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2019 Lithuanian Draft Budgetary Plan



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Abbreviations

AW	Average wage
Budget framework reform	Reform of budget building framework and strategic planning started in 2017 in Lithuania
Constitutional Law	Constitutional Law of the Republic of Lithuania on the Implementation of the Fiscal Compact
DBP	2019 Lithuanian Draft Budgetary Plan
Draft budget	Draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2019
Economic development scenario	Economic development scenario for 2018-2021, developed by the Ministry of Finance and approved by the Budget Policy Monitoring Authority
EU	European Union
GDP	Gross domestic product
Government	Government of the Republic of Lithuania
Ministry of Finance	Ministry of Finance of the Republic of Lithuania
MMW	Minimum monthly wage
New structural reforms	New structural reforms in the fields of education, health care, shadow economy reduction, innovation, social insurance (pensions) and tax regulation approved by the Seimas of the Republic of Lithuania in Spring 2018
NTA	Non-taxable amount
PIT	Personal income tax
R&D	Research and development
R&D&I	Research, development and innovation
Seimas	Seimas of the Republic of Lithuania
SGP	Stability and Growth Pact
Social model	Structural reform including legal-administrative model of the Lithuanian labour relations and state social insurance started in 2017
Stability Programme	Stability Programme of Lithuania for 2018 ¹
STI	State Tax Inspectorate
VAT	Value added tax

¹ **Stability Programme of Lithuania for 2018 approved by Resolution No 387 of the Government of the Republic of Lithuania of 25 April 2018**

[http://finmin.lrv.lt/uploads/finmin/documents/files/Lietuvos%20stabilumo%202018%20met%C5%B3%20programa\(1\).pdf](http://finmin.lrv.lt/uploads/finmin/documents/files/Lietuvos%20stabilumo%202018%20met%C5%B3%20programa(1).pdf)

Introduction

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area Lithuania hereby presents the DBP² to the European Commission and the Eurogroup.

Lithuania's medium term objective set for the years 2016-2018 is 1 % of GDP general government structural deficit, set by the Resolution No XII-2147 of 8 December 2015 of the Seimas. The Resolution No XIII-1058 of 22 March 2018 of the Seimas set the medium-term objective for a new period of 2019-2021 which is 1 % of GDP structural deficit.

The DBP has been drawn up in line with the draft budget, the Draft Law on the Approval of the Indicators of the Budget of the State Social Insurance Fund of the Republic of Lithuania for 2019 and the Draft Law on the Approval of the Indicators of the Compulsory Health Insurance Fund of the Republic of Lithuania for 2019. The above draft laws have been drawn up taking into account the economic development scenario, medium term targets set out in the Stability Programme, provisions of the Constitutional Law, Law of the Republic of Lithuania on Fiscal Discipline, SGP provisions and in taking into account the EU Council Recommendations addressed to Lithuania³.

The year 2017 saw the launch of the structural social and labour market reform (hereinafter 'the Social model') recognized by the EU Council as consistent with the SGP flexibility requirements, which has led to an exemption under SGP for Lithuania for 2017-2019⁴.

When preparing the DBP, new structural reforms were evaluated. The reforms are planned to be implemented in the medium term starting from the year 2019.

² DBP general government revenue and expenditure projections have been made on the basis of information available up until 15 October 2018.

³ **EU Council recommendations addressed to Lithuania:**

https://ec.europa.eu/info/sites/info/files/file_import/2018-european-semester-country-specific-recommendation-commission-recommendation-lithuania-en.pdf

⁴ **Assessment of the Stability Programme of Lithuania for 2017:**

https://ec.europa.eu/info/sites/info/files/15_lt_sp_assessment.pdf

1. Macroeconomic situation and prospects

The DBP presents the economic development scenario, which was published on the website of the Ministry of Finance on 12 September 2018⁵.

The economic development scenario has been drawn up on the basis of data published and received by 31 August 2018. The assumptions of the external economic environment (trading partners development, oil prices and the euro-to-dollar exchange rate) match the estimates published in July 2018 by the European Commission and by the International Monetary Fund. The conclusion of the Budget Policy Monitoring Authority on the economic development scenario was posted on the website⁶.

The growth of Lithuania's gross domestic product is estimated at 3.4 % in 2018. In the later period, the GDP growth will see a certain slow-down, i.e. it will account for 2.8 % in 2019, 2.5 % in 2020 and 2.5 % in 2021.

Domestic demand during the medium term will be the main driver of Lithuania's economy. It will be stimulated by the Government decisions aimed at increasing personal income and strengthening investment incentives, implementation of investment projects financed by direct foreign investments and EU financial support funds as well as the need for business to invest into the automation of processes, technological renewal, innovations and other efficiency and productivity enhancing measures arising from strained labour market. Household consumption expenditure is estimated to grow in 2018 by 4.3 %, in 2019 - by 4.3 %, in 2020 - by 3.8 %, in 2021 - by 3.5 %; the gross fixed capital formation rate is expected to reach 9 % in 2018, 5.5 % in 2019, 4.9 % in 2020, 4 % in 2021.

The first half of the year 2018 saw the fastest growth of the average monthly gross wage in the country (excluding individual enterprises) over the preceding 10 years and was 10 %. Such rapid growth in wages indicates the increasing competition among employers for employees. The situation in the labour market will remain favourable to employees in the medium-term and competition of employers for employees will remain high. In the light of the prevailing trends and administrative decisions aimed at increasing wages, the average monthly gross wage in the country is expected to increase by 7.2 % per year in the medium term.

As a result of weakened impact of one-off actions which brought the pick-up in average annual inflation in 2017, price evolution during the first 7 months of this year was more moderate. The Ministry of Finance foresees that the change in the average annual inflation, calculated in accordance with the Harmonised Index of Consumer Prices, will account for 2.7 % in 2018, which is lower by 0.2 percentage point than was foreseen in spring of 2018. It is expected that the changes in prices will stabilise around 2.5 % per year over the later mid-term years.

Following the most rapid growth of the export value of products seen in 2017 over the recent six years (16.8 %), the growth rate of the Lithuanian export value of products has slowed down to 6.3 % in the first half of 2018 due to high comparable base and slower euro area economy growth. In the summer of 2018 the international institutions did not introduce any modifications to

⁵ **Economic development scenario:** <http://finmin.lrv.lt/lt/aktualus-valstybes-finansu-duomenys/ekonomines-raidos-scenarijus>

⁶ **Conclusion on the economic development scenario:** <http://www.vkontrole.lt/bp/isvados.aspx>

the prospects for the global economic development; the world GDP is expected to grow steadily by almost 4 % over the next two years, however, it will no longer be synchronised as in 2017. Increased external environment related uncertainty will continue to motivate to manage currency risk and increase labour productivity enhancing investments for exporting enterprises during the entire medium term. The growth rate of exports of goods and services from Lithuania is projected to reach 5.7 % in 2018, 5.1 % in 2019, 4.3 % in 2020, 4.2 % in 2021.

The negative factors regarding the external environment that posed a risk to the fulfilment of the scenario in March 2018 became stronger. Increased tension in international trade due to more active protectionism and trade wars, increased geopolitical tension, potential Turkish financial crisis related threat to the euro area countries, increase in the probability of hard Brexit, possible volatility in global financial markets are the risks the materialisation of which would bring negative impact not only on Lithuania's economy, but on the world economy as well. At the time of preparation of the scenario, it was known that the European Central Bank's Quantitative Easing Programme would continue until the end of 2018 and that interest rates should remain stable at least until summer of 2019, therefore uncertainties regarding the direction of the monetary policy in the later period remain. The current trends in the Lithuania's economy and the prospects of the main macroeconomic indicators provided for in this scenario may change due to prevailing uncertainty.

The internal negative factors have not disappeared either. Although the growing momentum of the investment process and the increase in productivity in 2017 have significantly limited the risk of a price/wage spiral, this risk still persists due to shrinking labour resources. In addition, there is a risk that the increase in external environment related uncertainty may lower the exceptionally positive expectations of Lithuania's businesses and consumers prevailing in recent years, prompt the enterprises to postpone their investment plans and consumers to reduce expenditure on goods and services that are not of basic necessity. More frequent occurrence of natural disasters in foreign countries as well as in Lithuania may also make a negative impact on Lithuania's economic development.

On the other hand, there is a positive risk that the reforms in the fields of innovations and taxation undertaken by the Government will increase domestic demand more than projected in the scenario. Better demographic trends in Lithuania than currently foreseen by Eurostat and relieved tension in the world trade could have a positive effect on the economic development of the country in the medium term.

The failure to fulfil the essential assumptions underlying this scenario, the estimates for most of the indicators provided for in this scenario would also be subject to changes.

1 Table (0.i). Basic assumptions

	2017	2018	2019
Short-term interest rate (annual average)	0.1	0.1	0.2
Long-term interest rate (annual average)	0.9	1.3	1.5
USD/EUR exchange rate (annual average)	1.1	1.2	1.2
Nominal effective exchange rate	2.2	5.1*	0.6*
World GDP growth (excl. EU), %	3.9	4.2	4.1
EU GDP growth, %	2.4	2.1	2.0

	2017	2018	2019
Growth of relevant foreign markets, %	2.3	2.2	2.1
World import volumes (excl. EU), %	5.3	4.9	4.4
Oil prices (Brent, USD/barrel)	54.8	72.8	71.8

Sources: European Commission, European Central Bank, Ministry of Finance

*The ECB published its updated projections on 13 September 2018.

2 Table (1a). Macroeconomic prospects

	ESA code	2017	2017	2018	2019
		EUR million	Change, %		
1. Real GDP, chain-linked volume	B1*g	35867.0*	3.9*	3.4	2.8
2. Potential GDP		35034.3	2.6	3.4	3.7
of which:					
- labour			0.2	0.4	0.5
- capital			1.2	1.4	1.5
- total factor productivity			1.2	1.6	1.8
3. Nominal GDP	B1*g	41858.0*	8.2*	6.5	5.5
GDP components (at constant prices)					
4. Household consumption expenditure + NPI serving households	P.3	23763.9*	3.8*	4.3	4.3
5. Government final consumption expenditure	P.3	5810.3*	1.0*	1.1	1.1
6. Gross fixed capital formation	P.51	7151.4*	7.3*	9.0	5.5
7. Changes in stocks and acquisitions less disposals of valuables, % of GDP	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
8. Exports of goods and services	P.6	31566.2*	13.6*	5.7	5.1
9. Imports of goods and services	P.7	32245.7*	12.8*	6.0	5.8
Contributions to change in GDP, percentage points (excl. level in million EUR in 2017)					
10. Final domestic demand		36726.1*	4.1*	4.8	4.2
11. Changes in inventories and net acquisitions of valuables	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
12. External balance of goods and services	B.11	-679.5*	0.8*	-0.1	-0.6

Sources: Statistics Lithuania, Ministry of Finance

*The economic development scenario has been drawn up on the basis of statistical data published by 31 August 2018.

