The paper critically assesses the argument of the political economy of reforms that crisis triggers reforms. This line of thinking was prevalent among analysts and policy makers during the 1980s and 1990s when major reforms were initiated in different regions in the world, and saw its revival recently with the start of the economic crisis of 2008. It is argued in this paper that crisis indeed provides a window of opportunity for reforms, but it by no means automatically leads to the adoption of consistent reform measures. For reforms to take place, a number of factors have to be in place, which include the presence of reform-minded policy makers in the leadership positions with a reform programme, substantial support of expert community and external support, such as European Union funding and good practice models in other countries which could be followed. Only under the right mix of political and resource factors reforms are likely to be undertaken. To illustrate this argument, the paper presents an analysis of reforms in Lithuania, focusing on four areas of public sector reforms (higher education, health care, public administration and pension reform) which have been listed by the government as priority areas for reform, but which have seen very different progress in the actual reform process. The divergent trends of reforms in these areas show how different combinations of the factors mentioned above facilitate or prevent the crisis situation triggering a structural reform process.

Keywords: economic growth (recession); policy maker; government; structural reform; public sector (administration); crisis.

Introduction

The current economic and financial downturn in most of the world economy has brought back to the agenda the issue of a crisis as a trigger to economic and public sector reforms. There is a tradition of thinking that “it seems intuitively obvious that crises trigger reform efforts” (Haggard, Webb 1993: 153). The argument is that a crisis provides a window of opportunity for reforms, which under “ordinary conditions” are difficult to undertake due to distributive effects and the resistance of interest groups, which fear to become worse off after the reform. As Haggard and Webb (1993: 153) maintain, “crises increase a government’s willingness to attempt remedial measures and the public’s tolerance for them”. This argument has been popular not only among policy makers but also among researchers. It was stated by Rodrik (1996: 26) more than a decade ago that “if there is one single theme that runs through the length of the political economy literature it is the idea that crisis is the instigator of reforms”. Although this direct causal connection between the two has been debated, the issue itself has attracted significant academic attention, in particular after the wave of reforms in the 1980s in the Organisation for Economic Cooperation and Development (OECD) countries, Latin America and Asia, as well as the start of transition reforms in Central and Eastern Europe (CEE) in the 1990s. Many writings have explored the reasons for the reforms, their preconditions, speed and trajectories, finally, the need for forging popular support.

This paper departs from a conventional political economy work by starting with the assumption that the presence of economic crisis (which is used here as a term for the economic recession) does not automatically lead to the economic policy and public sector reforms.
reforms which aim at correcting perceived previous failures and create conditions for economic recovery and sustainable growth. It argues that crisis provides an opportunity for reforms by creating incentives to change the established institutions and practices, but the actual use of this opportunity depends on a number of factors. These factors include the political composition of the government, the presence of reformers with an established reform programme and external anchors such as European Union (EU) funding and availability of external good practice models presented by the World Bank or other external actors. Only with the right set of factors or conditions can reforms be initiated and implemented. Moreover, a crisis creates constraints, first of all financial, which affect the trajectories of reforms. Overall, the actual use of the crisis as an opportunity for coherent and consistent reform is probably more of an exception than a rule.

It should be noted that similar political conditions for a successful reform, including a strong political base, visionary leadership and a coherent economic team, have been stressed by Williamson and his colleagues (1994) after evaluation of the reform experience in different countries. Haggard and Webb (1993) examine institutional characteristics of the political system, aspects of the internal and external economy, and the design of the reform programme. One of the most recent examples of the analysis of political economy factors conducive to initiating structural reforms in a number of OECD countries is provided by Tompson (2009). Thus, the attention to political conditions for reforms is not new. What this paper brings into debate is the analysis of how these factors interact under the conditions of economic crisis, what effects external factors such as EU membership, its supply of institutions and resources have and, finally, how these factors interplay in selected public policy areas resulting in different policy outcomes.

The paper develops these arguments by focusing on the public sector reforms, which have been initiated (or failed) in Lithuania after the start of economic recession in 2008. It compares and contrasts the reforms in several public policy areas, which include higher education, health care, public administration and pension reform. It argues that although the political rhetoric portraying crisis as an opportunity for reforms has been strongly expressed in the government’s programme, the actual record of reforms has varied so far depending on the area. A breakthrough has been achieved in the field of higher education while there has been little progress in reforming the health care sector, slow muddling through in the area of public administration reform and retrenchment or slowing down in reforming the pension system. The paper aims at explaining these different outcomes, which have been present so far, despite the fact that reforming all of these areas has been a priority for the government.

The analysis is structured as follows. First, a brief overview of reforms in Lithuania is presented with a focus on the situation during the last five years after EU accession, in particular the period since the start of economic recession. Then the context of the crisis and the policy decisions, in particular in the areas of higher education, health care, public administration and pension reforms, are discussed presenting the dependent variable. The sections on each of the policy areas also discuss the political factors, which had influenced the initiation of reforms or the lack of them (the independent variables). The paper concludes with some tentative generalizations, which can be made so far taking into account a very limited time frame since the start of the current crisis and the political cycle.

Several remarks should be made before moving to the analysis. First, although policy makers’ and analysts’ attention has recently focused on the origins of the current global financial crisis and the required measures to deal with it, mostly the financial sector regulation, restructuring of banking institutions, the form and content of economic stimuli, this paper explores the effects of the current crisis on the other policy areas rather than the financial sector or economic restructuring. In doing so it assumes that the effects of the current crisis go far beyond provoking direct responses in the form of regulatory, budgetary and other interventionist policy measures which are being discussed and adopted in the OECD, EU Member States and other countries. Economic crisis can have a direct effect in terms of resources available and as a rhetorical instrument in the political
process of reforms, which can be undertaken in different public policy areas other than the financial and banking sectors often by packaging different reforms together.

Second, the analysis focuses on the case of Lithuania, which deserves attention for several reasons. Although in many countries the dominant trend of economic policies responding to the current crisis involved significant interventions in terms of regulatory measures and an increase in spending, in Lithuania the response mainly consisted in budget consolidation, initiation of (or just talking about) structural reforms and an economic programme mainly based on EU funding. In other words, while many countries have seen the rise of interventionism (either in rhetoric or in action), in Lithuania the emphasis has so far been on fiscal stability and structural reforms (either in rhetoric or in action) which are more or less in line with the traditional prescriptions of economic thinking under the conditions of fixed exchange rate and internal adjustment of wages and prices.

