Chapter 6

The management and rationalisation of existing regulations in Lithuania

This chapter examines regulatory policies focused on the management of the "stock" of regulations, including initiatives to simplify the existing stock of regulations, and initiatives to reduce burdens which administrative requirements impose on businesses, citizens and the administration itself.

Reducing administrative burdens

Major part of the efforts of the Lithuanian government focuses, as in many OECD countries, on administrative burden reduction, mainly the ones on businesses. However, there are also projects on reviewing licences, improving enforcement and implementation, and some basic policies for more systematic *ex post* reviews of regulations. E-government plays an important role in administrative simplification, however, there is a need for better co-ordination with the simplification projects.

Reducing administrative burdens on businesses

The Lithuanian government adopted a Better Regulation Programme in 2008. Its main focus was on administrative burden reduction on businesses and prevention, as well as simplification of licences and permits, as it was launched in parallel with a similar programme at the EU level run by the European Commission. In the first phase of the programme, information obligations stemming from national legislation were mapped. The European Council imposed an obligation on EU Member States to set a national quantitative target to reduce administrative burdens on business in 2009. In reaction to this, the Lithuanian government set this target as a 30% reduction by the end of 2011, and identified the following priority areas for administrative burden on business reduction: *i)* tax administration; *ii)* employment relations; *iii)* statistics; *iv)* environmental protection; *v)* transport; *vi)* real estate transactions and *vii)* territorial planning and construction. The target is in fact 5% higher than in most of the EU Member States which usually adopted a 25% reduction target, similarly to the European Commission.

After mapping the information obligations stemming from regulations conducted in 2008-09, the measurement was conducted in 2010-11, with resources from the project "*Assessment of Administrative Burdens, Improvement of the Quality and Efficiency of Legal Regulation and Strengthening of Administrative Capacities in the Context of Better Regulation*" mostly financed through the European Social Fund. As in most EU Member States, a methodology, based on a modification of the internationally recognised Standard Cost Model, was used to measure administrative burdens in monetary terms.

The Ministry of Economy, based on the results of the measurement and in co-operation with other participating ministries, has prepared legislative proposals aiming at reducing administrative burdens in the seven priority areas in 2012. By adopting these measures, the 30% reduction target would have been achieved and administrative burdens for businesses would be reduced significantly in Lithuania. Unfortunately, the proposals have been mostly abandoned by the *Seimas*. This has led to a fact that so far, only 5% reduction of administrative burdens has been achieved.

The biggest issue among the aforementioned simplification proposals seems to be simplification of information obligations stemming from the Labour Code. Since the government decided to adopt a new Labour Code in the meantime, it has been decided not to amend it before a new draft is prepared.

Beside the fact that the *Seimas* did not adopt proposed legislative measures, insufficient horizontal co-ordination inside the government has also contributed to failing to achieve the ambitious burden reduction target. The project was co-ordinated by the Ministry of Economy. This decision was, however, not accompanied by strengthening competences of the Ministry in co-ordinating the project and putting pressure on other ministries to contribute to achieving this goal. Other line ministries did not feel an ownership of the project and were, especially in the beginning, reluctant to provide simplification proposals to the Ministry of Economy. In fact, in the first stages of the projects, when asked to come up with simplification proposals, line ministries suggested only minimal changes that would not lead to any meaningful reductions. Therefore, an external consultancy company had to be hired to come up with more valuable simplification proposals and communicate them with responsible ministries.

At the end, a consensus was achieved and proposals which would lead to meeting the 30% reduction target were developed and submitted to the government. This however started another round of negotiations, during which many proposals were refused or watered down. These rather disappointing results led to a frustration among those civil servants participating in the project as well as among stakeholders who might think that the government is not serious about its promises to reduce administrative burdens.

The programme on reducing administrative burdens has received a new boost from the new government through the adoption of a Law on Administrative Burden Reduction that came into force on 1st of July 2013 (with some amendments in January 2014). This law established a new Better Regulation Supervisory Commission consisting of 19 representatives of state administration (newly, the Association of Local Authorities is also represented) and stakeholders (Lithuanian Confederation of Industrialists, Public Policy and Management Institute, Lithuanian Business Confederation, Lithuanian Lawyers Association, The Council of Small and Medium-sized Business, Association "Investors forum", Lithuanian Free Market Institute, Lithuanian Tourism Association, Lithuanian Business Employer's Confederation, Lithuania Industry, Trade and Crafts Association). The Commission's institutional composition is approved by the Governmental resolution, concrete representatives are appointed by the Prime Minister's resolution. The Commission, established in 2014, is supposed to provide the government with proposals on administrative simplification based on its own ideas and evaluation of proposals received from other parties. The first batch of proposals has been incorporated into the Administrative burden reduction plan for 2014-15.

