

## LITHUANIA'S POSITION ON THE EU 2020 STRATEGY

The key focus of the EU 2020 Strategy is an improvement of delivery of structural reforms with due response to the short-term effects of the crisis and the aim to adjust to the long-term challenges (such as climate change, globalization, aging society). Therefore, Lithuania considers that the EU 2020 Strategy should maintain and further develop two horizontal priorities of sustainable economic growth and job creation with stronger integration of social and climate change aspects and adequate financing from the EU and the national budgets.

The existing situation demonstrates that macroeconomic stability is an important long-term priority and a prerequisite for successful implementation of the structural reforms under the EU 2020 Strategy and full participation in the Economic and Monetary Union. Therefore, compatibility of structural reforms and the EU2020 objectives with the fiscal exit strategies is important in the mid-term as well as sustainability and quality of the public finances in the long-term.

Lithuania welcomes the intentions of the Commission to prioritize along the three main areas identified in the document. Nevertheless, Lithuania has some proposals concerning both the priorities and the instruments of their implementation:

**1) Creating value by basing growth on knowledge.** The most relevant areas to Lithuania are: 1. R&D and innovation. 2. Education. 3. Promotion of research and business cooperation.

Lithuania considers that the European Research Area needs to be developed by reducing the gap between well and less performed EU Member States in the field of R&D, stimulating the participation of less performed Member States in joint projects, promoting cooperation and exchange programs, and creating conditions for the development of creativity, as well as encouraging the mobility of scientists, especially the young generation. Incentive mechanism enabling higher involvement of the less performed Member States to the joint programmes and the activities of the European Technology Institute is required. Lithuania notes that higher efficiency needs to be pursued in the area of technological and non-technological innovation. It is necessary to develop future infrastructure, better exploit the potential of the digital economy, create new jobs generating high value added and increase access of the products of firms to new markets (especially those which promote competition-based growth and innovations).

It is also important to strengthen the industrial base in the EU through creation of conditions, which enhance productivity and innovation, including the traditional industry. It is necessary not only to employ the education and research potential in a well-balanced and expedient manner but also to further improve the entire education and guidance system by offering possibilities to reduce poverty, inequality and the number of early leavers from education and training; to allow all the citizens to enjoy the possibilities of using internet and digital economy in the future. Promotion of establishment and development of small innovative start-ups by providing them with administrative and technical assistance would strongly support economic growth and job creation.

Lithuania notes that in order to enhance the EU potential in the competitive sectors of the economy special attention should be given to the business – research cooperation networks (such as clusters). Public expenditure should be shaped so that we could achieve the EU 2020 Strategy vision without cutting the cost on education and research.

**2) Empowering people in inclusive societies.** The most relevant areas to Lithuania are: 1. Flexicurity of the labour market 2. Balance between the supply and demand of the labour force of required qualification. 3. Modernization of the social protection system.

Creation of new jobs to prevent further structural unemployment is a priority. Lithuania proposes to place more focus on the wide-ranging investments to people, especially children and the young. In addressing the problems of the youth and aiming to create a better future for the young generation the EU Youth Strategy should be followed.

Rapid technological changes are quickly reflected in the labour markets. Therefore, permanent development of qualifications and skills is important especially those highly demanded by the labour market. It is necessary to

find a way of how to strengthen the flexibility of the labour markets both in terms of work organization and labour relations. We emphasize that the services of the lifelong guidance rendered in the education and labour market systems become a vital factor to ensure smooth moving from school to the working environment and the intermediate job and profession change process as well as helps avoid long-term unemployment and loss of the human capital.

In Lithuania's view, qualification and skill improvement as well as modernization of the education system need to be carried out with due consideration of the market needs and contribute to introduction of new technologies and innovations.

In order to reduce aftereffects of the economic recession and increase social cohesion it is necessary to rapidly address the issue of unemployment, increase social inclusion and the possibilities to work on self-dependent basis as well as ensure well-functioning of the labour markets. Special focus should be placed on the youth and the people most affected by the recent crises. It is necessary to support moving of the labour force from one working place to another and improve the conformity of capacities to the needs of the labour market; work search process and income support coordination should also be improved.

