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Analysis of the recovery and resilience plan of Lithuania

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Lithuania

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1. EXECUTIVE SUMMARY

Lithuania's economy contracted by 0.9% in 2020, significantly less than the EU average, mainly thanks to the resilience of its exports. After the initial shock in the second quarter of 2020, the economy rebounded strongly during the rest of the year. While the lockdown introduced at the end of 2020 and extended into 2021 is set to weigh on the economy in the first half of the year, a significant easing of measures in the second half of 2021 should help the economy recover. Economic growth is expected to reach 2.9% in 2021. The momentum is expected to carry into 2022, with GDP growth projected to reach 3.9%, driven by dynamic developments in private consumption and investments.

Despite an increase in unemployment due to the COVID caused restrictions, wages continued to grow. In January 2021, the unemployment rate stood at 7.4%, higher than the rate of 6.2% one year ago. According to the Commission's Spring forecast, the unemployment rate should remain elevated in 2021 before decreasing to 7.1% in 2022. Despite a jump in unemployment, wage growth remained strong in 2020, with wage growth in the public sector outpacing the rest of the economy. The improving economic situation should continue to support further increases in salaries in 2021 and 2022. Over the medium term, Lithuania's growth prospects will depend on productivity developments, especially what concerns labour force skills and innovation, and country's ability to counter the pre-crisis trend of falling labour supply. Even though preliminary data show that the average annual population in Lithuania grew in 2020, interrupting a long-standing decline, preliminary data for the first quarter of 2021 suggest that the outlook for net migration has turned slightly negative again.

Government support to households and businesses was prompt to counteract the impact of the pandemic. At the outset of the crisis, Lithuania deployed support for businesses and people affected by the crisis as well as dedicated additional resources to the health sector. Subsidies and benefits, additional funding for healthcare and investment accounted for approximately 5.4% of GDP in 2020. As a result, the government deficit increased to 7.4% in 2020. According to the Commission's Spring forecast 2021 the Lithuanian general government deficit is expected to reach 8.2% in 2021 before decreasing to 6.0% of GDP in 2022, as a result of a discontinuation of temporary support measures adopted in 2020 and 2021. According to the Stability Programme, additional spending to support the economy is expected to amount to approximately 3% of GDP in 2021.

Lithuania's plan consists of seven components, covering a broad range of policy areas and aims to address the country's key challenges with a balanced set of reforms and investments. Lithuania submitted its Recovery and Resilience plan on 14 May 2021. The seven components are "A resilient health system to future challenge", "Green transformation of Lithuania, Digital transformation for growth", "Quality and accessible education for the entire life-cycle", "Higher education, a coherent framework", "Efficient public sector and preconditions to recover after the pandemic", "More opportunities for everyone to actively build national well-being". The key areas for investments are the twin transitions, improved connectivity, energy efficiency, health infrastructure, active labour market measures and education infrastructure as well as research and innovation. The combined reform and investment effort will create synergies, making them more effective at achieving their intended policy goals and helping to attract further private investments. Lithuania has requested EUR 2.225 billion in non-repayable support from the Recovery and Resilience Facility and no loans.

The plan is balanced in its response to the six policy pillars referred to in Article 3 of the Regulation[1]. The policy pillars are addressed adequately through measures to: (i) strengthen the health and long-term care systems; (ii) reduce poverty; (iii) improve the quality of the education and training system; (iv) incentivise innovation and support entrepreneurship; (v) digitalise public services, make the public administration more efficient, improve the budgetary framework and tax compliance supporting the sustainability of public finances.

The plan includes adequate measures to help address the key challenges Lithuania is facing. The challenges identified in the most recent Country-Specific recommendations pertain to five broad policy areas – fiscal, health, social inclusion, education, innovation and science, as well as the twin transitions. Lithuania's plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all of the identified challenges to varying degrees, and overall proposes a balanced response to the challenges catalysed by the COVID-19 crisis.

The plan proposes reforms in taxation, health, social inclusion, education and skills, innovation and science and twin transitions which are expected to contribute to Lithuania's economic and social cohesion. Social cohesion will be supported by key reforms relating to health, long-term care, improving the quality of early childhood and school education and vocational training, the higher education funding system, improving the adequacy of the social safety net, changes to the tax system, improving tax compliance, improving the budgetary framework and the public administration. These reforms will be accompanied by key investments which are expected to contribute to improving the school network and infrastructure, the lifelong learning system based on individual learning accounts, e-health, long-term care day centres, creation of excellence infrastructure for innovation, renewable energy, sustainable mobility and building renovation.

Investments in energy efficiency, in clean transport and in the circular economy as well as reforms in renewable energy are expected to address Lithuania's climate challenges. The plan aims at moving the Lithuanian economy towards attaining its energy and climate targets. This includes measures promoting the production and storage of renewable energy; reducing emissions from transport by replacing polluting vehicles with clean vehicles; accelerating the renovation of buildings; and promoting the circular economy. These investments are expected to contribute to reaching Lithuania's 2030 and 2050 energy and climate targets. Together, the measures supporting climate change objectives in Lithuania's plan account for 37.8% of the plan's total allocation.

