Finance and Public Administration Committee

Report on fact-finding visit to Lithuania, 22-25 September 2025

Introduction

1. The Scottish Parliament's Finance and Public Administration Committee visited Vilnius, Lithuania, between 22-25 September 2025, to inform the Committee's pre-budget 2026-27 scrutiny and its consideration of legacy issues.

2. During the visit, Members of the Committee met with representatives from the Lithuanian Parliament (Seimas), including their counterparts on the Committees for State Administration and Local Authorities, Economics, Budget and Finance, the Committee for the Future, and members of the Group for Inter-Parliamentary Relations for Great Britain and Northern Ireland.

3. Members also met with representatives of the Lithuanian Government Strategic Analysis Center (STRATA), Lithuanian Office of the Government, the State Data Agency (Statistics Lithuania), the Lithuanian National Audit Office and Budget Monitoring Department, and had a roundtable discussion with representatives of FinTech Hub Lithuania, Create Lithuania (an initiative under Invest Lithuania) and the GovTech Lab (part of the Innovation Agency Lithuania).

4. A full list of the meetings attended by the Committee Members in Vilnius is included at the end of this report (Annexe A).

5. The Committee thanks all those who gave up their time to meet with us and share their knowledge and experiences, for the insightful discussions as well as their hospitality.

6. This report provides on overview of the key issues discussed at meetings during the fact-finding visit, the Committee's reflections following the visit, and our conclusions that will be reflected in our pre-budget 2026-27 report as recommendations for the Scottish Government.

Background

7. The purpose of the visit was to inform the Committee's pre-budget 2026-27 scrutiny and subsequent consideration of the Scottish Budget 2026-27, as well as the recommendations in its legacy report.

8. The Committee's pre-budget scrutiny has focused on Responding to Long-Term Fiscal Pressures, drawing on the Scottish Fiscal Commission's Fiscal Sustainability Report – April 2025, which found that "the Scottish Government will face significant challenges funding devolved public services in the future,

particularly over the next twenty-five years […] because the population in Scotland will age earlier than in the rest of the UK".

9. The Committee's pre-budget work therefore considered the following areas—

   - the steps the Scottish Government is taking now in response to fiscal pressures arising from the population trends highlighted in the SFC's latest Fiscal Sustainability Report,
   - the Scottish Government's approach to increasing productivity and economic activity,
   - the steps being taken by the Scottish Government to support growth sectors in Scotland with a view to increasing economic performance and tax revenues,
   - key financial documents to be published by the Scottish Government during pre-budget scrutiny, including its Medium-Term Financial Strategy and Fiscal Sustainability Delivery Plan, including whether they demonstrate improved medium- and longer-term financial planning by the Government,
   - the specific update the Committee asked to be included in the MTFS on the fiscal sustainability of social security spend including "details of how the Scottish Government is assessing the effectiveness and outcomes of its approach to the delivery of benefits as well as impacts on other parts of the Budget", and
   - the Scottish Government's PSR Strategy and forthcoming Infrastructure Investment Plan (IiP) and pipeline.

10. The Committee has also agreed to produce a legacy report for its successor, on key areas within its remit. That report will also be informed by learning from this fact-finding visit, for example, in relation to futures thinking.

11. Lithuania was selected for this fact-finding visit as it is seen to be an exemplar in a range of areas relevant to the Committee's pre-budget, budget and legacy work.

12. Lithuania is experiencing similar demographic challenges to Scotland, however, according to Migration in Lithuania (2022), "positive net migration, which started in 2019, continued in 2022, with 72,000 more inhabitants coming to the country than leaving". Since 2020, Lithuania has seen an increase in migrants from Ukraine, Belarus, and Central Asia. The Government of the Republic of Lithuania has developed a series of policies aimed at attracting people to live and work in the country and to encourage inward investment and sectoral growth. This trend has continued into 2024, which marked the fifth year that the number of Lithuanian citizens returning outnumbered the number migrating.

13. According to Emerging Europe (2025), Lithuania has striven to diversify away from traditional sectors which have significant competition from other parts of Eastern Europe and Asia, towards electronics, machinery and advanced manufacturing. Automation and technological investments are increasing, fuelling productivity growth.

14. The Baltic Times highlight a report by Invest Lithuania, which notes that the number of FinTech companies in Lithuania has tripled over the past five years, and the sector now employs over 3,500 people. The Emerging Europe article also states that “the services sector, for its part, has not been idle […;] Fintech stands out”, adding “the government’s efforts to streamline financial regulations and attract foreign start-ups (as well as develop its own) have succeeded in turning Vilnius into a regional hub for innovative digital finance”. Lithuania has the largest Fintech hub in the EU.

15. The Innovation Agency Lithuania, in its Operational Strategy 2023-25 highlights other “breakout areas” including hubs for biotech, manufacturing, ICT, Space, and GovTech for public innovation.

16. The OECD in 2023 noted that over the last two decades, Lithuania has invested heavily in modernising its public administration and that “substantial improvements have been made to public governance in the past 25 years”. Its Economic Survey of Lithuania projects Lithuanian GDP growth at 3.1% in 2025 and 2.8% in 2026, driven by a rebound in private consumption and a progressive increase in exports. It states that sustained real wage gains, a resilient labour market with unemployment below its long-term average and increasing consumer confidence are expected to support a pickup in household consumption.

17. However, Lithuania faces a major demographic shock, with its population both shrinking and ageing. According to the OECD, by 2050, the working-age population is set to decline by 30% while the old-age dependency ratio is expected to exceed 50%. This will cause ageing-related spending to rise, mainly due to pensions. The OECD further notes that “policies should now focus on addressing rising ageing-related costs by improving public spending efficiency, broadening the tax base and encouraging formal economic activity to ensure future fiscal sustainability.”

