

**PROGRAMME
OF THE GOVERNMENT
OF THE REPUBLIC OF LITHUANIA
FOR 1999-2000**

VILNIUS, 1999

SEIMAS OF THE REPUBLIC OF LITHUANIA

RESOLUTION

CONCERNING THE PROGRAMME OF THE GOVERNMENT OF THE REPUBLIC
OF LITHUANIA

10 June 1999, No. VIII-1221

Vilnius

The Seimas of the Republic of Lithuania, having considered the Programme of the Government and in compliance with paragraph 7 of Article 67 and sub-paragraph 5 of Article 92 of the Constitution, resolves:

Article 1.

To approve the Programme of the Government of the republic of Lithuania submitted by the Prime Minister Rolandas PAKSAS.

Article 2.

The Resolution shall come into force from the moment of its adoption.

SPEAKER OF THE SEIMAS

OF THE REPUBLIC OF LITHUANIA

VYTAUTAS LANDSBERGIS

CONTENTS

Our commitment - to serve Lithuania

Our goal - Lithuania's success

Course of reforms

Macroeconomic policy favourable to the national economy and investment

Foreign policy

Home policy

1. Reform of legal system and law and order
2. Tax regulation and administration
3. Strengthening of the credibility of banking system
4. Business and investment promotion
5. Assessment of property and financial status of the state
6. Industry and energy
7. Support to the rural areas, people engaged in agriculture and farmers in particular
8. Transport
9. Social security and employment
10. Health care
11. Communications and information technology
12. Culture
13. Education and science
14. Reforms of public administration and local authorities
15. Consolidation of national security and defence
16. Environmental protection
17. Construction and urban development. Public utilities of the housing sector

ACTION PROGRAMME OF THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA FOR 1999 - 2000

This Government programme is developed on the basis of the programme of the Government of the Republic of Lithuania which was approved by the Seimas on 10 December 1996. Due respect was paid to the already achieved accomplishments, therefore some provisions, in order to avoid duplications, are omitted. Other provisions, which have not been implemented so far, and the provisions, which are binding irrespectively of time, remain unchanged or are specified and amended.

OUR COMMITMENT - TO SERVE LITHUANIA

We, members of the Government of the Republic of Lithuania, proceeding further on with the work and the commitments undertaken by the previous Government of the Republic of Lithuania, confirm that:

wish to be people's power, but not people in power;

understand that people's life will depend on all of us - industrious and initiative citizens creating the welfare of the country, and those who will work in administrative institutions;

comprehend that we are not insured against making mistakes, and we can not guarantee rapid positive changes, but **WE ARE COMMITTED TO:**

- carry out an honest and fair to every citizen national and foreign policy of the state;
- sincerely serve the state and its citizens, and not abuse power for our own interests;
- take responsibility for our actions and for the work of officials and politicians, subordinate to us: we shall discipline, and if necessary, punish them;
- take counsel with people and political powers in opposition;
- assure the publicity while resolving financial and property issues of the state.

OUR GOAL - LITHUANIA'S SUCCESS

• **Improvement of difficult living conditions**

We do not want to deceive people living in difficult or unbearably difficult conditions by promising that the conditions will be improved by providing higher benefits and allowances from borrowed capital or redistributing gross income.

Though over the recent two years our economy has achieved real progress which is proved by relatively good macroeconomic indicators, the standard of living of the Lithuanian people is still low in comparison to the European Union states. Therefore we shall, by employing all possible means, provide possibilities for enterprises to receive more and better orders, for the employed to have higher income. The revival of economy will lead to a stronger state budget and pension fund.

• **Social market economy**

Avoiding increase in inflation we shall create conditions:

	1999	2000
For the employed to earn	1150	1320

(monthly average in Litas)

Pay out pensions

400

460

(monthly average in Litas)

Note: The reason behind the belated implementation of these indicators set by the Government in 1996 programme is based on the assumption that the negative impact of the economic crises in the neighbouring countries on the Lithuanian economy will not be higher than it was until the present moment.

During this period social needs of the market economy may be met by the maximum increase in business income simultaneously establishing possibilities for the wages and pensions to grow. To this end it is necessary to complete liberalisation of business provisions, to promote export and investment as this stimulates the establishment of new job places.

Gross domestic product (GDP) will annually increase by (in comparative prices):

1999	2000
2,5 %	4 %

COURSE OF REFORMS

Reforms are not a show-time. Reforms are not favoured, but changes should be made, where necessary, in a determined and consistent way, and the reform should be completed.

A lot of difficult reforms in Lithuania have already been accomplished. However, during almost two forthcoming years we shall have to reconstruct the sector of energy, to proceed with introduction of health insurance, supplementary (individual) pension and civil insurance, establish financial infrastructure of the market, reform the system of the state administration (public administration) and law enforcement institutions as well as implement long term state legal financial programmes (encouraging the creation of new job places by way of stimulating programmes in business and export insurance, provision of guarantees on land loans, insurance of housing credits, rehabilitation of enterprise activities) which promote business and investment.

We also intend to finalise the second phase of state property privatisation, implement the land reform as well as the tax and their administration reform, privatise Lithuanian Agricultural Bank and the Lithuanian Savings Bank .

MACROECONOMIC POLICY FAVOURABLE TO THE NATIONAL ECONOMY AND INVESTMENT

• Macroeconomic stability

The Government intends to encourage competitiveness of the domestic products, to promote their export. With respect to the fact that in principle all legal acts area already approved

which provide more favourable economic conditions for capital investment and better employment of production capacities of enterprises, more attention should be allocated for their enforcement, and, if necessary, for the improvement.

In 1999 and 2000 **deficit free budget is planned**. Simultaneously we shall:

seek to hold a number of newly taken credits with the Government guarantee being not more than those, which are necessary for the implementation of the commitments undertaken by the state;

tighten a slightly loosened, due to the crisis in Russia, fiscal control, and restrict the increase in off-balance state liabilities;

seek to accept only market type relations between the Government the banks under the state control as regards financing the deficit of the State Social Insurance Fund budget and regulating the liquidity of the banks through the Government deposits;

It is planned to restore the functions and measures applied by the Bank of Lithuania in terms of its involvement in developing monetary policy. First of all, the Bank shall be provided with a possibility to extend short-term loans to banks and to participate in the securities market. This would allow to maintain higher indicators on banking liquidity, and would strengthen credibility of the banking system.

The model of the Currency Board Arrangement shall be gradually phased out as it encourages emission of the Litas and inflation, slows down production and capital investment. The intention is to avoid radical and unexpected changes on the capital market; the conditions shall be introduced which would enable to assess possible changes in advance.

Exchange rate mechanism of the Litas controlled by classical monetary and financial measures shall be launched not earlier than in late 1999 or early 2000. A special period of time might be established when the existing fixed exchange rate of the Litas shall be substituted by the situation in which the Litas would be pegged to the currency basket consisting of both the USA dollar and the Euro (or to Euro directly) according to the regulations set in advance.

Gradually phasing out the Currency Board Arrangement, the Bank of Lithuania shall be able to carry out anti-inflationary monetary policy, in the first instance, strictly limiting emission of the Litas. From 1997 special measures concerning export of goods and services shall be introduced concurrently with the capital investment development programs which shall help maintain balance of payments.

Inflation in 1999 - 2000 will not exceed 3 -5 % and we shall seek that on the basis of this and some other main macroeconomic indicators Lithuania would meet the criteria set forth in the Maastricht treaty, which are applied to countries aspiring to accede to the European Monetary Union.

With the more active involvement of the Bank of Lithuania in the interbanking loan market and securities market and after applying classical measures as regards banking interest rates,

and with the growth of competition between foreign and local banks, increase of creditworthy projects and improvement of legal guarantees, the gap between interests on bank loans and interests on time deposits shall continue diminishing.

• **Competitive prices and more liberal customs policy**

Trade agreements with the Central and Eastern European countries shall focus on a possibility by mutual commitments to reduce import duties. This would bring benefit first of all for the Lithuanian producers of agricultural and food products, as well as for other branches of economy producing exportable goods.

