rehabilitation programme in 2014, of which 50 percent are planned to find employment within 6 months from the completion of the programme;

- Action plan for the *Development of Non-Governmental Organizations and Communities 2014–2016* will be prepared in 2014. LTL 1 million is planned to be allocated for the implementation of the action plan;

- Setting of more favourable conditions for families (persons) to acquire housing, provision of state-funded housing credits and establishment of compensation of a part of costs incurred for the rent of housing leased on the market or of lease expenses for families (individuals) entitled to social housing are planned for in 2014,

- Project of cultural activities aimed at socially excluded groups, large families, seniors, children and young people will be continued in 2014; projects enhancing positive impact of arts on human health and social welfare will be funded; the aim will be to adapt non-traditional spaces for the provision of cultural services in regions and to form alternative cultural spaces in city districts.

Assessment of progress/ problems:

Quite a significant progress was made in the area of the reduction of poverty and social exclusion by implementing cash assistance system reform. In the implementation of the cash social assistance system reform and in the view of the fact that the results of pilot project in 5 municipalities proved to be worthwhile, it was decided in 2013 that as from 2014 all municipalities will take over the payment of cash social benefits as an individual payment function.

Increase of income - the minimum monthly wages - by 17.7 percent from LTL 850 to LTL 1000 had the greatest effect on declining risk of poverty on working persons in 2013.

Social consequences of crisis, which have resulted in a relatively high number of social cash assistance recipients, remain a problem; the number of recipients increased 5 times in 2013, compared to the pre-crisis period (2007).

V. IMPLEMENTATION OF ADDITIONAL MEASURES AND THE USE OF STRUCTURAL FUNDS

5.1. Implementation of the Lithuania's Commitments under the Euro Plus Pact

In March 2011, the euro area member states agreed upon and signed one more complementary agenda with additional reforms called the *Euro Plus Pact*. This Pact was signed by 17 euro area member states and six non euro area countries, including Lithuania. It focuses on four areas: competitiveness, employment, sustainability of public finances and reinforcing financial stability. All 23 signatories are committed to implementing the reforms laid down therein. The *Euro Plus Pact* is

fully embedded in the new economic governance framework and the commitments undertaken therein are included in the National Reform Programmes of the concerned Member States.

5.1.1. Fostering Competitiveness

Lithuania has implemented the measures for fostering competitiveness on the basis of the following key strategic documents: *Lithuania's Progress Strategy Lithuania 2030*, *Lithuanian Innovation Strategy 2010–2020*, *Lithuania's Innovation Development Programme for 2014–2020*, *Investment Promotion Programme for 2011–2021*, the *National Education Strategy 2013–2022* and the *National Energy Independence Strategy*.

Legislation adopted in 2013 led to administrative burden reduction of LTL 1.5 million. The reduction of the administrative burden amounts to LTL 4 million including all administrative burden reduction measures since 2009. The Seimas was presented with draft legislation, upon the adoption of which administrative burden would be further reduced by LTL 30 million.

Proposals on the organization of consolidation trends, goals and purposes of the activities of institutions carrying out the maintenance of economic entities are being implemented in 2014. The consolidation of business supervision institutions is aimed at reducing the supervisory burden on businesses, increasing employee competence, making operational processes of supervisory institutions more effective and using budget funds more efficiently. Given the international practice and proposals of independent experts, it was decided to group supervisory institutions into 12 directions of supervisory activities: environmental protection; infrastructure and construction safety; transport safety; consumer safety; food safety and veterinary services; healthcare; quality of education; social and occupational safety; public safety; protection of culture; state revenue collection and reliability of financial markets.

In order to coordinate science, technology and innovation development at the national level, in 2013, Research, Development and Innovation Strategic Council was formed by Decree of the Prime Minister. The Council shall consider and present to the Government and other public institutions its conclusions and proposals on the science, technology and innovation development policy and implementation of this policy in all economic sectors of the country.

The Innovative Economic Council was established under the Ministry of Economy. The goal of the Council is to enhance the cooperation between public institutions, businesses and academia, create a more favourable environment for introducing innovations in business and increasing the competitiveness of the Lithuanian economy. In the implementation of the *Lithuania's Innovation Development Programme for 2014–2020*, the aim is to enhance innovation potential of businesses, promote the creation, development and internationalization of value networking, increase the efficiency of the formation and implementation of innovation policy and promote innovation in the public sector. The summary innovation index of Lithuania is expected to be equal to the EU-28 average index in 2020.

The higher education and study reform currently being implemented allows for comprehensive review of the number, structure and quality of study programmes, and this activity is optimized. In 2013, 355 ongoing programmes and 128 programmes planned to be executed were accredited. Analysis of studies, curricula and qualification registry data was performed. Evaluation of 12 schools of higher education was carried out. Evaluation conclusions present the analysis of evaluated schools of higher education (both by evaluated areas and a summarized one), proposals and recommendations for further evaluation of the activities, recommendations and observations.

In 2013, life-long learning level of the Lithuanian population aged 25-64 years old slightly increased as compared to 2012. It was 5.7 percent in 2013 and 5.2 percent in 2012.

In 2012, the Seimas approved the *National Energy Independence Strategy*, the aim of which is to establish the key goals and directions for the implementation thereof by 2020 and to provide for the Lithuanian energy sector development guidelines until 2030 and until 2050. The main goal of energy policy directions and actions planned for in this strategy is the ensurance of Lithuania's energy independence by 2020, which will enhance the Lithuanian energy security and competitiveness. Lithuania's energy independence will ensure the freedom to choose the type of energy resources and their supply sources (including local production) most consistent with the national energy security needs and the interests of Lithuanian users to acquire energy resources at the most favorable price.

Table No 2. Forecasts for earnings, productivity and unit labour costs

Average annual change, in percent	2014	2015
Unit labour costs	1.0	1.3
Earnings (compensation per employee)	3.5	4.1
Labour productivity	2.5	2.8

Source: Forecasts of the Bank of Lithuania of February 2014.

In 2014, similar growth rates of average monthly gross earnings (including sole proprietorships) as those of 2013 are planned, while, later on, after the recovery of foreign demand and further growth of the labour force demand as well as gradual decline in the labour supply, earnings will inevitably start to increase more rapidly.

The following areas were mostly focused on in 2013:

- Strengthening the implementation of business environment improvement initiatives – in particular, the reduction of administrative and other burdens and the reform of business supervisory institutions;
- Creation of the support mechanism for pre-incubation activities of innovative companies, implementation of tools for the development of innovative economy, including innovative basket scheme. More detailed information on innovation policy is presented in part IV, section 4.1;
- Restructuring of electricity and natural gas sectors in accordance with the provisions of the European Union's Third Energy Package. More detailed information on the implementation of the provisions of the Third Energy Package is presented in part III, section 3.6;
- Making the public procurement system more transparent and centralizing procurement;
- Increasing the level of education and training systems.

Improving business environment

Efficient improvement of the business environment is important for the ensurance of growth of Lithuanian economy.

In the World Bank report *Doing Business 2014*, published on 29 October 2013, which evaluates business conditions in 189 countries of the world, Lithuania rose from the 27th position to the 17th. Compared to the European Union member states, Lithuania ranks 6th position. During the evaluation period from June 2012 till May 2013, Lithuania implemented several reforms in the areas of starting a business and getting a credit, which greatly affected the improvement of business conditions and at the same time the leap of Lithuania in the *Doing Business* report. One of the most important reforms – legitimization of a Small Partnership – legal form of legal entity with a simple establishment procedure and management structure, first of all aimed for small businesses that do not require large investments – as from 1 September 2012 upon the entry into force of the Law on Small Partnerships. Also, the term for registering a company in VAT registry was reduced from 13 to 3 calendar days. As from the effective date (13 July 2013) of the amendments to the Civil Code and other legislation, in accordance with which a seal is not mandatory for companies, if the obligation to have a seal is not

established in company's incorporation documents or laws, the obligation of legal persons to have a seal was completely waived. The World Bank did not include the latter amendment, just like some others, into the *Doing Business* report, but they should reflect in the report of 2015.

In the area of foreign trade, business environment was improved having reduced the number of requested export and import documents, thus reducing export and import procedure costs.

After amendments to certain laws governing the issuance of construction permits, the duration for the issuance of permits shortened up.

Progress of national policies affecting SMEs of the European Union member states is evaluated in the SBA Fact Sheets* drawn up each year based on ten principles enshrined in the SBA and aimed to illustrate the latest trends and national policy directions that affect SMEs. In accordance with the data of *SBA Fact Sheet 2013 – Lithuania*, Lithuania has a favourable business environment, which is enhanced by effective administration based on company needs.

Measures being implemented:

- According to data of the State Enterprise Centre of Registers, by 20 March of 2014 there were about 4 300 Small Partnerships established and operating. So that Small Partnership legal entity form retains its popularity and advantages as compared to other legal entity forms, proposals on how to improve legal regulation of this form of economic entities and how to tax it with state social insurance contributions were being prepared in 2013. The Ministry of Economy presented to the Ministry of Social Security and Labour proposals on state social insurance contribution concessions applicable to Small Partnerships. In order to help Small Partnership members having selected the Small Partnership management model, where a Small Partnership has the sole governing body - the Manager - to reduce financial and time costs for the preparation of civil agreements with directors, the Ministry of Economy prepared a sample agreement on the provision of management services to Small Partnerships.

- In the period of 2011–2014, in the implementation of the STI project e-STI, electronic system for the issuance of business certificates to residents and registration of individual economic activities was implemented, thus facilitating the conditions for those starting a business. In the implementation of the project, e-services for business certificates and registration of individual economic activities were developed.

- New version of the Resolution on Impact Assessment Methodology of the Government of the Republic of Lithuania, which took effect on 1 January 2013, approved the amendments of the *Methodology of the Impact Assessment of the Planned Legal Regulation* relating to the assessment of the impact of new laws on business environment, and allowed for a more detailed assessment of new laws on SMEs before adopting new laws governing business environment.

- On May 2013, upon the initiative of the Ministry of Economy, a new *Feasibility Study of Open Data Implementation in Lithuania* was prepared; it identified the benefit of open institution data on business pointing out obstacles and constraints, which make it difficult for businesses to use open data access, also presented recommendations and suggestions. The majority of companies use data collected by institutions, thus a more convenient way for obtaining and using them gives extra value added, allows for the creation of new start-ups and improvement of public services. As a result, an internet website was created, where all information related to the open data initiative is presented⁴.

- On 1 July 2013, the Law on Administrative Burden Reduction took effect. This law provides for administrative burden reduction works of a broader scope: approval of a longer lasting (two-year) administrative burden reduction measures for businesses and citizens in the Government and their

* European Small business act (hereinafter - SBA) is a flagship initiative of the European Union (EU) for the support of small and medium-size enterprises (SMEs).

⁴ <http://data.ukmin.lt/apie.html>

presentation to the Seimas; obligation of municipalities to evaluate and reduce administrative burden, draw up administrative burden reduction plans; for the evaluation and reduction of burden, a special Commission of Better Regulatory Supervision was formed of representatives of business and state institutions.

- Prevention of administrative burden on businesses was carried out in 2013. During the year, the Ministry of Economy evaluated 50 draft laws presented by state institutions providing new information obligations or replacing the effective ones, and administrative burden evaluation reports. Comments were made with regard to waiving some requirements as unreasonable and revising the calculation of administrative burden. Administrative burden prevention was started in 2012, upon the approval of the Methodology for Determining Administrative Burden on Business. Once the resolution took effect, state institutions were obliged to assess administrative burden on business provided for in all draft laws establishing new or replacing the existing information obligations, and to present draft laws together with administrative burden calculations to receive conclusions of the Ministry of Economy.

- In the implementation of the *National Anti-Corruption Programme 2011–2014*, the *Government Programme 2012–2016* and pursuant to the Resolution of the Government of 23 October 2013 *On the Amendment of the Approval of the Licensing Framework Description*, the Ministry of Economy carried out a review of economic activity licenses. During the review, information provided by 12 ministries (Ministries of Environment, Energy, Finance, Culture, Social Security and Labour, Health, Education and Science, Transport, Internal Affairs, Justice, Agriculture and their subordinate bodies and institutions), and the Bank of Lithuania regarding issuance procedure of licences falling under the competence of these institutions was reviewed and proposals with regard to necessity and proportionality of each licence made. Besides that, possibility to replace licences with declarations was considered and proposed in certain areas. Moreover, procedures of issuance of licences were evaluated and proposals for waiving unnecessary, disproportionate requirements applicable to economic entities seeking to obtain a license and for simplifying the procedure for the issuance of economic activity permits, were prepared and presented to the Government. On 5 February 2014, the Government approved proposals of the Ministry of Economy with regard to the following: replacement of 52 license types with declarations, elimination of 10 types of licenses and simplification of the issuance procedure of 160 types of licenses. The Ministries have to present the necessary law amendments to the Government by 1 May 2014.

Works planned in 2014:

- Preparation of the *National Plan for the Implementation of United Nations Guiding Principles on Business and Human Rights* is planned in 2014 in cooperation with the Ministry of Foreign Affairs, Ministry of Economy, Ministry of Social Security and Labour and the Ministry of Justice. It is planned to provide in the National Plan the description and short analysis of the current conditions in the areas of human rights and business, and to set goals, tasks and implementation measures in related areas;

- In order to encourage institutions to reduce administrative burden, a new administrative burden reduction goal application for each ministry or other institutions accountable to the Government individually-was determined: the overall level of administrative burden imposed on business under legal regulation within the competence of this institutions shall remain unchanged or decrease over a calendar year. To this end, institutions will have to evaluate the change in the burden determined under draft laws. For the ensurance of burden reduction, the action plan for 2014–2015 for reducing administrative burden on economic entities, citizens and other persons will be prepared;

- The preparation of The Social Business Concept is planned in 2014. This document is intended for providing a description of a social business situation in Lithuania and other countries, and reviewing EU provisions on the issue of a social business, bases for improving legal environment,

possible development directions, goals and tasks, impact assessment criteria, social entrepreneurship development principles and trends in Lithuania.

Improving the activities of business supervisory institutions:

A reform of institutions supervising the activities of legal entities has been implemented since 2009. This reform is aimed at reducing the burden borne by legal entities when performing supervisory functions, reducing corruption allegations, ensuring that supervisory requirements are understandable, easily and conveniently accessible. The main goal of the reform is for the supervisory institutions to become business advisors rather than punishers.

Measures being implemented:

- 46 supervisory institutions have signed a declaration *On the First Business Year* undertaking to avoid punishing business entities during the first year of their economic activity, but to consult and render assistance to them instead;
- The supervision of legal entities is based on risk assessment. 40 business supervisory institutions carry out the risk assessment-based supervision;
- Control checklists were prepared for simplification of inspection procedures. In 2013, supervisory institutions used 116 control checklists. Control checklists cover 40 areas – retail and wholesale trade, market trade, catering business, hairdressing and beauty salon services, construction, labour law and occupational safety, taxation, labelling, packaging, public health, radiation protection, etc.;
- Efficiency and effectiveness of the supervision of economic entities (object, economic activities) carried out by supervision institutions are being evaluated as from July 2012. Pursuant to part IV of the *Description of Guidelines for Optimizing Functions Performed by Institutions* approved by the Resolution *On the Optimization of Supervision Functions Performed by Institutions* of the Government of 4 May 2010, in the performance of their activities and strive for the implementation of their key performance objectives, supervisory institutions have to implement performance efficiency and effectiveness indicators and follow them - to calculate and publish values of performance efficiencies and effectiveness indicators in set periods of time;
- More attention has been devoted to consulting assistance (according to the data of 2013, 13 supervisory institutions were providing unified consultations over the phone by recording conversations);
- At the end of 2013 there already were 46 supervisory institutions having signed a memorandum on minor labelling discrepancies. These supervisory institutions committed to refrain from imposing fines on entrepreneurs for minor non-compliances with requirements for labelling and no longer require that these products are removed from sale or relabelled, which was often a greater burden on businesses than fines.

Planned works:

- Implementation of a consolidation plan of supervisory institutions;
- Development works of a common information system of supervisory institutions (PAIIS);
- Preparation and distribution of the first issue of a business supervision newsletter;
- Update of the *Guidelines for the Preparation of Control Checklists and the Use thereof in the Activities of Public Administration Entities Carrying out the Supervision of the Activities of Economic Entities*;
- Update of the content of the *Guidelines*;
- Preparation of the 7th progress report on the implementation of the business supervision reform.

In the implementation of the provisions of Directive 2013/55/EC on professional qualifications, Lithuania is currently performing the supervision of regulated professions. In the first mutual evaluation stage, on 14 March 2014 Lithuania presented to the database of the Europe's regulated professions all information requested by the EC (description of professional activity, laws governing professions, assignment of the level of qualifications, mandatory certification, etc.) on professions regulated in Lithuania. Seeking for the most effective execution of a transparency exercise provided for in the Directive on professional qualifications, Lithuania is conducting a study for this purpose. The aim of the study is to prepare an accurate review of regulated professions and perform the evaluation of their regulatory impact. The study is intended to be carried out by August 2014.

Works planned in 2014:

- New layout of the portal www.verslovertai.lt, adapted for a convenient and clearly understandable provision of new information in line with the requirements of Contact Centre Charter and in the view of business life cycle will be created;
- Business valuation calculated for entrepreneurs to be able to evaluate their sold business will be developed;
- 6 new comprehensive business brochures covering the most popular activities among the Lithuanian small and medium-size businesses will be prepared. Brochures will help to present information on licenses needed to start a business, requirements set for products, services and business premises, employment, applicable taxes and rates, also accounting procedures in one place;
- Administrative procedures related to the issuance of more than 130 permits will be transferred to the electronic environment, which will allow reducing administrative burden on both businesses and institutions.

Consolidation of the networks of schools of higher education and improvement of study quality

In the implementation of the National Study Programme and continuation of projects funded from structural funds, 173 study programmes based on study results were updated or newly prepared. Another 78 study programmes are planned to be updated or newly prepared by autumn of 2015. 355 study programmes under execution and 128 planned to be executed were accredited in 2013. All conclusions on the evaluation of evaluated study programmes are published on the website of the Centre for Quality Assessment in Higher Education <http://pluto.skvc.lt/StudyProgramResults.aspx>. 12 schools of higher education were evaluated. Evaluation results are published on websites of evaluated schools of higher education and on the website of the Centre for Quality Assessment in Higher Education: <http://www.skvc.lt/content.asp?id=619>. The evaluation of all schools of higher education operating in Lithuania is planned to be completed by the end of 2014. In 2013, first trainings for employees of schools of higher education responsible for quality assurance were held.

5.1.2. Fostering Employment

For more information on the implementation of measures for fostering employment please refer to part III, section 3.3, part IV, section 4.7 and Annexes 2 and 3.

5.1.3. Increasing Sustainability of Public Finances

The key medium-term strategic goal of fiscal policy is the continued consolidation of public finances. A detailed financial policy strategy for the achievement of these goals and implementation of consolidation of finances of the general government as well as economic recovery measures is presented in the Convergence Programme of Lithuania for 2014.

The following reforms implemented in Lithuania contribute to the increase of sustainability of public finances: optimization of the State Social Insurance Fund management, reform of the state-owned enterprises and optimization of the health care network.

Optimization of the State Social Insurance Fund management

In the end of 2012, amendments to laws governing the state social insurance were adopted, whereby it was established that as from 1 January 2014 the maintenance costs of the Lithuanian Labour Exchange and its subsidiaries will be transferred to the state budget. Also, a legal regulation was established providing for the fact that even though health insurance continues to be one of the types of social insurance, it will be conducted in the procedure established by the Law on Health Insurance and as from 1 January 2013 will no longer be included into the budget accounts of the State Social Insurance Fund. Moreover, it is planned that the state social insurance contributions and expenses under separate types of state social insurance, without taking into consideration the operational expenses of the Fund and non-recoverable or doubtful amounts, will be presented in additional tables together with a set of reports on the implementation of the Fund's budget. In addition to this, it is planned that the interest on loans taken out after 1 January 2014 will be covered from the funds of state budget in order to fulfil obligations to the insured.

Reform of state-owned enterprises

For more information on the implementation of the reform of state-owned enterprise please refer to part III, section 3.5.

Optimization of health care network

In order to achieve a more effective operation of system of the national health care institutions, the preparation and implementation of the next health care system development and hospital network consolidation stage was planned for in 2014.

Integrated Health Care and Functional Cluster System targeted to manage effectively pathology, patient flows and optimize the activities of hospitals started to develop in 2013.

A pilot project for improved accessibility of oncological assistance for residents of Kaunas region and management of patient flows started on 1 November 2013, while on 1 February 2014 a pilot project for improved accessibility of oncological assistance to residents of Vilnius region and management of patient flows was launched.

Acute stroke treatment cluster and acute myocardial infarction treatment cluster started operating in 2014. At these services human and material resources are concentrated, coordinated, operative actions are carried out, standardized treatment is applied in line with modern evidence-based medicine requirements.

The development of functional hospital clusters is planned in the areas of oncology, reduction of mortality for external causes, perinatology as well as paediatric diseases and intensive care.

The development of functional hospital clusters is planned in the areas of oncology, cardiology, stroke diagnostics and treatment, reduction of mortality for external causes, perinatology as well as paediatric diseases and intensive care.

5.1.4. Reinforcing Financial Stability

In the implementation of the commitments undertaken under the *Euro Plus Pact* in the area of reinforcing financial stability, the Bank of Lithuania and other competent authorities implemented various measures for the reduction of risks in the financial sector. Measures for ensuring stability of the credit union sector should be emphasised: more detailed lending quality requirements for loans advanced by the credit unions and requirements for credit unions' internal control and risk management

systems (procedures) have been put in place. Tightened prudential rules (capital adequacy, liquidity, maximum loan amount) took effect. Moreover, credit union licensing requirements became more stringent.

Adoption of amendments to the Law on Credit Unions, which would help to ensure safe and reliable operations of credit unions establishing an appropriate balance between further development of the credit unions and their ability to absorb related losses is planned for for the 2014. Upon the adoption of the aforementioned law, capital positions and management quality of credit unions will be strengthened, requirements for the restriction on risk assumption will be established, powers of supervisory authorities will be reinforced and administrative burden will be reduced by simplifying licensing procedure and requirements for information disclosure will be reduced. While these amendments to the Law on Credit Unions will not solve all structural problems in the sector, the Bank of Lithuania also plans to put forward conceptual proposals for reforming entire credit union sector.