18. The Seimas has responded to some of these challenges by creating a Committee for the Future, which reviews and proposes legislation and resolutions related to future-focused strategies and national reforms. That Committee makes recommendations on issues such as science, demographics and the environment after consulting various experts, and Ministries are required to report on their actions in response.

19. More broadly, Lithuania in 2024 topped the World Happiness Report rankings for children and young people under 30, who rated themselves 7.76 out of 10 on the happiness scale, ahead of the UK and the US, at 32nd and 62nd respectively.

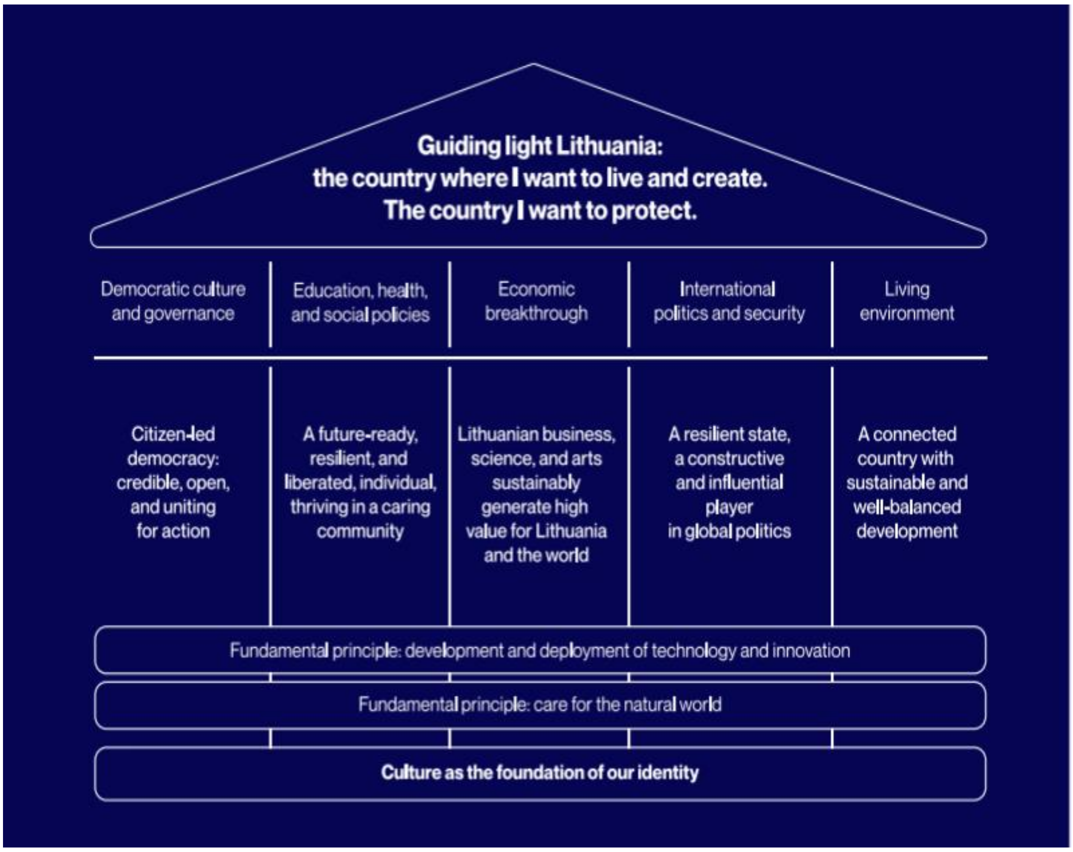
Futures thinking

Lithuania 2050 and evidence-based decisions

20. The Committee's first meeting in Lithuania was with the Office of the Government (OfG) and the Government Strategic Analysis Center (STRATA) at Vilnius University. The OfG was established by the Government to support in "helping the Prime Minister and the entire Government in smooth running of their daily tasks towards the fundamental changes foreseen in the Programme for Government". STRATA at Vilnius University is "an expert institution that provides independent, research-based information to the government and ministries to support evidence-informed public policy decisions".

21. Both bodies have a role in creating and delivering Lithuania 2050, Lithuania's vision for the Future, which is described as "one of the primary strategic planning documents of the state" and "is intended to reflect on and outline the development of our country and to show what we expect from the future and what kind of future we want to build for ourselves".

22. The document "presents five strategic ambitions for our development until 2050 reflecting issue-specific goals" which are "rooted in two foundational principles that are relevant across all areas of state policy". These principles are (1) care for the natural world, and (2) development and application of technology and innovation. The five strategic ambitions are set out in the chart below, alongside the vision, trends and principles.



Lithuania 2050: Vision

23. Lithuania 2050 includes 28 indicators, such as stabilising population numbers, trust in Lithuanian's institutions, civil service effectiveness, healthy life expectancy, people at risk of poverty or inequality, labour productivity, and greenhouse gas reductions.

24. The vision is implemented through the National Progress Plan 2021-2030[1], which encompasses a strategic framework consisting of goals and targets, as well as a financial plan that will guide the country's progress over the next decade. The National Progress Plan states that "the successful implementation of Lithuania's vision for the future relies on fostering dialogue and unity between society and the public bodies. In line with these principles, special attention is paid to close involvement of the public in issues relevant to the implementation of the vision".

25. Monitoring progress in implementing Lithuania 2050 is coordinated by the OfG in consultation with the Seimas Committee for the Future. The State Progress Council, which is chaired by the Prime Minister and has representation from all political parties and from the public sector, also oversees implementation of the Lithuania 2050 vision and evaluates progress on a yearly basis.

