

Chapter 2

Regulatory reform and policies in Lithuania

This chapter identifies the drivers of regulatory policy and assesses the communication with stakeholders on strategy and policies. It also looks at the policies, processes and institutions for evaluating the efficiency and effectiveness of programmes and policies aimed at improving the regulatory environment. It reviews the role of e-government in support of regulatory policy and governance.

Drivers of the agenda for Better Regulation in Lithuania

In 2008 the Lithuanian government adopted a Programme for Better Regulation as a government resolution. This was a major step following a government resolution of 2003, which had introduced the requirement to make *ex ante* impact analysis when preparing new legislation. For the first time the 2008 programme defined main principles and objectives for Better Regulation. It set three core areas for action: to strengthen capacities for Better Regulation in the administration, to improve the quality of the law-making process through the effective development of *ex ante* impact analysis and enhanced external consultation with stakeholders, and to reduce administrative burdens on businesses and citizens, as well as other regulatory costs. These general orientations have given way to different initiatives, which have not been strongly interrelated.

An important driver for the adoption of measures for Better Regulation in Lithuania has been the implementation of EU agenda for Better Regulation in Lithuania. This has in particular influenced the development of initiatives for the reduction of administrative burdens. Better Regulation has also been promoted to enhance the business environment of Lithuania, as seen in frequent references to international benchmarks. The programme of the government for the years 2012-16 identified the reduction of administrative burdens for businesses, the simplification of licensing requirements and inspection as priority measures for improving the business environment. Similar measures as well as a measure for gold-plating identification were established in the government priorities for 2014.¹ While administrative simplification is considered as a way to improve the regulatory environment for business, there is little discussion on how better regulation can promote growth and competitiveness of the economy.

Reforms to improve the law-making process have been made partly as a concern for legal quality, but the discussion on these issues tends to broaden. The review found a largely shared perception that an overproduction of laws limits the capacity to produce high quality legislation (see Chapter 5 on the development of new regulation). The review also found a large awareness that the production of high quality legislation requires stronger outreach to external stakeholders and the public at large. This view is reflected in Lithuania's Progress Strategy "Lithuania 2030", which states that the rapidly changing environment and growing need for self-governance call for an adjusted model of governance, including increased openness and collaboration with citizens. Many voices, within and outside the administration, call for increased efforts to improve public consultation when making new legislation.

Key measures for Better Regulation in Lithuania

In 2012 two major new laws were adopted in the area of better regulation. The first one was the Law on the Basics of Legislation of 18 September 2012, and the second one was the Law on Administrative Burden Reduction of 8 November 2012. The government has also adopted several important government resolutions in connection with better regulation (Box 2.1). While the government has continued the initiatives launched following the 2008 Better Regulation Programme, it has not taken a global approach to

better regulation policy. Measures have been largely taken independently from each other.

Box 2.1. Main Better Regulation measures in Lithuania

- 26 February 2003: Government Resolution No. 276, introducing the requirement to make an impact assessment when preparing new legislation.
- 4 March 2009: Government Resolution No. 161 “Regarding Setting of the Target for National Administrative Burden for Businesses Reduction and Priority Areas for National Administrative Burden for Businesses Reduction”.
- 23 February 2011: Government Resolution No. 213 “Regarding Adoption of Methodology for Identifying and Evaluating Administrative Burden for Citizens and Other Persons”.
- 11 January 2012: Government Resolution No. 4 “Regarding Adoption of Methodology for Identifying Administrative Burden for Businesses”.
- 18 September 2012: Law on the Basics of Legislation (XI-2220), which set out the main principles of legislation, stages of a legislative process, as well as rights and obligations of state and municipality institutions and entities, and other persons, that take part in the legislative process.
- 8 November 2012: Lithuanian Republic Law on Administrative Burden Reduction (XI-2386) (with some amendments introduced in January 2014), which defines the concept of administrative burden, as well as principles and measures of reduction of these burdens, foresees compulsory burden reduction at the municipal level, as well as the creation of the Better Regulation Supervisory Commission.
- 17 April 2013: Government Resolution No. 337 “Regarding Adoption of the Rules of Procedure of the Government of the Republic of Lithuania”, by which Government’s Rules of Procedure were recast, that sets out the main principles of drafting government legal acts and carrying out their legal, impact assessment and other content and quality control before sending them for the government’s adoption.
- 23 October 2013: Government Resolution No. 964 “Regarding Amendment of 18 July 2012 Government Resolution No. 937 “Regarding Adoption of Description of Licensing Basics”, which established main principles for evaluating justification of a need for licensing any economic activity, preparing draft laws that regulate licensing of specific economic activities and draft licensing rules, models of issuing licences, as well as terms and criteria for evaluating legal regulation efficiency.