It should be noted that in most CEE countries the post-EU accession period has been characterized by a return to the domestic issues and politics as usual. Although political rhetoric often emphasized the need for structural reforms in those policy areas where the quality of services has been criticized, there has been little change. The crisis of 2008 might change this situation by bringing about a new wave of structural change, provided that the required set of conditions for reforms is in place (or it might complicate the reforms due to deteriorating public finances and the overall discontent of voters over the anti-crisis measures). Therefore this issue deserves attention and the experience of Lithuania could be useful in terms of understanding the conditions, which allow the crisis to act as a trigger for the structural reforms, which have been long overdue. Comparative analysis of the content and direction of reforms in four different public policy areas allows for more insights into the political economy of reforms.

Finally, it should be noted that the time frame from the start of the crisis in 2008 until the time of writing is quite short and therefore generalizations should be taken with caution. For example, even the reform of higher education is only at the start of its implementation and at least several years are required for its impact to appear and to be evaluated. Moreover, as some authors, for example, Rodrik (1996) have noticed before, reforms sometimes did not come immediately after the crisis. Rather, immediate reaction is sometimes opposite to later trends. However, the divergent trajectories of reforms, which could be observed so far provide interesting insights for the analysts and practitioners alike.

1. Two decades after the start of reforms: transition, integration, fatigue?

From the start of the 1990s, CEE countries, including Lithuania and other Baltic States, embarked on wide and radical transformation, which involved macroeconomic stabilization, liberalization, privatization and institutional reforms. The pace and sequence of the reforms differed in each country but the general trends have been the same aiming at creating conditions for the market economy and limited governments. In a rather short period of several years, radical changes have been undertaken with prices and trade liberalized, most companies and assets privatized, fiscal and in particular monetary policies stabilizing the macroeconomic environment, and new institutions set up*.

By the mid-1990s transition reforms have become increasingly interlinked with integration into the EU. First, free trade agreements, which the Baltic States signed with the EU in 1994, complemented the general process of trade liberalization. The EU also encouraged the Baltic States to remove barriers to trade among themselves and other applicant countries. The opening up of and gradual integration into the EU’s common market was accompanied by regulatory reform. The association with the EU in 1995 and accession negotiations started by the end of the 1990s became the instruments for adopting the EU’s regulatory norms, in some cases resulting in the creation of new regulatory institutions or re-regulation of entire areas of the economy. Although the trends of transition reforms and measures aimed at EU accession sometimes differed, but overall EU accession stabilized transition reforms and reinforced their credibility**.

*For an overview of transition reforms see, for example, World Bank (1996), Lainela, Sutela (1994).
**On the relationship between the transition reforms and the effects of EU accession see Vilpišauskas (2002, 2006).
In about a decade or so Lithuania and other countries in the region went through a wave of transition reforms, which opened up and transformed their economies, and mobilization to prepare for the accession to the EU, which mostly involved institutional and regulatory reforms. This has resulted in creating conditions for economic recovery and growth, which in Lithuania have been significantly above the EU average since the start of this decade. These reforms were behind a fast convergence process with Lithuania’s Gross Domestic Product (GDP) per capita (at purchasing power parity) increasing from 35 per cent of the EU’s average in 1995 to above 60 per cent in 2008 (European Commission 2009c).

However, although economic growth continued after accession to the EU, the public sector entered a period of stagnation. The accession to the EU in 2004 has been accompanied by the expanding public administration apparatus, rhetoric about the need for structural reforms in the areas of higher education and health care but little progress in reforming them, procyclical budgetary policies with fast growing budget expenditures and stagnant indicators measuring the ease of doing business, competitiveness, Lisbon scores or corruption indices, which are compiled for benchmark countries*. This relative stagnation of the public sector in the last five years has been explained by the lack of such mobilizing goals as EU accession and reform fatigue which followed intense and wide ranging transition and integration reforms (Maniokas 2005).

Although there is a point in this argument, two other important factors should be emphasized – the rapid growth of the economy (and the budget revenues) and the fragmentation of the political scene after the 2004 parliamentary elections. The first reduced incentives for structural changes in the sectors, which remained unreformed and relatively ignored during the period of EU accession. The second factor reduced the capacities for reform, so the rhetoric about the need for further reforms has not been accompanied by the actual reforms. This gap between rhetoric and political practice was particularly noticeable from 2006 to 2008 under the first minority government in Lithuania. These variables are discussed in more detail below to provide the context for the analysis of the policy reforms since 2008.

It should be noted that economic recovery started in Lithuania by the mid-1990s and was interrupted by the financial crisis in Russia in 1998–1999, followed by a new wave of economic restructuring and fiscal austerity measures. This allowed economic growth to resume in 2000 and continue up to 2008. Several years before the accession to the EU could be characterized by economic recovery and the restructuring of trade flows, declining levels of unemployment and inflation. Interest rates went down several years before the accession to the EU, reflecting positive expectations related to the integration process. An increasingly larger share of trade has been with the EU economies, the foreign direct investment flows have also been increasingly originating from the EU Member States, in particular the Nordic countries and Germany. For example, the financial sector in Lithuania is dominated by Scandinavian investors.

Most of these trends continued after the EU accession in May 2004. Annual economic growth remained at high levels of 7–8 per cent, which exceeded significantly the average growth rates of the euro area. The levels of unemployment went down to the lowest levels since the early 1990s and reached 4.3 per cent in 2007 (when the average of EU-27 exceeded 7 per cent), driven both by the expanding economy and opportunities of migration to wealthier EU Member States, which opened their labour markets (mainly Ireland and Great Britain) from the day of accession (European Commission 2009c).

As the economy grew, the budgetary revenues were also on the rise, allowing reducing the budget deficit and the state debt levels. However, there was a lack of political consensus regarding the anti-cyclical fiscal policy. Despite the calls from some analysts to balance the budget and to adopt binding rules of fiscal responsibility**, the Fiscal Responsibility Law (LRS 2007) was adopted too late and its requirements have very soon become obsolete under the conditions of economic decline. Most likely, there has also been too little understanding of the importance of a prudent fiscal policy in the country with a monetary regime based on the currency board. Despite the impressive rates of

**For examples of expert suggestions to adopt legally binding rules of fiscal responsibility see Kuodis (2005).
economic growth since 2000, budgetary revenues and expenditures have not been balanced, although coming close to a balance in 2006. The growth of budgetary expenditures, reaching in recent years 25 per cent (Ministry of Finance 2009) prevented from accumulating surpluses which could be used to soften the adjustment to the current fast economic slowdown and deteriorating budgetary revenues.