Another measure planned for in the area of enhanced financial stability is the approval of the amendments to the Law on the Bank of Lithuania in 2014 (during the spring session of the Seimas). These amendments will grant macro-prudential policy-making and execution powers to the Bank of Lithuania. Macro-prudential policy aims to contribute to sustaining financial stability, strengthening resilience of the financial system and addressing build-up of systemic risks. All of this will ensure sustainable contribution of the financial sector to further economic growth. When forming and implementing macro-prudential policy, the Bank of Lithuania will apply the macro-prudential policy measures established in legislation and necessary for the achievement of the objective of macro-prudential policy formed and executed by the Bank of Lithuania and setting requirements for the financial system or individual financial institutions in order to prevent or reduce threats for the stability of the country's financial system.

Another important step planned to be implemented in 2014 in the area of reinforcing financial stability is the transposition of the EU Capital Requirement Directive (CRD IV) into the national law. The Directive provides for macro-prudential policy measures (such as requirements for countercyclical capital buffer, systematic risk buffer, etc.) aimed at reinforcing the country's financial stability. Having transposed the Directive into the national law and enforced the planned amendments to the Law on the Bank of Lithuania, Law on Banks and other laws and subordinate legislation, the Bank of Lithuania will become the institution responsible for administration and application of these macro-prudential policy measures. After the transposition of provisions of the said Directive, the spectrum of measures for the ensurance of financial stability controlled by the Bank of Lithuania will be replenished.

5.2. Implementation of Priorities Identified in the Annual Growth Survey

On 13 November 2013, the European Commission published a Communication *Annual Growth Survey 2014*, which sets the priorities (pursuing differentiated growth-friendly fiscal consolidation, restoring lending to the economy, promoting growth and competitiveness, tackling unemployment and social consequences of the crisis, and modernising public administration) to help Member States to deal with the crisis and encourage economic growth.

5.2.1. Pursuing Differentiated Growth-Friendly Fiscal Consolidation

More information on implemented reforms for the implementation of this priority is presented in the following chapters: with regard to fiscal consolidation – in part III, section 3.1, and Lithuania's Convergence Programme 2014; with regard to increased investments into R&D – in part IV, section 4.1; with regard to the investments into energy – part III, section 3.6 and part IV, section 4.4 and 4.5;

with regard to the labour market policy efficiency measures – in part III, section 3.3 and part IV, section 4.7.

5.2.2. Restoring Lending to the Economy

One of the factors promoting the return to normal lending to the economy is the enhancement of financial stability ensuring that macro-prudential policy is successfully implemented in individual member states and coordinated at the EU level (for more information see section 5.1.4).

The Law on Collective Investment Undertakings for Informed Investors, which provides for more favorable legal conditions for activities of collective investment undertakings intended for informed investors only creating a separate, more flexible legal regulation of the activities of these undertakings was adopted in 2013. The said law is aimed at encouraging fund managers to invest in Lithuania, thus promoting the development of the Lithuanian capital market and creating an alternative for bank funding.

In order to promote business development in Lithuania and improve access of small- and medium-sized legal entities to external financing sources, small and medium size enterprises (hereinafter – the SMEs) can now make use of the following measures of financial support:

Concessional loans

The state has granted to credit institutions operating in Lithuania funds for the disbursement of loans to small- and medium-sized legal entities:

- Small credits, Phase II (INVEGA Holding fund measure) under which SMEs are issued loans up to LTL 350 000 at concessional interest rates. 908 loans for LTL 178.65 million were issued to SMEs by the end of 31 December 2013. LTL 95 million from the European Union structural funds (hereinafter – EU SF) was allocated for this measure, which can be used by banks to issue loans no longer than till 31 December 2014;

- An open credit fund (INVEGA Holding fund measure), under which SMEs are issued loans of up to LTL 1.5 million from the fund (plus 25 % of bank resources) at concessional interest rates. 365 loans for LTL 174.24 million (together with the share of bank resources) were issued to SMEs by 31 December 2013. LTL 150 million from the EU SF was allocated for the measure;

- Funded risk sharing product (INVEGA Holding fund measure), under which entities are issued loans of up to LTL 16.5 million (maximum loan amount depends on the amount of measure funds allocated for a bank) for investments, replenishment of working capital, if the activities of SMEs are expanded by the use of such funding. Banks have to contribute 50 % of their own resources according to the instrument design. 626 loans for LTL 474.8 million were issued to SMEs by 31 December 2013 (together with the share of bank resources). LTL 379.8 million from the EU SF was allocated for the measure.

Guarantees

- Guarantee fund. JSC “Investicijų ir verslo garantijos“ provides guarantees equivalent to state guarantees (up to 80 % of loan amount) for credit institutions for investment loans and working capital loans to SMEs relating to business development, thus solving the issue of insufficient and unattractive collateral. 2 427 guarantees were issued for SMEs loans by 31 December 2013 (the amount of issued guarantees accounted for LTL 698.8 million). LTL 129 million from the EU SF was allocated for the measure;

- Portfolio guarantees (INVEGA Holding fund measure). The measure is aimed at promoting loans by guaranteeing for up to 80 % of the loan amount of SMEs and thus seeking to reduce barriers for companies to receive funding when they do not have sufficient collateral. 280 guarantees for loans of SMEs were included into the portfolio of guaranteed loans by 31 December 2013 (the amount of

issued guarantees accounted for LTL 86.8 million). LTL 24.17 million from the EU SF was allocated for the measure;

- Portfolio guarantees for leasing (INVEGA Holding fund measure). Financial guarantee (for up to 80 % of leasing amount) is provided for new SMEs leasing transactions (the maximum transaction amount is LTL 6.47 million). 100 guarantees (in the amount of LTL 24.15 million) for SME leasing transactions were included into the portfolio of guaranteed leasing transactions by 31 December 2013. LTL 20.71 million from the EU SF was allocated for the measure.

Venture capital measures

- Venture capital funds: two venture capital funds were established in 2010: Limited Partnership *Lithuania SME Fund (BaltCap)* and Limited Partnership *LitCapital I*, seeking to invest into companies with high growth potential and at the same time attracting at least 30% of private investments. The amount of fund investments accounts for LTL 10.35 million for one target company. These venture capital funds had invested LTL 52.2 million into 13 companies by 31 December 2013 (together with private investor funds). LTL 108.8 million from the EU SF was allocated for these funds (Limited Partnership *Lithuania SME Fund (BaltCap)* received LTL 48.34 million and Limited Partnership *LitCapital I* – LTL 60.42 million).

- Co-investment fund (*Verslo angelai* (English: Business Angels). A co-investment fund “*Verslo angelų fondas I*” established in 2010 invests into SMEs together with “Business angels” (private investors) (up to LTL 1.38 million into one company). An investment to a company’s capital is no more than 45 % from the funds of the co-investment fund and at least 55 % from private investments, 5 % of which have to be invested by the fund manager itself, while the remaining share is invested by a “business angel”. Investors share their knowledge and experience thus helping companies to improve their business management skills and succeed in the long run. The fund invested LTL 28.4 million (together with private investor funds) into 25 companies by 31 December 2013. LTL 27.6 million from the EU Structural Funds was allocated for this fund.

- Seed and venture capital funds (JEREMIE Holding Fund measure). The measure includes separate seed and venture capital funds managed by one fund manager – Private Company “*Practica Capital*”. Seed fund (*Practica Seed Capital*) will make only seed investments (up to LTL 690.560 over the period of 3 years), while the Venture capital fund (*Practica Seed Capital*) – initial stage, initial and development capital (up to LTL 5.179.200 over the period of 12 months). *Practica Seed Capital* invested LTL 7 million (together with private investor funds) into 15 companies, while *Practica Ventura Capital* invested LTL 2.8 million (together with private investor funds) into 2 companies by 31 December 2013. A total of LTL 58.7 million from the EU SF was allocated for these funds.

- On 26 September 2012, the European Investment Fund and representatives of the three Baltic States signed a contract on the establishment of *Baltic Innovation Fund*. The Baltic Innovation Fund is an investment fund of funds aimed at encouraging the development of private equity and venture capital markets of the three Baltic States (Lithuania, Latvia and Estonia). Fund investments will be focused on high-growth potential companies operating in the Baltic region. Over the period of upcoming four years, the Baltic Investment Fund as a fund of funds will invest EUR 100 million into private capital and venture capital funds operating in the Baltic States, thus encouraging private equity and venture capital investments into SMEs and the growth thereof. Private Company “*Investiciju ir verslo garantijos*” (INVEGA) will invest EUR 20 million from INVEGA Holding fund reflows into this measure, Latvian and Estonian national agencies will invest EUR 20 million each, while the remaining amount of EUR 40 million will be invested from the European Investment Fund.

Partial compensation of interest on loans (managed by JSC “Investicijų ir verslo garantijos“).

The State may compensate a part of interest paid by SMEs for loans and leasing agreements. In order to get compensation, it is necessary to submit to JSC “Investicijų ir verslo garantijos“ an application for partial compensation of interest.

- Up to 50 % of interest paid on loans for those investment and working capital loans, for which credit institutions were issued an INVEGA guarantee, but not more than 5 % of annual interest, is reimbursed.

- Up to 95 % of interest paid on loans disbursed from *Entrepreneurship Promotion Fund*, but no more than 30 % of the principal amount, is reimbursed.

- In 2012, the measure coverage was extended. Currently, partial compensation of interest on loans can also be received by those SMEs, which have not been issued INVEGA guarantee for the execution of loan repayment or leasing agreement. A part of interest will be compensated for companies, which will invest into the production and acquisition of high-tech and medium-high-tech products, new and used production equipment, hardware, licences, software, special equipment and some vehicles. Only those SMEs who have signed or plan to sign agreements for investment loans or leasing during the period from 1 March 2012 till 31 May 2014 will be able to apply for partial compensation of interest under the updated measure conditions. LTL 44.86 million in interest was reimbursed to 3 643 SMEs by 31 December 2013. LTL 56 million from the European Union Structural Funds was allocated for this measure.

Entrepreneurship promotion fund (managed by INVEGA)

The aim of the *Entrepreneurship Promotion Fund* is to enable micro and small companies as well as natural persons to start their own business, also, for social enterprises to develop their business through the use of financial engineering instruments thus promoting entrepreneurship and self-employment as well as the creation of new jobs. The implementation of the measure (provision of loans of up to LTL 86 000) is combined with training and consulting those starting their business as well as the assistance for preparation and implementation of business plans. The programme is funded by the European Social Fund (based on *Human Resources Development Action Programme for 2007–2013*). Currently, the value of the Entrepreneurship Promotion Fund is LTL 50 million.

5.2.3. Promoting Growth and Competitiveness

The following priorities are set for the promotion of growth and competitiveness in Lithuania: promoting the creation of innovation and new technologies, raising levels of public and private R&D investment; promoting creative industries, raising the performance of education and training system level; promoting green economy (improved waste management, water management and recycling).

Information on promoting competitiveness is presented in part V, section 5.1.1; on increasing R&D investments – in part IV, section 4.1; on raising performance of education and training systems – in part V, section 5.1.1.

In order to promote awareness of new creative products and services in global markets, priority measure of the Government of the Republic of Lithuania *Raising Awareness of the Lithuanian Creative Industries by Introducing Creative Industry Products and Services in Specialized International Events Held in the Country and Abroad* has been carried out since 2013. The measure is aimed at creating conditions for the development of the Lithuanian creative industries, presentation of their achievements in the country and abroad, and promotion of internationalization of the activities thereof as well as creative exports and cross-sectoral cooperation in order to create new products or services in line with the principles of sustainable and balanced development. In 2013, 7 projects were co-funded, in the implementation of which Lithuanian creative industries of various fields presented

their produce in 10 international fairs, trade missions and festivals of global and European significance.

Green economy (waste management, water management, recycling)

The measures *Renovation and Development of Water Supply and Wastewater Treatment Systems* and *Development of Waste Management System* under the Operational programme for Promotion of Cohesion for 2007–2013 were being carried out.

118 projects, which received support in the amount of LTL 1 796 billion, were being implemented (27 of them were completed in 2012) under the measure *Renovation and Development of Water Supply and Wastewater Treatment Systems* during 2013. The following works have been performed or are planned to be performed under 118 agreements for funding and administration of water management projects: 111 wastewater treatment plants were built/ reconstructed, 12 water treatment units were built/ reconstructed; 1 597 km of new water supply networks were built, 2 169 km of new sewerage networks were constructed, 19 km of water supply networks and 14 km of sewerage networks were reconstructed, 26 vehicles for transportation of sludge were purchased and 19 sludge treatment plants were built.

145 000 residents are planned to be connected to sewerage network under the signed project funding and administration agreements. There were 53 932 residents connected at the end of 2013. It is planned that water supply and waste water management infrastructure will be upgraded in 334 neighbourhoods. This infrastructure was upgraded in 213 neighbourhoods at the end of 2013.

27 projects were being implemented under the measure *Development of Waste Management System* (closing old landfills, setting up bulky waste collection sites, installing green waste composting sites, building hazardous waste landfills, constructing biodegradable waste treatment facilities), which received support in the amount of LTL 654.6 million during 2013. The implementation of 4 projects was completed during 2013.

The works of closure of old landfills have been going smoothly (they are planned to be completed in the 2nd quarter of 2014). The implementation of the projects for the set-up of facilities for the collection of bulky waste and composting green waste was delayed due to missing planning documents, preparation and approval of other documents permitting the construction works. After the installation of all planned green waste composting facilities, up to 130.000 tons of green waste is planned to be treated there.

In 2013, 124 old landfills and dumps were closed (it is planned to close a total of 341 of them), 15 bulky waste collection sites were set up (the installation of 52 of them is planned for), 5 green waste facilities were installed (it is planned to install 40 of them) and 1 landfill for hazardous waste is planned to be set up.

Using the funds of the *Programme for Processing Product and Packaging Waste*, municipal waste sorting facilities were being developed in 2013:

- Using the programme funds, municipalities purchased and distributed to residents over 55 thousand containers for collecting packaging waste from individual residential housing neighbourhoods. In 2013, the Ministry of Environment subsidised municipalities for the purchase of more than 54 thousand units of containers for collecting packaging waste from individual residential housing neighbourhoods (LTL 4.55 million) and for 24 units of packaging waste collection facilities (semi-underground containers) (LTL 161.6 thousand);

- In public places of 10 municipal waste management regions 1 000 containers were built for the collection of waste electrical and electronic equipment;

- 985 (90 litres) and 525 (180 litres) special bins for sorting packaging waste were distributed to 105 authorities/ institutions.

Planned works:

- In 2014, waste management and treatment model is planned to be created and implemented in the area of waste management, which would focus on reducing waste, waste sorting, composting, recycling and the use thereof for energy production:

- To prepare draft law amending the Law on Environmental Pollution Tax of the Republic of Lithuania and its implementing legislation with regard to setting a tax for landfilled waste in order to increase the quantities of recycled waste and reduce the amount of waste disposed of in landfills;

- To draw up draft law amending the Law on Packaging and Packaging Waste Management and its implementing legislation with regard to setting a mandatory deposit for disposable beverage packaging in order to increase the collection (sorting) of packaging waste accumulating in the municipal waste flow and the recycling thereof;

- To prepare draft Law on Waste Management of the Republic of Lithuania and its implementing legislation with regard to the improvement of waste management system control in municipalities and with regard to the assurance of accountability and responsibility of municipalities for the performance of municipal waste management tasks in order to increase the quantities of recycled waste, decrease the quantity of landfilled waste, increase composting of biodegradable waste accumulated in the municipal waste flow, and the use of waste for the production of energy.

Table No 3. Waste management indicators

Key indicators (main results)	Target for 2013	Target for 2014
Share of used (recycled) municipal waste in the total municipal waste amount, percent.	30	35

In the water management field, the reorganization of drinking water supply and wastewater management system is planned for in 2014 so that the greatest number possible of consumers from a respective region receive drinking water supply and wastewater treatment services compliant with safety and quality requirements under the same conditions and prices:

- To prepare proposals for the development of drinking water supply and wastewater management in 2016–2022 in order to ensure that the greatest number possible of consumers from a respective region receive drinking water supply and wastewater treatment services compliant with safety and quality requirements under the same conditions and prices;

- To ensure the implementation of the law amending the Law on Drinking Water Supply and Wastewater Management (upon the adoption thereof), draw up draft implementing legislation thereof providing for:

- Consolidation of drinking water supply companies;

- Water supply and wastewater management licensing requirements, principles of pricing and payment for services, service development funding priorities, responsibility for violating service quality requirements, rights and obligations of users, subscribers and service providers;

- Projects for the development and renovation of drinking water supply and wastewater treatment infrastructure will be funded from the EU Structural Funds in order to improve the quality of public drinking water and wastewater management services and to increase the accessibility thereof.

Table No 4. Wastewater management indicators

Key indicators (main results)	Target for 2013	Target for 2014
1. Accessibility of drinking water supply and wastewater management to residents, percent	77/70	79/72

Key indicators (main results)	Target for 2013	Target for 2014
2. Number of neighbourhoods with modernized water supply and wastewater management infrastructure, pcs	258	379
3. Number of residents of households connected to new wastewater collection networks, pcs	18 243	37 499

5.2.4. Tackling Unemployment and the Social Consequences of the Crisis

Seeking for more rapid implementation of active labour market measures, especially active support for and training of the unemployed it is planned:

To encourage elderly employees to stay longer in the labour market. The plan is to create favourable conditions to work beyond retirement age, encourage training of elderly employees through the application of flexible forms of adult education, provide elderly unemployed with refresher and retraining opportunities, apply target incentives for employing elderly employees, support sharing of work experience gained by elderly people with young people through the application of various forms of experience sharing;

To allow the unemployed, especially long-term and low-skilled unemployed, to return to the labour market. The plan is to increase the accessibility of labour market services in the view of individual needs, improve the system of evaluating and profiling of the unemployed, carry out the activation measures of the long-term unemployed motivating them to work, increase funding for the active labour market policy measures, the scope and efficiency thereof, apply flexible retraining models of long-term and low-skilled unemployed so that the unemployed could receive training of a certain specialty within a short time, promote the unemployed to become self-employed, especially in rural areas.

For more information see parts III and IV, sections 3.3 and 4.7.

In order to improve the results of public employment services, the plan is:

For more information see parts III and IV, sections 3.3 and 4.7.

Implementation of the Youth Guarantee initiative:

To carry out the Youth Guarantee implementation plan aimed at ensuring that young people are prepared for the labour market purposefully in the view of the country's economic needs, gain appropriate skills and qualification in vocational training and within four months after the completion of trainings or losing a job, can receive job offers in line with their qualification, continue learning, including as an apprentice, engage in a practice or internship.

For more information see parts III and IV, sections 3.3 and 4.7.

In order to ensure that salary developments are related to performance, to eliminate segmentation in the labour market, especially by updating job security legislation, the plan is:

To analyse salary development trends in Lithuania and to assess working motivation between low-paid group of residents and the unemployed (job seekers), and to make proposals for enhancing working motivation of persons registered with labour exchanges by creating draft labour relations and state social insurance legal-administrative model.

For more information see parts III and IV, sections 3.3 and 4.7.

Seeking to promote job creation, the plan is:

To create more favourable conditions for starting a business, ensure stable tax environment, reduce the overall regulatory burden and increase the flexibility of labour relations;

To promote investments and job creation in growing economic sectors, which create greater value added and require higher-skilled specialists. The continuation of initiatives for attracting investments, emphasizing advantages of separate regions, also, the development of infrastructure necessary for private investments and the promotion of cluster development in regions are planned for.

For more information see parts III and IV, sections 3.3 and 4.7.

In order to modernize education and training systems, the plan is:

To ensure the acquisition of quality skills in education and training system. The plan is to modernize vocational training, improve study content and process as well as the quality of practical training, allow gaining more practical skills in actual workplaces, optimize the network of vocational schools and schools of higher education as well as a list of programmes offered in the light of regional economic needs and prospects, also to plan enrolment into vocational schools and schools of higher education in the view of the data on supply and demand for specialists in the labour market.

For more information see parts III and IV, sections 3.3 and 4.7.

In order to strengthen the relationship between social assistance and activation measures and seeking to simplify and better target the benefits, the plan is:

To delegate the function of allocating social assistance as an individual function to municipalities, which will have more rights and responsibilities in paying social benefits to the deprived.

For more information see parts III and IV, sections 3.3 and 4.7.

Information on increasing employment and social inclusion is presented in part IV, sections 4.7 and 4.8.

5.2.5. Modernising Public Administration

The squeeze on public finances has created renewed momentum for the modernization of public administration. In the implementation of the Annual Growth Survey 2014 public administration modernization priority, the following actions are planned: development of e-procurement procedures, reduction of the administrative burden, ensurance of the digitalisation of public administration, and better use of the EU Structural Funds.

Information on reducing the administrative burden is presented in part V, section 5.1.1.

Increasing efficiency and transparency of public procurement procedures

In order to promote transparency, efficiency of public procurement system and development of centralized public procurement, on 9 November 2012 the public entity CPO LT was established, which was granted the right to carry out the function of central purchasing body at the national level as from 1 January 2013. The following goods, services and works can be purchased on CPO LT e-catalogue: medicine, office supplies, computer hardware and office equipment, mobile phones, mobile communications, fuel at petrol stations, fuel in containers, electricity, modernization of buildings with designs, modernization of buildings without designs, technical supervision of the construction process, energy certificates and investment plans as well as services of expert examination of technical project. In 2014, central purchasing body e-catalogue will be expanded by the following new purchase models: printing equipment and support services, floor mat rental and exchange services, cleaning services,

design services, security services and organization of business travels. Currently, there are more than 2200 contracting authorities registered in the central purchasing body e-catalogue.

It should be noted that centralized public procurement procedures are carried out not only via the central purchasing body, but at the departmental level as well (Ministry of Internal Affairs, Ministry of Defence, National Health Insurance Fund, etc.). The total value of centralized public procurement in 2013 accounted for about 9.7 percent of the total value of public procurement.

In order to rationally use state budget funds, increase transparency, reduce corruption in public procurement and continue the development of purchasing through central purchasing bodies, Law on Public Procurement was amended in 2013, establishing that as from 1 January 2014 contracting authorities, except for diplomatic representations, consular institutions of Lithuania abroad and representations of Lithuania under international organizations shall be obliged to acquire goods, services and works from or through the central purchasing body, when goods, services or works offered on the central purchasing body e-catalogue meet the needs of the contracting authority or the contracting authority cannot purchase them in a more efficient way rationally using funds allocated to that purpose.