In theory, this Commission has also a right to evaluate legislative drafts submitted to the government from the point of view of potential administrative burdens. This right has not been used so far.

The new law also sets an obligation to prepare and submit to the government (and subsequently the parliament) the two-year Administrative Burden Reduction Plans. First of these plans for 2014-15 including 92 simplification measures was approved by the government on 22 July 2014.[1] The plan includes concrete measures such as simplification of the licensing regime in the area of gambling and lotteries, simplification of the application for a temporary residence permit when arriving to Lithuania for work related purpose, simplification of the process of declaring insolvency, etc. Each measure includes a specific deadline for implementation as well as a ministry responsible for implementation.

In addition, the law introduces an obligation for municipalities to reduce administrative burdens stemming from local regulation. It is, however, not clear how this obligation should be enforced, though government representatives in the regions are supposed to monitor the implementation of this obligation. Since municipal administrations are independent from the central administration, the government does not have any lever to put pressure on municipalities to comply with this obligation. In December 2014, the Ministry of Economy asked municipalities to submit information about administrative burden reduction in municipalities. The results show that 41 municipality out of 60 have administrative burden reduction plans or include reduction measures into municipality strategic plans. It is, however, not fully clear to what extent municipalities take this obligation seriously.

Administrative burdens are also assessed *ex ante* when developing new legislative drafts. As of July 2014, any change of the level of administrative burdens must be expressed in monetary terms every time the new draft law or resolution changes, eliminates or creates an information obligation for business. A burden evaluation report must accompany the draft as part of RIA and must be submitted to the Ministry of Economy for a review.

The Government Resolution of 22 July 2014 also introduced another very interesting measure. It has set an obligation to each individual ministry or state administration agency with regulatory powers not to increase the overall level of administrative burdens caused by regulation in the ministry's competence in any given calendar year. This, in fact, is a form of a "one-in one-out" approach, a measure that has been recently introduced in several OECD countries (see Box 6.1). Interestingly enough, this measure is not presented by the government as a "one-in one-out" approach but rather as a new reduction target (ministries each calendar year should not increase but are advised to reduce the level of administrative burdens).

Box 6.1. **One-for-One Rule in Canada**

In response to the Red Tape Reduction Commission's *Recommendations Report: Cutting Red Tape...Freeing Business to Grow*, the Canadian government introduced a bill to enshrine the One-for-One Rule into legislation on 29 January 2014 to control the administrative burden on business.

Through the One-for-One Rule, the government is reducing the administrative burden in two ways:

1. When a new or amended regulation increases the administrative burden on business, regulators are required to offset – from their existing regulations – an equal amount of administrative burden cost on business.
2. It requires regulators to remove a regulation each time they introduce a new regulation that imposes new administrative burden on business.
   - Regulators are required to provide offsets within two years of receiving final approval of regulatory changes that impose new administrative burden on business.
   - The value of the administrative burden cost savings or cost increases to business are made public in the Regulatory Impact Analysis Statement when the regulatory change is published in the Canada Gazette.

Canada was the first country to give such a rule the weight of legislation.

Box 6.1. **One-for-One Rule in Canada** (*cont.*)

Guidelines and tools are available to help departments and agencies implement these new requirements. To demonstrate results to business and to Canadians, an Annual Scorecard Report is published on the systemic regulatory reforms the government is putting in place, particularly on the implementation of the One-for-One Rule, the small business lens, and service standards for high volume regulatory authorisations. The Scorecard Report is posted on the Treasury Board of Canada Secretariat's website annually. The Scorecard is reviewed by the Regulatory Advisory Committee and then provided to the Auditor General. The Treasury Board of Canada Secretariat's Regulatory Affairs Sector is leading the implementation of this systemic reform.