Seeking to tighten anti-trust measures and to increase competition on the local market, the role of the Agency of Prices and Consumer Protection Rights shall be strengthened in exercising control over the monopoly-holding branches of economy, like public transport, communication and other services, it shall also have control over prices for services, and shall be in charge of discontinuing some of the cartel agreements concluded between processing companies of the agricultural products and interfering in the attempts to maintain artificially low purchasing prices of products and shall introduce anti-dumping measures.

• **Strengthening of competitiveness of domestic goods**

The Government shall create advantageous conditions to better use the existing production capacities of enterprises by way of consistently increasing minimal wages (with respect to actual inflation and by way of co-ordinating decisions at the Trilateral Council) and simultaneously encouraging growth of average wages, maintaining the real (including deductions for depreciation and interests) price of capital invested. The Government shall encourage accumulation of capital, increase of credit resources in banks, and after the Seimas adopts the already developed draft Laws on Payments and Settlements the arrears of economic entities will be brought down. The Government shall establish credit guarantee institutions (insurance companies and guarantee funds) thereby providing for the favourable environment for enterprises to obtain short-term loans to increase their working capital, and expand export.

Macroeconomic measures shall be used to effectively curtail inflation (and, if needed, deflation) processes. The local production costs of domestic goods shall not outrun prices for imported goods, thereby making it possible to strengthen competitiveness of the Lithuanian goods on the domestic market, to create more favourable conditions for export of the locally produced goods and for long term foreign capital investment.

FOREIGN POLICY

The strategic goals of the Government are:

- to ensure the national security through the integration into the transatlantic community and its institutions;

- to strengthen national economy and to improve the country's welfare by merging into the European market of goods and capital.

In pursuing the said goals, the Government shall advance the foreign policy in the following dimensions:

- acceding to, as soon as possible, the European Union and the NATO by political and diplomatic measures;

- making adequate preparations for negotiations with the European Union on the issue of Lithuania's full membership in the Union with a view to addressing the needs of the national economy and the economic and social interests of population; seeking to start negotiations as soon as possible;

- taking active part in the political dialogue in compliance with the Joint Foreign and Security Policy Programme of the European Union; developing bilateral relations with the member states and future members of the European Union and the NATO;

- taking active part in the co-operation of other Baltic and North European states and the activities of the Council of the Baltic Sea States;

- developing free trade area; concluding negotiations on membership to the World Trade Organisation;

- mutually developing beneficial bilateral relations with the neighbouring countries, with Poland in particular;

- concluding negotiations on the delimitation of the sea state border with the Republic of Latvia and the demarcation of the state border of Lithuania with the Republic of Belarus;

- actively participating in the efforts of the international community to ensure democracy, human rights, peace and stability through the United Nations Organisation, the Organisation of Security and Co-operation in Europe, the Council of Europe and other organisations; enhancing the image of Lithuania as an active foreign policy entity and contributor to the maintenance of international security.

In advancing the integration of the state into the European Union, the Government plans:

- to co-ordinate the activities of ministries in the implementation of economic integration programme, and to keep the population regularly informed about the integration process and its benefits for national economy;

- to conform the legislation regulating economic activities with the provisions put forward by the European Community; firstly, to conform with the European legal norms the present laws that regulate financial procedures, the activities of non-profit organisations, the conclusion of business contracts and their order of implementation, responsibility for the non-implementation of agreements, the activities of the sector of financial services, the defence of consumers' rights, the public regulation of economic relations and order of foreign trade. The European Legal Department under the Government of the Republic of Lithuania will further co-ordinate the drafting of legal acts, irrespective of the competence of the institution concerned;

- after restoring the functions of the Bank of Lithuania (as of the central bank), to improve public fiscal system and implement the monetary and financial policy that will be helpful in joining the European monetary union;

- to seek integrate the infrastructure of national economy into the relevant European systems: to prepare the economic feasibility of the construction of the standard European railway gauge line running across Lithuania - through Polish border to Kaunas; to start reconstruction works of the railway connecting the Polish border with Kaunas and to change it in accordance with international COTIF Convention criteria; to accede to the European network system - to restructure the Lithuanian network system in accordance with the European Union standards, and to join the European transport system.

DOMESTIC POLICY

1. REFORM OF LEGAL SYSTEM AND LAW AND ORDER

The creation of the legal system of Lithuania shall be continued in full accordance with the principles and provisions of the Constitution of the Republic of Lithuania, and the revival of the Western legal traditions pursuant to the European and transatlantic orientation chosen by Lithuania.

Being aware of the importance of the expeditious legal reform and encouraging the reform of legal institutions to proceed further on towards the reform of the whole legal system, we shall seek to avoid hasty decisions with possible negative consequences.

The reform shall include all the structural elements of legal system:

- establishment of the national law system;
- improvement of the legal acts drafting system;
- state legal institutions, their functions and activities;
- law infrastructure in cities and regions;
- activities of control, surveillance and immunity agencies;
- crime prevention system and control;
- legal information , legal communications;
- social rehabilitation of law offenders;
- legal education and training;
- jurisprudence centres (institutes, funds, centres, lawyers' societies);
- training of the staff of legal system institutions (upgrading of qualifications) as well as remuneration for their work;
- strengthening of professional work ethic among judges and other law enforcement authorities.

The reform of all the enumerated structural elements of the legal system cannot be completed in a short run.

Further reform of the legal system will be pursued in the directions set forth in the Guidelines of the Legal System Reform approved with a resolution of the Seimas, i.e. 1) reforming basic legal institutions, i.e. administration, court, prosecutors', police, lawyers', notaries', and expert institutions; 2) establishing a system of law, i.e. civil procedure, criminal procedure, administrative procedure; 3) reforming the system of sentence execution; 4) improving the system of training and professional development of lawyers; 5) enhancing crime prevention.

The Government plans to enforce the authority of law by way of:

a) assessing the present legal situation;

b) further developing the national legal system (draft legislation shall consistently implement the principles of the Constitution of the Republic of Lithuania to protect human rights and freedoms, resting on the values of the Western law traditions. When submitting draft laws to the Seimas, the concluding findings of experts shall indicate whether the said draft is harmonised with EU law. The Lithuanian law shall be formed pursuant to the European traditions, the experience of the inter-war Lithuania, and the present legal standards. Presently the co-ordination of different legal regulation methods is underway. The primary task is to codify the public and private law; then, to finalise and adopt the Criminal and Criminal Procedure Codes, the Administrative Procedure Code and Code of Administrative Violations, the Labour Code, Civil and Civil Procedure Codes);

c) reforming legal institutions with the main focus on preventing law violations in the legal institutions - courts, prosecutor's office, police, state controllers, and also ensuring that officials perform their functions in a professional way. We also aim at the actual implementation of equal legislative responsibility of all authorities and administrative institutions (including law enforcement institutions);

d) accelerated building-up of the legal practice consistent with the criteria of the rule of law (aiming at the consistency of the direction of drafted legislation with convictions of practising lawyers as well as trends of their practical activities);

e) fostering legal consciousness (providing for and financing state programmes aimed at the education of a private and public legal consciousness. Education of legally conscious citizens is at the same time education of the civic society);

f) ensuring the real and equal opportunity for every person to defend in court his rights in case of their violation by public authorities and administrative institutions as well as by civil servants or officials;

g) implementing annual declaration of citizens' income and property.

The key objective of the law and order is to implement measures for combating organised crime and corruption and to have them upgraded and modified in accordance with the actual criminal situation.

New laws and other legal acts covering measures for combating organised crime and corruption shall meet the requirements of EU legislation.

The crime rate shall be reduced by way of expanding preventive activities as well as accumulating and co-ordinating joint efforts of the Ministry of the Interior, General Prosecutor's Office, Ministry of Justice, and other state institutions to work:

- in the areas of finance and economy;
- with potential criminals;
- in disrupting the economic potential of criminals and their structures;
- in organising legal education of citizens, especially young persons.

A lot of emphasis shall be placed on complete liberalisation of conditions for economic activities - abolishment of unnecessary licences and quotas. The Bank of Lithuania shall further carry out strict supervision of the activities of commercial banks with a view to achieving the credibility and stability of every bank and banking system.