Moreover, rapidly growing budgetary expenditures, together with EU funding, remittances from migrant workers abroad, salaries growing on average at around 20 per cent annually, and overall positive expectations of consumers willing to take credits amidst growing economy contributed to the acceleration of price level rise in Lithuania. Inflation reached the Maastricht criteria in 2006 and exceeded it afterwards, preventing effectively from the introduction of the euro in 2007. It should be noted that for Lithuania with its currency peg to the euro joining the EU soon allowed to formally join Exchange Rate Mechanism (ERM) II, where it remains until now. However, after almost two years of EU membership when the country met all nominal convergence criteria, inflation has become the main obstacle to introducing the euro.

These trends of relatively high economic growth and real economic convergence halted in 2008. Although the country’s economy still grew at a more than 3 per cent rate in 2008, it was in a decline of 1.3 per cent during the last quarter of 2008. This decline deepened to 12.6 per cent in the first quarter of 2009 and, according to the European Commission (2009b), it is forecasted to reach around 18 per cent in 2009 and continue into 2010 making it one of the last economies in the EU to recover. Although a downward revision of economic trends has been one of the main features of economic forecasts during the period that followed September 2008, the second half of 2009 saw some signs of recovery in Lithuania which, if continued, might result in revising the forecasts of the economic decline of almost 4 per cent in 2010 (European Commission 2009b).

The economic decline was soon reflected in the state of public finances with budget revenue in decline, which required undertaking several rounds of budgetary expenditure cuts. Budget deficit increased in 2008 to reach 3.2 per cent of GDP instead of expected 0.5 per cent (Ministry of Finance 2009). It is possible that even with significant adjustments on the expenditure side equal to 7–8 per cent of GDP, it might reach around 9 per cent of GDP in 2009. The state debt levels are also likely to increase rapidly to reach 30 per cent of GDP and increase further, although high interest rates have prevented Lithuania from relying too much on external borrowing (European Commission 2009b).

To sum up, the current economic downturn has interrupted more than a decade-long process of Lithuania’s fast real economic convergence with the euro area. Although the effects of global economic recession have been felt relatively late in Lithuania, the actual economic decline might be larger and last longer than the EU’s average, depending on the flexibility of domestic economy and external economic conditions. It should be noted that so far banking and other parts of the financial sector have avoided bankruptcies or the need for state aid, although the share of bad loans has been on the rise since the last quarter of 2008 (Vilpišauskas 2009). The main focus of the new government, which was formed after the elections in the autumn of 2008, was on preserving the stability of public finances and on structural reforms.

However, before assessing the progress in the reforms of the government, which started its work under the deepening economic crisis, it is useful to remember the political scene before the elections in 2008, which paved the way for the current coalition. It should be noted that since 1990 no government has succeeded in winning elections and staying in power for two or more successive terms. During the 1990s, the party system appeared to be quite stable without any major new parties entering the Parliament. It should also be noted that after the parliamentary elections in 1992 and 1996 there was one (dominant) party majority in the Parliament, which formed the Cabinet of Ministers, first Social Democrats and then Conservatives being the dominant party. Since 2000, however, the situation has changed as a coalition government was formed.

The situation changed further with the 2004 elections, which took place about half a year after joining the EU. The newly founded populist Labour Party achieved around 28
per cent during the parliamentary elections in 2004 and became part of the centre left coalition government together with the Social Democrats and the Peasants Union. This coalition dissolved in the summer of 2006, when two ministers of the Labour Party resigned amid allegations of corruption. Since the reshuffling of the Cabinet of Ministers in 2006, a minority centre left coalition government dominated by the Social Democrats has been in place, supported by the opposition Conservatives, which in 2007 withdrew their support. This has been the first case of minority government since the reestablishment of independence in 1990. In the spring of 2008, just about half a year before new elections, the minority government was joined by the Social-Liberal Party forming a fragile majority coalition in the Parliament.

This political fragmentation, which became more prominent after 2004, and frequent shifts in the governing coalition since 2004 resulted in the lack of public sector reforms despite the recognition of their need by most political actors in the country. Most parliamentary parties signed the Political Parties’ Agreement to reform higher education in 2007, and a concept paper (Queensland Government 2009) for reforming health care was also adopted in 2007. However, no concrete measures have been taken to implement the structural reforms.

The reshuffled government, which started its work in 2006 established a Sunset Commission for reforming public administration but it has also produced little tangible results. On the contrary, the number of public administration employees has increased significantly since 2004, which is mainly explained by the need to administer functions related to EU membership. While fast economic growth has allowed increasing public spending, in particular public sector salaries, social support and public investments, it has not been used to restructure the public sector.

Thus, despite the growing availability of resources, the encouragement from the EU to reform the public sector by using the Lisbon process and convergence programmes aimed at preparing the country for euro area membership, the need for structural reforms frequently voiced by the President and expert community and even acknowledged by the ruling coalition government, there had been little progress in the reforms until 2008*. As it was stated above, it could be argued that the fragmented coalition government, in particular after becoming a minority one, was incapable of undertaking structural reforms, which required overcoming the resistance of vested interests. It could also be said that the left-centre coalition government was also reluctant to start the structural reforms, which have been associated more with the right wing and a liberal agenda, because of the risk to be accused of betraying its ideological ground, in particular as parliamentary elections were approaching. Finally, economic growth and EU membership, while providing resources, which could be used for reforms, had quite an opposite effect of reducing incentive for structural change.

2. Economic crisis and political changes: will they bring structural reforms?

All this changed in the autumn of 2008 when the effects of the global financial crisis were felt in Lithuania and when the parliamentary elections brought a new right-centre majority to the Parliament which formed a new government led by the Conservative-Christian Democratic Party with their partners two Liberal parties and a newly established populist Nation’s Revival Party without clear ideological orientation. It should be noted that these parties were campaigning in the elections with a strong emphasis on change, in particular, in such areas as higher education and health care. The newly formed government, which started its work in December 2008 also emphasized change, and labelled itself a Breakthrough Government. It should be noted that it is led by Prime Minister Andrius Kubilius (head of the Lithuanian Conservative-Christian Democrats) who was also Prime Minister in 1999–2000 when the country had to deal with the effects of the financial crisis in Russia.