Lithuania supports the Commission's opinion on the long-term social problems. It is necessary to modernize the social protection and pension systems aiming at financial sustainability, resilience to the crisis, availability and adequacy of these systems. It is also necessary to duly consider demographic changes in the Member States; the EU should seek to ensure favourable environment to the family and the children that could enable to combine the family and work commitments in a more flexible manner, mitigate the effects caused by society aging, encourage solidarity between generations and help raise the responsibility borne by undertakings. Strengthening of healthcare and social services is also important. More focus should be placed on improving access to vocational training of adults, thus aiming to increase the employment of the working age population and reduce the level of unemployment, i.e., promote the non-formal vocational training of adults.

**3) Creating a competitive, connected and greener economy.** The most relevant areas to Lithuania are: 1. Infrastructure, with special focus on the development of energy grids and market formation. 2. Improvement of business environment. 3. More efficient use of energy and other resources to enhance productivity.

Lithuania considers that transformation to eco-economy should take a sustainable shift. Therefore, it is necessary to understand the way business sees this type of transformation and, first and foremost, create proper motivation mechanisms to stimulate business activities from the inside. We consider that the EU should adequately assess the burden falling on business due to the measures related to climate change and take measures to systematically reduce the eco-business costs and increase the demand eco-products and services.

It is especially important to provide measures designed to address energy problems in the EU 2020 Strategy. Lithuania considers that energy policy must be an important part of the EU 2020 Strategy since secure and efficient supply of energy resources is the basis of every competitive economy in every country, which also helps to reduce the costs of shift to the eco-efficient economy. The development of the energy grids infrastructure and the creation of the single EU energy market should be among the key priorities under the new Strategy. EU internal market remains among the most important factors of the EU economic growth it is important to ensure the interconnection of isolated in energy terms states and regions (energy islands) into the EU energy market since this is the only way that will lead to a well-balanced EU energy and economy development. It is necessary to create single EU energy market based on fair competition between the suppliers and technologies as well as shape solid coordinated energy policy with regard to the third countries. It is also important to promote the development of renewable energy resources and enhance energy efficiency through shift to low-carbon economy. Efficient use of power and other resources, increase of productivity, introduction of greener technologies as well as development and modernization of energy infrastructure will be among the key factors of competitive economy.

It is important to continue the development of the EU transport infrastructure (TEN-T review) aiming at is balance as well as to undertake the outer interconnection of the TEN-T networks with the neighboring countries with the help of the horizontal instruments, such as the EU Baltic Sea Strategy, the Northern Dimension Partnership on Transport and Logistics, ASEM Transport Ministers' meetings.

We welcome the goal to ensure 100% broadband internet inclusion as an important factor in terms of economy growth and reduction of social exclusion. Successful e-Government development is equally important.

The development of business-friendly environment and better regulation policy, including reduction of administrative burden, may and must contribute to promotion of competitiveness also beyond 2010. In this context, it is necessary to further pursue the EU objective concerning the reductions of administrative burden on business by 25% by 2012. Support to small and medium-size business start-up, growth potential and encouragement of activities at the international level could be instrumental in improvement of business environment.

**Implementation instruments of the EU 2020 Strategy.** Lithuania supports the main instruments of implementation identified by the Commission and proposes to additionally emphasize the role of the single EU currency in the Strategy implementation. Successful implementation of the EU 2020 Strategy needs further expansion of the Eurozone. Moreover, given the external dimension as well as consistent employment of the international forums for the Strategy purposes, it is necessary to emphasize the importance of both international trade and investments.