In terms of the digital transition, key measures address the digital connectivity challenges, including the urban-rural digital divide, the digitalisation of the public and private sectors, and poor digital skills. The plan includes measures to further develop the rollout of very high capacity networks, including 5G infrastructure outside urban areas. In addition, substantial reforms and investments aim to digitalise the public sector. Investments are planned in digital

[1] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

skills for children, employees and senior citizens, while measures are also included to address the shortage of IT employees in the labour market. The measures with a digital impact account for 31.5% of the Lithuanian plan total allocation.

The justification Lithuania has provided on the amount of the estimated total costs of the recovery and resilience plan, is broadly reasonable and plausible. Lithuania has provided individual cost estimates for all investments included in the recovery and resilience plan. The cost breakdown is generally detailed and substantiated. The estimates are usually based on comparisons with past investments of similar nature and information from a procurement database. Lithuania did not provide an independent validation for the cost estimates proposed. The assessment of the cost estimates and inherent supporting documents show that most of the costs are justified and reasonable to a medium extent. The amounts proposed for financing are deemed appropriate and are seen as establishing the plausibility of the cost estimates to a medium extent. Finally, the estimated total cost of the recovery and resilience plan is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

The individual components provide clear information about additional investments from other EU funds. Projects funded by other EU sources are demarcated in time and scope from the projects in the RRP. Furthermore, Lithuania has put in place adequate and sufficient arrangements to avoid double EU funding.

Lithuania's recovery and resilience plan is compliant with the 'do no significant harm' principle. The assessment follows the methodology set out in the Commission's Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C 58/01) and the six corresponding environmental objectives. Where necessary, respect of the 'do no significant harm' principle is ensured by milestones for the implementation of some measures.

The measures envisaged in the Lithuanian recovery and resilience plan are expected to have a sizeable lasting impact on the economy and institutions. In particular, the envisaged reforms and investments for the green and digital transitions, as well as measures in education and training systems are expected to have a lasting impact on Lithuania's economy, by fostering sustainable long-term growth and triggering structural changes in institutions and policies. In addition, the envisaged measures in higher education are expected to improve the quality of higher education programmes. The streamlining of the state innovation policy is expected to have a sizeable lasting impact on diverse economic sectors in Lithuania. In addition, measures supporting active labour market policies are expected to have a lasting impact on the functioning of the labour market, as well as on poverty reduction and income equality. The measures for the health sector are also expected to increase the efficiency of the healthcare system. Furthermore, reforms to modernise the public sector are expected to trigger long-lasting impacts on the efficiency of the public sector, including analytical and technological solutions to tackle tax compliance issues.

The arrangements proposed in the recovery and resilience plan ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators. The Ministry of Finance and the Central Project Management Agency shall be tasked with monitoring of the plan, whereas line ministries shall be responsible for its implementation. The milestones and targets are realistic and relevant,

but the distribution of milestones and targets across time is somewhat uneven, with a backloading towards 2026. The control system and arrangements proposed in the recovery and resilience plan are based on the national processes and structures used for Cohesion Policy. The plan identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The relevant functions should be appropriately segregated. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate. A dedicated IT-tool will be developed to meet the specific management and reporting requirements described in the plan. It should ensure the necessary audit trail as well as the reporting on milestones and targets.

The plan is coherent, with consistent, mutually reinforcing reforms and investments, and synergies between the different components. The plan has a strategic and consistent vision, displaying coherence within each component, between the objectives of different components and amidst individual reforms and investments in different components. The seven components are coherent in their aims, structuring the investments and reforms and showing their thematic relation and interlinkages well. The components reinforce each other, in particular the green and digital transitions.

Table 1. Summary of the assessment of the Plan under the RRF criteria

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence
A	A	A	A	A	A	A	A	B	A	A

2. RECOVERY AND RESILIENCE CHALLENGES: SCENE-SETTER

2.1. Macroeconomic outlook and developments since the 2020 country report

Real GDP is expected to grow by 2.6% in 2021, and by 3.2% in in 2022 and 2023 according to the macroeconomic scenario published by the Ministry of Finance in March 2021 and presented in Lithuania's recovery and resilience plan. In 2020, real GDP contracted by 0.9%. The scenario assumes that a pickup in domestic demand will support the recovery in 2021. However, it does not take into account investments to be funded from the RRF. Inflation based on the European harmonised index of consumer prices is forecast to accelerate from 1.1% in 2020 to 1.8% in 2021 and 2022, and to reach 2% in 2024.

Lithuania's labour market deteriorated in 2020. The unemployment rate increased to 8.5% from 6.3% in 2019, while the number of employed persons decreased by 1.5% compared to 2019. In January 2021, the unemployment rate stood at 7.4%, higher than the rate of 6.2% one year ago. The macroeconomic scenario included in the plan assumes a gradual recovery in the labour market, with the unemployment rate decreasing from 8.5% in 2021 to 7.5% in 2022 and 6.5% in 2024.

Wages continued to increase strongly in 2020, by over 9%, despite the deterioration in the labour market. In the coming years, wages growth is expected to slow down, but remain at a high level, with 5.2% in 2021, 4.5% in 2022 and 5.0% in 2023.

