Reboot of Six Structural Reforms

Version 2.0
Delivering the change
6 structural reforms

HEALTH
TAXESEDUCATION
INNOVATIONS
SHADOW
ECONOMY
PENSIONS

6 structural reforms

The stalled well-being of the people of the country ever since 2014 was an issue of considerable concern for the Government. The 75% of the EU prosperity level stayed unchanged for three consecutive years making it clear to the Government that the situation as it was could not continue (particularly with the growing economic indicators) and could not be left to its own devices.

The most sensitive issue nationally was the labour market, which was affected by changing demographics: the standard of living was too low in terms of GDP per capita, there were too many economic emigrants, the mortality was too high and the birth rate was too low. All this required ambitious structural changes, although Lithuania’s development level increased by 50% during the first 10 years of EU membership. It was obvious that the country would not be able to achieve a higher momentum in growth and a faster convergence with the EU living standards, unless relevant changes were brought in.

In the spring of 2018, the Government launched a comprehensive reform package in six areas: education, health care, taxation, innovation, informal economy and pensions, aimed at fundamental and structural changes in these fields.

Carried out at the same time, the six reforms are expected to significantly improve the environment for everyday living, working and raising children in Lithuania; people will earn more and have a better motivation to stay in their country, the outcomes and synergies of the reforms will change Lithuania’s socio-economic situation and provide further momentum for growth.

Since the launching of the reforms, the enormous amount of legislative packages have been adopted over a short period, most of which have already entered into force. In the spring of 2020, the reforms have been reloaded: one reform has been completed, several others are about to be completed, while still others have been supplemented with new activities and goals, and alternatives for actions to deliver results.
Delivering the change
6 structural reforms

Challenges

The stalled well-being of the people of the country ever since 2014 was an issue of considerable concern for the Government. The 75% of the EU prosperity level stayed unchanged for three consecutive years making it clear to the Government that the situation as it was could not continue (particularly with the growing economic indicators) and could not be left to its own devices.

The most sensitive issue nationally was the labour market, which was affected by changing demographics: the standard of living was too low in terms of GDP per capita, there were too many economic emigrants, the mortality was too high and the birth rate was too low. All this required ambitious structural changes, although Lithuania’s development level increased by 50% during the first 10 years of EU membership. It was obvious that the country would not be able to achieve a higher momentum in growth and a faster convergence with the EU living standards, unless relevant changes were brought in.

Goal of reforms

In the spring of 2018, the Government launched a comprehensive reform package in six areas: education, health care, taxation, innovation, informal economy and pensions, aimed at fundamental and structural changes in these fields.

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The 6 reforms have by now benefited the country’s population in the following way:

- Extra EUR 95 million allocated for teachers’ salaries over the last two school years. Teachers’ average salary has gone up by 20%.
- The general education content is undergoing revision, and we will have renewed general education programmes. Renewed primary education programmes will see the light as early as 2021.
- Reduced GP appointment waiting time: 85% of patients have got GP appointment within 7 days.
- Patient average extra payment per prescription has come down from EUR 4 to 3.2.
- From 2018 to 2019, EUR 300 million were recovered from the shadow economy to benefit the public funds.
- The tax payers have been able to recoup up to EUR 400 from their PIT paid in 2019 for housing, car repair or child care services delivered to them (20%).
- From 2017 to 2020, the salaries of lecturers, research staff and researchers will have grown by 50%.
- Tax reform has been completed. Labour taxation has decreased; the tax and social insurance systems has become clearer.

Other benefits yet to come as a result of the 6 reforms:

- By 2022, school education content will be revised to meet the requirements for the 21st century skills.
- By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50% of the average salary.
- By 2022, the model of long-term care services will be launched, which will bring down the burden of care on patients’ family. About 25,000 of those caring for the sick will be able to return to the labour market for more working hours.
- The major impact of these reforms on the GDP is awaited around 2025-2027; about 26,000 jobs will be created and safeguarded.
- By 2021, seven regional STEAM centres will be up and running.
- By 2025, healthy life expectancy will increase by 10 months.
- By 2021, there will be a 10-15% increase in investment in science, technology and innovation.
- 60% of children have participated in non-formal education in each municipality.
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- By 2021, there will be a 10-15% increase in investment in science, technology and innovation.
- 60% of children have participated in non-formal education in each municipality.
The best education will be guaranteed for all by providing competences required in the 21st century.

Pupils’ achievements will increase by one tenth (at least 50% of them will have attained PISA Level 3).

Academic achievements’ gap between cities and regions will reduce by 50%.

Up to 1.5 times higher salary for those who successfully complete secondary and higher education compared to those with only secondary education.

Access to higher education irrespective of the socio-economic background (free bachelor degree studies for all those who have chosen to study in the fields relevant for the State).

The network of study programmes will be of better quality and will enable a faster adjustment to the evolving needs of the labour market.

Future professionals will be trained by the best professionals of today, competitive salaries of lecturers and researchers, and motivating doctoral studies.

1/5 reduced unemployment among youth.

ACHIEVEMENT GAP
- It would take more than two additional school years for children from rural areas to catch up with academic average in Vilnius. However, the gap is even wider between schools in Vilnius.
- Only 28% of children from the one fifth of the poorest families in the country show achievements that are relatively good (Level 3, PISA Assessment) to compare with 70% of children from the richest families reaching the same level of achievements.

SOCIAL EXCLUSION
- Only 20% of the poorest people acquire higher education (to compare with 77% in the case of the richest).
- Low coverage of non-formal education.
- Poor social climate: 31% of pupils feel lonely; 52% are subjected to bullying.

MISMATCH BETWEEN THE VET/UNIVERSITY SKILL SUPPLY AND LABOUR MARKET DEMANDS
- Scattered human potential: too many redundant poor quality training and study programmes.
- The competences provided are lagging behind the rapidly changing labour market requirements.
- Lack of culture of innovations.

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- 60% of children have participated in non-formal education in each municipality.
Currently, education appears to be too fragmented, focused on the repetition of individual facts and knowledge but not on the generation of new ideas and the search for creative solutions. School curriculum lacks focus on competencies relevant for 21st century, such as critical thinking, teamwork, and decision-making. The assessment of achievements is based on instant tests and examinations, without taking into account pupil’s creative potential, ability to solve problems and collaborate, and without creating preconditions for accumulating and acknowledging evidence of achievement in the process.

