

**SPRING 2020 REFORM BAROMETER – LITHUANIA**

**European Semester - Overall assessment of 2019 cycle**

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	To a large extent	National Reform Programme itself is to a large extent in line with both CSR's as well as with our position. However, the important question remains: to what extent the goals specified in this document will be implemented?
2.	The Commission's country specific recommendations for your country are appropriate.	Yes, absolutely	Recommendations are fully in line with our position.
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, absolutely	We fully agree that overall CSR implementation progress in 2018 was limited.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	---	---

## Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Improve tax compliance and broaden the tax base to sources less detrimental to growth. Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.	Extremely important	Mixed	<p>We are grateful to the government for the reduction of labour force taxation and combination of employee with employer's taxation into one. We are also pleased that our suggestions regarding the ability of electricity-consuming companies to recover a fee for services of public interest in the event that a company uses renewable energy sources have been taken into consideration and implemented. However, recently new taxes were introduced without any prior discussions with social partners. Proposed initiatives deviate from the national plan and impoverish the labour market. For example, last year it was agreed by social partners in Tripartite council to increase the tax-exempt amount of income consistently to the level of minimal wage so that the income of the population would increase not only at the expense of employers. The government denied it and raised it less than agreed by the social partners. Higher rates of excise duties for diesel as well as tobacco products were introduced than previously planned without prior notice signify that policy makers are following accounting logic and not thinking about the impact it will have on the economy. As a result, the LPK along with other national employers' organisations withdrew from National Agreement that was concluded with the Government two years ago.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	Improve quality and efficiency at all education and training levels, including adult learning. Increase the quality, affordability and efficiency of the healthcare system.	Extremely important	Unsatisfactory	Government achieved some progress in procedures (not legislation) concerning the efficiency of the Employment Agency. Unemployed persons over 45 years of age will be additionally supported with subsidies for wages as well as for creation of workplace. Another new employment measure - introductory apprenticeship courses. Apart from these positive trends, the government did not carry out structural reforms in the public sector (improving school network efficiency, university merger, health reform, etc.) and went the easiest way - raising taxes.
CSR 3	Focus investment-related economic policy on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities. Stimulate productivity growth by improving the efficiency of public investment. Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies.	Extremely important	Unsatisfactory	No progress in innovation policy nor business-science connections. This year, the biggest progress has been made in the area of grid access, which makes the country more attractive to investment in production: not only has the number of procedures and costs been reduced, but the grid connection time has also been shortened. This had major influence on Lithuanian Doing Business 2019 rankings. Fight with regional disparities government has established so called "Business clusters" in the regions, which act as a public business consulting agency as well as business networking platform. However, such initiatives are not enough to stimulate entrepreneurship in the region. Ministry of interior is currently working on improving the legislation concerning Regional Development Councils, a supervisory board composed of social partners as well as experts in the field that should help the municipalities decide on the best investment projects for the regional development. The most important change in the new legislation is regarding the funding of potential projects. The funding will no longer be fixed annually but will depend on the specific project and its impact on regional development. However, legislation is still in the making.

## **Reform Progress in your Member State in 2019**

How would you assess reform progress in 2019, for the following broad areas:

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

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2020 Reform Barometer?

In three years, Lithuania has jumped from 21st to its current 11th position in the ranking of Doing Business, and next year should be among the ten most competitive countries in the world. The Law on Insolvency of Legal Persons, which is not included in the rating this year, but has been adopted and will enter into force from the new year, introducing more flexible and shorter bankruptcy procedures, will significantly improve Lithuania's rating.

## Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Regulatory entrepreneurship Environment barriers to	Reduce the number of statistical reports. Simplify tax accounting, payment, declaration and recovery procedures. Ensure the non-duplication of data reporting. Ensure interinstitutional cooperation. Encourage and extend the digitization of services and procedures to new areas of public administration and the private sector. Increase ICT literacy of the population. Ensure protection of business data. Use Big data analytical programs in public administration. Improve the openness of public authorities' data in order to create a progressive public sector based on open data.	Yes
Priority 2	Tax reforms	Further reduce the contribution rate of social insurance for labour force. Clarify social insurance "floor" application cases. Link the social insurance contributions to the insured person's personal pension account. Legalize private accumulation in other areas of social security (health, unemployment, sickness benefits). Increase the tax-exempt amount of income consistently to the level of minimal wage. Abandon banking, supermarket profit taxes. Focus on taxes that are less harmful to economic growth and look for alternative sources of funding. Focus on inefficiently state-owned assets, which, when taxed would provide a financial incentive for state-owned enterprises to reassess how much space they actually need.	Yes
Priority 3	R&D and Innovation	Develop and operationalize a national Digital Innovation Hub system for one-stop-shop business services. Create a network of Lithuanian innovation potential ambassadors to attract additional R&D investment. Activate integration into international technology development and transfer networks. Establish a system of pre-commercial procurement and state R&D order financing with clear performance measurement criteria and indicators. Establish a mechanism to ensure that innovative procurement accounts for at least 5% of all procurement.	No

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 4	Active labour market policies	Improve the efficiency of the employment service. Using technology monitor whether unemployed persons receiving benefits aren't working illegally. The main instrument of active labour market policy should become a model of recruitment under the apprenticeship agreement. Develop a comprehensive system of financial incentives for all parties involved in the apprenticeship process. Accelerate the implementation of the vocational guidance model.	Yes
Priority 5	Labour market mismatch and labour mobility	Standardize the personality assessment of the unemployed. Ensure a detailed introduction of the labour market situation (with the participation of employers), average wages in sectors by region to the unemployed. Do not reduce benefits for former statutory workers who decide to return to the labour market. Establish a system to monitor and evaluate the balance of paid taxes, received allowances and other benefits from the State each year by the individual. It would be an instrument for improving legal regulation to ensure fairer taxation, encourage re-entry into the labour market and pay taxes. Simplify and accelerate the recruitment process for third-country workers.	Yes