Income inequality, poverty and social exclusion are persistent challenges in Lithuania. In 2019, 26.3% of the population was at risk of poverty or social exclusion, and 9.4% was severely materially deprived - well above the EU averages of 20.9% and 5.5%, respectively. The income of the richest 20% was 6.44 times higher than the income of the poorest 20% in 2019, compared to 4.99 times for the EU as a whole.

The general government deficit stood at 7.4% of GDP in 2020 and is expected to increase above 8% in 2021. According to the RRP, the discretionary expenditure measures to mitigate the negative consequences of the pandemic are expected to mount to 3.3% of GDP in 2021. The Plan envisages that the general government deficit will improve gradually over time. Due to an increase in deficits, the debt-to-GDP rate is expected to go from approximately 36% in 2019 to over 52% in 2021 and to continue increasing until just below 58% in 2024.

The latest Commission forecast presents more positive projections than the macroeconomic scenario underpinning the RRP. According to the Commission 2021 Spring Forecast, real GDP is set to grow by 2.9% and 3.9% in 2021 and 2022, respectively. The Commission projects a stronger recovery in domestic demand, including due to investments to be funded by the Recovery and Resilience Facility. The unemployment rate is projected to go down from 8.5% in 2020 to 7.1% in 2022, which is slightly lower than according to the macro scenario underpinning the RRP. Inflation projections are in line with the RRP scenario. Both the Commission and the RRP forecast similar deficit- and debt-to-GDP ratios in 2021 and 2022.

Table 2. Comparison of macroeconomic developments and forecasts

	2019	2020		2021		2022		2023	2024
	COM	COM	RRP	COM	RRP	COM	RRP	RRP	RRP
Real GDP (% change)	4.3	-0.9	-0.8	2.9	2.6	3.9	3.2	3.2	3.2
Employment (% change)	0.5	-1.5	-1.5	0.4	0.7	0.8	0.9	-0.1	-0.5
Unemployment rate (%)	6.3	8.5	8.5	8.3	8.5	7.1	7.5	6.9	6.5
HICP inflation (% change)	2.2	1.1	1.1	1.9	1.8	1.9	1.8	1.9	2.0
General government balance (% of GDP)	0.5	-7.4	-7.4	-8.2	-8.1	-6.0	-6.0	-4.0	-2.2
Gross debt ratio (% of GDP)	35.9	47.3	47.3	51.9	52.1	54.1	54.2	57.9	57.9

Source: Commission Spring Forecast 2021 (COM); Recovery and resilience plan (RRP)

The difference in the two sets of forecasts stems mainly from the cut-off date and assumptions about investments to be funded by the RRF. The Commission forecast was

prepared over a month later than the macroeconomic scenario underpinning the RRP. Therefore, the Commission could take into account more recent economic indicators, pointing to a strong performance in the first quarter of 2021. In addition, the Commission took into account information on the planned RRF investments, presented in Lithuania's 2021 Stability Programme, submitted to the Commission on 30 April 2021.

The Plan specifies a number of risks for the macroeconomic scenario. The main risk is linked to the timing of when the pandemic could be under control. Other negative risks stem from a potential escalation of the geopolitical situation, developments in global trade and financial market tensions. On the upside, the economy may recover quicker than assumed in the scenario if the vaccination programme proceeds faster than expected. The macroeconomic and fiscal outlook continue to be affected by high uncertainty related to the COVID-19 pandemic and its economic consequences.

Overall, the RRP's macroeconomic scenario is cautious. The economic scenario is identical to the one described in the 2021 Stability Programme and has been developed by the Ministry of Finance. The macroeconomic scenario was endorsed by Lithuania's Independent Fiscal Institution which is part of the National Audit Office.

2.2. Challenges related to sustainable growth, cohesion, resilience and policies for the next generation

Smart, sustainable and inclusive growth, innovation and productivity

Policies are needed to stimulate productivity growth and foster a sustainable catch-up process. Although still well below the EU average, productivity levels in Lithuania have been catching up over the recent years. This can in large part be attributed to investments, leading to capital accumulation, rather than to technological change in general[2].

As the National Productivity Board emphasises, promoting investments in skills, technologies and equipment, as well as the involvement in strategic value chains in manufacturing, will play an important role in further boosting Lithuania's productivity and growth potential.

Skills, research and innovation capacities and overall R&I support need to be upgraded to support growth. A mismatch between the skills acquired by university graduates and the skills needed by businesses is holding back innovation and productivity growth. Furthermore, institutional constraints, such as preferential tax treatment of small companies, are limiting the growth of companies and restraining innovation. Limited public research and innovation capacities with moderate quality output are the result of inefficient public funding and a cumbersome institutional structure. R&D intensity is relatively low and spending remains inefficient and overly reliant on European funds. A lack of effective cooperation between academia and the corporate sector further undermines R&I capabilities in the private sector. The large number of agencies responsible for a plethora of innovation support schemes makes the

[2] European Commission (2021). Productivity and competitiveness developments in the EU. Joint ECFIN-JRC Background and Policy Note. Internal Communication

entire R&I support system difficult to access and use. Consolidating the R&I capabilities of universities and ensuring attractive research careers and synergies between R&I and higher education, are necessary to improve the quality of the public science base and its ability to play a role in the twin transition.