Source: www.tbs-sct.gc.ca/rtrap-parfa/ofo-upu-eng.asp (accessed on 26 March 2015).

Implementation of this measure seems to be, however, rather weak. It is not clear how the government plans to enforce such cap on administrative burdens. The amendment to the Methodology for Determining the Administrative Burden of Business of 22 July 2014 stipulates that the Ministry of Economy is "responsible for the supervision of the change in overall level of administrative burden on businesses". It will also annually report to the government, based on evaluations submitted to the ministry by individual ministries/agencies. However, the ministry does not seem to have the necessary teeth to enforce it *vis-à-vis* other ministries. Given that the Ministry of Economy is "only" one of the line ministries, it might be difficult for it to put pressure on other line ministries or agencies not to increase administrative burdens stemming from regulations in their area of competence. It is also not clear what the government will do when a ministry decides to increase administrative burdens without offsetting. The competence for monitoring and enforcement of the cap should be given to an institution closer to the centre of government as it is the case in other countries using a similar approach to limiting the increase of administrative burdens. The government should also demonstrate its determination not to pass any new laws causing an increase of administrative burdens wherever the drafting ministry will not clearly state where and how these burdens would be off-set. A mechanism for an independent control of the quality of the evaluations of administrative burdens submitted by individual ministries should also be created.

Given the past negative experience with horizontal goals for reducing administrative burdens for the administration as such, the cap is now set for each ministry individually. Therefore, it is not possible that an increase of administrative burdens, if deemed necessary, caused by new regulation in the competence of one ministry can be off-set by a reduction of administrative burdens stemming from regulations in the competence of other ministry(ies). Although the reasons for such decision are understandable, this might cause problems in the future whenever there is a need to adopt important laws that might increase administrative burdens. It might be therefore useful to consider setting some situations (government priorities, when the off-set would be enabled.

Furthermore, there seem to be problems in communicating this measure across the administration. In fact, at the time of the review, many ministries interviewed were not aware of this cap and therefore were not able to provide the review team with a description of mechanisms to ensure compliance with it.

In January 2015, the Ministry of Economy presented the government with information on the evaluation of the change in the overall level of administrative burdens on business for 2014. The calculation involves legal acts that were adopted between

22 July 2014 and 31 December 2014. The results show that in 2014, the administrative burdens for businesses were reduced by EUR 1.85 million. Seven institutions reduced administrative burdens in their area of competence, in case of 6 institutions the overall level of administrative burdens did not change, but 4 institutions actually increased the level of administrative burdens. Eighteen institutions had not amended or adopted any legal acts, influencing administrative burdens.

Reducing administrative burdens on citizens

In parallel with reducing administrative burdens on businesses, the Lithuanian Ministry of Interior introduced several initiatives on reducing administrative burdens on citizens. The Methodology for measurement and reduction of administrative burden for citizens was developed based on the Standard Cost Model, providing guidelines for public institutions on how to measure administrative burden on citizens and indicating possibilities of qualitative evaluation of administrative burdens on citizens. The Ministry of the Interior organised trainings and seminars on practical use of the methodology for public institutions.

Ex post *reviews of regulations*

The large stock of regulations and administrative formalities accumulated over time needs regular review and updating to weed out obsolete or inefficient material. Approaches vary from consolidation, codification, recasting, repeal, guillotine rule (nullifying rules that are not centrally registered by a certain deadline, which can be triggered by governments finding out that they are unable to compile a list of regulations in force), ad hoc reviews of the regulations covering specific sectors, and sunsetting mechanisms for the automatic review or cancellation of regulations past a certain date. The concept of simplification can also be extended to the need to modernise existing rules in order to adapt regulatory frameworks to changing societal needs and technological developments. A typology of regulatory reviews is described in Box 6.2.

Box 6.2. **Approaches to regulatory reviews**

The Productivity Commission issued a Research Report that lists a number of good design features for each review approach which help ensure that they work effectively, drawn from Australian and international good practices. The Commission considered the following main approaches:

Stock management approaches (have an ongoing role that can be regarded as 'good housekeeping'):

- *Regulator-based strategies* refer to the way regulators interpret and administer the regulations for which they are responsible – for instance through monitoring performance indicators and complaints, with periodic reviews and consultation to test validity and develop strategies to address any problems. Ideally, the use of such mechanisms is part of a formal continuous improvement programme conducted by the regulator.
- *Stock-flow linkage rules* work on the interface between *ex ante* and *ex post* evaluation. They constrain the flow of new regulation through rules and procedures linking it to the existing stock. Although not widely adopted, examples of this sort are the "regulatory budget" and the "one-in one-out" approaches.

