



Lithuania: National Reform Programme 2013

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2013



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I. GENERAL PROVISIONS

The National Reform Programme 2013 was updated taking into consideration the annual European Union's economic policy coordination cycle, the so-called European Semester. The National Reform Programme 2013 summarizes the main structural reforms that are being implemented or that are planned to be implemented in the effort to achieve the quantitative targets of the Europe 2020 Strategy. These include the following: to implement the Council Recommendation on the National Reform Programme 2012 of Lithuania and delivering a Council opinion on the updated convergence programme of Lithuania, 2012–2015, 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 on 15 May 2012. When planning new measures in the field of structural reforms, the evaluated proposals of the European Commission to the EU Member States are provided in the Annual Growth Survey 2013.

The structure and format of the updated National Reform Programme 2013 have been drafted according to the guidelines published by the European Commission on 14 January 2013. The National Reform Programme 2013 is supplemented with three annexes: Annex No. 1 lists current national quantitative targets 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 key commitments undertaken by Lithuania under the Euro Plus Pact, Annual Growth Survey and flagship initiatives, and 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 states in 2011 to continue to promote competitiveness, increase employment and ensure the 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 include increasing employment and investments into R&D, energy and climate change, social inclusion and education.

In the Annual Growth Survey 2013, the European Commission 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 third European Semester of economic governance. The Commission's opinion is that 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 the social consequences of the crisis; and to modernise public administration.

Having regard to the priorities outlined in the Europe 2020 Strategy and the activity priorities established in the Lithuanian progress strategy *Lithuania 2030* as well as the Programme of the Government of the Republic of Lithuania 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, preparation for the new multi-annual financial framework 2014 - 2020 of the European Union, education reform, creation of electricity and gas markets. In the mid-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 scientific research and innovation. EU assistance will be of high importance in successfully achieving the goals of these reforms.

The National Reform Programme 2013 was being prepared at the same time as the 2013 Convergence Programme of Lithuania and is in line with the strategic programme documents of the Government of the Republic of Lithuania. Ensurance of sustained macroeconomic stability remains the guiding principle in planning the structural reforms in the near- and mid-term.

The National Reform Programme 2013 has been prepared by an inter-institutional working group comprising representatives of the 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 during the preparation process of the National Reform Programme 2013.

II. MACROECONOMIC PERSPECTIVES

Despite the fact that many EU countries were faced with economic growth problems, the Lithuanian economy is one of the fastest growing in the EU. According to the data provided by the Department of Statistics of Lithuania, in 2012 the GDP grew by 3.6 percent (at current prices) in Lithuania. The GDP growth was mostly influenced by the growth of industrial (4.3 percent), agricultural (8.6 percent) and services (3.7 percent) sectors. Negative changes remained only in construction activities (minus 2.9 percent). Just like in 2011, the most important driver of economic growth was export. According to the data provided by the Department of Statistics of Lithuania, the export growth accounted for 14.5 percent (as compared to 2011).

According to preliminary data, the unemployment rate decreased by 2 percentage points in 2012 reaching 13.2 percent. The growth of industrial and service sector as well as labour market reforms implemented in the country had a positive impact on employment growth. Employment in the country is expected to continue to increase because of economic growth and on-going structural reforms.

It is planned that in 2013 the prospects for the EU's economic growth will remain sluggish, however, the economy management policy carried out by the European Central Bank and the EU Member States suggests that favourable conditions for the growth of the Lithuania's economy will continue to form in 2013–2015.

Information on the mid-term central economy development scenario and the mid-term goal of government finances is presented in the 2013 Convergence Programme of Lithuania.

III. IMPLEMENTATION OF RECOMMENDATIONS OF THE COUNCIL OF THE EUROPEAN UNION FOR LITHUANIA

The European Commission has carried out a comprehensive analysis of the Lithuania's economic policy and issued its recommendations for economic policy and structural reforms for the period 2012–2013. Recommendations were accepted in the meeting of the European Council held on 28-29 June 2012.

When preparing the recommendations, the European Commission assessed Lithuania's 2012 National Reform Programme and its Convergence programme for 2012. Not only the importance of these documents for sustainable fiscal and social as well as economic Lithuanian policy was evaluated, but also the compliance with the rules and guidelines of the European Union were considered, since by contributing to the future national decisions through the use of the European Union measures it is necessary to strengthen the overall economic governance of the European Union.

6 recommendations were provided to Lithuania, just like it was done in 2011. Most of the recommendations remained essentially the same. There no longer is a separate recommendation for the improvement of business environment; a greater focus is placed on the reduction of poverty and social exclusion as well as on fostering employment.

In the opinion of the European Commission, in 2011–2012 the least progress was made in improving the flexibility of labour relations, performing the renovation of multi-apartment buildings and reorienting the tax system to taxes associated with energy consumption (for example, transport). The greatest progress was made in improving the business environment. Recommendations remained the same even in those areas where a significant progress has been achieved, for example, recommendation for fiscal consolidation or state-owned enterprise reform. This allows for the ensurance of the further continuity of reforms.

3.1. Reduction of the Excessive Budget

Recommendation 1:

Ensure planned progress towards the timely correction of the excessive deficit. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, while minimizing cuts in growth-enhancing expenditure. In that respect, review and consider increasing those taxes that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while reinforcing tax compliance. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.

Ensure planned progress towards the timely correction of the excessive deficit. To this end, fully implement the budget for the year 2012 and achieve structural adjustment effort specified in the Council recommendation under the excessive deficit procedure.

In the effort to implement the recommendation of the Council with regard to the excessive deficit procedure, Lithuania has been reducing the deficit of the governmental sector from 5.5% of GDP in 2011 to, according to preliminary estimates, 3.2% of GDP in 2012.

Thereafter, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark while minimizing cuts in growth-enhancing expenditure.

In order for the deficit of the governmental sector to remain below 2.5 percent of GDP in 2013 (in compliance with the provision established in the Stability and Growth Pact to reduce the deficit by at least 0.5 percent of the GDP annually), the state budget assignments planned for 2013 are no higher than those of 2012 (except for certain areas for which the state spending will grow: debt management – about LTL 148 million, contributions to the EU budget – LTL 138 million and the Lithuanian presidency of the EU – LTL 136 million) less the funds of programmes completed in 2012. In order to provide for additional LTL 61.8 million in the state budgetary expenses for the increase of minimum monthly wages, the assignments were reduced in the budget for the year 2013 so that the overall increase in state budgetary expenses would be in line with the requirements set in the Law on Fiscal Discipline.

Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.

In 2012, the fiscal framework was reinforced by supplementing the Law on Budget Structure establishing that the draft state budget for certain years and the draft of financial indicators of municipal budgets can deviate from the consolidated entirety of planned indicators of the state budget and municipal budgets approved by the Seimas for three budgetary years only when the government submits to the Seimas a written explanation on how the changes made reflect new economic policy priorities.

The budget for 2013 was approved taking into consideration the limitation of expenditures enforced in the Law on Fiscal Discipline and the obligation to strive for a balanced governmental sector in the medium term established in the Stability and Growth Pact.

The Convergence Programme 2013 lists the medium-term deficit tasks and structural measures allowing for the completion of those tasks.

As from 1 December 2013 the excise duties on diesel fuel were increased from LTL 1.043 to LTL 1.140 for 1.000 litres of product (obligatory in accordance with the provisions of the Council Directive 2004/74/EC of 29 April 2004 amending Directive 2003/96/EC as regards the possibility for certain Member States to apply, in respect of energy products and electricity, temporary exemptions or reductions in the levels of taxation). As from 1 March 2013 the excise duties on cigarettes were increased by increasing the specific element from LTL 140 (EUR 40,6) to LTL 148 (EUR 42,86) per 1.000 cigarettes at the same time establishing the minimum combined rate of excise duty of at least LTL 244 for 1.000 cigarettes (it previously was no less than LTL 232),

also, the excise duty for cigars and cigarillos was increased proportionally from 84 LTL/kg to 88 LTL/kg.

In that respect, review and consider increasing those taxes that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while reinforcing tax compliance.

It is planned to change the taxation in the light of results of the complex review of the taxation system to be performed by the working group set up by the Decree of the Prime Minister of 16 January 2013 for the preparation of offers for reformation of the Lithuanian taxation system. The above working group shall by 30 April 2013 submit to the Government of the Republic of Lithuania the appropriate conclusions and offers on the taxation of working income and of small and medium business, also, on VAT rates for the necessary food products as well as to provide other offers for the reformation of the taxation system in the areas of the reduction of the number of taxes and tax administration burden, tax progressivity, amounts of separate tax rates, etc. by 30 June 2013. The offers with regard to the reformation of the taxation system shall be well-balanced so that the implementation thereof would not lead to the increase in the deficit of the governmental sector.

For the ensurance of the fulfilment of tax obligations, amendments to the Law on Tax Administration of the Republic of Lithuania were adopted (effective as from 1 January 2013), which established an obligation on tax payers at-risk to temporarily (up to one year) make non-cash settlements only (for instance, the State Tax Inspectorate could impose these restrictions on a company, which was punished for fraudulent or negligent accounting, payment of “envelope salaries”, legalization of illegally obtained money and property and other violations). Moreover, as from 1 January 2013 the citizens of Lithuania have been obliged to inform a tax administrator about significant settlements in cash in the amount of more than LTL 50.000; the above amendments allow a tax administrator to independently establish a tax liability on the basis of the previously-known data in case a tax payer fails to submit a tax declaration for the current period in a timely manner.

The State Tax Inspectorate plans to promote the awareness of taxpayers and their voluntary payment of taxes, change a favourable approach towards the evasion of taxes and shadow economy held by some tax payers, ensure a voluntary fulfilment of tax obligations in a correct and timely manner, also, reduce the tax evasion.

To this end, the State Tax Inspectorate approved the consolidated plan for measures ensuring the fulfilment of tax obligations of and tax collection from tax payers for 2013–2014, which provides for a greater focus on the evasion of the public to declare their income, register their activities and pay taxes, solution of issues of illegal activities, VAT-related offenses and unaccounted income.

Also, systematic preventive and control measures will be applied, targeted inspections in the most risky areas of economic activities will be performed.

Assessment of progress/ problems related thereto:

A progress was made in reducing the deficit of the governmental sector, since, according to the preliminary data, the deficit of the governmental sector dropped to 3.2% of GDP.

3.2. Implementation of a Comprehensive Pension System Reform

Recommendation 2:

Adopt legislation of a comprehensive pension system reform. Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures.

Adopt legislation of a comprehensive pension system reform. Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes.

A comprehensive pension system reform is being implemented following the reform guidelines adopted by the Seimas of the Republic of Lithuania and the plan for the measures for the implementation thereof approved by the Government.

Pension system reform measures:

In November 2012 the Seimas adopted legislative amendments in accordance with which a new procedure for pension funding arrangements will come into effect as of 1 January 2014, providing for a possibility for a participant to make an additional contribution from his/ her own funds (from his/her salary) and receive an incentive payment from the state budget (calculated of the country's average monthly earnings (AME) amount). This procedure will apply to those participants who have signed agreements on supplementary savings as from 1 January 2013:

Table 1. Contributions to pension funds

Year	Contribution made by Sodra, in %	Contribution made from person funds (of the insured income of a person), in %.	Incentive payment from the state budget (of the AME amount), in %.
2013	2.5	-	-
2014	2	1	1
2016	2	2	2
2020	3.5	2	2

The existing participants in pension accumulation can decide on the conditions under which they want to continue their participation in savings:

- 1) to save only the part of social insurance, as they have been doing up until now (this option does not require to undertake any actions);
- 2) to submit a consent to a pension accumulation company to transfer an additional pension contribution when an incentive payment is received from the state budget;
- 3) to submit a request to stop transfers to the pension fund.

The term for the submission of a consent and request provided for in paragraphs 2 and 3 is of limited duration and will last from 1 April 2013 to 1 September 2013.

Also, the administrative fees applied to pension funds were reduced on 13 November 2012 by the amendments to the Law on Pension Funds:

in 2013 – 2 percent, in 2014 – 1.5 percent, in 2015 – 1 percent, in 2016 – 0.5 percent, as from 2017 – 0 percent.

As from 2013, the maximum deduction from property is 0.65 percent in conservative investment pension funds and 1 percent in other pension funds.

Measures implemented under the pension reform:

In 2012, a research “Analysis of the method for pension calculation and the concept of the state pension reform” was conducted and the recommendations of researchers on the following issues were presented:

- On the change of the method for calculation of state social insurance pensions in order to achieve that the amount of state social insurance pensions is more related to the contributions paid by a person;
- On the state pension system reforms.

The following recommendations were made on the method for the calculation of pensions:

- To distinguish the basic pension, which performs the function of support, from the part of pensions based on social insurance contributions. It is recommended that the basic pension is differentiated depending on the amount of contributions (social insurance and pension accumulation) saved by persons. The basic pension is proposed to be financed by general taxation. When financing the basic pension by general taxation, it is recommended that the amount of taxation of labour force (the social insurance contribution rate) is reviewed;
- It is proposed that the social insurance pension indexation mechanism is established: the part of social insurance pension related to contributions is proposed to be indexed in accordance with the average monthly earnings amount, while the amount of the basic pension – according to the consumer price index (research recommendation).

In the view of the research recommendations, the draft legislation is planned to be prepared in 2013. This schedule for the preparation of legal acts necessary for the implementation of the reform was also approved in the Action Plan of the Government for 2012-2016.

Other implemented measures:

The Law on the Structure of State Social Insurance Fund Budget provides for the fact that the interest for the loans granted to the state social insurance fund budget after 1 January 2014 will be covered from the funds of the state budget of the Republic of Lithuania, thus, such a decision will positively affect the balancing of the state social insurance fund budget and a smaller financial burden will be assumed.

The new provisions of the Law on State Social Insurance expanded the rights and functions of the State Social Insurance Fund Board (hereinafter referred to as the Fund Board), provided for a possibility to consult independent experts and experts of the relevant area of expertise when preparing the conclusions on the course of the State Social Insurance and pension system reform. Such a legal regulation is believed to allow for the Fund Board to more actively and efficiently engage in the process of the improvement of the state social insurance system, to analyse in greater detail the condition of the state social insurance system with the help of experts of relevant areas of expertise, as well as to influence the decisions made.

Align the statutory retirement age with life expectancy.

The statutory retirement age is not planned to be linked to life expectancy, because the pension age is gradually being increased in accordance with the schedule set forth in the Law on State Social Insurance Pensions.

Underpin pension reform with active ageing measures.

The Programme for the Development of Competencies of Employees Working in Social Service Agencies and Integral Assistance Development Program were approved in 2012 for the implementation of the National Strategy of Overcoming the Consequences of Ageing. When implementing the latter program, the pilot projects intended for elderly and disabled people were carried out in 21 municipalities, also, methodological assistance was being provided to family members looking after the disabled and elderly people. In 2012, the development of the medical rehabilitation services for elderly people as well as of ambulatory care services provided at home was carried out, dialogues with organizations representing elderly people were held, other activities were being implemented. It has to be noted that as from 1 January 2012 the state social insurance pensions were restored to the level of 2009, while in June 2012 the remaining unpaid state social insurance old-age and disability pensions were paid out to persons who were working during the period from 1995 to 2002 and received a reduced pension at that time.

Planned works:

- In 2013 legal acts on the state pension system reform and the change of the method for calculation of social insurance pensions by introducing clear pension indexation rules are planned to be prepared;
- In 2013 a common action plan for 2014–2015 for solving issues of ageing population and demographics is planned to be prepared. Also, it is planned that in 2014 a common strategic document for solving issues of ageing population and demographics will be developed;
- It is planned to start the regulation of the creation of the State Social Insurance Fund budget reserve in 2013 so as to better prepare for possible future financial crises and create a more sustainable state social insurance system.

Assessment of progress/ issues related thereto:

The procedure for funding the pension accumulation was changed providing for a possibility to transfer an additional contribution from the participant's own funds and receive an incentive payment from the state budget.

A progress was made when implementing the reorganization of the pension system.

3.3. Increasing Employment

Recommendation 3:

Tackle high unemployment, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements.

Tackle high unemployment, in particular among youth, low-skilled and long-term unemployed.

The unemployment among youth is being reduced by implementing the action plan approved by the Government of the Republic of Lithuania, the focus of which is placed on: 1) the development of working skills of young people with the help of education system; 2) support for young people starting their own business; 3) active labour market policy measures.

After reallocation of the EU structural funds for the increase of youth employment, additional amount of 100 million LTL was allocated for this purpose in 2012. A total amount dedicated for tackling high unemployment of youth accounted for LTL 188 million in 2012–2013.

In 2012 young people under the age of 25 accounted for 18.3 percent of all participants who were engaged in active labour market policy measures.

On 1 August 2012 the implementation of the project “Raising Youth Employment” was started. The goal of the project is to help qualified unemployed people to acquire the missing skills right in their work place. Employers are encouraged by subsidies to employ qualified young people (under 29 years of age), who do not have professional skills or who, because of being inexperienced, find it hard to compete with more experienced labour market participants. By hiring a young person an employer can receive a subsidy of up to 50 percent of the calculated earnings amount. The acquisition of professional skills in a workplace is supported for a period of up to 6 months. In 2012, more than 1.300 graduates, who first started working in the area of their acquired profession or occupation, made use of this incentive. Another measure under implementation, which helps to establish oneself in a labour market, is employment with subsidies, which had more than 2.400 participants in 2012.

In the implementation of the measure “Support for the First Job” as of 1 August 2012 the social insurance contribution benefit was replaced with a new form of support – reimbursement of part of a salary. In order to encourage employers to hire young people, a part of salary of 16 to 29 aged people for the first time employed as full-time employees working under employment agreements is compensated for. An employer gets a compensation of 23.3% of the calculated salary for a period of no longer than 12 months. The measure is planned to be implemented until September 2015.

Young people are among the target groups for a new entrepreneurship promotion measure titled Financial Engineering. Under this measure, loans (microcredits) are granted from the Entrepreneurship Promotion Fund. Young people have been granted more than 40% of loans. Persons that use loans from the Fund will be able to receive a compensation for 95% of interest paid. Moreover, these people receive subsidies for the compensation of the paid compulsory social insurance contributions. Not only does this project give an impetus for a new business, but also it provides an opportunity to study. A basket for education services in the amount of LTL 6.000 is provided for the first year of business with a possibility to receive an additional adequate support for business services for a “young” company operating for no longer than one year.

Initiatives allowing young people to implement their business ideas are supported. The provision of the services of consultations, information, business teachers (mentors), instructors (educating leaders) on the issues of business start-ups, financing and development is supported.

When implementing these measures, in 2012 youth unemployment decreased by 5.8% to 26.4%.

The problem of low-skilled and long-term unemployed is solved by involving them as much as possible into the active labour market policy measures. Long-term unemployed people accounted for 8% of people sent for trainings in 2012, 31% of people employed by subsidies and 35.6% of people employed to gain working skills. Moreover, long-term unemployed and low-skilled people are encouraged to take part in temporary employment projects and projects intended for working skills support. Long-term unemployed accounted for 54.5% of people employed to do public works in 2012.

Focus resources on active labour market policies and improve their efficiency.

As from 2009, active labour market policies (hereinafter – the ALMP) have been mostly financed by the European Social Fund. Due to the on-going public financial savings policy, the amounts of funding allocated for ALMP from state and SODRA budgets have been decreasing. Limited financial resources reduce the possibilities for increasing the scope of ALMP.

As from 2013, the efficiency of the ALMP has been increased in all local labour exchanges by implementing a result-oriented business model. The main result thereof is an employment. Through the application of a profiled service methodology the readiness of an unemployed person for labour market as well as his/ her motivation is assessed, an individual employment action plan is created, which, based on individual needs, provides for specific ALMP measures in order to increase the possibilities for employment.

As from the beginning of 2012, the Lithuanian Labour Exchange started the implementation of a new vocational training model for unemployed and those who have received a notice of dismissal. Only motivated persons willing to participate in labour market and meeting the requirements of vocational training programme are sent for trainings.

Vocational training is arranged taking into consideration the needs of a particular employer in order to help the unemployed to find employment or for those who have been given a notice of dismissal – to remain in their current workplaces. In such a case, a tripartite vocational training and employment agreement is signed by an unemployed person (warned about his/her the dismissal), an employer and local labour exchange.

Also, vocational training can be arranged for those willing to become self-employed, acquire or improve qualifications (or competencies) necessary for starting self-employment. In such a case an agreement on vocational training and self-employment is concluded by an unemployed person and local labour exchange.

Moreover, vocational training can be arranged with regard to the needs of the future labour market, based on the tendencies of job creation by economic sectors, identified in annual labour market forecasts conducted by the Lithuanian Labour Exchange, and the barometer of employability by occupations.

In such a case a vocational training agreement is concluded by an unemployed person (warned about his/ her dismissal) and a local labour exchange.

In all cases, vocational training services are provided by a vocational trainings provider selected by an unemployed person, with whom a training agreement is concluded. A local labour exchange office issues a training voucher to the unemployed person or employee who has been

given notice of dismissal, who have been referred to vocational training. The training voucher serves as a commitment of the labour exchange to pay to the chosen vocational training provider for vocational training services rendered according to the specified vocational training programme. A new vocational training model has significantly increased the efficiency of vocational training. In 2012, expenses incurred for vocational training for one participant decreased 2.8 times as compared to 2010. In the meanwhile, the employment after vocational training increased by 2.7 times during the same period (89% of the participants having attended a training program were employed in 2012 as compared to 32% in 2010).

Enhance the effectiveness of apprenticeship schemes.

Lithuania is also implementing the measures for strengthening a connection between educational and life-long learning systems and labour market needs, facilitating the transition from school to the world of labour by creating the models of high-quality training practice, apprenticeship and dual-learning in an educational institution along with gaining experience in a workplace.

The creation of models (systems) for arranging practice for students of undergraduate and integrated studies in companies and (or) non-profit organizations, including the trainings of tutors, improvement of their skills, development and installation of informational systems for internships, is worth mentioning here. The key objective is to improve the quality of internships and practical skills of students enabling the students to be more competitive in the labour market. Such student internships can be organized together with foreign partners. In Lithuania internship models are created and adapted in the context of the EU structural support funded projects.

In Lithuania vocational training can be organized in school and apprenticeship forms. When applying the apprenticeship form, a provider of vocational education concludes employment and vocational education agreements. Practical training of a person is organised in his/ her workplace, and theoretical education may be carried out in a vocational training establishment, following the conclusion of a vocational education agreement between the provider of vocational education, vocational education establishment and a student. Organizational form of apprenticeship vocational education is when trainings are carried out in a workplace: in a company, institution, organization, farmer's farm, with a freelance teacher. Theoretical education can be carried out in a vocational education establishment or other school.

In order to develop apprenticeship training forms and the arrangement of vocational training in real working conditions, a project financed from the European Social Fund (LTL 2.51 million) will be launched in 2013. Executor of the project will be the Vilnius Jerusalem Labour Market Training Centre, partners – Vilnius Žirmūnai Labour Market Training Centre, Klaipėda Labour Market Training Centre, Panevėžys Labour Market Training Centre and Šiauliai Labour Market Training Centre. In 2013–2014 during the implementation of the project 900 persons will be trained and recommendations for application of apprenticeship training form will be prepared.

Amend the labour legislation with regard to flexible working time arrangements.

Draft amendments to the Labour Code relating to the implementation of the recommendation have been prepared and are being approved by social partners.

On 30 June 2012, the amendment to the Labour Code, whereby the possibility to conclude a fixed-term employment agreement with an employee for newly created job places, if the work is of permanent nature, was extended until 31 July 2015, was adopted.

Planned works:

- Reduction of youth unemployment is included into the Government's list of priorities for 2013. A long-term youth employment program reflecting the implementation of provisions established in the European Commission's Youth Employment Package is planned to be prepared;
- The implementation of the programme for intensive long-term assistance for the unemployed and early school leavers aimed at increasing the motivation of socially vulnerable young people will be launched;
- The implementation of the National Youth Volunteering Program, which aims to provide a possibility to acquire competence, gain working skills, help to decide on further education or work, will be started;
- In order to improve the accessibility of vocational guidance and consulting services in local labour exchanges, 10 additional youth labour centres will be established to help young people to be better orientated in social environment and labour market, independently solve their employment issues;
- A Strategy for increased employment is planned to be prepared for 2014–2020, which would be especially focused on youth, long-term and low-skilled unemployed, persons distant from the labour market. The schemes for making people of older age and socially vulnerable people more active are planned to be prepared, also, cooperation with employers, providers of educational services and municipalities is planned in order to form and implement the employment policy. The possibilities for the consolidation of actions of state institutions, non-governmental organizations and other social partners in this area will be created;
- The possibility to review the entire Labour Code is being considered.

Assessment of progress/ problems related thereto:

- Efficient application of active labour market policy measures helped to stabilize and improve the situation in the labour market. According to the data of the Statistics Department, unemployment in Lithuania dropped down from 15.3% to 13.2% (when comparing the data of 2011 and 2012). Youth unemployment is also consistently declining – according to the data of the Statistics Department, the youth unemployment in Lithuania decreased from 32.2% to 26.4% (when comparing the data of 2011 and 2012). This improving result indicates that Lithuania is approaching the EU average, which was 10.5% for a total unemployment and 22.9% – for youth unemployment in 2012.
- The progress was made in reducing unemployment level, however, no significant decisions relating to labour market liberalization were made.
- When solving the issue of unemployment, it is necessary to improve the environment for business, self-employment and creation of new job places and to reinforce the measures promoting the transition from unofficial or undeclared work to legal employment.

3.4. Reduction of Poverty and Social Exclusion

Recommendation 4:

Increase work incentives and strengthen the links between the social assistance reform and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion.

Measures implemented include:

- Granting an additional social benefit upon employment. Persons raising children under 18 years of age will be granted a social benefit in the amount of 50 percent of the previously received social benefit paid for 6 months (in 3rd and 4th quarters of 2012 such benefit was granted to an average of 512 persons per month; expenses for paying the benefits amounted to LTL 277.7 thousand);

- The monitoring (effectiveness of the assistance, consultations, possible abuse cases) of the Law on Cash Social Assistance For the Poor Residents of the Republic of Lithuania implementing the reform will be ensured by visiting certain municipalities and providing methodological support on site. A mobile group of experts was formed on 20 June 2012 to conduct the monitoring of the provision of cash social assistance in a certain specific municipality, provide methodological assistance to specialists, visit the homes of the recipients of the social assistance and assess the effectiveness and expediency of the assistance during the period from June to December of 2012; 27 municipalities were consulted;

- Pilot projects transferring the provision of social assistance to 5 municipalities were conducted: in 2012 the project was carried out in 5 municipalities. In the implementation of an independent municipal function the provision of cash social assistance was successful in these municipalities, because of the achieved set goal – cash social assistance is more targeted, transparent and this leads to publicity and active community involvement, inter-institutional cooperation, more detailed individual case analysis, positive public approach and rational allocation of funds.

In 2012, in pilot municipalities the number of recipients of social benefits decreased by 13.6 percent (from 18 to 15.5 thousand) as compared to 2011, while expenses for the payment of social benefits fell by 20.1 percent (from LTL 47.7 to 38.1 million).