In order to fight corruption in public procurement and prevent violations of the public procurement rules so that when concluding a procurement contract or in the performance thereof conditions indicated in the successful tender are not changed, an additional measure for the ensurance of greater transparency of the public procurement system was enshrined in the law amending the Law on the Public Procurement adopted in 2013: a contracting authority was imposed an obligation to publish the concluded procurement contract, the successful tender and later amendments to the procurement contract. This measure will help to ensure the compliance with the principle of equal treatment of suppliers and allow reducing corruption possibilities in public procurement procedures.

In order to increase public cost-efficiency, the Law Amending the Law on Public Procurement establishes the provision encouraging contracting authorities to apply more widely the evaluation criteria of the most economically advantageous tender, i.e. providing for the possibility to assess qualifications and experience of employees in simplified public procurement procedure, selecting the most economically advantageous tender.

Implementation of the public procurement regulatory reform is planned for in the future. Once the Directive on public procurement, Directive on procurement by entities operating in the water, energy, transport or postal service sectors and the Directive on the award of concession contracts take effect, the European Union Member States will have to transpose them into their national law within the period of two years (indicative term - by the beginning of 2016).

E-procurement

The scope of electronic public procurement accounts for about 90 percent of the value of all published procurement.

The use of e-invoicing plays an important role in making payments under concluded public procurement contracts. In order to allow suppliers to make payments in public procurement using e-invoicing and for the Public Procurement Office and central purchasing body to receive information about the performance of public procurement contracts and the submission and payment of invoices, the Ministry of Finance together with its partners the Ministry of Economy and State Enterprise Centre of Registers is carrying out a project *Development of Electronic Service "E-Invoicing"*. The project is aimed at the development and installation of information system, the functionality of which would ensure the provision of electronic service *E-Invoicing* in 2014.

In the implementation of measures of the EC Communication *End-to-end E-Procurement to Modernize Public Administration*, Lithuania plans to start preparing the National Strategy for Transition to *End-to-end E-Procurement* in 2014.

In order to promote the application of e-tools in public procurement at the national level, the following priority measures are planned for in 2015:

- Legitimize the obligation to submit for specified contracting authorities in the determined public procurement e-invoices only (implementation term - Q2 of 2015);
- Legitimize the obligation for contracting authorities to transmit contract notices of all procurement above public procurement directives thresholds, contract documents, correspondence, receive supplier tenders by electronic means only (implementation term - Q4 of 2015).

Digitalisation of public administration

The level of the transition of key public services into electronic environment grew in 2013 and reached 91 % (it was 87 % in 2012). Services intended for businesses were transferred faster than those intended for residents – the level of the transition of business-oriented services was 98 % in 2013, for residents – 86 %. Also, the number of residents, who have visited websites of public institutions at least once over the period of the past 12 months, decreased– it was 34 % in 2013 (as compared to 39 % in 2012).

Public and administrative services transferred into electronic environment at the level of complete online accessibility accounted for 81 % in 2013 (as compared to 74.2 % in 2012, 69.1 % in 2011, 59 % in 2010 and 62.5 % in 2009).

The following projects were implemented for the transition of public services into the electronic environment in 2013:

- Creation of public electronic services of rail transport state supervision;
- E-service system of the State Data Protection Inspectorate;
- Development of electronic services of environmental information;
- Lithuanian documentary cinema on the Internet (e-Cinema).

The following new services were created and provided for users in 2013:

- E-auction services;
- E-services of the delivery of electronic messages and documents;
- Electronic judicial services of Lithuania;
- Electronic environment information management services;
- E-services for the preparation and transmission of statistical business data;
- E-services of the State Data Protection Inspectorate.

In order to transfer public services into the electronic environment, the implementation of the following already started projects is planned to be continued:

- Centralized transfer of municipal services into the electronic environment;
- Creation of the system of electronic education, consultation and information services for tax payers (EECIS);
- National open access science information data archive;
- Creation and implementation of interactive electronic service system for information and consultation of the insured, beneficiaries and policyholders (ADIS);
- Adult education programme and object storage facility - e-learning service tool;
- Transfer of services provided to agricultural entities by authorities and institutions under the regulatory area of the Ministry of Economy to electronic environment;
- E-Seimas - the development of e-democracy tools in the Seimas;
- System for warning and informing residents through the use of network infrastructure of public mobile telephone connection service providers;
- Creation of e-services for the issuance of personal documents of citizens of the Republic of Lithuania and foreigners as well as other e-services;
- The development of E. health services and co-operation infrastructure;

- National medical picture archiving and information exchange system and services on the basis of the electronic creation;
- The development of the electronic service „E. prescription“.

In order to transfer as many public and administrative services to the electronic environment as possible and seeking for the centralized provision of the services, the following measures are planned for:

- To develop state and municipal level decisions aimed at improving electronic health services through the application of information communication technologies (hereinafter – ICT);
- To develop state and municipal level decisions aimed at e-democracy development;
- To develop public and administrative service improvement solutions through the use of ICT in order to promote the use of services and the provision of services via the centralized electronic services portal *e-government gates* (www.epaslaugos.lt).
- In order to develop cross-border electronic services Lithuania took part in a large-scale EU project STORK and is currently participating in the project STORK2 (www.eid-stork2.eu).

In 2011, EU Member States agreed on a new monitoring methodology of e-government services, which replaced the assessment of key e-government services in EU Member States and associated states (+27) applied since 2002. In accordance with the new methodology, upon the order of the EU Commission, e-government services of EU Member States and associated states (+28) were evaluated and e-government Benchmarking procedures were carried out in 2012. The results thereof are available at: <https://ec.europa.eu/digital-agenda/en/ict-enabled-benefits-eu-society-analysis-and-data>). It should be noted that the majority of key e-government indicators of Lithuania exceeded the EU (28+) average. At the same time, there are areas where a significant lag behind the EU average could be observed (for example, absence of e-Delivery system). Currently, Lithuania is implementing e-delivery project, upon the completion of which efficiency and effectiveness of public administration should improve significantly.

It should be noted that Lithuania is successfully implementing consistent e-Document and e-Signature use policy. As from 2011, the Government started publishing its decisions in electronic form only; on 1 January 2014, e-Seimas electronic system was launched and all new legislation has been published only electronically (www.e-tar.lt).

5.3. Implementation of Flagship Initiatives of Europe 2020 Strategy

In order to implement the goals of Europe 2020 Strategy, various actions need to be undertaken at the national, regional and EU level. Along with the Europe 2020 Strategy, the European Commission has put forward seven flagship initiatives to catalyse progress under each priority theme: “Innovation Union”, “Youth on the move”, “A digital agenda for Europe”, “Resource efficient Europe”, “An industrial policy for globalisation era”, “An agenda for new skills and jobs”, “European platform against poverty”. Also, the objectives and priorities of the EU Baltic Sea Region Strategy action plan contribute to the implementation of these initiatives:

(http://ec.europa.eu/regional_policy/cooperate/baltic/documents_en.cfm#1)

5.3.1. Innovation Union

The aim of this flagship initiative is to refocus R&D and innovation policy directing them towards such tasks important to our society as climate change, energy, resource efficiency, health and

demographic changes. Each link in the innovation chain – from fundamental scientific research to commercialization – should be reinforced.

Innovations in health care area allow for solving the task of sustainability in this sector taking into consideration the demographic changes. Thus the development of innovations in the implementation of programmes for the incidence of cardiovascular diseases and reduction in mortality rates caused by it, early diagnostics of oncological diseases and the full-fledged treatment thereof as well as for the improvement of infrastructure of mental health care services is planned for.

In order to improve the efficiency and quality of health care, it is planned to launch the assessment, implementation and application of innovative health care technologies in 2014. In Q2 of 2014 the Health Care Technology Assessment Committee will start its activities, which will seek to ensure the coordination and development of health care technology assessment, implementation and application.

More detailed information on innovation policy and implementation of this initiative is presented in part IV, section 4.1 and part V, section 5.1.1.

5.3.2. Youth on the Move

The aim of this flagship initiative is to strive for better results of the European schools of higher education and enhance their international attractiveness, improve the quality of the EU trainings and education at all levels by combining skills and equal opportunities, promoting movement of students and trainees, and to improve the youth employment situation.

More detailed information on investments into education and training systems as well as early school leavers is presented in part IV, sections 4.2 and 4.3, information on national qualification systems by better adapting the acquired skills to the labour market needs – in part IV, section 4.7, information on youth integration into the labour market – in part III, section 3.3 and part IV, section 4.7.

In order to enhance the international attractiveness of the Lithuanian institutions of higher education, the programme for the internalisation of higher education is being implemented.

Measures being implemented:

- In 2013, funding was allocated for the preparation and implementation of 18 joint study programmes;
- Support is allocated for funding 75 visits of teachers from foreign countries to the Lithuanian schools of higher education in 2013;
- Website www.studyinlithuania.lt was created;
- In the implementation of decentralized foreign qualification assessment and recognition model and execution of the KAPRIS project (improvement of the system for academic recognition of foreign qualifications concerning higher education) funded from the EU Structural Funds, a publication *Recognition of Foreign Qualifications* (Additional documents) was drawn up, also, advanced trainings for assessors of foreign qualifications were arranged, information publications necessary for the assessment and recognition of foreign qualifications and access to databases were acquired, analysis of the Lithuanian and foreign practice in transferring grades was carried out, technical specification for the creation, installation and maintenance of electronic recognition area was prepared;
- Funding was allocated for 3 projects funded from the EU funds for the enhancement of the activities of centres of lituanistics (Baltic) studies in foreign countries;
- 6 state scholarships of Kazimieras Būga were designated to foreign nationals studying the Lithuanian language in foreign schools of higher education;

– 151 diaspora students and students of the Lithuanian origin studying in Lithuanian schools of higher education received assistance (for the fall semester of 2013–2014 academic year).

Planned works:

– In Q1 of 2014, support will be allocated for funding the visits of selected foreign teachers;
– In Q1 of 2014, the contest for the Lithuanian state scholarships of Kazimieras Būga will be announced;

– In Q1 of 2014, students of Lithuanian origin and diaspora students studying in the schools of higher education of Lithuania will be allocated support (for the spring semester of 2013–2014 academic year);

– Activities provided for in the project *Development of the System for Academic Recognition of Foreign Qualifications Concerning Higher Education* (KAPRIS) will be executed: creation and improvement of infrastructure; adoption of international practices; preparation of methodical tools; development of special professional skills; creation of electronic recognition environment; preparedness of schools of higher education for the implementation of recognition procedure; targeted information on changes in the system;

– Centres of lituanistics (Baltic) studies of foreign countries will perform the activities provided for in cooperation projects together with the Lithuanian schools of higher education.

5.3.3. Digital Agenda for Europe

The aim of the flagship initiative is to deliver sustainable economic and social benefits from a Digital Single Market based on fast and ultra-fast internet and interoperable applications, with access for all European residents to much higher internet speeds (30 Mbps or above) by 2020, and 50 % or more of European households subscribing to internet connection above 100 Mbps.

In the implementation of the *Lithuanian Information Society Development Programme for 2011–2019*, the strategic objective of which is to improve the quality of life for the Lithuanian residents as well as business environment for companies through the use of the opportunities created by the ICTs and to increase the percentage of internet users in Lithuania to at least 85 by the year 2019, the following measures were being implemented in 2013:

- Subscription to electronic universal and scientific information databases for public libraries;
- Development of computer network of science and studies LITNET;
- Development of electronic solutions for the improvement of state and municipal level health care services;

- Development of solutions aimed at the ensurance of interoperability of the state information resources;

- Development of the state and municipal level electronic democracy development solutions;
- Development of solutions for the digitalization of cultural heritage objects and the accessibility thereof through the use of ICT;

- Update of centralized library infrastructure necessary for the provision of computer and internet public access;

- Development of electronic communications network infrastructure allowing country's residents, public administration institutions and business companies to use broadband internet connection;

- Development of solutions for the improvement of public and administrative services in order to promote the use and provision of services via the centralized e-government gate (www.epaslaugos.lt) portal.

Also, currently the measures of the Programme for the Lithuanian Language in Information Society 2009 - 2013 are being implemented, which contribute to the achievement of the Programme goals. In order to implement these measures, the following projects are currently being implemented:

- A website of integrated Lithuanian language and literature resources, products and services is being created;
- The Lithuanian language syntactic semantic analysis system is being developed;
- The Lithuanian speech-managed services are being created;
- Software relevant to the public is being localized;
- ICT solutions, which will help to preserve the Lithuanian language in the public space, are being developed;
- The system for English-Lithuanian-English and French-Lithuanian-French machine translations based on statistical methods is being developed;

The creation of the following services also contributed to the implementation of the Programme:

- Public administration service for vehicle registration was created;
- A component service of the social security services - social scholarship - was developed;
- The project *Development of E-Services in Drafting Process of Land-Use Planning Documents* is under implementation.

In the view of the Digital Agenda for Europe, National Progress Programme 2014–2020, activities of the 2nd priority *Promoting Information Society of 2014–2020 European Union Structural Assistance Action Programme*, review of the Programme was planned in 2013, thus a working group was formed upon the Order of the Minister of Transport of the Republic of Lithuania, which prepared the Programme renewal - Information Society Development Programme 2014–2020 *Digital Agenda of the Republic of Lithuania* which sets out the following objectives: reduction of the digital divide of the Lithuanian population, creation of technologically advanced public and administrative e-services in line with the needs of residents, creation of cultural and Lithuanian written and spoken language-based digital content in line with the needs of the society, development of digital products and electronic services, promotion of the use of ICT for business development, ensurance of geographically uniform high-speed broadband connection infrastructure, ensurance of secure, reliable, interoperable ICT infrastructure development.

In the implementation of the provision of Digital Agenda, strategic importance of copyright for the development of single digital market is recognized, at the same time drawing attention to the fact that when modernizing the protection of copyright and creating more favourable conditions for licencing of copyright and related rights high level of intellectual property protection has to be ensured, creative activities and cultural diversity has to be promoted. Taking into account the goals of the European Digital Agenda, the development of knowledge society and having assessed the European Union legislation related to the modernization of copyright and related rights, the implementation of the Programme for the Protection of Creative Activity, Copyright and Related Rights was started in 2013, which is aimed at the ensurance of legitimate online access to literature, scientific and artistic works, also, the creation of databases containing collected and systemized information on art works, conditions for the use thereof and digital management of copyright.

In order to ensure the implementation of the legal framework, the application of which would facilitate digitalization and distribution of cultural works in Europe, the preparation of draft laws allowing libraries, museums, archives, cinema heritage institutions and public broadcasters to digitalize and use orphan works applying a special copyright restraint is planned in 2014. To ensure registration of these works in the single European Union database and allow right holders to receive an

adequate compensation for the use of these works having eliminated the orphan work status, thereby enhancing the balance between the right holders and users in the digital society.

5.3.4. Resource Efficient Europe

The aim of the flagship initiative is to support the shift towards a resource efficient and low-carbon economy that is efficient in the way it uses all resources. The aim is to decouple our economic growth from resource and energy use, reduce CO₂ emissions, enhance competitiveness and promote greater energy security.

Upon the order of the Ministry of Environment, a study *Identification of Taxes Promoting Environmental Protection in the Overall Tax System. Proposals for the Increase of Taxes Promoting Environmental Protection and Introduction of New Taxes Respectively Reducing Taxes of Other Types* was performed in 2013. Upon the completion of this work, proposals on setting new environmental taxes were made. A conclusion with regard to Eurostat data on the Lithuanian environmental taxes and the calculation thereof was drawn up. It was determined that taxes for state's natural resources, oil and harvested timber are not included in environmental tax calculations. Non-allocation of these taxes to other environmental taxes leads to the fact that according to Eurostat statistics data Lithuania is among the countries, which have the lowest environmental taxes.

In the implementation of the measure *Complex Development of Ecological Public Transportation*, municipal administrations of the cities of Vilnius and Klaipėda acquired 30 (18 and 12, respectively) environmentally-friendly public transport vehicles (gas-fuelled buses). In the implementation of the project *Installation of the Bicycle Path Nėris River Bank – Jotvingių St.*, municipal administration of Kaunas city built 2.1 km long bicycle path.

Planned works:

Another ordered study *Identification of Environmentally Harmful Subsidies, Determination of their Value in the Overall Tax System of the Country. Preparation of the Methodology for Setting Environmentally Harmful Subsidies* is planned in 2014.

Municipal administration of the city of Vilnius plans to acquire 19 new eco-friendly public transport vehicles (gas-fuelled buses);

Municipalities of the cities of Klaipėda, Kaunas, Panevėžys and Šiauliai will install bicycle infrastructure (about 23.21 km of bicycle paths);

Municipal administration of Kaunas city plans to set up trolleybus catenary (catenary length - 4.78 km).

In the support of the shift towards a resource efficient and low-carbon economy that is efficient in the way it uses all resources, modernizing transport infrastructure, the aim is to decouple economic growth from resource and energy use, reduce CO₂ emissions, enhance competitiveness and promote greater energy security. For the implementation of this goal, the plan is to:

- Adapt city streets for public transport needs (conversion of A lanes into BRT systems);
- Acquire new eco-friendly means of public transport;
- Install innovative measures promoting the development of sustainable mobility (preparation of sustainable mobility (SUMP) plans);
- Create public and private transport interaction systems (Park & Ride, Bike & Ride lots, public bicycle systems (Bike Sharing), etc.);
- Implement intelligent systems for enhancing the efficiency of public transport system (public transport priority system, intermodal transport system, electronic ticketing, ensurance of travel continuity and quality improvement by implementing multi-modal route planning and search systems,

improving public transport information search and dissemination systems, increasing accessibility of transport system to people with special needs, etc.);

- Develop rail transport infrastructure (electrify rail lines);
- Create infrastructure for charging electric cars;
- Install electronic regulation system of vehicle traffic lines.

5.3.5. Industrial Policy for the Globalisation Era

The aim of the flagship initiative is to improve the business environment, especially for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally.

For more information on the improvement of business environment and reduction of the administrative burden, see part V, section 5.1.1, for information on the implementation of intellectual property rights refer to part IV, section 4.1.

5.3.6. Agenda for New Skills and Jobs

The aim of the flagship initiative is to create conditions for modernising labour markets with a view to raising employment levels and ensuring sustainability of our social markets. This means empowering people through acquisition of new skills to enable our current and future workforce to adapt to new conditions and potential career shifts, reduce unemployment and raise labour productivity.

For more information on employment policy and national qualifications see part IV, section 4.7, for information on comprehensive review of tax system refer to part III, section 3.1, information on active ageing policies – to part III, section 3.2, and information on increasing gender equality – to part IV, section 4.8.

5.3.7. European Platform against Poverty

The aim of the flagship initiative is to ensure economic, social and territorial cohesion, building on the current European year for combating poverty and social exclusion so as to raise awareness and recognise the fundamental rights of people experiencing poverty and social exclusion, enabling them to live in dignity and take an active part in society.

In the implementation of the goal of the Europe 2020 Strategy to reduce the number of people living at risk of poverty and social exclusion by at least 20 million by 2020, quite a significant role should be played by the proposal of the European Commission made in November 2012 to establish a Fund for European Aid to the Most Deprived (hereinafter – the Fund). This Fund would partially replace the *Food Distribution Programme for the Most Deprived Persons of the Community*. The Fund's target group is the most deprived persons as defined by national legislation (homeless and poor children also fall under the category of these persons). In case of Lithuania, residents of the country with average monthly income of 1.5 state supported income amount (i.e. LTL 525) will be attributed to this group, with possible exceptions. There would be about 400 thousand people eligible for the Fund assistance. The overall budget of the Fund for European Aid for the Most Deprived amounts to LTL 276.15 million, of which LTL 236.51 million - European Union funds and LTL 39.64 million - state budget funds.

For more information on the implementation of poverty and social inclusion policies see part IV, section 4.8.

In order to ensure the availability of public health at the community level, the following state public health care functions were transferred to municipalities as from 2014: public health care in schools of pre-school education, general education and vocational training institutions located within the territory of municipalities, public health strengthening and public health monitoring.

Insufficient attention to the formation and implementation of health policy of a child as the most vulnerable member of society has been noted. Given this fact, year 2014 was declared the Year of Children's Health. During this year, all attention will be devoted to improving children's health and promoting healthier lifestyle.

5.4. Funding the Implementation of Europe 2020 Strategy goals from the EU Structural Funds during the 2014–2020 period

Currently, draft Partnership Agreement for 2014–2020 and European Union Structural Funds Investment Operational Programme is prepared, taking into consideration the requirements of the European Union regulations and the Council's recommendations.

Priorities of the 2014–2020 European Union Structural Funds Investment Operational Programme (hereinafter – the Operational Programme) have been set in the view of the list of 11 thematic objectives in line with Europe 2020 Strategy established in 2014–2020 EU Cohesion Policy regulations. The draft Operational Programme provides for the following key priorities:

1. Promoting research and development and innovation;
2. Promoting information society;
3. Promoting competitiveness of small and medium-size business;
4. Promoting energy efficiency and the use and production of renewable energy sources;
5. Environmental protection, sustainable use of natural resources and adaptation to climate change;
6. Promoting sustainable transport, main network infrastructure;
7. Promoting quality employment and participation in the labour market;
8. Promoting social inclusion and supporting the fight against poverty;
9. Public education and increasing human resource potential;
10. Advanced public management in line with public needs.

Operational Programme priority *Promoting Research and Development and Innovation* will greatly contribute to the implementation of the goal of Europe 2020 Strategy to increase investments into R&D; priority *Public Education and Increasing Human Resource Potential* will contribute to the goals of the reduction of early withdrawal of young people from education system and increase of the share of young people with higher education; priority *Promoting Energy Efficiency and Production and Use of Renewable Energy Sources* – to the goals of increasing renewable energy sources, energy efficiency and limiting greenhouse gas emissions, while the priorities *Promoting Quality Employment and Participation in the Labour Market* and *Increasing Social Inclusion and Supporting the Fight against Poverty* – to the goals of increasing employment and social inclusion.

In accordance with data presented by the EC on 1 February 2014, according to the use of the EU funds during the 2007–2013 period, Lithuania remains one of the leaders among all EU Member States – almost one third more funds than the EU average was used (EU average - 53 percent, Lithuania's average – 68 percent) - Lithuania ranks fifth after Belgium, Portugal, Estonia and Finland.

Since the start of the implementation of the 2007–2013 Operational Programme till 31 December 2013 the number of projects being implemented (already implemented) was more than 8.1 thousand at the end of 2013, with their value being LTL 30.4 billion. Almost all the EU funds planned

for the projects carried out in Lithuania were distributed during the 2007 - 2013 programming period - LTL 23.1 billion (98.9 percent of all EU funds planned for Lithuania). The EU fund absorption rate remains high: in 2013, more than LTL 3.6 billion EU funds (15.6 percent of all EU funds planned for Lithuania) were used. If such a rate of EU fund use is maintained at the 2007–2013 Operational Programme level as during the three years of the implementation of the 2007–2017 Operational Programme, the use of 2007–2013 EU funds allocated for Lithuania for the current programming period would be ensured to the full extent.