Public matters should be addressed openly, especially if it concerns the issue of public property. It is necessary to sustain the tender-bound procedure for providing financial support and guarantees with an early indication of clearly defined tender winning criteria and rules of the fulfilment of obligations to the state.

Prime importance will be attached to the continuous improvement of the selection process and work control of judges, prosecutors and other high officials.

Measures and means for fighting organised crime and corruption:

a) improvement of the legal basis, i.e. laws and other legal acts to include the following provisions:

- establishment of longer limitations for the organised and large-scale economic-financial crimes;
- extension of the period of prohibitions to hold office in the civil service, bank and credit institutions for persons who were involved in economic-financial crimes and malfeasance in office; stimulated restitution for the damage done;

b) reorganisation of law enforcement institutions. Key institutions in the fight against crime are the Ministry of the Interior, the financially independent Police Department which is subordinate to the Ministry, the Special Investigations Agency, and the Tax Police. The police shall undergo further reorganisation in accordance with the requirements of the European Charter of Policemen, thereby pursuing the ultimate goal - formation of the civil police structure with the key task of ensuring person's safety.

The reform in this area shall follow the following major directions:

- to decentralise the police and to set up an independent municipal police unit;
- to strengthen capital assets of the police;
- to secure a tighter selection of the police staff and their responsibility for violations;
- to enhance the Special Investigations Agency, Agency for the Fight of Organised Crime, and the General Inspectorate of the Police;
- to rule out the functions of commercial security;
- to delegate the functions of the execution of sentences to the Ministry of Justice, to reinforce the disciplinary aspect of punishments by creating conditions for convicts to perform community work, to humanise the inherited imprisonment and sentence execution system in order to justify its objective i.e. to bring criminals back to society;
- to organise crime prevention activities with considerable emphasis on the involvement of the public into crime prevention;

c) improvement of the courts' work. In order to improve the responsibility and control of judges and prevent corruption in court, the Courts Department shall be enhanced and relevant laws or other legal acts shall be improved thereby creating legal conditions to avoid delay and partiality in the prosecution of cases. Moreover, the possibility of establishing the Court of Jury to hear highly complicated cases is going to be considered.

2. TAX MANAGEMENT AND ADMINISTRATION

Having assessed the work of the previous Government in the area of tax management and administration and taking account of the real possibilities how this work can be further advanced in the remaining 18 months, we have the following in view:

- o to increase revenues of the national budget up to 10 percent by the year 2000;
- o to reconsider and submit to the Seimas the draft Law on Personal Income Tax;
- o on the basis of gradual reduction of the profits tax (non-taxed invested profit, tax allowances for the utilisation of borrowed funds) the profits tax is to be eliminated and only applied to the proceeds used for consumption;
- o to explore possibilities for further expansion of taxation basis thereby reducing the tax burden of tax-payers.

We shall finalise the implementation of measures covered by the Programme for the Administration of the Legal Basis of Taxes in the light of the works of the previous Government, i.e.:

- we shall equalise taxation conditions for all economic entities as well as for several groups of goods (we shall eliminate unjustified allowances or exemptions);
- we shall provide more tax allowances to those natural and legal persons which sponsor (provide support, charity) culture, sports and other non-profit bearing organisations;
- we shall continue fight against the illicit trade and smuggling of fuel, alcoholic beverages and tobacco products;

- we shall improve tax administration, try to avoid double and preliminary taxation, reduce fines for tax non-payment by reasons of a calculation mistake or other involuntary cases, and tighten responsibility (including criminal responsibility) for tax evasion and fraudulent accounting.

We shall aim at stable tax legislation and amend them if necessary having informed thereof in advance.

Following the example of other countries we shall seek to gradually enforce the immovable property tax that will be charged for only extremely expensive premises and land.

From 2000 we shall create conditions for the residents of Lithuania to choose whether to pay up to 2 percent of income tax into the State budget of Lithuania or (with a specific purpose) into charity organisations and for the maintenance of state-recognised traditional church, monastery buildings and shelter homes set up by ecclesiastical authorities.

Tax management shall not result in the decrease of the state budgetary revenues.

3. STRENGTHENING OF THE CREDIBILITY OF BANKING SYSTEM

It is necessary to further improve laws and other legal acts regulating the activities of commercial banks in such a way as to make it possible, by legal measures, to control in the most effective way potential losses of a bank as well as to strictly adhere to the schedule of the increase of a bank's fixed capital. The laws shall impose tight loan extension restrictions for the persons related with the bank, regulate loan guarantees by movable and immovable property (including the purchase of goods on credit).

We shall further promote the establishment of large reliable banks' branches or subsidiaries in Lithuania as they enhance the competition and credibility of the banking system. The reliable foreign and national banks, the diminishing risk of investment projects will open up new foreign investment capital and credit lines.

We shall keep tight requirements for law enforcement institutions - they must further seek (if necessary - make proposals on law amendments) for the embezzled money of depositors to be exacted from loan takers, and loans secured with their property, including that part of their property which was transferred to other persons, concealed under another name or kept abroad. We shall initiate law amendments aimed at the tightening of the swindlers' liability and criminal financial responsibility.

4. BUSINESS AND INVESTMENT PROMOTION

· Gradual reduction of administrative restrictions of market

Licensing has already been eliminated in a variety of business areas. However, some administrative constraints of investment, as well as external and internal trade have still remained, which we shall further remove.

The customs clearance procedures are still too complicated, and the re-export and transit of goods have been facilitated. State institutions shall not be permitted to lay additional taxes on economic agents for the implementation of their functions paid from the state budget of Lithuania.

We shall introduce investment regulations meeting the requirements of the EU and remove the remaining bureaucratic obstacles.

· **Promotion of small and medium-sized business and job creation**

Business self-governance shall be further developed, and functions of the Lithuanian Chamber of Commerce, Industry and Crafts shall be expanded - some functions of the Ministry of Economy will be delegated to the Chamber.

We shall increase the efficiency of the newly established Fund for the Promotion of Small and Medium-Scale Business to use it for the creation of new jobs. We intend to supplement the Fund each year and utilise its resources for the support of business and investment programmes.

We are going to further adhere to the arrangement existing since 1998, whereby within the framework of the business support programmes, projects will obtain bank credits according to the general procedure, while discounts on loan interest, loan guarantee (insurance) expenditures and other preferences will be paid from the assistance funds earmarked for the implementation of the programmes.

We shall further develop export and import insurance that was introduced in 1998 - we shall implement the Export Promotion Programme based on loan insurance and the reimbursement of insurance contributions from the Fund for the Promotion of Small and Medium-Scale Business. Furthermore, this Fund will be used to cover fully or partly expenses incurred in the preparation of business projects.

The Enterprise Revitalisation Programme shall be extended to help (perspective enterprises) cover their tax liabilities, attract strategic investors, improve their capital structure, or undergo readjustment.

We shall develop tourism and support information network programmes.

· **Investment Promotion**

It is intended to expand the activities of the Lithuanian Economic Development Agency to make this institution, in addition to information services paid with state funds, capable of serving potential (especially larger) investors by providing them with paid consultation and mediation services.

Starting with the year 2000 enterprise proceeds used for the development of business will be completely exempt from taxation.

Soft loans received from international organisations will be exclusively used for the financing of major national investment projects.

We shall further develop the mortgage system, expand the legal guarantees of loan exaction, including the reorganisation of the bailiffs' work and the definition of a specific responsibility of officials.

We shall promote the foundation of private pension funds. These funds, in the long run, should become important capital investment sources. The activities of large branches of foreign business, insurance and financial companies will be welcomed in Lithuania

Via amended legislation that guarantee the security of capital as well as the growing yield of capital investments, we shall promote the return of capital to Lithuania and its investment into the national economy.

We shall seek to further implement the projects of free trade and transport areas in Šiauliai, Kaunas, and Klaipėda, that will result in the construction of new international trade roads through Lithuania and the increase of transport services.

· Protection of private property of shareholders and depositors, and prevention of deliberate enterprise bankruptcies

The Constitution of the Republic of Lithuania stipulates the inviolability of private property. Major laws that insure property protection have already been adopted, although they still often encounter violations, in particular those laws that would actually secure private capital (especially securities).