According to the data of the pilot municipalities, the funds unspent for the provision of support were used for the following purposes:

- Provision of additional social benefit to especially vulnerable groups of people;
- Implementation of social programmes carried out in municipalities, such as the programmes for the development of social security, reduction of poverty and social exclusion; children and youth socialization programmes; funding of education and training programmes; programme for passenger transport privileges, etc.

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

In order to integrate the recipients of social benefits into the labour market, the cooperation of local labour exchanges with municipalities has been promoted. The possibilities of information

systems for the ensurance of inter-institutional cooperation were expanded: through the access to the information system of the Ministry of Social Security and Labour SPIS the Lithuanian Labour Exchange receives data on the recipients of social benefits registered with local labour exchanges. The Labour Exchange gives priority to the integration of the recipients of social benefits into the labour market.

When applying the methodology of the profiled servicing of unemployed people, the labour exchange assesses the readiness of a recipient of social benefits for labour market, his/ her motivation and creates individual employment plans, which provide for specific active labour market policy measures to increase the employment opportunities. Social benefit recipients receive the services of vocational guidance and consultations, their motivation and adaptation to the challenges of participations in the society is developed, they are provided with the services of social, vocational rehabilitation and other services of inclusion activities.

In 2012, the Lithuanian Labour Exchange had a task to ensure that employed or involved into employment support measures recipients of social, unemployment and social insurance benefits would account for at least 25 percent of all the persons employed and involved into active labour market measures. The result achieved in 2012 was 35.8 percent of recipients of unemployment social insurance pay-outs and social benefits in the total number of persons employed and involved into active labour market measures.

Planned works:

- In 2013 pilot project in 5 municipalities will be continued;
- The meeting of the Government of the Republic of Lithuania of 23 January 2013 agreed to transfer the provision of social benefits to municipalities to be performed as an independent municipal function as from 1 January 2014;
- The monitoring and assessment of financial support reorganization with regard to the application of the same cash social assistance model to the poor residents in the country (in all municipalities) is planned to be continued in 2013;
- In order to increase the stimuli of the recipients of cash social assistance to integrate into the labour market, the Ministry of Social Security and Labour intends to submit to the Government its proposals for the improvement of legal regulation and payment of additional social benefit upon employment to recipients of assistance regardless of the fact whether or not they have children by the 1st quarter of 2013.

Assessment of progress/ issued related thereto:

- In 2012, as compared to 2011, expenses for payment of social benefits decreased by 2.1 percent in all 60 municipalities, while in 5 pilot municipalities these expenses were reduced by 20.1 percent;
- The number of recipients of social benefit has changed in all municipalities only very slightly (0.36 percent), in the meanwhile it went down by 13.6 percent in 5 pilot municipalities.

3.5. Implementation of the Reform of State –Owned Enterprises

Recommendation 5:

Implement all aspects of the reform package of state-owned enterprises and in particular ensure a separation of ownership and regulatory functions and a separation of commercial and non-commercial activities. Install appropriate monitoring tools to assess the effectiveness of the reforms and ensure compliance of all state-owned enterprises with the requirements of the reform.

When implementing the recommendation, the programme for the reform of state-owned enterprises for 2011–2012 has been executed:

On 6 June 2012 the Government approved the resolution “Regarding the Approval of the Description of the Implementation of State Property and Non-Property Rights of Ownership within State-Owned Enterprises” a Schedule of the Procedure for the Implementation of State Property and Non-Property Rights in State-Owned Enterprises (hereinafter – the Ownership guidelines). The Ownership guidelines establish three provisions for the management of state-owned enterprises (hereinafter – SOE): strong shareholder, strong management and clear goals. This schedule sets out the rules for representation of the country uniform to all state institutions, establishes the principles for the policy-making of certain industry sector and the separation of the functions of organization, coordination and control of the implementation thereof from the functions of state representation, the institutions implementing the rights and obligations of owners of state enterprises and managers of state-owned shares are commissioned to seek that corporate business objectives are set and the supervision of the implementation thereof is performed, also, that the corporate strategy is approved and reports on the implementation of the strategy are drawn up. Also, the schedule lays out the principles for the formation of management boards of directors of state-owned enterprises and the organization of their activities.

In order to ensure the monitoring and analysis of the implementation of the reform of state-owned enterprises, the PE State Property Fund was commissioned to carry out the functions of the Governance Management Coordination Centre as from 1 September 2012. The Governance Management Coordination Centre was entrusted to monitor and analyse financial and non-financial performance indicators of state-owned enterprises, submit proposals on how to increase operational efficiency of state-owned enterprises and prepare offers for the improvement of management governance policy of state-owned enterprises. The goal of the Governance Management Coordination Centre is to ensure the same high management standards in state-owned enterprises.

In the 4th quarter of 2012, the Management Coordination Centre prepared and submitted to the Government 3 reports on the cost of capital, goals and management boards of directors of state-owned enterprises.

Implementing the provisions of the Ownership guidelines and following the recommendations provided in the reports submitted by the Governance Management Coordination Centre, on 12 December 2012 the Government approved a required cost of capital target average return on equity of at least 5 percent for the period 2013-2015 for all SOEs engaged in commercial activities, except for forest enterprises. The aim is for all forest enterprises to earn the average of at least 97 million litas in net profits (after extraordinary tax deductions) annually during the period

2013–2015. Profitability ratios are not set for enterprises engaged in non-commercial activities, i.e. the obligations to perform the functions of the set-quality established in legal acts at prices affordable to the public and designed to meet social, public and political goals. These enterprises also have to operate efficiently.

Planned works:

- Ensure the transparency of the activities of state-owned enterprises;
- Monitor the implementation of the goals set by the Government;
- Strive for the competent board members to be appointed to state-owned enterprises;
- Prepare recommendations for the establishment of special obligations of SOEs and the accounting thereof.

Assessment of progress/ issues related thereto:

- The activities of SOEs have become more transparent and efficient: in 2011, net profits of SOEs along with property and raw material state taxes accounted for LTL 246.6 million, which is 3.5 times more as compared to 2010. In 2012 (when distributing the profits earned in 2011) the state was paid LTL 521.8 million in dividends and state enterprise profit contributions (as compared to 85.2 million in 2011).

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 a rapid implementation of the holding fund. Promote competition in energy networks by improving interconnectivity with the Member State for both electricity and gas.

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

Measures implemented include:

- On 18 July 2012 a regulation was passed for the disbursement of preferential credits for renovation (modernization) of multi-apartment buildings not only to the owners of apartments and other premises, but also to the managers of common-use facilities acting for the benefit of the owners of apartments and other premises;

- In order to encourage the owners of apartments and other premises to implement more energy efficiency measures at their own initiative and expense, on 28 September 2012 it was established that heat energy savings achieved with the help of energy saving measures implemented prior to the implementation of a renovation (modernization) project would also be included in the preparation of investment project of building renovation (modernization) and assessment of the planned heat energy savings. Also, the term for the implementation of these measures was determined, which is 5 years prior to the preparation of an investment plan and submission of documents supporting the implementation thereof;

- The amendments to the Law on State Support to Acquire or Rent a Housing of the Republic of Lithuania adopted on 17 January 2013 allow for the issuance of preferential credits for

renovation of multi-apartments buildings to natural and legal persons appointed by municipalities implementing the programmes of increased energy efficiency approved by municipalities. More flexible conditions were created for renovation of multi-apartment buildings promoting the initiative of municipalities to prepare and implement municipal programmes for increasing energy efficiency. The owners of apartments and other premises will be able to choose the method for building renovation (modernization) in the view of the specific situation of a multi-apartment building and taking into consideration the legal form of the manager of common use objects, programmes approved by municipalities and other circumstances. The implementation of the project may be delegated to a non-profit natural or legal person established by a municipality or a person selected in open tender procedures, which, among other things, will ensure the funding of such works by taking out a preferential credit for the implementation of such a project. In such a case a contractual party to the credit agreement would be not the owners of apartments or other premises, but the person appointed by municipality, who would have to pay back the credit to the lending bank, while the owners of apartments and other premises will have to make periodic payments under the agency contract for renovation (modernization) works performed to the person appointed by municipality. A manager of common-use objects will conclude an agency contract on the basis of the conditions determined during the meeting of the owners of apartments and other premises, and will control the execution thereof. The funds of preferential credit can be used for preparation of a renovation (modernization) project and performance of technical supervision of the construction, if the owners of apartments and other premises do not have the required funds at the beginning of the project.

- On 17 January 2013 the Law on Heat Sector was amended granting municipalities the right to impose more stringent heat consumption norms for buildings than those set by the National Commission for Prices and Energy, and oblige the residents of buildings exceeding these norms to modernize the heating and hot water supply systems and implement the measures for increasing energy efficiency within the period of 24 months;

- In 2012 loans from the JESSICA holding fund were granted for the implementation of 44 multi-apartment building modernization projects, which accounted for a total of LTL 21.74 million. A total of 78 loan agreements were approved for the disbursement of loans in the amount of LTL 33.2 million from the JESSICA holding fund;

- One more source for financing the modernization of multi-apartment buildings has been started to be used as from 2012 – up to 15 percent of project implementation expenses are additionally financed from the funds of Special Programme for Climate Change. 69 million litas was allocated for this purpose;

- Also, assistance from the funds of Special Programme for Climate Change was granted for installation of renewable energy resources in multi-apartment buildings: the amount of the subsidy is 30 percent. LTL 900.000 was allocated for this purpose;

- The funding of the modernization of individual houses was started; the amount of the subsidy is 30 percent. The amount of LTL 1.9 million from the funds of the Special Programme for Climate Change was allocated for this purpose;

- Renovation of Public Buildings (Operational Programme for Promotion of Cohesion). 62 projects received funding in 2012. A total of 680 public buildings had been renovated by the end of 2012;

- A total of 504 multi-apartment buildings (243 multi-apartment buildings in the period 2005-2008 and 261 building – in 2009–2012) were modernized (completed projects) under the Multi-apartment Building Renovation (Modernization) Programme approved by the order of the Government of 23 September 2004). A total of about 213 GWh heat energy was saved in modernized multi-apartment buildings. In 2012 the relative reduction in the amount of heat energy used was 4.26 percent as compared to 2005;

- Currently 358 multi-apartment buildings are undergoing modernization;
- As from 2009 891 apartment owners decided to take part in the programme;
- 76 applications were received for renovation projects of individual buildings.

Planned works:

- To regulate the disbursement of a preferential credit and state support for the implementation of renovation (modernization) project of a multi-apartment building, when it is implemented by a natural or legal person appointed by municipality:

- Plan for more ways of implementation of renovation (modernization) projects of multi-apartment buildings and the funding thereof;
- Increase the energy-efficiency of multi-apartment buildings by implementing renovation (modernization) projects of multi-apartment buildings – reduce the computational heat energy expenditure in renovated (modernized) multi-apartment buildings by 16.5 GWh annually, renovate (modernize) 200 multi-apartment buildings;
- Establish in the Law on Social Assistance in Cash for the Deprived Citizens that the compensation for heating would be reduced or cancelled for those deprived people who do not agree to or do not take part in the meetings of residents deciding on the building modernization;
- Renovation of Public Buildings (Operational Programme for Promotion of Cohesion). The plans are to implement over 742 projects under the Measures “Renovation of Public Buildings at the National Level” and “Renovation of Public Buildings at the Regional Level” by 2020. The planned energy savings – 187,92 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 increasing energy efficiency of buildings. Slow renovation pace was influenced by economic crisis, high unemployment, reduced subsidies.

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

Measures implemented include:

On 18 June 2012 the Europe's leading Nordic electricity exchange Nord Pool Spot Trade Zone started its operations in Lithuania. A common Nordic electricity market is one of the most important goals of the Baltic electricity market interconnection plan and of the National Energy Independence Strategy of Lithuania. A common electricity market would ensure a transparent wholesale electricity market price and trade, a possibility to purchase cheaper electricity produced in other countries and equal trade conditions for all market participants.

On 1 March 2012 natural gas exchange started to operate in Lithuania. The key task of the exchange is to organize wholesale trade of natural gas and transfer of acquisition rights of natural gas.

On 26 June 2012 the Seimas approved the National Energy Independence Strategy. The key objectives of the Strategy are: securing Lithuania's energy independence (the use of local and diversified energy resources), increasing competition (connection to the European energy system and rearrangement of energy monopolies), and sustainable development (reduction of greenhouse gas emissions, increase of energy production, transmission and consumption and energy production from environmentally-friendly resources).

Infrastructure projects integrating Lithuania into the EU energy market:

The construction of the liquefied natural gas terminal in Klaipėda is planned to be completed by the end of 2014. The terminal will ensure the alternative for gas supply, thus encouraging competition among suppliers and developing market relations. For the implementation of this project:

- The Law on Liquefied Natural Gas Terminal of the Republic of Lithuania, establishing the general principles and requirements for the installation of liquefied natural gas terminal in the territory of the Republic of Lithuania, its activities and the operation thereof as well as providing for legal, financial and organizational conditions for the implementation of liquefied natural gas terminal project, was adopted;

- On 22 October 2012 the environmental impact assessment report for the liquefied natural gas terminal was approved;

- On 16 October 2012 the Government established the procedure for the procurement of liquefied natural gas and on 7 November 2012 it approved the procedure for diversification of natural gas supply.

The completion of the Lithuanian – Polish “LitPol Link” and the Lithuanian – Swedish “NordBalt” is planned by 2015. For the implementation of these projects:

- Contractors for the construction of the “LitPol Link” connector line Alytus – Polish border and Alytus converter station were selected. Technical projects and documents for the receipt of construction permits for the construction of the connector line and Alytus converter station have been prepared;

- Detailed design of the “NordBalt” inverter is been prepared. Archaeological explorations of the cable were performed in the terrestrial cable route and pursuant to the conclusions provided by archaeologists, adjustments to the cable design solutions were made;

- On 15 February 2013 an agreement for design and construction of “LitPol Link” high-voltage direct current (HVDC) back-to-back converter station was signed.

- Regulatory measures promoting the competition of electricity and gas supply:

The reorganization of electricity and natural gas sectors is being implemented in accordance with the provisions of the EU’s Third Energy Package:

- The reorganization of the Lithuanian electricity sector is being performed following the provisions of the Third Energy Package of the European Union within the framework of the implementation of the principle of separation of transmission activities from distribution, supply and production activities. Shares of the vertically integrated company UAB Visagino atominė elektrinė, which owns the electricity producer AB Lietuvos energija and electricity distributor AB LESTO, have been transferred to be held in trust by the Ministry of Economy (on 13 February 2013 the Government decided to transfer the shares to the Ministry of Finance), while the shares of the electricity transmission system operator AB Litgrid, which is also controlled by UAB Visagino atominė elektrinė, have been transferred to the newly established company EPSO-G, which is acting under the responsibility of the Ministry of Energy.

- On 7 March 2012 the Government agreed to the amendment of the plan for separation of the activities and control of natural gas companies non-compliant with the requirements of the Law on Natural Gas of the Republic of Lithuania. It was decided that the activities of natural gas transmission of AB Lietuvos dujos should be legally, functionally and organizationally separated by 31 July 2013 and the activities of gas distribution should be separated by 31 October 2014.

Planned works in electricity sector:

- Start of operations of the Lithuanian – Polish link “LitPol Link” 1 in 2015 and the expansion of the link in 2020;

- The completion of the Lithuanian-Swedish power link “NordBalt” in 2015;

- The connection of the Lithuanian, Latvian and Estonian electricity systems to the Continental Power Network for operation in synchronous mode by 2020, also, the implementation of the Lithuanian – Polish link “LitPol Link” 2 project, upon the assessment of the technical parameters and the need for it.

Planned works in the natural gas sector:

- The implementation of the liquefied natural gas terminal project (start of the operations of the terminal scheduled for 2014);

- Installation of the Natural Gas Storage Facility;

- The construction of the Lithuanian – Polish gas connector connecting the Lithuanian gas system to the EU gas networks and markets in 2017.

Assessment of progress/ issues related thereto:

Energy infrastructure projects ensuring the Lithuania’s integration into the EU internal energy market (the Lithuanian-Polish power link, Lithuania-Swedish power link, LNG terminal) are implemented on schedule and should start operating on time set. The Lithuanian-Polish gas connection is especially important for integration of the Baltic States into the EU market. The connection projects are non-commercial, thus, the implementation thereof requires the EU’s

financial assistance. It is expected that these projects will benefit from the Connecting Europe Facility.

The main provisions of the EU's Third Energy Package providing for the separation of natural gas transmission and supply activities have been transposed and are implemented in accordance with the Law on Natural Gas of the Republic of Lithuania and the plan for the execution of the separation of activities and control approved by the Government. The separation of the natural gas transmission activities control will be completely implemented by 31 October 2014. The main provisions of the EU's Third Energy Package with regard to electricity have been transposed into the national law and implemented.

IV. IMPLEMENTATION OF THE PRIORITIES OF THE EUROPE 2020 STRATEGY

4.1. Increasing Investment in Research and Development

The 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 to develop better common and financing conditions for research and innovation in order to ensure the conversion of innovative ideas into products and services promoting growth and creation of new jobs.

In 2011, 28.5 percent more funds were allocated for R&D activities as compared with 2010. Investments into R&D accounted for 0.92 percent of GDP, compared with 0.8 percent in 2010. This ratio was 0.39 percent in the government sector, compared with 0.37 percent in 2010. In business and higher education sectors this ratio remained the same in 2011 as compared with 2010 and accounted for 0.27 percent. In 2011, foreign funds received amounted to 0.26 percent of all investments into R&D, compared with 0.16 percent in 2010. During the year, investments into R&D from government funds increased by 18.1 percent and by 11.5 percent from business funds.

Lithuanian business innovativeness has been growing in recent years. In 2008–2010 innovation activities were carried out by 32.5 percent of manufacturing and service companies which had 10 or more employees, compared with 28.8 percent of such companies in 2006–2008. The turnover of innovative companies accounted for more than half of the turnover of all companies (57 percent in 2006, 64.2 percent in 2008, 65.8 percent in 2010).

In order to implement the Lithuanian Innovation Strategy for the year 2010–2020 the aim is to mobilize and efficiently manage state resources – create a competitive knowledge economy based on new technologies and qualified human resources.

Measures implemented include:

- Under the High Technology Development Programme for 2011–2013 during the implementation of 24 projects in 2012 (14 on-going (LTL 2.003 million) and 10 new projects (LTL 2.47 million)), 39 new technologies were developed, 5 new technologies were introduced, 31 new products or services were created and 3 patent applications were submitted;

- During the implementation of the Industrial Biotechnology Development Programme for Lithuania for 2011–2013, the following amounts were allocated for 6 projects in 2012: LTL 0.755 million for 4 on-going projects and LTL 0.5 million for 2 new projects. A total of LTL 1.255

million was allocated for this purpose. During the implementation of the projects, 3 new technologies, 2 products and 3 new jobs were created in 2012;

- 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 11 innovation infrastructure projects financed by the Ministry of Economy, 7 of which are being implemented and 4 are included into the list of planned projects;

- During the implementation of the project “Creation of Open Access Centres of Information Technologies”, the following new open access centres were created: the Competence Centre of Food Science and Technology, Civil Engineering Centre of the Vilnius Gediminas Technical University, and the Centre of Animal Health and Quality of Raw Materials of Animal Origin. The open access centre provides services necessary for the performance of scientific research and (or) experiments;

- In 2012, the implementation of the measure for promoting the commercialization process of a certain innovative product, technology or service as well as its entry into the market was started. After the Agency for Science, Innovation and Technology (MITA) announced a call for applications for the funding of commercialization projects of scientific research and development results, 13 projects were financed (LTL 431.59 thousand). There already are 13 companies established for commercialization of R&D results;

- During the implementation of the national integrated programmes (NIP), the execution of 10 projects for the creation and renewal of public, technological and informational R&D infrastructure (the total value of the projects was LTL 119.76 million) was started. 5 new projects for the promotion of the emergence of common divisions of the Lithuanian and foreign universities were approved;

- The implementation of 19 new projects for the implementation of R&D activities in accordance with the topics of national integrated programmes was started (total value of projects – LTL 35.312 million);

- During the execution of the project of the Research Council of Lithuania intended for the training of highly-qualified specialists within the theme of national integrated programmes, 60 students of third cycle studies were additionally accepted in 2012 (additional amount of LTL 6.327 million was allocated for this purpose);

- The second call for proposals was made under the measure “Support for Research Activities of Scientists and Other Researchers (Global Grant)”. In 2012, funding was allocated for 35 research projects of high international level (14 humanitarian and social sciences projects and 21 project of physical, biomedical, technological and agricultural science) amounting to LTL 41 million, the implementation thereof was started. Also, the third global grant tender was announced, for which the amount of LTL 30 million was allocated;

- On 24 October 2012 an updated concept of the creation and development of Integrated Science, Studies and Business Centres (Valleys) was approved. On the basis of this concept the separation of the Lithuanian “Smart Specialization” directions and the development thereof is planned while implementing large joint projects initiated by science and business entities, financed by combining the funds of both public and private capital;

- The implementation of scientific research projects under the measure “Promotion of High-Level International Scientific Research” was started in 2012. One of the goals of the measure is to promote the execution of high-level international research directed towards the priority areas of economy that will determine the future prosperity and competitiveness of Lithuania provided for in the Lithuanian Innovation Strategy for 2010–2020. Applications for the execution of 25 projects in the amount of LTL 41.41 million were received in 2012. Currently, there are 15 agreements signed for the total of LTL 25.71 million;

- For the implementation of the funding model for joint science and business projects aimed at commercialization of research results, currently there are 15 applications for projects funded by the Ministry of Education and Science that have been assessed by the European Social Fund Agency; also, contracts on project funding and administration are being concluded. The implementation of the projects is scheduled to start in 2013. The Ministry of Economy has prepared and announced a draft description of conditions for financing under the measure “Intellect LT”. In accordance with this description the activities of the commercialization of research results will be financed;

- To promote business-science cooperation and the application of research results in business, de minimis aid under the updated innovation cheque scheme was provided in 2012. Funding was approved for 237 applications for which the aid amounting to LTL 3.1 million was granted. According to preliminary data, during the implementation of the projects, by the end of 2012, 17 companies had introduced technological innovations and 6 companies – non-technological innovations;

- 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. The funding in the amount of LTL 6.2 million was allocated for the project;

- A draft scheme for the establishment of young innovative companies “Technostartas” was drawn up in 2012. The goal of the project is to promote the creation 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. The project was submitted to the Lithuanian Business Support Agency for assessment. The planned funding amount is up to LTL 5 million;

- The project aimed at the search for common innovative solutions by small and medium-sized enterprises as well as higher education and research institutions, also, for the creation of innovative networks and merging into international clusters was started to be implemented in order to promote clusterization. Funding of LTL 3.7 million was allocated for the implementation of the project;

- Funding for the implementation of the projects of innovative business clusters was allocated under the EU structural assistance measures “InoklasterLT” and “Inoklaster LT+”. LTL 4.34 million was allocated for the projects under the measure “Inoklaster LT” and LTL 28.16 million under the measure “Inoklaster LT+”;

- The implementation of the programme “BSR Stars” and the project “StarDust” aimed at the development of innovations, clusters and small and medium-sized enterprise networks was

being continued in 2012. Also, 2 events, “2nd Annual Meeting of the Project “StarDust” and “Small and Medium-sized Enterprises Day”, were held under the “StarDust” project;

- 11 new clusters, 3 of which were international, were created during the implementation of the “BSR Starts” programme and “Inoklaster” as well as other measures for the promotion of clusterization;

- 9 arts incubator development projects were launched in Lithuania;

- During the implementation of the Lithuanian Virtual University Programme for 2007–2012, 47 Lithuanian research and higher education institutions were provided with a possibility to use the information system of the Lithuanian academic e-library in 2012. The Lithuanian e-learning infrastructure was created and ensured. The Lithuanian Distance Education Network (LieDM) supported distance learning (e-learning) in Lithuania in 2012. The implementation of the Lithuanian Virtual University Programme for 2007–2012 was completed; its continuation in 2013–2016 was approved;

- For the implementation of the Lithuanian Information Society Development Programme for 2011–2019, draft guidelines for Teaching Informatics and Information Technology for the period 2014–2020 were drawn up and submitted to the Council of General Education for consideration in 2012. The Programme for the Implementation of Information and Communication Technologies in General Education and Vocational Training for 2013–2019, which is planned to be prepared and approved in 2013, was started to be prepared;

- The Programme for Raising Public Awareness on Intellectual Property Rights was being implemented in 2012. Extensive research on the economic contribution of copyright and related rights to the Lithuanian economy was conducted in Lithuania for the first time; it revealed the contribution of industry relating to copyright and related rights to the gross domestic product, employment and foreign trade in 2000–2008. The research findings were presented to the Lithuanian society and published in the Journal of the World Intellectual Property Organization. Funding was allocated for anti-piracy campaign projects, the implementation of which included schools, libraries and regional media, and allowed the public to learn more about the importance of the protection of intellectual property in the information society;

- In order to promote the protection of intellectual property, assistance was granted in accordance with the updated scheme for the assistance in protecting industrial property rights at the international level. Assistance in the amount of LTL 1.2 million was allocated for 86 projects of patenting of inventions and registration of industrial design at the international level, implemented by higher education and research institutions and companies.

Planned works:

- In 2013, financial support will be provided under the Green Industry Innovation Programme funded by the Norwegian Financial Mechanism. The goal of the Programme is to increase competitiveness of green enterprises, greening existing industries, green innovation and promotion of entrepreneurship. The total value of the Programme is LTL 28.7 million. 14 projects are planned to be implemented, during which innovative ecological products and new environmental technologies will be created, the implementation of environmental technologies in companies will increase;

- Measures promoting the creation of databases of the holders of production and rights, new models of licensing copyrights and related rights as well as the development of scientific research relevant to copyright and related rights will be created;
- More attention will be devoted to public awareness campaigns organized by public organizations, aimed at informing consumers, especially young people, about the value of intellectual property, negative impact of counterfeiting and piracy on the economy and society;
- The Programme for State Higher Education, Research and Experimental (social, cultural) Development for 2013–2020 will be implemented; it is planned that this programme will help to increase the share of total expenses for scientific technological experimental development, increase the part of students (in percent) studying physical and engineering sciences as compared to all students, have Lithuanian higher education institutions appearing among 500 universities listed in the academic ranking of world universities (ARWU), increase the number of faculties related to the activities of R&D performed in valleys, which would be transferred to integrated science, studies and business centres.

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. The share of individuals leaving the education system early was 8.7% in 2009, 8.1% in 2010 and 7.2% in 2011. Large gaps remain between urban and rural areas (4.6% and 12.2% respectively in 2011). The main causes for such increasing regional differences are considered to be inadequate school network, underdeveloped infrastructure of educational support, and insufficient qualifications and competences of teachers.