3 Table (1b). Price developments

	2017	2017	2018	2019
	Index	Change, %		
1. GDP deflator	116.7*	4.3*	3.0	2.6
2. Private consumption deflator	112.7*	3.8*	2.7	2.5
3. HICP (year 2015 = 100)	104.4	3.7	2.7	2.5
4. Public consumption expenditure deflator	118.7*	2.9*	5.0	4.3
5. Investment deflator	110.2*	0.4*	2.8	2.8
6. Export price deflator (goods and services)	108.2*	4.4*	2.8	1.8
7. Import price deflator (goods and services)	102.9*	4.0*	4.4	1.6

Sources: Eurostat, Statistics Lithuania, Ministry of Finance

*The economic development scenario has been drawn up on the basis of the statistical data collected by 31 August 2018.

4 Table (1c). Labour market developments

	ESA code	2017	2017	2018	2019
		Value of the indicator	Change, %		
1. Employment, persons, ('000)		1 354.8	-0.5	0.3	-0.3
2. Employment, hours worked, ('000)		2 497 002	-2.7	-	-
3. Unemployment rate (%)		7.1	-	6.3	5.9
4. Labour productivity (real gross value added per person employed), '000 EUR		27.8*	4.4*	3.1	3.1
5. Labour productivity, hours worked		15.1	6.7	-	-
6. Compensation of employees, million EUR	D.1	18 462.8	9.1	9.2	7.2
7. Compensation per employee, EUR		15 492.8	9.2	8.9	7.5

Sources: Eurostat, Statistics Lithuania, Ministry of Finance

*The economic development scenario has been drawn up on the basis of statistical data published by 31 August 2018.

5 Table (1d). Sectoral balances

	ESA code	2017	2018	2019
		% GDP		
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	1.6	1.4	1.3
<i>of which:</i>				
- balance of goods and services		2.3*	0.9	0.5
- balance of primary incomes and transfers		-1.9	-1.4**	-1.5**
- capital account		1.2	1.9**	2.3**
2. Net lending/net borrowing of the private sector	B.9	1.0	0.9	0.7
3. Net lending/net borrowing of general government	B.9	0.5	0.6	0.4
4. Statistical discrepancy		0	0	0

Sources: Bank of Lithuania, Ministry of Finance

*The economic development scenario has been drawn up on the basis of statistical data published by 31 August 2018.

**Forecasts for 2018 and 2019 were drawn up on the basis of data published by 22 May 2018.

2. Fiscal policy

Public finance policy guidelines which broadly reflect the ones laid down in the Stability Programme and which will be implemented in the year 2019 and the remaining years over the medium term include:

- ✓ implementation of fiscal policy taking into account the EU Council recommendations addressed to Lithuania of 23 May 2018, status of the economic cycle, internal challenges arising due to unfavourable demographic trends and external risks. That is, in the years 2019-2021, when a positive output gap leading to temporariness of portion of government revenues is projected, efforts will be made each year to ensure the general government surplus which would gradually widen the fiscal space needed to stimulate global demand during the recession;

- ✓ actions aimed at ensuring the compliance of the fiscal policy implemented with fiscal discipline rules laid down in national and EU legislation. Compliance with the said rules would ensure sustainable position of general government finance in the medium term, create conditions for reducing general government debt and contribute to the strengthening of the long-term sustainability of finances;

- ✓ actions aimed at increasing the GDP redistribution share (tax revenue-to-GDP ratio) by improving the efficiency of the tax administration, applying the latest state-of-the-art technologies and taking measures to reduce shadow economy, increasing taxes on products that are harmful to environment and human health;

- ✓ actions ensuring continued implementation of the structural reform (social model) aimed at increasing the economic growth potential and long-term sustainability of public finances;

- ✓ implementation of new structural reforms;

- ✓ development of financial incentives for young families and families with children;

- ✓ actions aimed at ensuring that defence funding meets the obligations towards NATO;

- ✓ actions aimed at ensuring decrease of the level of the general government debt at the end of the medium term;

- ✓ actions aimed at ensuring a more result-oriented budget, strengthening the principles of medium-term budget planning at institutional level, optimising the management of state property and taking other measures to improve the quality of public finances.

In 2017, for the second year in a row, the general government surplus was attained which accounted for 0.5 % of GDP. The year 2017 saw no deviation from the medium term objective which, taking into account the SGP flexibility clause⁷, was -1.5 % of GDP structural general government balance. In 2017 the structural general government balance accounted for -0.5 % of GDP⁸.

⁷ The assessment of the indicator of the structural general government balance of 2017 under the SGP takes into account the systemic pension reform implementation costs of 0.1 % of GDP and social model implementation costs of 0.4 % of GDP. The European Commission provided the opportunity to Lithuania to apply the SGP's flexibility in relation to the social model on 23 May 2017 in its Assessment of the Stability Programme of Lithuania for 2017. **Assessment of the Stability Programme of Lithuania for 2017:** https://ec.europa.eu/info/sites/info/files/15_lt_sp_assessment.pdf

⁸ The assessment of the structural general government balance presented in this DBP is based on the output gap calculated on the basis of the economic development scenario and the cyclical budget component.

The Stability Programme and draft budget for 2018 provide for the general government surplus of 0.6 % of GDP for **2018**. Based on the latest data on the implementation of revenue plans of major budgets attributable to the general government (State Social Insurance Fund, Compulsory Health Insurance Fund, State budgets) available at the time of drafting the DBP, it is foreseen that this target will be achieved. In the light of the ex-ante evaluation of the Ministry of Finance, in 2018 the structural deficit will account for -0.3 % of GDP. While the medium term objective, taking into account the SGP flexibility clause, is -1.5 % of GDP structural general government balance .

The draft budget for **2019** provides for the general government surplus of 0.4 % of GDP taking into account:

- ✓ general government fiscal discipline rules stipulated in the Constitutional Law and the provisions of the SGP;
- ✓ guidelines on general government finance, which reflect neutral fiscal policy, stipulated in the Stability Programme which is part of the medium-term planning framework;
- ✓ state of Lithuania's economic cycle which, in the light of the economic development scenario, indicates that in 2019 Lithuania's economy will grow faster than it potentially could and the output gap will be positive;
- ✓ impact of new structural reforms on general government finances.

It is estimated that the surplus will be by 0.2 % of GDP lower than the surplus of 0.6 % of GDP projected in the Stability Programme. Such change is basically determined by the costs of new structural reforms launched.

The structural general government deficit in 2019 will stand at about 0.2 % of GDP; it will over perform by 0.8 % of GDP the medium term objective set out by the Seimas and by 1.3 % of GDP the medium term objective estimated taking into account the SGP flexibility clause applied as a result of the social model structural reform. In the light of the annual change in primary structural balance of 2019 and positive output gap, in 2019 neutral fiscal policy will be pursued.

6 Table (2a). General government budgetary targets under the policy development scenario

	ESA code	2018	2019
		% GDP	
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	0.6	0.4
2. Central government	S.1311	-0.5	-1.0
3. State government	S.1312		
4. Local government	S.1313	0.2	0.0
5. Social security funds	S.1314	0.9	1.4
6. Interest expenditure	D.41	0.9	0.9
7. Primary balance		1.5	1.3
8. One-off and other temporary measures		0.0	0.1
9. Real GDP growth (%)		3.4	2.8
10. Potential GDP growth (%)		3.4	3.7
of which:			
- labour		0.4	0.5
- capital		1.4	1.5
- total factor productivity		1.6	1.8
11. Output gap (% of potential GDP)		2.4	1.5
12. Cyclical budgetary component (% of potential GDP)		1.0	0.6

	ESA code	2018	2019
		% GDP	
13. Cyclically-adjusted balance (1 – 12) (% of potential GDP)		-0.3	-0.2
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		0.6	0.7
15. Structural balance (13 – 8) (% of potential GDP)		-0.3	-0.2

Source: Ministry of Finance

The general government debt is projected to reach 37.8 % of the GDP by the end of 2019, which will be by 3 % higher than that at the end of 2018, which is projected to reach 34.8 % of the GDP. This indicator is highly affected vis-a-vis the government borrowing and debt management by the planned accumulation of EUR 1.3 billion in 2019 for the redemption of Eurobonds in February 2020. General government surplus and trends in the global financial market made it possible to reduce the cost of paying interest.

7 Table (2b). General government debt developments

	2018	2019
	% GDP	
1. Gross debt as of year-end	34.8	37.8
2. Change in gross debt ratio	-4.6	3.0
Contributions to changes in gross debt		
3. Primary balance	1.5	1.3
4. Interest expenditure	0.9	0.9
5. Stock-flow adjustment	-1.9	5.3
Implicit interest rate on debt	2.5	2.3

Source: Ministry of Finance

8 Table (2c). Contingent liabilities

	2018	2019
	% GDP	
Public guarantees	0.9	1.1
of which: linked to the financial sector	0.0	0.0

Source: Ministry of Finance

Taking into account the refinancing risk management, the updated GDP projections, and also balance projections of the 2018 State budget, including EU and other international financial support funds, the projected level of government debt will be 1 % lower in 2018, 0.3 % lower in 2019 as compared to the previous forecasts contained in the Stability Programme.

9 Table. Comparison of the general government debt projections in DBP and Stability Programme

	2018	2019
	% GDP	
General government debt		
Projection in the Stability Programme	35.8	38.1
Projection in the DBP	34.8	37.8
decrease (-)/increase (+)	-1.0	-0.3

Source: Ministry of Finance

2.1. General government revenue and expenditure projections under the development and no-policy change scenario

For the purpose of implementation of the fiscal policy objectives, the EU Council recommendations addressed to Lithuania and having regard to the provisions concerning the improvement of the structure of the taxation system aimed at ensuring economic growth and concerning the optimisation of the tax base provided for in the Plan for the Implementation of the Government Programme approved by Resolution No 164 of the Government of the Republic of Lithuania of 13 March 2017, the year 2019 will see the implementation of **revenue related measures** which are part of the tax reform and the shadow economy reduction reform. **The tax reform** includes the following measures: transfer of a share of employer's social insurance contributions to the employee, transfer of a share of social security contribution rate to PIT, reduction of rates of PIT and social security contribution, NTA increase, introduction of progressive PIT, introduction of a maximum threshold for social insurance contributions ("ceilings"), improvement of the structure of the taxation system aimed at ensuring economic growth and optimisation of the tax base. **The reform aimed at combating shadow economy** will include measures which provide incentives to voluntarily obey the laws, application of a reverse charge mechanism in relation to VAT in case of petroleum products and electronic goods related trade transactions, introduction of minimum criteria of a reliable tax payer and determination of legal implications of non-compliance with the said criteria, modification of sanctions for administrative offences, introduction of a possibility for residents to reduce their taxable income in case of purchase of services which are officially accounted for in the fields that are susceptible to shadow economy. This reform will provide incentives to pay taxes voluntarily and ensure a more effective tax collection.

The 2019 the general government **expenditure related measures** aim at the implementation of new structural reforms in the fields of education, healthcare, social security (including pensions) and innovations, strengthening of national defence, support to young families and families with children as well as other means to reduce poverty.