Enterprises are not growing fast in Lithuania. The number of high growth enterprises as a percentage of the total number of enterprises with more than 10 employees in most sectors is below the EU average. The only sector which performs better than the EU average is transportation and storage; however, even in this sector, a large number of enterprises face COVID-19 related risks. The share of Lithuanian firms planning to grow as a result of increased digitisation is far below the EU average (12% vs 31%) and the share of growth firms with a strategy or action plan to digitalise in Lithuania is only 4% (EU-average is 22%)[3].

Social and territorial cohesion

Ensuring that growth benefits all of society remains a challenge in Lithuania. Even though Lithuania has made some progress in recent years, income inequality and the risk of poverty and social exclusion remain high, especially for the elderly and people with disabilities. Public spending on social protection is relatively low and the capacity of social partners remain limited, restricting their effectiveness in collective bargaining and in delivering on the European Pillar of Social Rights. The redistributive capacity of the tax-benefit system is weakened by poor tax compliance (*see below*), limited income tax progressivity, and low environmental, property and capital gains taxation.

Social exclusion is amplified by a lack of access to social services and the low availability of social housing. The organisation and delivery of social services is fragmented and does not ensure its effectiveness. There are around 10 000 people on the waiting lists for social housing, with an average waiting time ranging from 3 to 12 years depending on the municipality. A comprehensive housing strategy is not yet in place and social housing is often of poor quality. There is a significant need to build new dwellings, especially for big families and disabled people, and to renovate existing dwellings.

Regional disparities in Lithuania are high and still increasing. As the main source of knowledge, innovation and productivity, the Vilnius region generates around 40% of the country's GDP and has the highest level of income. The proportion of inhabitants in rural areas who are at risk of poverty and unemployment is consistently higher than in urban areas, while the level of skills and school outcomes are significantly lower. These factors have a negative impact on territorial cohesion and hinder investment and job creation in the rural areas.

Health

[3] Benedetti Fasil, C, Domnick, C, Fako, P, Flachenecker, F., Gavigan, J. P., Janiri, M. L., del Rio, J-C, Stamenov, B. and Testa, G., High Growth Enterprises in the COVID-19 Crisis Context demographics, environmental innovations, digitalisation, finance and policy measures, JRC. Publications Office of the European Union, Luxembourg, 2021.

Health outcomes in Lithuania persistently lag behind those in other EU countries. This is due to the suboptimal efficiency and quality of the healthcare system, which results in poor access to suitable healthcare. Lifestyle risk factors also play a significant role. The pandemic put additional strain on the limited resources of the health system, making its latent structural problems more apparent and reaffirming the increasingly urgent need for reforms. Improving the resilience of the health system and making long-term care more accessible and affordable therefore remain key priorities.

Tax compliance and budgetary framework

Lithuania continues to face significant challenges with tax compliance. It has one of the largest VAT gaps in the EU. Government revenue administration activities such as processing tax returns and revenue collection are distributed over a number of institutions, which leads to inefficiencies in the system.

There are weaknesses in the budgetary framework. A large share of the central government expenditure is planned in an incremental way and is not subject to impartial expenditure reviews. The budget framework reform, which is intended to enhance the medium-term financial planning, is experiencing delays. At the same time, there are no clear rules for when the state budget must be amended. In 2020, the budgets were not amended despite a notable drop in revenues and significant spending measures taken in response to the COVID-19 crisis. The methodology for determining the revenues available for municipalities is changed every year, which hinders investment planning.

Policies for the next generation, children and youth, including education and skills

The pandemic has exacerbated Lithuania's labour market challenges. Despite substantial wage subsidies, the unemployment rate increased during the second wave of the pandemic, mostly impacting youths, those with lower levels of education, and the unskilled. Targeted measures were introduced in the wake of the pandemic. However, the coverage of active labour market policies that support upskilling, reskilling and mobility has been overall decreasing.

Skills mismatches are holding back Lithuania's innovation and productivity growth. The quality of tertiary education programmes needs improvements and could be achieved, among other things, by consolidating tertiary institutions. Apprenticeships have been put in place, but they must be developed further. Participation in adult learning in Lithuania remains well below the EU average, with very little improvement during the last decade. The general population's digital skills need to be upgraded to facilitate business innovation and the digital transition. Lithuania needs to invest in implementing a comprehensive skills strategy with a strong focus on upskilling and reskilling, and increased efforts to promote work-based learning and apprenticeships through vocational education and training.

The number of children not participating in early childhood education and care remains high. Participation rates of children in pre-school education remains below the EU average. The percentages are lower in rural areas due to a lower demand and supply, as well as limited transportation services for children living at a distance from their pre-school. A shortage of public kindergartens makes it more difficult for children from a low socio-economic background to participate in pre-school.

School outcomes are below the EU average, with a wide performance gap between rural and urban areas. Current teaching practices, the socio-economic background and the lack of a systematic quality assurance system are key determinants of low student outcomes. Teachers also lack the professional learning opportunities and high-quality digital infrastructure that would allow them to introduce more innovative teaching practices and foster digital competencies from early ages. The unattractiveness of the teaching profession and a weak initial teacher education system also have a negative impact on teaching quality. As a consequence, many pupils turn to private tutoring, which contributes to performance gaps between students from different socio-economic backgrounds. The school infrastructure, notably in rural areas, is inefficient and is not well adapted to shrinking student numbers.

