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World Bank Report Aims to Ensure Social Assistance for the Poorest In Lithuania

Social Sector Public Expenditure Review recommends increasing efficiency in the Lithuanian social sector

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VILNIUS, August 7, 2009—The protection of high priority social services and targeting of scarce resources towards the poorest and most vulnerable social groups is a key recommendation of the new *Social Sectors Public Expenditure Review (PER)* report for Lithuania, launched today in Vilnius, in support of the Government's response to the financial crisis.

During the earlier part of this decade, Lithuania experienced rapid and welcome growth in social spending, but due to the global financial crisis, the government is searching for savings that will allow it to reach its fiscal targets while also achieving strategic improvements in the social sectors within a reduced budget envelope. To assist the Government in preparing an effective response to this challenge, the World Bank's report recommends fiscal consolidation and reforms that would generate immediate fiscal savings while making social sector spending more efficient and equitable. The report also identifies changes in social assistance benefits that would better protect the poor and vulnerable during the crisis and beyond.

"In Lithuania, as in other countries, the financial crisis has put a great deal of pressure on what are already scarce resources. By targeting social spending to make sure programs are reaching the poorest – who need them the most – and protecting essential social services, the government can help mitigate the impact of the crisis," said **Thomas Laursen, World Bank Country Manager for Poland and the Baltic Countries**. *"In agreement with the Government, social sectors have been chosen as the focus of our analysis, and the report offers a broad set of options for consideration."*

"The Public Expenditure Review analyzes how increased efficiency in the areas of social protection, health, public administration, and education can make the most funds possible available to the most vulnerable," added **Cristobal Ridao-Cano, Lead Author of the Report**.

To respond to the economic crisis and strengthen the safety net, the report proposes a temporary extension of the unemployment benefit by 3 months, shifting the focus of active labor market programs towards short-term job-creating programs, and strengthening the guaranteed minimum income for those who have no alternative. In health care, the report recommends preserving essential services, such as family services, emergency care, and acute outpatient and inpatient services. In education, the report proposes to protect non salary-related spending, such as textbooks and internet connectivity, so that education quality is not compromised for children in primary and secondary schools.

The report also recognizes the need to make cutbacks to preserve core spending in the social sectors and to expand the safety net during the crisis. The recent years of prosperity in the region created opportunities for increased spending in the social sectors that could be adjusted to fund fully essential spending during the crisis. For example, the costly addition of an additional year of maternity benefit, now the most generous in the EU, could be tempered either temporarily or permanently. Better targeting of existing subsidies for family benefits and higher education could release funds to help the more vulnerable. In health, Lithuania's costly and excessive hospital infrastructure could be reduced selectively to generate savings in the next budget cycle to finance more appropriate care. Over the longer term, raising the retirement age over time could generate enormous savings that would increase the viability of the pension system while encouraging greater labor force participation and longer working lives.

"The Government of Lithuania worked closely with the World Bank in preparing this report. It contains technically strong analysis that we will consider as we shape policy in the coming months," said **Donatas Jankauskas, Minister of Social Security and Labor**. *"What is essential is that we make sure that social services in Lithuania are effective and address the*

needs of all social groups.”

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