The Programme for the new government listed seven priorities – “essential reforms” to be undertaken already in 2009 in the fields of public administration, reducing

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*For example, in June 2004, at the time of joining ERM II, Lithuania committed “to secure a balanced budget over the medium term” as well as undertake structural reforms aimed at further enhancing the economy’s flexibility and adaptability “in a timely fashion” (European Union 2004).
corruption, developing the innovative economy, energy, education system, health care, and reduction of social exclusion. However, the main immediate actions were focused on stabilizing public finances amid rapidly deteriorating economic environment. The “fighting crisis” chapter was the starting part of the Programme for Government (LRS 2008) and has been a priority since the start of its term. It should be noted that under the circumstances of economic recession the main load of adjustment under the currency board arrangement falls on budgetary policy and labour market. This implies significant cuts in budgetary expenditure and downward revision of wages in both the private and public sectors to maintain competitiveness under the fixed exchange rate.

Pre-election politics also contributed to the deteriorating economic situation by leaving the policy makers less prepared to withstand the external shock. The fiscal policy of significant expansion which was undertaken in 2007–2008 (including increases in public sector wages and social expenditures, in particular, pensions and maternity benefits) was to a large extent motivated by the approaching parliamentary elections, which took place in the autumn of 2008. In addition, the coincidence of the parliamentary elections with the process of debating the next year’s budget further complicated the whole process of adjusting the country’s economic policy to the rapidly changing external economic environment.

The newly formed government started its work by revising the budget for 2009. Revisions were undertaken on both the taxation side and the expenditure side, aiming at saving around 2 billion litas and collecting another 2 billion litas to the budget (or 4–5% of the country’s GDP). The general VAT rate has been increased by 1 percentage point from 18 per cent to 19 per cent and all VAT exemptions (reduced rates of 5% or 9% on certain products) have been abolished, some with transition periods; the excise duties on fuel, alcohol and cigarettes have been increased; the profit tax increased from 15 per cent to 20 per cent (Vilpišauskas 2009). Certain changes made to personal income tax and social security contributions aimed at bringing into the taxation system professions, which previously had been exempt from paying these taxes (artists, farmers). On the expenditure side, basic wage which is used to calculate public sector salaries has been decreased, as well as a number of investments have been cut.

It should be noted that the review and abolishment of VAT and of some other tax exemptions, which was undertaken under the first revision of the budget does not have many precedents in other countries. The Conservative-Christian Democratic Party and the Liberal Movement Party had been campaigning in the elections with the proposals in their taxation policy chapters to abolish all tax exemptions because of their distortionary effects. This was a rare example of conventional economic policy being implemented relatively consistently and overcoming strong criticism by the interest groups. However, at the same time these measures have been packaged together with the profit tax, VAT rate increases and some other measures, which were motivated by fiscal needs and resulted from the coalition bargaining.

However, in March 2009, with budgetary revenues decreasing more than anticipated amidst global economic decline (the gap between the planned and the actual state budgetary revenues during the first two months of 2009 was around 13.5 per cent or 380 million litas), the government announced the intentions to undertake another round of expenditure cuts of around 3 billion litas, or more than 17 per cent of total budgetary expenditure. These cuts included reducing the wage fund by 10 per cent and temporarily decreasing salaries for the higher ranks of public administration employees, as well as cuts in public investments, substituting them, when possible, by frontloading EU funding (Vilpišauskas 2009).

These measures were adopted reducing budgetary expenditure by additional 3 billion litas at the beginning of May 2009, which, together with the first revision, constituted a fiscal adjustment of 7–8 per cent of GDP. However, as the actual data on a larger-than-forecasted economic decline and decreasing budget revenues appeared by mid-2009, another round of revisions was undertaken in the summer of 2009. The VAT rate was increased further to 21 per cent and further cuts of budgetary expenditure were
undertaken, for example, by reducing public sector wages by 8–10 per cent from August
2009 (European Commission 2009b). The government was determined to maintain the
stability of public finances while preserving the fixed peg to the euro and aiming at the
euro area accession as soon as possible, although rapid deterioration of public finances,
first of all budget deficit, will make it difficult to introduce the euro earlier than in 2013.

Although there have been debates about possible financial assistance from the
International Monetary Fund (IMF), so far the government refrained from officially applying
for such assistance. It has been argued that Lithuania is able to maintain the stability of
public finance without external assistance. However, this issue continued provoking
intense public debates and it might re-emerge as a possible option if the economic
situation deteriorates further due to some unforeseen developments.

There is a strong consensus among policy makers and expert community regarding
the importance of maintaining the current monetary policy regime and seeing the eventual
introduction of the euro as an “exit strategy” from the current situation. Thus, the fiscal
policy was initially aimed at maintaining the budget deficit close to the level of 3 per
cent of GDP defined by the Maastricht Treaty, although by mid-2009 it became evident
that this goal had to be abandoned and the deficit could be brought back to the limits of
3 per cent only by 2012–2013 at the earliest. The importance of being in the euro area
as a sort of protection from global economic instabilities has been stressed by policy
makers. However, so far the public remained quite sceptical regarding the adoption of
the euro as a shield from the financial and economic crisis. According to the
Eurobarometer, Lithuanians have been among the most sceptical in this respect with a
strong majority convinced that the euro would not have protected them in the face of
the crisis and that the process or the euro adoption should be slowed down rather than
accelerated*.

Labour market flexibility is another important factor in addition to political efforts to
maintain the stability of public finances. As the country has been ruling out the option
of currency devaluation, depreciation via the reduction of wages is the main scenario of
adjustment under the conditions of economic decline. Although according to the World
Bank Doing Business Indicators Lithuania together with the other Baltic States rank
relatively unfavourably in terms of the rigidity of labour regulations, other surveys seem
to indicate that Lithuania has a very flexible labour market with relatively low collective
agreement coverage and quite a high flexible wage share, and is among the most flexible
economies in the EU-27 (Rosenberg 2009; Rutkaste 2009). This contrast between the
World Bank surveys and the studies of the labour market flexibility might result from a
gap between the quite strict legal regulations of the Labour Code, in particular with
regard to part-time and temporary employment, and their application on the ground,
when businesses seem to be able to find ways around these restrictions. Most analysts
tend to agree that Lithuania and the other Baltic States have relatively flexible economies,
allowing them to adjust to the market changes without using the exchange rate
instrument. This has also been confirmed by a recent analysis of the European Commission
(2009a: 115), which stated that “the labour market has proved to be very flexible”. In
some sectors it has been estimated to decrease by around 20 per cent in the second
quarter of 2009 on a yearly basis, while nominal compensation per employee is projected
to decrease by some 7 per cent in 2009 and by another 6 per cent in 2010 (European
Commission 2009a).