2.3. Challenges related to the twin transition

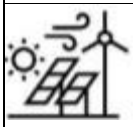
2.3.1. Green dimension

The recovery and resilience plan should include a minimum level of 37% of expenditure related to the green dimension. The measures in the plan shall contribute to achieving the climate neutrality and the 2030 energy and climate targets set out in the National Energy and Climate Plans (NECP). They are also expected to contribute to meeting environmental targets for waste, water, pollution control, sustainable mobility, biodiversity protection and restoration, marine and water resources, and support the transition to sustainable food systems as well as to a circular economy as appropriate, while ensuring that nobody is left behind. The green transition in Lithuania will require significant improvements in the energy and resource efficiency of the construction, transport and industry sectors. Renewables in the energy mix, the circular economy, air and water quality and biodiversity, as well as the boosting green transition of businesses through adequate measures on green skills, reduction of the overall environmental footprint and sustainable innovation (business models, technologies, solutions, products, services) are also key factors in the green transition.

GHG emissions

Lithuania is at risk of missing its 2030 climate targets. In its National Energy and Climate Plan, Lithuania has pledged not to increase emissions by more than 15% by 2020 and to reduce them by 9% by 2030 compared to 2005 emission levels in sectors not covered by the EU's emission trading system (ETS). By 2018, non-ETS greenhouse gas emissions had increased by 7% compared to 2005, implying that the 2020 target will probably be achieved. However, the 2030 climate change targets risk not being reached.

Table 3. Lithuania's national targets and contributions regarding energy and climate

	National targets and contributions	Latest available data	2020	2030	Assessment of 2030 ambition level
	Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (ESR) (%)	7%	15%	-9%	As in the ESR
	National target/contribution for renewable energy: Share of energy from renewable sources in gross final consumption of energy (%)	25.5%	23%	45%	Sufficiently ambitious (formula: 34%)
	**National contribution for energy efficiency:**				
	Primary energy consumption (Mtoe)	6.3 Mtoe	6.5 Mtoe	5.5 Mtoe	Modest
	Final energy consumption (Mtoe)	5.6 Mtoe	4.3 Mtoe	4.5 Mtoe	Modest
	Level of electricity interconnectivity (%)	62%	62%	111%	N/A

Source: Assessment of the final national energy and climate plan of Lithuania, SWD (2020) 914 final.

Share of renewables/ or Renewable energy

Although good progress has been made on deploying renewable energy (except in transport), further efforts are needed to reach Lithuania's 2030 target for renewable energy and energy efficiency. Thanks to its ambitious approach to the deployment of renewable energy, Lithuania reached its 2020 renewable energy target of 23% as early as 2014, with the current level being 25.5%. In the transport sector, however, progress has been slow: the 2020 target of 10% will be missed by approximately 5 percentage points. Lithuania's 2030 target for renewable energy of 45% is considered sufficiently ambitious to contribute to the EU's climate and energy targets. Thanks to its use of auctions and a widespread deployment of small-scale renewable energy installations owned by individual energy consumers and communities, Lithuania expects that by 2030, the share of renewables in the electricity sector will reach 45%. Of this, wind energy will generate at least 70%, biofuels 9%, hydropower 8%, solar energy 3% and biogas 2%. Lithuania projects a share of renewables of more than 67% in the heating and cooling sector, rising to around 90% in district heating. Lithuania would benefit from diversifying the energy mix in the heating sector and, apart from the use of biomass, it should maximise the role of waste heat and remain vigilant with regard to the sustainability of biomass. Although biomass burning has contributed to energy independence and diversification, it is also a major contributor to air pollution, which is an increasing concern for Lithuania.

Energy efficiency

The Lithuanian economy is nearly twice as energy intensive as the EU average, and its industry, which is largely fuelled by gas, has the highest share of final energy consumption due

to the fact that energy-intensive industries make up a rather large share of the Lithuanian manufacturing sector.[4] It has a several highly GHG-intensive installations in the chemicals, cement and refinery sectors, which are important economic operators and major employers in the less developed mid-west region of Lithuania. **In relation to the 2030 energy efficiency targets, Lithuania aims towards only a modest contribution: to ensure that its primary and final energy intensity will be 1.5 times lower in 2030 than it was in 2017.** The country would benefit from implementing additional policies and measures, given its high untapped energy savings potential, especially in the transport and construction sectors, as well as in industry. In relation to residential buildings, the scale of renovations, as set out in the NECP, should be increased in order to renovate more than 30 000 multi-apartment buildings and achieve the objective of an energy-efficient and decarbonised building stock by 2050.[5] The Lithuanian Long-Term Renovation Strategy set out the ambitious target of renovating 74% of the buildings stock (nearly 440,000 buildings) by 2050, with no primary energy generated by the fossil fuels consumed. Targeted incentives to improve the energy performance of buildings, including the modernisation of district heating systems, are needed to reach the 2030 energy and climate targets, with a view to achieving decarbonisation objectives by 2050. A study on the building energy renovation potential across the EU estimates that in Lithuania the renovation of 79% existing dwellings by 2050, at a cost optimal level, could lead to primary energy savings of 5.2 TWh and generate about 202,000 full time equivalent jobs[6].