It shall be required that enterprises (and their administrations) meet the requirement provided for by legislation to recalculate (to reduce if losses were incurred) the share capital on a regular basis; to convene if necessary the shareholders' meeting and declare the enterprise (bank) bankrupt if the losses exceed its equity. In the event of bankruptcy of an enterprise (bank) equal property rights of shareholders shall be secured.

It is of utmost importance that the court shall settle economic disputes quickly and impartially. We see the need to reorganise some functions of bailiffs - they should declare public auction but they should not administer bids at an auction sale.

· Development of tender-bound privatisation

The remaining state (municipal) property shall be further privatised publicly, i.e. purchase-sale transactions of the privatised property shall be concluded publicly through privatisation services on the basis of public privatisation procedures stipulated by legislation. Key privatisation methods shall be the following: enterprise and other entity auctions as well as sale of shares (or their packages) by way of open tenders or direct negotiated tenders. Enterprises (entities) in greater demand shall be sold by way of international privatisation tenders.

We shall develop commercial privatisation, however we shall not put for privatisation electric power stations, railways, electricity transmission (high voltage) lines, airports (runways), and some other production and social infrastructure entities of crucial importance to the country.

· Implementation of a long-term export promotion programme

We shall proceed with the implementation of measures covered by the Export Development Strategy Action Plan for 1999-2001. We shall put every effort to facilitate the efficiency of the insurance company *Lietuvos Eksporto ir Importo Draudimas* (Lithuanian Export and Import Insurance) incorporated by the Government. It is with state funds that the company insures bank loans taken by economic entities whereby a greater share of risk related to the reimbursement of insured loans lies with the Government.

Expenses of insurance of an economic entity (exporter) against political risk, part of expenses of insurance cases foreseen in the Export Support Programme, and full expenses in case of commercial risk or part thereof shall be covered from the resources of the Export Support Fund.

We shall aim at providing supplementary financial benefits to the exporters of agricultural products, and will for that purpose use the Lithuanian Market Regulation Agency of Agricultural Products and Foodstuffs.

• Suppression of corruption, change of the way of state administration

The Law on the Privatisation of State and Municipal Property has already been amended, moreover a new draft of the Public Procurement Law sets the bid as the principal criterion for tender winning.

We shall reconsider and further reduce if necessary the number of business types, established in enterprise laws, requiring licensing. The mentioned licences and permits shall be issued to all the law-abiding and able to pay the fixed stamp tax and other taxes. Everybody on equal basis will be obliged to observe laws on taxes and other economic laws as well as legal acts adopted by the Government - no official or party-membership privileges shall be provided.

The state guided by the rule of law may not have such state agencies or their staff members, namely law and order officials who are not controlled by other state institutions. Therefore, we shall aim at further enforcing the procedure that would ensure the state control of official duties fulfilment of tax inspectorate, customs, law and order as well as officials of many other inspection offices.

To make the work of officials more efficient and reduce the rotation of specialists, we hold it reasonable on the basis of the experience of Western countries to set for officials supplementary pensions and health insurance, which shall be forfeited in case they were to be dismissed for the administrative offence.

We intend to reduce the number of redundant state institutions (in particular certain inspectorates or other controlling institutions which frequently duplicate one another) and the number of civil servants, therefore, as a result, state administration expenses will not increase.

According to the principles of market economy and administration of democratic society we shall proceed with the reorganisation of the activities of ministries, other state and municipal institutions as well as staff management.

With the adoption by the Seimas of the Laws on Civil Service and Public Administration, we shall immediately bring them into force. We shall promote civic control of the work of authorities and civil servants, apply amendments to legislation establishing personal civic and administrative liability of state (municipal) institutions as well as civil servants for the damage made to citizens or enterprises and compensation for it. We shall impose the procedure according to which a citizen's complaint against official's actions should be investigated by the administrative court in a few days.

5. ASSESSMENT OF PROPERTY AND FINANCIAL STATUS OF THE STATE

The Government intends to organise on a regular basis accounting of state (budget) debts and liabilities as well as the remaining state property, the results shall be communicated to the public

Jointly with the State Control we shall carry out annual control of how the funds received from the privatised state property were used. Actual budget debts and outstanding liabilities shall be identified as well as whether the resources received from the state budget of the Republic of Lithuania and soft loans (provided guarantees on loans) on behalf of the state were used according to the purpose established by law. Financial resources of the Privatisation Fund shall be included into the state budget of the Republic of Lithuania for the year 2000.

We shall carry out individual investigations of how funds accumulated in other state-controlled funds (Road, Forest, Rural Support, Social Insurance, Health Insurance, and others) have been utilised.

The Privatisation Fund will be further utilised for the restitution of individual savings.

6. INDUSTRY AND ENERGY

We shall seek to have economy-related ministries (Ministry of Economy, Ministry of Agriculture, and Ministry of Transport) perform their functions in terms of the whole national economy (not the public sector alone), its competitiveness and different markets.

The state enterprise State Property Fund shall further supervise the accountability of state property and protection of state property rights and interests, the management of state shares will be delegated to this Fund as well as the preparation of the remaining shares and other state property for privatisation, the organisation of privatisation procedures, and the official registration of privatisation transactions.

• Energy, power resources, fuel

The Government shall further seek to demonopolise and decentralise the energy sector and reduce expenses of energy supplies, implement projects ensuring alternative sources of oil supply and electricity export. To this end we shall:

- draw up a concrete programme of privatisation of commercial entities, create opportunities for the national and foreign investors to contribute to the modernisation and reconstruction of power entities. We shall promote those investments in particular, which are aimed to reduce heating losses, reconstruct and modernise heating supplies and outside walls of buildings;
 - o expand oil (its products) and electricity export;
- continuously increase the safety of the Ignalina Nuclear Power Plant and decide upon the decommissioning terms;
- start the implementation of the modified National Energy Strategy that has to be brought in conformity with the national economic needs as well as joint Baltic energy projects (development of the Baltic grid and gas-pipeline);
- by applying economic and legal measures, promote energy conservation and reduce as much as possible losses in the sectors of energy production, distribution and consumption;
- having diligently inventoried the energy economy, reform the management of energy sector in such a way that power enterprises would function as market entities; separate from energy

production the infrastructure not characteristic of it, tighten accounting of power supplies and consumption.

With a view to reducing the influence of power importers and enhancing the autonomy of the state in terms of energy, it is necessary to complete devising the comprehensive programme that covers:

- the modernisation and development of power entities;
- options of investors;
- future flows of power resources and fuel import, reliability of their guarantees and the use of national raw resources (including oil depositories);
- export of power production and, etc.

While negotiating the payment for power resources supplied from the Russian Federation we are going to propose direct exchange of these resources for electricity, other Lithuanian duty-free goods.

Compensations for heating shall be provided to the citizens receiving low income.

• Industry and Trade

In order to promote industry and make use of production capacities, specific programmes on business promotion, job creation and export promotion shall be drawn up following the example of Western countries. The funds for these programmes shall be determined in a separate article of the state budget of the Republic of Lithuania.

In order to create more favourable conditions for the use of national resources, increase the demand and competitiveness of goods produced in Lithuania, it is necessary:

- to apply the measures which do not contradict international economic agreements in order to impede the import of low quality goods (particularly in those cases when the analogous Lithuanian good is of better quality);
- for the imported production set higher hygiene and ecological requirements in accordance with European standards, limit the import of different subproducts;
- while constructing environmental entities, give preference to Lithuanian enterprises;
- give preference to Lithuanian producers and businessmen in terms of public procurement procedures, however in compliance with international commitments.

In further promoting production investment, we shall with relevant legal acts tighten the regulation of rules applied to the provision of financial aid to enterprises, and improve control means of their enforcement.

We shall aim at the creation of the possibly most favourable legal and financial conditions for enterprises to receive short-term loans to replenish their working capital.

Having reorganised taxes, double taxation on business income shall be prevented (including dividends and interest).

7. SUPPORT TO THE RURAL AREAS, PEOPLE ENGAGED IN AGRICULTURE AND FARMERS IN PARTICULAR

One third of the whole population lives in rural areas. We acknowledge all forms of farming, however we think that family farms will be able to withstand competition easier.