**Challenges**

- **Low coverage of educational content**
  - Only 28% of children from the richest families reach the same level of achievements as children from the one fifth of the poorest families.
  - Only 20% of the children from the Vilnius region show above-average academic average in Vilnius schools compared with 77% in other schools in Lithuania.

- **A lack of culture of innovations**
  - 52% are subjected to bullying, loneliness, and other forms of social isolation.

- **The competences required in the 21st century**
  - For all by providing competences necessary for the 21st century, such as critical thinking, teamwork, and decision-making.

- **Scattered human resources**
  - The best education will be guaranteed only by the best professionals of today.

- **Falling behind the rapidly evolving needs of the labour market**
  - Future professionals will be trained on the basis of the indicator of a good school.

- **Access to higher education**
  - Up to 1.5 times higher salary for those who successfully complete secondary education compared to those with only secondary education.

**Goal**

By 2022, to revise and prepare to introduce the 21st century competency-based education content, which incorporates the latest teaching/learning and self-assessment tools as well as environments in schools that have been subject to assessment and self-assessment on the basis of the indicator of a good school.

**Overall benefit of the project**

The revision of the education content will result in the balance between the subject-specific content and the development of competencies relevant for the 21st century. Pupils will be able to practically address problematic issues, and project works will be taking place. The revised education content will be put to practice through up-to-date innovative learning tools and environments. Teachers will be trained to apply new tools and methods in the process of education.
All the regional development councils approve lists of non-formal child education schools subject to upgrading of infrastructure.

July 2018
Preparation of an investment project for centres for science, technology, engineering, mathematics, research and development (STEAM).

August 2018
Share of pupils who benefited from the non-formal education possibilities - 60%.

December 2019
At least 40 municipalities enabled to assess the quality of non-formal education.

December 2020
Upgraded infrastructure in at least 50 schools of non-formal child education.

Insufficient supply, variety and quality of non-formal education activities for children, opportunities to develop competencies in modern science and technology are limited.

Create conditions for greater access to non-formal education, revise the non-formal education content and tools.

EDUCATION SYSTEM REFORM

After-school

Challenges Goal

Process:

Pupils
Family
Teachers, school

Mid-term results:

The variety, quality and accessibility of non-formal education services for children will increase. Child competencies will improve, particularly in IT and natural sciences, along with social skills, self-expression, creativity and physical activity.

Overall benefit of the project:

Six municipalities enabled to assess the quality of non-formal education.

Methodology for quality assurance of non-formal child education and of the activities of its providers approved.

March 2019

December 2021

Share of pupils having benefited from the non-formal education possibilities - 65%.

March 2022

Opening of methodical STEAM centres in Vilnius and Kaunas.

July 2022

100% of schools will have an individual pupil progress assessment system put in place.

Opening of seven regional STEAM centres.

March 2021

December 2022

Opening of a science and innovation centre - Science Island.
All the regional development councils approve lists of non-formal child education schools subject to upgrading of infrastructure.

Preparation of an investment project for centres for science, technology, engineering, mathematics, research and development (STEAM).

Share of pupils who benefited from the non-formal education possibilities - 60%.

At least 40 municipalities enabled to assess the quality of non-formal education.

Upgraded infrastructure in at least 50 schools of non-formal child education.

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100% of schools will have an individual pupil progress assessment system put in place.

The variety, quality and accessibility of non-formal education services for children will increase. Child competencies will improve, particularly in IT and natural sciences, along with social skills, self-expression, creativity and physical activity.
In Lithuania, 31% of pupils feel lonely, only 46% of pupils were not subjects of bullying over two months (Lithuania is at the bottom of international ratings). About 11% of pupils have special education needs. They need to be provided with relevant education support.

Goal
Create conditions for providing timely child support, reduce bullying, increase student motivation, improve achievement, and facilitate integration of children returning to Lithuania.

Challenges

Process:

Mid-term results:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2018</td>
<td>Selection of schools for the implementation of bullying prevention programmes (cycle 1)</td>
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<tr>
<td>August 2018</td>
<td>Signing of agreements with schools, procurement of services for the implementation of bullying prevention programmes</td>
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<tr>
<td>December 2018</td>
<td>The proportion of pupils and parents receiving co-ordinated education, health and social services of the total of all pupils and parents: 10%</td>
</tr>
<tr>
<td>August 2019</td>
<td>Signing of agreements with schools</td>
</tr>
<tr>
<td>December 2019</td>
<td>The proportion of pupils and parents receiving coordinated education, health and social services of the total of all pupils and parents: 20%</td>
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<td>December 2019</td>
<td>Bullying prevention programmes put in place at 1,058 general education schools (85%) and 522 pre-school establishments (86%)</td>
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<tr>
<td>December 2020</td>
<td>Inter-institutional coordinators for education, health and social services operate in 60 municipalities</td>
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<tr>
<td>June 2020</td>
<td>Selection of schools for the implementation of bullying prevention programmes (cycle 2)</td>
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<tr>
<td>July 2020</td>
<td>The proportion of pupils and parents receiving co-ordinated education, health and social services of the total of all pupils and parents: 30%</td>
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<tr>
<td>December 2020</td>
<td>Bullying prevention programmes put in place at 1,181 general education schools (95%) and 522 pre-school establishments (86%)</td>
</tr>
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Overall benefit of the project
Bullying reduced by one-fourth, schools will be safer and more inclusive, counselling and other education support will be provided, there will be coordination of services for children and parents, and conditions for the smooth integration of foreign-arrived pupils will be provided.
International research shows that the most important factor lying behind the quality of education is the teacher. It is important to raise the prestige of the teaching profession in Lithuania in order to attract talented young people. Teachers’ age is one of the oldest in the EU (half of the teachers are over 50); there is a lack of effective tools for the development of teachers’ competencies. School network reform is lagging behind the declining number of pupils, not all the pupils have access to the same quality of education.