Measures implemented include:

- As from 2011 to the end of 2012, 21 non-state pre-primary education institution was established under the Pre-primary and Pre-school Education Development Programme for 2011–2013. Almost 6.000 parents raising preschool children were provided with a possibility to educate them in state, municipal or non-state institutions in accordance with the pre-school education programmes. According to the data of 10 December 2012, there were 87.872 children studying under the pre-school education programme. The accessibility of pre-school education grew significantly in rural areas, to 19.58% (it was 6.22% in urban areas). LTL 7.08 million was allocated from the EU SF project “Development of Pre-Primary and Pre-School Education” in 2012. During the 1st – 3rd quarters of 2012, 4.333 pre-school education baskets were funded under the methodology of the student’s basket. It is expected that high-quality education of pre-schoolers will make it easier for children to go over to the formal education;
- During the implementation of the measures of Special Education Development Programme for 2009–2013, the following projects funded from the EU structural funds were continued to be implemented in 2012: “Preparation of Special Teaching Aids, Phase II”, “Development of Education Forms of Children with Special Education Needs, Phase II”, “Reorganization of Special Schools, Establishment of Methodological Centres”, “Development of Quality and Efficiency of Student Assistance, Phase II”;
- During the implementation of the National Youth Policy Development for 2011–2019, a working group prepared the guidelines for improvement of children’s education in minority

languages in 2012; also, following the provisions of children's education in minority languages and guidelines for improvement of children's education in minority languages, an action plan was implemented;

- During the implementation of the National Education Strategy for 2003–2012, school autonomy development models and projects were prepared in 2012 (2 publications were published: “A model for leadership development in schools” and “Instruments and Methodology for Longitudinal Research of Educational Leadership Expression”), the implementation of the formal studies programme “Educational leadership” was started, 15 municipal and school leadership models were prepared.

Planned works:

In 2013, the statistical analysis of the Lithuanian language and literature *matura* exam will be prepared, on the basis of the results of which evaluation norms for 2014 will be set up by establishing a different evaluation methodology for literacy and style aspects of students attending minority language schools.

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%, in 2011 – 45.4% and in 2012 – 47.9%. Therefore, the market share will not be raised significantly – Lithuania aims to achieve that by 2020 it constitutes at least 40% of the population aged 30-34. With higher education becoming more widespread, there is a need to focus on ensuring the quality of courses while maintaining a high level of education among the population.

Measures 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 in 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. The following were the results achieved during the implementation of the project “Creation and Development of Models for Education Career Services and Their Monitoring in General and Vocational Education (stage 1)”: 700 career coordinators and 70 career consultants were trained to provide and coordinate the services of vocational guidance (career education, information and counselling); models for career education and career education monitoring were prepared;

- 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 the “Development of Open Information, Counselling and Guidance System (AIKOS)” educational registers providing data to the system were updated;

- The following were the results achieved during the implementation of 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 1)”: 130 career education specialists of schools of higher education improved their skills; 5.275 students were provided with career services in schools of higher education; professional development programme for career counselling specialists of schools of higher education, projects of career informational measures for students, projects of career evaluation methodologies, quality guidelines for student career management services as well as a description of the model for student career management services were prepared.

Planned works:

In 2013, the implementation of projects aimed at the development of career education of students of schools of general education, vocational training institutions as well as schools of higher education, and their career tracking and infrastructure will be continued.

4.4. Increasing the Use of Renewable Energy Sources

Development of renewable energy sources (RES) is an important alternative to traditional energy, which is helpful not only in addressing climate change issues, but also in increasing Lithuania’s energy independence. Lithuania has set its national target for increasing the share of RES in its total final energy consumption to 23% by 2020. In 2011, energy produced from RES accounted for about 20.31% (in 2010 – 19.7%) in the Lithuania’s final energy consumption. Since energy produced from 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 heat purchases, and concessions for balancing electricity.

Measures implemented include:

- Upon the adoption of the Law on Energy Resources Market of the Republic of Lithuania on 22 May 2012, an energy resource exchange was created, i.e. legal conditions for a centralized system for marketing biofuel products were created;
- On 4 July 2012, the Government approved the description of the procedure for the use of RES for the production of energy, which improved the incentive system for the use of renewable energy sources (mandatory purchase of energy from renewable energy sources at a higher than fixed market rate, determination of a compensation for the purchase of special equipment, etc.);
- On 17 January 2013, the Seimas agreed to the amendments to the Law on Energy from Renewable Sources. The main objectives of these amendments are to ensure the protection of the public interest and to avoid increasing electricity prices as well as to balance the development of renewable resources.

Planned works:

- To establish a common incentive system for the use of renewable energy sources;
- To obligate municipalities to promote the use of RES through the municipal action plans for development for 2011–2020;

- To finance pilot projects in the area of renewable energy sources;
- It is planned that in 2013 models for the Lithuania's energy security and development will be created and explored, also, scientific base for future energy production supply and efficient use will be developed;
 - To continue to solve the most relevant scientific issues relating to the Lithuania's energy security, efficient increase of energy consumption and improvement of technologies for future energy production and supply, as well as the optimal application thereof in Lithuania's energy – 11 projects are being implemented in this respect;
 - To set up a study material base for training energy specialists;
 - To create in science and research institutions renewable energy R&D labs operating as open access centres;
 - To ensure the operation of renewable energy R&D labs.

4.5. Improving Energy Efficiency

Energy consumption accruing to one unit of Lithuanian GDP in 2010 was 2 times higher (in 2009 – 2.6 times higher) than the EU average. The national target of Lithuania is to consume 17% (740 ktoe) less energy than in 2009. Households and transport sector have the largest propensity to save energy: total savings could amount to 65% (the potential in household and transport sectors are 290 ktoe and 300 ktoe, respectively).

In 2010, the consumption of initial energy per capita in Lithuania was 1.5 times lower than the EU-27 average, while electricity consumption per capita was 1.8 times lower than the EU-27 average. Given the projected future Lithuanian electricity consumption growth, there is a possibility that the effects of energy saving measures will be outweighed by the rise in electricity consumption. 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 by 2020.

Measures implemented include:

- Measures provided for in the Energy Efficiency Action Plan will continue to be implemented. Taking into consideration the fact that recently a new energy efficiency directive was adopted, a new draft energy efficiency action plan is currently being prepared;
 - *Special Climate Change Programme*. More detailed information on the implementation of the Programme is presented in part III, chapter 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, chapter 3.6;
 - *Renovation of Public Buildings* (EU Structural Assistance for 2007–2013 (Operational Programme for Promotion of Cohesion)). The plans are to implement over 742 projects under the Measures “Renovation of Public Buildings at the National Level” and “Renovation of Public Buildings at the Regional Level” by 2020. The planned energy savings – 187,92 GWh. In 2012, financing was allocated to 62 projects. A total of 680 public buildings were renovated by the end of 2012;
 - *Voluntary agreements with energy companies*. Indicative quantitative targets for an increase in the efficiency of energy consumption were set for Lithuanian electricity distribution

companies, heat and natural gas suppliers – to save 10% in energy consumed by final consumers during the 2010–2020 period compared to the average consumption in 2001–2005. Nine voluntary agreements with energy companies have been signed up until now;

- *The Energy Efficiency Obligation Scheme* (draft) is being developed implementing 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. This amount would be equal to approximately 671 ktoe in 2020;

- *National Transport Development Programme* (draft) has been prepared. This Programme will contribute to the objective to reduce final energy consumption in the transport sector by 8% by 2020.

4.6. Limiting Greenhouse Gas Emissions

In relation to its commitments agreed at the EU level, Lithuania is permitted to increase its greenhouse gas (GHG) emissions by no more than 15% until 2020 compared to the basic 2005 level, in the sectors that are not covered by the European Union Emission Trading Scheme (ETS). In 2005, all sectors combined in Lithuania emitted 22.9 million tons of GHG: 6.6 million tonnes of GHG were emitted from installations participating in the EU ETS, and 16 million tonnes of GHG were emitted in sectors not covered by the EU ETS. In 2011, 16.1 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.

Measures implemented:

In order to reduce GHG emissions and to move towards the development of a low-carbon economy, on 6 November 2012 the Seimas approved the National Strategy for the Climate Change Management Policy, which sets out the tasks and objectives for the Lithuanian climate change mitigation and adaptation to the climate change. The established strategic objective for climate change mitigation is to make the country's economy grow much faster than the growth of GHG emissions amount. An assessment criterion was determined for the monitoring of the implementation of this objective, which is GHG emissions per unit of GDP (t CO₂ e per LTL 1 million GDP).

In the effort to implement this strategic objective, the aim will be to ensure the fulfilment of Lithuania's short-term objective for the mitigation of climate change by 2020:

- To achieve that the GHG emissions in the sectors covered by the EU ETS would not exceed 8.53 million t CO₂ e);
- To achieve that GHG emissions in the sectors that are not covered by the EU ETS would increase by no more than 15% compared to 2005 level of emissions, and would not exceed 18.338 million t CO₂e in case of the EU target of 20%, and 16.584 million t CO₂e – in case of the EU target of 30%. The annual GHG emission amounts are set for

the achievement of these objectives during the period 2013–2020 (data presented in table 3);

- To achieve that no less than 0.38% of the national GDP in 2020 would be assigned for the implementation of the short-term climate change mitigation targets.

Table 2. Quantitative annual GHG emissions reduction targets in the sectors not covered by the EU ETS, in case of the objective of 20%, in mln. t CO₂e

Sector	2013	2014	2015	2016	2017	2018	2019	2020
Transport	5.241	5.290	5.338	5.386	5.435	5.483	5.532	5.58
Agriculture	5.494	5.545	5.595	5.646	5.697	5.748	5.798	5.849
Industry	2.639	2.663	2.687	2.712	2.736	2.76	2.785	2.809
Waste management	1.699	1.715	1.73	1.746	1.762	1.777	1.793	1.809
Other sectors	2.153	2.173	2.192	2.212	2.232	2.252	2.272	2.292
Total	17.225	17.384	17.543	17.702	17.861	18.02	18.179	18.338

Source: Ministry of Environment

The approval of the draft inter-institutional action plan for the implementation of the tasks and objectives of the National Strategy for the Climate Change Management Policy for 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, is almost completed.

In 2011, all sectors combined in Lithuania emitted 21.7 million t CO₂e, of which the emissions in the sectors not covered by the EU ETS accounted for 16.1 million t CO₂e, while the emissions in sectors participating in the EU ETS amounted to 5.6 million t CO₂e.

In 2012, projects for increasing energy efficiency and renewable energy sources, upon the implementation of which GHG emissions will be reduced in the transport, energy and industrial sectors, were financed from the funds of the Special Programme for Climate Change (hereinafter – SPCC).

Projects for the modernization of multi-apartment buildings were financed from the SPCC funds, if after the implementation thereof the building was classified as belonging to energy efficiency Class D at the least, and the calculated heat energy expenses were reduced by at least 40 percent as compared to the calculated heat energy expenses prior to the implementation of the project. A total of LTL 70 million was allocated for the implementation of these projects, however, the majority of this amount was not absorbed. Also, assistance was granted for the least energy efficient residential building by achieving the energy efficiency Class C and reducing the energy consumption expenses by at least 20 percent in buildings that were built following the technical construction standards valid in 1993 (LTL 2 million was allocated for this purpose). The modernization of public buildings, i.e. renovation of educational institutions, received the largest share of support (LTL 60 million).

Following the direction of the implementation of renewable energy sources, funding was allocated for eco-transport infrastructure development projects (LTL 95 million), with the largest share of support allotted for the introduction of low-emission buses in the largest cities of Lithuania, also, for the installation of a passenger lift as a common part of transportation.

Other funds were allocated for the installation of biofuel boilers in public buildings, replacing the low-power (up to 500 kW) boilers fuelled by fossil fuel with boilers using biofuel in small district municipalities (LTL 27 million). LTL 40 million was allotted for the installation of high-power (up to 5MW) biofuel boilers in heating companies. RES deployment was being promoted in individual residential houses as well, compensating a part of investments for individuals (LTL 1.9 million allocated for this purpose), and installation of these sources in multi-apartment buildings (LTL 0.9 million).

The funding in the amount of LTL 3 million was provided for the compensation of expenses for the removal of logging waste from forest cutting areas for biofuel production, however, only two applications were received for that.

Planned works:

In 2013, projects of the following two trends will continue to be financed from the SPCC funds – energy consumption and increase of 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.

It is estimated that the trend of energy consumption and increased production efficiency will be allocated LTL 83 million – multi-apartment buildings modernization (renovation) projects financed under the Multi-apartment Building Renovation (Modernization) Programme, reimbursing from the SPCC funds a part of costs eligible for reimbursement, if the energy efficiency Class D is achieved and heat energy expenses are reduced by at least 40 percent. Also, modernization of individual residential houses will be continued. About LTL 43 million is planned to be allocated for these two measures. The funding in the amount of LTL 40 million is planned for the modernization of public buildings (renovation of educational institutions).

LTL 83 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 and individual residential houses 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. Also, funding is planned for various demonstration projects aimed at the increase of the efficiency of energy consumption and production as well as the expansion of the use of renewable energy sources through the application of advanced technologies, such as the projects for the development of electric cars, street lighting by replacing lighting lamps and other projects.

4.7. Increasing Employment Rate

In order to achieve the European Union's employment target of 75%, Lithuania has committed to seeking to achieve an employment level of 72.8% for men and women aged 20-64. This employment target has been set with consideration to developments in unemployment and

employment levels in Lithuania during 2000–2009 and forecasts until 2014. The threats arising from demographic tendencies and work force migration, and employment opportunities associated with economic growth have also been accounted for.

In 2012, the level of employment (of people aged 20-64) in Lithuania was 68.7%. Recently, this level has been increasing: in 2010, it was 64.4 percent, while in 2011 it accounted for 67.0%. The targeted employment level will be reached through increased employment of women, men, the youth and the elderly, and by facilitating labour market integration for the disabled, people with children and other individuals.

The country's economic growth and sustainable development is dependent of healthy and employable people, thus, in striving for the achievement of goals established in Europe 2020 Strategy, a special attention has to be devoted to preservation and improvement of health of the country's population. Health of the population is a factor directly influencing labour efficiency. A healthier society would better contribute to labour productivity, the country's economic growth and competitiveness, reduction of social exclusions and health inequalities.

Cardiovascular and oncological diseases, injuries and accidents are the leading causes of mortality of working age individuals. In order to reduce the negative impact of these health disorders on the society's working capacity, the Programme for the Reduction of Morbidity and Mortality from Main Non-Infectious Diseases for 2007-2013 is being implemented, health care infrastructure is being modernized and quality and accessibility of services is being improved (prevention, diagnosis and modern treatment). Earlier and more accurately diagnosed diseases will have less long-term negative consequences, a person will remain employable for longer periods of time, and, through the application of modern treatment in case of a disease, he/she will be able to return to work sooner.

Measures implemented:

In 2012, 64.7 thousand job seekers made use of active labour market policy measures. This accounts for 19.6% of all registered unemployed people during the year. A total of LTL 151.8 million was used for the implementation of active labour market policy measures, 13.2% of which was dedicated for vocational training, 11.3% – for the support for the acquisition of professional skills, 31.5% for employment subsidies, 14.1% - for the support of the establishment of new work places and 28.4% - for public works.

5.570 unemployed persons and job seekers took part in vocational trainings and LTL 20.7 million was used for vocational training. The average cost of trainings was LTL 3.707,3 for one person. 89% of people having completed training courses were employed within 6 months after the completion thereof.

The support for acquisition of professional skills in work places was arranged for qualified unemployed people, who were in need for the acquisition of skills or the restoration thereof, as well as for employees of working age, who had received a notice of dismissal. 4.128 people received support for the acquisition of professional skills, and LTL 11.3 million was used for this purpose. The average costs for the support for acquisition of professional skills amounted to LTL 4.165,8 for one person. Within the period of 6 months, 77.2% of persons having acquired professional skills were employed.

Subsidized employment is intended to help the persons additionally supported in the labour market registered with the labour exchange to find work, and create special conditions for the severely disabled to stay in the labour market. 11.506 persons took part in employment subsidies and LTL 49.2 million was used for this purpose. The average cost for one person was LTL 4.273,9. 75.2% of participants found work within 6 months after the end of funding.

Job rotation provides opportunities for the unemployed to find temporary employment by replacing employees at the time of their special leave or in cases provided for in collective employment agreements. LTL 2.1 million was used to fund job rotation. The average cost of the support for job rotation was LTL 5.308,7 for one person. 90% of people found employment within 6 months from the end of funding.

Subsidies for job creation are granted for the establishment of a work place for oneself or for starting individual business under a business certificate. LTL 14.1 million was allocated for the support for the creation of work places. 10.233 job seekers created work places for themselves through the use of the subsidy for the creation of work places.

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 high unemployment levels. 31.8 thousand unemployed people took part in public work programmes, out of whom 51.1% were long-term unemployed and 32.4% older than 50 years of age. LTL 44.4 million was used for the funding of public works.

In 2012, the Lithuanian Labour Exchange implemented 5 ESF-funded projects that helped more than 50.000 unemployed to find work:

The implementation of the project "Promoting Integration into the Labour Market" was completed, the objective of which was to increase the competitive opportunities of job seekers and help them establish themselves in the labour market or find temporary work. In the implementation of the project, the activities of the support for the acquisition of professional skills and employment subsidies, vocational trainings, job rotation and the support for territorial mobility of the unemployed were carried out.

The project "Integration of the Disabled" was fully completed. This project was aimed at supporting social companies and helping more than 3.000 disabled persons to remain in or integrated into the labour market.

The completely implemented project "Support for the Disabled" helped 600 disabled people integrate into the labour market upon the completion of vocational rehabilitation programmes.

The implemented project "Support for Employment and Mobility" created a possibility for 3.5 thousand unemployed persons or those who received a notice of dismissal to acquire or improve their professional skills.

The implemented project "Raising Youth Employment" allowed 3.7 thousand young unemployed people under the age of 29 to establish themselves in the labour market through the measures of supported employment and acquisition of professional skills in a work place.

As from the beginning of 2013, a performance-oriented management model was implemented in all local labour exchanges, which aimed not only at employing as many people as possible, but also at:

- increasing the efficiency of activities of the labour exchange, faster and better response to the needs of employers and job seekers;
- paying more attention to individual needs of each client and adapting individual job search programme accordingly;
- giving more responsibility to the employees of local labour exchanges providing employment services, motivating them for the results achieved.

The new model is based on the profiled service of unemployed: job seekers registered with the labour exchange are served taking into consideration their individual needs and skills, establishing the provision of the necessary services and participation in active labour market policy measures, drawing up individual employment action plans and carrying out targeted activities in order to integrate them into the labour market.

The implementation of this model is directly linked to the application of the individual responsibility and motivation system of employees of local labour exchanges in charge of employment.

In order to properly assess the activities of employees and the level of their efforts at work, performance monitoring will be carried out once per month. The “Manager’s window” prepared and installed using IT tools allows for monitoring of the activities of each specialist on the basis of the performance assessment tasks and adopt decisions with regard to the implementation of the tasks each month.

In 2012, the project “Transfer of public employment services to cyberspace” was completed. E-Labour exchange (e-DBIRŽA) consists of two blocks of e-services: e-services for job seekers and e-services for employers. Remote servicing of participants in the labour market, consulting customers electronically, issuance of recommendations via the internet and general accessibility of the labour exchange electronic public services reduced the scope of services provided by the labour exchange staff. This allowed for the reduction in customer servicing time and thus lower administrative costs of labour exchanges.

As from 2013, the function of payment of social unemployment insurance benefits was reassigned from the Lithuanian Labour Exchange to the Social Insurance Fund Board under the Ministry of Social Security and Labour thus focusing the functions of the labour exchange on the coordination of work supply and demand, and the application of the active labour market policy measures.

In the implementation of the programme “Increase in labour market participation and employment assistance, particularly to young people”, the implementation of forms of apprenticeship training was started. Tests of student internship models created during the projects “Creation and implementation of international internships and traineeships for students and teachers of the Lithuania’s schools of higher education” and “Creation of the model for international internships (traineeships) of first and second-cycle students and teachers of the Lithuanian schools of higher education in companies and international organizations residing abroad (EU, EFTA and NATO countries)”, also, the works of the development of internship and traineeships search and organisation portals were carried out.

In implementing the “Strategy for Securing Lifelong Learning”, a 2013–2015 draft action plan for securing lifelong learning was prepared in 2012, also, 5 projects financed from the EU

funds, at the time of which the system for the formalisation of informally acquired skills and the implementation thereof (the aim was to train staff capable of assessing informally acquired skills as well as the methodology for that, assess the skills of more than 400 adults and recognize them) was being prepared in 28 Lithuanian schools of higher education, have been developed. The activities of these projects are planned to be implemented in spring of 2014.

On 21 August 2012, the Government approved the amendment to the Annex of the “Human Resources Development Action Programme”, which established a new financing activity – the development of apprenticeship training forms: organization of vocational training under real working conditions. The Ministry of Finance was presented with a proposal for the amendment of the selection criteria of special projects under this measure. Upon emergence of new activity, these criteria have been enforced or amended by a resolution of the Monitoring Committee.

In 2012, the amendment to the “Practical VET Resources Development Programme” was approved, on the basis of which a project intended for the development of apprenticeship training forms in the labour market training centres financed from the EU structural funds was initiated. A form of the organization of apprenticeship vocational training will be implemented in 2013. Also, a project funded from the EU structural funds aimed at the development of apprenticeship training forms was implemented in five labour market training centres, at the time of which 900 students were trained.

In the implementation of the programme “Reduction of the mismatch between the demand and supply of skills and competences”, the conditions for better consistency in the needs of vocational training and labour market were created. The implementation of the Lithuania’s and Europe’s qualification frameworks was started in the field of education. The system of vocational training institutions was adapted for the trainings of new technologies – practical training base of vocational training institutions was supplemented with the latest technological equipment and measures, also, the premises were renovated there. The research on the need for professional qualifications in the energy sector was conducted and a professional standard for the energy sector was created. The report on the association of the Lithuania’s qualification framework with the European qualification framework was drawn up. Two sector practical trainings were officially opened up in vocational training institutions. The remaining 5 centres planned to be established in 2012 are being prepared for opening.

Financial engineering measure “Promoting Entrepreneurship”, which is one of the measures of the Human Resources Development Programme for 2007–2013, was being implemented. During the implementation of the financial engineering measure “Promoting Entrepreneurship”, according to the data of June 2012, 244 loans were issued (92 of them to young people), 619 new work places were created during 1st and 2nd quarter, 372 persons/companies made use of the financial engineering measure, 3.425 people took part in trainings and 3.155 people successfully completed the trainings.

The following entrepreneurial initiatives are implemented for the promotion of the creation of new work places:

Series of events to promote entrepreneurship “Enterprise Lithuania”. The key objectives of it is to ensure a targeted promotion and development of entrepreneurship in Lithuania, encourage the residents of Lithuania to implement their ideas and create their own business, as well as to

spread a positive approach towards business. In 2012, events were held in five major cities and they were attended by more than 12.000 participants; 70.000 people watched live broadcasts of the events on the internet, 118 reports were read and 60 workshops were held. These events will also be held in 2013.

Promoting youth entrepreneurship. The implementation of the measures of SE “Enterprise Lithuania” is being continued, for which LTL 4.5 million of funds from the EU structural funds was reallocated:

- The national business plan competition, team building events, events for screening business ideas, other events related to the development of youth entrepreneurship. In 2012, 100 innovative businesses of young people were established;

- The provision of counselling, information services, services of business teachers (mentors), instructors (educating managers) for young people on the issues of business start-ups, funding and development;

- The arrangement of information provided to young people on business funding (financial engineering measures), especially encouraging young people to maintain relationships with informal investors (business angels), organization of seminars and working sessions, which teach how to present a business idea or own company to potential investors.

In 2012, 64 events for the promotion of entrepreneurship were held; they were attended by 14.930 participants and were held in the majority of regions and major cities of Lithuania.

In 2012, 34 trainings were held for budding entrepreneurs attended by 246 entrepreneurs.

First business year baskets. A basket of LTL 6.000 for the first year of business is granted to a newly-established company with a possibility to grant additional adequate support for business services (trainings, consultations, etc.) operating for no longer than one year.

In 2012, 180 companies were established by young people under 29 years of age. Newly allocated funds (LTL 1.6 million) will be used for these purposes as from the second half of 2013. A target for 2012–2013 is the establishment of 200 – 300 new businesses, 70% of them established by young people (under 29 years of age).

Planned works:

- A working group shall have to present its conclusions on the complex tax system reform including shifting the general labour tax burden towards the taxes that are less harmful to economic growth and creation of work places;

- To prepare the strategy for promoting employment for 2014–2020, which would set long-term priorities for promoting employment and action trends for the implementation thereof, as well as mid-term action plans;

- To prepare a plan for promoting youth employment, which would establish the youth guarantees: include young school leavers into the education system, develop the youth’s vocational guidance and career planning systems, develop skills necessary for the labour market, develop youth entrepreneurship and encourage their self-employment, support their first steps in the labour market, develop partnerships by solving youth employment problems;

- To increase the efficiency of services provided by labour exchanges and the scope of active labour market policy measures, including the improvement of skills, individualized help in search for work, support for entrepreneurship and self-employment, mobility support schemes;

- To expand the use of e-services in labour exchanges for the reconciliation of labour supply and demand, organize trainings for unemployed and employers on the use the e-services;
- To develop a monitoring system for the assessment of the efficiency of labour market programmes, analysis of the establishment of the unemployed in the labour market, assessment of satisfaction with the services rendered to clients;
- To develop a plan, which would provide for networking with employers, providers of education services, municipalities, etc., allow for consolidation of actions of state institutions, non-governmental organizations and other social partners in this area;
- To approve the plan of tasks and measures for adult lifelong learning for 2013-2015, which would aim at the creation of the system of lifelong learning supply and demand, which would allow for social and work inclusion of adults, their active citizenship and personal development;
- To strive for a more transparent system of qualifications provided, facilitated conditions for mobility, also, for the initiation of the implementation of the Lithuanian and European qualifications framework at all levels of education;
- To prepare methodical guidance for the assignment of programmes of general education, vocational training and higher education studies as well as of the qualifications offered to the level of the Lithuanian and European qualifications network;
- To prepare the guidelines for the assignment of the Lithuanian qualifications framework to the qualifications provided in the Lithuanian education system;
- To review the Labour Code in order to increase the flexibility of labour relations;
- In 2013, the works for the adaptation of the system of vocational training institutions for teaching new technologies – practical training bases of vocational training institutions will be supplemented with the latest technological equipment and tools, and their premises will be renovated. Practical vocational training centres are planned to be established in 9 regions and 16 economic sectors, which will amount to a total of 42 sector practical vocational centres in vocational training institutions;
- According to the Communication of the European Commission – Action plan “Entrepreneurship 2020”, the following areas will require more attention: promoting and teaching entrepreneurship, improving business environment, promoting entrepreneurship of target groups. A draft national action plan for 2014-2020 for the implementation of “Entrepreneurship 2020” is planned to be drawn up;
- The implementation of the measure for promoting entrepreneurship is planned to be continued in 2013: organization of various events, projects, business baskets;
- During 2013, with the help of “Start-up Nitro baskets”, it is planned to additionally establish 8 innovative companies, which would be financed from the funds of the project “From the start of a business to export development” and 50 innovative companies, which would be financed from the funds of the project “Opportunities for business creation and growth”.

4.8. Reducing poverty and social exclusion

The consequences of social crisis did not allow for rapid reduction in the number of people living at risk of poverty or social exclusion. According to the data of the survey on income and living conditions conducted in 2011, 1.080 million residents, or 33.4% 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 2.6% compared to the previous year. The number of individuals living in households with very low work intensity levels grew by 30% from 241.000 to 313.000. Lithuania is committed to reducing the number of individuals living at risk of poverty or social exclusion to 814.000 by 2020. In order to do that, it is necessary to look for possibilities to increase employment, since the number of individuals living in households with very low employment levels has grown by 2.3 times as from 2008.