We intend to further provide soft loans to farmers who procure agricultural equipment and construct farm buildings. The mentioned loans shall not be provided to persons on an exceptional basis, but according to the rules, established in state support programmes, bidding to everyone. Loans shall be further allocated from bank resources, while benefits shall be covered from the resources of the Rural Support Fund.

Through the state-controlled Guarantee Fund for Agricultural Loans and the Market Regulation Agency of Agricultural Products and Foodstuffs we shall further provide state guarantees on loans and other financial benefits to farmers and enterprises buying up or exporting the key production (grain, dairy, meat, etc.) and ready-made food products. Further export development will improve the situation in the country, which will consequently create more jobs and increase the income of people engaged in agriculture. We shall at the same time explore new markets for the export of agricultural produce.

By applying economic levers, we shall seek to maintain market prices of the main agricultural production bought up from farmers and partnerships, provide state support to enterprises buying up grain and sugar beets. No later than in 1999 - 2000 (in view of European Union requirements) we shall essentially move towards extending direct subsidies to farmers on the basis of cultivation areas and a number of livestock.

It is our intention to speed up the land reform to the extent determined by the financial capacities of the state. With this in view it is necessary to simplify further the procedures of land restitution to its owners and the registration of title documents, and also to eliminate bureaucracy.

Subject to the state's financial capacities we shall compensate in the fairest possible way for the land that may not be restituted, set forth a clearer compensation procedure which shall be enforced without change of fixed terms.

Long term benefits and bonus system shall be applied on a larger scale, which would promote effective farming and state-of-the-art technologies, we shall also explore opportunities to attract foreign investments.

We shall stimulate the land market and implement the Law on Mortgage.

We, furthermore, plan to:

- financially support the purchase of elite seeds and pure-bred live-stock, assist farmers wishing to learn modern ways and methods of farming;

- support farmers trade and service co-operatives and their unions, as well as the establishment of co-operative enterprises carrying out initial processing of agricultural products, assist farmers in purchasing technical equipment;
- promote the development of self-government system in the country, support the activities of the Agriculture Chamber in particular those promoting small-size business, crafts and tourism in the country;
- enforce additional legal guarantees set by law that would ensure timely settlement with farmers and partnerships for the production bought up from them;
- apply more strict anti-trust measures for the enterprises buying up and processing agricultural production, if their activities violate lawful economic interests of producers of agricultural goods, and initiate, if necessary, the bankruptcy procedure of certain enterprises that are heavy debtors of farmers;
- expand the social infrastructure of the country - create an opportunity for teachers to purchase state flats provided within the competence of the employer, staff of medical and culture institutions;
- develop the necessary medical services in the country, in the first place out-patient treatment;
- assist privately established social care or support institutions for the disabled, children or elderly in need of care and support;
- improve the qualification upgrading system of specialists in agriculture, farmer training and advising.

8. TRANSPORT

It is intended to develop Lithuania's transport system in accordance with the common strategic goals of European transport development. We shall aspire for Lithuania's transport system to become an integral part of the transport system of the Baltic Sea region, and will aim for it to join the common strategy and transport service market of the EU infrastructure development. On the other hand, as we seek to protect our national interests, governmental institutions shall actively join the activities of international organisations and special working groups establishing the priorities of the whole European transport infrastructure development. It is of utmost importance that the key entities of Lithuania's transport are included into European transport network projects to be developed in the first place, and get international support and assistance. Particular attention shall be paid to the international programme TINA launched in 1996 by the EU. The programme is aimed to establish the development needs of Central European transport infrastructure and identify the projects of common interests which, in the process of integration, would enable to create a joint multi-mode transport network among European Union member states and candidate countries.

International and national transport service market predetermines other key directions of Lithuania's transport development:

- following proper preparation (having drafted up strategic development and restructuring plans, having found strategic partners and investors), privatise public entities providing commercial transportation services;

- concentrate efforts of state institutions and financial resources to reconstruct and develop transport infrastructure entities, introduce multi-mode transport technologies;
- harmonise legal acts, regulating transport activities, with legal acts and technical standards of the EU.

While implementing transport policy, the fundamental aim of which is to integrate into the EU, the Government plans to carry out specific projects referred below according to transport branches.

Railway transport. To implement recommendations of the EU Directive 91/440, the aim of which is to facilitate the application of EU railway to the market requirements and increase its effectiveness, the system of Lithuania's railways will be fundamentally restructured, and a new railway structure meeting market needs will be created. Railway infrastructure was started to be separated from the carrier. To implement restructuring, Lithuanian railway line Klaipėda-Šumskas and Kaišiadorys-Kybartai (total length of the reconstructed lines - 196 km.) will be reconstructed, the alarm and telecommunication system of Kaišiadorys-Radviliškis line (127 km) shall be modernised too. We also envisage to construct a railway transit freight terminal in Mockava, reconstruct the railway of Klaipėda sea port. We shall actively look for foreign partners who would help implement the project of European gauge standard railway (from the border with the Republic of Poland up to Kaunas).

In co-operation with the Federal Republic of Germany, Russian Federation and the Republic of Belarus, we intend to implement the project of shuttle train Mukran-Klaipėda-Moscow.

Road transport. The first phase of the international trunk route Tallinn-Riga-Kaunas-Warsaw (Via Baltica project) will be implemented until 2000. It is envisaged to build 81 kilometres road, reconstruct 12 kilometres road, reinforce 70 kilometres road surface. The key entities are the following roads: Garliava-Marijampolė, Kaunas-Kėdainiai as well as Kėdainiai and Panevėžys (Northern) bypasses.

The reinforcement of the surface of the Klaipėda-Vilnius motorway will be completed in 1999 (in the length of 200 kilometres).

To develop motorways, more attention will be paid to the development of roadside infrastructure (particularly that of trunk route and roads of international transport): for car parks, filling stations, motels, technical communications and emergency service. Most of these entities shall be constructed and operated from the resources of the private sector.

Water transport. It is intended in 1999-2000 to further carry out the first phase of the development of Klaipėda sea port infrastructure and its terminals. We plan to deepen port water territory, reconstruct its gate and build the passenger terminal. The state budget is not in the capacity to accumulate all the necessary funds for the financing of these works, intensive negotiations (on infrastructure entities) with international financial institutions will be held and private capital (to finance commercial structures) will be sought.

Air transport. In order to facilitate the integration of Lithuania's air transport into the air transport market of Western Europe (and successfully export its services), in 1999-2000 the reform of civil aviation will be further implemented. The reform includes the restructuring of civil aviation and liberalisation of its operation activities, harmonisation of national legislation with the

existing European Union acts and reorganisation of its technical standards. The reform will be speeded up in all economic structures (civil aviation companies and airports), administrative and regulatory institutions.

9. SOCIAL SECURITY AND LABOUR

The evolution of social security as well as implementation of national and regional social programmes are based on the development of Lithuania's economy in accordance with the priority branches of economy as well as the opportunities available with the integration into the European Union, employment of employable people, and elimination of the shadow economy.

• Improvement of the social security system

To improve social security and strengthen social justice, it is necessary:

- to aim at the universal social security system - reduce amount of groups of the citizens with exceptional social guarantees;
- to seek that the increase of the minimum living standard (MLS) and state supported income on which social allowances depend should not lag behind the actual inflation;
- to consistently stimulate the purchasing power of the population;
 - to develop the system of social information - increase its complexity and develop opportunities to operate social data;
 - to co-operate more actively with the EU, countries of the Nordic Council, our Baltic neighbours and other countries in the social area with a view to creating a common social space and conditions for the free migration of labour.

• Social insurance

In further improving the social insurance system as a vital element of a modern democratic state, the Government plans:

- to reinforce state social insurance system - increase citizens personal responsibility and interest;
 - to introduce and develop supplementary non-state social insurance, i.e. set up and enforce alternative modes of social insurance and relevant institutions;
 - to create more favourable insurance conditions for farmers and the self-employed as well as persons who draw their core income from real estate or invested capital.

• Family support

By creating conditions for the families to carry out functions more efficiently, the state is committed to support and provide care to those families which can not carry out these functions appropriately, the Government plans:

- to increase the support for families raising children - give priority to the families with low income (continue free catering for children from socially vulnerable families in pre-school and educational institutions, develop the Support Programme for Housing Acquisition);

- to utilise funds earmarked for social security in a rational and purposive way by improving the social security network.