**Goal**
Ensure equal learning conditions for all pupils by introducing a class basket, making teaching profession more reputable, creating an optimum number of full-time teacher jobs, training teachers in the best universities, promoting school merger, applying targeted quality assurance support to schools by introducing a quality basket, thereby ensuring the best quality of education services for pupils.

**Challenges**
- In addition, 162 school buses for transporting schoolchildren have been bought to optimise the school network.
- The salary of the teachers, who had worked before the reform, grows by 20% following the formation of a full-time job. Average net salary of the teacher grows to EUR 928.
- The number of municipalities, were schools apply class basket methodology, increases from 5 to 60.
- Working teachers helped to acquire additional subject-specific competencies enabling teaching of another (second) subject.
- Establishment of teacher training centres in universities in Vilnius, Kaunas, Šiauliai.
- Amendment of rules, for the development of school network, while focusing on the quality of teaching, a better teacher-pupils ratio and the reduction of infrastructure maintenance costs.
- New funding procedure for schools: introduction of basic education services - the class basket.
- About 150 schools with low academic achievements received assistance aimed at better results.
- By 2021, an inventory of requisite teacher competencies drawn up, and the system for competence development and assessment revised.
- By 2022, reduced number of teachers working part-time (less than 36 contact and non-contact hours per week) in municipal schools.

**Mid-term results:**
- Number of municipalities, were schools apply class basket methodology, increases from 5 to 60.
- Working teachers helped to acquire additional subject-specific competencies enabling teaching of another (second) subject.
- Approval of a new teacher training regulation.
- By 2022, the model of long-term care services will be launched, which will bring about 26 000 jobs will be created and the GDP is awaited around 2025-2027;
- By 2021, seven regional STEAM centres will be up and running.
- More than 5% of teachers have studied in other education establishments following subject-specific or pedagogical specialisation module leading to the acquisition of competencies of another subject.
- More than 5% of teachers have studied in higher education establishments following subject-specific or pedagogical specialisation module leading to the acquisition of competencies of another subject.
- By 2022, the number of general education schools with fewer than 120 students decreases by 80 to ensure the best quality of education services.

**Process:**
- New staff remuneration system put in place.
- Establishment of teacher training centres in universities in Vilnius, Kaunas, Šiauliai.
- Amendment of rules, for the development of school network, while focusing on the quality of teaching, a better teacher-pupils ratio and the reduction of infrastructure maintenance costs.
- In addition, 162 school buses for transporting schoolchildren have been bought to optimise the school network.
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- Amendment of rules, for the development of school network, while focusing on the quality of teaching, a better teacher-pupils ratio and the reduction of infrastructure maintenance costs.

**Overall benefit of the project**
- The disparities will reduce: all pupils will have access to quality education. Teacher’s profession will become prestigious, more attractive for young people. Number of teachers over 50 will decrease by one tenth. The selection of future teachers will become more stringent.
- Achievements of 40 000 pupils will be particularly improved through targeted education assistance in weaker schools.
**Education System Reform**

**Optimisation of the network of universities and vocational education and training establishments**

**Challenges**

The number of school graduates and university admissions has been decreasing (-25% over 4 years). Only 58% of bachelor degree holders have a job that requires high qualifications. Only 56% of employers think that graduates are well trained for their professional career. The same courses are offered by a number of universities and colleges, while the fragmentation of research resources has resulted in the failure to ensure the required competencies and the quality of training.

**Goal**

To create preconditions for the quality higher education and vocational training, to make education focus on the needs of the labour market, while raising the attractiveness of the teaching and research professions and restructuring the network of state universities and vocational training establishments.

**Overall benefit of the project**

Networks of study programmes and vocational training programmes will be of a higher quality, thereby enabling better adaptation to changing labour market needs. Future professionals will be trained by the best professionals of today. The proportion of employers who think that graduates are well prepared for a career will grow by a quarter, i.e. from 56% to at least 70% of the total of employers. The pooled high-level research potential will help to maintain leading positions in the EU by the effectiveness of science-business cooperation. The number of VET students following modular programmes will grow by 35%. The proportion of adults involved in lifelong learning will increase by one third to 9% of the total of 25-64 year-olds.
**Benefits of reform**

- Healthy life expectancy will increase by 10 months
- Approx. 350 lives will be saved every year which will amount to 1600 lives over a period of five years
- Number of deaths from heart attack will decrease by 1/3, from stroke - by 1/4
- Number of suicides will decrease by 1/5
- The efficiently developed system of long-term care services will enable more working hours for 25 thousand people who take care of their relatives at home

**CHALLENGES**

- **High mortality.** Mortality rates in Lithuania are 1.4 times higher than the EU average. Amenable mortality rates are the second highest in the EU
- **Life expectancy is one of the shortest in the EU.** Life expectancy in Lithuania (74.7 years) is more than 5 years shorter than the EU average (80.9). Rate of preventable deaths is the highest in the EU
- **Fragmentation in the system of long-term care services.** This creates significant inconvenience both for those in need as well as for their relatives

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**HEALTH**

- Team of a general practitioner, development of out-patient care services
- Optimisation of the hospital network, qualitative improvements to services and enhancement of prestige of medical professionals
- Healthy lifestyle promotion
- Development of nursing care services
- Establishment of measures aimed to reduce expenditure on medicines

**EDUCATION**

**TAXES**

**PENSIONS**

**INNOVATIONS**

**SHADOW ECONOMY**

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**6 structural reforms**
In Lithuania, hospitalisation rates happen to be higher than in the rest of the EU, and 20% of hospitalisation could be avoided by providing primary health care services. Waiting lines for health services still remain a serious problem for the health system, with 11% of residents claiming that they had to postpone medical consultation because of long waiting lines. Failing to have a uniform patient registration system at national level leads to inefficient and nontransparent healthcare registration mechanism. 80% of health problems (diagnosis and treatment of acute diseases, long-term care of chronic diseases, prevention of diseases, etc.) can be addressed at primary health care level offering better quality and more accessible services.