Box 6.2. **Approaches to regulatory reviews** (*cont.*)

- *Red tape reduction targets* require regulators to reduce existing compliance costs by a certain percentage or value within a specified period of time. Typically, they are applied to administrative burdens reduction programmes.

Programmed review mechanisms (examine the performance of specific regulations at a specified time, or when a well-defined situation arises):

- *Sunsetting* provides for an automatic annulment of a statutory act after a certain period (typically five to ten years), unless keeping the act in the books is explicitly justified. The logic can apply to specific regulations or to all regulations that are not specifically exempted. For sunsetting to be effective, exemptions and deferrals need to be contained and any regulations being re-made appropriately assessed first. This requires preparation and planning. For this reason, sunsetting is often made equivalent to introducing *review clauses*.

- *"Process failure" post implementation reviews (PIR)* (in Australia) rest on the principle that *ex post* evaluation should be performed on any regulation that would have required an *ex ante* impact assessment. The PIR was introduced with the intention of providing a 'fail-safe' mechanism to ensure that regulations made in haste or without sufficient assessment — and therefore having greater potential for adverse effects or unintended consequences — can be re-assessed before they have been in place too long.

- Through *ex post review requirements in new regulation*, regulators outline how the regulation in question will be subsequently evaluated. Typically, this exercise should be made at the stage of the preparation of the RIA. Such review requirements may not provide a full review of the regulation, but are particularly effective where there are significant uncertainties about certain potential impacts. They are also used where elements of the regulation are transitional in nature, and can provide reassurance where regulatory changes have been controversial.

Ad hoc and special purpose reviews (take place as a need arises):

- *"Stocktakes" of burdens on business* are prompted or rely on business' suggestions and complaints about regulation that imposes excessive compliance costs or other problems. This process can be highly effective in identifying improvements to regulations and identifying areas that warrant further examination, but their very complaint-based nature might limit the scope of the review.

- *"Principles-based" review strategies* apply a guiding principle being used to screen all regulation for reform – for instance removal of all statutory provisions impeding competition (unless duly justified), or the quest for policy integration. Principles-based approaches involve initial identification of candidates for reform, followed up by more detailed assessments where necessary. Approaches of this kind are accordingly more demanding and resource-intensive than general stocktakes. But if the filtering principle is robust and reviews are well conducted, they can be highly effective.

- *Benchmarking* can potentially provide useful information on comparative performance, leading practices and models for reform across jurisdictions and levels of government. Because it can be resource-intensive, it is crucial that topics for benchmarking are carefully selected. Benchmarking studies do not usually make recommendations for reform, but in providing information on leading practices they can assist in identifying reform options.

Box 6.2. **Approaches to regulatory reviews** (*cont.*)

- *"In-depth" reviews* are most effective when applied to evaluating major areas of regulation with wide-ranging effects. They seek to assess the appropriateness, effectiveness and efficiency of regulation – and to do so within a wider policy context, in which other forms of intervention may also be in the mix. In the Australian context, extensive consultation has been a crucial element of this approach, including through public submissions and, importantly, the release of a draft report for public scrutiny. When done well, in-depth reviews have not only identified beneficial regulatory changes, but have also built community support, facilitating their implementation by government.

Source: OECD (2015), *OECD Regulatory Policy Outlook*, forthcoming.

There are some general requirements set by the Law on the Basics of Legislation to conduct monitoring and reviews of existing regulations. The following should be taken into account when reviewing existing regulations: *i)* effectiveness of the measures set out in the legislation in achieving the objectives of the regulation; *ii)* positive impacts and adverse effects on the regulated area and other areas (economy, public finances, social environment, public administration, legal framework, scope of corruption, environment, administrative burdens, regional development etc.) as well as on the regulated subjects; *iii)* direct and indirect benefits stemming from regulations and the beneficiaries; *iv)* conformity of the regulatory impacts with the planned objectives; *v)* necessity for amending or abolishing the regulation. Monitoring and reviews of existing regulations should be conducted by central and municipal administration institutions in the areas of their competence.