· **Directions of youth problem resolution**

We shall implement measures covered by the national concept paper of youth problems that include the most crucial issues of young people's life and the guidelines of their resolution:

Subject to the capabilities of the state we shall aim at replenishing long term soft crediting funds to be extended to young people's studies and young family homes; to this end we shall further expand the general national "Būstas" ("Housing") programme;

In implementing approved measures for the professional orientation and integration of young people into the labour market, we shall develop young people's professional orientation based on the analysis of labour market prospects, create favourable conditions to acquire profession and change one's qualifications, prepare young people for independent fair business and professional activities;

To the extent allowed by the capabilities of the state it is essential to finance the programme of agricultural basics and professional training carried out in rural secondary schools, support the activities of young farmers.

· **Social services**

In further developing social services and in view of the already prepared standards for the development of the decentralised system of social services, it is necessary to speed up the decentralisation of the system of social service provision:

- to promote the formation of community social infrastructure;

- to support social service programmes in counties and local authorities;

- to render social services on the basis of partnership - include non-governmental organisations to render social services;

· **Social integration of the disabled**

While creating the effective social integration and rehabilitation system of the disabled and aspiring to create equal opportunities for them with regard to other society members, it is aimed:

- to improve further the system of benefits in an effort to create better working and living conditions of the disabled;

- to develop and modernise the network of rehabilitation institutions;

- to expand the production of compensation equipment, prosthetic and orthopaedic appliances, improve their quality, and improve the procedure of the supply;

- to adapt construction-urban milieu of the most important social entities to meet the specific requirements of the disabled;

- to develop the transport system to satisfy the needs of the disabled;

- to promote the activities of non-governmental organisations of the disabled.

• **Protection of children's rights**

With a view to protecting children's rights, the Government intends:

- to accelerate the enforcement of the provisions of the United Nation's Convention on the Rights of the Child;

- to further encourage families to take care of orphans and children deprived of parental care;

- to consider the implementation of measures of the National Programme for the Prevention of Juvenile Delinquency to be among the most essential domains of Government activity, and therefore, devote to the extent possible attention and funds for the purpose within the limits defined by the capabilities of the state;

- to co-operate with NGOs protecting children's rights.

• **Migration regulation**

In order to regulate migration, it is necessary:

- to further implement the Repatriation Programme of Exiles, Political Prisoners and Their Family Members;

- to implement the procedure for social integration of refugees, to seek further international agreements on refugee related issues.

• **Employment policy**

Pursuant to the judgement that efficient work is a fundamental of social welfare, a major guarantee of an effective social security system, the Government shall aim at an increasing number of employable people to have jobs, safe and healthy working conditions as well as a reasonable salary.

• **Employment of population and labour market**

Seeking to increase employment of population and to balance labour market, the Government intends:

- to encourage the protection of prospective jobs and establishment of the new ones, to promote self-dependent employment, with this in view to develop a long term public program promoting the establishment of new jobs;

- to improve the social security of the unemployed (in particular those having additional employment guarantees), to increase, according to the financial possibilities of the state, their social benefits;

- to pursue an active labour market policy related to the prevention of unemployment, promotion of employment, organisation of vocational training within the labour market, expansion of public works (especially for those avoiding employment), development of regional employment and business promotion programmes;

- on the basis of the independent system of insurance against unemployment to establish a financial system for the development of new labour market;

- to improve the activities of labour markets and labour market training institutions;

- to promote legal employment, to strengthen prevention and control over illegal employment, to increase the responsibilities of both employers and employees.

• **Labour Relations**

Seeking to regulate labour relations, the Government plans:

- to improve the legal regulations of labour relations in line with the international standards with a view to equally protecting interests and rights of employees and employers, and to settle disputes by way of negotiations;

- conducting consultations with social partners to adopt principle political decisions pertinent to social and labour areas;

- to encourage development of trade unions and employers organisations.

- to remove the remaining constraints on a shortened working week or a duration of the working day.

• **Work environment**

Seeking to establish safe and healthy employment environment for employees, the Government intends:

- on the basis of the insurance system grounded on the solidarity of employers, against accidents in work, and in compliance with occupational safety legislation harmonised with relevant EU law provisions, to encourage employers to improve work conditions (with a special focus on occupational safety of pregnant women and suckling mothers), to implement effective prevention against accidents in work and to eliminate their consequences;

-to improve the activities carried out by the State Labour Inspectorate exercising the control over work safety and over the enforcement of the employment legislation, to improve and better co-ordinate the activities of various organisations which oversight employment environment.

• **System of work payment**

Seeking to set in order the system of remuneration for work, the Government intends:

- to improve the system of wages for employees paid from the state budget of the Republic of Lithuania and municipal budgets;

- to pay special attention to payment to the employees of non-budgetary organisation ensuring that remuneration is settled by way of bilateral contracts between employers and employees' organisations;

- as compared to wages paid to the employees involved in other areas, to increase more speedily wages for the teachers of high schools and the employees of scientific institutions, scientists and teachers, to the employees of health care sectors, education, art and culture.

10. HEALTH CARE

In shaping and implementing health policy, the Government plans:

in the area of health care administration:

- to further reorganise health care institutions of the primary, secondary and tertiary levels; to aim at satisfying the needs of Lithuania people to the best possible extent in terms of care and tendance.

within the financial area:

- to finance recreation medical services of the primary level (first aid departments, out-patient departments, poli-clinics) according to the contracts concluded with the institution providing services and financing institution, also to propose additional incentive schemes for doctors and other medical practitioners working in rural areas;

- to finance recreation medical services of the secondary level according to the provisions outlined in the Law on Health Insurance and other type of legislation thereby enabling a person, paying contributions into the health insurance fund, to get access to all medical services, while the institution, providing the aforementioned medical services, would function as a legal entity concluding contracts with the health insurance fund;

- to finance recreation medical services of the tertiary level according to the provisions outlined in the Law on Health Insurance and other type of legislation which provide for additional finance to these institutions in compliance with the national programmes and investment projects;

- to prioritise the primary health care, place special emphasis on the quality of medical services provided to rural population; as well as on servicing political prisoners and exiles in health care institutions, and the system of benefits and compensations on medicine and prosthetic appliances.

within the pharmaceutical area

- to seek that the medicine produced in Lithuania constituted an increasing share of all medicine consumed in Lithuania;

- to update regularly (once a year) the list of medicines and illnesses, which are either in full or partially covered from the Compulsory Health Insurance Fund or the state budget of the Republic of Lithuania.

within the area of health care of the society

- to further implement earlier initiated programmes, with a special attention to the prevention and treatment of drug addiction and sexually transmitted diseases.

11. COMMUNICATIONS AND INFORMATION TECHNOLOGY

Major areas to be expanded in the sphere of communications and information technology in Lithuania are the following:

- to establish favourable conditions for private business initiatives in telecommunications, for competition, investment, and new technologies;

- to integrate national communications and information technology system into the European and global telecommunication system; to harmonise legislation regulating its activities with the international standards;

- to provide more and versatile communication and information technology services to population and enterprises, to improve the quality of these services;

- to expand telephone networks in rural areas.

Implementing the Programme for the Development of National Communications and Information Technology the Government intends in 1999 - 2000:

- to draft the Law on Information Technology;

- to continue drafting and imposing communication and information technology standards in line with EU requirements;

- to enhance an integral state system of cadastre, classifiers and registers;

- to develop optic cable networks;

- to upgrade the Sitkūnai radio station and other entities of Lithuanian National Radio and Television Centre, to equip them with facilities that make power conservation possible;

- to complete the construction of mail terminal near Vilnius airport;

- to install the national radio broadcasting reserve system to be used in emergency cases when the state is in danger;

- to expand and enhance computer networks of not only state institutions (President's Office, Seimas, Government Office) but, moreover, the information systems of municipalities, tax, treasury, post, and customs offices as well as border crossing points;

- to improve the administration system of radio communications, to establish the radio monitoring network.