The main preconditions for reducing poverty and social exclusion are successful policies of social exclusion prevention and employment promotion as well as health care policies that enforce fair relationships of social security and health care, also, accessibility of cultural services.

Measures implemented:

Active labour market policy measures were applied for unemployed registered with labour exchanges, taking into consideration the individual needs of unemployed. Almost 20% of the registered unemployed took part in active labour market policy measures in 2012 in order to increase the employment of persons who have difficulties integrating in the labour market. Consulting and vocational guidance measures for unemployed, including long-term unemployed, were carried out most actively in 2012.

In the implementation of the provisions of the United Nations Convention on the Rights of Disabled People, a National Programme for Social Integration of People with Disabilities for 2013-2019 as well as the 2013-2015 action plan for the implementation of the National Social Integration Programme of People with Disabilities for 2013-2019 were approved.

In order to increase the quality of social services, new version of social care standards was prepared in 2012, also the rules for licencing social care institutions were prepared and approved (in preparation for the execution of licencing of social care institutions as from 2013). In order to increase the accessibility of social services, a programme for the development of integrated support intended for the achievement of the breakthrough in the provision of services of integrated care and social services for the elderly and disabled people in their homes was prepared. In the implementation of the said programme, pilot projects providing for the implementation of integrated assistance models in more than a third of all municipalities will be carried out.

In order to increase the availability of housing to vulnerable groups of residents, LTL 13 million was allocated for the development of social housing in 2012. 194 apartments were purchased and 70 families and persons were granted a preferential credit. Laws governing the support for the acquisition or lease of housing are planned to be adopted in 2013. Upon the approval of the law and its accompanying legislation, conditions for the development of housing fund will be created, because the demand for rent or lease of housing will increase.

In 2012, the *National Programme of Equal Opportunities for Women and Men for 2010-2014* was being successfully implemented. 23 measures aimed at the reduction in pay gap, promotion of business, possibilities to combine work and family responsibilities, reintegration of women, especially elderly women and those living in rural areas, allowing them to remain in the labour market, also, for promoting the social dialogue on gender equality issues were successfully implemented during the said year. In 2013, priority will continue to be given to the improvement

and development of the efficiency of gender equality institutional mechanisms and methods, including capacity building and improvement of statistics.

In order to increase the level of employment and decrease social and cultural exclusion, the projects of cultural activities for groups of people experiencing social exclusion, large families, seniors, children and young people were funded from the state budget funds in 2012. Funding was provided for 80 projects, which engaged 18.000 people into meaningful activities and which were attended by 51.600 viewers. This activity will be continued through 2013.

Inequalities in health condition also affect the social division and exclusion of the country's residents. In order to overcome the disparities in public health and to create equal opportunities for strengthening the health and welfare of individuals, families and communities, and prevent diseases, a greater focus will be placed on fostering, strengthening and preserving health of different social groups, prevention of health damaging factors and disease prevention, creation of physical and social environment favourable to health as well as of infrastructure necessary for the strengthening of health, as well as the ensurance of sustainable and accessible health care of high quality.

In order to reduce the disparities in health care quality and accessibility in the country and create possibilities to receive services close to a place of residence, specialized outpatient care, rehabilitation and emergency care enhanced, also, the development of day surgery, nursing and palliative care services, and the promotion of public health care is performed. For the implementation of the programme for the continuity of health care system reform and the optimization of health care infrastructure, personal health care institutions of municipalities providing specialized outpatient, day surgery, emergency care, nursing and palliative care services, also, municipal public health offices are being modernized.

The Programme for Reducing Social and Economic Differences between Regions for 2011–2013 aimed at the promotion of the development of all regions of Lithuania; it is mostly devoted for the development of 5 regional centres (cities of Alytus, Marijampolė, Tauragė, Telšiai and Utena), 2 additional centres (cities of Mažeikiai and Visaginas) listed in the Regional Policy Strategy and problem areas established by the Government of Lithuania, thus aiming at the concentration of funds allocated for the implementation of national regional policy, targeted use thereof for the reduction of social and economic disparities between the regions of Lithuania and within them, also, for the increase of territorial social cohesion in the country.

The programme budget for 2011-2013 is LTL 998.671 mln. (of which LTL 917.113 mln is funded from the EU budget, LTL 40.482 million – from the state budget and Employment funds, and LTL 41.076 million – from municipal budgets and funds of the population).

The 2011–2013 programme implementation plan provides for:

- the implementation of the projects of local employment initiatives as well as subsidies for workplaces for the employment of unemployed from problem areas – LTL 7.5 million is planned for this measure (funded from the Employment Fund);
- the renovation and insulation of multi-apartment buildings in problem areas. A total of LTL 169.862 million (from the EU funds) is planned for the implementation of the measure “Renovation of multi-apartment buildings by firstly increasing their efficiency of energy consumption” of Priority 1 “Local and urban development, preservation of cultural heritage and protection of nature, and its adaptation for the development of tourism” of the Operational

Programme for Promotion of Cohesion. In 2012, 50 agreements were signed for the value of LTL 54.370 million (EU funds) in 2012, while LTL 22.505 million (13.25%) of funding provided for in the annex to the action programme remained unused;

- the adaptation of buildings for social housing needs in problem areas. A total of LTL 21.309 million (from the EU funds) is planned for the implementation of the measure “Development of social housing and improvement of its quality” of Priority 1 “Local and urban development, preservation of cultural heritage and protection of nature and its adaptation to the development of tourism” of the Operational Programme for Promotion of Cohesion. In 2012, 7 agreements were signed for value of LTL 6.146 million (EU funds), while LTL 6.512 million (20.8 percent) of funding provided for in the annex to the action programme remained unused;

- solving the issues of quality, supply and accessibility in rural areas of educational and social services – the creation, implementation and development of modern infrastructure of educational and social services intended for different age groups of people. LTL 74.630 million is planned for the implementation of the measure from the EU funds. LTL 20.296 million (27.2 percent) of funding provided for in the annex to the action programme remained unused;

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

- 26 multi-apartment buildings were renovated (300 undergoing renovation);
- In 2012, housing conditions were improved for 326 persons by renovating multi-apartments building from the EU structural funds in problem areas; there were 89 newly built social housings (163 are being built);
- 281 people (out of 721) received social housing built using the funds from the EU structural funds in problem areas;
- 2 multi-purpose multifunctional centres, for the set-up and development of which support was allocated, were established (57 are being established);
- 129 job places were created during the implementation of the projects for local employment initiatives, 3 new jobs were created in support of self-employment of unemployed and 1.500 people engaged in individual activities under a business licence were granted a subsidy.

Planned works:

- In 2013, the 2014–2020 action plan for the increase of social inclusion is planned to be prepared, with a special focus on children and young people;

- In 2013, the projects of cultural activities aimed at social groups experiencing social exclusion, large families, seniors, children and young people will be continued.

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 implement the reforms in details. 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

Upon the start of economic downturn, the current account deficit of Lithuania decreased significantly, however, in order to avoid increasing deficit in the long-term, the production of higher added-value products should be promoted. With rising prices of energy and raw materials, the export of services in Lithuania, as a country, which does not have many natural resources, is particularly significant, thus, it is important to increase the share of services, including tourism (2010–2013 priority forms of tourism – cultural, active (cognitive), health and business (conference) tourism) and knowledge-intensive services, also, the share of high-tech production. Besides the improvement of business environment and infrastructure, promotion of R&D and innovations, development of education system and other developments covered in 2013 National Reform Programme, fostering productivity and economic growth in the long-term will require increasing foreign and local investments and addressing labour market problems; this is of particular importance considering the fact that Lithuania has a relatively low efficiency rate of production.

Well-qualified human resources are crucial to creating higher value added; therefore, measures should be taken to retain skilled persons through promoting social dialogue, improving the efficiency of the education system and its conformity to market demands. In this regard, an effective system of qualifications and guaranteed opportunities for all age groups to raise their competences under lifelong learning programmes is important.

In the future, effort should also be made to finance a higher share of the current account deficit through foreign direct investments that are more secure and useful to the country's economy than loans. More intensive measures to attract investments are useful in increasing Lithuania's attractiveness to investors and resolving problems related to competitiveness enhancement.

Lithuania has implemented the measures for fostering competitiveness on the basis of the following key strategic documents: Lithuanian Innovation Strategy 2010–2020, Investment Promotion Programme for 2011-2020, National Education Strategy 2003–2012, Strategy of Securing Lifelong Learning, Strategy for the Promotion and Development of Creative and Cultural Industries, Strategy of the Development and Improvement of the Lithuanian Public Procurement System for 2010–2013, National Energy Independence Strategy.

During the period of economic boom, earnings increased very rapidly, much faster than labour productivity, thus unit labour costs increased significantly. During the period of the largest economic downturn (in 2009), labour productivity dropped sharply. In 2011 and 2012 earnings increased, but much less than during the economic boom. As from the first quarter of 2012, unit labour costs have been higher than a year ago, because earnings grew faster than labour productivity.

Table 3. Forecasts for earnings, productivity and unit labour costs

Average annual change, in percent	2013	2014
Unit labour costs	2.6	1.7
Earnings (compensation for one employee)	4.4	3.7
Labour productivity	1.7	2.0

Source: Calculations of the Bank of Lithuania

In 2013, similar growth rates of average monthly gross earnings (including sole proprietorships) 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 2012:

- Consolidation and strengthening implementation of the business environment improvement initiatives – in particular, the reduction of administrative burdens and the reform of business supervisory institutions.
- Creation of the support mechanism for pre-incubation activities of innovative companies, implementation of tools for development of innovative economy, including innovative basket scheme. More detailed information on innovation policy is presented in part IV, Chapter 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, Chapter 3.6.
- Making the public procurement system more transparent and turning it into the electronic one;
- Increasing the level of education and trainings systems.

Improving the business environment

Improvements in the business environment can provide a significant boost to Lithuania's economic growth. It is especially important to improve the conditions for business start-ups, reduce the administrative burden for businesses, ensure the availability of financial resources, free and fair competition by removing burdens for new players willing to enter the market, and promote productive investments. Together with the assistance of EU Structural Funds, these measures would improve the competitive position of Lithuanian enterprises, facilitating the shift towards higher value-added activities.

As from 21 July 2011, a two-date rule is applied for the provisions on new business regulation (new legal regulation changing business conditions shall enter into force twice a year, on the 1st of May or 1st of November).

A new legal form of business – a small community (society) – aimed to increase the positive impact on the conditions for the start of business and the growth of entrepreneurship level, took effect as from 1 September 2012.

Advantages of a small community:

- A possibility for a new community to be established by more than one founder (natural person);

- Limited civil liability of a small community participant (member);
- There are no requirements for a minimum level of capital;
- A small community is not required to have a manager;
- The existence of business is based on the principle of personal characteristics-based cooperation;
- A member of a small community can handle the accounting of a small community;
- The Law on Small Communities allow for the members of small community to reach a mutual agreement on various issues of a small community, for example, the procedure of meeting convocation, and indicate this in the provisions of a small community;
- Small community members do not have to be engaged in a working relationship with a small community, the members of which they are.

According to the data of State Enterprise Centre of Registers, during the period from September 2012 till December 31 2012, 1.207 small communities were established in Lithuania (according to the data of SE Centre of Registers of 20 March 2013).

Lithuania has also made significant changes in facilitating the establishment of joint stock companies. This was strongly influenced by electronic registration of start-ups and shortening the period for registering a company with the register of VAT payers. Currently, the following procedures are included into the process of establishing a company electronically: 1) Obtaining an electronic signature – 1 working day; 2) online registration of a company – 1 working day (registering a company with the SE Centre of Registers takes 3 working days); 3) opening a bank account for authorized capital electronically – 1 working day; 4) company registration in the register of VAT payers – 3 working days (previously this process lasted for an average of 13 days); 5) opening a bank account for economic commercial activities – 1 working day. When registering a company electronically, a notary approval (lasting for 1-2 working days) is no longer required resulting in reduced cost for the establishment of a company (LTL 500). Also, there is a possibility to open a bank account for authorized capital online. Now a bank can submit a statement on authorized capital to SE Centre of Registers and the business no longer has to apply to the bank for that.

On 22 March 2012, amendment to the Law on Competition was adopted. The new edition of the Law on Competition allows for more efficient operations of the Competition Council and better implementation of competition rules. The newly-established regulation also sets clearer and more proportionate requirements for legal entities: the limit of aggregate gross income was increased, which should reduce the number of notices on concentration; the boundaries for leniency were expanded also providing such an opportunity for the participants in vertical agreements on direct and indirect fixing of resale prices; a more apparent procedure for the protection of commercial secrets was established; the possibility of leniency was provided not only for the current, but also for the previous manager of a legal entity; not all the transactions on concentration, of which the Competition Council was not informed, are recognized as invalid, but only those transactions on concentration, for which the permit of the Competition Council was not issued. New rules for calculation of penalties imposed for the violation of Law on Competition were approved by the Government, which contributed to the improvement of business environment; they will allow for the Competition Council to better individualize fines imposed on legal entities. It should also be

noted that upon the Government's approval of the guidelines for the application of the provisions of the Competition Policy, a legal framework for the systematic application of the provisions of competition policy was created.

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 implemented:

- 43 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;
- Control checklists were prepared for simplification of inspection procedures. In 2012, supervisory institutions made use of 67 control checklists. Control checklists cover 31 area – retail and wholesale trade, market trade, catering business, hairdressing and beauty salon services, construction, labour law and employee safety;
- As from July 2012, the activities of supervisory institutions have been assessed;
- More attention has been devoted to consulting assistance (according to the data of 2012, 7 supervisory institutions have been providing unified consultation over the phone by recording conversations);
- In July 2012, 3 supervisory institutions 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 for businesses than fines.

Planned works:

- Preparation of a consolidation plan of supervisory institutions;
- Development works of a common information system of supervisory institutions (PAIS);
- Coordination of preparation and supervision of control checklists;
- Preparation of a summary of fundamental rights and obligations of inspected legal entities.

Reducing the administrative burden

In pursuit for the goal established by the Government to reduce the administrative burden for business in priority areas by 30% during the period from 1 January 2009 till 31 December 2012, the Government agreed to 24 actions for reducing the administrative burden for legal entities. In order to implement these actions, draft laws were prepared and (or) adopted:

Laws adopted in 2012 influence the reduction of administrative burden by LTL 1.697 million, which accounts for 1.2 percent (of the target of 30%). Since 2009 till the end of 2012, the administrative burden was reduced by 2% or LTL 3 million annually. Draft laws were prepared,

upon the adoption of which the reduction of administrative burden would amount to LTL 31.957 million, or 23.2% (of the target of 30%).

In 2013, three actions for the reduction of the administrative burden are planned for (tax administration, environmental protection and real estate operations), upon the implementation of which the burden would be reduced by additional LTL 1.633 million.

Upon the implementation of all measures planned for 2013 and the inclusion of all the measures from 2009, the total reduction of burden would account for 26.3%.

In 2012, the Law on Reducing Administrative Burden of the Republic of Lithuania, which provided for the action courses for 2013 and subsequent years, was adopted. This law established at the highest level the preparation of the plan for the measures for the reduction of the administrative burden, also, provided for the formation of a special commission for better regulation control, inclusion of municipalities into the assessment and reduction of the administrative burden.

Due to the different possibilities for the reduction of the administrative burden in vertical and horizontal legal regulatory areas and unequal efforts of state institutions dedicated for the assessment and reduction of the administrative burden, the change in the amount of the administrative burden calculated in each priority area, differs significantly:

Table 4. Change in the amount of the administrative burden in 2009-2013

No.	Priority area	Change in the amount of the administrative burden in 2009-2013, in percent
1.	Tax administration	- 0.97
2.	Labour relations	- 1.1
3.	Territorial planning and construction	- 10.98
4.	Transport	- 28.44
5.	Statistics	-10.28
6.	Environmental protection	-5.5
7.	Real estate operations	-14.16

Making public procurement more transparent

When making the public procurement system more transparent, considerable attention was given for the development of centralized public procurement. A list of goods centrally purchased by the Centralized contracting authority was extended by the procurement of tank fuel and electricity in 2012. Moreover, agreements for the purchase of hardware and office equipment, mobile connection, pharmaceuticals, office supplies and fuel for gas stations were renewed. In 2012, the value of procurement performed by the Central contracting authority increased by more than 20% as compared with 2011.

It has to be noted that centralized public procurement procedures were being conducted not only through the Central contracting authority, but also at the departmental level (Ministry of Internal Affairs, Ministry of Defence, the National Health Insurance Fund, etc.). The preliminary value of centralized public procurement accounted for almost 8% of the total value of public procurement in 2012.

On 17 January 2013, the Seimas amended the Law on Public Procurement, pursuant to which the contracting authorities, except for diplomatic missions of the Republic of Lithuania, consular offices abroad and representative offices of the Republic of Lithuania, will be obliged to purchase goods, services and works from the central contracting authority or through it, when goods, services or works offered in the catalogue of central contracting authority meet the needs of a contracting authority and the contracting authority cannot perform them in any more efficient way by rationally using the funds allocated for this purpose.

In order to promote the use of the criteria for the assessment of the most economically advantageous tender offer and participation of small and medium-sized business in public procurement, it is planned that in 2013 a draft law amending the Law on Public Procurement will be prepared with a proposal to list sub-criteria, on the basis of which contracting authorities could select the most economically advantageous proposal in simplified public procurement procedures, also, to encourage contracting authorities to divide the object of procurement into parts, etc.

Electronic public procurement procedures

Lithuania focuses on the development of electronic public procurement, including the issues of billing for electronic public procurement procedures. In recent years, a considerable progress with regard to the electronic public procurement procedures was achieved. The scope of electronic public procurement accounts for approximately 80% of the value of all announced public procurement.

The use of electronic bills in making payments under concluded public procurement agreements plays an important role. In order to provide the suppliers with a possibility to make payments in public procurement procedures by using an electronic bill, and the Public Procurement Office and Central Contracting Authority – to electronically receive information on the execution of public procurement agreements and submission and payment of invoices, the Ministry of Economy together with the SE Centre of Registers have been working on the implementation of the project “Creation of Electronic Service “E-bill”. This project is aimed at the development of information system, the functionality of which would ensure the provision of the electronic service “E-bill”. The system is planned to be installed in 2014.

In order to promote the application of electronic measures in public procurement procedures at the national level, the following priority measures are planned to be implemented:

- To enforce an obligation to issue to the indicated contracting authorities taking part in specified public procurement procedures e-bills only (implementation deadline – the 2nd quarter of 2015);
- To enforce an obligation for all contracting authorities to submit all announcements for public procurement, procurement conditions, correspondence as well as offers of the suppliers by electronic means only (implementation deadline – the 4th quarter of 2015);

Implementation of the services directive

In order to determine unreasonable, disproportionate, excess permits (licenses) and simplify the conditions and procedure for the issuance thereof, the Ministry of Economy has been performing the review of national permits during the period from 2012 till 2014. On 18 July 2012, the Government adopted a resolution on the approval of the schedule for licensing framework,

which established the deadlines for the submission of information, conclusions and offers, while SE Centre of Registers was appointed to create a common information system in order to optimize the process of the issuance of licences in state institutions and announcement and management of information on the issued licences to all economic entities through the use of a public electronic service.

The Ministry of Economy prepared a draft for conditions and procedure for the issuance of licences, provision of conclusions and offers and applicable licence issue models, upon the approval of which institutions will have to amend the respective laws.

Consolidation of the schools of higher education and improvement of the quality of studies

In the implementation of the *National Studies Programme*, when carrying out the projects funded from the EU Structural Funds, 173 curricula based on the results of studies were updated or newly-prepared. Another 78 curricula are planned to be updated or newly-prepared by the fall of 2015.

During the implementation of the *Practical VET Resources Development Programme*, conditions for the development of qualifications were created in 2012. Apprenticeships in companies were arranged for teachers. 96 projects of programmes for the development of technological competences, reference material and the plans for the implementation thereof were prepared; 4 programmes for the development of technological competences in woodworking industry were accredited. In 2013, the projects for the development of technological competences of vocational education teachers and lecturers were implemented and 622 individual trainings for vocational education teachers and lecturers were arranged in companies under 1.000 programmes.

A Lithuanian-language education model was created, the material whereof has been placed and publicized in the information portal of the Lithuanian-language education since 2013. As from 1 December 2012, a group of 16 experts has been brought together for the preparation of material for programmes for the development of competencies of teachers. The training material will cover the following 3 areas: teaching the Lithuanian language, knowledge of the country and pedagogical – psychological aspects. The training material consists of two parts: training tools for teachers and training tools for students (a total of 11 modules).

In the implementation of the national complex programme (hereinafter – the NCP) under the measure “Curriculum development in the national complex programmes”, 12 projects carried out by science and studies institutions aimed at the preparation, renewal and implementation of 1st and 2nd-cycle study programmes of higher education in science-intensive sectors of economy were continued (total value of projects LTL 42.139 million). During the implementation of these projects, 102 second-cycle students were accepted. Also, the implementation of 2 new Humanities and Social Science NCP projects (in ISM and KU) was started (LTL 1.827 million).

In February 2012, the implementation of the project “Preparation of the national concept of the European Credit Transfer and Accumulation System (ECTS): credit reconciliation and design, and implementation of curriculum methodologies based on learning outcomes” was completed. The project was coordinated by Vilnius University. One of the key goals of the project was to create preconditions for the creation of student-centred and outcome-based curricula on the basis of a new study credits system. During the project, methodological tools were created ensuring the transition of schools of higher education to the new study credits system.

Consolidation process of science and studies institutions was analysed and it was decided to grant assistance of LTL 883.000 to 9 institutions. The agreements on the use of funds were drawn up.

It is planned that in 2013 the share of schools of general education using direct online platform of self-assessment of activities will be 5% (it was 0% in 2012); the share of candidates to school leaders who had their competences assessed will be 10% (it was 7% in 2012); the share of students who have studied abroad under the Erasmus programme will account for 3.5% (it was 3% in 2012); the share of schools of general education which have made progress reports public will be 10% (it was 1% in 2012); the share of schools of general education, which were assessed externally, will be 35% (as compared to 31% in 2012); the share of schools of general education, which have made use of standardized tests, will be 5%; there will be 140 expatriate Lithuanians studying in Lithuanian schools of higher education; the share of apprenticeship students among all students studying in vocational schools will make up 2% (as compared to 0% in 2012); the share of students studying under secondary education programmes in vocational schools will account for 30% (as compared to 29% in 2012).

5.1.2. Fostering Employment

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

5.1.3. Increasing Sustainability of Public Finances

The key mid-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 governmental sector as well as economic recovery measures is presented in the Convergence Programme of Lithuania for 2013.

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 the 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, chapter 3.5.

Optimization of health care network

The third stage programme of the restructurization of health care institutions and services was implemented in 2012. In order to form a more efficient network of personal health care institutions, during the period of the implementation of the programme (2010–2012) 20 legal entities of health care institutions were eliminated consolidating these institutions into larger legal entities.

Finances allocated for public health is a long-term investment into sustainable development of all sectors of the country. In order to ensure the efficient functioning of the national system of health care institutions, the preparation and implementation of the plan for the next stage of the development of health care system and consolidation of the network of hospitals is planned for.

The goal is to strive for a more efficient use of funds allocated for health care while ensuring safe, qualitative and affordable health care services. Health care services that require sophisticated technical equipment and highly skilled professionals, such as laboratory diagnostics and emergency dispatch services, are planned to be centralized. On the other hand, it is planned that the health care services that do not require any sophisticated technological equipment or highly skilled professionals will be decentralized. In order to be able to manage patient flow, complex health care services requiring technological equipment will be performed in the national level hospitals and university hospitals, while other health care services will be provided in health care facilities closer to the patient's place of residence. Also, the development of nursing services is planned in health care institutions and patients' homes.

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 responsible authorities implemented various measures for the reduction of risks of the financial sector. Here it is important to distinguish the requirements for the establishment of credit unions, their operations and risk management, which were tightened by the Bank of Lithuania:

- The procedure for the examination of managers of credit unions who did not comply with the requirements set;
- The norms (for capital adequacy, liquidity and the maximum loan amount) limiting the risk of credit unions were tightened up;
- The legal acts of the Bank of Lithuania governing the requirements for the information publicized by credit unions were supplemented;
- The rules for the assessment of credit union loans were reviewed and supplemented.

These amendments to the legal acts of the Bank of Lithuania will allow ensuring the sustainable development of activities of credit unions and appropriate business risk management, also, will limit the extent of risk assumed and its concentration. It is also planned in the near future to review and supplement the minimum loan evaluation requirements of credit unions and prepare

the regulations for the organisation of internal control and risk assessment (management) of credit unions.

In the area of reinforcing financial stability, amendments to the Law on the Bank of Lithuania are planned to be approved in 2013, whereby the Bank of Lithuania will be granted the powers of macro-prudential policy-making and execution in Lithuania. The objective of the macro-prudential policy is to contribute to the protection of the stability of the financial system, including the strengthening of resilience of the financial system and reduction of formation of systemic risks, thus ensuring the sustainable contribution of the financial sector to 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.

5.2. Implementation of Priorities Identified in the Annual Growth Survey

On 28 November 2012, the European Commission published a Communication "Annual Growth Survey 2013", which sets the priorities to help Member States to deal with the crisis and resume growth. The Annual Growth Survey for 2013 launches the third European semester for economic policy coordination, which ensures that Member States better align their budgetary and economic policies with the Stability and Growth Pact, and the Europe 2020 Strategy.

The Commission proposes to continue to follow five priorities set in the Annual Growth Survey for 2012: pursuing differentiated growth-friendly fiscal consolidation, restoring lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis, and modernising public administration.

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 and reduction of excessive deficit – in part III, Chapter 3.1, and Lithuania's Convergence Programme for 2013; with regard to increased investments into R&D – in part IV, Chapter 4.1; with regard to the investments into energy – part III, Chapter 3.6 and part IV, Chapters 4.4 and 4.5; with regard to the labour market performance measures – in part III, Chapter 3.3 and part IV, Chapter 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 the stability of the financial sector. In 2011–2012 the readiness for the application of state aid measures provided for in the Law on Financial Sustainability and the compatibility of these measures with the state aid rules was maintained by extending the validity of the bank support schemes every six months. In 2012, taking into consideration the notification submitted by the Ministry of the Finance, the European Commission extended the validity period of the measures under the Lithuanian bank support scheme until 30 June 2012, while later on – until 31 December

2012. Having assessed the situation in international and national financial markets, the validity of these measures were extended until 30 June 2013. Where appropriate, the further extension of support for the Lithuanian bank sector will be considered.

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

Preferential 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 I (administered by UAB Investicijų ir verslo garantijos (hereinafter – INVEGA). Small- and medium-sized enterprises (hereinafter – SMEs) are granted loans of up to LTL 175.000 at preferential interest rates. 252 loans for LTL 26.9 million had been issued to SMEs by 31 December 2012. LTL 16.685 million from national funds was allocated for the implementation of the measure, which can be used by banks no longer than till 1 July 2013.