**Challenges**

- Inconvenience both for those in long-term care services.
- Rate of preventable deaths is the highest in the EU.
- Life expectancy (74.7 years) is more than 5 years shorter than the EU average (80.9).
- Life expectancy in Lithuania (80.9 years) is one of the second highest in the EU.
- Mortality rates in Lithuania are 1.4 times higher than the EU average.
- 20% of hospitalisation could be avoided by providing primary health care services.

**Goal**

Improve the quality and availability of health care services, reduce the waiting time for visits to general practitioners and medical specialists, reduce the number of cases of hospitalisation that can be avoided.

**Overall benefit of the project**

- Improved quality and availability of health care services.
- Reduced waiting time for visits to general practitioners and and medical specialists.
- Reduced number of cases of hospitalisation that can be avoided.

**Presentations of the project**

- **December 2019**: Presentation of the intermediate results of the innovative and effective service delivery models for the care of patients with more than one chronic disease.
- **January 2020**: Training of members of the general practitioner team to apply efficient models for monitoring patients suffering from more than one chronic disease.
- **April 2019**: Start of the launch of pilot models for monitoring patients suffering from more than one chronic disease in at least two municipalities.
- **July 2019**: System wide review of legislation aimed at administrative burden reduction.
- **September 2019**: Establishment of remote consultations ‘patient – general practitioner’.
- **August 2019**: Draft regulatory measures allowing the addition of new members to the team of general practitioners.

**Process**

- **December 2021**: Number of hospitalisations that can be avoided is reduced by 1/3.
- **2021 m. rugpjūtis**: Training of members of the general practitioner team to apply efficient models for monitoring patients suffering from more than one chronic disease.
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**Innovations**

- **2021**: Establishment of remote consultations ‘doctor – doctor’.
- **2020**: Establishment of remote consultations ‘general practitioner – medical specialist’.
- **2019**: Inclusion of a dental hygienist into the team of general practitioners.

**Benefits**

- By 2021, there will be a 10-15% increase in investment in science, technology and innovation.
- By 2022, school education content will be revised to meet the requirements for the 21st century skills.
- By 2020, 60% of children have participated in non-formal education in each municipality.
- **2019**: Draft regulatory measures allowing the addition of new members to the team of general practitioners.

**Key dates**

- **2021**: Establishment of remote consultations ‘doctor – doctor’.
- **2020**: Establishment of remote consultations ‘general practitioner – medical specialist’.
- **2019**: Inclusion of a dental hygienist into the team of general practitioners.
- **2018**: Establishment of remote consultations ‘patient – general practitioner’.
- **2017**: Establishment of remote consultations ‘patient – general practitioner’.

**Projections**

- **2022**: Number of hospitalisations that can be avoided is reduced by 1/3.
- **2021**: Training of members of the general practitioner team to apply efficient models for monitoring patients suffering from more than one chronic disease.
- **2020**: Regulatory measures allowing the addition of new members to the team of general practitioners.
- **2019**: Start of the launch of pilot models for monitoring patients suffering from more than one chronic disease in at least two municipalities.
- **2018**: System wide review of legislation aimed at administrative burden reduction.

**Final results**

- **2022**: Improved quality and availability of health care services.
- **2021**: Reduced waiting time for visits to general practitioners and medical specialists.
- **2020**: Reduced number of cases of hospitalisation that can be avoided.
- **2019**: Overall benefit of the project.
Due to population decline the current network of hospitals that provide active medical treatment services became superfluous and inefficient and fails to ensure the security and quality of services. The number of hospital beds for active medical treatment which is two times more than the EU average and hospitalisation rate which is one third more than the EU rate indicate the inefficiency of the Lithuanian health care system. It is enough to increase the functionality of beds to reduce the number of beds for active medical treatment by 12 % (1 900 beds). The improvement of hospitalisation rate to account for 18 cases per 100 inhabitants would result in the vacation of 29 % of beds for active medical treatment (4 600 beds). Despite the well-developed network of hospitals health indicators in Lithuania significantly lag behind the indicators in many EU and OECD countries. Irregularities related to quality and security of services, high hospital mortality from myocardial infarction and ischemic stroke are recorded in a considerable number of hospitals.

**Overall benefit of the project**

National network of active treatment hospitals is developed to ensure the provision of high level specialised in-patient health care services, prestige of medical professionals increases and number of deaths from heart attack and stroke declines.
Only 9.7% of children take part in sporting activities on a daily basis. The average healthy life years indicator of children in Lithuania as well as in many EU countries, however, it is equally important that people stay healthy as long as possible. The average healthy life years indicator of women in Lithuania is by almost 5 years below the EU average. In case of men, this indicator is by 7.3 years below the EU average. Mortality from suicides and intentional injuries in Lithuania remains the highest in Europe for more than 20 years.
**HEALTH SYSTEM REFORM**

**Healthy lifestyle, prevention**

### December 2018

**PROCESS**
Reduction of the number of schoolchildren per public health care professional

### May 2019

**SOCIETY**
The number of participants in cancer screening programmes increases by 40 thousand in comparison with the previous year

**PROCESS**
Project on active school is implemented in 60 schools

**PROCESS**
Promotion of healthy food products marked by the keyhole symbol in the market (at least 250 products are marked)

### December 2019

**PROCESS**
Increase in the yearly number of persons at risk who participated in the health promotion programme covering cardiovascular diseases and diabetes by 50 %

**SOCIETY**
The number of participants in cancer screening programmes increases by 30 thousand in comparison with the previous year

### May 2020

**PROCESS**
The extent of competence of public health care professionals who monitor the health of schoolchildren necessary for caring for children with chronic diseases is determined

**SOCIETY**
The number of participants in cancer screening programmes increases by 16 thousand in comparison with the previous year

**CHILDREN**
Schoolchildren daily taking part in sporting activities after school for at least 60 minutes account for 15 %

**CHILDREN**
Schoolchildren daily taking part in sporting activities after school for at least 60 minutes and longer account for 17 %

**PROCESS**
Psychological help is ensured in all municipalities (60 %)

**PROCESS**
Promotion of healthy food products marked by the keyhole symbol in the market (at least 250 products are marked)

**PROCESS**
The number of participants in cancer screening programmes increases by 40 thousand in comparison with the previous year

### December 2021

**PROCESS**
Psychological help is ensured in all municipalities (100 %)

**PROCESS**
Project on active school is implemented in 150 schools

**SOCIETY**
Increase in the yearly number of persons at risk who participated in the health promotion programme covering cardiovascular diseases and diabetes by 70 % in comparison with 2018

**CHILDREN**
Schoolchildren who eat vegetables at least once a day account for 60 %

### Challenges

Health is a value which is vital to individual, family and community life and essential to economic and social development. Life expectancy rates tend to grow in Lithuania as well as in many EU countries. However, it is equally important that people stay healthy as long as possible. The average healthy life years indicator of women in Lithuania is by almost 5 years below the EU average. In case of men, this indicator is by 7.5 years below the EU average. Mortality from suicides and intentional injuries in Lithuania remains the highest in Europe for more than 20 years. Only 9.7 % of children take part in sporting activities on a daily basis.