3. Crisis and reform: progress, muddling through and regress

Lithuania makes an interesting case study because the effects of the financial crisis in
the world were felt in the country around the time of parliamentary elections. The new
government, which came into power with a slogan of change, had been very soon
tested to its ability to, first of all, deal with external change and deteriorating public
finances, and at the same time to pursue its own agenda of structural reforms in a
number of areas. Thus, using the rhetoric of “crisis as a window of opportunity to

*See European Commission
(2009a). This is a surprise taking
into account that the increase
of prices in Lithuania in 2007–
2008 took place in the context
of failure to introduce the euro.
reform**, the government has declared initiation of several structural reforms. However, the progress of the reforms has so far been uneven*.

3.1. Higher education: opening the window for reforms

Lithuania started its education reforms in 1992. Several important reforms have been implemented. From 2002 on, financing is based on the principle of education funds per pupil (so-called pupil’s basket) with other financing available for the learning environment, special programmes, etc. However, the principle of pupil’s basket is not fully applied: some financing is redistributed among local schools. Also, Lithuania started optimising its educational network (by reducing the number of educational establishments and changing their profile).

The reform of higher education and research, however, has been lagging behind. The quality of studies and the results of research have long been criticized by the analysts and public in Lithuania (Nakrošis, Vilpišauskas 2009). The graduates often lack professional qualification required to enter the labour market. The cooperation between business and scientific researchers has been seen as insufficient. The latter two important deficiencies of the education system have contributed to mobilizing the support of business to the recently launched reform. Although Lithuania spends on average more than the EU-27, the share of spending per student is relatively low. In 2005, Lithuania’s expenditure for education was 5.5 per cent of the GDP compared to the 5.3 per cent average in the EU-25. However, due to a large number of students Lithuania’s expenditure per student/GDP per capita is rather low compared to the EU average (78 per cent at the level of ISCED 2-4). In 2003, private funding by households on tertiary education (as a percentage of total expenditure received by tertiary institutions) amounted to about 25 per cent (Nakrošis, Vilpišauskas 2009).

Although the need for the reform of higher education and research was acknowledged by most parliamentary political parties in their agreement signed in 2007, there had been little progress since then until 2009. There was work undertaken by the Ministry and proposals concerning the reform have been prepared. However, the draft law has been watered down after the compromises in the Cabinet of Ministers. Also, legal initiatives have been registered in the Parliamentary Committee by some members of the right wing opposition but they did not reach the stage of parliamentary debates until the elections. It should be noted that the President has also played an active part in encouraging the government to start the education reform. It was after the President’s initiative that the Lithuanian Constitutional Court’s explanation paved the way for the possibility to reform the system of financing higher education by increasing the share of private funding.

However, the change came with a new government when one of the leaders of the Liberal Movement Party, Gintaras Steponavicius became the Minister of Education and Science. He has been one of several active members of the previous Parliament who participated in the preparation of the reform concept and the political agreement on reform. The advisor to the President responsible for this field and an active supporter of reform became his vice minister. They immediately focused on the preparation of a law, which was supposed to clear the legal grounds for the reform of financing higher education and research and reforming the governance of the institutions within this sector. Soon the new Law on Science and Education was adopted by the government and presented to the Parliament. It is also important to note that Prime Minister himself had been actively involved in the preparation of the reform proposals when he was the opposition leader in the previous parliament, which added weight to the reform process.

It took intense debates in the Committee with several hundred amendments proposed to the Law. The Social Democratic Party in particular opposed the adoption of this law, and a number of rectors of higher schools and some academics were sceptical about it, arguing that the introduction of market based principles, in particular fees for studies, will lead to growing numbers of students leaving for studies abroad in other EU countries with

*The sections of higher education and health care drawn on Nakrošis and Vilpišauskas (2009). However, the report concludes with the autumn of 2008 and, therefore, does not present the reforms of the new government.
state financed education. The reformers have been accused of acting on behalf of the banks interested in providing loans for students. However, the reformers managed to gather a coalition of reform supporters, which included student organizations, some experts, rectors of several universities and colleges, and effectively neutralized the opposition’s voice. The poor state of the quality of higher education and the need to change the status quo was the key slogan of the reformers. During the process of debating the Law, a number of compromises have been reached and package deals made, including the financial and governance elements of the reform to reduce the opposition to it. Therefore, it could be maintained that the complexity of the reform allowed composing a package deal, which received enough support from the interest groups and the policy makers.

After some delays, in April 2009 the Parliament started debating the Law and by the end of the month it was adopted. The new system of financing, which is based on the student’s basket for which higher education institutions should be competing, came into force with the academic year 2009–2010. The reformers also intend to make use of the EU structural support amounting to about 500 million litas, which should facilitate the reform and mobilize the support from university administrations. In terms of external support, the advice provided by the World Bank, which was presented in the study already in 2003, also proved important as many of these recommendations have found their place in the newly adopted Law*. The financing of science and research should be programme rather than institution-based. It is expected that the reform should result in the reduction of a number of universities in the country, more labour market-oriented qualifications of the graduates and strengthened cooperation between scientists and businesses. Although it is still too early to judge the record of the reform and it still might be reversed if there is an opportunity for the opposition to return to the key issues of the governance of universities, the example of higher education stands in contrast to the fields of other public sectors where reforms have been declared but still not initiated.

3.2. Health care: muddling through

The health care system in Lithuania is regarded by most policy makers as another public policy area which requires radical reforms. Despite the fact that medical profession in Lithuania is seen as qualified and many doctors emigrate to other European countries where they can earn higher salaries for their services, the system is characterized by a relatively low level of funding, an inappropriate structure of incentives for the efficient use of resources, and low quality of services. By a number of indicators Lithuania does not compare well with the other EU Member States.

The legal framework for the first health care reform in Lithuania after the re-establishment of independence was set in the mid-1990s. The main aims of the reform of 1995–1997 were to move away from the centralized system that had too many specialized personnel and hospital beds, establishing the central role of general practitioners, establishing state accreditation and medical audit agencies to license practitioners and monitor malpractices thus aiming at the quality of services. Although the productivity of health care service providers and responsiveness to patient needs were the main criteria behind the reform, the ongoing debate on the further reform of the system shows the popular dissatisfaction with the quality and the continuing practice of shadow payments.