- Small credits, Phase II (INVEGA fund measure) under which SMEs are provided with loans of up to LTL 350.000 at preferential interest rates. 898 loans for LTL 177 million had been issued to SMEs by 31 December 2012. LTL 95 million from national funds was allocated for the implementation of the measure, which can be used by banks no longer than till 31 December 2014.

- An open credit fund (INVEGA fund measure) under which SMEs are issued loans of up to LTL 1.5 million from the fund (plus 25% of bank funds) at preferential interest rates. 246 loans for LTL 135 million (together with the share of bank funds) had been issued to SMEs by 31 December 2012. LTL 150 million from the EU Structural Support funds was allocated for the measure.

- Loans of shared-risk (INVEGA fund measure), under which SMEs are issued loans of up to LTL 16.5 million (maximum loan amount depends on the amount of measure funds allocated for the 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 own funds for the execution of this measure. 509 loans for LTL 357 million had been issued to SMEs by 31 December 2012 (together with the share of bank funds). LTL 379.8 million from the EU Structural Support funds was allocated for the measure.

Guarantees

- Guarantee fund. INVEGA provides guarantees equivalent to state guarantees (up to 80% of loan amount) for credit institutions for investment loans and working capital loans of small- and medium-sized entities relating to business development, thus solving the issue of insufficient and unattractive bank collateral. 1.988 guarantees were issued for SME loans by 31 December 2012 (the amount of issued guarantees is LTL 555.5 million). LTL 129 million from the EU Structural Support funds was allocated for the measure.

- Portfolio guarantees (INVEGA 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. 111 guarantees for loans of SMEs had been included into the portfolio of guaranteed loans by 31 December 2012 (the

amount of issued guarantees is LTL 38 million). LTL 41.4 million from the EU Structural Support funds was allocated for the measure.

- Portfolio guarantees for leasing (INVEGA fund measure). Financial guarantee (for up to 80% of leasing amount) is provided for new SME leasing transactions (the maximum transaction amount is LTL 6.47 million). 37 guarantees (in the amount of LTL 7 million) for SME leasing transactions were included into the portfolio of guaranteed leasing transactions by 31 December 2012. LTL 20.71 million from the EU Structural Support funds was allocated for the measure.

Venture capital measures (JEREMIE Holding Fund 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 investment funds. The amount of fund investments accounts for LTL 10.35 million for one target company. These venture capital funds had invested LTL 34 million into 11 companies by 31 December 2012 (along with the private investor funds). LTL 108.8 million from the EU Structural Support Funds 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” (in 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 the 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 agent (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 has invested LTL 15 million (together with private investor funds) to 17 companies by 31 December 2012. LTL 27.6 million from the EU Structural Support Funds was allocated for this measure.

- Initial stage venture capital and venture capital funds (JEREMIE Holding Fund measure). The measure includes separate Initial stage risk capital and Venture capital funds managed by one fund manager - UAB “Practica Capital”. The Initial stage venture capital fund (“Practica Seed Capital”) will grant exclusively the initial stage risk capital (up to LTL 690.560 over 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 12 months). Currently there already is a contract signed with the selected fund manager. “Practica Seed Capital” invested LTL 956.000 (together with private investor funds) into 6 companies by 31 December 2012. LTL 58.7 million from the EU Structural Support Funds was allocated for this measure.

- Creative Innovation Development (INVEGA fund measure). This new venture capital measure is aimed at the promotion of the transfer of ideas generated in research and study institutions to businesses (commercialization). For the implementation of this measure, two venture capital funds – “Seed” and “Start-up” will be established, which will invest into very small, small- and medium-sized companies (hereinafter – SMEs) operating in high-tech sectors. “Seed” fund will invest into the development of initial ideas and concepts of SMEs, while the “Start-up” fund will

invest into SMEs that do not yet trade their products or services, and do not generate income for the development and marketing of products. Investments into SMEs from “Seed” fund cannot exceed LTL 690.560 (to SMEs operating in the transport sector they cannot be more than LTL 345.280 during any period of three fiscal years). Investments into SMEs from “Start-up” fund cannot exceed LTL 5.179.200 in any period of 12 months. The selected fund manager will have to attract to the “Start-up” fund at least 30% of private investment funds. Currently, the selection of fund managers is being performed. LTL 40 million from the funds of INVEGA fund has been allocated for the measure.

Partial reimbursement of interest on loans (managed by INVEGA)

The state may reimburse a part of interest paid by SMEs for loans and leasing agreements. In order to take advantage of this measure, it is necessary to submit to INVEGA an application in a pre-determined form for partial reimbursement of interest.

- Up to 50% of interest paid on loans, which are compensated for those investment and working capital loans, for which credit institutions were issued an INVEGA guarantee, is reimbursed.

- Up to 95% of interest paid on loans disbursed from Entrepreneurship Promotion Fund is reimbursed.

- On 23 May 2012, the measure coverage was extended. Partial reimbursement 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 representatives of SMEs who have signed or plan to sign agreements for investment loans or leasing during the period from 1 March 2012 to 1 March 2013 will be able to apply for partial reimbursement of interest under the updated measure conditions. LTL 38.5 million in interest had been reimbursed to 2.963 SMEs by 31 December 2012. LTL 104 million from the funds of the European Union Structural Funds was allocated for this measure.

Entrepreneurship promotion fund (managed by INVEGA)

On 30 December 2009, a tripartite agreement was signed by the Ministry of Social Security and Labour, Ministry of Finance and INVEGA, whereby the Entrepreneurship Promotion Fund was established. 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 work places. The implementation of the measure (provision of loans of up to LTL 86.000 is combined with training and counselling of 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: driving innovation, new technologies and raising levels of public and private R&D investment; raising the performance of education and training systems and overall skill levels; promoting green economy (improved waste management, water management and recycling).

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

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.

124 projects, which received support in the amount of LTL 1.9 billion, were being implemented (13 of them were completed in 2012) under the measure “Renovation and development of water supply and wastewater treatment systems”. The following works have been performed or are planned to be performed under 124 agreements for funding and administration of water management projects: 110 wastewater treatment plants (WWTP) were built/ reconstructed, 11 water treatments units (WTU) were built/ reconstructed; 1.619 km of new water supply networks were built, 2.167 km of new sewerage networks were built, 24 km of water supply networks were reconstructed and 26 vehicles for transportation of sludge were purchased.

156.406 residents are planned to be connected to the sewage network under the signed project funding and administration agreements (hereinafter – FAA). 46.195 residents were connected at the end of 2012. It is planned that water supply and waste water management infrastructure will be upgraded in 378 neighbourhoods. This infrastructure was upgraded in 135 neighbourhoods at the end of 2012.

26 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), which received support in the amount of LTL 648.8 million.

The works of closure of old landfills have been going smoothly (they are planned to be completed in the 3rd quarter of 2013). The implementation of the projects for the set-up of the 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 2012, capacities allowing for treatment of up to 40.000 tons of green waste were created in 2012.

In 2012, 106 old landfills were closed (it is planned to close 344 of them), 7 bulky waste collection sites were set up (the installation of 53 of them is planned for), 13 green waste facilities were installed (it is planned to install 40 of them), 1 landfill for hazardous waste is planned to be set up.

In 2012, composting containers of different sizes (600 – 900 litres) were purchased for individual holdings for composting kitchen and garden waste, thus providing for a possibility to

process about 10.000 tons of biodegradable waste and reduce waste volumes disposed in landfills by about 2%.

Using the funds of the Programme for Processing Product and Packaging Waste, municipal waste sorting facilities were being developed in 2012:

- 106 secondary raw material collection sites were set up in municipalities;
- 69.000 waste sorting containers were purchased in individual residential neighbourhoods;
- 1.500 bins for sorting secondary raw materials were purchased by public buildings (160 institutions);
- More than 4.000 tons of waste tires were processed.

Planned works:

- In 2013, 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 set waste management priorities and establish strategic goals and measures for 2014–2020 aiming for the reduction in the amount of waste disposed in landfills, recycling or other use thereof;
- To prepare and approve the National Waste Prevention Programme for the ensurance of waste prevention;
- To create a register of waste processing companies for more efficient national waste management control;
- To create an efficient administration of municipal waste management system.

- Upon the adoption of the law amending the Law on Drinking Water Supply and Wastewater Management, the procedures for licencing the activities of the drinking water supply and wastewater treatment, principles for pricing and billing for water services, standard conditions for agreements on water services, responsibility for violations of quality requirements for water services, requirements for the use and maintenance of water supply and wastewater treatment infrastructure, and funding priorities of water services development and quality improvement are planned to be set in the field of water management.

5.2.4. Tackling Unemployment and the Social Consequences of the Crisis

Information on increasing employment and reducing social exclusion is presented in part IV, Chapters 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. The following measures are planned for in this area: 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 and on e-procurement procedures is presented in part V, Chapter 5.1.1.

Digitalisation of public administration

The level of the transition of public services into the cyberspace grew in 2012 and reached 87% (it was 81.5% in 2011). Services intended for business were transferred faster than those intended for residents – the level of the transition of business-oriented services was 98% in 2012, for residents – 79%. Also, the number of residents, who have visited websites of public institutions at least once over the period of the past 12 months, has also been increasing – it was 39% in 2012 (as compared to 35% in 2011).

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

The following projects were implemented for the transition of public services into the cyberspace:

- Transfer of the public police service “Submitting report to the police” into the cyberspace;
- Electronic service for registering legal entities (JAREP);
- Transfer of services of the issuance/ replacement of driving licences into the cyberspace;
- Electronic services of the registration of civil status records and issuance of certificates;
- Creation of the e-service “Environmental Licencing”;
- Electronic preparation and transfer of statistical business data;
- Development of interactive electronic services for ordering publications and receiving them in public libraries;
- Transfer of the provision of electronic public services to the public into the cyberspace – eDbirža.

The implementation of the projects in progress for the transfer of public services into the cyberspace is planned to be continued:

- Transfer of motor vehicle registration services into the internet environment;
- Creation of electronic services for the issuance of personal identity documents for the residents of the Republic of Lithuania and foreigners;
- 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“;
- Centralized transfer of municipal services into the cyberspace;
- Transfer of administrative procedures related to the permits issued by state and municipal institutions and organizations into the cyberspace.

In order to transfer into the cyberspace as many public and administrative services as possible and seeking for the centralized provision of services, the following measures are provided for:

- To develop the state and municipal level solutions for the improvement of electronic health services through the use of information communication technologies (hereinafter – ICT);
- To develop the state and municipal level solutions for the development of e-democracy;

- To develop the solutions for improving public and administrative services through the use of ICT in order to promote the use and provision of services via the centralized e-government portal (www.epaslaugos.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 contributes 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 policies 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.

More detailed information on innovation policy and implementation of this initiative is presented in part IV, Chapter 4.1 and part V, Chapter 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, Chapters 4.2 and 4.3, information on national qualifications systems by better adapting the acquired skills to the labour market needs – in part IV, Chapter 4.7, information on youth integration into the labour market – in part III, Chapter 3.3 and part IV, Chapter 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 implemented:

- In 2012, funding was allocated for the preparation and implementation of 17 joint study programmes (LTL 85.61 million of the EU support funds allocated for the Programme for Internationalisation of Higher Education);
 - Support is allocated for funding visits of teachers from foreign countries to the Lithuanian schools of higher education;
 - In the implementation of decentralized foreign qualification assessment and recognition model and execution of the KAPRIS project (development of the system for academic recognition of foreign qualifications concerning higher education), a publication “Recognition of Foreign Qualifications” was drawn up, also, introductory trainings for the assessors of foreign qualifications were arranged;
 - Internet website “Study in LT” is being developed;
 - Funding was allocated for 3 projects funded from the EU support 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;
 - 148 diaspora students and students of the Lithuanian origin studying in Lithuanian schools of higher education received assistance (for the fall semester of 2012–2013 academic year).

Planned works:

- In the first quarter of 2013, support will be allocated for funding the visits of foreign teachers;
- In the first quarter of 2013, the contest for the Lithuanian state scholarships of Kazimieras Būga will be announced;
- In the first quarter of 2013, 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 2012–2013 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 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 broadband access for all by 2013, access for all 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.

Lithuanian Information Society Development Programme for 2011–2019. The strategic objective of the programme is to improve the quality of life for the Lithuanian residents as well as the 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 under the programme in 2011–2012:

- Administration of the network of public internet access points and portal <http://www.vipt.lt>;
- Subscription to electronic universal and scientific information databases for public libraries;
- Ensurance of the installation of digital non-commercial cinema screens by creating public access to digital audio-visual content;
- Development of databases approved by the State Lithuania Language Commission and ensurance of public access thereto;
- Centralized renewal of library infrastructure necessary for the provision of computer and inter public access services;
- Installation and maintenance of electronic communications infrastructure and promotion of efficient infrastructure-based competition;
- Creation of the conditions for the development of new technologies, including broadband access, through the use of 3G and 4G mobile communications (IMT-2000, LTE, etc.), broadband wireless access (BWA) technologies, 3G satellite and terrestrial radio mixed data transmission technologies;
- Development of electronic signature infrastructure and promotion of the use of electronic signature.

This programme is planned to be renewed by the end of 2013 taking into consideration the updated European digital agenda and National Progress Programme. The programme is aimed at:

- Creating conditions for the Lithuanian residents to acquire knowledge and skills in using information and communication technologies;
- Encouraging the residents to use electronically provided public and administrative services, ensuring the quality of data transmission, infrastructure of operating search engines;
- Creating and disseminating cultural digital content compliant with the public needs and development trends;
- Developing the accessibility to documentary and cultural heritage in cyberspace, digitizing and preserving art products and products of cultural content, creating e-services and solutions based on digital content;
- Promoting the development of e-business;
- Ensuring a geographically uniform development of broadband electronic communications network infrastructure throughout the country and promoting the use of electronic communication services;
- Ensuring cyber security and reliability, increasing the confidence of residents and businesses in cyberspace.

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.

In the implementation of the measure “Complex Development of Ecological Public Transportation”, municipal administrations of the cities of Kaunas, Panevėžys and Šiauliai acquired 38 environmentally-friendly public transport vehicles (buses with gas engines or electric and hybrid drives). It is planned that in 2013: administrations of the municipalities of the cities of Klaipėda and Vilnius will acquire 37 environmentally-friendly public transport vehicles (buses fuelled by gas); administrations of the municipalities of the cities of Klaipėda, Kaunas, Panevėžys and Šiauliai will start the modernization and development of cycling infrastructure in cities; administration of the municipality of Kaunas city will set up a catenaries for trolleybuses in Parodos and K. Petrauskas streets.

In support for the shift towards a resource efficient and low-carbon economy and modernization of transport infrastructure, the aim is to decouple the economic growth from the use of resources and energy, reduce CO₂ emissions, enhance competitiveness and promote greater energy security. The following tasks are set for the implementation of this goal:

- Comprehensive modernization of the public transport system (set up of A lanes, conversion to BRT systems, implementation of public transport priority measures and intermodal transport systems), foster use of environmentally-friendly modes of transport, innovative measures promoting the development of sustainable mobility;
- Foster research and development of innovative technologies, intelligent transport systems, services and related infrastructure;
- Establishment of intermodal terminals in public logistics centres of Vilnius, Kaunas, Klaipėda and Šiauliai. In 2013, contracting agreement are planned to be signed for the establishment of intermodal terminals in public logistics centres of Vilnius and Kaunas, and construction are to be started;
- Development of railway transport infrastructure (electrification of rail lines);
- Implementation of electronic transport flow control system.

The following outsourcing activities are planned to be carried out in 2013:

- “Identification of environmentally harmful subsidies, determination of their value in the common national tax system. Preparation of methodology for identification of environmentally harmful subsidies”;
- “Identification of taxes promoting environmental protection in the common tax system. Proposals for increase of taxes promoting environmental protection and introduction of new taxes adequately reducing taxes of other types”.

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.

In order to work closely with stakeholders in different sectors and ensure the maintenance of strong industrial and knowledge base, it was decided to establish the Innovative Economic Council in 2013, which will be responsible for more efficient cooperation of state institutions and business and scientific community, and will seek for a more favourable environment for innovation in business. The Council will be formed so that it would include the country's best experts, representatives from academic institutions, business confederations, associations and state institutions. It is planned that the Council will provide recommendations for the enhancement of business and science cooperation, development of new green technologies and production methods, it will consider and submit proposals for existing and new draft laws. The Council will assess the experience of the European Union Structural Funds during the period 2007–2013 and will submit proposals for the creation of measures for the period 2014–2020 as well as for more efficient cooperation of representatives of educational institutions and businesses in order to ensure the training of specialists necessary for businesses. The Council will propose measures encouraging entrepreneurship, creativity skills, also, the abilities to develop and implement innovations. The Council will also encourage the establishment of new companies and provide proposals for favourable conditions improving business environment.

More detailed information about the improvement of business environment and reduction of the administrative burden is presented in part V, Chapter 5.1.1, information about the implementation of intellectual property rights is provided in part IV, Chapter 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.

More information on employment policy and national qualifications is presented in part IV, Chapter 4.7, information on comprehensive review of tax system is provided in part III, Chapter 3.1, information on active ageing policies – in part III, Chapter 3.2, and information on increasing gender equality – in part IV, Chapter 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.

According to the data of the survey on personal income and living conditions (EU-SILC) conducted in 2011, Lithuania is among seven Member States which showed a declining trend in the number of people experiencing poverty risk and social exclusion. As compared to 2010, the number of people living at risk of poverty and social exclusion decreased by 2.6 percent, i.e. from 1.109 thousand to 1.080 thousand. Greater decline in the number of such persons was achieved in Portugal (3.4%) and Romania (2.9%). However, Lithuania, as well as these two member states, failed to achieve a lower number of persons experiencing poverty risk and social exclusion than that, which was before the crisis (985.000 persons). The data of the survey revealed a challenge of social consequences of financial crisis - the share of persons living in households with very low work intensity increased by more than 3%, i.e. from 9.2% to 12.3%, which resulted in increased number of the recipients of social benefits.

In 2012, pursuant to the provisions of active inclusion policy, employment was promoted by implementing active labour market measures and devoting particular attention to young people (more detailed information is presented in part IV, Chapter 4.7).

Initiative “European Year for Combating Poverty and Social Exclusion” launched in 2010, the aim of which was to promote and disseminate good practice in reducing poverty and social exclusion, was continued in 2012. All 60 municipalities were asked to provide some examples of good practice in order to increase social inclusion. The majority of good practice activities was implemented by non-governmental organizations.

Poor access to health care - the denial of care for those who need it the most, i.e. groups in social exclusion, is one of the social factors determining health condition. In order to reduce disparities in quality of and accessibility to health care services, improve the quality and accessibility to personal and public health care, the programme for the continuation of health care system reform and optimization of health care infrastructure is being implemented. Health improvement programmes are planned to be implemented in municipalities in order to reduce disparities in population health, provide the municipalities with the right to plan the network of primary health care institutions, increase the responsibility of municipalities for the health of the population.

There is a noticeable lack of attention to the formation and implementation of health policy of a child as the most vulnerable member of society. Taking into consideration this fact, considerable attention will be given to improvement of the health of mother and child.

In the implementation of the Strategy for Reorganization of Child Care System, child day care centres were funded in 2012 where non-stationary day care services were provided for children and their family members. LTL 7.3 million was allocated for this purpose from the state budget in 2012.

In order to ensure a child’s right to grow in a family and reduce the number of children cared for in child care institutions, a tender for the projects of search, preparation, selection, consultation and provision of assistance to guardians (foster parents) was organized in 2012; 25 projects were funded, LTL 570.000 was allocated for the implementation thereof.

In 2012, 315 families willing to become guardians (foster parents) of children or wishing to adopt children took part in trainings for preparation of guardians (foster parents) and adoptive parents under the PRIDE programme. Also, assistance was provided to families already caring for

children or having adopted them; such assistance was granted to 521 guardian (foster parent) in 2012. Currently, future guardians (foster parents) and adoptive parents are prepared by 56 PRIDE programme teachers.

The implementation of 2011–2013 action plan for the National Youth Policy Development Programme for 2011–2019 was aimed at the development and coordination of the system for working with young people, creating favourable conditions for qualitative activities of youth organizations, and ensuring cooperation between various social sectors in order to create the youth policy based on facts and knowledge.

In 2012, 11 open youth centre projects and 11 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 2012 – 62 programmes and projects aimed at strengthening youth organizations and organizations working with young people were financed.

In 2012, when implementing the Law on Anti-Violence in Immediate Environment, specialized help centres started operating; in these centres assistance was provided to more than 1.200 victims of violence in their immediate environment. The implementation of the Law on Anti-Violence in Immediate Environment adopted in 2011 first of all means stricter liability and expeditious response to manifestations of violence in the immediate environment. Stricter response to perpetrators possibly prevented the problem from becoming prescriptive, stopped the spread of culture of violence, and at the same time reduced the risk of social exclusion and poverty. Non-governmental organizations providing assistance to victims of violence were supported.

It is planned to continue the development of services for families in 2013 by including non-governmental organizations and encouraging communities to be more active: non-stationary social day care services for children and families, child care in families will be developed, future guardians (foster parents) of children will be prepared, comprehensive services for child victims of violence will be provided.

Non-governmental organizations will be funded when implementing the Children Welfare Programme for 2013-2018. Funding in a way of tender for non-governmental organizations working in the area of the protection of children's rights is planned to be allocated in 2013. The implementation of the European Economic Area Financial Support Programme aimed at children and youth at risk is planned for in 2013. The development of activities of children day centres and open youth centres is planned through the use of the funds of the European Economic Area Financial Support. A centre for the provision of specialized services for child victims of violence or sexual abuse, and their family members is planned to be established in 2013.

Non-governmental organizations working in the field of family welfare will be financed when implementing the National Demographic (Population) Strategy. 22 projects are planned to be funded in 2013.

When implementing the Programme “Youth Policy Implementation”, continuous international, national and regional policy promoting active participation of young people in civil life is being developed. 12 measures will be implemented in 2013. A part of these measures will be financed from the structural funds. In 2013, the funding for 22 projects of open youth centres and

open space activities is planned for. One of the measures is aimed at encouraging young people to take part in youth organizations and organizations uniting other youth organizations. Action programmes of the National Youth Organization Council, national youth organizations and regional youth councils to be funded will be selected in public tender procedures. 30 programmes are planned to be funded in 2013.

The National Programme for Social Integration of the Disabled for 2013–2019 and action plan will be implemented in 2013. It is planned to adapt 214 apartments to meet the needs of the disabled. 950 disabled students studying in schools of higher education will be granted assistance. 230 disabled people will take part in vocational rehabilitation programme in 2013; 35% of them should find employment within 6 months after the completion of the programme. 25 projects for the support of activities of the associations of the disabled and 410 projects for the provision of services for the disabled people in communities are planned to be financed in 2013.

A continuous measure – integration of persons at social risk and experiencing social exclusion into the labour market – will be implemented in 2013. The measure is financed from the funds of the European Social Fund. The implementation of the selected projects will be continued in 2013. Projects of 10 organizations defending human rights aimed at the implementation of the measures of the Inter-institutional Action Plan for the Promotion of Non-discrimination for 2012–2014 are planned to be supported in 2013. The Plan for the National Crime Prevention and Control is planned to be implemented as from 2013. The goal is to provide support for approximately 10 projects, upon the implementation of which comprehensive assistance (psychological, medical, legal, etc.) could be provide for up to 80 persons who became victims of human trafficking or forced prostitution.

Measures of the Programme of Social Development of Communities for 2011–2013 will be implemented in 2013. Currently, 1,800 community organizations are operating in Lithuania; about 50% of them are engaged in social activities. In 2013, upon the implementation of measures of the said programme, about 5% of community organizations will acquire skills in the areas of attracting volunteers, developing entrepreneurship skills and organizing social activities. Funding is planned for 3 associations of community organizations in 2013.

In 2013, activities of organizations representing elderly people will be supported. Also, the development of voluntary activities of non-governmental organizations representing the elderly will be promoted and the influence of these organizations will be reinforced. Republican organizations, which have territorial divisions throughout the country are supported, thus seeking to strengthen the influence of organizations already established in society in the implementation of social protection policies. 5 organizations of such type are planned to be funded in 2013.

In the implementation of the Programme of Self-governance of Local communities, the aim is to promote self-governance of local communities and their self-sufficiency by meeting the public needs of local communities, also, to enhance community focus and mutual trust and increase the responsibility of community members for issues solved in their communities.

One of the key tasks for 2013 is to prepare the action plan for the reduction of social exclusion for 2014–2020 with a special focus on children and youth. The aim is to put all the efforts for the action plan to be based on an all-inclusive analysis of social issues as well as the associations with various policy trends (employment, education and science, health care, culture, regional

policy, etc.). Significant attention will be devoted to making social partners and non-governmental sector more active not only in the preparation of an action plan, but also when implementing and assuming or sharing the responsibility for the fulfilment of target objectives. New ways promoting participation in solving issues of poverty and social exclusion will be searched for by cooperation, with a particular focus on social innovations at the local level in the implementation of the policy for reducing poverty and social exclusion.

5.4. Inclusion of Priorities Related to the Europe 2020 Strategy into the National Progress Programme for 2014–2020

By its resolution of 28 November 2012, the Government approved the National Progress Programme (hereinafter – the NPP) and proportionate allocation of the EU structural assistance for 2014–2020 for different NPP tasks.

The National Progress Programme includes not only the key provisions of the national policy listed in the state progress strategy “Lithuania’s Progress Strategy “Lithuania 2030”, but also the main provisions of the EU policy established in the Europe 2020 Strategy. Provisions of the National Reform Programme are also listed in this programme.

The NPP is integrated thus includes different EU funding sources (assistance of funds established in common strategic document) and other international financial assistance. The National Progress Programme will also be the main document, on the basis of which the EU Strategy for the Baltic Sea Region will be implemented in Lithuania.

The key integrated vertical priorities of the programme include:

- Public education, science and culture (the goal is to promote lifelong learning, enhance identity, citizenship, responsibility and cooperation, promote creativity, entrepreneurship and leadership, promote knowledge creation, dissemination and use; promote sustainability of health and natural environment);
- Active and solidary society (the goal is to increase the welfare and social inclusion of the people, enhance the role of communities and non-governmental organizations, increase quality employment of people);
- Environment conducive to economic growth (the goal is to create favourable conditions for the development of entrepreneurship and sustainable business, create sustainable and efficient economic infrastructure, promote sustainable use of resources, ensure stability of ecosystems, increase territorial cohesion in regions);
- High-added value oriented integral economy (the goal is to promote the global market oriented networks creating value, promote business productivity and development of innovative business);
- Innovative public management meeting the needs of society (the aim is to enhance strategic competencies in public management institutions and improve the management of the activities of these institutions, to ensure the openness of public management process and promote active public involvement in these processes; to improve the quality of services and increase their availability of the public);

Horizontal priorities:

- Regional development (the aim is to ensure balanced and sustainable regional development, increase territorial cohesion in regions);
- Culture (the aim is to strengthen the cultural identity, increase public creativity, sense of community and citizenship; develop high-quality cultural services thus ensuring their diversity, innovation, accessibility and dissemination);
- Health for all (the aim is to reinforce and protect the health of the residents of Lithuania, ensure health-friendly environment; ensure quality, accessible and sustainable health care).