### Goal

Ensure conditions for and promote healthy lifestyle by:
- expanding the scope of public health care services, ensuring access to public health and disease prevention services for citizens;
- teaching the citizens the basics of healthy lifestyle

### Overall benefit of the project

Health of population is improved, effective and accessible preventive health care services are ensured. Healthy life expectancy is increased, number of suicides declines, deaths from cancer, cardiovascular diseases and diabetes are avoided due to preventive measures.
Challenges
Despite the fact that most of the developed countries have boasted the increasing life expectancy, a great many of the elderly population spend their last few years suffering from chronic illnesses and disabilities. And it is, therefore, this particular group of patients that requires the most financial resources and medical services. Due to the aging population and growing life expectancy, the nursing and social services continue to be in high demand, but they are not sufficient.

Goal
Introduce a model for long-term care and provide conditions, through the integrated provision of personal health care services and social services, for an individual to live as long as possible in the community, while ensuring the integrated provision of health and social services that are adequate for the health condition concerned, focusing on individual self-sufficiency, preventing the disease from aggravation or exacerbation of the existing symptoms, with due consideration of the needs of the individual and his/her family and the possibilities of the individual, his/her family and of the state.

Overall benefit of the project
Model of long-term care (nursing and social) services launched, burden arising from the need to take care of patients for close relatives reduced.
Extra charges paid by the patient in relation to all expenditures on reimbursable medicines: 21.18%.

Average extra charge per reimbursable prescription: 5.0 Eur.

Share of cost of acquisition of reimbursable medicines in the low-income patient group in relation to all expenditures on reimbursable medicines for this group (%): 90%.

Revision of medicines reimbursement levels and criteria.

Refund of the part of expenditure on medicines that have therapeutic added value for low-income patients.

Rational use of medicines on the basis of the Wise List.

Lower prices of medicines.

HEALTH SYSTEM REFORM

People will spend less on medicines in Lithuania.
Extra charges paid by the patient in relation to all expenditures on reimbursable medicines: 21.18 %

Average extra charge per reimbursable prescription: 5.0 Eur

Share of cost of acquisition of reimbursable medicines in the low-income patient group in relation to all expenditures on reimbursable medicines for this group (%): 90 %

Revision of medicines reimbursement levels and criteria

Refund of the part of expenditure on medicines that have therapeutic added value for low-income patients

Rational use of medicines on the basis of the Wise List

People will spend less on medicines in Lithuania
Employee was not aware of the amount of social security contributions paid by the employer
Right to a basic pension was not dependent on the amount of the social security contributions paid, however this share of a pension is included into the social insurance scheme.

Taxation of labour was too high
The tax burden on middle-income earners is by approx. 2% higher than in Estonia and by approx. 5% higher than in Poland. In Lithuania the tax burden on middle-income earners was above the average in the Member States of the European Union and the Organisation for Economic Cooperation and Development (OECD).

Lithuania had no multiannual plan
for profound changes in taxation which created mistrust in the stability of tax environment.

Benefit of the reform

- Clearer social insurance scheme
- Lowest taxation of labour in the Baltic States
- Economic growth friendly tax system
- Long-term stability and clarity of the tax system

By 2022, school education content will be revised to meet the requirements for the 21st century skills
By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50% of the average salary
By 2022, the model of long-term care services will be launched, which will bring down the burden of care on patients’ family. About 25,000 of those caring for the sick will be able to return to the labour market for more working hours
The major impact of these reforms on the GDP is awaited around 2025-2027; about 26,000 jobs will be created and safeguarded
By 2021, seven regional STEAM centres will be up and running
By 2025, healthy life expectancy will increase by 10 months
By 2021, there will be a 10-15% increase in investment in science, technology and innovation
60% of children have participated in non-formal education in each municipality
TAX REFORM

Three-year tax reform plan is implemented

JANUARY 2019

PROCESS
Control of recalculation of salaries performed

BENEFIT TO BUSINESS
Competitiveness of business will increase

BENEFIT TO SOCIETY
Approx. 1 million of employed people will benefit from reduced tax burden

JUNE 2018

PROCESS
Legislation amending taxation is adopted which will come into effect after 6 months

Fostering of public awareness of future changes in taxation

BENEFIT TO PEOPLE
SALARY INCREASE, EUR

<table>
<thead>
<tr>
<th>Gross earnings</th>
<th>Changes in after-tax salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>650</td>
<td>+18</td>
</tr>
<tr>
<td>950</td>
<td>+31</td>
</tr>
<tr>
<td>1300</td>
<td>+46</td>
</tr>
<tr>
<td>1800</td>
<td>+50</td>
</tr>
<tr>
<td>3000</td>
<td>+46</td>
</tr>
</tbody>
</table>

BENEFIT TO PEOPLE
Results
Amendments to the Law on Personal Income Tax came into effect

Results
Amendments to the Law an Excise Duty came into effect

Results
Amendments to the Law on Immovable Property Tax came into effect

JANUARY 2021

PROCESS
Three-year tax reform plan is implemented

BENEFIT TO PEOPLE
SALARY INCREASE, EUR

<table>
<thead>
<tr>
<th>Gross earnings</th>
<th>Changes in after-tax salary</th>
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<tr>
<td>650</td>
<td>+11</td>
</tr>
<tr>
<td>950</td>
<td>+10</td>
</tr>
<tr>
<td>1300</td>
<td>+9</td>
</tr>
<tr>
<td>1800</td>
<td>+0</td>
</tr>
<tr>
<td>3000</td>
<td>+0</td>
</tr>
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</table>