26. Lithuania 2050 was "drawn up in an effort by the State Progress Council and co-creators to reflect on and outline the development of the State in the coming decades [and] its co-creators were representatives of all parliamentary parties, numerous experts, organisations and citizens". It follows Lithuania's Progress Strategy 'Lithuania 2030', which Lithuania 2050 states provided "a strong impetus to the state strategic planning system and the development of future-oriented political culture in Lithuania", However, implementation of the strategy "fizzled out over time".

27. The Committee discussed the process that led to the creation of Lithuania 2050 and its impact on government. It heard that work on Lithuania 2050 started in 2020-21, with analysis of megatrends. Analysts reached out to marginalised communities specifically to understand their vision for a future Lithuania. Following this work, education and democracy emerged as key areas of focus, and four reference scenarios were used to develop the vision, with education and democracy as reference axes.

28. The vision was then co-created with a 'citizens council', and organisations and businesses were also invited to take part. Following the development of the key elements that would represent the background to the vision, extensive consultation was held with the public and with scientists and experts, who were invited to critique the document. The development process took 20 months, involved 200+ NGOs and 2500 individuals.

29. The State Progress Council played a key role in consulting with citizens and co-creators, before presenting Lithuania 2050 to the Government and thereafter to

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[1] It was noted during discussions that while this Plan preceded Lithuania 2050's publication, it includes related workstreams.

the Parliament for approval in 2023. However, the then Prime Minister's office was not involved in development work on the vision, to avoid politicisation of the document.

30. The extensive involvement of political parties, public sector, civil society and the public in the development of Lithuania 2050 ensured 'buy-in' to the vision, which is seen as a live document, intended to be regularly reviewed and updated.

31. Implementation of the vision also involves extensive engagement. In its oversight role, the State Progress Council "initiates public debates, analyses the progress of the state, regularly submits opinions, proposals, and recommendations to the Seimas and the Government, and maintains a continuous open dialogue with the public".

32. The Committee heard that Lithuania 2030 was focused on the economy and attracting Lithuanian diaspora to return, while Lithuania 2050 represents "where we are now", with protection and security much more prominent. The vision has culture as its foundation, representing the eagerness of Lithuanians to preserve their identity, and focuses on the human element and on community.

33. The National Progress Plan 2021-2030 includes priority initiatives including:

- public administration reforms to increase state capacity,
- transitioning to a model of 'total defence' (military defence and citizen defence and resilience),
- ensuring economic, cyber, energy security and resilience, and
- stabilising demographic decline.

34. An interim evaluation was carried out in 2024, following which, indicators associated with the vision were reduced from 300 to 100[2]. STRATA is currently analysing themes and producing foresight papers, e.g. on migration, consulting with experts and the public on specific priorities that can be separated from business as usual in the National Progress Plan, accompanied by concrete actions to implement the vision. It is hoped this approach will ensure political 'buy-in' to delivery, but it is too early to say whether implementation will be a success.

35. It was noted that evidence-based policymaking is "going in the right direction". To support this, STRATA is undertaking longitudinal studies to better understand how attitudes in Lithuania are changing and how and where to direct policies accordingly. One panel is focused on women and fertility in the context of population decline.

36. The STRATA website also hosts long-term human resource forecasts, which aim to enable the assessment of changes in the workforce and skills and support informed decision-making in human resource management. Together with the OfG, STRATA has created an Analytical Information Library which

[2] These are indicators for monitoring progress, with no attached targets.

"provides public access to over 1700 public policy evaluations, research papers, studies, analytical reviews, expenditure reviews, feasibility studies, and other analytical documents created between 2000 and 2023, collectively referred to as evidence".

37. To support futures literacy at school level, STRATA has produced a board game for young people to generate discussion about envisaging the future, which aims to "build resilience and better citizens".

Committee for the Future

38. In its report on the Scottish Budget process in practice, the Finance and Public Administration Committee stated that it is "attracted to the idea of a Committee for the Future [and] we therefore plan to explore the issue further as part of pre-budget 2026-27 scrutiny".

39. According to the UN University's Centre for Policy Research, committees for the future are "designed to develop a foresight- and anticipation-based legislative and governance framework that supports Governments to address emerging challenges over the medium and long term, building their resilience and long-term stability". It suggests that "despite the ever-increasing need to foresee future challenges, policymakers often resist preventative approaches and instead defer decision-making until crises emerge, focusing on immediate issues rather than long-term preparedness".

40. The Seimas established a Committee for the Future in 2020, with the aim of ensuring parliamentary scrutiny of Lithuania's long-term development policies, including the integration of strategic foresight into the political decision-making process. Members of this Committee met with the Lithuanian Committee for the Future in Vilnius, to discuss the practical elements and impact of their work.

41. The Committee for the Future is one of the largest of the Seimas Committees with representation from all political parties, on a voluntary basis. It currently has 17 Members, and a very broad remit, providing a platform for strategic discussions on topics such as long-term trends. Its remit includes preparing and discussing "modelling of the future development of society and the state, development of innovations and technological progress, emigration and re-emigration processes and their impact on the development of society, draft laws and other legal acts regulating state modernisation and strategic reforms".

42. The Committee had a role in coordinating the process for preparing Lithuania 2050, as well as implementation of long-term progress strategies. Members heard that the Lithuania 2050 vision is "the main text for the Committee". All long-term strategies should be aligned with the vision and Parliament is therefore obliged to consider issues from a long-term lens. This approach also had the benefit of attracting EU funding.

43. The Committee receives an annual report from Government showing the direction of travel against its long-term priorities and has a key role in enabling better monitoring of progress against delivery of these commitments.

44. A particular focus of the Committee's work has been on regional disparities. The Committee is looking at measures to bridge the gap in economic development between regions, as well as cultural and educational inequality. Lithuania has three well developed regions, with 40% of the population concentrated around Vilnius. Rural areas are facing depopulation, despite ongoing initiatives to reverse the trend.