Implementation of priorities of the 2014–2020 EU Structural Funds Operational Programme:

Priority 1

Under priority 1 *Promoting R&D and Innovation* of the Operational Programme, the Ministry of Economy plans to allocate about LTL 1.13 billion for increasing activity of research and development as well as innovation in private sector, including the promotion of the creation and development of clusters and other partnerships, promoting innovativeness of companies by developing environment favourable for the creation and implementation of innovations and cooperation of public and private sectors in the areas of R&D and innovation for the renovation and development of R&D infrastructure of institutions promoting R&D development (technology centres), especially infrastructure aimed at R&D development activities and commercialization of the results thereof.

The implementation of the priority *Promoting R&D and Innovation* will contribute to the Europe 2020 Strategy goal to increase investments into research and development. For the ensurance of successful development of R&D system, it is necessary to continue the enhancement of the potential of the country's education and study institutions as well as companies to carry out high-level R&D activities, create and modernize technology, enhance knowledge and technology sharing capabilities. Not only these investments will enhance the capabilities of science and study institutions to respond to the needs of economy, but also will increase the susceptibility to knowledge of the private sector. Another important need to be met by investments into the development of R&D infrastructure is the necessity to develop common abilities of R&D system participants to use R&D results both commercially and non-commercially to increase the economic R&D impact and improve the quality of public life.

The plan is to invest a total of LTL 789 million. Investments will be made into the improvement of R&D infrastructure, excellence, open access centres, information networks and digital equipment, integration of the Lithuanian R&D infrastructure into European structures, etc.

Priority 3

The allocation of about LTL 1.84 billion is planned for increasing the internationality and productivity of SMEs, SME investments into eco-innovation and others, resource-efficient technologies under priority 3 *Promoting Competitiveness of Small and Medium-Size Business* of the Operational Programme.

Priority 4

In order to contribute to one of the key goals of the Strategy Europe 2020 - *Sustainable Growth - Promoting More Resource-Efficient, Eco-Friendly and Competitive Economy* - it is planned to allocate a significant share of financial assistance from the EU Structural Funds during the 2014–2020 programming period intended for environmental protection and energy areas.

In the implementation of the goal provided for in Europe 2020 Strategy - to increase energy efficiency by 20 percent, the allocation of LTL 1.1 billion from the EU funds is planned for the implementation of measures for increasing energy efficiency of residential houses and public buildings for task 4.3.1 *Reduced Energy Consumption in Public Buildings and Multi-Apartment Buildings* of the

4th priority *Promoting Energy Efficiency and Production and the Use of Renewable Energy Sources* of the 2014–2020 European Union Structural Fund Investment Operational Programme.

Also, LTL 3 billion are planned to be allocated for the development of renewable energy sources and energy efficiency, which will lead to the implementation of national goals of the *Europe 2020 Strategy*.

The Ministry of Economy plans to allocate about LTL 86.9 million for the installation of energy production capacities using renewable energy sources, more efficient use of new renewable energy sources for the implementation of technologies in industrial companies, seeking to consume energy for meeting internal needs of only one or several industrial companies, without supplying it to the country's energy networks. Also, the plan is to adapt appropriate technological solution in the manufacturing process and carry out energy audit, which will allow increasing energy efficiency of industrial companies and reducing energy consumption intensity.

Priority 5

The Ministry of Economy plans to fund the activities of priority tourism regions, products and routes marketing, for which LTL 120.9 million is planned to be allocated under the task *Increasing the Relevance, Attendance and Prominence of Cultural and Natural Heritage, Public Awareness of their Surroundings* of the 5th priority of the Operational Programme *Environmental Protection, Sustainable Use of Natural Resources and Adaptation to Climate Changes*.

In the promotion of rational use of natural resources, the plan is to allocate LTL 2.5 billion from the EU funds. This financial assistance contributing to the implementation of Europe 2020 Strategy goals, will help decreasing losses resulting from climate change, ensuring the implementation of the European Union environmental *acquis* requirements in waste and water sectors, conserving natural resources, preserving the landscape and biodiversity, reducing air and soil pollution.

Priority 6

The allocation of LTL 530 million is planned for the enhancement of internal electricity and gas networks under the task *Reducing Dependence on a Single Energy Import Source* of the 6th priority of the Operational Programme *Promoting Sustainable Transport, Key Network Infrastructure*. These networks are necessary for full-fledged integration of cross-border electricity and gas interconnections eliminating Lithuania's energy isolation. This will significantly contribute to the implementation of the recommendation *Promoting Competition of Energy Networks by Improving both Electricity and Gas Network Interconnections with the EU Countries* in Lithuania.

Priority 7

A significant share is planned to be allocated from the EU Structural Funds during the 2014–2020 period for the implementation of Europe 2020 Strategy goals and recommendations of the Council in the areas of increasing employment and social inclusion and decreasing poverty. LTL 960 million is planned to be allocated from the EU funds for the goal of increased employment set forth in Europe 2020 Strategy in accordance with tasks and measures under the competence of the Ministry of Social Security and Labour provided for in the 7th priority of the Operational Programme *Promoting Quality Employment and Participation in the Labour Market*.

Priority 8

The plan is to allocate almost LTL 874 million from the EU funds for the goal of decreasing poverty and social exclusion provided for in the Europe 2020 Strategy in accordance with tasks and measures under the competence of the Ministry of Social Security and Labour provided for in the 8th priority of the Operational Programme *Increasing Social Inclusion and Supporting the Fight against Poverty*.

For more information on increasing employment and social inclusion see part III, section 3.3, part IV, sections 4.7 and 4.8 and part V, section 5.3.7.

Priority 9

Pursuant to the task *Increasing Competitiveness of Working Human Resources* of the 9th priority of the Operational Programme *Public Education and Increasing Human Resource Potential*, the Ministry of Economy plans to create and implement voucher system intended for the support for improving skills of human resources of SMEs, provide assistance for increasing the competence of human resources of investors and projects for the development of sectoral skills, also, to create a system for forecasting human resource demand, qualifications sub-system and to ensure dissemination of research results. About LTL 368.9 million will be allocated for these activities.

This priority will contribute to Europe 2020 goals to decrease early withdrawal of young people from education system and increase the share of young people with higher education, also, to the development of life-long learning in general. More than LTL 720 million is planned to be allocated for the improvement of education and training (including higher education) infrastructure and accessibility thereof. Almost LTL 643 will be allocated for improving quality, effectiveness and openness (mobility) of higher and equivalent level education to attract more students and increase excellence. Almost 292 million will be allocated for increasing opportunities for life-long learning, increasing workforce skills and refresher courses as well as improving the compliance with labour market needs. Almost LTL 269 is planned to be allocated for reducing the number of early school leavers and drop-out preventions and for ensuring quality education.

VI. INTERINSTITUTIONAL COOPERATION AND INCLUSION OF SOCIAL AND ECONOMIC PARTNERS

The Ministry of Economy has informed in writing public organizations representing various interest groups, social and economic partners (Tripartite Council of the Republic of Lithuania, the Lithuanian Business Employers' Confederation, the Association of Lithuanian Chambers of Commerce, Industry and Crafts, the Lithuanian Confederation of Industrialists, the Lithuanian Trade Union Confederation, the Lithuanian labour federation, the Lithuanian academy of sciences, the Lithuanian Business Confederation *ICC Lietuva*, Association of Lithuanian Banks, Association *Investors' Forum*, Association of Local Authorities in Lithuania, the Lithuanian National Union of Students, Non-Governmental Organizations' Information and Support Centre, the Lithuanian renewable resources energy association, the Lithuanian energy consultants association) about a planned update of the National Reform Programme 2014 and proposed that they provide their offers for the achievement of the Europe 2020 Strategy goals.

During its preparation, the draft National Reform Programme 2014 was uploaded on the website of the Ministry of Economy, and all interested persons and institutions could provide their comments thereon. The proposals received were partially taken into account.

On 25 March 2014, the draft National Reform Programme was presented in the meeting of the Tripartite Council (Economic Social Council) of the Republic of Lithuania. The Tripartite Council consists of the Government of the Republic of Lithuania, representatives of employers' and trade union confederations. After the presentation, discussions were held on the issues of social policy and fostering competitiveness.

VII. IMPLEMENTATION OF THE NATIONAL REFORM PROGRAMME 2013

Seeking to achieve the national quantitative targets and perform the additional obligations assumed under the *Euro Plus Pact* as well as in the implementation of the Council's recommendations

for Lithuania, the structural reforms summarized in this section were implemented, while detailed information is available in the National Reform Programme 2014 and Annexes 2 and 3 thereto, in the format proposed by the Commission.

The majority of the measures implemented in Lithuania during the period April 2013 – March 2014 are closely interrelated and supplement each other, therefore, in order to avoid repetition respective references are provided where necessary.

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

The main objective helped to stabilize public finances, restore economic competitiveness and retain investors' confidence. Based on the preliminary data, the general government deficit decreased to 2.1 percent of GDP in 2013. The projections are that the general government deficit will not exceed 1.9 % of GDP in 2014 and 0.9 percent in 2015. Reforms related to public finances are described in more detail in the Convergence Programme of Lithuania 2014.

In 2013, the real GDP increased by 3.3 percent as compared to 2012, export growth was among the fastest growing in the European Union (the annual growth, it accounted for 6.5 percent in 2013).

Active labour market measures allowed stabilising the position in the labour market. In 2013, 65.5 thousand job seekers took advantage of the labour market measures. The unemployment level (among 15-74 year olds) decreased by 1.6 percentage point and accounted for 11.8 percent in 2013. Employment level of people aged 20-64 increased by 1.4 percentage point over the year and was 69.9 percent. Even though a significant reduction in the level of unemployment was recorded in 2013, it still remains quite high. The further growth of economy will largely depend not only on the ability of Lithuania to implement the necessary structural reforms, but also on external factors, first of all on the coordinated efforts for ensuring the recovery of the European Union's economy.

Reducing unemployment, especially the youth unemployment, is one of the main priorities of the Government's activities for 2013–2014. In 2013, 12 585 youth unemployed up to 25 years of age were sent to the active labour market policy measures. Young people up to 25 years of age accounted for 67.5 percent of participants in the measures for the support of professional skills for acquisition and 31.4 of those having participated in vocational training.

In 2013, the implementation of the measure *Support for the First Job* started as from 1 August 2012 and funded from the European Social Fund was continued. Employees were encouraged to employ young people, a part of salary paid to persons aged 16-29 employed full-time for the first time, who had never worked under an employment agreement, was reimbursed.

Young people (up to 29 years of age) is one of priority groups provided with the possibility to make use of a financial engineering tool *Entrepreneurship Promotion* funded from the European Union Social Fund.

Local labour exchanges constantly hold motivational seminars for socially vulnerable, low-skilled, unmotivated young people in order to increase their capabilities to establish themselves and compete in the labour market. In 2013, 518 motivational seminars were held attended by 4.4 thousand persons.

As a result of long-time efforts - for the first time Lithuania rose to the second place in the EU in terms of the share of people with higher education. Number of study programmes, their structure and quality was comprehensively reviewed. Number of doctoral graduates per thousand 25-34 year old residents was 3.03 (as compared to the planned 1.05) - scientific potential increased.

Quality of schools of higher education was evaluated seeking for competitiveness of higher education. 3 universities and 5 colleges received a positive evaluation, while 3 universities and 1 college were rated negatively. The share of students having left for studies abroad under Erasmus

programme was increased from 3 to 3.3 percent. The implementation of 4 new joint study programmes was started, preparation and implementation of a total of 18 joint study programmes received funding.

Reorganization in electricity and natural gas sectors was being implemented under the provision of the Third Energy Package of the European Union. Reorganization in Lithuania's electricity sector was performed by implementing the principle of unbundling the transmission activity from the distribution, supply and production activities. The National Control Commission for Prices and Energy determined by its Resolution of 27 August 2013 that unbundling of the transmission activity of Public Company "LITGRID" was in line with the provisions of Electricity Directive and the Law on Electricity, and the company can be designated as the transmission system operator. The implementation of the Third Energy Package in gas sector is being carried out on schedule. Reorganization procedure was selected for unbundling transmission activity and control. Unbundling of natural gas transmission activity from Public Company "Lietuvos Dujos" was started on 11 June 2013. A new company Public Company "Amber Grid" was established for the performance of natural gas transmission activities, which became the natural gas transmission system operator as from 1 August 2013.

The reform of state-owned enterprises is being carried out, due to which the activities of these companies become more transparent and efficient and their results improve – sales revenues of state-owned enterprises amounted to LTL 7.5 billion in 2013, or 3.1 percent more than a year before.

The last aspects of the reform of state-owned enterprises were implemented in 2013. By its resolution, the Government obliged SOEs to prepare and present information to a state representing institution on special obligations carried out by these enterprises along with a set of annual financial reports: it includes financial information on costs, profit, investments, and assets attributed to execute these special obligations. This will allow better assessment of the specifics of activities of state-owned enterprises, to clearly define special obligations carried out by each state-owned enterprise, their impact on performance indicators and the scope of these obligations.

The Government submitted to the Parliament a draft amendment to the Law on State and Municipal Enterprises. The proposed amendments are aimed at enhancing the competence, independence and motivation of the boards of these enterprises.

Lithuania ranked 48th among 148 countries of the world in the competitiveness report of the World Economic Forum 2013–2014.

The Government was purposefully improving business conditions. In the World Bank report "*Doing Business 2014*", published on 29 October 2013, which evaluates business conditions in 189 countries of the world, Lithuania improved its standing from the 27th position to the 17th. Compared with the European Union Member States Lithuania ranked 6th.

In accordance with the indicators of the published *Innovation Union Scoreboard 2014*, the total innovation index of Lithuania was 0.289 in 2013 (it was 0.280 in 2012). Lithuania along with Italy, Spain, Portugal, the Czech Republic, Greece, Slovakia, Hungary, Croatia, Poland and Malta falls within the group of moderate innovators.

Seeking for the transparency and efficiency of the public procurement system as well as the development of centralized public procurement, on 9 November 2012 a public entity CPO LT was established, which was granted the right to carry out the functions of central purchasing body at the national level as from 1 January 2013. It should be noted that centralized public procurement are carried out not only via the central purchasing body, but at the departmental level as well (Ministry of Internal Affairs, Ministry of Defence, National Health Insurance Fund, etc.). The total preliminary value of centralized public procurement in 2013 accounted for about 9.7 percent of the total value of public procurement.

Lithuania devotes great attention to the development of electronic public procurement, including electronic invoicing in public procurement. Quite a significant progress has been made over

the past years in the area of electronic public procurement procedures. Electronic public procurement volumes account for about 90 percent of the total value of all published procurement procedures.

Legislation adopted in 2013 led to administrative burden reduction of LTL 1.5 million. The reduction of the administrative burden amounts to LTL 4 million including all administrative burden mitigation measures since 2009. Upon the implementation of all administrative burden mitigation actions approved by the Government on 13 February 2012 to their full extent, administrative burden borne by economic entities would decrease by about 25 percent (of the pursued 30 percent).

In the promotion of business development, access of small and medium-size business to funding sources, the application of new measures was started: first year business baskets, funding small and medium-size enterprises from venture capital funds, measures promoting clusterization, measures aimed at the promotion of R&D and innovation (innovation baskets, enhancement of valley infrastructure), the implementation of measures aimed at attracting foreign investment is continued.

Annex 1. National quantitative targets: present situation and projections for 2015 and 2020

Target	Present situation	2015	2020	EU goal for 2020
Smart economic growth				
Investment into research and development, percent of GDP	0.90 *	1.25	1.9	3
Early school leavers aged 18–24 with basic education only, percent	6.3 **	No more than 9	No more than 9	10
Population aged 30–34 having higher or equivalent education, percent	51.3 **	48.7	48.7	40
Sustainable economic growth				
Use of renewable energy resources, %	21.7 *	22	23	20
Saved final energy volume, GWh	1 602 *	2 600	8 606	20 %
Greenhouse gas emissions, change from 2005 level (in percent and million t of CO ₂ equivalent) in sectors not covered by the EU ETS	- 0.9 * 15.86 million tonnes	+14.7 13.65 million tonnes	No more than +15 (according to new recalculations in the Commission implementing decision 2013/634/EU of October 2013 +5.5) 15,46 million tonnes	Decrease by 20 %
Inclusive economic growth				
Employment level of population aged 20-64, percent	69.9 **	69	72.8	75
Persons at risk of poverty or social exclusion, in thousand	975 *	928	814	Decrease by 20 %

* - in 2012

** - in 2013

Annex 2. The assessment of recommendations for Lithuania and key macro-structural reforms provided for in the NRP

Table 1 Measures and their impact (qualitative indicators)											
Recomm endatio n No. (1)	Recommen dation sub- category (2)	Measures (3)	Information on implemented and planned to be implemented measures							Foreseen impacts	
			Description of main measures directly related to recommendations and their implementation				Targets of <i>Europe 2020 Strategy</i>	Challenges/ Risks	Impact on budget	Qualitative indicators	
			Key policy objectives and relevance for Recommendation (4)	Description of the measure (5)	Legal/ Administrative instruments (6)	Progress (dates) achieved over the last 12 months (7)	Planned upcoming actions (8)	Impact of the measure on the achievement of Europe 2020 targets (9)	Specific challenges/ risks in implementing the measures (10)	Overall and yearly change in government revenue and expenditure (LTL million) Contribution of EU funds (source and amounts) (11)	Foreseen qualitative impacts and period of implementation (12)
Recommendation 1 : Public finances, correction of excessive deficit	a) <i>Prioritize the costs promoting economic growth</i>	Measure 1: Increase of the costs promoting economic growth	Ensuring the sustainability of public finances in the future	It is provided for that the cost of investment in 2014 budget will be higher by 0.2 p. p. of GDP than in 2013, and also it is provided for to increase public guarantees for investment projects by 0.4 p. p. of GDP	The Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2014						
	b) <i>to ensure fiscal consolidation in favour of economic growth and implement, as</i>	Measure 1: To comply with the requirements of the Law on Fiscal Discipline	To strive for annual improvement of the general government balance by				To ensure strict compliance with the LFD; To take due account of the obligation provided in the			So that the general government deficit would not exceed 1.9 percent of GDP in 2014, government budget	

	<p><i>planned, the budget strategy by implementing structural adjustment measures that would allow Lithuania to reach the medium-term target</i></p>	<p>(LFD) limiting expenditure growth</p>	<p>at least 1 p.p. of GDP in 2015-2017 in line with the LFD, in order to achieve general government surplus of 1.1 percent of GDP in 2017.</p>				<p>Stability and Growth Pact to achieve a balanced general government position in the medium-term</p>			<p>appropriations, excluding the EU and other international support funds, has increased by LTL 711 million compared to 2013 (of which, by implementing the Ruling of the Constitutional Court of 01 July 2013, LTL 235.6 million are allocated for restored wages and related contributions and other benefits; LTL110 million – to restore public pensions, social assistance and other social assistance benefits; LTL 90 million – for promotional contributions to pension funds). The EU and other international support funds decreased by LTL 113.9 million.</p>	
	<p>c) to review a tax system and consider the possibility of increasing those taxes that are least detrimental to economic growth, such as housing and environmental</p>	<p>Measure 1: Environmentally Related Taxes</p>	<p>To raise taxes promoting environmental protection by reducing accordingly other types of taxes</p>		<p>Amendment to the Law on Environmental Pollution Tax drafted and submitted to the Seimas for setting the landfill tax, which will come into force as of 2016</p>	<p>The tax system and the possibilities to increase taxes promoting environmental protection by reducing accordingly other types of taxes were analysed in 2013. Taxes promoting</p>	<p>The application of the correct methodology by assessing the environmental taxes will be discussed in 2014</p>				