BENEFIT TO PEOPLE
Results
Amendments to the Law on Immovable Property Tax came into effect

JANUARY 2020

Results
Amendments to the Law on Immovable Property Tax came into effect

Other benefits yet to come as a result of the 6 reforms:
- By 2022, school education content will be revised to meet the requirements for the 21st century skills
- By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50% of the average salary
- By 2022, the model of long-term care services will be launched, which will bring down the burden of care on patients’ family. About 25,000 of those caring for the sick will be able to return to the labour market for more working hours
- The major impact of these reforms on the GDP is awaited around 2025-2027; about 26,000 jobs will be created and safeguarded
- By 2021, there will be a 10-15% increase in investment in science, technology and innovation
- 60% of children have participated in non-formal education in each municipality
- By 2021, seven regional STEAM centres will be up and running
- By 2025, healthy life expectancy will increase by 10 months

Overall benefit
- More growth-friendly taxation framework achieved by lower labour taxation and higher consumption and property taxation
- The key benefit of ensuring the lowest labour taxation in the Baltic States is planned to be achieved in 2021
**Benefit of the reform**

- GDP will grow faster by a fifth
- Wages will grow faster by a sixth
- Business innovation expenditure will increase 1.5-fold

**CHALLENGES**

Lithuania does not fulfil its potential in science to develop new products
New consulting services in technology transfer and participation in international innovation programmes created and launched

Priorities in the State support for scientific research and innovation updated

A measure to finance creation of technology centres infrastructure drafted and published

Business sector expenditure on R&D as a percentage of GDP is almost 5 times lower in Lithuania compared to the EU average

Lithuania ranks low in the Global Innovation Index

Low percentage of innovative foreign direct investment projects in Lithuania, only 10 %

R&D personnel makes up 0.31 % in Lithuania, while the EU average is three times higher: 0.96 %

The number of institutions related to implementation of innovation policy is too high

In principle, no attention to innovation is given in public procurement

Business innovation investment will increase; more than half of the country’s businesses will see changes of innovation policy

Wages will grow faster due to the increased productivity

Due to innovation, GDP will grow faster by a fifth compared to the situation in the absence of reform

More favourable investment environment and the rise in innovation ratings will allow competing on a global scale for innovative foreign investment creating well-paid jobs

Innovation-based industries will form the foundation of the country’s economy

Overall benefit

- Business innovation investment will increase; more than half of the country’s businesses will see changes of innovation policy
- Wages will grow faster due to the increased productivity
- Due to innovation, GDP will grow faster by a fifth compared to the situation in the absence of reform
- More favourable investment environment and the rise in innovation ratings will allow competing on a global scale for innovative foreign investment creating well-paid jobs

2018

Continuous grant scheme for businesses to perform R&D studies (Innogrants) created

A call for proposals for joint science-business projects under measure Intellect 2 launched

2019

A one-stop-shop for the State R&D orders created and implemented

A strategy for post-investment service provision to residents drafted and a supervision management mechanism by type of consumer groups created

A measure to finance creation of technology centres infrastructure drafted and published

A call for proposals for ESF funding instrument Digital Innovation Centres published

2020

Procedure for reinvestment of public funds in technology and innovation established in a draft law on Innovation Promotion Fund (IPF)

New consulting services in technology transfer and participation in international innovation programmes created and launched

Marketing and PR actions aimed at consulting highly qualified experts living abroad and attracting them to innovating businesses in Lithuania launched

A model of a single agency implementing the technology and innovation policy chosen

Taking into account results of the previous calls for proposals, the pre-commercial and innovative public procurement system reviewed and improved

2021

Laws on innovation change adopted

Completed research on innovative industries and additional target markets to attract innovative foreign investment

Five campaigns of contacting potential foreign investors and holding initial consultations completed

Share of businesses engaged in innovation activities will grow from 46.5 % to 53 % of all businesses

The share of innovative foreign investment will grow 5 %

By 2022, school education content will be revised to meet the requirements for the 21st century skills

By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50 % of the average salary

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The major impact of these reforms on the GDP is awaited around 2025-2027; about 26 000 jobs will be created and safeguarded

By 2021, seven regional STEAM centres will be up and running

By 2025, healthy life expectancy will increase by 10 months

60 % of children have participated in non-formal education in each municipality
Currently, shadow economy in Lithuania is one-third higher than the EU average. The scale of the shadow economy impedes improvement of public services and restricts financing of structural reforms. People working in the shadow economy lose social security and financial guarantees, while consumers are deprived of quality guarantees.

**Goal**
To create premises and conditions for reducing the scale of the shadow economy, to ensure fair competition, additional financing of public functions, provision of quality public services and individual social guarantees.

**Benefit of the reform**
Additional budget revenues from shadow economy: EUR 221 million in 2019

**Table: Directions of the reform**

<table>
<thead>
<tr>
<th>Reform Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>An opportunity to pay the ‘forgotten’ outstanding taxes without late payment interest and penalties (6 month period) created</td>
</tr>
<tr>
<td>Incentives to tackle income hiding: extension of benefit payments to 12 months after entry into employment</td>
<td></td>
</tr>
<tr>
<td>Wider application of VAT reverse charge (for oil and electronic goods) after receiving authorisation from the European Commission</td>
<td></td>
</tr>
<tr>
<td>Simplification of tax calculation and payment: introduction of accounting service and online cash register – administrative burdens on businesses reduced</td>
<td></td>
</tr>
<tr>
<td>Guaranteed traceability of declared vehicle owners</td>
<td></td>
</tr>
<tr>
<td>Improved control of undeclared work across building industry</td>
<td></td>
</tr>
<tr>
<td>Selection of a model for advanced analysis of data for reducing the shadow economy at national level</td>
<td></td>
</tr>
</tbody>
</table>

By 2022, school education content will be revised to meet the requirements for the 21st century skills