Sustainable mobility

Increasing the share of renewables in transport, notably by electrification and deployment of advanced biofuels, is needed to enhance the decarbonisation of the entire transport sector. The transport sector represents almost 40% of all greenhouse gas emissions, as it is dominated by diesel with fast growing emissions. Cars remain the main mode of transport. Public transport (rail and buses) accounts for only 9.6% of passenger travel and its use is decreasing. Alternative-fuel passenger cars represent less than 1% of total cars despite expanding networks of refuelling and electric charging points. Lithuania suffers from limited international connectivity in terms of rail, road, maritime and air transport. Rail traffic is dominated by east-west flows, while the north-south axis remains underdeveloped. Despite increasing to 8% of the total network in 2018, Lithuania's rail electrification remains one of the lowest in the EU.

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[4] Tsemekidi-Tzeiranaki, S., Paci, D., Cuniberti, B., Economidou, M. and Bertoldi, P., Analysis of the Annual Reports 2020 under the Energy Efficiency Directive, EUR 30517 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-27416-2, doi:10.2760/180952, JRC122742.

[5] For a comprehensive assessment of the objectives and measures included in the long-term building renovations strategies see Castellazzi, L., Zangheri, P., Paci, D., Economidou, M., Labanca, N., Ribeiro Serrenho, T., Zancanella, P. and Broc, J., Assessment of second long-term renovation strategies under the Energy Efficiency Directive, EUR 29605 EN, Publications Office of the European Union, Luxembourg, 2019, ISBN 978-92-79-98727-4, doi:10.2760/973672, JRC114200; and Castellazzi L, Zangheri P and Paci D. Synthesis Report on the assessment of Member States` building renovation strategies . EUR 27722. Luxembourg (Luxembourg): Publications Office of the European Union; 2016. JRC97754

[6] Zangheri, P., Armani, R., Kakoulaki, G., Bavetta, M., Martirano, G., Pignatelli, F., Baranzelli, C. Building energy renovation for decarbonisation and Covid-19 recovery. A snapshot at regional level, EUR 30433 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-24766-1, doi:10.2760/08629, JRC122143.

Multi-country projects

Completing key cross-border projects - Rail Baltica in cooperation with Poland and other Baltic countries, and synchronisation of the electricity grid with the continental European network by 2025 - remain key challenges. In view of the synchronisation and the plans to significantly increase renewable energy in Lithuania's power system, it will be important to ensure the system's flexibility, notably by taking additional measures to boost storage and demand response.

Circular economy, water management, biodiversity

Lithuania would benefit greatly from a comprehensive national strategy or roadmap for the circular economy that focuses on the entire life cycle of products. While Lithuania is on track to achieve the 55% recycling target by 2025, its circular material use rate is only around 4% which is more than two times lower than the EU average. A better-targeted approach and policy measures, as well as additional funding, could help Lithuania further boost its eco-innovation performance and resource productivity. Reform of the water supply and wastewater treatment sector through the consolidation of water utilities is key to improving the quality, coverage, operational efficiency and affordability of water and sanitation services. The existing water management infrastructure is not optimal and runs at around half of its capacity, with strong quality, coverage and price differences across the country.

Faster increases in environmental taxes and the cancellation of exemptions, would facilitate the greening of the Lithuanian economy. Environmental taxes in Lithuania are mostly collected from taxes on energy and are significantly below the EU average, although recently the government has taken action to increase pollution taxes. In synergy with these, green public procurement should also facilitate the green transformation of the Lithuanian economy.

The conservation status of habitats and species in Lithuania is declining and the current Natura 2000 network is incomplete. Agricultural greenhouse gas emissions represent a significant share of total non-CO_2 greenhouse gas emissions, while the carbon sink capacity of grasslands and forests is decreasing. In 2018, the government decided to increase by 6% the annual quota for logging in state-owned forests, including protected areas, for the years 2019-2023. The Baltic Sea is severely affected by general threats such as biodiversity loss and climate change, and by specific local pressures such as eutrophication, overfishing and elevated levels of contaminants. Lithuania has a great scope to invest more in environmental protection, especially in more effective controls of pollution from industry and agriculture, and in protecting the country's biodiversity and ecosystems.

Lithuania's transition towards a low-carbon economy requires adaptations in the education system and labour market, including the upskilling and reskilling of the workforce. This is to ensure that the Lithuanian workforce acquires the right skills to facilitate the green transition, e.g. in the areas of installing green technologies, upgrading building standards to ensure higher rates of energy savings, installing renewable energy infrastructure and applying circular economy solutions.

2.3.2. Digital dimension

The recovery and resilience plan should include a minimum level of 20% of expenditure related to the digital dimension. The measures in the plan should, inter alia, contribute to the

digital transformation of the economic and social sector (including public administration, public services, and the justice and health systems). The objective of the measures in the plan should be to improve not only the competitiveness, but also the resilience, agility and security of companies and public actors, all while ensuring inclusiveness.