The implementation of **reform in the field of education** will involve modernisation of content and attainments system of the general education, providing schools with modern means, application of measures aimed at ensuring that a school is safe to everyone, lifelong learning development, optimisation of the network of state universities and vocational training institutions, development of informal education by increasing the variety and accessibility thereof as well as ensuring quality, restructuring of the financing system applied to education and science. **The pension reform** will include actions aimed at ensuring that the general pension component is financed from the State budget, restructuring the pension accumulation scheme and increasing the lowest pensions. **The health care reform** will include the development of primary outpatient health care services and restructuring of the system of patient registration, restructuring of the infrastructure and customisation thereof to the needs of residents, development of incentives to ensure effectiveness, development of nursing services, measures aimed at reducing expenditure on medicines as well as introduction of incentives to promote healthy lifestyle and prevention. **The**

reform in the field of innovations will include the restructuring of the innovations system set-up, creation and uptake of the evidence based model for governing the innovations strategy, development of innovation promotion system, creation and development of the system for attracting innovative investments.

10 Table. Sources of information on new structural reforms

Content of reforms and implementation plan	http://lr.v.lt/uploads/main/documents/files/LRV%206%20strukturines%20reformos.pdf
Scientific assessment of impact of reforms	http://lr.v.lt/uploads/main/documents/files/Reform%C5%B3%20poveikio%20Lietuvos%20ekonomikai%20vertinimas_pristatymas_10_03.pdf
Other relevant information	http://lr.v.lt/lt/aktuali-informacija/xvii-vyriausybe/strukturines-reformos

11 Table (4a). General government expenditure and revenue targets, broken down by main components

General government (S13)	ESA code	2018	2019
		% GDP	
1. Total revenue	TR	36.0	36.6
1.1. Taxes on production and imports	D.2	11.7	11.9
1.2. Current taxes on income, wealth, etc.	D.5	5.6	8.6
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	13.4	10.4
1.5. Property income	D.4	0.6	0.6
1.6. Other		4.8	5.1
Tax burden (D.2+D.5+D.61+D.91-D.995)		30.6	30.9
2. Total expenditures	TE	35.4	36.2
2.1. Compensation of employees	D.1	9.1	9.3
2.2. Intermediate consumption	P.2	4.8	5.2
2.3. Social payments	D6M	13.1	14.0
of which: unemployment benefits		0.4	0.3
2.4. Interest expenditure	D.41	0.9	0.9
2.5. Subsidies	D.3	0.3	0.3
2.6. Gross fixed capital formation	P.51	4.0	3.9
2.7. Capital transfers	D.9	0.3	0.2
2.8. Other		2.9	2.5

Source: Ministry of Finance

12 Table (3). General government revenue and expenditure projections under the no-policy-change scenario

General government (S13)	ESA code	2018	2019
		% GDP	
1. Total revenue under the no-policy change scenario	TR	35.3	36.5
1.1. Taxes on production and imports	D.2	11.4	11.7
1.2. Current taxes on income, wealth, etc.	D.5	5.5	5.6
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	13.1	13.5
1.5. Property income	D.4	0.6	0.6
1.6. Other		4.8	5.1
Tax burden (D.2+D.5+D.61+D.91-D.995)		29.9	30.8

General government (S13)	ESA code	2018	2019
		% GDP	
2. Total expenditure under the no-policy change scenario	TE	34.5	35.3
2.1. Compensation of employees	D.1	8.9	8.8
2.2. Intermediate consumption	P.2	4.8	5.1
2.3. Social payments	D6M	12.4	13.6
of which: unemployment benefits		0.4	0.3
2.4. Interest expenditure	D.41	0.9	0.9
2.5. Subsidies	D.3	0.3	0.3
2.6. Gross fixed capital formation	P.51	4.0	3.9
2.7. Capital transfers	D.9	0.3	0.2
2.8. Other		2.9	2.5

Source: Ministry of Finance

13 Table (5a.i). Discretionary revenue measures taken by the general government

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
1.	Increase of MMW from EUR 380 to 400 starting from 1 January 2018	D.5	Accrual	Approved	7.0	
2.	Increase of MMW from EUR 400 to 430 starting from 1 January 2019 (or from EUR 516 to 555 under a new system)	D.5	Accrual	Approved by the Government, included in the Draft Budgetary Plan		12.4
3.	Increase of NTA from EUR 310 to 380 starting from 1 January 2018	D.5	Accrual	Approved	-97.0	
4.	Withdrawal of application of additional NTA for children starting from 1 January 2018	D.5	Accrual	Approved	128.0	
5.	Increase of individual NTA for the disabled starting from 1 January 2018	D.5	Accrual	Approved	-4.0	
6.	Increase of NTA up to EUR 300 in 2019, up to EUR 400 in 2020 and up to EUR 500 in 2021 while expanding the scope of application of the NTA to two average wages			Approved		-186.0
7.	Reduction of PIT rate	D.5	Accrual	Approved		-145.0
8.	Increase of PIT rate by 9.36 percentage points (under a new system)	D.5	Accrual	Approved		1663.0
9.	Application of 20 % PIT rate to the share of other income (except income from individual activity, dividends and sickness, paternity and maternity benefits, parental leave allowances, benefits related to long-term employment) exceeding 120 average wages per year	D.5	Accrual	Approved		10.0
10.	Introduction of a progressive 27 % PIT rate	D.5	Accrual	Approved		5.5
11.	Basic salary amount increase from EUR 130.5 to 132.5 for State politicians, judges, State officials and civil servants as well as persons employed in State and municipal institutions	D.5	Accrual	Approved	3.2	
12.	Basic salary amount increase from EUR 132.5 to 134 for State politicians, judges, State officials and civil servants as well as persons employed in State and municipal institutions	D.5	Accrual	Approved by the Government, included in the Draft		6.6

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
				Budgetary Plan		
13.	Introduction of taxation based on the level of income (less the expenses of the activity) using tax credit method for self-employed	D.5	Accrual	Approved	3.8	4.7
14.	Expansion of tax relief related to the investment project	D.5	Accrual	Approved	-30.0	
15.	Establishment of one year corporate income tax holiday for small business start-ups	D.5	Accrual	Approved	-1.0	
16.	Withdrawal of a 5 % corporate income tax relief for agricultural companies (except cooperatives)	D.5	Accrual	Approved	1.5	1.5
17.	Withdrawal of a corporate income tax relief applied to social enterprises	D.5	Accrual	Approved	2.0	
18.	Prohibition to attribute income received as payment for port and air navigation services or from the lease of land of ports to tax-free income	D.5	Accrual	Approved	4.0	
19.	Improvement of administration in relation to corporate income tax	D.5	Accrual	Approved	10.0	10.0
20.	Improvement of administration in relation to PIT	D.5	Accrual	Approved	20.0	30.0
21.	Withdrawal of a VAT relief on domestic central heating and hot water starting from 1 June 2017 and reintroduction of relief from 1 October 2017	D.2	Accrual	Approved	-4.0	
22.	VAT relief on non-compensated prescription medicinal products (as from 2018, when taxable value of their external packaging does not exceed EUR 300)	D.2	Accrual	Approved	-11.0	
23.	Improvement of administration in relation to VAT	D.2	Accrual	Approved	70.0	104.0
24.	Increase of excise duty rates on ethyl alcohol and alcoholic beverages	D.2	Accrual	Approved	18.3	
25.	Increase of excise duty rates on tobacco products	D.2	Accrual	Approved	14.2	15.6
26.	Narrowing of the excise duty rate relief on gas oil used in agriculture	D.2	Accrual	Approved	9.0	
27.	Abolition of the excise duty exemption for coal, coke and lignite sold for households	D.2	Accrual	Approved	0.7	
28.	Increase of excise duty rates on gas oil	D.2	Accrual	Approved	14.0	
29.	Introduction of pollution tax on waste going to a landfill	D.2	Accrual	Approved	3.0	5.0
30.	Increase of tax on expensive immovable property	D.2	Accrual	Approved	1.6	
31.	Improvement of administration in relation to excise duties	D.2	Accrual	Approved	15.0	20.0
32.	Increase of MMW from EUR 380 to 400 starting from 1 January 2018	D.61	Accrual	Approved	25.9	
33.	Increase of MMW from EUR 400 to 430 starting from 1 January 2019 (or from EUR 516 to 555 under a new system)	D.61	Accrual	Approved by the Government, included in the Draft		13.5

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
				Budgetary Plan		
34.	Reduction of rates of social security contributions by 1 % (<i>according to the Social Model</i>) starting from 1 July 2017	D.61	Accrual	Approved	-66.7	
35.	Increase of unemployment contribution rate by 0.5 % starting from 1 July 2017 (<i>according to the Social Model</i>) and decrease of unemployment insurance contribution rate by 0.2 % starting from 1 January 2018 by transferring those 0.2 % to sickness social insurance rate	D.61	Accrual	Approved	29.0	
36.	Introduction of 0.5 % rate of employers' contributions paid to a new Long-term Employee Benefit Fund (<i>according to the Social Model</i>) starting from 1 July 2017	D.61	Accrual	Approved	26.5	
37.	Reduction of the rate of the Long-term Employee Benefit Fund by transferring a share of the rate to the unemployment insurance contribution rate (0.3 % under the old system)	D.61	Accrual	Approved		-34.6
38.	Increase of unemployment contribution rate by transferring the portion of the Long-term Employee Benefit Fund (0.3 % under the old system))	D.61	Accrual	Approved by the Government, included in the Draft Budgetary Plan		40.7
39.	Basic salary amount increase from EUR 130.5 to 132.5 for State politicians, judges, State officials and civil servants as well as persons employed in State and municipal institutions	D.61	Accrual	Approved	8.4	
40.	Basic salary amount increase from EUR 132.5 to 134 for State politicians, judges, State officials and civil servants as well as persons employed in State and municipal institutions	D.61	Accrual	Approved by the Government, included in the Draft Budgetary Plan		6.9
41.	Introduction of 'floor' for social insurance contributions equal to the minimum monthly wage as from 1 January 2018 (for the rate applied to an employer)	D.61	Accrual	Approved	26.5	
42.	Introduction of 'floor' for social insurance contributions equal to the minimum monthly wage as from 1 July 2018 (for the rate applied to an employee)	D.61	Accrual	Approved	3.5	
43.	Impact of reduced social security contributions' rate on the 'floor' for State Social Insurance Fund			Approved by the Government, included in the Draft Budgetary Plan		-6.8
44.	Unification of the social insurance system applied to self-employed (ceiling amounts to 28 AW)	D.61	Accrual	Approved	14.0	11.0
45.	Impact of the recalculation of the social	D.61	Accrual	Approved by		-45.0

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
	insurance contribution rates, reduction of social security contribution rate and transfer of a share of the social security contribution rate to PIT on the income to State Social Insurance Fund from the self-employed			the Government, included in the Draft Budgetary Plan		
46.	Increase of the taxable base applied to the self-employed from 50 % to 100 % of taxable income while at the same time increasing the contribution ceilings from 28 AW to 43 AW	D.61	Accrual	Approved by the Government, included in the Draft Budgetary Plan		21.0
47.	Improvement of administration in relation to social insurance contributions	D.61	Accrual	Approved	66.0	56.0
48.	Introduction of 'ceilings' for social security contributions	D.61	Accrual	Approved		-11.0
49.	Reduction of social security contribution rates paid by employee by 0.55 percentage points (under a new system, from 13.07 % to 12.52 %)	D.61	Accrual	Approved by the Government, included in the Draft Budgetary Plan		-99.0
50.	Reduction of social security contribution rates by 9.36 % (under a new system)	D.61	Accrual	Approved		-1663.0
51.	Suspension of State Social Insurance Fund transfers to pillar II of the state social insurance pension scheme from 1 January 2019	D.61	Accrual	Approved		211.0
Total:					311.4	58.0