There is a lack of evidence on to what extent such reviews are conducted systematically and regularly by line ministries. Based on the interviews conducted by the review team, these reviews take place rather occasionally, ad hoc and without any systemic approach (with the exception of the licensing review).

In addition, according to the Law on the Basics of Legislation, the Ministry of Justice issued the Description of Procedure for Conducting the Monitoring of Legal Regulation[2] on 8 May 2013 as a ministerial order. This document launched a programme of *ex post* reviews of regulations, setting out the objectives, terms and conditions for such reviews and identifying regulations to be reviewed. According to the order, the reviews are performed when it is necessary in the view of the government's programme; the priorities set by the government; strategic plans and annual action plans of ministries and other institutions; in the light of evaluation of emerging issues; following substantive changes in the regulated area or under other circumstances.

The Ministry of Justice plays a co-ordinating and methodological role but the line ministries are responsible for conducting the reviews. The respective law is rather vague on how the reviews should be conducted and which institutions are obliged to conduct such reviews and at which point of the lifecycle of regulation. The Ministry does not actively promote regulatory reviews in a sense of putting pressure on other ministries to review regulations in their area of competence. The ministry is only gathering information from other ministries on the number of reviews in particular areas. This information is then published in an annual report; however, this report does not contain any information on the results of the reviews. In 2014, 22 regulations were reviewed. This

has lead so far to an amendment of one legal act, two amendments are currently pending in the *Seimas*. Ten more legal acts should be amended based on these reviews.

Individual pieces of legislation are usually reviewed, not whole regulatory frameworks or sets of regulations (e.g. regulations in the environmental sector). The review of licences or the administrative burden reduction efforts is an impressive exception.

According to the Description of Procedure for Conducting the Monitoring of Legal Regulation, ministries are allowed to create *ad hoc* working groups for *ex post* reviews of regulations in which other institutions and also NGOs, academics, think tanks, interest groups and other stakeholders would be represented. There are no strict requirements for stakeholder engagement in regulatory reviews and the composition of such working groups is a discretionary competence of the line ministries. Stakeholder input is heavily relied upon in case of administrative simplification and administrative burden reduction. In 2009-11, the Sunrise Commission, partly comprised of business association representatives, worked with the Ministry of Economy. This Commission helped to review nine economic sectors, looking for suggestions for simplification and burden reduction. The Better Regulation Supervisory Commission was created in 2014 to foster greater co-operation between main regulating institutions and stakeholder groups (business, academic and not-for profit entities) in an attempt to find further ways to reduce regulatory burdens.

The approach to *ex post* reviews of regulations should be made more systemic. There is a need for a whole-of-government programme with clearly set goals and a timeline. These efforts should be co-ordinated from one centre which should also be responsible for checking the quality of these reviews, adherence to the timeline and should be also providing methodological guidance and assistance to the involved ministries. The methodology should be preferable based on the Regulatory Impact Assessment methodology. In addition, to be able to assess performance, or "fitness" of regulations *ex post*, their goals need to be clearly set *ex ante*. Some examples of successful regulatory reviews are described in Box 6.3.

Box 6.3. **Coping with the accumulation of regulatory impacts: The EC, Switzerland and the United States**

Where evaluations are undertaken, the total impact of new regulations can be estimated on single regulation, on a sectoral level or in aggregate.

In the **United States**, the OMB's Office of Information and Regulatory Affairs (OIRA) must by law report annually to Congress on the expected costs and benefits of all new 'significant' regulation passed in the previous year.[1] To the extent possible, OMB commits to provide an estimate of the total annual benefits and costs (including quantifiable and non-quantifiable effects) of Federal rules and paperwork in the aggregate, by agency and agency programme, and by major law.

In 2012, OIRA the issued a two page Memorandum requiring agencies to engage in assessing the cumulative impact of their rules (US Government, 2012a). The memo follows EO 13563 of 2011. The goals of this effort should be to simplify requirements on the public and private sectors (especially SMEs); to ensure against unjustified, redundant, or excessive requirements; and ultimately to increase the net benefits of regulations.