Lithuania ranks 14th in the Digital Economy and Society Index (DESI) 2020. A number of major challenges remain along Lithuania's path to digital transition, including delayed deployment of 5G, a persistent and significant urban-rural digital divide in terms of broadband infrastructure, low levels of digital skills and a lack of ICT specialists, and limited digitalisation and uptake of advanced technologies across the Lithuanian SMEs and start-ups.

In terms of connectivity, there are still significant gaps in fast broadband coverage (19th rank in DESI connectivity). While fibre deployment is above the EU average both for urban and rural areas, only 69% of households have fast broadband coverage, compared to 86% at EU level, with the figure falling to only 29% in rural areas. With only 68% of households subscribing to fixed broadband, Lithuania lags significantly behind the EU average of 78%.

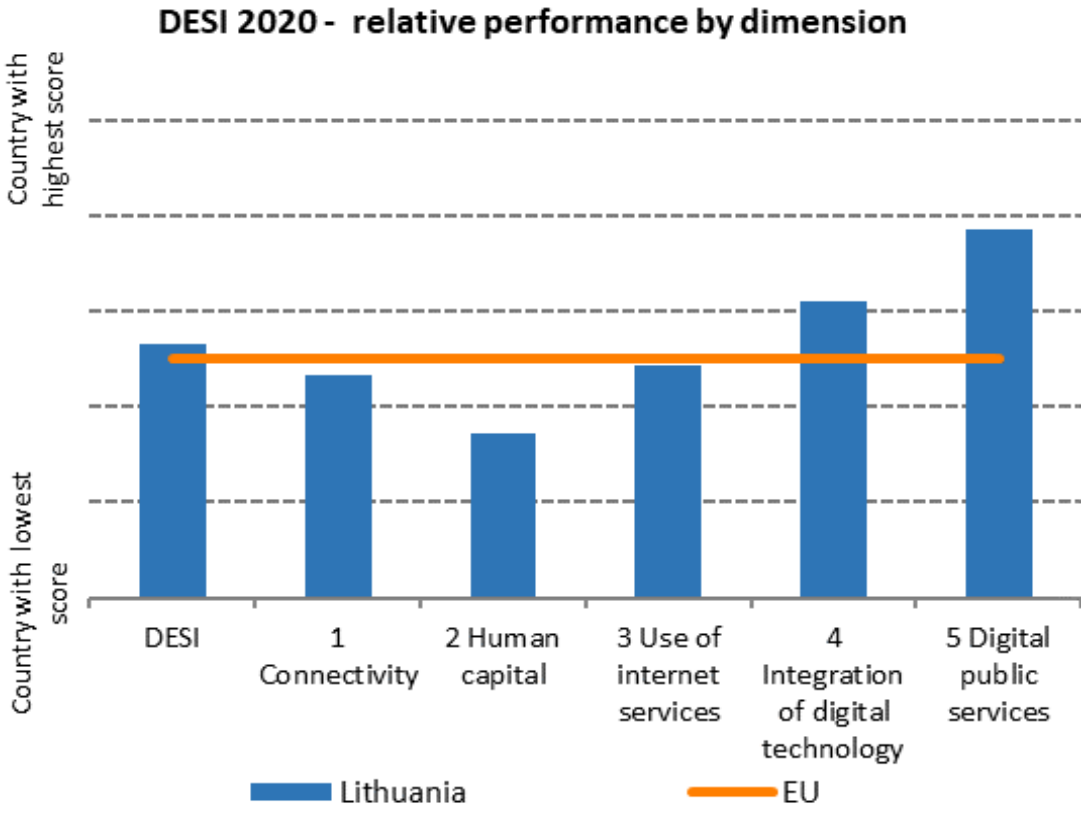
There are delays in 5G deployment. In May 2020, Lithuania's government endorsed provisional guidelines for 5G roll-out, according to which 5 G services will be available in at least one city by 2022 and will cover the most populated areas by 2025. However, 5G deployment might be delayed due to cross-border coordination issues with Russia concerning certain frequency bands.

Lithuania needs to improve the digital skills of the population and to invest in the re- and upskilling of its labour force (18th rank in DESI human capital). Based on 2019 data, 44% of the population lacks basic digital skills and Lithuanian companies report difficulties in filling ICT vacancies. This is a major obstacle to Lithuania's digital transition and hampers the country's capability to fully exploit its innovation potential. Despite a number of national strategies and measures aimed at developing the digital economy and society, relatively few companies offer digital upskilling for employees, and businesses report significant difficulties in filling ICT specialist vacancies.

Lithuania ranks above the EU average for the integration of digital technologies (10th rank in DESI integration of digital technology). The country has made progress over the last years and excels in electronic information sharing, with 48% of Lithuanian enterprises sharing information electronically compared to an EU average of 34%. Lithuania also performs well in online selling by SMEs, cross-border online selling to other EU countries and, even after a slight decrease recently, e-Commerce turnover. Lithuania's performance with regard to corporate use of social media, cloud services and big data is close to the EU average.

Lithuania is promoting the greening of digital technologies. The national energy and climate action plan for 2021-2030 provides for developing digital energy innovations and improving technologies in the sectors related to energy, manufacturing and construction.