Following the 2008 Programme for Better Regulation, the first major area of action was the improvement of the framework for preparing new legislation. The 2012 Law on the Basics of Legislation set out the main principles of legislation and stages of a legislative process. An important amendment to the Law on the Basics of Legislation came into force on 1 January 2014, replacing the Official Gazette for the official publication of legal acts with the electronic Legal Act Register. Additional measures were taken to improve the methodology for conducting impact assessment and ensure its implementation. The government chose to introduce a proportionate *ex ante* impact assessment process and introduced a List of Priority Initiatives that should be submitted to a more in-depth impact assessment. Regarding the preparation of secondary legislation, the procedures for drafting government resolutions were recast by a 2013 Government

Resolution, which enhanced quality control requirements, including by strengthening the requirement to make *ex ante* impact assessment (see Chapter 5 on the development of new regulation).

The second major area of action for Better Regulation has been the simplification of administrative burdens. While the government has launched initiatives for reducing burdens on citizens, efforts have mainly addressed businesses, with a target of 30% reduction in seven priority areas set by law in 2009. In 2013 a new law came into force, which further elaborated principles for the reduction of administrative burdens, created a consultative commission (the Better Regulation Supervisory Commission), and extended the scope of the administrative burden reduction programme to local governments. In July 2014 the government approved the administrative burden reduction plan for 2014-15,² which encompassed 92 measures (see Chapter 6 on the management and rationalisation of existing legislation). It also set a net target of zero growth of administrative burden on all central government bodies.

Specific action has been taken to simplify licensing and permits, and a broad reform has been engaged to improve enforcement.³ In 2012-13, the Ministry of Economy completed the screening of all licences and permits to start a business, and in 2014 it put forth propositions for reforms. Measures regarding enforcement policy have included the development of risk assessment management and the use of key performance indicators to review the operational results of inspection authorities.

Guiding principles

The 2012 Law on the Basics of Legislation set a legally binding obligation on all government bodies to follow general principles regarding the regulatory framework, which had been initially outlined in the 2008 Programme for Better Regulation. The law defines seven principles:

- ***Necessity***, which means that new regulation can be developed and adopted only when the aims cannot be achieved by other means.
- ***Proportionality***, which means that the chosen regulatory measure must contain the lowest possible administrative and other burdens, not to create legal restrictions more than is necessary to achieve the objectives of the regulation.
- ***Respect for individual rights and freedoms***.
- ***Openness and transparency***, which means that the legislation must be public, legislative decisions cannot be taken without public knowledge and opportunities to participate.
- ***Efficiency***, which means that the draft legislation must assess all the possible regulatory alternatives and choose the best of them.
- ***Clarity***, which means that regulation must be concise, comprehensible, accurate, clear and unambiguous.
- ***Consistency***, which means that lower level regulation should not conflict with higher level regulation and secondary regulation necessary for the implementation of law should be adopted to come into force together with the law.

Communication on Better Regulation policy

The government publishes strategic progress reports on its general programme, as part of an institutionalised methodology for strategic planning established in 2012. It has not developed specific efforts to communicate on the objectives and results of initiatives for Better Regulation. The targets regarding the reduction of administrative burden on businesses have been used so far in a limited way to communicate either within the administration or towards parliament and external stakeholders.

E-government and Better Regulation

Measures for the development of Better Regulation have made a large use of ICT. The legislative framework is supported by the Common Legislative Information System, which provides openness and transparency of the legislative process and ensures accessibility of existing legislation. It covers all central government bodies but is not systematically used by municipalities. Some administrative procedures are available on the internet (such as tax reporting), and record a good take—up. The Lithuanian Digital Agenda adopted in 2014 foresees the provision of an increased number of public services online, including solutions to increase the openness of public governance processes. There are also plans to issue some licences and permits online in the future. The government has developed a single governmental portal (www.epaslaugos.lt) and a common back-office platform. However there are still many databases run by different ministries, which do not communicate with each other (see also Chapter 6 on the management and rationalisation of existing legislation).

Ex post evaluation of regulatory policies

There is no policy in place for the systemic evaluation of regulatory policy or particular regulatory quality tools in place in Lithuania. This is, nevertheless, the case in many OECD countries even though some attempts exist, especially in case of evaluating RIA programmes and administrative simplification and burden reduction programmes (Table 2.1).

In general, some indicators of performance related to regulatory policy are mentioned in different strategic documents of the government (*Priority Measure for Implementation of Government of the Republic of Lithuania Programme for the years 2012-16; government priorities for 2014*). Reporting on implementation of these strategic documents is described in the Strategic Planning Methodology.⁴ Every institution implementing/participating in the implementation of government priorities has to submit information about the progress in implementing a particular government priority quarterly to the Government Office, which then prepares a summary report and submits it to the government. The quality of the information reported by the ministries varies. After the approval by the government the report is published on the government website. Annual ministries reports on implementing the government programme are also published on the respective ministries' websites.

Lithuania also closely monitors the World Bank's "Doing Business" indicators. These indicators are used as a benchmark with the aim to improve business conditions in Lithuania. Many reforms in Lithuania are motivated also by improving its ranking in the Doing Business chart. Using indicators developed by international organisations might be helpful in identifying priority areas for reform. On the other hand, some reforms might

help a country to climb the chart, however, the real-life effects for citizens and businesses in the country are hardly visible (one example could be shortening the time needed to register a business from several hours to fifteen minutes). It is therefore always necessary to set ambitious goals indicating the desired outcomes for the society and evaluate the performance of reforms against these goals.

Table 2.1. Countries publishing performance reports by policy tool/programme

	Reports published online on the performance of the following regulatory management tools and programmes (i.e. how they function in practice):			
	Regulatory Impact Analysis on draft regulations	Consultation practices on draft regulations	<i>Ex post</i> analysis of existing regulations	Administrative simplification and burden reduction programmes
Australia	●	○	●	○
Austria	●	○	○	●
Belgium	●	○	○	●
Canada	○	○	○	○
Chile	○ ¹	○	○	○
Czech Republic	●	●	○	●
Denmark	○	○	○	●
Estonia	●	○	○	○
EU	●	●	●	●
Finland	●	○	○	●
France	●	○	○	●
Germany	●	○	●	●
Greece	○	○	○	○
Hungary	○	○	○	○
Iceland	○	○	○	●
Ireland	●	○	○	○
Israel	○	○	○	○
Italy	●	○	○	●
Japan	●	●	○	○
Korea	○	○	○	○
Luxembourg	○	○	○	○
Mexico	●	●	○	●
Netherlands	○	●	○	●
New Zealand	●	○	○	●
Norway	●	○	○	○
Poland	○	○	○	●
Portugal	○	○	○	●
Slovak Republic	●	○	○	○
Slovenia	●	●	○	●
Spain	○	○	○	○
Sweden	●	○	○	●
Switzerland	●	●	○	●
Turkey	○	●	○	●
United Kingdom	●	○	●	●
United States	○	○	○	●
OECD34+EU	20	8	4	21

● Yes ○ No.

1. Although Chile does not have a performance report on their RIA system, the status of RIAs can be tracked on www.e-seia.cl/busqueda/buscarProyectoAction.php?modo=ficha&nombre=§or=®iones=14&presentacion=EIA&buscar=true&popup=1.

Source: OECD (2014), *OECD Framework for Regulatory Policy Evaluation*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264214453-en>.

Reporting on administrative burden reduction

The results of the administrative burden reduction project are monitored and evaluated in quantitative means following requirements set in the Government Resolution “*Regarding Adoption of Methodology for Identifying Administrative Burden for Businesses*”. Recent amendments to this Resolution set an obligation not to increase the overall administrative burdens to businesses which is applied individually for every governmental institution – a level of administrative burden caused by each institution’s regulation for each calendar year has to remain unchanged or to decrease. The Ministry of Economy was made responsible for the supervision of the change in overall level of administrative burden on businesses. The data necessary for monitoring comes from the administrative burden evaluation reports submitted by individual ministries to the Ministry of Economy (see also Chapter 6 on the management and rationalisation of existing regulation).

Plans on evaluating RIA

Regular discussions between the Government Office, the Ministry of Economy, the Ministry of Finance and the Ministry of Interior help identify challenges, constraints and achievements in the area of impact assessment and identify areas where improvements are needed. The Government Office is conducting a review of the impact assessment process in consultation with the other institutions like the Ministry of Economy, the Ministry of Finance and the Ministry of Interior, in order to take stock of the use of impact assessment. Results are expected to be presented to the government in the course of 2015.

Notes

1. Government Resolution No. 931, adopted on 9 October 2013, <https://www.e-tar.lt/portal/lt/legalact/tar.0f673b2d9bed>.
2. <https://www.e-tar.lt/portal/lt/legalAct/af2bf32005da11e4b836947d492f2f50>.
3. 18 July 2012 Government Resolution No. 937, “Regarding Adoption of Description of Licensing Basics”, amended by 23 October 2013 Government Resolution No. 964, <https://www.e-tar.lt/portal/lt/legalact/tar.62b1abb28b06>.
4. Government Resolution No. 827 from 6 June 2002.

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