To this end, the directive calls agencies to take nine steps, including engaging in early consultation; using Requests for Information and Advance Notices of Proposed Rulemaking to obtain public inputs; considering, in the analysis of costs and benefits, the relationship between

Box 6.3. **Coping with the accumulation of regulatory impacts: The EC, Switzerland and the United States** (*cont.*)

new regulations and regulations that are already in effect; and co-ordinating timing, content, and requirements of multiple rulemakings that are contemplated for a particular industry or sector.

The estimated annual benefits of major Federal regulations reviewed by OMB from 1 October, 2003 to 30 September 2013, for which agencies estimated and monetised both benefits and costs, are in the aggregate between USD 217 billion and USD 863 billion, while the estimated annual costs are in the aggregate between USD 57 billion and USD 84 billion (US Government, 2014, p. 1).

The **European Commission** has also embarked in a similar exercise when it launched its Regulatory Fitness and Performance programme (REFIT), with a view to make EU law simpler and to reduce regulatory costs.[2] The differences with the OMB review are nonetheless remarkable – REFIT it is not grounded in a legal base; the Commission has no obligation to report annually to the European Parliament; and the scope of the review focuses on regulatory burdens on business.

In June 2014, the Commission reported on the progress in implementing REFIT and proposed a number of new initiatives for simplification and burden reduction, repeals of existing legislation and withdrawals of proposals pending in legislative procedure (EU 2013; 2014). Among the achievements so far are the withdrawal of 53 pending proposals in 2014 alone (and about 300 since 2006); and a reduction in administrative burdens by 33% since 2006 in 13 priority areas, leading to savings of EUR 41billion.

Switzerland completed in 2013 a comprehensive review of the regulatory costs affecting business, which stem from federal legislation. The review was prompted by an initiative of the federal parliament and covered thirteen main sectors. In the exercise, the Federal Council pioneered a new methodology in Switzerland – the so-called "Regulatory check-Up" – heavily inspired by the German RCM.[3]

This methodology seeks to capture various direct compliance costs, including staff and equipment costs as well as investment and financial costs. A key stage in the assessment process is the identification of the "action obligations" which firms must face when complying with a given regulation or legal framework. Relevant regulatory costs are calculated from the difference between the overall gross costs and the "business-as-usual costs". This implies setting an alternative (counterfactual) scenario, which describes the activities that firms would have undertaken in the absence of the regulation under review.

The evaluation exercise enjoyed the active and steady involvement of the stakeholders most directly affected by the regulation. On the basis of the findings, the Federal Council has identified more than thirty simplification measure for the period 2014-15.

1. See www.whitehouse.gov/omb/inforeg_regpol_reports_congress. The legal obligation upon OMB is enshrined in the US Regulatory Right-to-Know Act of 2000.

2. See http://ec.europa.eu/smart-regulation/refit/index_en.htm.

3. See www.seco.admin.ch/aktuell/00277/01164/01980/index.html?lang=fr&msg-id=51395.

Licensing reform

A screening of all licences and permits needed to start a business activity was launched in 2012. The Ministry of Economy was responsible for conducting this screening. The main goal was to screen all licences/permits in order to assess their necessity and proportionality, and to abolish the ones which are unnecessary and/or disproportionate. Another goal was to identify licences that could be replaced by simple

declarations and also to review administrative procedures to obtain a licence or permit and to simplify them where possible by abolishing unnecessary requirements that are overly burdensome for businesses. Last but not least, the goal was also to ensure the possibility for businesses to complete all administrative procedures for obtaining a licence or permit from a distance, using electronic means.

A methodology was adopted by the Lithuanian government in 2012 (and amended in 2013) setting up principles for cases of business activities where licensing should be used as a regulatory measure and in which cases a simple declaration could be used.

In 2012-13, the Ministry of Economy reviewed around 423 licences, including those in the competence of other ministries (Ministry of Environment, Energy, Finance, Culture, Social Security and Labour, Health, Education and Science, Transport and Communications, Interior, Justice, Economy, Agriculture) and the Bank of Lithuania. At the beginning of 2014, the Ministry presented its suggestions on abolishing licensing and/or replacing them with declarations. These suggestions were approved by the government. The responsible ministries were tasked to draft the amendments of legal acts in their competence, following these approved recommendations. The responsible ministries drafted most amendments of legal acts in their competence by the end of 2014, with the few remaining amendments expected to be ready by mid-2015. In total, 56 laws will need to be amended. As of June 2015, 7 laws had been amended by the *Seimas,* with 11 more under discussion. The government prepared 32 draft amended laws for the submission to the *Seimas*, while the remaining 24 drafts are expected to be ready in the nearest future.