Thus, life expectancy in Lithuania is one of the shortest in the EU. For example, in 2006 it was 71.2 years, the second shortest in the EU-25 (approximately 8 years shorter than EU-15 average and 4 years shorter than EU-10 average)**. Moreover, it decreased somewhat compared to 2003. More than two thirds of deaths resulted from circulatory (cardiovascular) system and cancer diseases in 2007, which exceeded significantly the EU average. Lithuania was the third country after Latvia and Bulgaria in the EU-27 in terms of deaths from circulatory system diseases and exceeded the EU-27 average three times. Around 75 per cent of Lithuanians in their working age have died from a disease. According to the World Health Organization, mortality due to external causes rose

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**This and the following indicators are from World Health Organization (WHO 2009).
between 1990 and 2005 by about 30 per cent (from 121 to 156 deaths per 100,000 population) and male mortality from external causes is 4.5 times higher than female that. According to the World Health Organization classification, Lithuania is in the group of European countries with low child and high adult mortality. The net change in the population growth was -4 per cent in 2007.

About 6 per cent of Lithuanian workforce were employed in the health care sector in Lithuania. There were about 40 doctors for 10,000 people in Lithuania in 2007, which was one of the highest indicators in the EU. The concentration of physicians has remained almost unchanged since 1990. About 70 per cent of health care employees work in urban areas. Despite the high number of people working in the health care system, as it was indicated above, in terms of life expectancy, circulatory system and cancer diseases and deaths from external causes Lithuania compares badly with most of the EU Member States.

The inappropriate mix of incentives for the use of resources (physicians, money) seems to play an important role in explaining this mismatch between the relatively high share of doctors with well regarded qualifications and the relatively bad demographic indicators provided above. The insufficient quality and accessibility of health care services was admitted in the Framework for the Development of the Health Care System in 2008–2015, which cited long waiting times, restrictions for private institutions to operate in the system, heavy bureaucratic load for the doctors, the gap between officially declared “free” services and actually a widely spread practice of shadow payments. These have been the reasons behind the recent political debates on the need for structural reform of the health care system.

The share of financial resources provided to health care from the state budget has remained quite similar for the last decade, although in absolute numbers it has been on the rise during this decade of fast economic growth. It equaled 4.6 per cent of GDP in 1998 and 4.3 per cent in 2006. It is expected to remain at a similar level in 2009. It was below the EU-25 average, which equaled 6.6 per cent in 2006. However, it should be noted that the practice of shadow payments to doctors for health care services provided remains a widely spread practice in Lithuania. Therefore the actual amount of financial resources allocated to health care is higher than officially provided. As estimated by the World Health Organization (WHO 2009) total health expenditure has remained at around 6 per cent of GDP. About 70 per cent of all expenditures are accounted for as public expenditures, while a significant share has also been legally covered by patients themselves.

The most recent preparatory step in the reform of the Lithuanian health care system was taken in 2006 when the Minister of Health Care decreed the creation of a working group to prepare the Framework for the Development of the Health Care System in 2008–2015. The working group included state institutions, NGOs and professionals from the health care system and in 2007 it presented the Framework for public debate. The main suggestions for the reform included the structural reform (increased role of private institutions and providing a level playing field to compete with state institutions) and the reform of financing (defining the range of health care services which are covered by state insurance and introduction of voluntary private insurance, allowing more realistic pricing of the services and legalizing payments by patients).

Although some key elements of the reform, such as voluntary private insurance, had to be implemented in 2008, the Framework was not approved by the centre left governing coalition. The main elements of the suggested reforms are now being considered by the new government. Interestingly, the new Minister of Health delegated by the Liberal Centre Union has extensive political experience but very little knowledge of this sector (he has once been a Minister of Environment). A working group under the Ministry has been set up to work out the reform proposals. However, its work has been very slow, and there seems to have been a tacit agreement in the government that no major reform proposals should be tabled to the Parliament before the presidential elections in 2009. The main reasons for this caution included the sensitivity of the public to the issue of legalization of payments for health care services. The reform of funding and potential restructuring is also sensitive to the profession of the doctor, in particular heads of medical
institutions. Although EU structural funding has been used to upgrade the infrastructure, it has not been channeled for the purposes of structural reforms.

Finally, it is also likely that the government cannot handle too many reforms at once. It seems that reforming higher education has been prioritized over the reform of the health care sector because there had been more preparatory work undertaken before the reformers came to power in the former and because of the presence of a group of reformers at the highest levels of the government strongly determined to go ahead with the higher education reform. It should be noted, however, that after the presidential elections there has been a revival of the debate on the health care reform and in the autumn of 2009 it was acquiring a more concrete shape, in particular, in terms of the possible restructuring of the network of hospitals. The government has also been actively using the advice and expertise of the World Bank in preparing proposals for the health care and social policy reforms which had been presented by the end of the spring of 2009. However, the actual reforms are only likely to be initiated in 2010 at the earliest.

3.3. Public administration: the sun that never sets

Public administration reform has been the first on the list of priorities in the government’s programme. It should be noted that public administration reform is not only important in itself, but it is a systemic reform in a sense that it can facilitate the conduct of reforms in other public policy fields by making the governance more efficient and strengthening the capacity for other reforms.

At the beginning of 2009, the government set up a Sunset Commission with an aim of undertaking an extensive reform of the public administration system in Lithuania. It should be noted that this is the third Sunset Commission established to downsize the bureaucracy, remove the overlap of functions, and make the public administration system more efficient and responsive to public needs. The first one was established by the same Prime Minister in 1999, after the start of the Russian crisis which brought the need to cut down budgetary expenditure. It did produce some results in merging some regulatory institutions, but most of the changes have been the ones which were also in line with EU accession needs. The second Sunset Commission was established in 2006 by the minority left-centre government. However, its work was taking place on the higher bureaucratic level, but was not high on the political agenda of the government and therefore it has produced very limited results.

The third Sunset Commission has also been set up on the initiative of the Prime Minister, but this time it was led by political appointees of the Prime Minister rather than carrier bureaucrats. It also included representatives of the coalition partners from the Parliament and the analysts who supported radical reform of public administration. Its work is open to the public in a sense that all materials are made public and proposals from the public are accepted and discussed. Another important element of the reform is the setup of Sunset working groups at each ministry, which are mandated to prepare proposals for the reform of institutions under the competence of a particular ministry.