45. During discussion, it was suggested that the Committee "acts as a change agent" in public governance. Members "respect boundaries" of different Committee remits and co-ordinate work to avoid duplication. It was noted that the Committee represents "a challenge in Parliament" and that "it changes mindsets and embeds foresight thinking".

Demographic challenges

46. Lithuania is facing similar demographic challenges to Scotland, including an ageing population and low birth rates. As noted earlier, a STRATA study is currently looking at fertility and population decline.

47. The Committee heard that a high number of young women left the country when it joined the EU. There are various debates in the country on the reasons and solutions to demographic challenges. Current fertility rate is however extremely low (1.18), despite the existence of numerous support programmes to address it, including the provision of child support until the age of 18.

48. These demographic challenges have an impact on labour market shortages, although the Committee also heard that unemployment is higher in the older population. There is a focus therefore on the "silver economy", with older people encouraged to stay for longer in the workforce. Recent reforms to the retirement age mean both women's and men's pensionable age has been set at 65. Tools and programmes are also being made available for retraining and upskilling older people, and robotisation and AI are also helping to alleviate some labour market issues and increase productivity. However, it was suggested that the country has an over-qualified workforce, with young people seeking high-value jobs, and a resulting gap in 'essential skills' such as in trades.

49. Migration contributes to alleviate some pressures on the labour market. Around 60,000 Ukrainian migrants have integrated well into the labour market from an early stage. The FinTech sector, for example, changed its working language to English to attract workers and help them integrate. The country is also seeing migrants from further afield, like Syria and Afghanistan, and Lithuanians previously living abroad are also returning to the country.

50. Stabilising demographic decline is one of the four priorities identified in the National Progress Plan. During discussions with STRATA, Members heard that it was considered realistic to aim for stabilisation by 2050, then aim for reversal thereafter. It is also recognised that no one single policy can stabilise demographic decline, so the Government's policies are a combination of four

areas of focus: (1) migration, (2) attracting people into work, (3) living longer and healthier lives, and (4) family policies.

Economy and fiscal issues

Growing the economy

51. The OECD Economic Surveys: Lithuania 2025 provides an overview of the economic situation in Lithuania, highlighting that—

- "Rising ageing-related costs will require improving public spending efficiency, broadening the tax base and encouraging formal economic activity to ensure future fiscal sustainability.
- Stronger competition in retail energy markets, deeper domestic capital markets, larger R&D spending, improved digital skills, and further improvements in public integrity would bolster productivity.
- Ensuring sufficient financing for renewable energy investments and reducing transport emissions will be key to reach emission targets and improve energy security.
- The major demographic shock calls for immigration, fostering the employment of older workers, encouraging the use of private pension schemes, and improving health outcomes in a cost-effective way by further rationalising the hospital network and promoting healthier lifestyles."

52. The Seimas Committee on Economics, which examines the long-term strategy of developing Lithuania's economy, economic competitiveness, investment policy, digitisation and innovation, explained that confidence in the economy is still high despite proximity to Russia and Belarus. Nevertheless, given the geopolitical risks, the Government aims to increase defence spending from 3% to 5%+ of GDP. A strong economy is required to fund such an increase, and it was noted that there is still a significant gap from those who "live hand to mouth and those with riches".

53. As noted above, Emerging Europe states that Lithuania has aimed to move away from traditional sectors which have seen competition from other parts of Eastern Europe and Asia, towards electronics, machinery and advanced manufacturing. It also highlights that automation and technological investments are increasing, fuelling productivity growth.

54. Large rail projects supported by the EU and a new focus on military and defence spending have contributed to economic growth and created jobs. In the next six years an additional 6 billion euros is expected to be invested in defence spending, including drones and technology. This was described as "a booming sector", with a large number of orders from Ukraine providing "an impetus for the economy".

55. The Committee also heard that, in the short term, the indexing of pensions is anticipated to bring 1 billion euros into the economy through consumption spending.

56. The recent US tariffs have had an impact on the Lithuanian economy. Countries in Europe remain Lithuania's main trading partners and investors. Overall investment has been shrinking, but the country is still "doing better" than many other countries. Members on the Committee on Economics said they are keen to reduce the bureaucratic burden for businesses, which may help to free up time and resources to invest.

57. It was highlighted that internal investment is not supported by a similar agency to Invest Lithuania, which focuses on attracting international investment. The Committee heard that Lithuania has flexible and agile businesses, which "are used to economic crises", the country having faced six major economic crises since its independence in 1990[3].

Attracting talent and investment

58. The Lithuanian Government has developed a series of policies aimed at attracting people to live and work in the country and to encourage inward investment and sectoral growth. According to the EU Global Diaspora Facility (GDF), Lithuania "demonstrates a strong commitment to engaging with its diaspora community by producing numerous strategic documents that prioritise initiatives such as digital skills development and the use of digital tools to strengthen economic and social ties between Lithuania and its diaspora".

59. For example, the Work in Lithuania (WIL) programme aims to encourage highly skilled professionals living abroad to build their careers in Lithuania. WIL is run by Invest Lithuania which, as noted above, has the main goal to attract foreign investment. Other programmes include the state programme 'Global Lithuania' which started in 2012 and was updated in a 2022-2030 strategy.

60. Invest Lithuania's initiative Create Lithuania was launched in 2012, in response to a "huge 'brain drain' after joining the EU". The Committee met with the head of the programme, who explained that the body supports Lithuania's economic transformation, by identifying those Lithuanians living and working abroad and encouraging them to return.