	<p>l taxation, including introducing car taxation, while improving tax compliance</p>					<p>environmental protection are identified. Conclusion on the Eurostat data on the Lithuanian environmental taxes and their amounts is prepared. It was found that environmental taxes do not include fees for state natural resources, oil and timber severed. The exclusion of these taxes of other environmental taxes determines why Lithuania, according to Eurostat statistics is assigned to the countries having one of the lowest environmental taxes. Analysis of the oil and gas tax rates and amounts was conducted in 2013.</p>					
		<p>Measure 2: Improvements in tax administration</p>	<p>Improving Tax Compliance</p>	<p>In order to further improve tax compliance in 2014, 0.2 percent of GDP to improve tax administration task are provided for</p>			<p>Implementation of the objectives and measures of 2014 by controlling the developments of shadow economic for coordination of cooperation</p>				

							between the commission, the State, economic and financial control, and law enforcement institutions, as well as the implementation of the STI strategy by promoting the implementation of tax obligations and ensuring tax collection.				
		Measure 3: Increased excise duties	To raise taxes at least harmful to economic growth	The excise duty on cigarettes, cigars, and cigarillos; on ethyl alcohol and other alcohol were increased		The increased excise duty on cigarettes, cigars, and cigarillos has been applicable since 1 March 2014 and the excise duty on ethyl alcohol and all alcohol drinks - since 1 April 2014				Due to the increased excise duty on cigarettes, cigars, and cigarillos, the impact on revenue (LTL +21 m); due to the increased excise duty on ethyl products, the impact on revenue (LTL +28 m)	
		Measure 4: Ratification of the Protocol on Illicit Trade in Tobacco Products Elimination	Improving tax compliance	Accession to international documents that strengthen the fight against illicit trade in tobacco products and their smuggling initiated		By Decree No. 1K-1680 of the President of the Republic of Lithuania On the Submission of the Protocol on Illicit Trade in Tobacco Products Elimination to the Seimas for Ratification of 18 December 2013, the Protocol on Elimination of Illicit Trade in Tobacco Products					

						adopted in Seoul in 12 November 2012 was submitted to the Seimas for ratification					
		Measure 5: Accession to the Convention on Mutual Administrative Assistance	Improving tax compliance	Legislation was adopted required to accede to the Convention on mutual administrative assistance in tax matters		The Law on the Convention on Mutual Administrative Assistance in Tax Matters of the Republic of Lithuania adopted in 14 November 2013, and ratification of the Protocol by which the Convention on Mutual Administrative Assistance in Tax Matters is partially amended, No. XII-597.					
		Measure 6: Moving to the land tax from the land market value	To raise taxes at least harmful to economic growth	The Law amending the Law on Land Tax of the Republic of Lithuania came into force on 1 January 2013 under which the land tax calculation procedure when a tax is calculated not from nominal, but from the mid-market value of the land was changed	The Law amending the Law on Land Tax of the Republic of Lithuania 21 December 2011 No. XI-1829	Land tax for land plots, the value of which compared to the value used to calculate the land tax for the year 2012, increased, shall be calculated for the year 2014 from the value of the land higher by 20 percent than for the year 2013	Land tax for land plots, the value of which compared to the value used to calculate the land tax for the year 2012, increased, shall be calculated for the year 2014 from the value of the land higher by 20 percent than for the year 2014			The impact on the national budget revenue depends mainly on individual municipal tax rate policy. In 2013, compared to 2012, 8 percent more income was collected from the land tax (LTL 4.6 million)	
To adopt legislation on comprehensive pension system	a) To adopt and implement legislation on comprehensive pension system	Measure 1 Comprehensive pension reform	To maintain adequate pension income, by simultaneous	The implemented restructuring of the pension accumulation system will allow	The Guidelines for the Restructuring of the Social Insurance and	In 2012, a scientific study was carried out; the result of which are	Pursuant to the plan approved by the Government, the draft			Impact on the budget of the State Social Insurance Fund and the state	

			sly ensuring the financial sustainability of the pension system	ensuring pension adequacy in the future	Pension System were approved under Resolution of the Seimas of 24 May 2011; the Plan of the Measures for the Implementation of the Guidelines was approved under the Resolution of the Government dated 8 June 2011	specific recommendations regarding the directions of the implementation of the pension reform	legislation necessary for the introduction of the national pension, linking of social benefits to personal contributions and establishment of a clear procedure for the indexation of pensions based on objective criteria will be drafted in 2015.			budget will be assessed after it has been decided on the specific national pension introduction model.	
	b) To establish clear rules for the indexation of pensions	Measure 1 Amendments to the legislation					Drafting of legislation on the state pension system reform and the change of the method of calculation of social insurance pensions (See a time limit for drafting in item a)				
	c) To improve complementary savings schemes	Measure 1 To improve pension accumulation	To ensure pension adequacy	The new procedure for financing pension accumulation was established (See Table 1 Pension contributions)	On 13 November 2012, the Amendment to the Law on the Accumulation of Pensions was adopted. On 14 November 2012, the Law Amending the Law on the Pension System Reform was adopted.	Commencement of the implementation: 2013. The measure has been implemented.				Needed funds: 2014 – LTL 90 million	

	d) To base the pension reform by measures for increasing older people's employment opportunities	Measure 1 To implement projects contributing to employment of older persons	To base the pension reform by measures for increasing older people's employment opportunities	Action Plan for the Implementation of the Strategy of National Demographic (Population) Policy for the Welfare of Families for 2014-2015	In 2014, a new project implemented by the Lithuanian Labour Exchange <i>Stay in the Labour Market</i> , was started, which one of the target groups are older people. It is expected that 6.3 thousand unemployed persons older than 50 years of working age will participate in project activities (subsidized employment, support for acquisition of professional and job rotation)	Business skills training and consultations on individual business opportunities were held in territorial labour exchanges (about 7.7 thousand of older, people participated). Programmes that help to accurately diagnose chronic non-communicable diseases in the elderly and improve their treatment was carried out in the field of health (cardiovascular pathology, mammography screening for breast cancer, etc.), activities of organizations representing the elderly, etc. was supported			The society perceives the relevance of the problem inadequately		Project value: LTL 81.2 million
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<p style="text-align: center;">Recommendation 3: Labour market, to tackle high unemployment, in particular, among youth</p>	<p>a) To tackle high unemployment of low-skilled workers and long-term unemployed</p>	<p>Measure 1: Support for Employment</p>	<p>To promote and accelerate the return and the establishment of long-term unemployed and unemployed who are at risk of long-term unemployment, especially among socially vulnerable in the labour market</p>	<p>When implementing the plan, the activities of providing support for acquisition of professional skills and employment under subsidies are carried out</p>	<p>Administrative programme</p>	<p>1 235 persons participated in the activity of providing support for acquisition of professional skills, and 3 503 persons – employment under subsidies participated in the second half of 2013. LTL 7.34 million were used for the measures</p>	<p>The ESF project will be implemented until 30 September 2014</p>		<p>The state budget of LTL 31.5 million (the Employment Fund) and the ESF funds</p>	<p>During the project implementation in 2013-2014, 1 500 persons will participate in the activity of providing support for acquisition of professional skills, and 4 950 persons – in subsidized employment</p> <p>It is expected that during the implementation of the <i>Employment Development Programme</i> for 2014 - 2020, the measures provided therein are related with the implementation of Recommendation 3, the level of employment in the groups of 20-64 years of age in 2016 will reach 70.7 percent. The inter-institutional action plan of this programme provides for that the employed population (15-64 years old) in 2014 will increase by 4.4 percent compared to 2012 (1 247 thousand). It is forecasted that the annual unemployment rate (15-74 years old) will decrease by 1.3 percent to 10.5 percent</p>
		<p>Measure 2 The Law on Provision of Services in Agriculture and Forestry under Service Vouchers</p>	<p>To bring the unemployed, especially low-skilled, closer to the labour market by contributing to their employability</p>	<p>Pursuant to the provisions of the Law, persons may provide an occasional agricultural and forestry services, which do not require any special skills, qualifications, licenses, certificates, or training courses. Individuals who provide these services, if they are registered with the territorial labour exchanges, retain their existing status</p>	<p>The Law on Provision of Services in Agriculture and Forestry under Service Vouchers</p>	<p>3015 receipt books of agricultural and forestry services were sold in II-IV quarters of 2013. 3946 insurers – for services provided by the service voucher. 22905 persons provided agricultural and forestry services under agricultural and forestry service vouchers</p>	<p>In 2014, regulatory monitoring will be carried out</p>			

	b) To focus resources on active labour market policies while improving their efficiency	Measure 1: Methodology for the evaluation of efficiency of ALMP measures	To perform the evaluation of efficiency of active labour market policy measures	Integration into the labour market, the direct benefits, indirect benefits, labour exchange registration, and profitability indicators define the ALMP effectiveness		In accordance with this methodology, the public employment service (labour exchange) in 2013 carried out the evaluation of efficiency of active labour market policy measures	Methodology was installed in 2013				
		Measure 2: Description of the procedure of cooperation with employers	To increase the employment rate of participants in active labour market policy measures	Description regulates the arrangement of work with employers in the local labour exchange	Order No V-322 of Director of Lithuanian Labour Exchange of 8 June 2013	Drafted in 2013					
		Measure 3: Description of the procedure for the measurement and evaluation of efficiency and effectiveness of supervision activities of the State Employment Service (labour exchange)	To ensure that funds allocated for job creation and to offset costs of employing are used effectively and efficiently	Description regulates the areas of supervisory activities, the procedure for measuring the efficiency and effectiveness of supervisory activities, sets indicators and establishes calculation methods	Order No V-605 of Director of Lithuanian Labour Exchange of 31 October 2013	Drafted in 2013					
	c) To increase opportunities for youth employment, for example through Youth Guarantee	Measure 1: Support for the first job	To increase youth employment by providing additional financial incentives to employers to employ youth	Employers are encouraged to hire young people, a part of a salary of 16-29 year old persons, who have not yet been employed under an employment agreement, employed full-time for the first	Administrative programme	By 31 December 2013, LTL 10 million was paid out to 9 062 employed young persons, 1 714 companies received support for that.	The measure is being implemented			LTL 32 million (ESF funds)	

				time, is reimbursed							
	Measure 2: Raising Youth Employment	To encourage youth employment . To help the qualified unemployed to acquire the missing professional skills directly at the workplace.	While implementing the Project, the activity of providing support for acquisition of professional skills and subsidised employment is carried out.	Administrative programme	The project was implemented on 1 December 2013. 6600 young people under 29 years old were included in the project. 86 percent get employed within 6 months after participation in the programme					LTL 20 million (ESF funds) (over the entire period of the project from 1 August 2012 to 30 November 2013)	
	Measure 3: Measure promoting entrepreneurship	To promote entrepreneurship and self-employment as well as the creation of new jobs. It is also sought to contribute to the reduction of unemployment.	Financial engineering measure Promoting Entrepreneurship - granting of loans (micro-credits) from the Entrepreneurship Promotion Fund for business start-ups and partial reimbursement of loan interest.	Administrative programme	Young people (up to 29 years of age) are one of the priority groups having a possibility to make use of the financial engineering instrument funded from the Entrepreneurship Promotion Fund. Its implementation is coordinated with training and consultations of business start-ups. In 2013, 266 young people took part in entrepreneurship trainings, 88 loans for starting a business were disbursed to young persons. Young persons	The project has been implemented				LTL 50 million (ESF funds)	

						created 130 new jobs					
		Measure 4: Motivational seminars for socially vulnerable, low-skilled, non-motivated young people	The aim is to increase the opportunities for socially vulnerable, low-skilled, non-motivated young people to compete in the labour market	Motivational seminars are organized by the local labour exchange		In 2013, 518 motivational seminars were held where 4.4 thousand persons participated. About 480 young people were not registered with labour exchange; however, they belonged to the social risk group, therefore, have been included to provide effective assistance. 63.7 percent of persons, who participated in seminars, later were employed and participated in active labour market policy measures or other programmes (63.0% in 2012). 98 classes took place during the fourth quarter of 2013 in accordance with the programme of motivational seminars <i>I Can</i> , attended by over 700 young people.	On 1 October 2013, a new intervention measure for low-skilled and unmotivated young people is installed for the improvement of motivation, activation and individual work with young people: consultations for groups <i>I can</i> (replaced the programme of motivational seminars).				

		Measure 5: The National Youth Volunteering Programme	To enable young people to participate in voluntary activities and gain personal, social, professional skills and work experience, so that they could choose a profession, to reintegrate into the formal education system or prepare to enter the labour market	During the 18-month period of the program, 200 public bodies will host up to 6 volunteers for 3-6 months. Participants will acquire skills needed to organize personal life more consciously and independently, as well as those competencies that are usually required by employers and the specific job experience in a specific organization or institution		Started in 2013				LTL 2.04 million	
		Measure 6: A programme of the intensive and long-term assistance for unemployed and school drop-outs	The aim is to encourage socially disadvantaged young people to enter into the labour market and/or educational system	The target group is 16-25-year olds, who do not work, do not study and are not engaged in the active labour market policy measures. The aim is to expand the range of services of youth employment centres for social rehabilitation and preparation for employment in the labour market by organizing services registered at labour exchange for young people registered and	The programme is approved by Order No. A1-169 of the Minister of Social Security and Labour of 17 April 2013	Under this programme, the project <i>Trust in Yourself</i> was started in the end of 2013.	2 thousand young people are planned to be included in the project			LTL 4 million	

				unregistered with the labour exchange. Powers, instruments, and mobility options needed for the work with young people will be granted to employees.							
		Measure 7: A plan for the implementation of <i>Youth Guarantee</i>	Youth unemployment problem solution and promotion of youth employment	Ensure that all young people under 29 years old, during a four-month period from the loss of employment or completion of formal education, received an offer of employment, further training, including apprenticeship form of a traineeship, practice or internship.	The plan is approved by Order No. A1-692 of the Minister of Social Security and Labour of 16 December 2013	A plan for the implementation of <i>Youth Guarantee</i> was submitted to the European Commission on 18 December 2013					
d) To improve the performance and efficiency of their apprenticeship schemes	Measure 1: Amendments to the Law on Support for Employment	To improve the vocational training system, including a new active labour market policy measure for young people: the acquisition of labour skills under bilateral agreements	Amendments to the Law on Support for Employment by which legalization of acquisition of labour skills under bilateral agreements, when there an employment contract is not entered into and a salary is not paid, and qualification not required for a participant is sought have been drafted and submitted to the Seimas.	Amendment to the Law	Draft amendments to the Law on Support for Employment were submitted to the Seimas at the end of 2013: 1) Drafted by the Office of the President of the Republic of Lithuania (it is if the participants must be covered by social health insurance and social insurance against occupational						

						accidents and occupational diseases at public expense). 2) Drafted by the Ministry of Social Protection and Labour (insurance is not provided)					
	Measure 2: Development of apprenticeship training forms	To train persons and to make recommendations for the application of the apprenticeship form.	The implementer of the Project is the Vilnius Jeruzalė Labour Market Training Centre							LTL 2.5 million	900 people will be trained and recommendations for the application of the apprenticeship form shall be prepared in 2013-2014
	Measure 3: Development of practice organization systems for students of management and economics programmes	The aim is to solve the specialist training problems	The developed practice organization systems will allow companies, students and universities to manage effectively implement practices: for companies - to find suitable trainees and choose tasks for them their tasks, for students – to find good practice sites, for universities - to administer the process of practice. Detailed practice schedules for different professionals, unified reporting, assessment documentation,	Lithuanian Business Employers' Confederation	After the investigation of needs of universities, companies and students, the practice organization system was designed and website www.gerapraktika.lt developed and staff training is planned.	Certification system for companies that organize practices is being developed which will allow employers to seek quality implementation of practices, and students will contribute to the implementation of quality practices, and for students to choose the right practice location.					

				trainees adaptation book, etc. are prepared							
e) to solve continuous mismatches between demand and supply of professionals	Measure 1: Specialists Qualifications map	In order to identify the need for specialists, their prospects in the labour market and find out the graduates of which study and training programmes are needed the most, a specialist qualifications map is being created. The already existing information systems will be used in the qualifications map	The results of qualifications map will be used in making decisions on education, human resources development and formation of labour market policies	The Ministry of Education in conjunction with the Ministry of Economy is preparing the Specialists Qualifications Map.	The collection of data on occupations was started on 1 November 2013. When hiring employees, employers must present data on occupations. The Lithuanian Classification of Occupations prepared by the Ministry of Economy is applied for coding occupations. A period of 4 months, i.e. until 1 March 2014, is planned for this goal.	The information collected will be used for the preparation of Specialists Qualifications map. Depersonalised data of the qualification map will be available to the interested public institutions and expert bodies, and summarised information will be useful for applicants, employers, educational institutions, and other interested groups.					Data of the Specialists Qualifications map will allow to track graduates' career, employability and on the basis of this data to make decisions on the formation of education, human resource development and labour market policy
f) Review of the appropriateness of labour legislation with regard to flexible agreement conditions, dismissal provisions and flexible working time arrangements	Measure 1: Amendments to the Labour Code	Enhancement of the flexibility of employment relations	Review of the appropriateness of labour legislation with regard to flexible agreement conditions, dismissal provisions and flexible working time arrangements was carried out and draft amendments to laws were prepared in consultation with social partners	Amendment to the Law	The drafted Laws amending the Labour Code of the Republic of Lithuania and the Code of Administrative Offenses of the Republic of Lithuania are approved and they are submitted to the Seimas.						

<p>Recommendation 4: Labour market, to increase work incentives and strengthen the links between the social assistance reform and activation measures</p>	<p>a) Implement specific targeted measures to combat poverty and social exclusion</p>	<p>Measure 1: Reducing the tax burden on lower earners</p>	<p>Reduction of poverty and social exclusion</p>	<p>The Law supplementing and amending the Law on Personal Income Tax of the Republic of Lithuania according to which the maximum of non-taxable allowance - is increased, and additional –non-taxable allowance applied for the first child is increased was adopted.</p>		<p>Amendments to the Law on Personal Income Tax were introduced in 2014</p>	<p>Ongoing monitoring</p>	<p>Contribute to the national target: to reach that at the end of 2020 the number of population at risk of poverty / material deprivation / unemployed or living in very low employment households would be reduced to 814 thousand</p>	<p>Not provided</p>	<p>LYL 170 million a year (the amount of revenue state budget loses from the personal income tax)</p>	<p>Income of workers receiving the minimum wage increased by 2.5 percent. The increase of TEA and ATEA established in the Law on Personal Income Tax will have positive impact on the social environment, as persons receiving extra income can use them for the acquisition of goods and services.</p>
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	b) Increasing incentives promoting work and better linking the social assistance system reform with activation measures, in particular, with regard to the most vulnerable persons.	Measure 1: Activation measures	Integrating recipients of social benefits into the labour market and increasing incentives and possibilities for recipients of social assistance to participate in active inclusion measures.	Legal regulation of the payment of additional social benefit is improved by providing that upon finding a job, long-term recipients of assistance are paid social benefit additionally without taking into account the fact whether they are raising children.	On 16 May 2013, the law amending Articles 2, 3, 7, 8, 9, 10, 16, 17, 21, 23, and 24 of the Law on Cash Social Assistance for Poor Residents of the Republic of Lithuania was adopted	On 1 June 2013, amendments of the Law on Cash Social Assistance for Poor Residents took effect providing that social benefit is additionally paid to long-term recipients upon finding a job without taking into account the fact whether they are raising children.	In 2014, monitoring is conducted.				In 2012, recipients of unemployment social insurance payments and social benefit comprised 35.8 percent.
		Measure 2	Increasing incentives for long-term recipients of assistance to work	Upon starting employment, social benefit is allocated additionally; for unemployed persons of working age, social benefit will be gradually reduced. Pilot project which purpose is to distribute cash social assistance more efficiently and in a more targeted manner is conducted in 5 municipalities. From 1 January 2014, provision of social benefit to poor residents was transferred to 55 non-pilot municipalities to be performed as an independent municipal function	On 16 May 2013, the law amending Articles 2, 3, 7, 8, 9, 10, 16, 17, 21, 23, and 24 of the Law on Cash Social Assistance for Poor Residents of the Republic of Lithuania was adopted On 26 November 2013, the law amending Articles 4 and 23 of the Law on Cash Social Assistance for Poor Residents of the Republic of Lithuania was adopted	In 2012, social benefit was paid additionally to 930 persons while in 2013 – to 2383 persons, i.e. 2.6 times more. In 2012, LTL 312.3 thousand were spent to pay social benefit additionally while in 2013 – LTL 649.9 thousand, i.e. over 2 times more. Social benefit is additionally paid to long-term recipients of assistance upon starting employment without taking into account the fact whether they are raising children.	Under implementation. In 2014, a decision will be made regarding application of a unified model of cash social assistance to poor residents in the country (in all municipalities).	Contributes to the established national target – to achieve at the end of 2020 that the employment rate of the group of the population of 20-64 year old reach 72.8 percent.	Application of the measure is restricted by a shortage of jobs	Decrease in the average annual number of social benefit recipients, compared with 2012, will comprise: in 2013 – 1.8 percent, in 2014 – 14.6 percent, in 2015 – 18.3 percent.	

						<p>The period of receipt of social benefit has been reduced to 12 months, after which the social benefit rate is gradually reduced to employable persons of working age who are unemployed (their families), except for social benefit for children.</p> <p>Social benefit is not reduced if a local labour exchange of Lithuania or a public employment service of another state did not offer a job to the person during the period of provision of social benefit or did not offer to take part in active labour market policy measures.</p> <p>In 2013, compared to 2012, the number of recipients of social benefit in pilot municipalities decreased by 18.7 percent (from 15.5 to</p>					
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						<p>12.6 thousand persons) and expenditure for payment of social benefit decreased by 26.8 percent (from LTL 38.1 to 27.9 million). While in 55 non-pilot municipalities, during 2013, expenditure for payment of social benefit amounted to LTL 480.2 million. Compared with 2012, expenditure for social benefit in these municipalities decreased by 14.5 percent (i.e. from LTL 561.4 to 480.2 million). In 2013, in 55 municipalities social benefit was received by 177.4 thousand persons. Compared with 2012, the number of social benefit recipients decreased by 14.1 percent (from 206.4 to 177.4 thousand persons)</p>					
		Measure 3 Increasing the minimum monthly wage	Increasing incentives to work and reducing poverty of those in	As from 1 August 2012, the minimum monthly wage was increased up to LTL 850 (EUR	Government Resolution (20 June 2012)	Has been implemented. The country's economic situation is under	On 27 June 2013, the Seimas passed the law amending certain Articles	Contributes to the established national target – to achieve at the end of 2020 that the number of			

			employment	246), from LTL 800. As from 1 January 2013, the MMW was increased by 18 percent up to LTL 1000 (EUR 290).		monitoring. In 2013, the social partners did not submit concrete proposals regarding the increase in the MMW to the Tripartite Council.	of the Law on Personal Income Tax, whereby as from 1 January 2014 the amount of income not subject to taxation has been increased from LTL 470 to 570 per month, therefore, in 2014 the income of employees receiving the minimum wage will increase by 2.5 percent.	persons who are at the risk of poverty/ suffering from severe material deprivation/ living in households with very low work intensity decrease to 814 thousand.			
c) Reducing poverty and social exclusion	Measure 1: Changes in cash social assistance	Ensuring sufficient income and social inclusion	Conducting monitoring of legal acts, it has been provided that following an assessment of persons' living conditions, the municipal administration has the right to allocate social benefit when persons comply with the requirements established in the law, however, their income exceeds the amount of state supported income not more than by 20 percent.	On 16 May 2013, the law amending Articles 2, 3, 7, 8, 9, 10, 16, 17, 21, 23, and 24 of the Law on Cash Social Assistance for Poor Residents of the Republic of Lithuania was adopted	It is provided that following an assessment of persons' living conditions, the municipal administration has the right to allocate social benefit when persons comply with the requirements established in the law, however, their income exceeds the amount of state supported income, equal to LTL 350, not more than by 20 percent.	In 2014, monitoring is conducted.	Contributes to the established national target – to achieve at the end of 2020 that the number of persons who are at the risk of poverty/ suffering from severe material deprivation/ living in households with very low work intensity decrease to 814 thousand.				The restoration of pensions to the pre-crisis level will concern about 447 thousand old-age pensioners, about 86 thousand lost employability (disability) pensioners and about 239.3 thousand recipients of widow(er)s and orphans pensions. For this purpose, LTL 495 million will be required.