Lithuania considers that it is vital to ensure fluent functioning of the EU internal market and continue further removing physical and administrative obstacles that prevent free movement of goods, services, labour force and capital. Reduction of fragmentation and infrastructure-based isolation of the EU internal market shall remain a significant objective under the EU 2020 Strategy capable of strengthening the EU industrial base and empowering further enhancement of competitiveness in the service sector. Further liberalization of services internal market through employment of the entire potential of this sector for economic growth constitutes one of the key objectives in this field.

External dimension of competitiveness should be another important focus in the EU 2020 Strategy. External openness and external trade which supports improvement and innovation as well as fair competition should be among the key sources for economic growth and welfare. It is necessary to ensure openness in the world markets and avoid protectionism. We consider the European standards (such as product safety, environmental, etc.) have good potential to be adopted world-wide.

**Governance.** In the process of drafting the EU 2020 Strategy it is necessary to identify the reasons that have prevented pursue of the Lisbon Strategy objectives as well as take due consideration of the lessons learnt from the economic crisis. Such analysis would play an important role in drafting the EU 2020 Strategy by setting realistic goals and objectives and justifying relevance of the established priorities. We would welcome the European Commission to present such analysis in due time.

The EU 2020 Strategy implementation should focus on the reduction of bureaucratic and strengthening of political aspect. The Council of the European Union along with the Governments of the Member States must play the key role in the implementation process. We support more detailed recommendations to be delivered to the Member States by the European Commission on how to address specific problems in the Member States. We propose to involve independent professionals and scientists in this process. It is necessary to simplify reporting procedures of the Member States by restricting the scope of reports with focus on the progress achieved in implementing fundamental reforms.

In the aftermath of the crisis and given the existing economic situation, we propose to set ambitious, yet realistic quantitative indicators for the results to be pursued and interim objectives that could be specified later. We welcome the idea to allow every Member State to flexibly set individual national objectives for a five-year period as well as individual national goals under each objective of the Strategy. To Lithuania's standpoint, the system of monitoring indicators to review the implementation of the EU 2020 Strategy based on pursuing the jointly agreed objectives under the EU 2020 Strategy is also necessary. Accordingly, it is necessary to ensure that monitoring indicators and the objectives set for the EU and national sectors which contribute to successful EU 2020 Strategy implementation be compatible with the EU 2020 Strategy. We consider that the existing analytical instruments for the implementation of the Lisbon Strategy serve a good basis for the development of this system.

We consider that the EU 2020 Strategy should contain broad EU-level objectives, however, areas that are specifically relevant to individual Member States should be focused on in the review process. In the assessment of progress by the Member States we support the best practice exercise. It is also necessary to strengthen the application of the open method of coordination.

Along with discussions on the EU 2020 Strategy objectives the Strategy implementation measures should also be discussed at the national and regional levels. Stronger interaction of the economic, employment and social as well

as other sectoral policies should contribute to the value added and successful implementation of the EU 2020 Strategy.

We propose to link the cycles of EU 2020 and financial perspective and EU structural support. We believe that the EU cohesion policy may strongly contribute to the pursue of the EU 2020 Strategy objectives, just like in the case of the Lisbon Strategy implementation, yet it should not be the single EU 2020 Strategy implementation instrument, and the objectives of the EU 2020 Strategy should neither replace nor shade the EU cohesion policy objective set under the EU treaties to reduce the development gaps between the regions of the EU.

In the EU 2020 Strategy, it is necessary to strengthen the instruments of communication between the Member States and the Commission. Analysis of strong and weak points of every Member State as well as public ranking by progress together with the best practice examples could help ensure rapid pace of reforms and visibility at both EU and the national levels.

Incorporation of social and economic partners into the process of the Strategy implementation could considerably raise awareness about the Strategy in the society. The lack of discussion both at the public and the media level appear to be one of the most obvious shortcomings of the previous Lisbon Strategy. We propose to place more focus on timely dialogue and updating of the society on implementation of the structural reforms instead of just concentrating on publicity of the new Strategy. Structural reforms quite frequently cause certain difficulties in the short-term, therefore, it is especially relevant in their implementation that the society clearly understands the benefits they will bring in the long-term perspective.