61. The programme offers a year-long contract where people can work for six months each on two projects matched to their interests. They analyse an issue, identify good practice and develop and then implement solutions. Following completion of the programme, organisations tend to seek to retain these people as experts and so far, the programme has led to over 300 people returning to the country to live and work. 80% of the alumni stated that this programme was the primary reason to come back to Lithuania and its model and success "were recognised in two UN reports, which mentioned Create Lithuania as "a great tool for talent development and retention". It was also suggested that proximity to the war has mobilised people to return to help their country.

[3] Lithuania declared its independence from the Soviet Union on 11 March 1990 and is recognised as an independent state in September 1991.

62. Invest Lithuania provides a free-of-charge one-stop-shop offering consultancy services to export-oriented investors aiming to relocate or expand their business in Lithuania. During conversations with the head of Fintech Hub Lithuania, the Committee heard that a large number of Lithuanian expats had launched start-ups in the UK and then relocated to Lithuania.

63. Lithuania has a significant amount of start-up businesses as well as three unicorns (“with more breeding”), which was described as “a huge achievement in a small country”. Following Brexit, the country positioned itself as “the gateway to the EU” for FinTech. The sector has been particularly successful with nearly 300 companies now in place employing around 8000 people.

64. The Committee heard that most FinTech companies are foreign (around 70%), but their offices and workers are based in Lithuania. There is a high workforce retention in the sector, which has benefited from the availability of a large talent pool following the exit of a number of major banks from the country. Nevertheless, there is an increasing need for a highly skilled workforce. Local universities are already providing FinTech and IT courses to address the issue, but the sector needs experience for high-value jobs and is therefore attracting workers from abroad.

65. The Ministry of Finance has prepared Guidelines for the Development of the Lithuanian Fintech Sector for 2023-2028, which “establish that the development of this sector should gain even greater momentum in the next five years, and the ultimate goal is to become an internationally recognised high-added-value European Fintech centre”. The Guidelines’ strategic goal is to “further strengthen the country’s position as a high value-added European Fintech hub by promoting the qualitative growth of the sector, opening up to companies creating innovative solutions, building competencies, strengthening risk management procedures and increasing our global recognition.”

66. A new law has recently been adopted on the regulation of FinTech and Crypto companies to ensure they are “not associated with aggressor countries”. Licences are granted through the Bank of Lithuania. During discussion with the Committee on Economics, it was suggested that a small number of companies have applied for or received licences to date. The FinTech Hub later explained that it can take around 14 months to receive a licence, adding that a lot of attention is given to regulation. Some fraudulent activity relates to instant payments, which remains a particular concern in the industry.

67. The Committee heard that capital markets are generally underdeveloped in Lithuania, and despite the availability of some seed and institutional investment, scaling up remains difficult. EU funds are particularly important in supporting business, agriculture and infrastructure, while national funds have also been crucial for business innovation and technology. Innovation Lithuania has a focus on particular hubs (e.g. space, life sciences) and wishes to do more in this area.

Approach to budgeting and taxation

68. Members of the Committee met with the Seimas Committee on Budget and Finance, to discuss the Lithuanian Government's approach to budgeting and taxation and the Seimas budget scrutiny process.

69. The Committee on Budget and Finance considers the draft state budget presented by the Government for approval and submits a review of the conclusions of other committees. It also "exercises general and continuous control of the budgetary policy implementation and the state budget execution".

70. The Government publishes the draft State Budget Law for consideration by the Seimas no later than 75 calendar days before the end of the budgetary year (the budget year runs from 1 January to 31 December). The committees of the Seimas and its Members submit proposals concerning the draft Budget Law. After the Government makes decisions on these proposals, the draft Budget Law is reconsidered and approved in the Seimas no later than 14 calendar days before the beginning of the budgetary year.

71. At the time of the visit, the Government was in discussion with its Ministries around spending priorities for the 2026-2028 budget. The State Budget was due to be presented to Parliament on 17 October 2025 for consideration in committees for two weeks, during which time the plenary does not sit. During this scrutiny period, other committees present proposals to the Committee on Budget and Finance, which then puts its suggestions to the Government. In early December, Parliament is asked to adopt the State Budget. It was suggested that all Members try to have some influence on the Budget, while the Committee on Budget and Finance takes "a pragmatic approach".

72. Budgets are normally proposed for three years, with the second and third years not being fixed or certain. The latest State Budget 2025-27 includes General Government Expenditure of the State Budget (55%), the Municipal Budgets (16%), the State Social Insurance Fund (SODRA) (19%), the Compulsory Health Insurance Fund (CHIF) (9%), and other expenditure (1%).

73. The Ministry of Finance's Budget at a glance 2025 sets out expenditure lines by functions of government and states that revenues generated from four main taxes (value added, personal income, excise duty and corporate income) account for 79.4% of the total State budget revenue.

74. The 2025 Budget forecasts 17.98 billion euros in revenue, a 5.8% increase from 2024, and 23.1 billion euros in expenditure, up by 12%. The budget deficit of 5.1 billion euros in 2025 is expected to be equivalent to 3% of GDP, an increase from 2.1% of GDP in 2024. This Budget focuses on key areas such as national defence, social welfare, and green initiatives.

75. There is a simplified approach to taxation in Lithuania, with income tax ranging from 26-32%. Newly introduced taxes include a sugar tax, real estate tax and insurance contracts tax, with funds raised to be directed towards the defence budget. The Committee heard that the majority of the public in Lithuania are in

favour of increases in defence spending, which are also to be covered by an increase in borrowing, in addition to the newly introduced taxes.

76. The Committee discussed the Lithuanian Reserve, which is used where actual spending for demand-led social security and health does not correspond with the original plans in the Budget. One Member of the Committee suggested that any surplus from the social security budget should go towards the pensions budget rather than be put in the Reserve.