By 2025, healthy life expectancy will increase by 10 months

By 2021, seven regional STEAM centres will be up and running

By 2021, there will be a 10-15 % increase in investment in science, technology and innovation

60 % of children have participated in non-formal education in each municipality
Overall benefit

- Taxpayers provided with the opportunity to 'legalize' or move out of informality and start paying taxes without fear of sanctions.
- Quality public sector services will significantly reduce the cost of tax payments as revenue is automatically recorded in STI databases while allowing for a more effective tax control.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2018</td>
<td>PROCESS: An amendment to the Law on Tax Administration drafted, adopted and implemented to provide for a temporary exemption from sanctions ('amnesty'). It has led to the collection of extra EUR 41.7 million (from 1/1/2019 to 1/7/2019).</td>
</tr>
<tr>
<td>June 2018</td>
<td>PROCESS: Process to recover part of the income tax paid on the purchase of shadow-sensitive services developed.</td>
</tr>
<tr>
<td>July 2018</td>
<td>PROCESS: A resolution of the Government of the Republic of Lithuania on amendments to the cash register operating rules drafted and adopted to provide for the possibility of recording retail sales on the VMI server.</td>
</tr>
<tr>
<td>October 2018</td>
<td>PROCESS: Enactment of an Institute of Minimum Reliability Criteria for Taxpayers; failure to comply with it entails negative consequences in tax and other areas of law.</td>
</tr>
<tr>
<td>November 2018</td>
<td>PROCESS: The option to exempt part of the income from commercial activities of non-profit entities removed.</td>
</tr>
<tr>
<td>December 2018</td>
<td>PROCESS: Enactment of proportional liability for violations of tax laws and a transparent mechanism for imposing fines.</td>
</tr>
<tr>
<td>December 2018</td>
<td>PROCESS: December 2018, the State Tax Inspectorate and the Association of Lithuanian Banks (LBA) signed a memorandum on cooperation in the exchange of data that would help the banks to have a more objective picture of customer credibility.</td>
</tr>
<tr>
<td>January 2019</td>
<td>PROCESS: An electronic simplified accounting service for small business developed and implemented in the iMAS system of the STI. It is set to reduce the administrative burden on taxpayers and ensure more effective control of small business income accounting and tax compliance.</td>
</tr>
<tr>
<td>April 2019</td>
<td>PROCESS: In April 2019, following the EC approval, a reverse VAT was introduced for electronic goods (hard disks, mobile phones, tablets and laptops).</td>
</tr>
<tr>
<td>November 2019</td>
<td>PROCESS: Activities most prone to the 'shadow' removed from the list of business licenses.</td>
</tr>
<tr>
<td>December 2019</td>
<td>PROCESS: Additional budget revenues from shadow economy: EUR 221 million.</td>
</tr>
<tr>
<td>February 2020</td>
<td>PROCESS: A vehicle owners accounting system to be put in place.</td>
</tr>
<tr>
<td>July 2020</td>
<td>PROCESS: By January 2021: A vehicle owners accounting system to be put in place.</td>
</tr>
<tr>
<td>July 2021</td>
<td>BENEFIT: New and running STEAM centres will be up by 2021, seven regional STEAM centres will be up by 2021, and the VMI server will be put in place. For the 21st century skills, the LEISA will be reformed to meet the requirements.</td>
</tr>
<tr>
<td>December 2021</td>
<td>PROCESS: Data analytical resources will be used nationally rather than sporadically. The future centre will provide advanced data analysis, management, setting/modifying the direction for data analysis and modelling.</td>
</tr>
</tbody>
</table>
• Life-cycle funds strategy embedded: age-based investment in retirement funds allows for higher returns when the accumulator is young and protects the fund as the accumulator approaches retirement age.
• Inclusion in the pension accumulation system enables the population to make an informed decision whether to save or not.
• Contribution changes: contributions to 2nd-tier pension funds are made up of two components: the personal contribution and the state incentive. This means that pensioners’ savings will be higher, both for accumulation and non-reductions in old-age pensions.
• Cheaper accumulation in 2nd-tier: reduction of pension fund management fees. Management fees of the target group pension fund fell to 0.65 % in 2020, to 0.5 % in 2021.
• A possibility to take accumulation "leave": it is possible to suspend accumulation for 12 months during the accumulation period. Relevant in case of unexpected situations.
• As of 1 July 2020, Sodra becomes a centralized pension annuity payer.

Results of the pension accumulation reform

The ratio of average pension to average salary is 50 % in 2060. Reduction of income inequality for the elderly

Overall benefit of the reform

Consistent increase in social security pensions

Reform of the 2nd-tier pension accumulation system

6 structural reforms
The growth of retirement and disability pensions: aprx. 7.63 % in 2019, aprx. 9 % in 2020

- Average retirement pension: EUR 345 in 2019, EUR 377 in 2020

- Average retirement pension with the obligatory length of service: EUR 365 in 2019, EUR 399 in 2020

- Average premium to the lowest pension beneficiaries: approx. EUR 40, depending on the length of payment of social security contributions and the amount of retirement pensions received

- The minimum pension with a premium for an individual having worked the obligatory length of service: EUR 257

- EUR 283.9 million were allocated additionally to increase retirement and disability pensions in 2020

- For the first time, Sodra pension reserve is being accumulated: EUR 195 million have been transferred therein for the year 2018, and EUR 319 in 2018

How much will retirement pensions increase in 2020?

<table>
<thead>
<tr>
<th>Year</th>
<th>Planned</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>255</td>
<td>277</td>
<td>319</td>
<td>345</td>
<td>377</td>
</tr>
</tbody>
</table>

In total, EUR 283.9 million have been allocated additionally to increase retirement and disability pensions in 2020.
Pension accumulation system reform: for future pensioners

- The number of pension fund participants was 1.346 million in 2019, and 1.318 million in 2018

- The number of individuals who have suspended accumulation in the 2nd-tier for an indefinite duration: 19,800 in December 2018, 197,300 in December 2019

  These people continue to be participants in the accumulation, with no new contributions being paid for them

- Citizens accumulate pensions in the 2nd-tier system in 2 ways:
  - Higher tariff: 755,500 citizens
  - Transitional tariff: 591,200 citizens

- 43,500 citizens were included into the 2nd-tier pension accumulation system with a right to opt-out in 2020

  (those who will not opt out will start accumulation as of July)

- Results:
  - More people are saving for the future from their own money: they will get bigger pensions
  - An additional incentive for everyone accumulating from the state budget
  - Introduction of life-cycle funds helps investing more efficiently
  - It has become cheaper to accumulate: management fees have decreased
Higher retirement pensions are started to be paid to pensioners: an average increase of EUR 23 per month.