Source: Ministry of Finance

14 Table (5a.ii). Discretionary expenditure measures taken by the general government

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
1.	Development of financial incentives and services for young families and families with children	D6M	Accrual	Approved	-199.5	-4.0
2.	Measures aimed at covering social insurance contributions for persons starting individual activity (tax holidays)	D6M	Accrual	Approved	-12.0	
3.	Increase of social assistance benefits and targeted compensations	D6M	Accrual	Approved	-17.8	-32.4
4.	Increase of State-supported income from EUR 102 to 122	D6M	Accrual	Approved	-6.8	0.0
5.	Centralisation of child's rights centres and improvement of the system ensuring the protection of child's rights	D.1	Accrual	Approved	-6.1	-7.1
6.	Increase of officials' pensions as a result of basic pension increase and indexation	D6M	Accrual	Approved	-65.9	-2.8
7.	Increase of MMW from EUR 380 to 400 starting from 1 January 2018 and to 430 starting from 1 January 2019	D.1	Accrual	Approved	-13.0	-13.2
8.	Increase of wage of persons employed in budgetary institutions as a result of basic	D.1	Accrual	Approved	-38.7	-33.5

No	Description of the measure	ESA code	Accounting principle	Adoption status	Budgetary impact, million EUR	
					2018	2019
	salary rate increase (increase from EUR 130 to 132 starting from 1 January 2018 and increase from EUR 132 to 134 starting from 1 January 2019)					
9.	Contributions in relation to persons insured by the State budget funds	D6M	Accrual	Approved		-63.0
10.	Financing of the basic pension by the State budget funds	D.7	Accrual	Approved		-1722.1
11.	State Social Insurance Fund's expenditure savings resulting from the transfer of the basic pension to the State budget	D.7	Accrual	Approved		1722.1
12.	Increase of child benefits from EUR 30 to 50	D6M	Accrual	Approved by the Government, included in the Draft Budgetary Plan		-58.5
13.	Indexation of basic rates of social benefits	D6M	Accrual	Approved		-5.1
14.	Support to social enterprises		Accrual	Approved by the Government, included in the Draft Budgetary Plan		-17.0
15.	Support for housing provided to disadvantaged families	D6M	Accrual	Approved by the Government, included in the Draft Budgetary Plan		-3.3
16.	Increase of wages of social workers	D.1	Accrual	Approved		-6.0
17.	Benefits for employees from the Long-term Employee Benefit Fund (<i>according to the Social Model</i>)	D6M	Accrual	Approved		-7.4
18.	Increase of wages of persons employed in education sector	D.1	Accrual	Approved		-59.9
19.	Increase of wages of lecturers, research staff and researchers	D.1	Accrual	Approved	-22.6	-22.9
20.	Increase of wages of persons employed in state and municipal institutions	D.1	Accrual	Approved	-16.0	-16.0
21.	Increase of wages of public health care professionals	D.1	Accrual	Approved		-10.5
22.	Increase of remunerations of residents	D.1	Accrual	Approved		-10.6
23.	Increase of wages of statutory officials employed in the interior service, prisons, customs offices, State Security Department and prosecutors, except Ministry of National Defence, and judges	D.1	Accrual	Approved		-22.0
24.	Increase of funding for larger wages and additional workplaces (culture and art workers, STI, Ministry of Justice, courts, Special Investigation Services, VIP Protection Department)	D.1	Accrual	Approved		-12.9
Total:					-398.4	-408.0

Source: Ministry of Finance

15 Table (4b). Amounts not included in the expenditure benchmark

	ESA code	2017		2018	2019
		EUR million	% GDP	% GDP	
1. Expenditure on EU programmes fully matched by EU funds revenue		375.8	0.9	1.8	1.9
1a. of which investments fully matched by EU funds revenue	P.51	170.2	0.4	1.0	1.0
2. Cyclical unemployment benefit expenditure		-28.9	-0.1	0.0	0.0
3. Discretionary revenue measures		24.0	0.1	0.7	0.1
4. Revenue increases mandated by law		0	0	0	0

Source: Ministry of Finance

2.2. Comparison of fiscal indicators in DBP and Stability Programme

The projections of general government balance indicator for 2018 indicated in the Stability Programme do not materially differ from the ones in the DBP. Differences of the general government balance indicator in 2019 are due to the costs of new structural reforms being launched and change in the estimated output gap which leads to minimum requirements for budget balance with a view to complying with the national fiscal discipline rules.

16 Table (7). Comparison of indicators in DBP and Stability Programme

	ESA code	2017*	2018	2019
		% GDP		
General government net lending / net borrowing projection under the no-policy change scenario	B.9			
Stability Programme		0.5	0.7	0.9
DBP		0.5	0.8	1.2
Difference		0	0.1	0.3
General government net lending / net borrowing projection under the fiscal policy development scenario	B.9			
Stability Programme		0.5	0.6	0.6
DBP		0.5	0.6	0.4
Difference		0	0	-0.2

Source: Ministry of Finance

*Actual statistics under the excessive deficit procedure submitted to Eurostat on 30 September 2018

2.3. Budget framework reform

The aim of the budget framework reform is to develop a sound and effective medium-term framework of budget and programme management that is closely linked to the updated strategic planning system. Such establishment of close links between the budget planning and strategic planning processes is aimed at ensuring that budget is strongly orientated towards results. Budget framework reform also aims to ensure a more efficient enforcement of the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Budget framework reform is carried out in two stages. The first stage covers the improvement of the current budget planning framework, the second stage covers the formulation of the rules governing the new framework of the budget system, processes to be applied from 2021.

During the first stage of reform the budget planning process has been improved - the process of 2019 budget formulation was highly focused on the establishment of three-year expenditure ceilings together with setting results which need to be achieved in the period of 2019-2021. The documents accompanying the draft budget were also complemented by information on results and indicators that are expected to be reached by the appropriations managers over the coming three years.

When drawing up the 2019 budget, some types of spending reviews were carried out for the State budget appropriations managers. The aim of the review was to find internal resources necessary to implement the priorities of the Government, including funds for new structural reforms, thus the actions taken included the review of spending reallocation between budget programmes, spending rush in the end of the year, the correlation between changes in spending and achieved results.

During the transitional period the procedure for capital investment planning was improved by strengthening methodology and procedures for justification and selection of projects, increasing the publicity requirements for decisions on investment project selection and establishing the procedure for their monitoring to be applied following their implementation.

In order to inform the public about the budget in a more clear and simple way and to ensure that the citizens are more closely involved into the shaping of budget, a new document “2019 budget at a glance” is presented to the public along with the draft budget for 2019.

The improvement of the current budget framework went hand-in-hand with the detailed review of principles how the State budget programmes are formulated and managed, what is the structure of budget documents, are processes related to shaping, implementation, monitoring and assessment of budget effective. With a view to making substantial improvements to the budget framework, an integrated model for strategic planning, programming, and budget planning, was created. Plans for the near future include the drawing up of detailed processes and rules related to the updated medium-term budget framework which will allow to establish close links between the budget programme design and aims, goals, assessment indicators envisaged by the strategic planning system. In addition, with a view to incorporating the processes of expenditure justification and assessment as permanent elements of budget formation cycle, the development of methodologies for new expenditure justification, spending review tools and application thereof is planned in the near future. Legislative amendments which should include updated processes of budget shaping, implementation, monitoring and assessment are planned to be drawn up in the beginning of 2019.

The updated procedure for budget and strategic planning will be put to the test when shaping the 2020-2022 budgets. The completely updated system is planned to be applied when building the 2021-2023 budgets.

3. Methodological aspects

17 Table (8). Preparation of economic development scenario

Estimation technique	Step of the budgetary process for which it was used	Relevant features of the model/technique used	Assumptions
Principles of national accounting, econometric and expert evaluation	Economic development scenario	Macroeconomic forecasts are prepared for the medium term using macroeconomic model developed according to national accounts. Based on the analysis of individual or more than one potentially interrelated macroeconomic indicators, econometric equations are made, also, expert evaluation is used. Estimates of potential GDP are based on methodology approved by ECOFIN in 2002.	Technical assumptions (oil price, currency exchange rate and interest rates)

Revenue forecasting

Tax revenue forecasts are prepared according to macroeconomic forecasts, statistical data, revenue dynamics and the information provided by state institutions. Forecasts of revenues from individual taxes may be adjusted using expert judgement, i.e. considering other circumstances than those provided for in the draft amendments that may affect revenue collection.

Depending on the tax, one or several forecasting methods are applied:

- ✓ Detailed modelling method. Data is collected on the number of taxpayers in each category and the total amount of revenue and revenue structure of that category. A simulation model is created from two blocs: typical tax payer and aggregating bloc. According to this method, it is estimated how much on average an individual taxpayer representing a certain group will pay in taxes, how much this group and, ultimately, all taxpayers of the country will pay.

- ✓ Effective average rate method. The tax rate established by law is adjusted taking into account the reliefs, exemptions from the tax base, etc. The effective average rate thus assessed is multiplied by the scope of the tax base to obtain a forecast of revenues from appropriate taxes.

- ✓ Elasticity method. A relationship is established between the revenues from a tax increase (decrease) and the change in the tax base. After taking into account the elasticity coefficient specific to a certain tax and the forecasted tax base change, revenue forecast from that specific tax is made.

4. Links between DBP, Council of the European Union Recommendations, DBP and Strategy for Growth and Jobs of the European Union

18 (6.a) table. Action Plan for Implementation of Council Recommendation for Lithuania

Recommendation	List of measures	Impact on objective/outcome to be achieved
1. Improve tax compliance and broaden the tax base to sources that are less detrimental to growth.	1.1. Review of pollution tax on waste aimed at introducing rates that would reduce waste and promote recycling.	Changes of the rates of pollution tax on waste are planned with the view of encouraging the tax payers to produce less waste and pollutants and to ensure that waste is re-used and managed. The adoption of the amendments to the Law on Pollution Tax will improve the waste management by 5 per cent compared to what we have now.
	1.2. Following the assessment of the possibilities and the expediency, transfer the entire or part of the employer's social insurance contributions (including compulsory health insurance contributions) to the employee and to merge the personal income tax and the share of state social insurance contributions for financing the general pension component.	The merger of social security contributions of the employer and employee is expected to reduce the shadow in labour relations. The merger (consolidation) of the social insurance contributions of the employer and employee will come into force on 1 January 2019.
	1.3. Develop and launch a tax calculation service for small business allowing semi-automatic processing of income and expenditure accounts.	Developed and launched the STI-managed subsystem of the Smart Tax Administration System involving the provision of remote accounting services to small businesses with a view to encouraging voluntary payment of taxes.
	1.4. Draw up and submit to the Government a draft law amending the Law of the Republic of Lithuania on Excise Duties.	The increased share in budget revenue of taxes that do not stifle economic growth by raising excise taxes on cigarettes, cigars and cigarillos and smoking tobacco (except heated tobacco products), by setting a two-year excise increase plan for these products, as well as by imposing excise taxes on electronic cigarette liquids.
	1.5. Apply a reverse chargeable VAT mechanism in the cases of trade transactions related to petroleum products and electronic goods.	A more efficient administration of VAT on petroleum products and electronic goods.
	1.6. Draw up and submit to the Government a draft law amending the Law of the Republic of Lithuania on Real Estate Tax.	To expand the taxation of the real estate of natural persons (taxation of second and subsequent residential property), the progressive nature of the Lithuanian tax system has been increased and the tax base, which is less detrimental to economic growth, has been expanded. The enforcement of taxation for the second and subsequent residential property should result in an annual approximate EUR 11 million in state revenues from real estate tax.
	1.7. Draw up and submit to the Government a draft law amending the Law of the Republic of Lithuania on Tax	Formalised following aspects as regards better tax administration: established minimum criteria for a reliable