77. More generally, the Committee heard that fiscal rules must comply with both Lithuanian and EU legislation, with medium-term financial planning required by the EU. Legislation allows for changes to the Budget to be made once in-year, in July, while the Ministry of Finance provide updates on implementation of the budget on a monthly basis.

Public administration and reform

78. The Seimas has a long-standing Committee on State Administration and Local Authorities, with a remit which includes public administration and reform. The Committee is responsible for legal regulation of state administration, the framework for elections, administrative division of the state territory, local self-government, regional development, public service, and balancing private and public interests in public service.

79. During discussion with the Committee, Members heard that, following a period of "cosmetic" changes, the most recent Lithuanian Government has been more proactive on public service reform.

80. The public sector in Lithuania employs 29% of the workforce, an issue that attracts significant criticism from business. The Government is working towards implementing the OECD recommendation for reductions in the public sector workforce, with a target of 10% reduction in headcount.

81. Reforms underway include raising salaries for leaders in the civil service with the aim of retaining 'good staff' who might be tempted by much higher salaries in the private sector, and to meet EU requirements. The size of the workforce is expected to be reduced accordingly.

82. A framework for public sector pay is in place until 2030. The framework allows managers' discretion to increase salaries to attract talent. Such increases would see a corresponding reduction in headcount, improving productivity and efficiency. This flexibility has caused some concern given different institutions will have different pay levels, despite the overarching framework.

83. Traditionally, a 1% bonus was added to salaries annually, which led to the public sector becoming less attractive to younger people who could be undertaking similar roles to those with 20/30 years' service but receiving 20-30% lower pay. As part of current reforms, these bonuses have now been frozen, "improving opportunities for everyone".

84. The Committee explained that if these reforms are not implemented by 2030, the Lithuanian Government will need to find an extra 1.2 billion euros for public sector salaries.

85. Current reforms are not aimed at changing how public services are delivered. However, it was recognised that efficiencies could be made, including through use of technology and digitalisation.

86. Digitalisation of public services is already high, with 6 out of 10 public services available online. According to the EU GDF, “Lithuania is widely recognised as a highly digital country, with a robust ICT infrastructure, a tech-focused population, and a government that prioritises digital innovation and the adoption of new technologies”.

87. The State Digitisation Development Programme 2021-2030 aims to enhance digital opportunities for the public sector, businesses and academia, promoting the development and use of innovative digitalisation. The Government is also currently carrying out an inventory of public services to further improve digitalisation.

88. Lithuania recently launched a National AI Centre “LitAI”, a state-of-the-art centre dedicated to developing and applying AI technologies, and the largest AI facility in the Baltic States (costing around 130 million euros). The LitAI consortium unites universities and public innovation institutions, with oversight from the Ministry of the Economy and Innovation.

89. AI solutions are set to play a pivotal role in the transformation of public services. An AI sandbox for the public sector has also been created by GovTech Lab.

90. Created in 2019, the GovTech Lab’s role is to support public sector bodies in addressing issues that could be resolved through technology or innovation. The organisation aims to teach public institutions to experiment with technology with the key message that “failure is ok”. To help mitigate risk and help bodies innovate, the GovTech Lab also provides financial support.

91. Its AI sandbox invites public sector bodies to try out AI products to establish whether they are safe and add value. During discussions with an Innovation Expert from the GovTech Lab, it was noted that some public sector bodies underestimate the value of AI until they try products for themselves. The private sector, on the other hand, sees a heavy top-down focus on the use AI.

92. The National Audit Office (NAO) recently published a performance audit on the Management of Artificial Intelligence in the Public Sector, which found that only approximately 15% of public sector institutions actively apply AI. An AI strategy was prepared in 2019, but not approved or included in the 2021–2030 development documents. The audit found a lack of strategic goals, data, best practice information, clear legal frameworks and methodological guidance on the use of AI in the public sector.

93. The NAO has also audited the attempt to centralise IT services (IT infrastructure and related services) for the public sector. Its report, State Information Resources Infrastructure Consolidation, found that not all services listed in the catalogue of centralised IT services are being offered (in 2024, for example, 4 out of 18 evaluated IT services were not provided, including database management, local network management, printing services), and many institutions are not making use of the centralised services.

94. It also noted that funding was not tied to actual usage, demand, or service price, and many institutions maintain their own IT capacity rather than relying on centralised options. The audit found no evidence that this centralisation has so far led to cost savings or improved efficiency.

Data and statistics

95. In 2022, a new Law on Official Statistics and State Data Management was approved, coming into force the following year. The law renamed Statistics Lithuania as the State Data Agency (SDA) and refocused its role, with the organisation becoming additionally responsible for the management of state data, in recognition of its credibility.

96. The Committee visited the offices of the SDA, to discuss its approach to statistics and data gathering. Similar to the Office for National Statistics in the UK, the SDA is a public agency responsible for collecting, processing, presenting and analysing statistics on the economy, population, business, society, environment and agriculture. While the SDA is the leading statistical body in the country, the national statistical system also includes the Bank of Lithuania and 18 other national authorities that produce official statistics under the coordination of the SDA.

97. A 2021 Peer Review by the European Statistical System stated that the then Statistics Lithuania has "high credibility amongst its users and is devoted to fulfilling their needs. This was publicly and promptly demonstrated during the COVID-19 pandemic, when Statistics Lithuania responded to society's needs by providing extensive information updated daily on the Official Statistics Portal. The way Statistics Lithuania managed the supply of information during the COVID-19 pandemic boosted the already high level of trust in official statistics in Lithuania, and in Statistics Lithuania as an institution."

98. The Committee heard there is a strong data culture in Lithuania, which benefits from significant trust from the population.