January 2019

Income for the lowest pension beneficiaries increases on average by EUR 20 per month.

BENEFIT TO PEOPLE
January 2019

Higher retirement pensions are started to be paid to pensioners: an average increase of EUR 33 per month.

January 2020

Higher retirement pensions are started to be paid to pensioners: an average increase of EUR 33 per month.

June 2020

PROBLEM
- In the absence of reform, the average retirement income replacement rate would drop one-fifth in the long term, and decent old age would not be ensured.
- In 2017, the average retirement income replacement rate was 42%.
- In the absence of reform, the average retirement income replacement rate would drop one-third in 2040-2070.

BENEFIT OF THE REFORM
- The average retirement income replacement rate will increase by one-fifth: 42% in 2040, 50% in 2060
- New labour market participants will obtain highest benefits
- Reform will ensure decent old age

Other benefits yet to come as a result of the 6 reforms:
- By 2022, school education content will be revised to meet the requirements for the 21st century skills
- By 2025, healthy life expectancy will increase by 10 months
- By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50% of the average salary
- By 2022, the model of long-term care services will be launched, which will bring down the burden of care on patients’ family. About 25 000 of those caring for the sick will be able to return to the labour market for more working hours
- The major impact of these reforms on the GDP is awaited around 2025-2027; about 26 000 jobs will be created and safeguarded
- By 2021, there will be a 10-15% increase in investment in science, technology and innovation
- By 2021, seven regional STEAM centres will be up and running
- 60% of children have participated in non-formal education in each municipality

1. The measures from the structural reform package are in line with the recommendations provided for Lithuania by international institutions (EC, OECD, and IMF). 14 of 18 recommendations for Lithuania have been fully or at least partially implemented through the reform package.

2. The highest relative impact of reforms on GDP will be achieved in about 2025-2027, when the reforms will deliver 2% higher GDP, which is EUR 1.2 billion higher GDP compared to the scenario without the implementation of the reforms.

3. The ongoing reforms will create and preserve by 2025 almost 26 thousand jobs, which will translate in 1.6% lower unemployment.

4. Despite the fact that the implementation of the structural reforms requires significant investment, the projections show that Government spending will increase by EUR 300 million (3%) by 2030 as a result of the ongoing reforms. The shadow reduction and health and education reforms have the largest positive impact on Government consumption.

5. Tax reform (through household income stimuli) and health and education reforms (through the number of the working population and increased income) have the largest positive impact on private consumption.

6. The long-term effects of the education, pensions, and innovation reforms have not been assessed to full extent, and therefore it is likely that:
   - the overall improvement in the quality of general education will generate additional 2.8% to Lithuania’s GDP in the long run;
   - the pension reform will have a high impact on the GDP and its components in 25 years, as the money accumulated in pension funds will return to Lithuania, which will increase the income of pensioners and thereby have a positive effect on the GDP;
   - Improvement of the innovation policy-making and the financial incentives, the number of patents registered by Lithuanian companies will increase, thereby contributing to higher GDP.

7. The implementation of structural reforms will lead to more efficient investment of EU funds.
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   - Improvement of the innovation policy — making and the financial incentives, the number of patents registered by Lithuanian companies will increase, thereby contributing to higher GDP.

9. Due to ongoing reforms until 2025 will be newly created and saved almost 26 thousand work places.

10. Other benefits yet to come as a result of the 6 reforms:
   - By 2022, school education content will be revised to meet the requirements for the 21st century skills;
   - By 2060, there will be higher pensions for all workers. The biggest benefit will await the new labour market participants: the average pension will reach 50% of the average salary;
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   - By 2021, there will be a 10-15% increase in investment in science, technology and innovation;
   - 60% of children have participated in non-formal education in each municipality.
EMERGING CHALLENGES

1. Lack of active leadership in planning and implementing reforms
2. Insufficient coordination of strategic changes at Government level
3. Long preparation for systemic changes
4. Insufficient change management skills
5. Lack of effective interinstitutional cooperation

Creating a strategic change management system will enable:
- Active leadership
- Effective implementation of structural reforms

How did we start?

1st step Understanding priorities
2nd step Creating a management and supervision system

Emerging challenges:

Outcome

- Ineffective change management

Solution

- Creating a strategic change management system will enable:
  - Active leadership
  - Effective implementation of structural reforms

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Ineffective change management

Inufficient coordination of strategic changes at Government level

Insufficient change management skills

Long preparation for systemic changes

Lack of effective interinstitutional cooperation

Creating a strategic change management system will enable:

Active leadership
Effective implementation of structural reforms

How did we start?

1st step
Understanding priorities

2nd step
Creating a management and supervision system

3rd step
Establish a project monitoring and control system

1. FORMING PROJECTS PORTFOLIO

2. FORMING PROJECT STEERING COMMITTEE

3. ESTABLISHING PROJECT MANAGEMENT OFFICE

SYSTEM - INTEGRATION WITH STRATEGIC PLANNING

GOVERNMENT PROGRAMME IMPLEMENTATION PLAN
In total - 795 actions
(2017-2020 period)

STRATEGIC PROJECTS PORTFOLIO
In total - 50 Priorities (projects)
(2017-2020 period)

Government Priorities

Portfolio

Program

Project

Procedural activities

In total - 795 actions

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System / uniF6BA INTEGRATION WITH STRATEGIC PLANNING

Vision, mission

Long term strategy

Strategic planning

Planning and managing of activity

Planning and managing project portfolio

Daily operation management

Program and project management (handling change requests)

Institution resources

Project management method applied to implement changes

In total - 50 Priorities (projects)
(2017-2020 period)