Recommendation	List of measures	Impact on objective/outcome to be achieved
	Administration and the related draft laws amending the Law on Public Procurement and the Law on Charity and Sponsorship	taxpayer and the legal consequences for individual non-compliance with these criteria (extended tax calculation and conversion limitation periods, loss of the status of the beneficiary, denied access to public procurements, public disclosure of such persons); there is a provision for a waiver of interest for late payment in cases where a person voluntarily declares previously unpaid taxes within defined terms; established rules on the imposition of fines; established diverse tax calculation and conversion deadlines.
	1.8. Draw up and submit to the Government a draft law amending the Law of the Republic of Lithuania on Excise Duties.	Corrected sanctions for administrative offences attributable to the competence of the State Tax Inspectorate and the Republic of Lithuania to make them more dissuasive and also to create legal preconditions for the imposition of sanctions on the basis of specific facts of the committed administrative offences.
	1.9. Draw up and submit to the Government a draft law amending the Law of the Republic of Lithuania on Real Estate Tax.	Incentives have been launched to discourage the participation in the shadow economy: there is an opportunity for people to reduce their taxable income by acquiring officially accounted services in shadow-prone economic areas, such as repairs of buildings, car repairs and childcare services.
2. Ensure long-term sustainability of the pension system reform while also addressing the pension adequacy	2.1. Monitor and make proposals on measures aimed at increasing budget revenue of the State Social Insurance Fund and reducing demographic impact on the pension system in the long-term.	Approval of the balanced budget of the State Social Insurance Fund for the current year.
	2.2. Improve the second and third pillars of the pension system and encourage the accumulation of occupational pensions.	The possibility of transferring higher share of contribution to the second pillar. Possibility for employers to pay contributions to the benefit of the employee.
	2.3. Ensure a consistent increase in social security pensions in the context of the growing economy and the increasing wage fund.	The projected increase in pensions in the light of the wage fund - in 2019, pensions will increase by about 6.8 per cent.
3. Improving the quality, efficiency and market responsiveness of education and training systems, including adult learning.	3.1. Provide for affordable and quality preparatory and primary education services (preparation of legislation on preparatory and primary education, preparation of methodical materials, training, creation of additional groups/classes, teacher posts, adaptation of the educational environment, provision of school bus for commuting)	1. As of September 2018, the preparatory education can start at 5 years and the primary - at 6 years of age; 2. It has been foreseen to prepare methodological recommendations for high-quality preparatory and primary education services, and to arrange training for teachers; 3. Seven new groups are planned to be introduced in the Vilnius district in 2018-2019.
	3.2. Develop a quality evaluation system (internal and external) for pre-school and preparatory education.	The methodology for the self-assessment of the quality of the activities of schools providing pre-school and preparatory

Recommendation	List of measures	Impact on objective/outcome to be achieved
		education has been revised and an external evaluation methodology has been developed, 40 self-assessment consultants and 60 external evaluators have been trained.
	3.3. Conclude contracts with higher education institutions on educators' (including those of vocational schools) training and qualification improvement on the basis of development priorities of the State, performance of higher education institutions, achievements and progress made by pupils.	<ol style="list-style-type: none"> 1. The legal framework for the restructuring of teacher training has been put in place: Teacher training regulations (Order No V-501 of the Minister for Education and Science of 29 May 2018); 2. Three national teacher training centres have been established to bring together the research potential of educational science and highly-competent teaching professionals, while relying on the best practices of the counterparts abroad. The teacher training centres will carry out pedagogical studies geared towards the preparation of new generation teachers, they will also provide professional development programmes and other qualification improvement services to working teachers; 3. Legal framework has been put in place for reforming the system of teachers' qualification improvement.
	3.4. Revise and update content of preparatory, primary, basic and secondary education and to draw up inventories of education outcomes	Revised and updated content of preparatory, primary, basic and secondary education on the basis of the results of the 9 expert teams and in consideration of the concepts of sustainable development, creativity, emotional intelligence, cooperation, healthy lifestyle, entrepreneurship, financial literacy, modern reading and writing, including information and media literacy.
	3.5. Equip schools that follow part I of the primary and secondary education programme with the necessary information technologies and other learning tools, natural science laboratories and secure access to the Internet.	<p>In June 2019, 62 per cent of schools will have the latest natural science and technology equipment; the introduction of secure Wi-Fi network is currently underway; there is training for teachers:</p> <ol style="list-style-type: none"> 1. In Q2 2018, 675 schools engaged in primary education have been provided with natural science equipment. Methodical tools for teachers have been developed; 2. In Q3 2018, there is a tendering procedure for teaching aids and equipment for classes 5-8; 3. In Q4 2018, a new methodological guidance will be made ready for teachers.
	3.6. Continue building lifelong learning-driven activities and provide professional career planning services with a special focus on people with disabilities and develop and introduce a mechanism that clearly sees their capabilities.	Procedure for offering vocational guidance has been introduced; a vocational guidance system has been adjusted to start at the primary stage.

Recommendation	List of measures	Impact on objective/outcome to be achieved
	<p>3.7. Reorganise and modernise the network of vocational education and training institutions by adjusting the physical and informative environment for persons with disabilities with a view to meeting the needs of the labour market and ensuring the possibilities of lifelong learning.</p>	<p>1. In December 2018, a support system was introduced in vocational education and training (VET) for students from socially disadvantaged groups;</p> <p>2. In January 2019, professional standards will be made ready;</p> <p>3. In April 2019, the project of practical training of students in real jobs will be launched;</p> <p>4. In September 2019, the total of 25 % of duplicating VET programmes offered by VET institutions in the same region will be cancelled.</p>
	<p>3.8. Create methodology for the funding of studies which would rely on contractual relations with higher education institutions.</p>	<p>The funding of studies takes into account the preparation of a higher education institution, its results and the demand.</p> <p>The funding procedure has been worked out following the recommendations of the experts' task force. The new methodology will provide for the contracts with higher education institutions while focusing not on the number of entrants but on the results of the higher education institution (not applicable in Lithuania until now). The contracts are expected to contain specific objectives for activities, results, indicators for each higher education institution.</p>
	<p>3.9. Ensure continuous development of staff qualifications, their professional mobility and their ability to rapidly reorganise into activities in other sectors of the economy, while providing the company staff with an access to the highest quality special training.</p>	<p>1. Promotion of work-based training in the form of apprenticeship through the implementation of measure 09.4.3-ESFA-K-827 'Work-based apprenticeship and qualification trainings' under Priority Axis 9 'Educating the Society and Strengthening the Potential of Human Resources under the Operational Programme for the European Union Funds' Investments in 2014-2020. Training offered to the employees of investment beneficiaries - micro, small and medium-sized enterprises (the total number of 2 700);</p> <p>2. Promotion of special training for the development of sectoral competences available to enterprises through the implementation of measure 09.4.3-ESFA-K-814 'Competence LT' and continuous selection Global Grant measure No 09.4. 3-IVG-T-813 'Competency Voucher' under Priority Axis 9 'Educating the Society and Strengthening the Potential of Human Resources under the Operational Programme for the European Union Funds' Investments in 2014-2020. Training offered to the employees of investment beneficiaries - micro, small and medium-sized enterprises (the total number of 3 800).</p>

Recommendation	List of measures	Impact on objective/outcome to be achieved
<p>4. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and affordability.</p>	<p>4.1. Consolidate health care network</p>	<p>1. The network of hospital health care institutions providing active inpatient care services approved by order of the Minister for Health upon the Government approval or through Government resolution, aimed at ensuring the quality and safety of inpatient active treatment services;</p> <p>2. Consolidation of inpatient active treatment services and development of nursing and palliative care services is currently underway;</p> <p>3. Quality indicators have been introduced for personal health care institutions; improvements have been made in monitoring systems.</p>
	<p>4.2. Reduce GP wait times by reducing the number of GP's patients and increasing the number of GPs.</p>	<p>The plans are for patients seeking for the planned GP's help to get an appointment within 7 calendar days in the fourth quarter of 2020.</p> <p>1. New age groups of primary outpatient personal health care institutions have been approved and the annual basic prices for each age group have been recalculated;</p> <p>2. The team of primary outpatient dental personal health care professionals has been supplemented with oral hygienist;</p> <p>3. Extended coverage of remote healthcare.</p>
	<p>4.3. Implement comprehensive measures to promote rational use of medicines.</p>	<p>1. Information is disseminated to the general public about the rational prescription and use of medicines.</p> <p>A Wise List of Medicinal Products has been drawn up on the basis of Swedish practice of rational use of medicines.</p> <p>2. Reimbursement levels for medicines that are subject to 50 % and 90 % reimbursement has been reviewed, along with the criteria behind them.</p>
	<p>4.4. Reduce the cost of medicines for low-income earners by reimbursing the full cost of the medicines, while promoting rational use of medicines, and increase the share of dental care paid by the Compulsory Health Insurance Fund.</p>	<p>1. Improved access for low-income earners to medicines with added therapeutic benefits by developing a separate model to cover the financial burden related to prescription medicines for this particular patient group;</p> <p>2. A draft law amending the Law on Health Insurance has been drawn up.</p>
	<p>4.5. Change the public health education system to promote health from early days at the nursery.</p>	<p>1. Improved access and quality of public health care provided by municipalities, particularly for pupils in pre-school, general education schools and vocational education and training institutions that work under pre-school, preparatory, primary, basic and secondary education programmes, while expanding the</p>