99. The SDA obtains statistical population survey data from two sources – individuals and State registers. The data stored in State registers are transferred to electronic statistical questionnaires or combined with the data collected through interviews, which can take place face-to-face, by phone or online. The organisation provides incentives for respondents participating in statistical surveys on a voluntary basis (each month, randomly selected respondents will receive prizes).

100. The use of unique personal IDs for both citizens and businesses contribute to the smooth flow of data from state registers, and AI is already being used, for example, to calculate inflation based on price information received automatically from supermarkets. The SDA is considering future options for obtaining personal data from the private sector, e.g. supermarkets and banks, as a sustainable source of data in the context of reduced response level to population surveys.

101. In terms of data-related risk, the Committee heard that a large share of enterprises provide data late, which has an impact on statistics and GDP estimates. The risk of manipulation also remains, despite high levels of trust in data, and the SDA therefore considers it has a role as an explainer, not just a producer of data.

102. The SDA's 'Integration of State Information Resources into the Data Lake' project aims "to document all public sector data in Lithuania; integrate, centralise, and open it up, thereby increasing the state's resilience to threats". One of the reasons for creating the Data Lake was the lack of interoperability of systems in the public sector. The process of developing the Data Lake was lengthy, including establishing what data the country has and how it could be linked. The SDA is helping organisations to understand what data they hold and its impact.

103. The Data Lake is seen by the SDA as a "safe space" and a "powerful platform" for public sector organisations to request and link to data. Under current legislation, private sector entities may now also request data, but this may only be provided in aggregated form.

104. The NAO suggested that they see the potential to acquire good quality data from the Data Lake, but they have encountered technical and legal issues in doing so to date. It was also noted that opening up data is not compulsory and some public sector bodies do not participate as they feel too vulnerable to do this. NAO audits found that institutions often do not have consistent data governance, do not share good practice, or do not make data discoverable or usable for oversight or analysis.

105. The Committee also heard that cybersecurity is "pivotal to protect data" and is co-ordinated at a national level. Cyberattacks are happening more and more often (even in the smallest organisations), in both the public and private sector, with the systems more outdated being most vulnerable.

Auditing and forecasting

National Audit Office (NAO)

106. The NAO is "the supreme public audit institution, which supervises the lawfulness of the management and use of public funds and assets as well as the execution of the state budget". The Committee met with representatives from the NAO to discuss its work and that of the Budget Policy Monitoring

Department (BPMD). The BPMD sits within the NAO, implementing the functions of an independent fiscal institution, similar to the Scottish Fiscal Commission (SFC).

107. The NAO performs financial audits, performance audits (including value for money / economy, efficiency, effectiveness), compliance audits, inspections, and follow-ups of recommendations. For each audit, the NAO makes ‘public audit recommendations’ marked as high, medium and low importance. It carries out regular monitoring of the implementation of recommendations, which is available as open data on the NAO’s website.

108. Alongside required and official audits, the NAO has begun producing ‘assessments’. These represent snapshots rather than comprehensive audits, only taking three to four months to prepare. They do not include recommendations, but as with official audits, the Seimas can follow up on themes arising. The aim of the assessments is to encourage decision-makers to take action in initiating changes and to strengthen the impact of public audits.

109. The NAO has a close working relationship with the Seimas. An internal system called “Representation” (intranet) provides real-time access to information on which parliamentary body is reviewing NAO products, with links to relevant information. On average, the NAO participates in about 140 parliamentary committee and commission meetings per year.

110. While all parliamentary committees are authorised to review NAO reports, the Seimas Audit Committee and the Budget and Finance Committee play a specialised role in cooperation with the NAO. Twice a year, the NAO submits reports on the monitoring of the implementation of the recommendations to the Audit Committee. The NAO also holds a yearly thematic conference, in collaboration with the Audit Committee.

111. Unlike in Scotland, the Seimas may instruct the NAO to carry out audits on specific topics through a plenary vote. In practice, this happens every two to three years. Similar to Audit Scotland, the NAO also consults the Seimas on its audit work programme.

112. A new NAO platform allows institutions to access information about evaluations, recommendations and results, including automatic reminders for institutions. The NAO is also developing a platform for institutions to share the reasons for any delays in implementing recommendations. All recommendations are tracked in monitoring reports.

Budget Policy Monitoring Department

113. The BPMD was established within the NAO on 1 January 2015 and carries out the following activities “to ensure the sustainability of Government finances and stable economic development”—

- Assessment and approval of macroeconomic forecasts.
- Promoting fiscal transparency.

- Evaluation of compliance with fiscal discipline rules.
- Role in establishment of exceptional circumstances.