The NPP priority “High-value oriented integral economy” will contribute the most to the objective to increase investment into R&D established in the Europe 2020 Strategy; priority “Public education, science and culture” – to the objective to reduce the number of early school leavers; priority “Environment conducive to economic growth” will contribute to the objectives of increasing renewable energy sources and energy consumption efficiency as well as limiting greenhouse emissions, while the priorities “Active and solidary society” and “Public education, science and culture” will contribute the most to the objective of increasing employment and reducing social exclusion.

Pursuant to the data presented by the European Commission on 31 December 2012, according to the use of the EU funds during the period 2007–2013, Lithuania ranks first among new member states that joined the EU after 2004, while it is second only to Ireland among all the EU member states; however, it has to be noted that during the 2007–2013 programme period Lithuania administers 9 times more EU funds than Ireland.

From the beginning of the implementation of 2007–2013 action programmes till 31 December 2012, the number of implemented projects and projects currently being implemented was almost 6.700; funds allocated for the implementation thereof together with the funds of project executors accounted for LTL 27.4 billion, out of which LTL 21.1 billion was the funds from the EU funds, which accounts for 90 percent of the EU funds planned to be granted to Lithuania during the 2007–2013 programme period.

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, Association of Lithuanian Banks, Association of 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 Solar Energy Association, the Lithuanian Wind Energy Association, the Lithuanian Wind Power Association, the Lithuanian energy consultants association) about a planned update of the National Reform Programme 2013 and proposed that they provide their offers for the achievement of the Europe 2020 Strategy goals. In order to inform

the public and receive feedback on the planned major structural reforms for the period 2013–2020, the Ministry of Economy has also published a notice on the website www.ukmin.lt on the possibility to submit proposals for the currently updated National Reform Programme 2013.

The following is a summary of the proposals made by socio-economic partners:

- The Lithuanian Free Market Institute submitted proposals on budget planning, continuity of the reform of business supervisory institutions, improvement of the business environment, tax reform, regulation of labour relations, pension accumulation and social assistance reform;
- Investors' Forum made proposals on budget, tax reform, pension system reform, employment policy, social assistance reform, reduction of poverty and social exclusion, continuity of state-owned enterprises reform, more rapid renovation of buildings, integration of electricity and gas networks into the EU networks, fostering competitiveness and improving business environment;
- The European Economic and Social Committee expressed its opinion on the issue of gender equality in Europe 2020 Strategy, offering to include the aspect of gender equality and develop the policy of equality, increase participation of women in labour market, improve the quality of care services for the dependent people, reduce the problem of pay gap;
- UAB "Eksponentė" submitted proposals for the increase of labour productivity, reduction of emigration, optimization of state management, sustainable development, improvement of the business environment, extension of life expectancy and improvement of the quality of life, as well as the state-owned enterprise reform.

Proposals of socio-economic partners were partially assessed and included into the updated National Reform Programme 2013.

On 19 March 2013, the updated National Reform Programme 2013 was considered by the European Union Commission of the Government (at vice minister level) and on 22 March 2013–by the Committee of the European Affairs, which held discussions on the objectives of the National Reform Programme and the implementation of the Council's recommendations for Lithuania especially relating to the sustainability of the public finances (recommendation 1), pension system reform (recommendation 2), and the reform of state-owned enterprises (recommendation 5). On 27 March 2013 initial hearing was held in the meeting of the Government, on 2 April 2013 – in the meeting of the representatives of Ministries, and the document was approved on 3 April 2013 in the repeat meeting of the Government.

VII. IMPLEMENTATION OF THE NATIONAL REFORM PROGRAMME 2012

Seeking to achieve the national quantitative targets provided in the National Reform Programme 2012 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 Chapter were implemented; detailed information is available in the National Reform Programme 2013 and Annexes 2 and 3 thereto, in the format proposed by the Commission.

The majority of the measure implemented in Lithuania during the period April 2012 – April 2013 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 – to stabilize the public finances while simultaneously supporting economic recovery – was implemented. Strict fiscal policy helped stabilise the public finances, restore the competitiveness of the economy, and preserve investor confidence. Based on the preliminary data of the Ministry of Finance, the deficit of the governmental sector stood at -3.2% of GDP in 2012. The projections are that the country's public finance deficit will not exceed 2.5% of GDP in 2013. Reforms related to the public finances are described in greater detail in the Convergence Programme of Lithuania 2013.

Lithuania's economy has already resumed growth in 2010, and in 2012, the country's economy was the second fastest growing among all EU countries (3.6%), and export growth was among the fastest growing in the European Union (in 2012, it accounted for 14.5 percent as compared to 2011).

Active labour market measures allowed stabilising the position in the labour market. In 2012, 64,700 job seekers took advantage of the labour market measures. The unemployment level in the country decreased by 2.1% and accounted for 13.2%. Employment level of people aged 20 – 64 increased by 1.5 percent over the year and was 68.7%. Even though a significant reduction in the level of unemployment was recorded in 2012, 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.

Although the youth unemployment rate remains quite high, it is gradually decreasing. In 2012, the youth (persons aged 15–24) unemployment rate decreased by 5.8 percentage points as compared to 2011, and accounted for 26.4%. In 2012, 36,900 young unemployed persons (49.8% of young unemployed persons registered with the Labour Exchange) up to 25 years of age found employment. For the reduction of youth unemployment, the greatest focus is placed on the following areas: development of working skills of young people in education system; support for young people starting their own business; active labour market policy measures. In order to encourage employers to employ young people, a part of earnings paid to persons aged 16–29 employed full-time for the first time, who had never worked under an employment agreement, is reimbursed. An employer is reimbursed 23.3% of the calculated earnings amount for the period of no longer than 12 months.

Procedure for funding pension accumulation was changed; it now provides for a possibility to transfer an additional contribution from the funds of a participant and receive an incentive payment from the state budget.

In principle, higher education reform was implemented, all state schools of higher education were reorganized into public institutions, the management of state universities was modernized, and the financing procedure was changed – the student's basket is now allocated to students rather than to the institutions of higher education. Institutions of vocational training are being restructured, and their infrastructure is being modernised. The continuing education and adult training project is being implemented in 25 municipalities.

In 2012, real progress was achieved in ensuring energy security, strengthening energy infrastructure and creating pre-conditions to increase competition in this sector. Tangible works were completed in connection to the Liquefied Natural Gas Terminal and the development of the electricity market (including the establishment of the first Power Exchange Market in the Baltic States, and preparatory works for the power connections with Sweden and Poland), the Third Energy Package of the European Union was being implemented (the unbundling of gas and electricity transmission from the production and supply), the natural gas exchange started its operations, and the share of energy from renewable resources in the total energy consumption has been growing.

When implementing the State-owned enterprises (SOE) reform, transparency of the activities of these companies was increased, three provisions on the management of SOEs (strong shareholder, strong management and clear goals) were established, a target average return on equity of at least 5 percent for the period 2013-2015 for all SOEs engaged in commercial activities, except for forest enterprises was approved. The reform contributed to the growth of SOE income. Over the period of nine months of 2012, SOEs earned LTL 5.018 billion in income and LTL 366 billion in net profit (after the elimination of atypical taxes paid to the state). In 2012, SOEs paid to the state budget the record-high dividend amount – LTL 521.8 million (as compared to LTL 85.2 million in 2011).

In the Competitiveness Report 2012–2013 of the Global Economic Forum, Lithuania ranked 45 among 144 countries, having strengthened its competitiveness by 8 positions over the past 3 years.

In the field of improvement of the business environment, the main works were related to the improvement of conditions for business activities. The two-date rule is applied to the new business regulation provisions. Implementing the reform of business supervisory institutions, 43 supervisory institutions signed the Declaration Regarding the First Year of Business, control is based on risk assessment, 67 control checklists (for 31 areas) are prepared and applied in order to streamline control, and increasing attention is paid to consulting assistance. The establishment of companies online has been made possible by significantly shortening the time for incorporation of a company. In order to achieve a positive influence on the conditions for the start of business and the growth of entrepreneurship levels, a new legal form of business – a small community (society) – took effect as from 1 September 2012. A small community is especially convenient and attractive for small, family and start-up business. A total of 1.431 of small communities was established during the period from September 2012 till January 2013.

Quite a significant progress has been made over the past few years in the area of electronic public procurement procedures. The scope of electronic public procurement accounts for 80% of the total value of all announced procurement procedures. In order to make the system of public procurement more transparent, much attention had been paid to the development of centralized public procurement procedures.

In 2012, the level of the transfer of main public services into the cyberspace increased to 87% (as compared to 81.5% in 2011). Business-oriented services have been transferred faster than those intended for residents – the level of the transfer of business-oriented services was 98% in 2012.

The new version of the Law on Competitiveness creates conditions for more efficient activities of the Competition Council and better implementation of competition rules. The newly-established regulation also ensures clearer and more proportionate requirements for legal entities. New rules for calculating penalties imposed for the violations of the Law on Competition approved by the Government contributed to fostering competitive environment; these rules will allow for the Competition Council to better individualize fines imposed on legal entities.

In order to achieve the goal set by the Government to reduce the administrative burden for businesses in priority areas by 30%, legal acts adopted in 2012 led to the reduction of the administrative burden by LTL 1.697 million, which accounts for 1.2% (of the target of 30%). Draft laws were prepared upon the adoption of which the reduction in the administrative burden would amount to LTL 31.957 million, or 23.3% (of the target of 30%).

When implementing the measures to prevent administrative burden, the assessment of the administrative burden on economic entities of all draft legal acts providing new information obligations or replacing the applicable once was initiated. In order to reduce the tax burden on small- and medium-sized business, the limit of registration as VAT payers was increased from 100.000 to 155.000 and the limit of income, up to which the preferential profit tax rate of 5% is applied, was increased from LTL 500.000 to 1 million with effect from 1 January 2012.

When promoting business development and the transition of small- and medium-sized business entities to financing sources, the following new measures were introduced: the first-year business baskets, financing small- and medium-sized companies from venture capital funds, clusterization promotion measures, measures intended to promote R&D and innovation (innovation cheques, strengthening valley infrastructure), and further implementation of measures aimed at attracting foreign investments.

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

Target	Present situation	2015	2020
Smart economic growth			
Research and development expenditure, % of GDP	0.92**	1.86	1.9
Early school leavers with basic education, % of population aged 18–24	7.2**	Not more than 9	Not more than 9
Population having higher or equivalent education, % of population aged 30–34	47.9***	47	47
Sustainable economic growth			
Consumption of renewable energy resources, %	20.31**	22	23
Final energy consumption, % change from the 2009 level	-4.5**	-9	-17
Greenhouse gas emissions, % change from 2005 level (million t of CO ₂ equivalent) in sectors not participating in the emissions trading system	-4** 16.1 m tonnes	+7 17.2 m tonnes	Not more than +15 18.7 m tonnes
Inclusive economic growth			
Employment level, % population aged 20-64	68.7***	69	72.8
Persons at risk of poverty/severe material deprivation/ living in households of very low work intensity (thousands)	1,080***	928	814

* - 2009

** - 2011

*** - 2012

Annex 2. Reporting table for the assessment of CSRs and key macro-structural reforms

Table 1. Description of the measures taken and information on their qualitative impact											
			Information on planned and already enacted measures								Foreseen impacts
CSR number (1)	CSR sub-categories (2)	Number and short title of the measure (3)	Description of main measures of direct relevance to address the CSRs					Europe 2020 targets	Challenges/ Risks	Budgetary implications	Qualitative elements
			Main policy objectives and relevance for CSR (4)	Description of the measure (5)	Legal/ Administrative instruments (6)	Timetable on progress achieved in the last 12 months (7)	Timetable on upcoming steps (8)	Estimated contribution to Europe 2020 targets (9)	Specific challenges/ risks in implementing the measures (10)	Overall and yearly change in government revenue and expenditure (reported in national currency) Contribution of EU funds (source and amounts) (11)	Qualitative description of foreseen impacts and their timing (12)
CSR 1: Public finances, correction of excessive deficit	a) To fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure	Measure 1: Elimination of excessive deficit	Sustainability of public finances	Under the excessive deficit procedure, Lithuania has to reduce the general government deficit to 3% of GDP in 2012	Strict compliance with the requirements of the Law on Fiscal Discipline and the Stability and Growth Pact	General government deficit was reduced from 5.5% to (based on the preliminary data, 3.2% of GDP)	To further reduce general government deficit and to have a balanced general government budget in the medium-term				The budget for 2013 is planned so as to ensure that the budget deficit does not exceed 2.5% of GDP.
	b) to ensure implementation of the budgetary strategy for the 2013 and	Measure 1: To comply with the requirements of the Law on Fiscal	To achieve that general government deficit does not exceed 2.5% in	The planned budget appropriations in 2013 do not exceed those established in			To ensure strict compliance with the LFD; To take due account of the obligation			Pursuant to the requirements of the LFD, government budget appropriations,	

beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, while minimizing cuts in growth-enhancing expenditure.	Discipline (LFD) limiting expenditure growth.	2013	2012 (except some fields in which public expenditure will grow), after subtracting the funds of the programmes completed in 2012.			provided in the Stability and Growth Pact to achieve a balanced general government position in the medium-term.			excluding the EU support funds increased by LTL 224 m in 2013, compared to 2012. EU support funds grew by LTL 415 m.
	Measure No 2: Increase in the minimum monthly wages	Sustainability of public finances	The decision to increase the minimum monthly wages from LTL 850 to LTL 1,000 has been effective since 1 January 2013.			On 1 August 2012, the MMW was increased to LTL 850 (EUR 246), whereas it had equalled LTL 800 before that.			Revenue will grow (LTL 187 m); LTL 109 m – for the budget of the State Social Insurance Fund, LTL 26 million – for the budget of the Compulsory Health Insurance Fund – LTL 26 m, LTL 52 m – for the national budget. Expenditure will grow (LTL 160 m): around LTL 62 m – for the state budget and LTL 98 million – for municipal budgets.
	Measure 3: Freezing of salaries in the public sector	Limitation of public sector expenditure				The freezing of salaries in the public sector is further extended for the year 2013.			General government expenditure are lower than LTL 400-500 m
	c) In that respect, review and consider increasing those taxes that are least detrimental to growth, such as housing and environmental taxation, including	Measure 1: Increased excise duties	To increase budget revenue	The excise duty on diesel fuel and cigarettes, cigars, cigarillos and other smoking tobacco were increased			The increased excise duty on diesel fuel has been applicable since 1 January 2013 and the excise duty on tobacco has been applicable since 1 March 2013		

	introducing car taxation, while reinforcing tax compliance	Measure 2: Complex review of the tax system	To review the tax base	A working group, which will submit proposals regarding the reform of the tax system, was formed.	The Working Group was formed by Order of the Prime Minister.	To prepare an analysis by June 2013	The Government will decide on proposals regarding reform of the tax system				
		Measure 3: Ensuring tax collection	Increase in budget revenue when fighting against tax evasion	<p>The tax administrator was granted the right to establish the duty for tax payers within the risk group to temporarily (up to one year) to settle accounts using non-cash money only.</p> <p>The obligation was established for the Lithuanian population to inform the tax administrator about significant cash settlements exceeding LTL 50,000.</p> <p>The right was established to formulate a tax liability without having submitted a tax return, based on the data provided in the last tax return.</p>	STI						
	d) To strengthen the fiscal framework, in particular by introducing enforceable	Measure 1: Treaty on Stability, Coordination and Governance			Law on the Sustainability of General Government Sector	The Treaty on Stability, Coordination and Governance was ratified in the Seimas on 28 June 2012					

	and binding expenditure ceilings in the medium-term budgetary framework.	Measure 2: Legal acts related to fiscal stability	Fiscal stability	Draft legal acts regarding the formation of the Anti-Crisis Reserve Fund in the Bank of Lithuania as a tool strengthening the fiscal framework The possibility was provided to revise the draft state budget and draft municipal budget financial indices, where the Government submits an explanation to the Seimas.	Law on Stabilising Budgetary Policy	In order to align the Project with the provisions of the Programme of the XVI Government for 2014-2016, the draft legal acts are submitted to the Government for approval.	Upon the approval of the XVI Government, the draft legal acts will be submitted to the Seimas for approval.				
CSR 2: To adopt legislation on comprehensive pension system reform	a) To adopt legislation on comprehensive pension system reform	Measure 1 Comprehensive pension reform	To maintain adequate pension income, by simultaneously ensuring the financial sustainability of the pension system.	The implemented restructuring of the pension accumulation system will allow ensuring pension adequacy in the future.	The Guidelines for the Restructuring of the Social Insurance and 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.	In 2012, a scientific study was carried out; the result – specific recommendations regarding the directions of the implementation of the pension reform.	Pursuant to the plan approved by the Government, the draft 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 are drafted in 2013.			Impact on the budget of the State Social Insurance Fund and the state 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				
	c) To improve complementary savings schemes	Measure 1 To improve pension accumulation	To ensure pension adequacy	The possibility to withdraw from the Pillar II pension accumulation system and to return to SODRA is available from 1 April 2013 until 1 September 2013. In addition, the new procedure for financing pension accumulation was established: (2013: 2.5% of the SODRA contribution; 2014: 2% the SODRA contribution + 1% on a person's insurable income (voluntary contribution) + 1% incentive contribution from the state budget (on average wages); 2016: 2% + 2% + 2%; 2020: 3.5% + 2% + 2%).	On 13 November 2012, the Amendment to the Law on the Accumulation of Pensions was adopted. On 14 December 2012, the Law Amending the Law on the Pension System Reform was adopted.	Commencement of the implementation – 2013.				Needed funds (if 100% of pension fund participants take part in pension accumulation (in million litas): 2014 - 203; 2015- 206; 2016 - 418.	

<p style="text-align: center;">CSR 3: Labour market, to tackle high unemployment, in particular, among youth</p>	<p>a) To tackle high unemployment, in particular among youth, low-skilled and long-term unemployed.</p>	<p>Measure 1: The Plan of Youth Policy Measures was approved by the Government</p>	<p>Tackling of unemployment and promotion of employment among youth.</p>	<p>When implementing the Plan, a major focus is placed on: 1) formation of youth occupational skills in the educational system; 2) support to youth starting their own business; 3) active measures of labour market policy.</p>	<p>The Plan was approved by the protocol decision of the meeting of the Government dated 19 March 2012 and by the protocol decision of the meeting of the Government dated 23 May 2012.</p>	<p>Under implementation. In addition, the plans are to form an interdepartmental working group to tackle youth employment issues.</p>	<p>Reduction of youth unemployment is included into the list of Priorities of the Government. It is planned to prepare a long-term programme for increasing youth employment.</p>	<p>Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.</p>		<p>When reallocating the EU Structural Assistance funds intended for increasing youth employment, additional LTL 100 m was directed towards increasing employment among youth in 2012. In total, the funds allocated for the reduction of youth employment in 2012-2013 amount to LTL 188 m.</p>
		<p>Measure 2: “Promoting Integration into the Labour Market”</p>	<p>To enhance the competitive possibilities of job seekers and help them get established in the labour market or gain temporary employment .</p>	<p>When implementing the project, the activities of providing support for acquisition of professional skills and subsidised employment, training, job rotation, and support for territorial mobility of the unemployed are carried out.</p>	<p>Administrative programme</p>	<p>The ESF project “Promoting integration into the Labour Market” is implemented in 2012-2013. A total of 4,218 persons participated in the activity of providing support for acquisition of professional skills; 11,506 took advantage of subsidised employment; 5,570 participated in vocational training; 390 took part in job rotation; and 360 received support for territorial mobility.</p>	<p>The Project will be implemented until 30 November 2013.</p>	<p>Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.</p>		<p>LTL 125.32 m – the state budget (the Employment Fund) and the ESF funds</p>

		Measure 3: “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 ESF project “Increasing Youth Employment” is implemented in 2012-2013. In 2012, the measure of support for acquisition of professional skills was used by more than 1,300 graduates who started their professional activities according to the acquired specialisation or profession for the first time. The measure of subsidised employment was used by more than 2,400 persons in 2012.	The Project will be implemented until 31 August 2013.	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.		LTL 20 million – the state budget (the Employment Fund) and the ESF funds.	
		Measure 4: Support for the first job	To increase youth employment by providing additional financial incentives to employers to employ youth	This is a new form of support – reimbursement of part of a salary. Reimbursement is provided for part (23.3% of the calculated salary) of a salary payable to 16-29 aged persons, who gained their first full-time employment and have not worked under an employment contract before, for a period not longer than 12 months.	Administrative programme	The ESF project “Support for the First Job” has been implemented since 1 August 2012. The Project replaced the exemption of SODRA contributions for employers. On 16 January 2013, Order No. A1-15 of the Social Security and Labour Minister of the Republic of Lithuania was adopted, and it replaced the description of	The ESF project “Support for the First Job” will be implemented until September 2015.			LTL 32 m - ESF funds	

						the measure “Support for the First Job”.					
		Measure 5: 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 by providing more favourable lending conditions and access to funding for the unemployed starting their own business and youth up to 29 years of age.	Financial engineering measure – granting of loans (micro-credits) from the Entrepreneurship Promotion Fund for business start-ups and partial reimbursement of loan interest. The implementation of the measure is coordinated with training and consulting provided to persons who start their own business and assistance in preparing and implementing business plans. Youth under the age of 29 is distinguished as a priority target group.	Administrative programme	More than 40% of total loans were granted to youth under the age of 29. Since 2010, 3,414 persons participated in entrepreneurship skills training, 1,440 of whom are young people under the age of 29. Until 1 December 2012, the credit unions granted 352 loans, the total amount of their portfolio – LTL 18.6 million. 123 loans from the granted 352 loans were provided to young people under the age of 29.	The Project is being implemented.	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.		LTL 50 m – ESF funds	
	b) To focus resources on active labour market policies while improving their efficiency.	Measure 1: Implementation of the result-oriented activity model in the territorial labour exchanges	Increase of the efficiency of active labour market policies	The result-oriented activity model is implemented in all territorial labour exchanges. The preparation of the unemployed for the labour market and his/her motivation are evaluated and an individual employment plan, which	Administrative programme	From 1 July 2012, the pilot stage had been implemented in the three - Alytus, Kaunas and Marijampolė – territorial labour exchanges. From 2013, the stage of evaluation of the first results of the application of the model has	Since 1 January 2013, the performance-oriented employee evaluation system has been implemented in all territorial labour exchanges.	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.		Employment Fund	

				outlines the specific active labour market policies aimed at increasing the possibilities to gain employment, is drawn up.		been implemented.					
	Measure 2: New vocational training model.	Increase of the efficiency of vocational training	Vocational training is organised having regard to the particular employer's needs in order to help the unemployed fill the existing vacancies or the employees, who have been notified of their dismissal, remain in their jobs.		Compared to 2010, vocational training expenditure per participant decreased by 2.8 times in 2012. Meanwhile, employment after vocational training increased by 2.7 times during the same period (89% of the training programme participants were employed in 2012, whereas in 2010 this figure was 32%).	Since the beginning of 2012	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.		State budget (Employment Fund) and the ESF funds.		
c) To enhance the effectiveness of apprenticeship schemes.	Measure 1: Development of the forms of apprenticeship training		The implementer of the Project is the Vilnius Jeruzalė Labour Market Training Centre, the partners – the Vilnius Žirmūnai, Klaipėda, Panevėžys and Šiauliai Labour Market Training Centres.						The project funded by the ESF (LTL 2.51 m).	During the implementation of the Project in 2013-2014, 900 persons will be trained and recommendations for the application of the form of apprenticeship training will be prepared.	

	d) To amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements.	Measure 1: Amendments to the Labour Code	Enhancement of the flexibility of employment relations	Amendments to the Labour Code related to the implementation of the recommendations have been drafted and are being coordinated with the social partners.	Amendment to the Law		Currently, the possibility related to the review of the entire Labour Code is being considered.	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.			
		Measure 2: Amendments to the Labour Code	Enhancement of the flexibility of employment relations	The possibility to conclude a fixed-term contract with the employee if the job is permanent for newly created jobs was extended until 31 July 2015.	Amendment to the Law		Currently, the possibility related to the review of the entire Labour Code is being considered.	Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.			
CSR 4: Labour market, to increase work incentives and strengthen the links between the social assistance reform and activation measures	a) To increase work incentives and strengthen the links between the social assistance reform and activation measures, in particular for the most vulnerable.	Measure 1: Activation measures	To integrate social benefit recipients into the labour market and increase incentives for and possibilities of social benefit recipients to participate in active inclusion measures.	Cooperation between the territorial labour exchanges and municipalities is being developed. The labour exchange gives priority to the integration of social benefit recipients into the labour market. The labour exchange evaluates the readiness of the social benefit recipient for the labour market and his/her motivation and draws up an individual employment plan.	In 2011, the Law Amending the Law on Cash Social Assistance for Low-Income Families and Single Residents was adopted.	Since 1 January 2012, the reorganisation of the allocation of cash social assistance has been carried out. In 2012, the Lithuanian Labour Exchange was given the task to ensure that the unemployment insurance benefit recipients and social benefit recipients employed or involved into employment support measures would account at least for 25% of all the persons employed or	By March 2013, the Ministry of Social Security and Labour will submit to the Government proposals regarding the improvement of the existing legal regulation and the payment of an additional social benefit when the long-term support recipients have gained employment, irrespectively of whether they have children or not.				In 2012, the unemployment insurance benefit recipients and social benefit recipients accounted for 35.8%.

						involved into the active labour market measures.						
		Measure 2	To increase work incentives for long-term support recipients	<p>Upon employment, an additional social benefit is provided; the social benefit payable to unemployed persons of working age will be reduced gradually.</p> <p>The pilot project aimed at allocating cash social assistance in a more effective and purposeful manner is implemented in 5 municipalities.</p>	Amendments to the Law on Cash Social Assistance (1 December 2011)	In 2012, the number of social benefit recipients in the 5 pilot municipalities decreased by 13.6% (from 18,000 to 15,500 persons) and the expenditure on social benefits was reduced by 20.1% (from LTL 47.7 to 38.1 m).	<p>Being implemented.</p> <p>From 1 January 2014, the payment of social benefit to the deprived residents is going to be transferred to municipalities as their independent function.</p>	<p>Contributes to the national target – to achieve that the employment level in the 20-64 aged population group would reach 72.8% at the end of 2020.</p> <p>In 2012, an additional social benefit after a person has gained employment was granted, on average, to 512 persons per month.</p>	The application of the measure is restricted by the lack of jobs			Compared to 2012, the decrease in the average annual number of social benefit recipients will account for: 1.8% in 2013, 14.6% in 2014; and 18.3% in 2015.
		Measure 3	Increase of the minimum monthly wage	To increase work incentives and to reduce in-work poverty	<p>Since 1 August 2012, the minimum monthly wage was increased up to LTL 850 (EUR 246), and it was LTL 800 before.</p> <p>Since 1 January 2013, the MMW was increased by 18%, up to LTL 1,000 (EUR 290).</p>	Resolution of the Government (20 June 2012)	Implemented					Revenue will increase (LTL 187 m): LTL 109 m – for the budget of the State Social Insurance Fund, LTL 26 m – for the budget of the Compulsory Health Insurance Fund, and LTL 52 m – for the national budget. Expenditure will increase (LTL 160 m): around LTL 62 m – for the state budget and LTL 98 m – for municipal budgets.

	b) To reduce poverty and social exclusion	Measure 1: Changes of cash social assistance	To ensure adequate income and social inclusion	The scope of compensation recipients was expanded (heating, drinking and hot water compensations are provided to persons renting housing as well); the new social benefit calculation method by applying the principle of economies of scale (the social benefit for the first family member and the single residents is higher, whereas it is reduced proportionally for other family members).	Amendments to the Law on Cash Social Assistance (1 December 2011)	In 2012, the expenditure on compensations grew. The amount of the average monthly social benefit per person decreased.	Monitoring is carried out in 2013	Contributes to the national target-to achieve that at the end of 2020 the number of residents who are at risk of poverty/suffering from severe material deprivation would be reduced to 814,000.			The restoration of pensions to the pre-crisis level will have an effect on approx. 447,000 old-age pensioners, approx. 86,000 work incapacity (disability) pensioners and approx. 239,300 widow and orphan benefit recipients. A total of LTL 495 m will be needed for this purpose.
		Measure 2 Restoration of the pension level	To ensure adequate income and social inclusion	Since 1 January 2012, the pensions have been restored to the pre-crisis level (old-age, work incapacity (disability), widow and orphan state social insurance pensions), which were reduced temporarily, for two years, due to the hard times.	Preliminary Law on Recalculation and Payment of Social Benefits (9 December 2009)			Contributes to the national target-to achieve that at the end of 2020 the number of residents who are at risk of poverty/ suffering from severe material deprivation / living in households with very low work intensity would be reduced to 814,000.			