Recommendation	List of measures	Impact on objective/outcome to be achieved
		scope and volume of public health promotion and disease prevention measures; 2. A complex of measures has been worked out and being made ready for the implementation with a view to reduce the consumption of sugar.
	4.6. Ensure anti-corruption measures, enforcement and anti-corruption system building and strengthening in the field of health care.	1. Increased capacities and resources of corruption prevention specialists in the health care system; 2. Analytical activities, studies and research provided for in the legislation are being carried out to strengthen the legal framework needed for the detection, clarification and prevention of complex and systemic corruption threats and risks.
	4.7. Improve accessibility of health tourism services by organising events and promoting tourism opportunities in Lithuania.	Health tourism opportunities have been presented in Lithuania. At least one event dedicated to the promotion of health tourism has been organised.
	4.8. Carry out a research project 'Effects of Natural Factors on Health in Lithuania'.	The influence on personal health of natural factors like mud and mineral water and special exercises was assessed.
	4.9. Implement long-term R&D programme 'Research in health promotion, application of innovative diagnostic and treatment methods and disease prevention'	Improved quality of diagnostic and treatment methods and the application of natural spa factors in diseases of the musculoskeletal system.
5. Improve the structure of taxes and social benefits to reduce poverty and income inequality	5.1. Link social benefits with the minimum consumption basket.	The retirement bonus linked to the minimum consumption needs to small pension beneficiaries (up to 95 % of the minimum consumer needs). The beneficiaries of lower than EUR 233 old-age pensions, who have completed a minimum or longer period in work, will each receive an average bonus of EUR 20, but each payment will be calculated individually. Social assistance pension for the retired and disabled people will grow from EUR 117 to EUR 130.
	5.2. Improve legal regulation for benefits for children while ensuring the gradual rise of the benefit for a child (so called 'child's money').	It is estimated that the increase in the universal child benefit from EUR 30 to EUR 50 would reduce the poverty risk level in children aged 0-17 by 4.3 percentage points. The draft law amending certain articles of the Law of the Republic of Lithuania on Benefits for Children No I-621 will be presented as a legislation accompanying the Draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2019.
	5.3. Extend the term of additional payment of social benefits from 6 to 12 months while in employment.	The motivation of the recipients of social benefits to work and

Recommendation	List of measures	Impact on objective/outcome to be achieved
		thus establish themselves in the labour market has been strengthened by extending the term of additional payment of social benefits from 6 to 12 months while in employment. It is projected that about 2 thousand beneficiaries will be subject to additional social benefit in employment.
	5.4. Develop social housing fund by renting the housing on the market and making incentives for lessors, by enabling every person entitled to assistance for renting the housing, including families, to obtain compensation for part of rent paid for housing.	State assistance will allow low-income residents to find housing independently and municipalities will rent housing on the market for those who will not be able to find housing on their own.
	5.5. Create a new system for support for young families (up to 35 years of age, regardless of income) for their first housing to settle in the region.	A new system for support for young families for their first housing has been put in place. In 2018, about 115 young families are expected to benefit from it.
	5.6. Establish a new procedure for targeted compensation payments, eliminating significant gaps between targeted compensation and discriminatory age-based provisions.	The gap has been reduced between the amount of targeted compensation for nursing and assistance (care) for persons with disabilities, the need for targeted compensation is assessed on the basis of individual needs of the person and his capacity for self-help, the possibility to replace the targeted compensation with services has been provided in the cases where the beneficiary (or his/her relatives) misuses the targeted compensation.
	5.7. Extend the scope of the tax exemption and consistently annually increase its rate (2019-2021), as well as to set a progressive income tax rate.	In 2019-2021, the tax burden on hired employees will decrease: 0.5 average wage (hereinafter 'AW') - 5.9 p.p. to 26.7 per cent (EU average in 2017 - 32.5 per cent); 1 AW - 4.3 p.p. to 35.8 per cent (EU average in 2017 - 40.5 per cent); 1.67 AW - 2.4 p.p. to 39.4 per cent (EU average in 2017 - 44.4 per cent).
6. Promote productivity growth through the increased effectiveness of public investments	6.1. Consider the possibility of preparing a supplementary document Long-Term State Programme for Public Investment for Projects of National Importance to be annexed to Lithuania's Economic Development Strategy for 2030.	Decision has been made regarding the necessity to draw up the Long-Term State Programme for Public Investment for Projects of National Importance.
	6.2. Review the public investment planning processes, determine the principles of selection, financing and management of investment projects applicable to all sources of financing.	A new public investment management procedure has been prepared, integrating all sources of funding; state investment planning is tied to the public strategic planning processes.
	6.3. Create conditions for the growth of labour productivity in very small, small and medium-sized industrial	Implementation of non-repayable subsidy measure 03.3.1-

Recommendation	List of measures	Impact on objective/outcome to be achieved
	enterprises.	LVPA-K-854 'Digitising Industry LT' under Priority Axis 3 'Enhancing the Competitiveness of Small and Medium Sized Enterprises' of the Operational Programme for the European Union Funds' Investments in 2014-2020 was started. The sum of private investments matching public support to enterprises (subsidies) amounts to EUR 3.6 million.
	6.4. In order to reduce the number of procurement procedures with only one supplier, prepare a plan for increasing the professionalism of public procurement by raising the qualification of public procurement professionals, promoting joint procurement, etc.	The number of procurement procedures with only one supplier, published in the EU Official Journal, will be reduced from 21 to 19 per cent.
	6.5. For the purpose of more professional and efficient procurement, expand the catalogue 'CPO LT' of the public institution of the Central Contracting Authority.	40 procurement modules are being administered (1-30 January 2018), which will save human and financial state resources, increase supplier competition, reduce the preconditions for corruption in public procurement and use more flexible and faster procedures. The centralisation of public procurement allows to build up the competence and specialisation of procurement professionals, to bring together expert knowledge, as well as to reduce the number of errors and violations.
7. Promote productivity growth by ensuring effective coordination between public authorities of research and innovation policies	7.1. Draw up and approve the Law of the Republic of Lithuania on Technologies and Innovations.	The aim is to create a coherent legal environment, which will, through the Law on Technologies and Innovations, establish the main areas of public administration for science, technology and innovations. With the new regulation, it was decided to clearly define the concept of the entire innovation cycle and its stages, the principles of public support for R&D carried out by different entities that are in line with the state aid requirements laid down by the EU. It was decided to create an effective system for coordination and strategic management of science technology innovation policy, which will ensure the interaction between the systems of science and studies and technologies and innovations. Under the new provisions, the Ministry of Economy will take over the regulation of R&D and will be responsible for promoting the activities of the new product from the idea to the marketing of the product. The Ministry of Economy will be responsible for the formulation of state policy in the field of technology and innovations. The Law is planned to come into force on 1 January 2019.
	7.2. Redistribute responsibility for the policy formulation in	Three draft Government resolutions have been drawn up and

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	R&D and innovation systems.	approved regarding the delegation of R&D to the competence of the Minister for the Economy of the Republic of Lithuania (Government Resolution No 496 of 16 May 2018 regarding the amendment of Resolution No 330 of the Government of the Republic of Lithuania of 24 March 2010 regarding the powers delegated to Ministers, Government Resolution No 497 regarding the amendment of Government Resolution No 921 of 23 July 1998 regarding the approval of the regulations of the Ministry of Economy of the Republic of Lithuania, and Government Resolution No 498 of 16 May 2018 regarding the amendment of Resolution No 914 of the Government of the Republic of Lithuania of 21 July 1998 on the approval of the regulations of the Ministry of Education and Science of the Republic of Lithuania).
	7.3. Create the continuously running innovation vouchers programme that encourages companies to more actively engage in innovation activities and take advantage of the opportunities offered by science and business cooperation.	Broadened scope of funding for measure 01.2.1-MITA-T-851 ‘Inochecks’ under Priority Axis 1 ‘Promotion of Research and Innovation’ of the Operational Programme for the European Union Funds’ Investments in 2014-2020. The continued selection of projects ensures possibility of submitting applications on an ongoing basis. It is expected that these changes will focus on the quality of projects, encourage the commercialisation of research results and the development of innovative products. The call for proposals will continue until 20 September 2020.
	7.4. Create support measures necessary for the development of competitive centres of science and technology at the international level.	Implementation of Measure 01.2.2-CPVA-K-703 ‘Promoting the activities of centres of excellence and innovation and technology transfer centers’ (hereinafter the ‘Measure’) under Priority Axis 1 ‘Promotion of Research and Innovation’ of the Operational Programme for the European Union Funds’ Investments in 2014-2020. The measure will result in the increased proportion financed by economic entities of the overall R&D costs of research and studies institutions, as well as the number of researchers working in the improved research infrastructure; the growing number of patent applications filed by the research and studies institutions receiving the investment and the number of implemented R&D projects; the growing financial value of contracts between research and studies institutions and enterprises; the growing number of patent applications submitted

Recommendation	List of measures	Impact on objective/outcome to be achieved
		<p>by university hospitals that have received investments.</p> <p>Eight projects by research and studies institutions are underway.</p> <p>A measure has been created for the promotion of centres of excellence and activities, which would contribute to the full use of Europe's scientific, technological and innovative potential.</p> <p>Investments in centres of excellence would increase the scope of knowledge commercialisation and technology transfer.</p>
	<p>7.5. Raise salaries for researchers and lecturers.</p>	<p>The Government adopted a resolution on increasing doctoral scholarships as of 1 January 2019.</p> <p>A draft law was adopted to amend Article 721 of the Law of the Republic of Lithuania on Higher Education and Research No XI-24, which provides for 16 per cent increase in upper and lower limits ('fork') of the salary rates set out in Article 721 (5) for all posts as of 1 January 2019.</p>
	<p>7.6. Promote business and science cooperation in the field of R&D, encourage the establishment of new small and medium-sized businesses engaged in innovative activities and develop their products.</p>	<p>Implementing of Measure No 01.2.1-LVPA-K-828 'Intellect. Joint research-business projects' and No 01.2.1-MITA-T-852 'Inostart' under Priority Axis 1 'Promotion of Research and Innovation' of the Operational Programme for the European Union Funds' Investments in 2014-2020.</p> <p>Private investments corresponding to public support for innovation or R&D projects (Intellect. Joint research-business projects') - EUR 7.8 million.</p> <p>Number of subsidised enterprises ('Inostart') - 5.</p>
	<p>7.7. Create an appealing model for attracting and reintegrating foreign researchers into the Lithuanian educational and research institutions to implement R&D in smart specialisation.</p>	<p>Implementing of measure No 01.2.2-LMT-K-718 'Attracting foreign researchers for research implementation' under Priority Axis 1 'Targeted Research in Smart Specialisation Areas' and Measure 09.3.3-LMT-K-712 'Improving the skills of researchers through high-level international and national projects for research and experimental (social, cultural) development' under Priority Axis 9 'Development of Competences of Scientists, other Researchers and Students through Practical Research Activities' 'Improvement of researchers' qualification by implementing world-class R&D projects' of the Operational Programme for the European Union Funds' Investments in 2014-2020.</p> <p>Both measures are aimed at attracting international researchers of a high international level, including of Lithuanian origin, to the formation of research groups in areas where institutions lack</p>