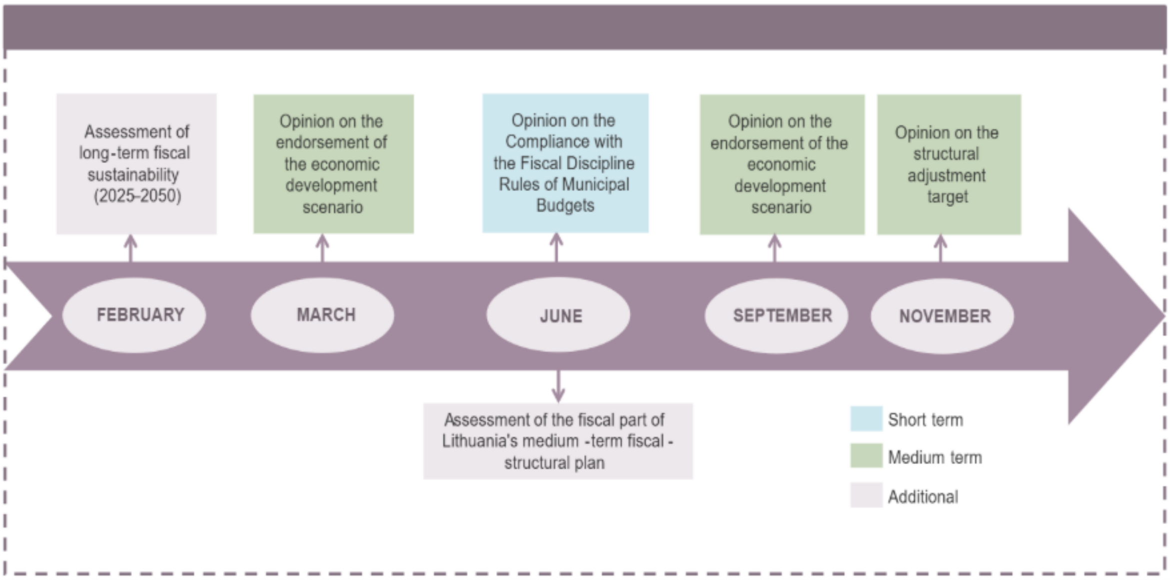
114. As with the SFC, the OECD carries out regular reviews of Lithuania's Independent Fiscal Institution. The OECD's latest report dated 2019 states that "the BPMD has quickly built a reputation for solid independent analysis", adding "in a relatively short period, the institution has helped bring about fiscal transparency gains for Lithuania and generated increased parliamentary and public debate on fiscal issues". It however highlights a number of challenges, including that it lacks a clear public identity and visibility, lacks operational independence, and struggles to recruit and retain senior staff.

115. The Committee heard that public understanding around the work of the BPMD is relatively low. The OECD is carrying out its second review of the BPMD this year and it is hoped that plans can be put in place to strengthen the body and make it more visible.

116. Like the SFC, the BPMD promotes fiscal transparency and produces forecasts and fiscal sustainability reports. This work requires close relationships with the Bank of Lithuania and Ministry of Finance. The BPMD also produces an annual activity plan which is incorporated into the NAO's wider programme of work.

117. The BPMD normally has two months to produce its economic forecasts. In exceptional circumstances, four forecasts are produced in a year rather than the standard of two. Exceptional circumstances were in place between 2020-2024 due to the COVID-19 pandemic and then the impact of the war in Ukraine.

118. A calendar of opinions the BPMD submits to the Seimas is provided below.



BPMD Calendar of opinions

Conclusion

119. The Committee has, on numerous occasions, expressed ongoing concerns regarding the Scottish Government's lack of long-term strategic financial planning. Lithuania provides an interesting example of an evidence-based approach to future planning, with lessons that could be applicable in Scotland.

120. The country faces similar challenges to Scotland, particularly in relation to population ageing and decline, but specific actions taken to attract talent and investment have led to the country's success in becoming a European hub for start-ups, particularly FinTech, and attracting young Lithuanians to return, despite ongoing geopolitical risks.

121. The Committee was impressed by the development process behind the Lithuania 2050 vision and the extent to which this involved and represented different sectors of society, ensuring a document which has buy-in across both public and political sphere.

122. A similar approach could be replicated in Scotland to develop and improve the current National Performance Framework (NPF), which the Committee's earlier work found to be an important agreed vision of the type of place Scotland should aspire to be.

123. The Committee's 2024 report on the NPF made recommendations for the content of an implementation plan to be used in decision-making and evidenced explicitly in the national strategies and policies. The Lithuanian National Progress Plan provides a helpful example for how a long-term vision can be implemented and monitored.

124. The Committee for the Future was a particular area of interest during the visit, and Members found that the Committee is working well to bring parliamentary focus to long-term issues and implement strategic thinking across different policy areas and across the political divide. Scotland could benefit from a similar approach, ensuring distinct focus on issues that transcend Committee remits and electoral cycles and enabling Government to be better held to account on its longer-term planning.

125. **The Committee's report on pre-budget scrutiny 2026-27: Responding to long-term fiscal pressures examines these issues in further detail and sets out specific recommendations to the Scottish Government. The Committee will further examine recommendations for long-term strategic thinking and other issues learned about during the visit in its legacy report, to be published in spring 2026.**

Annexe A

Agenda and meetings

Monday 22 September

Committee travelled to Vilnius, Lithuania

Tuesday 23 September

- Meeting with representatives from the Office of the Government and the Government Strategic Analysis Center (STRATA)
- Meeting with representative from the British Embassy Vilnius
- Meeting with representatives from the State Data Agency (Statistics Lithuania)
- Meeting with representatives from the National Audit Office and Budget Monitoring Department

Wednesday 24 September

Visit to Seimas and meetings with Members of the—

- Committee on State Administration and Local Authorities
- Committee on Economics
- Committee on Budget and Finance
- Committee for the Future
- Group for Inter-Parliamentary Relations for Great Britain and Northern Ireland

Thursday 25 September

Meeting with—

- Greta Ranonyte, Head of Fintech Hub LT
- Dovilė Gaižauskienė, GovTech Sector Manager at Innovation Agency Lithuania
- Monika Merkytė, Head of the Create Lithuania programme

Committee travelled to Edinburgh

Annexe B

Photographs from the Committee visit to Lithuania

Members of the Finance and Public Administration Committee with Representatives from the Office of the Government and the Government Strategic Analysis Center (STRATA)

Members of the Finance and Public Administration Committee with Members of the Seimas

Members of the Finance and Public Administration Committee with Members of the Seimas Group for Inter-Parliamentary Relations for Great Britain and Northern Ireland

Members of the Finance and Public Administration Committee with representatives from the National Audit Office and Budget Monitoring Department

Members of the Finance and Public Administration Committee with representatives of Fintech Hub Lithuania, Create Lithuania and GovTech Lab