<p style="text-align: center;">CSR 5:</p> <p style="text-align: center;">To implement the reform of state-owned enterprises and ensure a separation of ownership and regulation functions and a separation of commercial and non-commercial activities</p>	<p>a) To ensure the identification of and accounting for special obligations of state-owned enterprises</p>	<p>Measure 1 Preparation of recommendations for the identification of and accounting for special obligations of state-owned enterprises.</p>	<p>To seek transparent evaluation and funding of special obligations</p>	<p>To provide recommendations, under which state-owned enterprises will submit the breakdowns of results of commercial activities and special obligations together with the financial statements</p>			<p>The Governance Coordination Centre will prepare recommendations for the identification of and accounting for special obligations of state-owned enterprises and submit proposals regarding more transparent management of special obligations</p>				
	<p>b) To install appropriate monitoring tools to assess and ensure the effectiveness of the reforms</p>	<p>Measure 1 Monitoring activities of state-owned enterprises</p>	<p>To monitor activities and efficiency of state-owned enterprises</p>	<p>State-owned enterprises prepare 4 quarterly and 1 annual (audited) financial statements and annual reports (or annual activity reports) and announce them publicly. The Governance Coordination Centre (the Ministry of Economy until December 2012) prepares aggregate reports on the activities of state-owned enterprises within respective period</p>	<p>Resolution of the Government “Regarding the Approval of the Description of the Guidelines for Ensuring Transparency of State-Owned Enterprises Activities and the Appointment of the Coordinating Authority” of 14 July 2010</p>	<p>4 quarterly and 1 annual aggregate reports on state-owned enterprises have been prepared, submitted to the Government and published.</p>	<p>Will be carried out constantly</p>				<p>Higher efficiency and transparency of activities of state-owned enterprises, improvement of business environment. In 2012, state-owned enterprises paid to the state budget the largest amount of dividends - LTL 521.8 m (LTL 85.2 m in 2011).</p>

		Measure 2 Supervision of the implementation of the reform of state-owned enterprises	To carry out the monitoring and analysis of the implementation of the reform of state-owned enterprises.	The Governance Coordination Centre drafts and submits to the Government reports on cost of capital of state-owned enterprises, objectives of the state within these enterprises, boards of directors, preparation and implementation of strategic plans.	Resolution of the Government of the Republic of Lithuania “Regarding the Approval of the Description of the Implementation of State Property and Non-Property Rights of Ownership within State-Owned Enterprises” of 6 June 2012 (<i>Ownership Guidelines</i>)	The Governance Coordination Centre drafted and submitted to the Government 3 reports on cost of capital, objectives of the state and boards of directors within state-owned enterprises (November-December 2012). On 12 December 2012, the Government adopted the resolution regarding the required cost of capital of state-owned enterprises engaged in commercial activities.	Under the Resolution of the Government, the Governance Coordination Centre was commissioned to monitor and analyse activities of state-owned enterprises, monitor further implementation of the <i>Ownership Guidelines</i> and submit proposals regarding the improvements of activities of state-owned enterprises and state-owned enterprise governance policy.				
CSR 6: To step up measures to improve the energy efficiency of buildings, to promote competition in energy networks	a) To step up measures to improve the energy efficiency of buildings, including through removing disincentives and a rapid implementation of the holding fund.	Measure 1: The requirements were established for buildings with almost zero energy consumption levels		The regulation of energy efficiency was improved by providing that the methodology based on the applicable European standards should be applied to the calculations of the energy efficiency of buildings	Order No. D1-674 of the Minister of Environment of the Republic of Lithuania of 21 August 2012	The new wording STR 2.01.09:2012 of the technical construction regulation STR 2.01.09:2005 “Energy efficiency of buildings. Energy efficiency certificates“ was prepared	Applied since 9 January 2013 for the evaluation of the energy efficiency of residential and non-residential buildings (parts thereof) and drafting of energy efficiency certificates	Evaluation of the energy efficiency of buildings complying with the EU standards		Investments in the modernisation of multi-apartment buildings in 2005-2012 –LTL 382 m, of which LTL 176.7 m – state aid from the state budget and EU funds.	Reduction of estimated heating energy costs in multi-apartment buildings built in compliance with the technical construction norms applied until 1993 (from 2005) 2011 – 150 GWh per year 2012 – 213 GWh per year, 2013 – 280 GWh per year. Compared to 2005, the relative reduction in 2012 was equal to 4.26%.

		Measure 2/The procedure was established for the payment of the credit granted to the needy residents for modernisation		The procedure for the repayment of the credit taken for the modernisation of the multi-apartment building and payment of interest for persons having the right to compensation of cost of house heating was improved	Order No. D1-174/A1-116 of the Minister of Environment and the Minister of Environment of the Republic of Lithuania of 24 February 2012	The procedure for the repayment of the credit taken for the modernisation of the multi-apartment building and payment of interest for persons having the right to compensation of cost of house heating was improved	To provide state aid to the needy residents by implementing multi-apartment modernisation projects.	The energy efficiency of buildings is improved			
		Measure 3 The requirement to provide information about the consumption of heat energy for the heating of premises was established		It was established that the report of the administrator of common use objects of owners of apartments and other premises on the activities related to the multi-apartment building being administered, which is submitted to the owners of apartments and other premises, must include data on the consumption of heat energy for the heating of the premises MWh/per year and KWh/m ² of the total floor space of the premises, as well as the comparison with heat consumption in buildings of a similar type.	Order No. D1-450 of the Minister of Environment of the Republic of Lithuania of 23 May 2012	The provision of information on heat energy costs and the possibilities for the reduction of such costs to owners of multi-apartment buildings was ensured		The energy efficiency of buildings is improved			

		Measure 4 The procedure for the granting of a credit for the modernisation of a multi-apartment building was established		The granting of preferential credits to the managers of common use objects acting on behalf of the owners of apartments and other premises for the implementation of the multi-apartment modernisation project was regulated	Resolution No. 935 of the Government of the Republic of Lithuania of 18 July 2012		Preferential credits are granted for the implementation of multi-apartment building renovation (modernisation) projects	The energy efficiency of buildings is improved			
		Measure 5 It was provided that the assessment of the planned heat energy savings should also include the savings achieved by the measures implemented on the initiative and at the expense of the residents before the implementation of the modernisation project		It was provided that, when drafting an investment modernisation project of a building, the assessment of the planned heat energy savings should also include the savings achieved by the implemented energy-saving measures before the implementation of the modernisation project	Order No. D1-791 of the Minister of Environment of the Republic of Lithuania of 28 September 2012	On the initiative of the managers and owners of common use objects of multi-apartment buildings, 3,599 individual measures increasing the energy efficiency of buildings were implemented in 2012, and heat energy costs were reduced by 51.2 GWh per year	Owners of multi-apartment buildings are encouraged to reduce heat energy costs by implementing individual measures reducing heat energy costs	The energy efficiency of buildings is improved			
		Measure 6 To encourage the municipal initiative to implement multi-apartment building modernisation projects		The granting of preferential credits for the renovation of multi-apartment buildings to the natural or legal persons appointed by municipalities for the implementation of municipal energy	Law No. XII-149 Amending Articles 13, 14 and 15 of the Law of the Republic of Lithuania on State Support for the Acquisition or Rent of Housing and for the Renovation (Modernisation)		Increase of the energy efficiency of multi-apartment buildings by implementing the municipal energy efficiency programmes	The energy efficiency of buildings is improved			

				efficiency programmes was provided	of Multi-Apartment Buildings						
		Measure 7 To improve the implementation of multi-apartment modernisation projects		The plans are to provide more methods to implement and finance multi-apartment building modernisation in 2013	Draft Law amending the Law of the Republic of Lithuania on State Support for the Acquisition or Rent of Housing and for the Renovation (Modernisation) of Multi-Apartment Buildings						
		Measure 8 To improve the granting of preferential credits and state support for the modernisation of multi-apartment buildings		The plans for 2013 are to regulate the granting of preferential credits and state support for the modernisation of multi-apartment buildings, where it is implemented by the natural or legal person appointed by the municipality	Draft amendment to Resolution No. 1725 of the Government of the Republic of Lithuania of 16 December 2009	It is sought to ensure state support for the owners of multi-apartment buildings renovated (modernised) through municipal energy efficiency programmes, who have the right to the compensation of heating costs.		The energy efficiency of buildings is improved			
	b) To promote competition in energy networks by improving interconnectivity with the Member States for both electricity and gas	Measure 1 Construction of a liquefied natural gas terminal in Klaipėda by the end of 2014	The terminal will ensure the gas-supply alternatives, thus promoting competition among suppliers and developing market relations		Law of the Republic of Lithuania on the Liquefied Natural Gas Terminal adopted on 12 June 2012	-On 1 June 2012, the report on the assessment of the environmental impact of the liquefied natural gas terminal was prepared. -On 16 October 2012, the Government approved the Description of the Procedure for the	Further implementation of the liquefied natural gas terminal project.				

						Procurement of Liquefied Natural Gas.					
		Measure 2 Building of electricity interconnections with Poland (LitPol Link) and Sweden (NordBalt) by the end of 2015	To ensure electricity-supply alternatives by promoting competition among suppliers and developing market relations			<p>-The contractors of the LitPol Link interconnection line Alytus– Polish border and the Alytus substation distribution unit were selected. The technical projects of the transmission line and the Alytus substation distribution unit and documentations for obtaining construction permits are being drafted.</p> <p>-The technical projects of the NordBalt cable and converter are being drafted.</p> <p>-The contract regarding the designing of the constant current insert (B2B) of the LitPol Link interconnection and the construction contractor was signed on 15 February 2013.</p> <p>-Currently, the stage of the designing of the constant current insert (B2B) of the LitPol Link</p>	Further implementation of the projects of the electricity interconnections with Poland and Sweden.				

						interconnection and the analysis of initial proposals of the construction contractors were completed, and the second stage of negotiations has been commenced.					
		Measure 3 The restructuring of the electricity and gas sectors is carried out according to the provisions of the IIIrd Energy Package.	Separation of electricity and gas supply and production from the operation of the networks.			<p>The restructuring of the Lithuanian electricity sector is carried out according to the provisions of the Third EU Energy Package by implementing the principle of unbundling the transmission activity from distribution, supply and production.</p> <p>-The shares of the vertically integrated company UAB Visagino Atominė Elektrinė, which manages Lietuvos Energija AB carrying out the production activity and AB Lesto carrying out the distribution activity, were transferred by the right of trust to the Ministry of Finance, and the shares of the electricity</p>	It was decided to carry out the legal, functional and organisational unbundling of the natural gas transmission activity of AB Lietuvos Dujos until 31 July 2013 and the natural gas distribution activity until 31 October 2014.				

						<p>transmission operator Litgrid AB managed by Visagino Atominė Elektrinė were handed over to EPSO-G, a company that is subordinate to the Ministry of Energy.</p> <p>-The Government approved the amendment to the Plan for the Unbundling of the Activities and Control of Natural Gas Undertakings That Do Not Comply with the Requirements of the Law of the RoL on Natural Gas.</p>					
		Measure 4 Study “Integration of the Baltic Countries into the EU Internal Electricity Market”	Interconnections between the electricity networks and the EU countries	Feasibility study on technical conditions	Carried out by the transmission network operators of the 3 Baltic countries	Being implemented	The final report will be drafted in the second half of 2013.	The improvement of the functioning of the electricity market, assurance of the supply, and increase of competitiveness.		EU financial support under TEN-E	
		Measure 5 Negotiations of the European Commission with the Russian Federation and Belarus	Full implementation of the IIIrd Energy Package in the Baltic countries	The Energy Council gave a mandate to the European Commission to negotiate on behalf of the Baltic countries with Russia and Belarus in February 2012.	Several negotiating rounds were completed in 2012.		The projections are that an agreement will be reached in the second half of 2013	The development of the EU internal energy market by 2014			

Annex 3. Reporting table on national Europe 2020 targets and key commitments for the next 12 months

Progress on implementation	List of measures and their state of play that were implemented in response to the commitment	The estimated impacts of the measures (qualitative and/or quantitative)
<i>National 2020 headline targets</i>		
<p>The employment rate in the population group aged 20-64 – 72.8% Current situation: in 2012 – 68.7%</p>	Active labour market policies	<p>In 2012, the Lithuanian Labour Exchange delegated 67,400 persons for the active labour market policies. In 2012, the activation level of the unemployed stood at 19.5%. In 2012, the vocational training measure was applied to 8,697 persons (89% gained employment within 6 months after the participation in the measure), subsidised employment – to 14,924 (75.2%), support for the acquisition of professional skills – to 5,586 (77.2%), public works – to 32,569 (76.1%), job rotation – to 693 persons (90%), by providing support for the creation of jobs, 515 new jobs were created, 10,927 applications regarding the compensation of business certificate acquisition costs were satisfied, 161 new jobs for the disabled were created, 95 local employment initiative projects were implemented, the possibilities provided by support to territorial mobility were taken advantage of by 360 unemployed persons, 920 disabled persons took part in the vocational rehabilitation programme, the status of a social enterprise was granted to 5 companies, the average number of employees working in these companies, who belong to the target groups, was 4,157, and 122 assistants helped 329 disabled persons to perform their work functions.</p>
	Reform of the Lithuanian Labour Exchange by focussing its activities on the enhancement of employment	<p>More employees work directly with job seekers; a new territorial level (local labour exchange units) has been developed, more attention is paid to individual needs, client profiling is carried out, and individual employment activity plans are drawn up. In mid-2011, the electronic E-Labour Exchange system, which provides information to job seekers, was installed and subsequently improved, the implementation of the result-oriented client service model was commenced. Since the beginning of 2013, the function of payment unemployment insurance benefits was transferred to the Social Insurance Fund Board under the Ministry of Social Security and Labour, thus concentrating the functions of the Labour Exchange on the alignment of labour demand and supply and the application of active labour market policies.</p>
	Change of the organisation of vocational training for the unemployed	<p>Following the change of the organisation of vocational training for the unemployed, the results (March-October 2012) showed that the number of participants remained approximately the same (3,695 participants, compared to 3,692 during the respective period in 2011, when the older vocational training system was used), the price of training programmes dropped 10-20%. A total of 84% persons gained employment within 6 months after the participation in the measure, compared to 52%.</p>
	<p>Development of the forms of apprenticeship training</p> <p>Tax support or reimbursement of a part of the salary for persons who have got their first job</p>	<p>Information is provided in Annex No. 2 (Recommendation 3).</p> <p>Since 1 July 2010, the possibility has been provided to take advantage of the SODRA contribution exemption when employing people working under an employment contract</p>

		for the first time – “Support for the first job” (used by 60,000 people).
	Creation of a map of long-term qualification demand	In 2012, the plan for the preparation of the Specialist Qualification Map by Industry was approved.
	Implementation of entrepreneurship promotion measures	When implementing the financial engineering measure “Promotion of Entrepreneurship”, based on the data of June 2012, 244 loans were granted (of which 92 were granted to young people), within the 1-2 quarters 619 jobs were created, the financial engineering measure was taken advantage of by 372 persons/companies, 3,425 persons participated in the training and 3,155 successfully completed the training. When implementing the measures under the National Programme of Youth Entrepreneurship Education and Promotion for 2008–2012, 199 student companies were operating in 58 Lithuanian schools in 2012. The EU Structural Funds projects intended for the promotion of entrepreneurship in general education schools were implemented in the five institutions; the amount allocated for the projects totalled LTL 2,991,218.
	Implementation of the measures promoting youth entrepreneurship of the public institution Enterprise Lithuania. From 2012 until 2013.	EU Structural assistance: LTL 4.5 m. The measure – “Assistant-3”.
	Development of student internship organisation models (systems), support for the development of internship and traineeship search and organisation portals.	The student internship models created under the projects “Development and Implementation of the National Internship and Traineeship System for Students and Lecturers of Lithuanian Schools of Higher Education” and “Development of the Model for International Internships (Traineeships) of Lecturers and First- and Second-cycle Students of Lithuanian Schools of Higher Education in the Companies and International Organisations Residing Abroad (the EU, ELPA and NATO countries)” were tested and the works on the development of the internship and traineeship search and organisation portals were carried out.
	Reduction of the Gap between the Skills and Competition Demand and Supply, 2010-2014.	Preconditions were created for the better matching of vocational training and labour market needs: the study of the demand for professional qualifications in the energy sector was carried out and the Vocational Standard of the Energy Sector was prepared. Two sectoral practical training centres were officially opened in the vocational training institutions.
	“Linking of the Lithuanian and European Qualifications Frameworks” 2012–2013: to achieve that the qualifications provided in Lithuania would meet the requirements of the Lithuanian Qualifications Framework and the European Qualifications Framework.	The implementation of the Lithuanian and European Qualifications Frameworks was commenced in the field of education: the report on the referencing of the Lithuanian Qualifications Framework to the European Qualifications Framework and the European Higher Education Qualifications Framework was prepared, To draft methodological recommendations for the attribution of general education, vocational training programmes and higher education study programmes and provided qualifications to the level of the Lithuanian Qualifications Framework and the European Qualifications Framework.
	Reduction of youth unemployment	When reallocating the EU structural assistance for the enhancement of youth employment, almost LTL 100 m was additionally channelled for this purpose in 2012. In total, the funds earmarked for the reduction of youth employment in 2012-2013 amount to LTL 188 m. In 2012, youth under the age of 25 accounted for 18.3% of all the participants in the active labour market policies.

		<p>The active labour market policies implemented under the project “Raising Youth Employment” are intended exclusively for young people. In 2012, 3,700 persons participated in these measures. When implementing the measure “Support for the First Job”, on 1 August 2012, the social security contribution exemption for employers was replaced by the new form of support – compensation of a part of a salary. In order to encourage employers to employ youth, a part of a salary payable to persons aged 16-29, who are full-time employed for the first time and have not worked under an employment contract yet, is compensated. Youth is one of the target groups for the application of the financial engineering measure for business promotion – the granting of loans (micro credits) from the Entrepreneurship Promotion Fund for business start-ups. Over 40% of the total loans were granted to young people. The individuals, who have taken advantage of the loans from the Entrepreneurship Promotion Fund, receive a compensation for 95% of the paid interest. The initiatives providing the possibilities for young people to implement their business ideas are supported. Support is provided for the provision of consulting, information, business teacher (mentor), instructor (coacher) services on the issues of business start-up, funding and development.</p>
	Promotion of employment of low-skilled and long-term unemployed.	<p>The problem of unemployment of low-skilled and long-term unemployed is resolved by involving them, according to the possibility, into the active labour market policies. Long-term unemployed accounted for 8% of all the persons directed to training in 2012, for 31% of persons who gained subsidised employment, and for 35.6% of persons who were employed to acquire professional skills. In addition, long-term and low-skilled unemployed are encouraged to participate in the temporary employment and professional skill maintenance projects. Long-term unemployed accounted for 54.5% of the persons employed for public works in 2012.</p>
<p>R&D investments – 1.9% of GDP Current situation: 2011 – 0.92%</p>	Implementation of the High Technology Development Programme for 2011-2013, promotion of the establishment of research companies.	<p>When implementing 24 (14 on-going and 10 new) projects in 2012, 39 new technologies were developed, 5 new technologies were introduced, 31 new products or services were developed, and 3 patent applications were submitted. In total, the amount allocated to the projects was LTL 4.47m.</p> <p>In 2012, a measure intended to encourage students, researchers and scientists to set up high technology companies and seek that the knowledge acquired in universities would turn into technologies and products was launched. After the Agency for Science, Innovation and Technology published the call, 13 R&D result commercialisation projects were funded (LTL 431.6 th.) and 13 companies were set up. In October 2012, the second call for project applications was announced.</p>
	Implementation of the Industrial Biotechnology Development Programme for 2011-2013	<p>In 2012, funds were allocated to 6 projects: 4 on-going projects from 2011 and 2 new projects. In total, the amount of LTL 1.255m was allocated to them. When implementing these projects, 3 technologies and 2 products were developed.</p>
	Implementation of the funding model for joint science and business projects intended for commercialization of research results.	<p>In 2012, a measure intended for the implementation of R&D activities and commercialization of their results was launched. Twenty five projects with the value of LTL 41.409 th. were approved.</p>
	Implementation of the programmes for the Integrated Science,	The programmes for the development of the Integrated Science, Studies and Business

	<p>Studies and Business Centres (Valleys) Saulėtekis, Santara, Santaka, Nemunas and the Lithuanian marine sector, implementation of other Valley development measures.</p>	<p>Centres (Valleys) are being developed by implementing 14 R&D infrastructure development projects (out of which 3 projects were completed) and 11 innovation infrastructure projects, out of which 7 projects are being implemented, and 4 projects are included into the list of state-planned projects.</p> <p>When implementing the project “Establishment of the Information Technology Open Access Centre”, 3 new open access centres were established. The majority of the equipment acquired during the implementation of the Valley projects can already be used on an open-access basis.</p>
	<p>Implementation of the National Complex Programmes (NCP)</p>	<p>While implementing the NCP under the measure “Development of study programmes in the national complex programmes”, 14 projects are being implemented. The implementation of two new national complex programme projects in humanities and social sciences (ISM, KU) (LTL 1.827m) was commenced in 2012. In 2012, 102 second-level students were enrolled into the study programmes of universities according to the topics of the national complex programmes.</p> <p>When carrying out the NCP, the implementation of 10 projects intended for the development and upgrading of the public, technical and information R&D infrastructure (the total value of the projects amounted to LTL 119.762 th.) was further continued. Six out of these projects received additional funding of LTL 26.596 th. Five new projects intended for the promotion of the establishment of common divisions of Lithuanian and foreign universities were approved.</p> <p>A total of 19 new projects intended for carrying out the R&D activities according to the topics of the national complex programmes are being implemented (the value of the projects – LTL 35.312m).</p> <p>During the implementation of the project of the Lithuanian Science Council intended for training highly-skilled specialists according to the topics of national complex programmes, 60 third-level students were additionally enrolled in 2012 (the allocated additional amount – LTL 6.327m).</p>
	<p>Promotion of cooperation between business and science and application of research results in business.</p>	<p>In 2012, de minimis aid was provided according to the updated innovation cheque scheme. In 2012, funding for 237 applications was approved, under which the allocated aid totalled LTL 3.1m. According to the preliminary data, by the end of 2012, 17 companies had implemented technological innovations and 6 companies – non-technological innovations.</p>
	<p>Implementation of the project “Technologies and Science for Innovative Business” intended for the provision of innovation-related services to SME entities.</p>	<p>The funding of LTL 6.2m was allocated to the implementation of the project. Since the beginning of the project activities (September 2011), approx. LTL 1.5m was paid for carrying out project activities and 9 new technological companies were established, consulting was provided to approx. 800 SME entities, and 11 information events were held.</p>
	<p>To promote the protection of intellectual property, financial support was provided to legal entities under the updated support scheme for the protection of industrial ownership rights on an international scale.</p>	<p>The allocated support of LTL 1.2m will facilitate the implementation of 56 projects for the patenting of inventions and 30 projects of industrial design registration on an international scale.</p>

<p>Change in the GHG emission level since 2005 (m t of CO₂ equivalent) in the sectors not participating in the EU ETS – not more than +15%, or 18.7 m t. Current situation: in 2011 – -4%, or 16.1 m t.)</p>	<p>The National Strategy for Climate Change Management Policy for 2013-2050. The draft interinstitutional activity Plan for the Implementation of the Aims and Objectives of the National Strategy for Climate Change Management Policy for 2013-2020 was prepared.</p>	<p>The Strategy provides for the annual GHG emission reduction targets in the sectors not participating in the EU ETS for 2020: 5.58 m t CO₂e – in the transport sector, 5.849 m t CO₂e – in the agricultural sector, 2.809 m t CO₂e – in the industrial sector, 1.809 m t CO₂e – in the waste management sector, and 2.292 m t CO₂e – in other sectors.</p>
<p>Use of renewable energy resources – 23% Current situation: 2011 – 20.31%</p>	<p>Establishment of an energy exchange. The description of the procedure for the promotion of the use of renewable energy resources for energy generation, which improved the system for the promotion of the use of renewable energy resources, was approved. Amendments to the Law on Renewable Energy Resources (approved by the Seimas). National Science Programme “Future Energy”, 2010-2014: to create and study Lithuania’s energy safety and development models; to create the scientific base for future energy production, supply and efficient use. Special Programme for Climate Change</p>	<p>Legal conditions were provided for the functioning of the centralised biofuel product trading system. The purchase of energy from renewable resources at a higher than the fixed market tariff, the determination of a compensation for the acquisition of special equipment, etc. are mandatory. The objectives – to ensure the protection of the public interest, avoid a rise in electricity prices and balance the development of renewable resources. The most urgent scientific problems of Lithuania’s energy safety increase of the effectiveness of energy use and future energy production, the improvement and optimal application of supply technologies in the Lithuanian energy sector are being tackled. The projects under the programme selected by a tender announced in 2012 were implemented. In 2013, approx. LTL 83 m under the Special Programme for Climate Change was earmarked for the promotion of the use of renewable energy resources and environmentally friendly technologies, including effective energy production by cogeneration, and for the implementation of the projects in the installation direction.</p>
<p>Change in final energy consumption from the 2009 level – -17% Current situation: 2011 – -4.5%</p>	<p>Special Programme for Climate Change Programme for the Renovation (Modernisation) of Multi-Apartment Buildings Renovation of public purpose buildings (EU Structural Assistance for 2007-2013 (Operational Programme for the Promotion of Cohesion) The plan for the transposition of the Energy Efficiency Directive into the national law is being prepared.</p>	<p>In 2013, a total of approx. LTL 83 million under the Special Programme for Climate Change was provided for the projects in the direction of funding the increase of the efficiency of energy use and production. During the 2009–2012 period, 261 multi-apartment buildings were modernised. Currently, 358 multi-apartment buildings are being modernised. In 2012, the relative decrease in the estimated heat energy costs equals 4.26%, compared to 2005. In 2012, funding was allocated to 62 projects. In total, 680 public purpose buildings were renovated until the end of 2012. The actions being carried out will allow achieving the national energy efficiency target.</p>
<p>Early school leavers in the 18-24 age group – not more than 9% Current situation: 7.2% in 2011</p>	<p>“Pre-school and Pre-primary Education Development Programme for 2011-2013”</p>	<p>During the period from 2011 until the end of 2012, 21 non-state pre-school educational institutions were established. The conditions were created for almost 6,000 parents, who have pre-school age children, to educate them in state, municipal or non-state institutions under the pre-school education programmes. Based on the data as of 10 December 2012, the total number of children being educated under the pre-school education programme is 87,872. The number of children, who</p>

		started to be educated under the pre-school education programmes in pre-school education institutions, increased by 5,935, based on the data of the IV quarter of 2012 (compared to the indicator as of 31 December 2011). Access to pre-school education increased significantly in rural areas – 19.58% (in urban areas – 6.22%).
	“Special Education Development Programme”, 2009–2013 The implementation of the activities under the projects financed from the SF funds, namely, “Preparation of Special Teaching Aids, Stage II”; “Development of the Forms of Learning for Children with Special Educational Needs”; “Reorganisation of Special Schools, Establishment of Methodical Centres”, was further continued.	The funds allocated in 2010–2012 amounted to LTL439.2 m.
	National Youth Policy Development Programme for 2011-2019	The working group prepared the “Guidelines for the Improvement of Children’s Education in Minority Languages” and the action plan for children’s education in minority languages and the implementation of the provisions of the Guidelines for the Improvement of Children’s Education in Minority Languages.
	Programme for the Implementation of the Provisions of the National Education Strategy for 2003–2012	The principle “money follows student” was implemented in all education sectors. This provided conditions for the effective and purposeful use of funds allocated to education. The percentage of children aged 1-6, who attend pre-school and pre-primary education institutions, increased. The number of students in vocational institutions grew by 4.3%. The ideas of inclusive education were further implemented: only 1.2% of students with special educational needs are educated in special institutions or classes. The computer literacy and entrepreneurship skills of students and of the whole society were improved, while the level of students’ civic knowledge remained almost the same. The quality of tertiary education is ensured by external assessment of study programmes and activities of higher education institutions.
Retention of the percentage of persons having higher or equivalent education in the 30-34 age group – at least 47.9% Current situation: 2012 – 47.9%.	Vocational guidance for youth. National Programme for Vocational Guidance in the Educational System, 2010-2014. The planned 4 ESF project activities intended to strengthen the methodological base (training programmes, methodologies and other tools) for the provision of vocational (career) guidance services, prepare career specialists, provide the services, organise the monitoring of services and improve infrastructure, were implemented.	The provision of high-quality vocational (career) guidance services to pupils and students in general education schools, vocational training institutions and higher education institutions was commenced, the educational registers necessary for the Open Information, Counselling and Guidance System are updated.
	Planning of enrolment in higher education institutions. The descriptions of the procedure for ranking of the best graduates, under which state-funded places in the I level and integrated studies are distributed through competition, were approved for 2013 and 2014. The preliminary and actual numbers of state-funded places in 2012 were approved, based on the data of the Student Register and having regard to the financial possibilities of the State.	The enrolment conditions and preliminary numbers of state-funded places approved in advance help graduates, teachers and parents familiarise themselves with the novelties of the enrolment and prepare for studies in higher education institutions and the latter – prepare for the jointly organised student enrolment into the I cycle and integrated studies as early as possible.