The Sunset Commission produced quite modest results during its first half-year. It started its work by reviewing all the institutions, which are accountable to the government with an aim to reshuffle them by making them accountable to the line ministries, merging or abolishing them. The work of the Sunset Commission is based on the assumption that there should be no institutions left under the government, and the Chancellery of the Government should be downsized and reformed into a Reform Bureau responsible for strategic planning and structural reforms. Reforming the Chancellery of the Government into Prime Minister’s Office was undertaken in September 2009 and has so far been probably the most tangible outcome of the Commission’s activities. In the autumn of 2009, four members of the Parliament left the Commission explaining this move by the creation of a new Reform Bureau in the Prime Minister’s Office, which had to become the driver of public administration reforms. Soon afterwards the membership of the Commission was reformed further to include more experts and it renewed its activities in November 2009.
Although it is still too early to judge the progress of this attempt at reforming public administration in Lithuania, some observations can already be made. It proved very difficult for the government to downsize the numbers of people employed in public administration when it first attempted this at the beginning of 2009. It was announced that the number of bureaucrats should be reduced to reach the levels recorded several years ago. In May 2009, the government announced that it decided to cut down the number by almost 4,000, although it seemed that the actual reduction was of less than 400 employees, while the rest were just vacant positions to be abolished. Later during the summer and autumn of 2009, public debate started whether there had been any significant cut of public administration employees, with general confusion over numbers overshadowing the substance of the matter.

The work of the Sunset Commission has also been complicated by the lack of capacity at the preparatory level of the working groups, which were mandated to prepare the reform proposals regarding particular institutions with the evaluation of different reform scenarios. However, when decisions were adopted by the Commission, they also got stuck at the higher level of the government’s decision making machinery when ministries were slow to adopt the decisions after receiving the proposals from the Commission. Further obstacles to the reform have been created in the Parliament where particular proposals have been questioned. There has also been resistance from the institutions being reformed that are looking for protection among the members of the Parliament. However, the resistance of interested institutions has been the least important obstacle to the reform, which so far seems to be slower than expected due to poor preparatory work and the lack of political attention by the Cabinet of Ministers and the lack of support of the ruling coalition.

3.4. Social policy: reversing the reform?

This is one of the few areas where the decisions of the current government have been particularly contradictory. It should be noted that the pension reform which introduced the second and the third pillar of the pension system in addition to the pay-as-you-go state (PAYG) insurance fund was probably the only long-term structural reform undertaken since 2004. The rationale behind it was to prepare the social insurance system for the ageing population and demographic trends, which in the long-term could make the current PAYG system unsustainable.

Thus, in 2008, a three-pillar pension system was in place in Lithuania, covering PAYG and two private-funded pillars. The second pillar of the pension system was established by increasing the share of contributions. In 2008, 5.5 per cent from the State Social Insurance Fund Board budget was transferred to private pension funds. About 69 per cent of all insured (according to 2008 data) have been participating in this voluntary pillar (Ministry of Social Security and Labour 2009). This was expected to contribute to the sustainability of public finances in Lithuania.

However, when the new government undertook the first revision of the budget for 2009, it proposed amending the pension system reform by reducing the share of 5.5 per cent transferred to the pension funds and accumulated by the insured to 3 per cent. Despite the President’s veto, the Parliament adopted this amendment in January 2009 thus reviewing the trend of the pension reform and creating uncertainty about its continuity. The uncertainty was further increased when the second package of measures aimed at reducing the budgetary expenditures, proposed in the spring of 2009, included further reduction of contributions down to 2 per cent. This time, however, it also included compensation of this reduction by increasing the share to 6 per cent from 2012 for several years, to return to 5 per cent after 2014 (Ministry of Social Security and Labour 2009). Although the compensation was inadequate (estimated at around less than 30%), the government might return to this issue in the context of a broader reform of the social security system. It has also committed itself not to freeze the contributions to private pension funds altogether, and to continue with the pension reform in the future.
What factors can account for such a regress in the reform process, which has been regarded by the World Bank and other experts as a good practice example in Lithuania? It is particularly surprising taking into account that it was the right-wing government, which adopted this decision to reduce contributions to private pension funds and effectively weakened the private element of the pension system. Several explanations to this issue can be provided. First, it was a reform, which was initiated by the left-centre government and therefore the current government did not feel like the owner of it, ignoring the fact that it was a long-term reform extending far beyond the electoral cycles (although the views of the coalition partners differed in this regard).

Second, the global financial crisis has had a negative effect on the results of the pension funds, in particular in cases when most funds had been invested into shares rather than government bonds. This evidence was turned into the argument that the authors of the pension reform misinformed people and that the reform is likely to bring losses to people (although such reasoning disregarded the essence of the pension reform as a long-term process which cannot be judged on the basis of the results of several years, in particular when recession starts). This argument has been quite popular not among the opposition only, but also some members of the ruling coalition. However, as the first signs of economic recovery appeared in mid-2009 and the stock markets recovered, the pension funds have also posted improving financial results.

Finally, such a move was to a large extent a result of the generous social policy of the recent years when the fund, accumulated from social contributions reaching more than 1 billion litas by the end of 2007, was quickly emptied in 2008 – the election year – when members of the Parliament competed in suggesting to increase maternity benefits, old age pensions and other social contributions. This has not only prevented from accumulating a budgetary surplus to be used during the time of economic recession, but also significantly increased the financial obligations of the State Social Insurance Fund Board for the coming years making it necessary to borrow large amounts of money in 2009 to cover the difference between the receipts and expenditures. Reducing these social benefits to their previous levels has so far been too sensitive politically, although in the second half of 2009 the government finally came up with such proposals, some of which had to come into force in August 2009, but most of them were foreseen for 2010. Therefore, reduction of contributions to private pension funds was used as the least difficult solution, even though it did not actually solve the financing problem of the current social obligations, as it has become evident throughout 2009.

Political economy can also provide additional explanation. The beneficiaries of the private pension system are mostly young professionals who are less organized than the current old age pension receivers and therefore are less likely to go for public protests. The benefits of accumulation are a matter of a long-term horizon, while the cuts of current social benefits would be concentrated in time and among the population groups. Thus, although some participants of the private pension system have started the litigation process against the state, court decisions are also going to take time. Meanwhile, the government committed itself to come up with long-term solutions to the social security issues with the assistance of World Bank expertise. As it was mentioned above, the reform of the social security system is likely to dominate the public debate in 2010, but the likely shape of the reform is still unclear.

Conclusion

The current economic crisis revived the debates about the causal connection between crisis and reforms. Although it is widely assumed that crisis sooner or later leads to reform, this paper argues that certain political conditions are necessary for pressures to reform to turn into outcomes. Crisis provides incentives and additional arguments for reform-minded policy makers to convince the public about the need for structural reforms, even if they might be costly in the short-term and bring adjustment costs to the interest groups. However, in order to actually undertake the reforms, a right set of political
conditions has to be in place, including the political orientation of the ruling government, the presence of reform-minded leaders with an established reform programme, and external resources, such as funding and the models to be followed.