Lithuania has the potential to make significant progress across all areas of the DESI index. Even in digital public services (where it scores highly), Lithuania can still improve further in open data as well as in priority areas which are also underpinned by European policies (digital health, the European strategy for data, the Digital Education Action Plan, etc.).



Note: EU aggregate corresponds to EU28, based on 2020 DESI report.

Box 1: Progress towards the Sustainable Development Goals (SDGs)

Overview table of the overlap between the Sustainable Development Goals and the four dimensions underpinning the recovery and resilience plans.

In this figure, the United Nations' Sustainable Development Goals are represented under a specific Commission guiding principle for competitive sustainability from the 2021 Annual Sustainable Growth Strategy, to which they are strongly associated. It should be noted that most Sustainable Development Goals contribute, to varying degrees, to several guiding principles.



1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnership for the goals

This box outlines Lithuania's performance with respect to the SDGs with particular relevance for the four dimensions underpinning the recovery and resilience plans (green transition, fairness, digital transition and productivity, and macroeconomic stability), indicating possible areas where investments and reforms in line with the objectives of the Facility could further accelerate the progress on the SDGs.

Green Transition

Lithuania's performance varies across the SDGs relating to the green transition. Lithuania is lagging behind in terms of the SDGs 'share of buses and trains in total passenger transport' (9.6% in 2018), 'circular material use' (4% in 2019), 'resource productivity and domestic

material consumption' (0.74% in 2019) as well as 'energy productivity' (4.66% in 2018). However, the SDG 'share of renewable energy in gross final energy consumption' is higher in Lithuania than the EU average (i.e. 25.46% in 2019 compared to the EU average of 18.88%). The SDG 'exposure to air pollution' is below the EU average. In the index of greenhouse gas emissions, Lithuania stood at 42.6% in 2018 compared to the EU average of 76.8%.

Fairness

Lithuania ranks relatively low with regard to indicators that assess the fairness of society and the economy. In 2019, 26.3% of Lithuanians were at risk of poverty or social inclusion (SDG 1 'No poverty') and 20.6% were at risk of income poverty after social transfers, compared to 21.4% and 16.8% respectively on average for the EU-28. Lithuania's performance is also below average for most indicators with regard to SDG 2 ('Zero hunger') and SDG 10 ('Reduced inequalities').

The key indicators related to education show a weak performance of Lithuania. According to the 'Quality education' (SDG 4) and 'Gender equality' (SDG 5) indicators, participation in early childhood education and adult learning in Lithuania is lower than the EU average. However, Lithuania's gender employment gap of only 1.6% in 2019 is one of the lowest compared to the EU average of 11.4%.

Lithuania has low results in indicators related to 'Good health and well-being' (SDG 3) a. The life expectancy at birth was 75 years in 2020 compared to the EU average of 81 years, and the death rates due to chronic diseases and to tuberculosis, HIV and hepatitis are well above the EU average.

Digital transition and productivity

Lithuania scores low on the indicators related to R&D. Concerning SDG 9 ('Industry, innovation, and infrastructure'), Lithuania's performance is weaker than average both in terms of 'R&D and innovation' and 'sustainable transport.' With 0.99% of GDP allocated to R&D in 2019, Lithuania's level of investment in R&D remains very low and is significantly below the EU average. Lithuania is also significantly lagging behind in terms of the number of patent applications to the European Patent office, with only 22 in 2017.

Varying performance is observed with regard to indicators related to descent work and economic growth (SDG 8.) The performance of Lithuania is weak in terms of 'real GDP per capita' and 'resource productivity', while it is above the EU average with regard to the 'employment rate' and in line with EU average concerning the 'long term unemployment rate'. In 2019, 11% of young people were not in education, employment or training, which is just slightly below the EU-28 average.

Macroeconomic stability

Besides its better-than-average performance in terms of the SDG 8 indicators described above, Lithuania also scores better than the EU average for most of the indicators relating to SDG 16 ('Peace, justice, and strong institutions'), except for the indicator on 'death rates for homicide'.

3. OBJECTIVES, STRUCTURE AND GOVERNANCE OF THE PLAN

3.1. Overall strategy of the plan

The Lithuanian recovery and resilience plan seeks to address the challenges identified in the context of the European Semester. The focus is on digitalisation, green transition, good quality and efficient health and social services, education and innovation, and increasing efficiency of the public sector. The plan's strategy is structured around the three pillars of resilience, climate and digital transition, and the goals mentioned above are reflected throughout its seven components. The total non-repayable financial support allocation for Lithuania is EUR 2 224 195 119. The requested amount is EUR 2 224 686 966.
There are 30 measures (27 reforms and 3 investments).

Overview of components and associated costs:

Component	Costs (EUR million)
A/I: A resilient and future-proof health system hereafter 'Health component' (improving quality and accessibility of health services and promoting innovation, long-term care services and strengthening the resilience of the healthcare system)	**268 (12%)**
B/II: Green transformation of Lithuania hereafter 'Green transition component' (renewable energy generation and storage, reduction of transport emissions through clean mobility, buildings renovation, circular economy and degraded peatlands restoration)	**823 (37%)**
C/III: Digital transformation for growth hereafter 'