

SPRING 2018 REFORM BAROMETER – LITHUANIA

European Semester - Overall assessment of 2017 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To some extent	The National Reform programme submitted by Lithuanian government is rather ambitious and covers such fields as education, reform of innovation system, etc. However, the reforms in a way are too broad/radical. There is no clear strategy as to how exactly the reforms will be implemented. The reform of the education system for example is moving very slowly.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Recommendations that are relevant to the business community: 1. Address skills shortages through effective active labour market policy measures and adult learning and improve educational outcomes by rewarding quality in teaching and in higher education. 2. Take measures to strengthen productivity by improving the efficiency of public investment and strengthening its linkage with the country's strategic objectives.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	

Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1a	Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation is granted.	Important	Mixed	Despite the fact that strong economic performance (especially positive trends in labour market and wages) has a positive impact on budgeted revenue side, the overall actual budget revenue fell short of the plan for 2017. In particular, revenue from excise duties were substantially below the plan as a result of drastic increase in alcohol excise duties. Despite increasing wages, revenue from the personal income tax in 2017 were lower than in 2016. Revenue from the corporate tax in 2017 were also lower than initially planned.
CSR 1b	Improve tax compliance and broaden the tax base to sources that are less detrimental to growth. Take steps to address the medium-term fiscal sustainability challenge related to pensions.	Important	Unsatisfactory	Despite the fact that strong economic performance (especially positive trends in labour market and wages) has a positive impact on budgeted revenue side, the overall actual budget revenue fell short of the plan for 2017. In particular, revenue from excise duties were substantially below the plan as a result of drastic increase in alcohol excise duties. Despite increasing wages, revenue from the personal income tax in 2017 were lower than in 2016. Revenue from the corporate tax in 2017 were also lower than initially planned.
CSR 2	Address skills shortages through effective active labour market policy measures and adult learning and improve educational outcomes by rewarding quality in teaching and in higher education. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and affordability. Improve the adequacy of the social safety net.	Important	Satisfactory	Lithuanian business is facing a sharp deficit in workforce. For example, in 2012-2017 the number of vacant jobs in Lithuanian manufacturing sector rose by 60%, whereas the number of occupied jobs rose only by 12%. The government is slowly introducing more liberal labour import conditions for businesses with favourable reputation. In comparison to neighbouring countries, labour relations remain rigid, but progress has been made.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Take measures to strengthen productivity by improving the efficiency of public investment and strengthening its linkage with the country's strategic objectives.	Extremely important	Satisfactory	Due to the fact that robotization/automatization in European manufacturing sector is gaining pace, Ministry of Economy of Republic of Lithuania plans to introduce an instrument financed through the EU funds – designed at enhancing automatization in Lithuanian business.

Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Mixed
Labour market	Mixed
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2018 Reform Barometer?

1. Tackle the structural problems in the Lithuanian business climate that are related to unproportionally high labour taxation and as well as bureaucratic burden to businesses. Implement measures to simplify the taxation administration procedures.
2. Prepare long-term measure designated to ease demographic pressures on business and economy.
3. Form adequate labour market policy and adequate rules for import of labour – in regard to a sharp deficit in workforce.
4. Create and implement the export credit insurance scheme.

Reform priorities for 2018

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Environment - Regulatory barriers to entrepreneurship	Tackle the structural problems in the Lithuanian business climate that are related to unproportionally high labour taxation and as well as bureaucratic burden to businesses	yes
Priority 2	Labour market mismatch and labour mobility	Form adequate labour market policy and adequate rules for import of labour – in regard to a sharp deficit in workforce.	yes
Priority 3	Tax reforms	Tackle the structural problems in the Lithuanian business climate that are related to unproportionally high labour taxation and as well as bureaucratic burden to businesses.	yes
Priority 4	Market integration - Openness to trade and investment	Create and implement the export credit insurance scheme.	yes
Priority 5	Active labour market policies	Prepare long-term measure designated to ease demographic pressures on business and economy.	yes