The experience of Lithuania provides an interesting case study of a country where the recent economic crisis coincided with political changes that brought the new governing coalition and the government, which chose the slogan of “Change” using the crisis as a window of opportunity for reform. This case study allows comparing the progress of structural reforms in different policy fields, in such a way shedding more light on the political conditions, which are conducive to reforms or might obstruct and even reverse them.

The initiation of reform in higher education and science in Lithuania indicates that structural reforms can be started when there is a programme of reforms prepared (even if it is done when its authors are still in opposition), when the policy makers in key positions understand and support it, when external funding (EU structural funds) can be used for it, which is particularly important during the time of extreme fiscal constraints, when its objectives are in line with broader goals of the country (and the EU), and when the leading reformers are able to consolidate the coalition of supporters from the key interest groups, sometimes dividing the opposition and compromising on different elements of reform while preserving its key elements.

So far the experience in the other policy fields, which have been analyzed in the paper also confirms the importance of these political conditions, adding some new elements to the picture. The lack of progress in reforming the health care sector is not only a result of the lack of reform-minded leaders with a good knowledge of the field and ability to forge a reform-supporting coalition and overcome the resistance of vested interests. It shows that the crisis does not automatically translate into reform, and that it might be challenging to undertake a wide ranging programme of structural changes in several policy fields. It also confirms the importance of electoral cycles since the lack of progress in the area can be linked to the wait-and-see approach of the new government before approaching presidential elections. The reform of public administration is also to some extent a hostage of the electoral cycle, the bureaucratic inertia, and the lack of demonstrated political capacity on behalf of some members of the coalition government. Finally, the retrenchment in the area of pension reforms illustrates the importance of political consensus regarding long-term reforms, which could create the sense of ownership among most political parties regardless of who is in power. It also confirms the importance of electoral cycles and complications that pro-cyclical policies undertaken before elections might cause to the long-term reform process.

Overall, the current government has shown the capacity for structural reforms, but it remains to be seen how it will be used. The period after the presidential elections until the end of the economic recession will probably be the testing time for its capacity to be translated into actual decisions and outcomes. If so, this will become the third wave of reforms in the country since the start of the 1990s, which might have far reaching results for the voters, policy makers and scholars alike.

References

Santrauka

KRIZĖ KAIP REFORMŲ GALIMYBĖ: LANGAI TIK PRAVERIAMI

Ramūnas Vilpišauskas

Straipsnyje kritiškai vertinamas politinės ekonomijos teiginys, kad krizės paskatina imtis reformų. Šis teiginys, plačiai paplitęs tarp analitikų ir politikos atstovų prieš porą dešimtmečių, kai įvairiuose pasaulio regionuose vyko struktūrinės reformos, vėl tapo populiarus 2008 m. prasidėjus pasaulinei ekonomikos krizei. Šiame darbe teigiama, kad krizė iš tiesų sukuria paskatas ir galimybė imtis reformų, tačiau tokiam priežastiniam ryšiui toli gražu nėra būdingas savaimingumas. Tam, kad krizės metu įvyktų struktūrinės reformos, būtinos papildomos sąlygos, apimiančios reformomis nusiteikusius politikus, kurie užimtų
vadovaujančias pozicijas ir turėtų parengtą reformų programą, pakankamą ekspertų bendruomenės palaikymą, išorinę paramą (pvz., galimybę reformai panaudoti Europos Sąjungos (ES) lėšas, sektinus kitų šalių geros praktikos pavyzdžius, Pasaulio banko ar kitų išorės institucijų atliktą analizę ir pateiktas rekomendacijas). Tik esant tinkamam politinių veiksnų ir išteklių rinkiniui krizė gali sukelti reformas.

Šiam teiginiui pagrįsti darbe pristatoma Lietuvos patirtis, daugiausia dėmesio skiriant politiniams sprendimams keturiose viešojo sektoriaus srityse: aukštoji mokslo, sveikatos apsaugos, viešojo administravimo ir pensijų reformos. Visos šios sritys pasirinktos dėl to, kad jos numatytos kaip prioritetai po 2008 m. Lietuvos Respublikos Seimo rinkimų suformuotos Vyriausybės programoje, be to, kaip reformuotinos sritis jau senokai įvardijamos viešosiose diskusijose. Kita vertus, nors jas visas veikia ekonomikos nuosmukis Lietuvoje ir už jos ribų, kiekvienoje iš šių sričių pasiektą nevienodą pažangą, o tai aiškintina skirtiną politinių veiksnų ir išteklių kombinaciją. Kaip tik dėl skirtinęs politinių veiksnų ir išteklių kombinacijos po 2008 m. naujos koalicijos suformavimo Lietuvoje buvo pradėta aukštojo mokslo ir studijų reforma, tačiau sveikatos apsaugos reforma ir toliau apsiribėjo galimų scenarijų svarstytoje, nedaug rezultatų davė valstybės valdymo reforma, o pensijų reformą stabdė šioje srityje priešingos nuosmukio sprendimai. Nors kol kas praeję lipstikai nedaug laiko nuo ekonomikos nuosmuko ir reformos deklaravusios koalicinės Vyriausybės darbo pradžios, tačiau skirtinęs reformų pirmųjų metų patirtis leidžia kritiškai vertinti teiginių, kad krizės sukėlia reformas, ir atkreipti dėmesį į politinius ir institucinius veiksnius, kurie gali konsoliduoti ir lemti struktūrinių reformų eiga ekonominio nuosmuko metu.

Darbe pastarųjų metų struktūrinių reformų eiga ekonominio nuosmuko metu pristatoma įvertinus nuo Lietuvos nepriklausomybės atkūrimo du dešimtmečius vykdytas reformas ir viešojo sektoriaus pertvarkos patirtį po įstojimo į ES. Teigiant, kad perkeliasi metus nuo įstojimo į ES, Lietuvos ekonomikai augančia koalinės vyriausybės nesugebėjo pradėti sisteminę viešojo sektoriaus pertvarkų. 2008 m. prasidėjęs ekonomikos nuosmukis gali būti vertinamas kaip galimybę imtis atidėliotų pertvarkų, tačiau tik nuo aukščiau įvardytų veiksnų priklausys, ar ši „trečioji reformų banga“ atsiris.