According to the proposals, after amending respective legislation, 9 business activities would no longer need licensing at all and 45 business activities could be started by simple submission of a declaration. For nearly 160 activities the authorisation procedures would be simplified.

ICTs and administrative simplification

There is a central government portal in Lithuania that should serve as a single point accesses to all public and administrative services for the citizens and businesses – the E-Government Gateway (www.epaslaugos.lt). All services provided by central government institutions as well as municipalities are accessible via this portal. Users can take advantage of the service classification system, which can be found on the homepage of the portal. The classification of users of the portal into groups – citizens, businesses, service providers – facilitate users' searches for a specific service.

A number of electronic services comprising the streamlining of complicated public administrative procedures by turning them into a user-friendly process based on the one-stop shop principle have been developed in Lithuania and have been operating successfully through the E-Government Gateway. The Gateway provides access to 566 public services. New electronic services in such areas as taxes, state social insurance, reports to police, legal entities registration, traffic information, libraries, services for patients and others, are being actively developed and more and more of these new services are presented to their users. According to statistics, the most popular electronic services are those related to income tax declaration, job search, healthcare, social security, personal documents issuing; and in case of businesses, the most popular services are the ones related to declaration of social contributions, declarations of income tax and submission of VAT declarations. The uptake of the electronic services in Lithuania is also

increasing: in 2014, 41.5% of Lithuania's residents, and 100% of businesses, were using electronic services.[3]

ICT has also been used to simplify access of businesses and citizens to information on the regulatory framework. The Point of Single Contact for Services and Products (PSC) introduced in 2009 serves as a single point of contact in compliance with the EU Services Directive. It serves the following purposes:

- simplification of procedures for obtaining permits and licences to service providers and provision of full information about the requirements applied to their activities;
- ensuring access to concrete national rules for business with respect to the products which are not regulated by the EU in order to supply such products to the Lithuanian market.

Any relevant information on providing services and trading in Lithuania can be accessed through the PSC's website Business Gateway (www.verslovartai.lt/en/) both in Lithuanian and English. The website has a safe message box which enables businesses and entrepreneurs to send on-line their requests for obtaining permits to perform their activities and communicate directly with the competent authorities. PSC responds to the queries about the requirements applied to products or about competent authorities through the distant communication means: the website's information system. The Business Gateway is however not interconnected with the E-Government Gateway. In many cases, the website just provides information on regulations and administrative procedures, in some cases it enables to request a licence through the message box (basically an enhanced email service) and only in few cases the process is fully automatic allowing electronic submission of documents and obtaining a licence or a permit also electronically. The State Enterprise Centre of Registers – a public entity responsible for administering the three main state registers (i.e. Real Property Register and Cadastre, the Register of Legal Entities and the Address Register) – is developing an electronic licensing registry in order to administer in one place the data and information on all licences that have been issued. All public institutions issuing licences and using licensing information systems will have to submit their information on licences that have been issued, revised or withdrawn to this registry automatically starting on 1 September 2015

An important technological solution designed in Lithuania significantly contributing to the successful development of electronic services, is the Lithuania's State Information Resources Interoperability Platform (SIRIP). The platform enables data exchange between major public data registers and information systems, which is necessary for the provision of the majority of electronic administrative services. The E-Government Gateway is based on the SIRIP infrastructure. Public authorities can use SIRIP functionalities without implementing their own solutions for: centralised data exchange among public authorities, national and cross-border identification of citizens, business entities and civil servants, payments, e-service design (including testing environment), e-service monitoring, auditing and administrating, digital content management and e-service descriptions placement, e-messaging and e-document delivery. SIRIP connects 159 government institutions.

There are, in addition, several examples of electronic services provided in particular areas of public service, such as the E-Service System for Insurers (persons obliged to pay the state social insurance contributions) called EDAS established in 2008. EDAS allows the insurers to submit social insurance statements and applications electronically as well

as to get information from the database of the State Social Insurance Fund Board. The Ministry of Finance's State Tax Inspectorate operates "My STI" – an electronic service website where taxpayers can find relevant information, e.g. on tax debts and overpayments, reminders about tax payments, as well as to provide or receive electronic documents, etc.