	Assurance of the quality of studies. "National Study Programme", 2007-2013: the study programmes were updated (prepared), external assessment was conducted in 13 out of 46 higher education institutions.	The quality of higher education is ensured by updating study programmes and assessing them periodically, and by conducting external assessments of the activities 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 – 814,000 Current situation: 1,080,000 in 2011.	More detailed information about employment policy measures contributing to the poverty reduction target is provided in this Annex next to the employment rate target.	
	National Programme for Social Integration of the Disabled for 2013-2019.	In 2012, the new wording of the social care norms were prepared; the licensing rules for social care institutions were prepared and approved (preparations were made to carry out the licensing of social care institutions from 2013). With a view to increase access to social services, the Integral Assistance Development Programme, under which a breakthrough is sought in the provision of integrated nursing and social services to senior citizens and the disabled in their homes, was prepared.
	Increase of access to housing to socially vulnerable groups of the population	In 2012, over LTL 13 m was allocated to the development of social housing. 194 apartments were acquired and 70 families and persons were granted a preferential credit.
	National Programme on Equal Opportunities for Women and Men 2010-2014.	In the field of employment, 23 measures intended for the reduction of the difference in wages, business promotion, possibilities to match family and work obligations, women's reintegration and survival in the labour market, in particular middle-aged women and women residing in rural areas, and the strengthening of a social dialogue on the issues of gender equality, were implemented in 2012.
	Programme for the Reduction of Regional Social and Economic Disparities for 2011-2013	26 multi-apartment buildings were renovated (300 buildings are being renovated); In 2012, the housing conditions were improved for 326 persons by renovating the multi-apartment buildings from the EU Structural Funds in the problematic areas; 89 social dwellings were newly equipped (163 social dwellings are being equipped); 281 (out of 721) persons received a social dwelling equipped from the EU Structural Funds in problematic areas; 2 universal multi-functional centres were established; support was provided for the establishment and development of these centres (57 centres are being established); when implementing the projects of local employment initiatives, 129 jobs were created, 3 new jobs were created by providing support for self-employment of the unemployed, and a subsidy was granted to 1,500 persons carrying out individual activities under a business licence.
	Strategy for the Reorganisation of Child Care (Welfare) System for 2007-2012	In 2012, funding was further provided to children's day centres, which provide outpatient day social care services to children and their family members. A tender for projects on the provision of guardian (caregiver) and foster parent search, preparation, selection, consulting and assistance to them was organised and 25 projects were funded in 2012. In 2012, 315 families seeking to become a child's guardian (caregiver) or wishing to adopt children participated in the training under the guardian (caregiver) and foster parent training programme PRIDE. Also, assistance was provided to families who take care of or have adopted children, such assistance was provided to 521 guardian (caregiver) or foster parent. Currently, future guardians (caregivers) are trained by 56 PRIDE programme trainers in Lithuania. A tender for projects of institutions and

		organisations providing complex services to a child and a mother (father) in a crisis situation was organised in 2012; 21 projects were funded.
	National Youth Policy Development Programme for 2011–2019	In 2012, 11 open youth centre projects and 11 open youth space projects were funded in order to ensure the quality of activities of youth organisations and to promote youth entrepreneurship and development of open youth centres and spaces. In 2012, the national and regional youth structures and youth organisations were further strengthened – 62 programmes and projects intended for the strengthening of youth organisations and organisations working with youth were funded.
	<u>Programme for the Modernisation of the Infrastructure of Inpatient Social Service Institutions for 2011-2015</u>	During the reporting period, 64 inpatient social service infrastructure development projects for LTL 137,669.6 thsd. were implemented. In 2012, 1 project was completed.
<i>Euro-plus pact commitments</i>		
Fostering competitiveness		
Improvement of the business environment	A new legal business form – a small partnership – was approved (effective since 1 September 2012)	A small partnership is convenient and attractive for small or family business and business start-ups. Based on the data of the state enterprise Centre of Registers, 1,431 small partnerships were established in Lithuania during the period from September 2012 until January 2013.
	Improvement of the activities of business supervisory institutions	43 institutions carrying out the supervision of economic entities have signed the Declaration on the First Business Year. In order to streamline inspections, checklists are prepared and applied. In 2012, supervisory institutions applied 67. Checklists comprise 31 fields. In July 2012, 3 supervisory institutions signed the Memorandum on Minor Labelling Nonconformities. No fines will be imposed on entrepreneurs for minor labelling nonconformities and it will not be demanded to take the goods out of circulation and re-label them by replacing the existing labels.
	Reduction of the administrative burden	The legislation adopted in 2012 determines the reduction of the administrative burden by LTL 1.697 m, which accounts for 1.2%. The draft legislation was prepared; if it is approved, the administrative burden would be reduced by LTL 31.957, which makes up 23.2% (out of 30% to be achieved).
	Amendments to the Law on Competition	The limit of combined aggregate income was increased, and this should decrease the number of notices on concentration; the institute of exemption from the fine was expanded; a clearer procedure for the protection of commercial secrets was established; the possibility of exemption from sanctions is provided not only to the existing but also to the former manager of the economic entity; not all transactions are declared null and void due to concentration which was not reported to the Competition Council in a timely manner but only those for which the Competition Council has not given its permission later.
Promotion of innovative activities	To promote clusterization, a project intended for the search of common innovative solutions by SMEs and higher education and research institutions, for the creation and merging of	The funding of LTL 3.7m was allocated for the implementation of the project.

	<p>innovation networks into international clusters.</p> <p>Under the EU Structural Funds measures InoklasterLT and Inoklaster LT+, funding was allocated for the implementation of the projects of innovative business cluster activities.</p> <p>The BSR Stars programme and the StarDust project which was intended for the development of innovation, cluster and small and medium-sized company networks were implemented.</p> <p>To develop a support mechanism for the pre-incubation and incubation activities of innovative companies, a draft scheme for the promotion of establishment of young innovative companies was prepared.</p>	<p>In 2012, LTL 4.3m was allocated for the projects under the measure Inoklaster LT and LTL 28.2m was allocated for the projects under the measure Inoklaster LT+.</p> <p>To promote clusterization, two events, namely, the 2nd Annual Meeting of the Project StarDust and the SME Day, were held in 2012.</p> <p>The project Technostart which was submitted to the Lithuanian Business Support Agency was prepared and included into the list of state projects. The project is funded under the measure Inogeb LT-3, planned funding – up to LTL 5m.</p>
Restructuring of the electricity and gas sectors. Implementation of the EU Third Energy Package.	<p>The restructuring of the Lithuanian electricity sector is carried out by implementing the principle of unbundling the transmission activity from the distribution, supply and production activities.</p> <p>On 7 March 2012, the Government decided to complete the legal, functional and organisational unbundling of the natural gas transmission activity of AB Lietuvos Dujos by 31 July 2013 and the unbundling of the natural gas distribution activity by 31 October 2014.</p>	
Increase of transparency in the public procurement system	Measures were taken to improve centralised public procurement systems	<p>The list of centrally procured goods, services and works was supplemented with procurement of fuel in tanks, expansion of the list of purchased medicines, and updating preliminary contracts for procured stationery goods and modernisation of buildings. Also, preparations are made for centralised procurement of electricity, IT printing and cleaning services.</p> <p>The preliminary volumes of centralised procurement procedures carried out in 2012 account for 7.8% on the total value of procurement, whereas the volumes of electronic public procurement make up around 80% of the total value of announced procurement.</p>
Consolidation of scientific and study institutions, improvement of the quality of studies	National Study Programme, 2007-2013	During the implementation of the ESF-funded projects, 173 study programmes based on study results were updated or newly drafted. The plans are to update or newly draft around 78 study programmes by the autumn of 2015. The funds allocated in 2010–2012 amounted to LTL 488.17 m.
	Lifelong Learning Assurance Strategy, 2008-2014	The Lithuanian higher education institutions implement 5 EU-funded projects, during which the system for the formalisation of non-formally acquired competencies and its implementation are prepared in 28 institutions (the staff capable of assessing non-formally acquired competencies will be trained, the relevant methodology will be prepared, the plans are to assess the competences of more than 400 adults and validate them). The implementation of these project activities is scheduled in the spring of 2014. The draft Lifelong Learning Action Plan for 2013-2015 was prepared. The funds allocated in 2010-2012 amounted to LTL 5.52 m.
	Programme for Ensuring the Operation and Development of the Lithuanian Academic and Research Computer Network	The LITNET Activity Plan for 2012 is implemented. LTL 942,000 was transferred to the administering university for the implementation of the Plan in the IV quarter of 2012.

	<p>LITNET for 2012-2016 LITNET-3, 2012-2016</p> <p>Lithuanian Virtual University Programme for 2007-2012, 2007-2012 (implemented).</p> <p>On 12 December 2012, the Lithuanian Scientific and Study Information Infrastructure Development Programme for 2013-2016, the follow-up of the Lithuanian Virtual University programme, was approved.</p>	<p>The funds totalling LTL 1.883 million were distributed to the institutions carrying out the activities under the contracts and the law. The funds allocated in 2010-2012 amounted to LTL 5.7 m.</p> <p>The Lithuanian academic electronic library information system (hereinafter referred to as “eLABa”) is used by 47 Lithuanian science and study institutions. The developed Lithuanian electronic learning infrastructure ensures e-learning infrastructure in Lithuania; The Lithuanian Science and Studies Information System/Institution Science and Study Information System (LieMSIS/IMSIS) created and installed in 5 higher education institutions the Finance management and accounting and the Human Resource Management Subsystems; the prototype of the Studies Administration Subsystem was created and a trial run is carried out; LieDM maintains the distance learning (e-learning) network in Lithuania.</p>
	<p>Lithuanian Programme for Information Society Development for 2011-2019</p>	<p>The draft Guidelines for Informatics and IT Education for 2014-2020 were prepared and submitted to the Council of General Education for approval.</p> <p>Preparations are made for the new stage of the Action Plan for the measure “Implementation of information and communication technologies in general education and vocational training” in 2014-2016. The plans are to prepare and submit it for approval in the III quarter of 2013 (in 2012, the amount of LTL 1.417 m from the budget was allocated to the measure “To adapt education for the needs of the information society”).</p>
	<p>Programme on Internationalisation of Higher Education</p>	<p>Funding was allocated for the preparation and implementation of 17 joint study programmes (EU assistance funds).</p> <p>Sixteen contracts and 3 orders regarding the allocation of funds to Lithuanian higher education institutions, under which support is provided to fund the visits of foreign lecturers in Lithuanian higher education institutions, were signed. When implementing the decentralised foreign qualification assessment and acknowledgement model in Lithuania and carrying out the ESF-funded project (KAPRIS): the publication “Acknowledgement of Foreign Qualifications” was prepared.</p> <p>The Internet site “Study in LT” is being developed.</p> <p>Funding was allocated to 3 projects funded by the EU and intended to strengthen the activities of the Lithuanian (Baltic) linguistics centres in foreign countries.</p> <p>Six Lithuanian Kazimieras Būga state scholarships were distributed to the citizens of foreign countries studying the Lithuanian language in higher education institutions of foreign countries.</p> <p>Support was allocated to 148 Lithuanian-origin and expatriate students studying in Lithuanian higher education institutions (for the autumn semester of the study year 2012-2013). The amount allocated for 2010–2012 totalled LTL 85.61 m.</p>
<p>Fostering employment</p>	<p>More detailed information about the implementation of employment policy measures is provided in this Annex next to the employment rate target.</p>	
	<p>Vocational Training Resource Development Programme, 2010-</p>	<p>83 programmes for the improvement of technological competences of occupational</p>

	2014	teachers and lecturers were prepared and accredited, 2 sectoral vocational training centres were officially opened in the vocational training institutions; the internal quality assurance mechanisms are implemented in all vocational training institutions; the Concept of Modular Vocational Training and the Methodology for the Preparation of Modular Vocational Training Programmes were prepared; the study of the demand for qualifications in the energy sector was conducted and the Vocational Standard of the Energy Sector was prepared. The amount of funds allocated in 2010-2012 totalled LTL 412.93 m.
Contributing to the sustainability of the public finances	Optimisation of the management of funds of the State Social Insurance Fund	From 1 January 2014 the maintenance costs of the Lithuanian Labour Exchange and its divisions are going to be transferred to the state budget.
	Reform of state-owned enterprises	Within nine months of 2012, state-owned enterprises received income totalling LTL 5.018 bn and earned a net profit of LTL 366 m (after the elimination of non-typical taxes to the state). In 2012, state-owned enterprises paid to the state budget the largest amount of dividends until now – LTL 521.8 m.
	Optimisation of the health care network	With a view to form a more efficient network of personal health care institutions, 20 health care institutions – legal entities were eliminated during the implementation period of the programme (2010–2012).
Reinforcing financial stability	The rules for the norms limiting the risk of activities of credit unions, the norm of liquidity and the calculation of the liquidity coverage ratio of credit unions were amended.	These amendments to the legal acts of the Bank of Lithuania will allow ensuring the sustainable development of activities of credit unions and appropriate business risk management. The limits on the extent of risk and its concentration are assumed as well.
	The readiness to apply the measures provided in the Law on Financial Sustainability and the compatibility of these measures with the state aid rules were maintained. Having taken due regard of the situation in international and domestic financial markets, the validity of these measures was extended until 30 June 2013. If necessary, a decision will be made on further extension of the validity of the measures under the Lithuanian bank support scheme.	Taking into consideration the notice submitted by the Ministry of Finance, the European Commission extended the validity of the measures under the Lithuanian bank support scheme twice – until 30 June and until 31 December. The measure provides for the possibilities of the Government to take measures aimed at strengthening financial stability, where necessary.
Main measures related to implementation of the Flagship Initiatives		
“Innovation Union”	More detailed information about the measures of the implementation of this initiative is provided by the R&D investment target.	
“Youth on the Move”	More detailed information about the measures of the implementation of this initiative is provided in this Annex by the following targets: the early school leaving target, the target for tertiary education, the employment rate target (national qualification systems, integration of youth into the labour market) and by the Euro-plus pact commitments regarding the promotion of competitiveness (improvement of the quality of training and education, enhancement of international	

	attractiveness of higher education).	
“European Digital Agenda”	Lithuanian Information Society Development Programme for 2011-2019	The quality of life of the Lithuanian population and the business environment of companies, when taking advantage of the possibilities provided by information and communication technologies (ICT), are improved. It is sought to ensure that at least 85% of Lithuania’s residents would use the Internet by 2019.
“Resource Efficient Europe”	Complex development of ecological public transport	In 2012, 38 ecological public transport vehicles (busses using gas, electrical and hybrid engines) were acquired.
“An Industrial Policy for the Globalisation Era”	More detailed information is provided the Euro-plus pact commitment regarding the promotion of competitiveness (improvement of business environment, reduction of administrative burden) and R&D investments (intellectual property).	
“An Agenda for New Skills and Jobs”	More detailed information about the measures of the implementation of this initiative is provided in this Annex by the following target: the employment rate target (the reform of the Lithuanian Labour Exchange, the vocational training system, flexibility of the labour market, demand for long-term qualifications, and active labour market measures)	
“European Platform Against Poverty”	More detailed information about the measures of the implementation of this initiative is provided in this Annex by the following targets: the employment rate target and the reduction of poverty and social exclusion.	
Main (new or updated) commitments in the NRP for the next 12 months	Foreseen main measures	The estimated impacts of the measures (qualitative and/or quantitative)
Europe 2020 Strategy Targets		
Raising the employment rate in the 20-64 age group	The plans are to prepare a strategy for the increase of employment and social inclusion for 2014-2020 by placing an exclusive focus on youth. The plans are to draw up a plan of measures that would provide for the creation of networks with employers, educational service providers, municipalities, etc. The intentions are to expand the monitoring of the labour market and to create a map of the demand for long-term qualifications in cooperation with competent institutions (continued), further preparations will be made for the reform of the EURES network (scheduled for 2014) and for further actions related to the amendment to the legislation related to the flexibility of employment relations.	
Raising R&D investment levels	To implement the development mechanisms of innovative economy, support will be provided under the Green Industry Innovation Programme funded by the Norwegian Financial	It is planned to implement 14 projects; during the implementation of these projects, innovative ecological products and new environmental technologies will be developed and the introduction of environmental technologies in companies will increase.

	<p>Mechanism in 2013. 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 of the creation and implementation of green innovations as well as entrepreneurship. The total value of the programme – EUR 9.4m.</p>	
	<p>The creation of the package of measures increasing the demand for innovation (innovative public procurement, pre-commercial procurement) will be commenced in 2013. It is planned to draft recommendations for the implementation of innovative public procurement procedures and recommendations for the implementation of pre-commercial procurement procedures.</p>	
GHG emission restriction	<p>In 2013, funds under the Special Programme for Climate Change will be further used to finance projects in the following two directions – increase in 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>	
Use of renewable energy resources	<p>National Science Programme “Future Energy”, 2010-2014: to create and study Lithuania’s energy safety and development models; to create the scientific base for future energy production, supply and efficient use. Earmarked funds: LTL 2.9 m</p>	<p>In 2013, 11 projects will be implemented. The implementation of these projects will continue in 2014 as well.</p>
Reduction of final energy consumption	<p>Special Programme for Climate Change</p>	<p>In 2013, a total of approx. LTL 83 million under the Special Programme for Climate Change was provided for the projects in the direction of funding the increase of the efficiency of energy use and production.</p>
	<p>Programme for the Renovation (Modernisation) of Multi-Apartment Buildings</p>	<p>In 2013, when renovating (modernising) multi-apartment buildings, their estimated heat energy costs are to be reduced by 16.5 GWh per year.</p>
	<p>The plans are to continue the renovation of public purpose buildings.</p>	
Reduction of the number of early school leavers aged 18-24	<p>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.</p>	
Retention of the percentage of people of 30-34 years of age having higher or equivalent education	<p>Enrolment in higher education institutions. The description of the procedure for ranking of the best graduates, under which state-funded places in the I level and integrated studies and study scholarships are distributed to entrants when selecting the studies during the competitive</p>	

	<p>general enrolment procedure.</p> <p>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).</p>	
	Assurance of the quality of studies. External assessment will be carried out in 70% 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	<p>In 2013, it is planned to prepare a Social Inclusion Action Plan for 2014-2020.</p> <p>Cultural activity projects intended for social groups, large families, senior citizens, children, and youth will be further continued.</p>	
Priorities of the annual growth survey		
To pursue differentiated, growth-friendly fiscal consolidation	<p>Fiscal consolidation, reduction of surplus deficit. With a view to ensure that the general government deficit does not exceed 2.5% of GDP in 2013 (compliance with the requirements of the Stability and Growth Pact – to reduce the deficit at least by 0.5% of GDP every year – is ensured), the appropriations from the state budget planned for 2013 do not exceed those applied in 2012 (except for certain fields).</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 resources and reduction of final energy consumption;</p> <p>The measures increasing the efficiency of labour market policy. Further 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. Upon the adoption of the Public Procurement Directive, its provisions will be implemented in the national law (the Law on Public Procurement will be amended). The project “Creation of the Electronic Service “E-Invoice” is aimed at developing and installing an information system, the functionality of which would ensure the provision of the electronic service E-Invoice, in 2014. To draft amendments to the legislation by entrenching the obligation for the specified contracting authorities to issue only electronic invoices in the determined public procurement procedures (the deadline for the implementation of the measure – II quarter of 2015). To draft amendments to the legislation by entrenching the obligation for contracting authorities to submit all international procurement notices, terms and conditions of tendering procedures, correspondence documents and tenders submitted by tenderers through electronic means of communication only (the deadline for the implementation of the measure – IV quarter of 2015).</p>	
	<p>Reduction of administrative burden. In 2013, three actions aimed at reducing the administrative burden are planned and, upon the implementation of these actions, the burden would be additionally reduced by LTL 1.633 m.</p>	
	Further continued implementation of public administration digitalisation projects.	
Euro-plus pact commitments		
Fostering competitiveness	<p>With a view to implement innovative economy development mechanisms, in 2013, support will be provided under the Green Industry Innovation Programme funded by the Norwegian Financial Mechanism.</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 m.
	<p>Entrepreneurship education and training. Entrepreneurship should be considered to be 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. 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</p>	A positive impact on the promotion of entrepreneurship and training, business environment, and the promotion of entrepreneurship of the target groups.

	<p>business to finances, and to give the second chance to honest entrepreneurs after a bankruptcy. Also, it is sought to make tax policy more favourable to business.</p> <p>Mentoring, assistance and support schemes for the target groups. They encompass important measures which would promote entrepreneurship among young people, women, senior citizens, migrants, and the unemployed.</p>	
	<p>The programme for the competitiveness of companies and of small and medium-sized companies for 2014-2020 will be established for the period of 1 January 2014-31 December 2020. The main focus in the Programme is places on the fostering of competitiveness and promotion of SME establishment and entrepreneurship (Erasmus programme for young entrepreneurs, entrepreneurship training, 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 budget of the Programme – EUR 2.5 bn.</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 bn in the EU GDP. 2. Thousands of jobs created and retained. 3. Additional loans and investments totalling EUR 3.5 bn 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>
	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 m.
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.	
Contributing to the sustainability of the public finances	Information about the planned measures will be provided in Lithuania's Convergence Programme 2013.	
Reinforcing financial stability	Implementation of macro-prudential policy. The plans for 2013 are to approve the amendments to the Law on the Bank of Lithuania, under which the Bank of Lithuania is authorised to form and implement macro-prudential policy in Lithuania.	The objective of the macro-prudential policy formed and implemented by the Bank of Lithuania is to contribute to the protection of the stability of the financial system, including the strengthening of resistance of the financial system and reduction of formation of system risk, thus ensuring the sustainable contribution of the financial sector to economic growth. 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.
	Implementation of the measures reinforcing financial stability. The plans are to review and supplement the minimum loan evaluation requirements of credit unions and prepare the	The planned supplements and amendments to the legislation will create conditions for a more precise and conservative assessment of more precise and conservative credit risk assessment of credit unions of credit unions and to assume and manage other financial

	regulations for the organisation of internal control and risk assessment (management) in credit unions.	risks in a more responsible manner.
Commitments under the Flagship Initiatives		
“Innovation Union”	More detailed information about the planned measures for the implementation of the initiative is provided in this Annex by the Euro-Plus Pact commitment to foster competitiveness and raise the R&D investment levels.	
“Youth on the Move”	The Programme on Internationalisation of Higher Education is to be further implemented.	
“European Digital Agenda”	The plans are to further continue the measures for the implementation of the Lithuanian Information Society Development Programme for 2011-2019.	
“Resource Efficient Europe”	In 2013, the following commissioned works are to be carried out: “Identification of environmentally harmful subsidies, determination of their value in the country’s overall tax system. Preparation of the methodology for the identification of environmentally harmful subsidies”; “Identification of taxes promoting environmental protection in the common tax system. Proposals regarding the increase of taxes promoting environmental protection and the introduction of new taxes by respectively reducing taxes of other types”. The plans for 2013 are to acquire 37 ecological public transport vehicles, to commence the modernisation and development of the bicycle infrastructure, to sign contracts for the establishment of the Vilnius and Kaunas intermodal terminals in the public logistics centres and to commence the performance of the works.	
“An Industrial Policy for the Globalisation Era”	The decision was made to establish in 2013 the Innovative Economy Council, which will be responsible for more effective cooperation between state institutions, business and scientific community and seek to create a more favourable environment for the implementation of innovations in business.	
“An Agenda for New Skills and Jobs”	More detailed information about the planned measures for the implementation of the initiative is provided in this Annex by the target: raising the employment rate.	
“European Platform Against Poverty”	More detailed information about the planned measures for the implementation of the initiative is provided in this Annex by the targets: raising the employment rate and reduction of social exclusion.	