12. CULTURE

Recalling times in history when during oppression a small Lithuanian nation sought for survival and strength in its native language, ethnic and Christian values and traditions, apprehending cultural policy of the state as the most redeemable investment into the future of Lithuania, grounding cultural policy on free artistic self-expression of a human being, on the respect for traditions, on openness to the world, on ever-lasting values, on standpoints of democracy and decentralisation, taking over the up-to-date Western experience in organising culture, and, however, maintaining the continuity of our own culture, we shall render assistance to our national culture in the following way:

- in compliance with the rules set in advance, additionally finance the prestigious professional art - theatres and other artistic societies with respect to their own earnings;

- consistently increase wages of employees of cultural institutions;

- outline legal provisions regulating art life in Lithuania which would encourage fostering of culture, prepare legislation stipulating financing of culture, strict protection of cultural heritage;

- within the state's financial capacities increase a number and amount of state scholarships for talented art creators;

- financially support valuable periodical publications on culture, important publications on Lithuanian philology, history, ethnic culture, art books, thematic cultural social publications in foreign languages creating a positive image of Lithuanian culture and the state itself;

- within the state's financial capacities support Lithuanian film-making;

- promote international programmes on cultural exchanges among the Baltic neighbours, Eastern and Western Europe, North and South America;

- resolutely popularise, as a significant component of cultural policy, Lithuanian culture abroad thereby strengthening understanding between nations and finding new friends for Lithuania;

- establish cultural and art foundations to support specific cultural programmes by using state, private and foreign funds or allocate, in accordance with the pattern of the Western countries, several per cent of the revenues collected from the excise tax imposed on tobacco and alcohol;

- implementing the ECU Joint Convention for the Protection of Ethnic Minorities, respect human rights of ethnic minorities as approved in the International Agreements and

Legislation of the Republic of Lithuania, and allocate necessary assistance for the ethnic - cultural activities of ethnic minorities as provided in cases of legal acts;

- support the investigations concerning the resistance movement and deportation period, promote moral and patriotic upbringing based on fostering of historic and spiritual values;

- help ethnic minorities to be integrated fully into public life, and provide necessary conditions for learning the state language.

- prepare a long-term strategy for cultural development.

• **Protection of cultural heritage**

Seeking to ensure the protection of cultural heritage, the Government intends:

- to reduce fundamentally the amount of activities pertinent to the co-ordination and licensing of monument conservation works to comply with European standards;

- to seek transparency of all restrictions concerning monument conservation and make them known in advance to the owners, users or investors into cultural heritage;

- to encourage investment of Lithuanian and foreign capital into old towns, manors and other entities of cultural heritage;

- to seek regain the cultural heritage illegally carried abroad;

- to promote programmes for the protection of cultural heritage developed by non-governmental organisations, associations, public institutions, foundations;

- to separate and to co-ordinate functions of monument conservation between public and municipal institutions;

- to provide that charity for the protection of cultural heritage shall be exempted from taxes.

• **Physical training and sport**

In developing physical training and sport, the Government suggests:

- supporting programmes of physical training and sport which encourage people of different ages and abilities to be active and take care of their health;

- providing possibilities for skilful Lithuanian sportsmen to obtain training; promoting search and training of young talented sportsmen; promoting the prioritised branches of sport in which our sportsmen's achievements and successful results made Lithuania's name famous .

13. Education AND science

In the process of school reform and further integration into the education area of the European Community it is necessary to foster the ethnic school identity. We shall seek to reinforce the ethnic core by increasingly focusing on moral and patriotic upbringing of citizens. We shall further improve curricula and textbooks, including their publication.

We shall suggest to the Lithuanian radio and television increasing the support provided by the mass media to families and schools.

We shall seek to re-establish the prestige of a teacher's profession by providing conditions for education enhancement. We shall improve the financial situation of schools: although during the recent years teachers' salaries have doubled they have to be further increased. Within the financial capacities of the state we shall fund to the extent possible construction and reconstruction of schools.

Among the long-term objectives is to achieve that all children till 16 years of age (including the disabled) be trained in secondary schools and other educational establishments. It is also essential to continue catering at school for children from needy or risk group families, to ultimately arrange transportation of schoolchildren to schools, to take care of their leisure time outside school activities and during holidays. We shall put every effort to reduce to a nothing the number of children evading school as a means to combat the growth of juvenile delinquency.

We shall further create conditions for all Lithuanian residents to take studies in the national language, and shall foster Lithuanianism outside Lithuania.

We shall continue the already initiated school computerisation programme, enabling schools to have access to the international information networks (Internet, etc.). Yet, we shall undertake the task of eliminating over-exhausting numerous (in some cases even unnecessary) disciplines.

In the area of science and studies it is essential to preserve and to rationally use effective scientific potential, to orient scientific research to cater the needs of Lithuanian economy and culture. A special focus should be placed on the scientific priorities, like the Lithuanian language, analysis of Lithuanian culture and history, onto the research of international level which would help integrate into the structures and programmes of the Western Europe. We shall seek to improve publishing of various publications and encyclopaedia.

We shall introduce student crediting system in high schools, shall seek to develop relations between high schools and institutes of science as well as with Western centres of science, shall gradually regulate the ratio between a number of teachers and students, and, within the capacities of the state, introduce tax incentives for investment into science and studies.

We shall finish shaping a long-term strategy of the Lithuanian educational evolution.

14. REFORM OF PUBLIC ADMINISTRATION AND LOCAL AUTHORITIES

• Improved management of central administrative institutions

The Government is determined to continue restructuring the system of public administration in the following way:

- the main responsibility of implementing and developing the strategy, state policy and control over law enforcement shall be vested with the ministries;

- to establish the coherent public information system in line with the European standards which shall service all public and municipal administrative chains; to work on cadastres, registers, data base, paging and processing facilities. It is necessary to introduce legal regulations in the sphere of accumulation, use and protection of state information;

- to expand the role of the register of residents' data to meet all administrative purposes, including service rendering (like social support, administration of insurance, registration of business location, composition of the list of schoolchildren and electorate, etc.).

• Administration of regional institutions of departments and ministries

Pursuant to the existing legislation on public administration the Government shall modify the scope of competence of ministerial, departmental, and county structures; counties shall take over the remaining regional functions of ministries.

• Restructuring of the territorial administrative structures

We shall further implement measures outlined in the guidelines of the Lithuanian regional policy, which are related to the reorganisation of territorial administrative structures.

We shall especially focus on speedy delegation of certain ministerial functions to counties.

Having amended the Law on the Territorial Administrative Units and their Boundaries, we shall accomplish the decentralisation and deconcentration of public administration.

• Local authorities reforms and their further development

The development of the reforms of local authorities is closely related with the formation of civic society. Self-governance may be successfully developed by people's communities only. The existing Law on Local Self-government is to be amended, therefore it is necessary to improve it in its essence and to create conditions for the establishment of new local self-governments.

It is necessary to improve municipal financing, and, in the first instance, the methodology of forming municipal budgetary revenues - we shall form long term stable revenue sources of municipalities on the basis of stricter criteria equally applicable to all municipalities.

• The Government defines the following trends in developing local governments:

-to assign to municipalities, by way of legislative provisions, the functions of carrying out social care, supervising local economy and infrastructure of towns, townships and settlements, being responsible for the primary health care, public health care and delegate other functions related to the continuous rendering of services and constant catering of public needs;

- to complete the transfer of real estate to the ownership of municipalities, to expand fundamentally the terms of reference of municipalities (if necessary, by way of proposed amended legislation) to include matters related to the sale and lease of non-agricultural land in urban areas;

- to define more clearly the competence of the elected municipal institutions (councils, boards, mayor) and administrative office and separate their functions, to expand the rights of chief local executives;

- to encourage elections of chief local executives, to define rights and duties of chief local executives;

- to seek to bring into practice the idea of direct mayor election;

- to give back to municipalities police services, to assign to them functions of preserving public order and allocate necessary budgetary funds, to encourage local people to participate on a voluntary basis in maintaining public order , to support the movement "Stop Crime";

- to increase fundamentally the role of the Association of Local Authorities of Lithuania by way of developing self-governance in the country and administering local affairs.

· Publicity of administration of the state and of administrative institutions

We shall bring into force the Laws on Civil Service and Public Administration (as soon as they are adopted) as well as the system of administrative courts (on the basis of adopted legislation).