		Measure 2 Restoration of the pensions level	Ensuring sufficient income and social inclusion	As from 1 January 2012, pensions have been restored to the pre-crisis level (old-age, lost employability (disability), widow(er)s and orphans state social insurance pensions), which temporarily, for two years, were reduced due to the crisis.	The Provisional Law on Recalculation and Payment of Social Payments (9 December 2009)			Contributes to the established national target – to achieve at the end of 2020 that the number of persons who are at the risk of poverty/ suffering from severe material deprivation/ living in households with very low work intensity decrease to 814 thousand.			
Recommendation 5: Implement the SOE reform and ensure separation of ownership and regulatory functions as well as commercial and non-commercial activity	a) Completing the SOE reform, in particular, ensuring separation of ownership and regulatory functions and closely monitoring compliance with the requirements of the reform					By executing before mentioned jobs in 2013, the last aspects of the SOE reform were implemented					
Recommendation 6: Step up measures to improve the energy efficiency of buildings and promote competition in energy networks	a) Taking action to improve energy efficiency of buildings, <i>inter alia</i> , by removing disincentives and rapidly implementing the initiative of the holding fund	Measure 1: Requirements have been established for buildings which use almost no energy		Energy efficiency regulation has been improved envisaging application for calculation of energy efficiency of buildings of the methodology based on the valid European standards	Order No D1-674 of the Minister of Environment of the Republic of Lithuania dated 21 August 2012	A new version of the construction technical regulation STR 2.01.09:2005 <i>Energy Efficiency of Buildings. Energy Efficiency Certificates</i> , STR 2.01.09:2012 has been drawn up	As from 9 January 2013, applied in assessing energy efficiency of residential and non-residential houses (their parts) and preparing energy efficiency certificates	Assessment of energy efficiency of buildings in compliance with EU standards		Investment into modernization of multi-apartment buildings 2005–2013 – LTL 420.7* million, out of which, LTL 202.8* million is state support granted from the state budget and EU funds. *Including multi-apartment building	Decrease in calculated heat energy costs in multi-apartment buildings constructed in accordance with construction technical standards in effect prior to 1993 (from 2005) 2011 – 150 GWh per year, 2012 – 213 GWh per year, 2013 – 244 GWh per year

		Measure 2 Software for certification of energy efficiency of buildings has been updated		Implementing Directive 2010/31/EU of the European Parliament and of the Council on energy efficiency of buildings and considering the new methodology for assessing energy efficiency of buildings, software for certification of energy efficiency of buildings has been updated	Agreement of 11 July 2013 on updating the software for certification of energy efficiency of buildings	Provision of more accurate information on heat energy costs and possibilities of reduction thereof to owners of buildings has been ensured	The updated software will be additionally tested and submitted to experts of certification of energy efficiency of buildings for use in assessing energy efficiency of buildings	Energy efficiency of buildings is being improved		modernization projects funded under the programmes approved by municipalities, including programmes for the development of municipalities - problem areas (coordinated by the Ministry of the Interior)	Relative reduction in 2013 compared with 2005 is 4.89 percent. *Including multi-apartment building modernization projects funded under the programmes approved by municipalities, including programmes for the development of municipalities - problem areas (coordinated by the Ministry of the Interior)
		Measure 3 Requirements for designing energy efficiency of buildings have been established		Higher requirements for designing buildings have been established in coordination with the provisions of other legal acts, preparing amendments to the construction technical regulation STR 2.05.01:2005 <i>Heat Installations of Building Envelopes</i>	By Order No D1-909 of the Minister of Environment dated 9 December 2013, the construction technical regulation STR 2.05.01:2013 <i>Designing Energy Efficiency of Buildings</i> was approved			Energy efficiency of buildings is being improved			
		Measure 4 Promoting the initiative of municipalities of drawing up and implementing programmes for increasing energy efficiency of multi-apartment buildings		More flexible conditions have been established for implementing renovation (modernization) projects of multi-apartment buildings under municipal programmes for increasing energy efficiency, soft loans are provided for renovation of multi-apartment	The 16 May 2013 law amending Articles 2, 13, and 15 of the Law on State Support for Acquisition or Rent of Housing and Renovation (Modernization) of Multi-apartment Buildings		Projects for renovation (modernization) of multi-apartment buildings are being implemented under municipal programmes	More favourable conditions for renovation (modernization) of multi-apartment buildings are being provided			

				buildings to natural persons or legal entities designated by municipalities							
		Measure 5 The procedure for provision of state support has been established		The procedure for provision of state support in implementing projects for renovation (modernization) of multi-apartment buildings under the new modernization model (under municipal programmes for increasing energy efficiency) has been established	Resolution No 708 of 24 July 2013 of the Government		Projects for renovation (modernization) of multi-apartment buildings are being implemented	Energy efficiency of buildings is being improved			
		Measure 6 The procedure for repayment of a loan for modernization by low-income residents has been improved		The procedure for repayment of a loan for modernization of a multi-apartment building and payment of interest on behalf of persons having the right to compensation of housing heating expenses has been improved by linking the right of low-income residents to compensation of the loan and interest to their participation in adoption of the decision regarding approval and implementation of an investment plan for renovation (modernization)	Order No D1-665/A1-508 of the Ministers of Environment and Social Security and Labour dated 11 September 2013		State support is provided to low-income residents in implementing projects for modernization of multi-apartment buildings	Residents are encouraged to take part more actively in the implementation of renovation (modernization) projects			

				of the building.						
		Measure 7 More favourable conditions for residents to implement projects of renovation (modernization) of multi-apartment buildings have been provided		A model agreement on commissioning the organization of renovation (modernization) of a multi-apartment building has been established	Order No D1-495 of the Minister of Environment of the Republic of Lithuania dated 3 July 2013		Projects for renovation (modernization) of multi-apartment buildings are being implemented under municipal programmes	The implementation of projects for modernization of multi-apartment buildings has been accelerated		
		Measure 8 Multi-apartment buildings which use energy least efficiently have been selected for Stage I of renovation (modernization) of multi-apartment buildings under municipal programmes on increasing energy efficiency		914 multi-apartment buildings have been selected in municipalities, cooperation agreements have been concluded with 56 municipalities, investment plans have been prepared and assessed			Projects for renovation (modernization) of multi-apartment buildings are being implemented under municipal programmes	The implementation of projects for modernization of multi-apartment buildings has been accelerated		
		Measure 9 In 2014, the plan is to coordinate the preparation of municipal programmes on increasing energy efficiency, draw up investment plans		Preparation of municipal programmes on increasing energy efficiency intended for Stage II of modernization of multi-apartment buildings will be coordinated, investment plans for renovation (modernization) of multi-apartment buildings, which use most energy, selected by municipalities,				The implementation of projects for modernization of multi-apartment buildings has been accelerated		

				will be drawn up						
	Measure 10 In 2014, the plan is to conduct monitoring of renovated (modernized) multi-apartment buildings			Energy audit of selected modernized multi-apartment buildings and expert examination of the implemented measures increasing energy efficiency will be carried out in order to evaluate the quality of project solutions and construction contractor's works as well as energy and technical efficiency			Monitoring of renovated (modernized) multi-apartment buildings will be further conducted	The implementation of projects for modernization of multi-apartment buildings has been accelerated		
	Measure 11 In 2014, the plan is to develop, in the e-catalogue of the central purchasing body CPO LT, new modules for renovation (modernization) works and services			In the e-catalogue of the central purchasing body CPO LT, modules of renovation (modernization) works and, separately, design services will be developed to ensure more economical, more efficient and more speedy procurement of renovation (modernization) works and design services			Procurement of renovation (modernization) services and works will be conducted via the e-catalogue of the central purchasing body CPO LT	The implementation of projects for modernization of multi-apartment buildings has been accelerated		
b) Promoting competition of energy networks improving both electricity and gas network connections with the EU	Measure 1 Completion of construction of the LNG terminal in Klaipėda by the end of 2014	Promoting competition between energy networks improving electricity and gas network interconnections with	The terminal will ensure a gas supply alternative, thus enhancing competition and developing energy market	The Law No XI-2053 on the LNG Terminal of the Republic of Lithuania of 12 June 2012; Resolution No 199 of the Government of the Republic of	Teritorial planning procedures have been completed, an agreement on a long-term loan has been signed, agreements with contractors installing infrastructure	During the 1st half a year of 2014, the plan is to sign the first LNG supply agreement. The commencement of operation of the terminal is scheduled for	The terminal will ensure a possibility of diversification of gas supply, provide conditions for competition in the gas supply sector.			

	countries		other Member States		Lithuania On Implementing the Law on the LNG Terminal of the Republic of Lithuania dated 15 February 2012	(gas pipeline and the quay) have been signed. Works of a FSRU unit constructed for Lithuania in South Korea have been almost completed.	December 2014.				
		Measure 2 Construction of electricity connections with Poland (LitPol Link) and Sweden (NordBalt) by 2015	Promoting competition between energy networks by improving electricity and gas network interconnections with other Member States	LitPol Link and Nord Balt interconnections are necessary seeking to integrate into the European Union electricity infrastructure and creating a common European electricity market.		Projects of interconnections with Sweden and Poland are implemented as scheduled. Currently, environmental impact assessment procedures have been carried out, special plans have been approved, contractors for main works have been selected, technical designs are under preparation, construction permits have been received, and practical construction works have been started.	The plan is to start construction works in 2014. The beginning of operation is intended for the end of 2015.	Operating interconnections will terminate isolation of Lithuania's electricity system and integrate it into the EU electricity system: conditions will be provided for trading in electricity with Scandinavian and continental Europe countries, security and reliability of the region's electricity system will increase, and it will be possible to develop the electricity market of the Baltic region.			

Annex 3. The evaluation of national targets and key commitments under the *Europe 2020* Strategy for the next 12 months

Target implementation progress	Target implementation measures	Impact of the measures (qualitative and/or quantitative)
<i>National Europe 2020 targets</i>		
<p>Employment rate of 20-64 year-old persons – 72.8 percent Current situation: 2013 – 69.9 percent (2012 – 68.5 percent)</p>	<p>Active labour market policy measures</p>	<p>In 2013, 65.5 thousand persons participated in active labour market policy measures. In 2013, the coverage of active labour market policy measures amounted to 19.7 percent, and LTL 171.1 million was allocated to finance the measures (LTL 15 million more than in 2012). Out of that amount, 29.2 percent was intended for vocational training, 11.3 percent – for supporting the acquisition of professional skills, 19.5 percent – for subsidized employment, 16.2 percent – for supporting the creation of jobs, and 25.7 percent – for public works.</p> <p>In 2013, 11,206 persons took part in the vocational training measure (out of which, 95 percent found a job within 6 months after their participation in the measure), 13,138 persons – in the subsidized employment measure (88.5 percent), and 5,007 persons – in the measure supporting the acquisition of professional skills (90.3 percent).</p> <p>A new methodology for evaluating efficiency of ALMP measures was introduced, in accordance with which the public employment service (labour exchange) is now carrying out the evaluation of the efficiency of the active labour market policy measures.</p> <p>Efficient application of ALMP resulted in the reduction of unemployment rate (in the 15-64 year-old group) from 13.6 percent to 12.0 percent.</p>
	<p>Preparation of new legal regulation and programme documents</p>	<p>A draft Law on Support for Employment has been drawn up and submitted to the Seimas. The draft Law amends the implementation of vocational training, improves the subsidized employment measure, and introduces a new active labour market policy measure designed for youth (acquisition of professional skills under bilateral agreements).</p> <p>On 16 December 2013, the Minister of Social Security and Labour by her Order No A1-692 dated 16 December 2013 approved a plan for the implementation of the Youth Guarantee Initiative. This document aims to ensure that all young people under 29 years of age receive a job offer, continue studying, including apprenticeship as a form of vocational training, or get a practice or internship within four months after losing a job or completing formal learning. On 18 December 2013, the plan for the implementation of the Youth Guarantee Initiative was submitted to the European Commission.</p> <p>One of the objectives of the 25 September 2013 Resolution of the Government No 878 Regarding the Approval of the Employment Enhancement Development Programme 2014-2020 is to provide possibilities of returning to the labour market for the unemployed, in particular, the long-term unemployed and those with low qualifications.</p> <p>An inter-institutional action plan for the Employment Enhancement Development Programme 2014–2020, providing for actions to increase the possibilities of the low-skilled and long-term unemployed to integrate into the labour market, has been prepared</p>

		<p>(approved on 26 February 2014).</p> <p>A Description on the Procedure for Measuring and Evaluating the Efficiency and Performance of Operations of Public Employment Services (Labour Exchanges), governing the operational areas to be supervised, the procedure for measuring operating efficiency and performance, setting the indicators for evaluating efficiency and performance of supervision activities and methods for calculating thereof, has been drawn up.</p> <p>Upon the entry into force of the Law on the Provision of Services in Agriculture and Forestry under Service Voucher on 1 April 2013, another measure bringing the unemployed closer to the labour market and contributing to their employability took effect.</p>
	Development of apprenticeship teaching forms	Information is provided in Annex 2 (Recommendation 3)
	Taxation support or compensation of a part of salary to persons in their first employment	The implementation of the project <i>Support for the First Job</i> , launched on 1 August 2012, was continued in 2013. A part of salary of 16–29 year old persons, who have not yet been employed under an employment agreement, employed full-time for the first time, is reimbursed. By 31 December 2013, 13345 applications from employers for compensations were submitted and examined, out of which 10 564 applications received an affirmative assessment. LTL 10 million was paid out with regard to 9 062 employed young persons, 1 714 companies received support for that.
	Implementation of measures promoting entrepreneurship	<p>On 31 December 2013, 662 loans for business start-ups were issued from the Entrepreneurship Promotion Fund. New start-ups created 1 373 new jobs.</p> <p>On 23 August 2013, the Description of the financial engineering measure <i>Subsidies for Promoting Entrepreneurship of the Human Resources Development Programme for 2007–2013</i> was approved. LTL 10 million is planned to be allocated for funding projects under this measure from the European Social Fund. This measure is related to another measure administered by the Ministry of Social Security and Labour, <i>Promotion of Entrepreneurship</i>. 272 applications were received under the measure, out of which 253 affirmative decisions for reimbursement of a part of salary expenses for 835 employees were made (reserved maximum possible allocation amount amounted to more than LTL 5 million).</p>
	Development of models (systems) for organisation of students' practices, support for the development of portals for the search for and the organisation of practices and internships	The models of students' practices developed under the projects <i>Development and Implementation of the National System of International Practice and Internships for Students and Lecturers of Lithuania's Higher Schools</i> and <i>Development of a Model of International Practices (Internships) in Companies and International Organizations Resident Abroad (in the EU, EFTA and NATO countries) for Lecturers and Students of level 1 and level 2 of Lithuania's Higher Schools</i> were tested, and the development of portals for the search for and the organisation of practices and internships was conducted.
	<i>Reduction in the Mismatch between Demand and Supply of Skills and Competence, 2010–2014</i>	Preconditions have been provided for better adjustment of the needs of vocational training and the labour market: a Study of the Need of Professional Qualifications in the energy sector has been conducted and the Professional Standard of the energy sector has been established. 2 sectoral centres of practical training have been officially opened in vocational training establishments.

	<p><i>Linking Lithuanian and European qualifications frameworks 2012–2013: Achieving the conformity of qualifications awarded in Lithuania with the requirements of the Lithuanian qualifications framework and the European qualifications framework</i></p>	<p>The implementation of the Lithuanian and European qualifications frameworks in the education sector has commenced: a report on linking the Lithuanian qualifications framework with the European qualifications framework and the qualifications framework of the European Higher Education Area has been drawn up.</p> <p>The plan is to prepare methodological recommendations for matching the qualifications granted under general education, vocational training and higher education programmes with a certain level of the Lithuanian qualifications framework and the European qualifications framework.</p>
	<p>Reduction in youth unemployment</p>	<p>Unemployment rate of young people (aged 15-24) decreased by 4.8 percentage points in 2013 and accounted for 21.9 percent. In 2013, there were 27.4 thousand unemployed 15-24 year olds and, as compared to 2012, their number decreased by 4.8 thousand, or 14.9 percent.</p> <p>During 2013, 35 568 young unemployed persons under 25 years old found permanent employment (52.3 percent of the registred young unemployed persons), which is 3.8 percent more than in 2012 when 34 274 found permanent employment (46.2 percent of the registered young unemployed persons).</p> <p>In 2013, 12 585 young unemployed persons under 25 were sent for participation in active labour market policy measures (more than 21 percent of all newly sent persons). Out of that number: 2.9 thousand were sent to vocational training, 2.4 thousand – to the measure supporting the acquisition of professional skills. 3.7 thousand were hired in subsidized employment, 2.2 thousand worked in public works. Young people under 25 years old comprised 67.5 percent of participants in the measure supporting the acquisition of professional skills and 31.4 percent of participants in vocational training.</p> <p>The implementation of the project <i>Support for the First Job</i>, launched on 1 August 2012, was continued in 2013. In order to encourage employers to hire young people, a part of salary of 16-29 year old persons, who have not yet been employed under an employment agreement, employed full-time for the first time, is reimbursed. An employer is compensated 23.3 percent of the calculated salary amount for a period no longer than 12 months. By 31 December 2013, 13 345 applications from employers for compensations were submitted and examined, out of which 10 564 applications received an affirmative assessment. LTL 10 million was paid out with regard to 9 062 employed young persons, 1 714 companies received support for that. The measure will be conducted until September 2015.</p> <p>The implementation of the project <i>Increased Employability of Young People</i> carried out since 1 August 2012 was completed on 1 December 2013. 6 600 persons under 29 years old were involved in the project activities. The employment rate of young unemployed persons was 86 percent within 6 months after the participation in the programme for acquiring labour skills.</p> <p>Young people (up to 29 years of age) are one of the priority groups having a possibility to make use of the instrument <i>Promoting Entrepreneurship</i>, funded from the</p>

		<p>Entrepreneurship Promotion Fund. The implementation of the financial engineering instrument (<i>disbursement of loans up to LTL 86 000</i>) is coupled with training and consulting those starting business as well as assistance in preparation and implementation of business plans. In 2013, 266 young people took part in entrepreneurship training held by the Entrepreneurship Promotion Fund, 88 loans for starting a business were disbursed to young persons under 29 years old. Young persons created 130 new jobs in their start-ups.</p> <p>As from 1 October 2013, a new intervention measure intended for unmotivated and low-qualified young people – group counselling <i>I can</i> – was introduced in order to motivate them, make them more active and work with them individually. During Q 4 of 2013, 98 sessions of the programme took place with the participation of over 700 young people, 16-29 year old.</p> <p>2013 witnessed the start of implementation of the National Youth Volunteering Programme. During the 18 months of Programme implementation, 200 recipient public organizations will have received up to 6 volunteers for a period of 3-6 months.</p> <p><i>Intensive Long-term Assistance Programme for Unemployed Young School Drop-outs</i> was approved by the Order No A1-169 of the Minister of Social Security and Labour dated 17 April 2013. Under this programme, the project <i>Trust in Yourself</i> was started at the end of 2013. The target group of the project is 16-25-year olds, who do not work, do not study and are not engaged in the active labour market policy measures; 2 thousand young people are planned to be included in the project, the project value is LTL 4 million.</p> <p>11 new youth employment centres (there is a total of 22 youth employment centres operating in the country) were opened under local employment service divisions (labour exchanges) in 2013.</p>
	<p>Promotion of employment of low-skilled and long-term unemployed</p>	<p>In accordance with data of Statistics Lithuania, in 2013, long-term unemployment rate amounted to 5.1 percent and was 1.5 percentage point lower than in 2012.</p> <p>On 1 January 2014, 62.2 thousand long-term unemployed were registered with the public employment service (labour exchange).</p> <p>In 2013, 118.1 thousand unemployed without a professional background (i.e. low-skilled) were registered at the public employment service (labour exchange).</p> <p>21.4 thousand long-term unemployed took part in active labour market policy measures in 2013. Among the persons sent for vocational training in 2013, the long-term unemployed accounted for 19 percent (in 2012 - 8 percent), among those who were employed under subsidies they accounted for 31 percent, and among those employed for acquiring job skills the long-term unemployed totalled 25.2 percent. Among persons employed in public works in 2013, the long-term unemployed accounted for 57.6 percent, and low-skilled persons – for 48.6 percent.</p> <p>For solving the long-term unemployment problem, the project <i>Assistance in Finding Employment</i> was started at the end of 2013. The project value is LTL 31.5 million, number</p>

<p>Investment into R&D – 1.9 percent of the GDP Current situation: 2012 – 0.90 percent of the GDP</p>	<p>Implementation of the High Technology Development Programme for 2011–2013, promotion of establishing researchers' companies</p>	<p>of participants – 6 450 unemployed persons.</p> <p>During the implementation of 21 ongoing projects under the Programme in 2013, 14 new technologies were developed, 14 new technologies were implemented, 38 new products or services were created, 2 international and 5 national patent applications were submitted. In 2013, LTL 3.61 million was allocated for the projects. During the period of the Programme implementation in 2011-2013, LTL 11.75 million was allocated for the projects. In 2011-2013, 28 new technologies were developed, 19 new technologies were implemented and 85 new products were created.</p> <p>2012 saw the start of implementation of the measure aimed at encouraging students, researchers and scientists to set up high technology companies and seeking that the knowledge accumulated at universities is transformed into technologies and products. On the basis of a call for applications in 2013, 4 projects were selected for financing. A total of 16 projects under the measure for promoting the commercialization of R&D results were implemented in 2013. There already are 13 companies established for commercialization of R&D results, more than 50 new jobs were created, 5 patent applications were submitted and about 40 innovative products were developed.</p>
	<p>Implementation of the Industrial Biotechnology Development Programme for 2011–2013</p>	<p>The funding of 6 projects was completed in 2013: the implementation of 4 projects began in 2011, and of 2 projects – in 2012. In 2013, LTL 1.158 million was allocated. During the period of the Programme implementation (in 2011–2013), LTL 2 752 million was allocated for the projects. In 2011–2013, 6 new technologies were developed, 3 new technologies were implemented, 9 new products were created, 1 international and 2 national patent applications were submitted.</p>
	<p>Implementation of the funding model of joint science-business projects aimed at commercialization of research results</p>	<p>2012 witnessed the beginning of implementation of the measure aimed at performance of R&D activities and commercialization of results thereof. The Ministry of Education and Science financed 25 projects with the value of LTL 41 409 million (the projects are currently underway). The Ministry of Economy financed (or intends to finance) activities of commercialization of research results obtained in the course of implementation of 8 of those projects under the measure <i>Intellect LT</i>. Certain economic entities intend to finance activities of commercialization of research results from their own funds.</p>
	<p>Implementation of the Programmes of Integrated Science, Studies and Business Centres (Valleys) <i>Saulėtekis, Santara, Santaka, Nemunas</i> and the Lithuanian maritime sector, and implementation of other measures for developing the Valleys</p>	<p>The <i>Programmes of Integrated Science, Studies and Business Centres (Valleys)</i> are developed by implementing 14 R&D infrastructure development projects (including 3 completed projects) and 10 innovation infrastructure projects. In 2014, the plan is to complete 2 projects. Following the implementation of the projects, favourable conditions will be provided for the establishment of new innovative companies, implementation of development activities and creation of new products.</p> <p>The majority of equipment acquired during the implementation of the Valley Projects may already be used under the open access principle (16 open access centres set up on the basis of the valley infrastructure were registered).</p>
	<p>Implementation of National Integrated Programmes (NIP)</p>	<p>In the course of implementation of the NIP under the measure Development of Study Curricula in National Integrated Programmes, 14 projects with the value of LTL 43 999 714.01 (LTL 35 941 442.31 were used) are underway. 127 study curricula of levels</p>