Several public services are provided through electronic means; however, the approach to providing electronic public services suffers from a lack of co-ordination among these different services. Many information systems of individual ministries are not interoperable. In addition, there is a lack of co-ordination between the administrative simplification efforts and those focusing on using ICTs and e-government approaches. Some examples of good co-ordination of administrative simplification and e-government efforts are described in Box 6.4.

Box 6.4. **Co-ordination of administrative simplification and e-government**

In Japan, the department promoting e-government is the Administrative Management Bureau (AMB) in the Ministry of Internal Affairs and Communications. It also holds jurisdiction over streamlining administrative organisation and method of administrative affairs.

ICT is a key support tool for the Action Plan on Administrative Burden Reduction in Sweden, linked to the government's policy on ICT for the public sector. The Action Plan assumes an extensive deployment of ICT, for example electronic filing of documents, one-stop shops, and forms for downloading from agency homepages.

In Slovenia, mixed project teams consisting of lawyers and information technicians are created for the main e-government projects. The aim is that the content is prepared as much as possible and in co-operation with implementing institutions.

The online administrative service system, Government for Citizen (G4C) in Korea offers various Internet-based administrative services such as receiving 1 200 types of paper applications, issuing 188 kinds of certificates – such as the certificate of residence – and providing information on 71 types of registration, for example property registration. In its upgraded version, the service items will be significantly increased to 4 000, 2 000 and 300 types respectively. Through these and other measures, Korea expects to save up to KRW 600 billion in costs and public benefit effects as less time and money will be spent by citizens' agency visits, civil service fees, paper work and management and public servant labour costs.

In Finland, e-government is seen as a key way to reduce administrative burdens and, consequently, the development of e-government has been explicitly included in the national action plan to reduce administrative burdens on businesses, as a horizontal priority area. On the other hand, the reduction of administrative burdens, both on businesses and citizens, is one of the objectives of the government's recent e-government development measures.

Source: OECD (2006), *Cutting Red Tape: National Strategies for Administrative Simplification,* Cutting Red Tape, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264029798-en.

Common Commencement Dates

Lithuania is applying a similar approach to the so called Common Commencement Dates implemented in some OECD countries (e.g. the United Kingdom, the Netherlands). According to the Law on the Basics of Legislation, legal acts modifying or setting new

legal requirements for economic entities should usually enter into force on 1 May or 1 November; however, never sooner than three months following their official publication. This provision is not applied where a regulation is created or modified to implement the EU legislation, international agreements, and where a more favourable legal regulation is established for economic entities. Similarly, tax laws that set down new taxes, new tax tariffs, tax exemptions, sanctions for breaching tax laws or that essentially change the procedure for taxation shall enter into force no sooner than following six months after their official publication. This provision is not applied to laws amending taxation laws related to the law on the approval of financial indicators of the State budget and municipal budgets of the appropriate year, and to legal acts that harmonise Lithuania's national legislation with the legislation of the European Union or international treaties or are in fact beneficial for businesses.

According to a ministerial order issued by the Ministry of Justice on 17 December 2013, the institution presenting a legislative draft must, when publishing the document on Lithuanian legal acts information system, mark the draft with a special status stating that the draft "*regulates business environment*". However, since the order was issued only by the Ministry of Justice, not all institutions comply with it (e.g. the *Seimas*), therefore it is difficult to estimate how many draft legal acts actually "escape" the rule.

Notes

1. https://www.e-tar.lt/portal/lt/legalAct/af2bf32005da11e4b836947d492f2f50
2. The legal act available in Lithuanian at: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=448316&p_tr2=2.
3. According to the information provided by the Ministry of Transport (partially based on data from the Eurostat).

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From:

Regulatory Policy in Lithuania

Focusing on the Delivery Side

Access the complete publication at:
https://doi.org/10.1787/9789264239340-en

Please cite this chapter as:

OECD (2015), "The management and rationalisation of existing regulations in Lithuania", in *Regulatory Policy in Lithuania: Focusing on the Delivery Side*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264239340-11-en