Only with the adoption of the mentioned public administration laws and the properly arranged functioning of legal and law and order systems, more favourable conditions will be created for the authorities to serve people as it is enshrined in Article 5 of the Constitution.

15. TO CONSOLIDATE NATIONAL SECURITY AND DEFENCE

While taking care of the national security and developing the defence system, the Government intends:

- to increase the capacity of the army and other systems of the national security and defence institutions to carry out properly the tasks assigned to them, to ensure their interoperability and increase of their capacities, preparation to resist aggression, to defend the state of Lithuania, its territorial inviolability, integrity and constitutional order;

- to prepare the systems ensuring national security and defence with a view to their future effective functioning under the conditions of Lithuania's membership of the North Atlantic Treaty Organisation.

While pursuing the set objectives, the Government:

- shall further restructure this system, its institutions and infrastructure in the way that they would meet the democratic control requirements, and according to their parameters, operation modes and procedures would be absolutely compatible with the respective structures of NATO and its member countries in order to be able to act together meeting the general standards and requirements of NATO, and in compliance with these requirements shall complete reorganisation of the Ministry of Defence and the army;

- shall increase the prestige of the army and trust of the society therein, shall seek to eradicate corrupt phenomena, to cultivate culture among soldiers and to foster military science;
- while forming the budget of the national defence, which in 2000 - 2001 will be not less than 1.8 - 2 per cent of GDP, shall follow long term programmes of system development, adhere to international commitments, shall pursue objectives of increasing defence capacities, implementing defence plans with respect to necessary armament and provision needs;
- shall prepare so far missing laws regulating defence system, shall suggest amendments to the existing legislation, statutes, shall adopt other legal acts in the area;
- shall implement a comprehensive programme for the training, education, and professional enhancement of the national defence staff; shall carry out the reform of the Lithuanian War Academy;
- shall further improve the order of conscription into the national defence and military service, shall expand its possibilities and implement incentive measures; shall develop the system of the reserve personnel training, provision, and mobilisation, shall develop the Voluntary National Defence Service;
- shall further reorganise the interior troops by transferring soldiers of compulsory military service from these troops into the regular army, and by transferring to the army the respective armament, equipment and provisions; shall co-ordinate, in compliance with the plans of the Defence Headquarters, the readiness of the border police for defence actions;
- shall further develop international co-operation in military area according to the bilateral agreements and co-operation plans, shall make sure that Lithuania contributes to the NATO defence planning and revision process, shall participate in the NATO Partnership for Peace programmes, peace-keeping operations, joint military training;
- shall take care of the reliable protection of the state inland and sea border, shall develop the system of sea monitoring and defence;
- shall complete the establishment of a complex civil and military air control system according to the regional air control initiative which will be included into the common Western air control system;
- shall enhance and impose the rights to ensure public information protection and other measures enabling to protect Lithuania from subversive activities of illegal and various covert structures, sabotage activities and terrorist acts, and protect public institutions from illegal influence;
- shall take care of the economically feasible production of armament and ammunition.

16. ENVIRONMENTAL PROTECTION

Environmental protection is inseparable from the successful evolution of society and reinforcement of the statehood. People's health and welfare, the economic and social progress of the state are highly dependant on the environmental conditions, stability of landscape and biological diversity. The natural resources should be used without damaging natural environment, the factor forming the balance between the nature and ethnic identity. The society, in the first instance, has to follow the requirement of the environmental protection, and abandon a consumer-type approach towards nature as an inexhaustible source of resources.

The state has to ensure the preservation of natural landscape and biological diversity, rational use of the Lithuanian natural resources.

Preservation of the unique natural landscape, biological diversity and efficient use of natural resources is of utmost importance.

The main principles of organising environmental protection and its administration are the following:

- to develop legislation regulating environment, use of natural resources and commercial activities, and to improve the existing legislative basis;
- to improve planning of territory - to design a balanced development of the state territory and provisions for rational use of natural resources;
- to apply economic means with a view to reducing and preventing pollution as well as to saving natural resources;
- to establish monitoring of environmental pollution, the system of ecological expertise and control;
- to take care of environmental education of the society.

Objectives of the environmental protection:

The objective of the environmental protection of the state is to ensure preservation of natural environment clean and healthy, sustainability of natural landscape and biological diversity, appropriate use of natural resources. Implementation of the above-mentioned will require:

- to reduce pollution of water, air and soil;
- to develop and implement a programme for waste management;
- to reduce physical pollution;
- to stop the decay of unique natural landscape;
- to stop the extinction of some populations and species of plants, animals, mushrooms;
- to outline ecologically orientated activities of the forestry sector, to improve the structure of forests;

- to urgently stop deterioration of the Baltic sea dunes;
- to develop a balanced recreation programme of the environment;
- to recultivate the exhausted quarry;
- to eliminate a negative effect on the environment due to the use of natural resources;
- to ensure safe operations of Ignalina nuclear power plant;
- to reduce the pollution of the Nemunas river-basin, the Courish lagoon and the Baltic sea - to build water treatment facilities and to impose sanctions on polluters.

With the view to implement the aforementioned principles and to achieve the environmental objectives, it is essential:

- to undertake strict environmental policy;
- to carry out ecological expertise of the legislation submitted for approval;
- to develop environmental protection programmes;
- to reduce air pollution (to control the quality of the fuel and to create a system of fuel quality control; to constantly require that all transport vehicles be in line with the EU environmental requirements, to apply an optimal system of traffic regulation, to introduce other measures reducing pollution);
- to educate the public about the environmental policy.

17. CONSTRUCTION AND URBAN DEVELOPMENT. PUBLIC UTILITIES OF THE HOUSING SECTOR

It is essential to arrange the legislation and other legal acts covering construction, urban development, and the public utilities of the housing sector. With this in view it is intended:

in the construction area:

- to improve further the existing legislation in order to reduce the individual influence of public servants on construction;
- to transfer a client's functions performed by the state to an institution, which would carry out the oversight of the constructions financed from the budget of Lithuania (public funds), organise competition among construction vendors and supervise construction works;
- to draft the Law on Utilisation of Buildings and their Supervision;
- to revise functions of public institutions, including municipalities and counties, in the construction area;

- to eliminate possibilities of various public institutions to unilaterally dictate technical and special conditions;

- to complete privatisation of construction enterprises;

- to give the priority to local producers of construction materials;

- to activate relations with the Western and Eastern European countries seeking to increase export of construction and building material;

- to draft the Law on Construction Insurance and Construction Quality Guarantees which would legitimise multilateral obligatory insurance system which would include clients, designers, vendors, suppliers and public institutions in charge of implementation of contracts concluded and insurance of entities like buildings under construction and the already constructed buildings, construction products;

- to expand the system of control over construction material by way of introducing certificates for construction material and products manufactured in Lithuania and those imported from abroad;

- to seek to achieve recognition of the certificates system of assessment and control applied for the Lithuanian made material and products;

in the housing sector:

- to encourage construction of housing and apartments financed from residents' funds, to orientated the financial market towards a long term crediting of housing (apartments) construction, differentially apply financial incentives provided by the state. Within the capacities of the state to allocate, as soon as in 2000, funds for the enforcement of the Law on State and Municipal Support for Housing Acquisition or Lease by giving priority of state support to socially vulnerable persons and young families. To develop the "Būsto" (Housing) Programme;

- to encourage further economic entities financed from the budget to renovate their buildings, to support residents who renovate, thermo-insulate and modernise their residential houses (apartments) with the view to save energy resources;

in the urban development area

- to develop a Master Plan of the Development of Lithuania's Territory by the year 2010, to specify in it the correlation between the space development of our state and that of Europe, assigning the priority to the zones adjacent to international transport corridors (:Via Baltica", Klaipėda-Kaunas-Vilnius- Minskas) and territories near the state borders;

- to encourage private initiatives in making use of municipal reserve territories and promote investment into them;

in the area of public utilities

- to further implement measures for the enforcement of the concept on the development of public utilities;

Seimas;

-to complete drafting the Law on Garbage and Household Waste for submission to the

owners.

- to eliminate the barriers hindering speedy establishment of associations of house