		<p>1 and 2 were drawn up or updated. 2 920 students (in higher education) studied under formal education curricula and 40.65 percent of them were awarded a qualification recognised by the state. 230 lecturers (in higher education) studied under non-formal education curricula and 97.83 percent of them received certificates of completion of a non-formal education programme.</p> <p>During the implementation of the <i>General National Integrated Programme</i>, the implementation of 10 projects for the creation and renewal of public, technological and informational R&D infrastructure was continued in 2013 (the total project value including additional funding allocated for the projects in 2013 amounted to more than LTL 122 133 million).</p> <p>19 new projects are being implemented under the measure <i>Execution of R&D Activities in Accordance with the Topics of National Integrated Programmes</i>, the total value of which is LTL 35 206 634.00 (LTL 12 091 673.35 was used). 32 subsidies are funded for research activities of scientists and other researchers (except for students). 357 scientists and other researchers (except for students) were hired in the public sector under employment agreements.</p> <p>Additional funding of LTL 7,258,881.39 was allocated for the project <i>Improvement of Training of Highly - Qualified Specialists for the Development of Research-Intensive Sub-Sectors of Economy</i> - NKPDOKT carried out by the Research Council of Lithuania in the implementation of which high qualification specialists within the themes of national integrated programmes are trained.</p>
	Promotion of business-science cooperation and application of research results in business	In 2014, the plan is to keep providing de minimis aid under the updated innovation vouchers scheme <i>Ino-vouchers LT</i> .
	Implementation of the project <i>Science and Technology for Innovative Businesses</i> aimed at the provision of innovation-related services for SMEs	For the implementation of the project, funding in the amount of LTL 6.2 million was allocated. As of the start of the project activities (February 2012), about LTL 1.5 million was paid for the implementation of the project activities, 9 new technology companies were set up, about 800 SMEs were advised, and 11 information events were organized. In 2013, another 20 companies were established in the course of the project. Project implementation has been extended until 1 December 2014. The plan is to provide over 100 consultations to business entities on R&D and innovation issues, which will also promote the establishment of new technology companies.
	Promoting protection of intellectual property, support will be provided for legal entities under the updated scheme of support for protection of industrial property rights at the international level	The measure of support for the protection of industrial property will enable the reduction of patenting and design registration costs for applicants and this will contribute to increasing investment into research and development of innovation as well as providing more favourable conditions for taking care of the protection of new products or technologies. It is noteworthy that these steps also contribute to increasing business competitive advantage and promote long-term economic growth.
Changes in greenhouse gas emissions compared to the level of 2005 (million t CO₂e) in the sectors that are not	The National Strategy for the Climate Change Management Policy for 2013–2050. The inter-institutional action plan on the implementation of the goals and objectives for 2013–2020 of the National	The Strategy provides for annual targets for the reduction of the amount of GHG emissions in the sectors that are not covered by the EU ETS by 2020: in the transport sector – 5.58 million t CO ₂ e, in the agricultural sector – 5.849 million t CO ₂ e, in the industry sector – 2.809 million t CO ₂ e, in the waste management sector – 1.809 million t

<p>covered by the European Union Emission Trading Scheme (EU ETS) – not more than +15 percent or 18.7 million t. Current situation: 2012 – -0,944 percent or 15.86 million t. (According to approved amendments, Commission Implementing Decision 2013/634/EU of October 2013 – not more than +5.5 per cent or 15.46 million t CO₂e)</p>	<p>Strategy for the Climate Change Management Policy has been approved.</p>	<p>CO₂e, and in other sectors – 2.292 million t CO₂e. But the annual GHG emissions allocations have been reduced, thus increasing the GHG emission reduction targets in the sectors that are not covered by the EU ETS. In accordance with the Commission Decision 2013/162/EU of March 2013, Lithuania has been allocated the annual quota of 18.6 million t CO₂e in 2020. Subtracting the amount of 3.675 million t CO₂e amended pursuant to the Commission Implementing Decision 2013/634/EU of October 2013 regarding the attribution of the chemistry industry to the EU ETS as from 2013, a lower annual target for 2020 has been established – 15.46 million t CO₂e, which may not be exceeded by Lithuania. Considering that, the sectoral targets provided for in the Strategy will be recalculated.</p>
<p>Use of renewable energy sources – 23 percent. Current situation: 2012 – 21.7 percent.</p>	<p>Amendments to the Law on Energy from Renewable Sources (approved by the Seimas). The national science programme <i>Energy of the Future</i> 2010–2014: creating and examining models of Lithuania’s energy security and development; creating the scientific basis for energy production, supply and efficient use in the future. The Special Programme for Climate Change</p>	<p>The purpose is to ensure protection of public interest and avoid the growth in electricity prices as well as balance out the development of renewable sources. Addressing the most relevant scientific issues with regard to increasing Lithuania’s energy security and energy efficiency as well as improving and applying in Lithuania’s energy sector, in an optimum manner, technologies of energy production and supply in the future. Projects under the programme, selected according to a tender announced in 2012, have been implemented. In 2014, LTL 54.38 million is to be provided from the funds of the Special Programme for Climate Change for the projects with regard to the promotion of the use of renewable energy sources and implementation of environmentally-friendly technologies, including cogeneration as an efficient way to produce energy.</p>
<p>Final energy savings, GWh – 8606. Current situation: 2012 – 1602.</p>	<p>The Special Programme for Climate Change The multi-apartment building renovation (modernization) programme Renovation of public buildings (European Union structural support 2007–2013 (Operational Programme for Promotion of Cohesion)) A plan for transposing the Energy Efficiency Directive into national law is under preparation</p>	<p>In 2014, a total of LTL 74.47 million is to be provided from the funds of the Special Programme for Climate Change for the projects with regard to increasing the efficiency of energy consumption and production. In 2009–2013, 350* multi-apartment buildings were modernized. Currently, 444* multi-apartment buildings are under renovation. Relative reduction of the calculated consumption of heat energy in 2013, compared to 2005, amounts to 4.89* percent. *Including multi-apartment building modernization projects funded under the programmes approved by municipalities, including programmes for the development of municipalities - problem areas (coordinated by the Ministry of the Interior) Funding was allocated for 90 projects in 2013. A total of 769 public buildings were renovated by the end of 2013. The actions which are carried out will enable the achievement of the national energy efficiency target.</p>
<p>18-24 year old early school leavers (with only basic</p>	<p><u>The Programme for the Development of Pre-school and Pre-primary Education for 2011–2013</u></p>	<p>As from 2011 to the end of 2013, 31 non-state pre-primary education institution was established. Conditions were created for more than 10 370 pre-schoolers to get education</p>

<p>education and not enrolled in further education) – not more than 9 percent. Current situation: 2013 – 6.3 percent.</p>		<p>in state, municipal and non-state institutions under pre-school education programmes.</p> <p>According to the data as at the end of 2013, there was a total of 92 313 children educated under pre-school education programmes. According to the data of Q 4 of 2013 (as compared to the data of 31 December 2012), the number of children who started receiving education under pre-school education programmes in pre-school education institutions increased by 4 441 (an increase of almost 5 percent). Also, the number of children educated under pre-primary education programmes increased by more than 500. According to the data of December 2013, there were more than 117 700 children educated under pre-school and pre-primary education programmes.</p> <p>Impact: In 2010–2012, the coverage of pre-school education has increased by about 3 percentage points (gross, from 79.5 to 82.1 percent, and net, from 78.9 to 81.9 percent).</p>
	<p>The Special Education Development Programme for 2009–2013.</p> <p>The implementation of activities under the projects, funded from the Social Fund, Development of Special Teaching Aids, Stage II; Development of Forms of Education of Children with Special Educational Needs; and Reform of Special Schools and Establishment of Methodological Centres was continued.</p>	<p>In 2010–2012, the funding in the amount of LTL 439.2 million was allocated.</p>
	<p>The National Youth Policy Development Programme for 2011–2019</p>	<p>Software of the information system of children and pupils who do not attend school (NEMIS) is updated, information on children not attending school, reasons for non-attendance and help provided is collected, the location of children not attending school is identified, such children are searched for and returned to schools. According to the data of NEMIS of 1 October 2013, the total number of children under 16 years old not attending school amounts to 14 000, out of which 80 percent have left abroad. Following the provision of the data on children not attending school, thanks to employees of municipal administrations 151 children started going to school.</p>
	<p>The programme implementing the provisions of the National Education Strategy 2003–2012 (has been implemented). The National Education Strategy 2013–2022</p>	<p>In 2013, activities described in Chapter 4.2 were further conducted. Besides, in order to ensure more efficient use of funds, the methodology for calculation and distribution of the pupil’s basket has been amended (the size of the pupil’s basket, which did not change for 4 years and amounted to LTL 3 310, is increased by LTL 38 (to LTL 3 348) in 2014). Seeking that education is accessible closer to home the regulations for development of the school network were updated in 2013.</p> <p>Total impact of the measures: Due to consistent effort the share of early school leavers dropped from 16.5 percent in 2 000 and 11.4 percent in 2003 to 6.3 percent in 2013.</p>
<p>Retention of the share of 30-34 year olds with higher or equivalent education – not less than 48.7 percent. Current situation: 2013 – 51.3 percent</p>	<p>Youth vocational guidance. The National Programme for Vocational Guidance within Education System for 2010–2014. 4 EU Structural Fund project activities for strengthening methodological base (training programs, methodologies and other tools) for vocational guidance (career) services, training</p>	<p>The provision of vocational guidance (career) services of high quality was started to pupils and students in general education schools, vocational training institutions and higher schools. Educational registers necessary for to the Open Information, Counselling and Guidance System are being updated.</p>

	of career specialists, provision of services, arrangement of service monitoring as well as improvement of infrastructure were implemented.	
	<p>Planning admission to higher schools. Descriptions of the procedure for formation of sequence of the best-ranked candidates for 2013 and 2014, according to which by way of competition state-funded places of level I and integrated studies are distributed, were approved. Provisional and actual numbers of state-funded places for 2012 were approved on the basis of the data of the Students' Register and considering financial possibilities of the state.</p>	Prior approval of admission conditions and provisional number of state-funded places enable school graduates, teachers and parents to familiarize themselves as early as possible with admission novelties and prepare for studies at a higher school, and higher schools – to prepare for jointly organized admission of students into level I and integrated studies.
	<p>Ensurance of quality of studies. National Programme for Studies for 2007–2013: programmes of studies were updated (prepared), 12 out of 46 higher schools received an external assessment.</p>	By updating and regularly evaluating programmes of studies as well as conducting external assessment of activities of higher schools, quality of higher education is ensured. Total impact of all the measures: Within 10 years, the share of young people with higher education grew more than twice, from 25.2 percent in 2003 to 51.3 percent in 2013.
<p>Persons who are at the risk of poverty/ suffering from severe material deprivation/ living in households with very low work intensity – 814 thousand. Current situation: 2012 – 975 thousand</p>	More detailed information on employment policy measures contributing to the poverty reduction target is provided in this Annex under the target of increasing employment rate.	
	The National Programme for Social Integration of the Disabled for 2013–2019	<p>420 social rehabilitation service projects for the disabled in communities were selected in 60 municipalities in a tender procedure. In the implementation of the projects, funding was allocated for activities and services in line with social rehabilitation of permanent nature. 41 000 disabled persons benefited from the implementation of the National Programme for Social Integration of the Disabled for 2013–2019 and action plan in social integration projects in 2013. 224 pieces of housing adapted to the needs of the disabled in 56 municipalities in 2013. In 2013, 1 080 disabled people studying in high schools received financial assistance.</p>
	Increasing access to housing for socially vulnerable groups of residents	In 2013, LTL 18.7 million were used for the development of social housing. 257 appartments were acquired and 80 (provisionally) families and individuals were granted a soft loan.
	The National Programme for Equal Opportunities of Women and Men for 2010–2014	In terms of employment, in 2013, 19 measures aimed at promoting female and male equality at work, self-employment and business, in particular, among rural women, and positive parenthood as well as enhancing social dialogue on female and male equality were implemented. A cooperation agreement was coordinated with the network of business women of Lithuania operating under the Association of the Chambers of Commerce, Industry and Crafts of Lithuania, the purpose of which was implementing, together, targeted female entrepreneurship promotion measures and which would be signed at the beginning of 2014. In the Boards of local action groups the balance of genders is sought by establishing quotas for women and men.
	The Programme for Reducing Social and Economic Differences between Regions for 2011–2013	By the end of 2013, 88 multi-apartment building were renovated, 401 people received social housing built using the funds from the EU structural funds in problem areas, 356 jobs were created during the implementation of the projects of local employment

		<p>initiatives, 4 257 people engaged in individual activities under a business licence were granted a subsidy in the implementation of self-employment programmes of the unemployed, public infrastructure and environment was arranged in 106 rural residential areas.</p>
	<p>The Child Welfare Programme 2013–2018</p>	<p>In 2013, child day centres providing non-institutional day social care services to children and their family members were funded. For this purpose, in 2013, LTL 7.9 million were allocated from the state budget. Child day centres help to ensure full development of children by providing them with catering, necessary psychological assistance and help in learning as well as providing counselling services and other assistance to children’s family members. Activities carried out at child day centres help families feel more secure because addressing social problems together improves family members’ relationships and interpersonal communication and encourages parents to contribute to organization of children’s events and conduct of their activities as participants of the same process.</p> <p>A tender for projects of services of search for, preparation, selection, counselling and provision of assistance to foster parents (caregivers) and adopted parents in 2013 was arranged, 22 projects were funded, and LTL 600 thousand was allocated for their implementation. Preparatory training of foster parents (caregivers) and adopted parents was conducted under the PRIDE programme. By implementing the programme, preparedness of foster parents for their future duties improved because training helps to better assess one’s possibilities. The number of unmotivated foster parents decreased. The programme under implementation introduced the uniform standard for the training of foster parents. Furthermore, the participation in the programme provides a possibility for foster parents to receive quality services as the process of taking care of a child starts.</p> <p>Comprehensive services for parents, facing a crisis situation, who are raising children were provided to 807 families with 1 087 children. The total number of recipients of such services was 1999.</p>
	<p>The National Youth Policy Development Programme for 2011–2019</p>	<p>In 2013, 12 open youth centre projects and 13 open youth space projects were funded for the achievement of operational quality of youth organizations, promotion of youth entrepreneurship and the development of open youth centres and open spaces.</p> <p>The promotion of national and regional youth structures, also youth organizations was continued in 2013 – programmes and projects aimed at strengthening youth organizations and organizations working with young people were financed.</p> <p>In 2013, within the framework of project No VP1-2.3-ŠMM-01-V-01-002 Creation and Development of Models of Career Development and Monitoring in General Education and Vocational Training, services of vocational guidance (career, information and counselling) to pupils were provided by 1 015 career specialists: in 703 schools of general education – by 871 career specialists and in 69 vocational training establishments – by 144 career specialists. In 2014, the plan is to provide services of vocational guidance (career) to all pupils of general education schools and vocational training establishments. In 2013, services of vocational guidance (career) were provided to 84 thousand pupils of institutions of general education and vocational training.</p> <p>The Minister of Education and Science of the Republic of Lithuania, implementing the</p>

		Description of the Procedure for Performance of the Obligation to Attend the Course for Improved Communication with Children approved by Resolution No 1517 of the Government of 12 December 2012, by his Order No V-33 dated 16 January 2013 authorized the Centre of Special Pedagogy and Psychology to approve the Programme on the Course for Improved Communication with Children. The Programme was approved by Order No (1.3)V-37 of 19 February 2013 of the Director of the Centre.
	The Programme for Modernization of the Infrastructure of In-patient Social Services Institutions for 2011-2015	During the reporting period, 64 projects of development of the infrastructure of in-patient social services with the value of LTL 152,431.4 thousand were under implementation. In 2013, the implementation of 6 projects was completed. By implementing the Programme, improving the infrastructure of in-patient social services, differences in the infrastructure of social services in municipalities are reduced, organization and provision of social services is deconcentrated and decentralized, and the diversity of social services is enhanced.
<i>Obligations Assumed under the Euro Plus Pact</i>		
Promotion of competitiveness		
Business environment improvement	A new legal form of business – a Small Partnership – was approved (took effect as from 1 September 2012)	A Small Partnership is convenient and attractive for small, family and beginners' business. According to the data of the State Enterprise Centre of Registers, during September 2012 – January 2013, 1 431 Small Partnerships were set up in Lithuania.
	Improving the operation of business supervisory institutions	<ul style="list-style-type: none"> - 46 institutions performing supervision of economic entities signed the Declaration regarding the First Year of Business committing themselves to active provision of advice and assistance during the first year of operation of companies to help them comply with legal acts instead of immediately imposing fines; - Supervision of economic entities is based on risk assessment. 40 business supervisory institutions conduct risk-assessment-based supervision; - In 2013, supervision institutions used 116 checklists. The checklists cover 40 areas – retail and wholesale trade, trade in markets, catering, hairdresser's and beauty parlour services, construction, labour law and labour safety, taxation, labelling, packaging, services, public health, radiation safety, etc.; - More attention is paid to consultations assistance (according to the data of 2013, 13 supervision institutions provide uniform consultations on the telephone when conversations are recorded); <p>By the end of 2013, 46 supervision institutions had already signed the Memorandum on Minor Discrepancies in Labelling. These supervision institutions undertook, in case of minor non-compliance with labelling requirements, not to impose fines on businessmen and not to require that the goods are taken out of the market and re-labelled by re-sticking labels, which is often a larger burden on business than fines.</p>
	Reducing administrative burden	Legal acts passed in 2013 determine the reduction in administrative burden by LTL 1.5 million. Considering all the measures on reduction of administrative burden which were implemented since 2009, the reduction of administrative burden amounts to LTL 4

		million. Draft legal acts have been submitted to the Seimas upon adoption of which administrative burden would be additionally reduced by LTL 30 million.
	Reviewing licences/permits	On 5 February 2014, the Government approved proposals of the Ministry of Economy regarding replacement of 52 types of licences by declarations, cancellation of 10 types of licences and simplification of the procedure for issue of 160 types of licences.
Promotion of innovative activities	To promote clusterization, the implementation of the project aimed at the search for common innovative solutions by SMEs collaborating with higher education and research institutions, and for the creation of innovative networks and joining into innovative international clusters was started.	Funding of LTL 3.7 million was allocated for the implementation of the project. In 2014, the plan is to provide about 70 consultations on cluster development and arrange about 40 information events and workshops, as a result of which, it is expected, 3 new clusters will be created.
	Funding for the implementation of projects of innovative business cluster activities was allocated under the EU structural assistance measures <i>InoclusterLT</i> and <i>Inocluster LT+</i> .	During the new 2014-2020 financial period, new measures for the promotion of clusterization, which will be aimed at funding infrastructure and activities of innovative clusters, are formed. The implementation of the project <i>Promotion of Internationalisation of Business - Science Partnership</i> , the purpose of which is to encourage companies to join into clusters, is also continued.
	The programme <i>BSR Stars</i> and the project <i>StarDust</i> , aimed at the development of innovation, clusters and networks of SMEs, are under implementation.	The plan is to draw up a final project report and renew the programme <i>BSR Stars</i> as well as continue the initiative <i>BONUS</i> and a call for proposals of <i>BSR Innovation Express</i> .
	In order to develop a mechanism for supporting pre-incubation and incubation activities of innovative companies, a draft scheme for promoting the establishment of young innovative companies was prepared.	The project <i>Technostartas</i> , submitted for assessment to the Lithuanian Business Support Agency, was prepared and included into the list of state projects. The project is funded under the measure <i>Inogeb LT-3</i> , the planned funding – up to LTL 5 million. The implementation of the project started in June 2013, the funding allocated amounted to LTL 4.6 million. The project will be implemented until Q 2 of 2015. The plan is to have 45 new technology companies established following the implementation of the project. The project will contribute to successful introduction into the market of new, high-value-added products, technologies and services.
Restructuring the electricity and gas sectors. Implementation of the Third EU Energy Package	On 7 March 2012, the Government decided to separate from legal, functional and organizational point of view the activity of natural gas transmission of the public company Public Company “Lietuvos Dujos“ by 31 July 2013, and the activity of natural gas distribution – by 31 October 2014.	
Increasing transparency in the public procurement system	Measures were taken to achieve more transparency and centralization in public procurement	The list of goods, services and works which are purchased in a centralized manner was supplemented and is regularly expanded. Currently it is possible to purchase using the e-catalogue of the central purchasing body CPO LT: medicine, office supplies, computer hardware and office equipment, mobile phones, mobile communications, fuel at petrol stations, fuel in containers, electricity, modernization of buildings with designs, modernization of buildings without designs, technical supervision of the construction process, energy certificates, investment plans and services of expert examination of a technical project. The law amending the Law on Public Procurement adopted in 2013 provides that as from

		<p>1 January 2014 contracting authorities, except for diplomatic representations and consular institutions of Lithuania abroad and representations of Lithuania under international organizations, are obligated to acquire goods, services and works from or through the central purchasing body when the goods, services and works offered in the catalogue of the central purchasing body meet the needs of the contracting authority or the contracting authority cannot purchase them in a more efficient way rationally using funds allocated to that purpose.</p> <p>Provisionally, in 2013, the centralized procurement accounted for 9.7 percent of the total value of public procurement while the electronic public procurement accounted for about 90 percent of the value of all published procurement.</p> <p>The law amending the Law on Public Procurement adopted in 2013 provides for an additional measure to ensure more transparency in the public procurement system: the contracting authority was obligated to publish a concluded procurement contract, the successful tender and subsequent amendments to the procurement contract. This requirement applies to all procurement, except for orally awarded procurement agreements.</p>
Consolidation of research and higher education establishments, improvement of quality of studies	<u>National Programme of Studies for 2007–2013</u>	In the course of performance of the ESF-funded projects, 173 programmes of studies based on the results of studies were updated or newly prepared. The plan is to update or newly prepare about 78 programmes of studies by the autumn of 2015. In 2010–2012, the allocated funding amounted to LTL 488.17 million.
	<u>Life-long Learning Ensurance Strategy for 2008–2014</u>	Lithuanian higher schools implement 5 EU-funded projects in the framework of which a system for formalization of competences acquired non-formally, and implementation thereof, is developed in 28 Lithuanian higher schools (staff will be trained to be able to assess competences acquired non-formally, methodology will be prepared for that purpose, the plan is to assess and recognize competences of more than 400 adults). The implementation of the activities of these projects is to be completed by spring 2014. A draft action plan for life-long learning for 2013–2015 was drawn up. The funding allocated in 2010–2012 amounted to LTL 5.52 million.
	The Programme for Ensurance of Operation and Development of the Computer Network <i>LITNET</i> of Lithuania's Research and Higher Education Establishments for 2012–2016, <i>LITNET-3</i>	The LITNET action plan 2012 is implemented.
	The Programme for Lithuania's Virtual University for 2007–2012 (has been implemented). On 12 December 2012, the Programme for Development of the Information Infrastructure of Lithuania's Research and Higher Education for 2013-2016 – a continuation of the Programme for Lithuania's Virtual University – was approved	The institutions conducting activities were allocated state budget funds on the basis of contracts and the order in the amount of LTL 1.883 million. The informatikon system of the Lithuanian academic electronic library (hereinafter, eLABa) is used by 47 Lithuania's research and higher education establishments; the developed Lithuanian electronic learning infrastructure ensures e-learning infrastructure in 28 different institutions; Lithuania's research and higher education information system/Research and higher education information system of institutions (LieMSIS/IMSSIS) is implemented in 15 higher schools.
	<u>The Programme for Development of Lithuania's Information Society for 2011–2019</u>	Draft guidelines for teaching information science and information technologies for 2014–2020 were prepared and submitted for consideration to the General Education Council.