Recommendation	List of measures	Impact on objective/outcome to be achieved
		competences and to carry out research projects in Lithuanian research and higher education institutions. The total of EUR 20.273 million is foreseen for the measures.
8. Promote productivity growth by removing gaps and inefficiencies in public measures supporting science and business cooperation	8.1. Expand innovation and technology transfer centres by promoting the commercialisation of the R&D outputs in the institutions of research and studies.	<p>There is a measure under Priority Axis 1 ‘Promotion of Research and Innovation’ of the Operational Programme for the European Union Funds’ Investments in 2014-2020, which supports activities promoting innovation and technology transfer centres. The measure will result in the increased proportion financed by economic entities of the overall R&D costs of research and studies institutions, as well as the number of researchers working in the improved research infrastructure; the growing number of patent applications filed by the research and studies institutions receiving the investment and the number of implemented R&D projects; the growing financial value of contracts between research and studies institutions and enterprises; the growing number of patent applications submitted by university hospitals that have received investments.</p> <p>Nine projects by research and studies institutions are underway.</p>
	8.2. Commercialise the R&D outputs of <i>spin-offs</i> created by research and development institutions.	<p>Implementation of measure 01.2.2-MITA-K-702 ‘Promoting the commercialisation and transnationality of R&D outputs, under Priority Axis 1 ‘Promotion of Research and Innovation’ of the Operational Programme for the European Union Funds’ Investments in 2014-2020, which provides for funding, among other things, for the commercialisation the R&D outputs of <i>spin-offs</i> created by research and development institutions. The measure will result in the growing number of new enterprises developing innovative products based on R&D; in the growing number of enterprises cooperating with research institutions, the implementation of R&D projects generating innovative products.</p>
	8.3. Review evaluation system for R&D activities making it a two-step process, consisting of an annual formal R&D evaluation and quinquennial comparative expert evaluation of R&D. Put in place a new R&D funding model providing for the disbursement of 60 per cent of the funds based on the comparative expert evaluation of R&D, and 40 per cent based on the results of the formal evaluation.	<p>Reviewed procedure for funding and evaluation of R&D activities. It aims at evaluating the outcomes of research activities of research and studies institutions by focusing not only on quantitative but also on qualitative criteria (the quality of R&D activities, the economic and social impact and viability of R&D activities), as well as encouraging cooperation between research and studies institutions and businesses, by providing scores for orders from the business sector (Lithuanian and foreign), R&D contracts, science-business cooperation</p>

Recommendation	List of measures	Impact on objective/outcome to be achieved
	<p>8.4. Create and implement a risk capital measure, which encourages institutions of research and studies to set up spin offs, thus involving the research and studies institutions themselves in the commercialisation of the outputs of R&D&I activities developed therein.</p>	<p>agreements.</p> <p>The implementation of measure 01.2.1-FM-F-842 ‘Technoinvest’ under Priority Axis 1 ‘Promotion of Research and Innovation’ of the Operational Programme for the European Union Funds’ Investments in 2014-2020, has produced a risk capital fund Co-investment Fund R&D&I, which would support 2 spin-offs by the end of 2020 (and 4 spin-offs by the end of 2023).</p>