		A primary draft action plan for integration of information and communication technologies into general education and vocational training for 2014-2016 was drawn up and published on the website of the Ministry of Education and Science.
	Programme for Promoting Internationalization of Higher Education	The funding was allocated for preparation and implementation of 17 joint programmes of studies (EU support funds). 16 contracts and 3 fund allocation orders for Lithuanian higher schools were signed, according to them support is allocated to finance visits of lecturers from abroad to Lithuanian higher schools. By implementing a decentralized model of evaluation and recognition of foreign qualifications in Lithuania and an ESF-funded project (KAPRIS), the publication <i>Recognition of Foreign Qualifications</i> was prepared. The website <i>Study in LT</i> is under development. Funding was allocated to 3 EU-funded projects for enhancing the activities of the Lithuanian language (the Baltic languages) centres in foreign countries. 6 state scholarships of Lithuania named after Kazimieras Būga were allocated for citizens of foreign countries studying the Lithuanian language in higher schools of foreign countries. Support was allocated for 148 students of Lithuanian origin and expatriate students studying in Lithuania's higher schools (for the autumn semester of the 2012–2013 year of studies).
Promotion of employment	More detailed information on the implementation of employment policy measures is provided in this Annex under the target of increasing employment level.	
	<u>Programme for Development of the Resources of Practical Vocational Training</u> for 2010–2014	83 professions as well as programmes for improving technological competences of teachers and lecturers were prepared and accredited, 2 sectoral centres of practical training were officially opened in vocational training establishments; in all vocational training establishments, internal quality assurance mechanisms are implemented; the Modular Vocational Training Concept and the Methodology for Preparation of Modular Vocational Training Programmes were prepared; a study on the need of qualifications in the energy sector was carried out and the Energy Sector Professional Standard was developed. (In 2013, LTL 26 853.60 were allocated.)
Sustainability of public finances	Optimization of management of funds of the State Social Insurance Fund	As from 1 January 2014, the costs of maintenance of the Lithuanian Labour Exchange and its units are transferred to the state budget.
Fostering financial stability	The Rules for Assessment of Loans of Credit Unions were approved, the Regulations for Organization of Internal Control and Risk Assessment (Management) of Credit Unions were prepared	These legal acts of the Bank of Lithuania will make it possible to ensure the stability of the credit union sector by providing preconditions for quality assessment of the risk assumed and implementation of efficient risk management systems. All that will contribute to the development of the credit union sector and will help to avoid unbalanced risk.
	Preparedness to apply measures provided for in the Law on Financial Sustainability as well as compatibility of these measures with the state aid rules is maintained. Upon assessment of the situation in international and domestic financial markets, the validity of these measures was extended	The EC, taking into account the notification submitted by the Ministry of Finance, extended the validity of the measures supporting the banking sector of Lithuania until 30 June. The measure provides possibilities for the Government, if need be, to take measures fostering financial stability. As from 1 August 2013, new EU state aid rules came into effect limiting the risk of irresponsible behaviour by banks and strengthening market

	until 30 June 2013.	discipline by establishing mandatory conditions for bank shareholders and investors to share the burden in cases of application of measures enhancing financial stability and receive a EC authorisation for provision of state aid. If there is a need to apply measures strengthening financial stability, each planned case of such application will be notified to the EC also providing a restructuring plan. Measures enhancing financial stability will be applied only upon receipt of the EC authorization.
Main measures related to the implementation of the Flagship Initiatives		
<i>Innovation Union</i>	More detailed information on the measures implementing the initiative is provided in this Annex under the target of increasing investment into R&D.	
<i>Youth on the Move</i>	More detailed information on the measures implementing the initiative is provided in this Annex under the following targets: early young leavers of the education system, retention of the share of persons with higher education, increasing employment (national qualifications systems, integration of youth into the labour market) and under the commitments assumed under the Euro Plus Pact regarding promotion of competitiveness (improving the quality of training and education, increasing international attractiveness of higher education).	
<i>A digital agenda for Europe</i>	The Programme for Development of the Information Society of Lithuania for 2011–2019	The quality of life of residents of Lithuania and the environment of operation of companies are improved using the possibilities afforded by information and communication technologies. It is sought to ensure that by 2019 not less than 85 percent of residents of Lithuania use the internet.
<i>Resource efficient Europe</i>	Comprehensive development of organic public transport	In 2013, 30 organic public transport vehicles (buses using gas) were purchased.
<i>An industrial policy for the globalisation era</i>	More detailed information on the measures implementing the initiative is provided in this Annex under the obligation of the Euro Plus Pact to increase competitiveness (improvement of business environment, reduction of administrative burden) and under the target of increasing investment into R&D (intellectual property).	
<i>An agenda for new skills and jobs</i>	More detailed information on the measures implementing the initiative is provided in this Annex under the target: increasing the employment level.	
<i>European platform against poverty</i>	More detailed information on the measures implementing the initiative is provided in this Annex under the targets: increasing the employment level and reducing poverty and social exclusion.	

Main obligations of the NRP for the next 12 months	Main measures provided for	Impact of the measures (qualitative and/or quantitative)
Objectives of the Europe 2020 Strategy		
Increasing employment rate in the group of 20-64 year old persons	<p>To implement the inter-institutional action plan (approved on 26 February 2014) for the Employment Enhancement Development Programme 2014-2020. The intention is to expand labour market monitoring. Also, by creating a map of the need of long-term qualifications in the course of cooperation of competent institutions (under continuation).</p> <p>It is hoped that the Seimas will approve a draft Law on Supporting Employment drawn up in 2013 amending the implementation of vocational training, improving the measure of subsidized employment and introducing a new active labour market policy measure intended for youth (acquisition of professional skills under bilateral agreements).</p>	<p>The plan comprises the objectives of the Employment Enhancement Development Programme: creation of jobs and promotion of labour demand; increasing the conformity of labour force qualifications with the needs of the labour market; integration of free labour resources into the labour market.</p> <p>The measures of the plan are in conformity with the provisions of the state progress strategy Lithuanian Progress Strategy <i>Lithuania 2030</i>, which was approved by Resolution No XI-2015 of the Seimas dated 15 May 2012 Regarding approval of the state progress strategy Lithuanian Progress Strategy <i>Lithuania 2030</i>, and the provisions of Objective 1.1 Promoting life-long learning under Priority 1 Education of the society, science and culture, Priority 2 Active society acting in solidarity, and Priority 3 Environment favourable to economic growth of the National Progress Programme 2014–2020, which was approved by Resolution No 1482 of the Government dated 28 November 2012 Regarding approval of the National Progress Programme 2014–2020. The results of the implementation of the plan will contribute to achieving the country’s progress assessment indicators provided for in the said strategic documents.</p> <p>The intention is to make the current legal regulation related to supporting employment more specific, define and make more specific the concepts used in this sector, and supplement the Law on Supporting Employment of the Republic of Lithuania with safeguards to ensure that employers do not abuse subsidies of the supported employment measures and that funds intended for vocational training and self-employment are used in a more targeted and efficient manner. It is also sought to encourage employers to take part, more actively, in the vocational training measure making it more attractive and to introduce the conclusion of bilateral agreements aimed at assisting youth to acquire labour skills.</p>
Increasing investment into R&D	In order to implement the mechanisms for development of innovative economy, in 2014 support will be provided under the Green Industry Innovation Programme funded by the Norwegian Financial Mechanism 2009–2014. The purpose of this Programme is increasing competitiveness of green enterprises, including greening of existing industries, green innovation and green entrepreneurship.. The total value of support – LTL 28.7 million. In 2014, the plan is to announce a supplementary call for applications under the Partnership Projects Scheme of the Green Industry Innovation	As in 2013, there continues the implementation of projects during which innovative green products and new environmental technologies will be created as well as the implementation of environmental technologies in companies will grow.

	<p>Programme.</p> <p>The creation of the package of measures increasing the demand for innovation (innovative public procurement, pre-commercial procurement) was commenced in 2013. It is planned to draft legislation or existing legislation amendments required for the implementation of innovation measures (innovative public procurement, pre-commercial procurement) in 2014.</p>	<p>It is provided for to draft legislation or its amendments required for the implementation of pre-commercial (promoting public institutions to purchase R&D services) and innovative public procurement and other measures increasing the demand to promote the development and / or placing on the market and purchasing innovative products and services for the solution of socio-economic problems relevant to the public.</p>
GHG emission restriction	<p>In 2014, funds under the Special Programme for Climate Change will be further used to finance projects in the following directions: to increase the efficiency of energy consumption and production and promotion of the use of renewable energy resources and eco-friendly technologies, including the implementation of efficient energy production by cogeneration.</p>	<p>In accordance with the 2014 estimate for the use of the Special Climate Change Programme funds approved by Order No D1-118 of the Minister of Environment of the Republic of Lithuania of 7 February 2014, LTL 74.47 million are provided for the measures to increase the efficiency of energy consumption, LTL 54.38 million – for the installation of renewable energy sources. In accordance with the detailed 2014 estimate for the use of the Special Climate Change Programme funds approved by Order No D1-286 of the Minister of Environment of the Republic of Lithuania of 17 March 2014, it is planned to fund the following measures increasing the consumption efficiency: renovation of public buildings and multi-apartment buildings by reducing energy consumption expenses by at least 40 percent (LTL 71 million); renovation (modernization) of single or two-apartment individual residential houses of natural persons by achieving class C energy efficiency and decreasing energy consumption costs by at least 20 percent (LTL 3.5 million).</p> <p>Also it is planned to fund the following measures of installation of renewable energy sources: use of renewable energy sources (solar, wind, thermal energy, etc., except for biofuel) in public and residential buildings (for persons of different social groups) (LTL 20 million); installation of biofuel boilers by replacing the worn out boilers with new ones (LTL 7 million); use of renewable energy sources (solar, wind, thermal energy, etc.) in individual residential houses (LTL 3 million); modernization of the production of biofuel from logging waste by reimbursing the acquisition of equipment for biofuel production (LTL 6 million); and the development of inland public transport and infrastructure by reducing passenger car traffic (LTL 300 thousand). After the implementation of the said measures increasing the consumption efficiency, GHG emissions could be preliminary reduced from 0.08 to 1.15 million t of CO₂ e, and after the installation of the renewable energy sources - from 0.06 to 0.1 million t of CO₂ e.</p>
Use of renewable energy resources	National Renewable Energy Sources Development Programme	<p>The National Renewable Energy Development Programme sets the directions of national energy policy for the renewable energy sector. The program aims to set national planned indicators of consumption of energy generated from renewable sources in the sectors of electricity, heat energy and transport, and appropriate measures to achieve these targets. National planned indicators are set for 2013–2014, 2015–2016, 2017–2018 and 2019–2020.</p>
	Inter-institutional action plan of the National Renewable Energy Sources Development Programme	<p>The National Renewable Energy Sources Development Programme is implemented by executing Inter-institutional action plan of the National Renewable Energy Sources Development Programme.</p>

Reduction of final energy consumption	Special Programme for Climate Change	In 2014, a total of approx. LTL 74.47 million under the Special Programme for Climate Change is provided for the projects in the direction of funding the increase of the efficiency of energy use and production. Renovation (modernization) projects of public and residential (different social groups) buildings, and multi-apartment buildings by reducing energy consumption expenses by at least 40 percent will be funded.
	Programme for the Renovation (Modernisation) of Multi-Apartment Buildings	In 2014, when renovating (modernising) multi-apartment buildings, their estimated heat energy costs are planned to be reduced by about 70 GWh per year.
	The plans are to continue the renovation of public purpose buildings.	In 2014, it is planned to implement 5 pilot renovation projects of the central government buildings.
	Establishment of a system of obligations	Draft of the Law on Energy Efficiency and drafts laws amending the related branch Laws on Energy, Electricity, Heat and Natural Gas entrenching the establishment of the Energy Efficiency Obligation Scheme are planned to be adopted in 2014. The Obligation scheme will set the obligated parties, which will have to ensure the annual savings of about 1.5% of the final energy supplied to end-users.
Reduction of the number of early school leavers (with a basic education and not enrolled in training) aged 18-24	In 2013, the statistical analysis of the Lithuanian language and literature school graduation examination was carried out, and the plans are to prepare the assessment norms for 2014, based on the results of this analysis, by providing for different assessment in terms of literacy and style for students from minority-language schools.	
Retention of the percentage of people of 30-34 years of age having higher or equivalent education	Enrolment in higher education institutions. The description of the procedure for ranking of the best graduates, under which state-funded places in level I and integrated studies and study scholarships are distributed to entrants when selecting the studies during the competitive general enrolment procedure will be approved for 2015. The preliminary and actual numbers of state-funded places in higher education institutions in 2013 will be planned and approved in order to maintain the same accessibility (the indicator to be achieved).	
	Assurance of the quality of studies. External assessment will be carried out in 95% of higher education institutions.	
Residents who are at the risk of poverty/ suffering from severe material deprivation/ living in households with very low work intensity	In 2013, it is planned to prepare a Social Inclusion Action Plan for 2014–2020. The Action Plan approved in 2014 is started to be implemented by involving as more as possible interested participants.	The action plan for <i>Increasing Social Inclusion 2014–2020</i> (hereinafter – the Inclusion Plan) was approved by Order No. A1-588 of the Minister of Social Security and Labour of 22 October 2013 the main focus of which is to strengthen the prevention of child and youth poverty and social exclusion, to give all children equal opportunities for healthy growth and integral development, and to encourage families with children and young people to fully participate in the labour market.
	Cultural activity projects intended for social groups, large families, senior citizens, children, and youth will be further	

	continued.	
Priorities of the Annual Growth Survey		
To pursue differentiated, growth-friendly fiscal consolidation	<p>Budget appropriations are planned by 1 percentage point lower for 2014 than the government deficit expected in 2013.</p> <p>R&D investments. Detailed information is provided in this Annex by the target: Raising the R&D investment levels.</p> <p>Energy sector investments. More detailed information is provided in Annex No. 2 (Recommendation 6) and in this Annex by the targets: Use of renewable energy sources and reduction of final energy consumption.</p> <p>Measures increasing the efficiency of labour market policy. More detailed information is provided in this Annex by the target: Raising the employment rate in the 20-64 age group and in Annex No. 2.</p>	
To restore normal lending to the economy	It will be further sought to increase access of small and medium-sized business entities to external sources of funding.	
To promote growth and competitiveness	More detailed information about the priority implementation measures is provided in this Annex by the Euro-plus commitment to foster competitiveness and raise the R&D investment levels.	
To tackle unemployment and the social consequences of the crisis	More detailed information about the priority implementation measures is provided in this Annex by the following targets: Raising the employment rate, Reduction of poverty and social exclusion.	
To modernise public administration	<p>Public procurement.</p> <p>Upon entry into force of the new Public Procurement Directives, their provisions will be implemented in the national law (the indicative implementation period - the beginning of 2016).</p> <p>The project <i>Developement of the Electronic Service "E-Invoicing"</i> is aimed at developing and installing an information system, the functionality of which would ensure the provision of the electronic service E-Invoicing, in 2014.</p> <p>The National Strategy for Transition to End-to-end E-Procurement is planned to start preparing in 2014.</p> <p>It is planned to draft the amendments to the legislation by entrenching the obligation to submit for the specified contracting authorities in the determined public procurement electronic invoices only in Q 2 of 2015.</p>	

	<p>It is planned to draft amendments to the legislation by entrenching the obligation for contracting authorities to transmit contract notices of procurement above public procurement directives thresholds, contract documents, correspondence, receive suppliers tenders by electronic means only in Q 4 of 2015.</p>	
	<p>Further continued implementation of public administration digitalisation projects.</p>	
Euro-plus pact commitments		
Fostering competitiveness	<p>With a view to implement innovative economy development mechanisms, in 2009-2014, support will be further provided under the Green Industry Innovation Programme funded by the Norwegian Financial Mechanism.</p> <p>Entrepreneurship education and training. Entrepreneurship should be considered one of the key competencies, and theoretical and practical entrepreneurship training should be included into the primary, basic, vocational, higher education and adult study programmes by 2015.</p> <p>Improvement of the business environment. Efforts are made to promote start-ups and the creation of new businesses, to make business handovers more successful, to improve access of the business to finances, and to give the second chance to honest entrepreneurs after a bankruptcy.</p> <p>Mentoring, assistance and support schemes for the target groups. They encompass important measures that would promote entrepreneurship among young people, women, senior citizens, migrants, and the unemployed.</p>	<p>This programme is aimed at increasing the competitiveness of companies operating in the green products and services market, including companies in the traditional industry; and promoting the creation and implementation of green innovations as well as entrepreneurship. The total value of the programme: EUR 9.4 million.</p> <p>A positive impact on the promotion of entrepreneurship and training, business environment, and the promotion of entrepreneurship of the target groups.</p>
	<p>The programme for the competitiveness of companies and small and medium-sized companies for 2014–2020 will be established for the period of 1 January 2014 - 31 December 2020.</p> <p>The Programme is focused on the fostering of competitiveness and promotion of SME establishment and entrepreneurship (Erasmus programme for young entrepreneurs, entrepreneurship training, and promotion of entrepreneurship of particular target groups).</p> <p>It is also sought to improve the possibilities of SME to receive funding, promote venture capital investments through financial instruments and improve the conditions of SME to penetrate into international markets.</p>	<p>The projected impact of the programme within the period of one year:</p> <ol style="list-style-type: none"> 1. Increase of EUR 1.1 billion in the EU GDP. 2. Thousands of jobs created and retained. 3. Additional loans and investments totalling EUR 3.5 billion in EU companies. 4. 39,000 partnership agreements between companies in the EU. 5. Thousands of new business products and services. <p>The projections are that the Programme will have a positive impact on Lithuania's economy, competitiveness, public finances, and the situation of SMEs.</p>

	The budget of the Programme: EUR 2.5 bn. Human Resource Development Operational Programme, Economic Growth Operational Programme, and Cohesion Promotion Operational Programme.	It is sought to provide the formal and non-formal training services of the highest quality, to expand non-formal education services. Earmarked funds: LTL 312.92 million.
Fostering employment	More detailed information about the planned measures for the implementation of the commitment is provided in this Annex by the Europe 2020 Strategy target: Raising the employment rate	
Sustainability of the public finances	Information about the planned measures will be provided in Lithuania's Convergence Programme 2014	
	Improvement of management of health care system	To achieve effective functioning of the national health care system, the next stage of the plan for the development of health system and hospital network consolidation is planned to be prepared and implemented in 2014.
Reinforcing financial stability	Implementation of macro-prudential policy. The plans for 2014 are to approve the amendments to the Law on the Bank of Lithuania (in the spring session of the Seimas), under which the Bank of Lithuania will be authorized to form and implement macro-prudential policy in Lithuania.	The Bank of Lithuania, when forming and implementing macro-prudential policy, will apply the macro-prudential policy measures provided in the legislation and necessary for the achievement of the objective of the macro-prudential policy formed and implemented by the Bank of Lithuania and setting requirements for the financial system or individual financial institutions in order to prevent or reduce any threat arising to the stability of the country's financial system.
	Further development of measures reinforcing financial stability. In 2014, the provisions of the EU Capital Requirements Directive (CRD IV) are planned to be transposed into the national law. The Bank of Lithuania also plans to continue to cooperate actively with the European Systemic Risk Board in developing, implementing and coordinating at the EU level macro-prudential policy measures.	The transposition of provisions of the CRD IV into the national law will extend the range of implementation measures of macro-prudential policy managed/administered by the Bank of Lithuania. This, along with the powers of formation and execution of macro-prudential policy in Lithuania conferred on the Bank of Lithuania, will allow the Bank of Lithuania to actively pursue the formation of macro-prudential policies and apply measures reinforcing financial stability. The consistent application of provisions of the CRD IV transposed into national law and directly applicable provisions of the related Regulation (CRR) in all EU Member States will facilitate the coordination of macro-prudential policy across the EU. The implementation of macro-prudential policy by applying unified pro-cyclical management standards will allow to successfully regulate imbalances in the financial sector dealing with systemic risk during the periods of economic boom and economic downturn.
	Further development of the measures reinforcing financial stability. The plans for 2014 are to adopt the Law amending the Law on Credit Unions that will enhance the stability of credit union operations.	After the adoption of the law, the credit union capital and management will be strengthened, the requirements for underwriting restrictions will be established, the powers of the supervisory authority will be strengthened, and the administrative burden on credit unions by simplifying licensing procedures and requirements for the disclosure of information, etc. will be reduced.
Commitments under the Flagship Initiatives		
<i>Innovation Union</i>	See Chapter 5.3.1	

<i>Youth on the Move</i>	See Chapter. 5.3.2	
<i>A digital agenda for Europe</i>	See Chapter. 5.3.3	
<i>Resource Efficient Europe</i>	See Chapter 5.3.4	
<i>An Industrial Policy for the Globalisation Era</i>	See Chapter. 5.3.5	
<i>An Agenda for New Skills and Jobs</i>	See Chapter. 5.3.6	
<i>European Platform Against Poverty</i>	See Chapter 5.3.7	

* Order No. A1-588 of the Minister of Social Security and Labour of 22 October 2013 *On The Approval of Action Plan for Increasing Social Inclusion 2014 - 2020*