19 (6.b) table. Indicators set in the EU Strategy for Growth and Jobs

National targets under the Europe 2020 strategy approved by Resolution of the Government of 25 April 2018 on the approval of the 2018 national reform agenda. <https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-lithuania-lt.pdf>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
<p>National employment target is 72.8 per cent.</p>	<p>To apply active labour market policy measures by supporting integration of the unemployed into the labour market, to give priority to the unskilled and the long-term unemployed, to provide marketable skills first, and to develop competences in line with the employers’ requirements to have successful integration into the labour market.</p> <p>To implement the measure, in 2019 the planned allocations from the State budget will amount to EUR 55.666 million from which EUR 53.547 million will be allocated from the EU structural investment funds.</p>	<p>Opportunities are offered to the unemployed, especially to the long-term and unskilled, to acquire vocational training and return to the labour market, thereby reducing unemployment of the long-term and unskilled persons.</p>
	<p>To continue the implementation of the Youth Guarantee Initiative and other programmes encouraging youth employment.</p> <p>To implement the measure, in 2019 the planned allocations from the State budget will amount to EUR 9.4 million, including EUR 7.96 million from the EU structural investment funds.</p>	<p>Fast and sustainable transition of the youth from education system to the labour market is ensured, and youth unemployment is reduced.</p>
	<p>The implementation of ‘Training for employees of foreign investors’ (training of persons employed by foreign investors investing into production and (or) services in the territory of the Republic of Lithuania and improvement of their qualification, including work-based learning), ‘Competence LT’ (organisation of specific training targeted at sectoral competence development for enterprises, creation of a subsystem of a high level of excellence acquired through work, training targeted at the development of competences of incoming personnel of enterprises), ‘Apprenticeship and work-based training’ (training of people employed in enterprises in the form of apprenticeship aimed at the attainment of professional qualification or a part thereof, in-house training of employees</p>	<p>The measures are aimed at helping improve qualifications of human resources, enhance competitiveness, and develop labour force skills matching labour market needs. This increases opportunities to stay on the labour market.</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
	<p>targeted at qualification improvement), ‘Study visit (Inostažuotė)’ (training of persons employed in enterprises that are engaged in R&D activities and improvement of technological competences in R&D centres abroad and (or) foreign enterprises, engaged in R&D activities), ‘Competency vouchers’ (training for enterprises based on the ‘competency vouchers’ system that ensures enhanced accessibility to qualification improvement and competency development for the employees of enterprises).</p> <p>To implement the measures, in 2019 the planned allocations from the EU structural funds will amount to EUR 9.39 million.</p>	
<p>National R&D investment target is 1.9 per cent of GDP</p>	<p>The Ministry of Economy carries out innovation reform projects ‘Development of innovation promotion system’ and ‘Innovative investment attraction system’ (starting in 2019) and implements investment measures under EU funds (‘Intelligence’, joint science-business projects’, ‘Inopatentas’, ‘ovation Vouchers’, ‘Inogeb LT’, ‘Inoklaster LT’, ‘Inoconnect’, ‘SmartInvest LT’, ‘SmartInvest LT+’, ‘Smart FDI’, ‘Smartpark LT’, ‘KET industry LT+’, ‘Pre-commercial procurement LT’, ‘Intelect LT-2’, ‘Inostart’, ‘Inovouchers’, Digitising Industry LT’).</p> <p>To implement the measures, in 2019, the planned allocations from the EU structural funds will amount to EUR 54.27 million.</p> <p>To encourage inter-institutional, inter-sectorial, and international cooperation to develop top-level scientific research, to encourage R&D activities relevant to tackle strategic problems of public and national importance as well as to boost economic growth.</p> <p>To implement the measures, in 2019 the planned allocations from the State budget will amount to EUR 9.46 million, including EUR 9.03 million from the EU structural investment funds.</p> <p>To develop commercial and non-commercial use of R&D results.</p> <p>To implement the measures, in 2018 the planned allocations from the EU Structural Funds will amount to EUR 1.06 million.</p> <p>To create, renew, and consolidate R&D infrastructure that provides conditions for creation of knowledge and innovations.</p> <p>To implement the measure, in 2019, the planned allocations from the EU Structural Funds will amount to EUR 31.78 million.</p>	<p>The purpose of the measures is to support activities promoting the innovative potential of business.</p> <p>The measures will encourage businesses to invest in R&D activities that generate innovations, R&D infrastructure, patenting of inventions, employing researchers in knowledge-intensive businesses, setting up and developing innovative start-ups that will encourage the traditional industry transformation through application of technologies that are important for innovation in industry and growth of the entire economy, i.e. key enabling technologies in the production processes of micro, small, and medium-sized enterprises. These measures support participation in international and innovation-related programmes and projects and strengthening of capacities of human resources as well as encourage demand for innovations through support to pre-commercial procurement.</p> <p>The aim is to create conditions for Lithuania’s researchers individually, groups of the Lithuanian and foreign researchers, in cooperation with researchers from other science and education establishments, or businesses to carry out high-level scientific research and other R&D activities that would not only create new knowledge, but also yield results, application of which in business and public needs can create high value added.</p> <p>The aim is to create knowledge and technology transfer and commercialisation ecosystem in science and education establishments, which would ensure comprehensive support to researchers and students seeking commercialisation of R&D results that they produce.</p> <p>Expected outcomes:</p> <ul style="list-style-type: none"> - efficient use of R&D activity results for business and public needs; - preconditions for tackling major socio-economic challenges. <p>The aim is to create and renew high-level infrastructure that is important for further development of national R&D system, and ensure constant maintenance of its high level, thereby creating the best conditions for researchers to carry out high-level R&D activities and create high value-added results.</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
	<p>To train highly-qualified researchers, to strengthen and consolidate human potential in R&D to develop smart specialisation areas. To implement the measures, in 2019 the planned allocations from the State budget will amount to EUR 44.23 million, including EUR 20.99 million from the EU structural investment funds.</p>	<p>Training of R&D specialists is planned to be funded in all degree levels, and opportunity for them to choose a career of a researcher and conditions to develop required competences are planned to be given. Skills of researchers and other specialists to take part in R&D activities that are organised on a national and international level are planned to be developed and strengthened, scientific potential of knowledge-intensive businesses created and strengthened, and inter-disciplinary, inter-sectoral, and international specialist mobility encouraged.</p>
<p>Greenhouse emissions in sectors not covered by the EU Emissions Trading Scheme (change in emissions from the 2005 levels in per cent and in millions of tonnes of CO₂), target is not exceeding 15 per cent in 2020.</p>	<p>Programme for the Renovation (Modernization) of Apartment Blocks approved by Resolution No 1213 of the Government of the Republic of Lithuania of 23 September 2004; Programme for Enhancement of Energy Efficiency in Public Buildings approved by Resolution No 1328 of the Government of the Republic of Lithuania of 26 November 2014; National Waste Management Plan for 2014-2020 approved by Resolution No 366 of the Government of the Republic of Lithuania of 16 April 2014. In 2019, the planned allocations for the development of the waste management system will amount to EUR 1.575 3 million from funds received from pollution tax on waste containing articles or packaging (Waste Management Programme funds). In 2019, the planned allocations for the Programme for the Renovation (Modernization) of Apartment Blocks; the Programme on Energy Efficiency Enhancement in Public Buildings will amount to EUR 88.523 million in total (including EUR 47.134 million from the EU structural funds). In 2019, the planned allocations from the EU Structural Funds for waste incineration plant (Vilnius combined heat and power plant) will amount to EUR 22.284 million; the planned allocations for the development of waste collection infrastructure will amount to EUR 16.644 million. In 2019, it is planned to allocate from the EU structural funds about EUR 49 million for the creation of cogeneration capacity from biofuels (for Vilnius CHP).</p>	<p>Planned achievements in 2019:</p> <ul style="list-style-type: none"> - the annual admissible greenhouse emissions in Lithuanian sectors that are not covered by the Emissions Trading Scheme - 14.87 million tonnes of CO₂ equivalent - the share of RES in the final energy balance – 27 per cent - efficiency of final energy consumption will go up by 11.5 per cent compared to 2010.
<p>National renewable energy sources consumption target is 23 per cent.</p>	<p>The implementation plan for implementing measures relating to priorities under the Operational Programme for the European Union Funds' Investments in 2014-2020, and the National Description for the Calculation of Monitoring Indicators of the Operational Programme for the European Union Funds' Investments in 2014-2020, approved by Order No 1-298 of the Minister for Energy of the Republic of Lithuania of 2 December 2014, these measures contribute to the achievement of the goal:</p> <ul style="list-style-type: none"> - 04.1.1-LVPA-V-108 'Promoting the high efficiency co-generation in the City of Vilnius'; - 04.1.1-LVPA-K-110 'Promotion of small-scale biofuel cogeneration'; 	<p>Increasing the share of RES in the overall energy balance of the country will enable to satisfy as much energy demand as possible in electricity, heat and transport sectors by means of internal resources, refuse the imported polluting fossil fuels and thus increase the security of energy supply, energy independence and contribute to the international efforts to reduce the emissions of greenhouse gases.</p> <p>Ensuring the development of sustainable use of renewable energy sources will encourage a further development and introduction of new technologies as well as consumption of the energy produced, in particular, taking into consideration Lithuania's international commitments and the</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
	<p>- 04.1.1-LVPA-K-112 ‘Replacement of heat production installations using biofuel’;</p> <p>- 04.1.1-LVPA-K-109 ‘Promoting the use of biofuel for heat production’</p> <p>To implement the measures, in 2019, the planned allocations from the EU Structural Funds will amount to EUR 54 million.</p>	<p>goals of environment protection, sustainable use of fossil energy, reduction of dependence on fossil energy and the reduction of energy imports as well as other national energy policy objectives.</p> <p>The aim is to open up the support for renewable energy sources (RES) to other Member States, thus contributing to the creation of an internal energy market. The launch of support for new electricity production capacities using RES is expected to boost new investment projects. It is hoped to give momentum to solar and biomass projects, but those who plan to produce electricity in power plants using other RES may as well turn out as successful bidders. Such development of electricity production installations would increase electricity production capacities using RES by 20-30 %.</p>
<p>National energy efficiency target is 740 ekWh.</p>	<p>The Programme for the Renovation (Modernization) of Apartment Blocks and the Programme on Energy Efficiency Enhancement in Public Buildings.</p> <p>To implement the measure, in 2019, the planned allocations from the State budget will amount to EUR 90.9 million, including EUR 48.4 million from the EU structural investment funds.</p> <p>The Programme on Energy Efficiency Enhancement in Public Buildings.</p> <p>It is implemented by the measures under the implementation plan for implementing measures relating to priorities under the Operational Programme for the European Union Funds’ Investments in 2014-2020, and the National Description for the Calculation of Monitoring Indicators of the Operational Programme for the European Union Funds’ Investments in 2014-2020, approved by Order No 1-298 of the Minister for Energy of the Republic of Lithuania of 2 December 2014:</p> <p>- 04.3.1-VIPA-V-101 ‘Renovation of public buildings owned by the State’;</p> <p>- 04.3.1-VIPA-T-113 ‘Renovation of public buildings owned by the State’(II);</p> <p>- 04.3.1-FM-F-105 ‘Improving energy efficiency in public infrastructure’</p> <p>The total of 20 million EUR-worth contracts are expected to be concluded in 2019 in the framework of the aforementioned measures (part of the EU structural funds).</p>	<p>Renovation of apartment blocks and public buildings in order to increase the efficiency of energy consumption. The energy performance classification of modernised buildings has to be in class C after the modernisation. The energy costs in the renovated facilities will come down by at least 30 per cent. The Programme on Energy Efficiency Enhancement in Public Buildings aims to renovate, by 2020, 365 000 sq. m of central government buildings. This would enable saving about 60 gigawatt-hour annual primary energy. This will also involve the modernisation projects for street lighting. These projects will result in at least 40 per cent electricity savings.</p>
<p>The National target is to achieve that the percentage of individuals aged 18-24 who have only basic or secondary education and who are no longer engaged in any education does not exceed 9 per cent.</p>	<p>To develop and introduce an up-to-date education content and new forms of educational organization.</p> <p>To implement the measure, in 2019, the planned allocations from the EU Structural Funds will amount to EUR 3.49 million.</p> <p>introduce critical cumulative assessment and recognition of learning outcomes.</p> <p>To implement the measures, in 2019 the planned allocations from the State budget will amount to EUR 2.56 million, including EUR 1.72 million from the EU structural investment funds.</p> <p>To further improve the learning possibilities of persons with special educational needs.</p>	<p>New educational organization models are created and tested. School progress tenders are carried out. Improved safe environment for student access to digital resources.</p> <p>Cumulative assessment system is under preparation. Maturity paper module is being prepared and introduced.</p> <p>A variety of education forms has been developed and access to educational support in general education schools has been improved.</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
	<p>To implement the measures, in 2019, the planned allocations from the State budget will amount to EUR 4.86 million, including EUR 3.51 million from the EU structural investment funds.</p>	<p>Provision of integrated educational assistance, social, health care services to children and their parents has been developed in municipalities. The number of children in special schools and special education centres has been reduced by introducing innovative models of organization of education and provision of educational support, providing schools with special teaching resources and means of technological support for education, improving the competencies of education support specialists (psychologists, social teachers, special teachers, speech therapists) and teachers. The development of consultative and methodological functions of special needs education and children socialization centres.</p>
	<p>To further implement bullying, bad habit prevention and other prevention as well as pupil assistance programmes. To implement the measures, in 2019, the planned allocations from the State budget will amount to EUR 3.81 million, including EUR 3.80 million from the EU structural investment funds.</p>	<p>Increased variety of preventive programmes and coverage of schools participating in the implementation of violence and bullying prevention programmes. Decline of bullying.</p>
	<p>Further increase the variety and accessibility of non-formal education of children. To implement the measures, in 2019, the planned allocations from the State budget will amount to EUR 20.56 million, including EUR 20.4 million from the EU structural investment funds.</p>	<p>More children participate in non-formal education of children and improve general and subject competencies. The infrastructure and education base of non-formal education schools has been improved. Teachers' competences haven been improved.</p>
	<p>To further update vocational training programmes according to economic and regional needs. To implement the measure, in 2019, the planned allocations from the EU Structural Funds will amount to EUR 4.51 million.</p>	<p>For the creation of a well-developed modern vocational training system, professional standards corresponding to the economic needs will be developed for different sectors. Based on these standards, modular vocational training programmes will be developed. This will permit a flexible response to business needs by updating individual programme modules and formalizing the competencies acquired in the production process, ensuring a smooth integration of students into the labour market.</p>
<p>National target is to achieve that the percentage of persons aged 30-34 with tertiary or equivalent education reaches 48.7 per cent.</p>	<p>To modernise the infrastructure of studies with a view to improving the quality of studies. To implement the measure, in 2019, the planned allocations from the EU Structural Funds will amount to EUR 8.73 million.</p>	<p>Development of higher education infrastructure corresponding to the economic needs. Creation of modern and favourable conditions for acquiring required competences while studying.</p>
	<p>Provide social scholarships and other assistance to students from socially vulnerable groups. To implement the measure, in 2019, the planned allocations from the State budget will amount to EUR 3.64 million, including EUR 3.64 million from the EU structural investment funds.</p>	<p>Creation of social and financial incentives and provision of assistance to students from socially vulnerable groups, reduction of social exclusion in the field of higher education. The plans are to allocate social scholarships in 2018-2019 to 3000 students from socially vulnerable groups.</p>
<p>National poverty reduction target – to reduce the number of persons in poverty and socially excluded people or the</p>	<p>The indexation of pensions as of 1 January 2019 will require EUR 198 million from Sodra budget.</p>	<p>Clear pension indexation rules have been set. The plans are to index social security pensions by 6.8 per cent as of 1 January 2019.</p>
	<p>Implementation of the new law on Unemployment Insurance which increases the social security of persons. The planned allocations from the Sodra budget for unemployment benefits will</p>	<p>Increased unemployment benefits and scope of beneficiaries, extended payment duration.</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
<p>people at-risk-of poverty and social exclusion to 814 thousand.</p>	<p>amount to EUR 140.0 million in 2019.</p> <p>Increase the accessibility of social services.</p> <p>In 2019, the planned allocations from the State budget will amount to:</p> <ul style="list-style-type: none"> - EUR 6.111 million for the measure ‘Development of social service infrastructure’, including EUR 6 million from the EU structural investment funds; - EUR 2.112 million for the measure ‘Development of integrated assistance to people with disabilities and elderly people’ from the EU structural investment funds; - EUR 6.74 million for the measure ‘Provision of combined services to a family and children’ from which EUR 6.09 million will be allocated from the EU structural investment funds; - EUR 1.8 million for the measure ‘Provision of professional rehabilitation services to the disabled’ from the EU structural investment funds; - EUR 1.84 million for the measure ‘Provision of psychological/social rehabilitation and labour market integration services for persons addicted to psychoactive substances’ from the EU structural investment funds; - EUR 255 000 for the measure ‘Provision of social/cultural and labour market integration services for the Roma with the aim of integrating them into active community life in Lithuania by reducing social exclusion’ from the EU structural investment funds; - EUR 1.79 million for the measure ‘Development of competences of the elderly and provision of qualification with the aim of enhancing participation in labour market and voluntary activity’ from the EU structural investment funds; - EUR 240 000 for the measure ‘Implement measures of public education and tolerance promotion and training of specialists’ from the EU structural investment funds; - EUR 6.341 million for the measure ‘Integration of persons at social risk experiencing social exclusion into labour market’ including EUR 5.04 million from the EU structural investment funds. 	<p>Infrastructure for inpatient and outpatient social services, integrated home assistance (nursing and social care) and community-based non-hospital complex services for persons and social groups at social risk or experiencing social exclusion are being developed, involvement of the elderly into voluntary activity is being promoted.</p>
	<p>Provide support for the most deprived persons. In 2019, the planned allocations from the Fund for European Aid to the Most Deprived (FEAD) will amount to EUR 3.27 million.</p>	<p>It is planned that food aid and hygiene products will be provided to approximately 280 000 most deprived persons per year through the project supported by the FEAD funds.</p>
	<p>Implement transition from institutional care to family and community-based services.</p> <p>The planned allocations in 2019:</p> <ul style="list-style-type: none"> - In 2019, the planned allocations from the State budget for measure ‘Transition from institutional care to family and community-based services’ will amount to EUR 8.291 million, including EUR 6.892 million from the EU structural investment funds. - the planned allocations from the State budget for measure ‘Development of 	<p>Creation of a system of integrated services enabling access to every child, person with disabilities or his family (guardians, carers) to individualized services according to needs and required assistance in the community.</p>

National targets under the Europe 2020 strategy	List of measures	Direct relevance of measure to achieve the target set in the Europe 2020 strategy
	<p>infrastructure of family and community-based services' will amount to EUR 1.425 million, including EUR 1.4 million from the EU structural investment funds.</p> <p>Following the linking of social benefits with a minimum level of consumption needs in 2018, in 2019, the baseline levels for social assistance pensions and target compensations will be increased. At preliminary calculations, in 2019, the planned allocations for the measure from the State budget will amount to EUR 5.1 million.</p> <p>Introduced in 2018, the universal benefits for children (so called 'child's money') are paid to all children irrespective of the family income, and they are consistently rising from EUR 30 to EUR 50.</p> <p>In 2019, the planned allocations for the measure from the State budget will amount to EUR 117.1 million.</p> <p>Implementation of the measure of the improvement of legal regulation of benefits for children provided for in the Plan for the implementation of the Programme of the Government of the Republic of Lithuania;</p>	<p>In 2019, retirement pensions and compensation for nursing and care (assistance) will increase.</p> <p>Ensured gradual rise of the benefit for a child (so called 'child's money'). The projections are that in 2019, the increased level of universal child benefits from EUR 30 to EUR 50 will bring down the poverty risk to children in the 0-17 age group by 4.3 percentage points, reducing the poverty risk by 4.2 percentage points in a family where one parent is raising one or more children, and by 9.2 percentage points in a family where both parents raise three or more children. It is one of the complex measures that have an impact on reducing child poverty and social exclusion.</p>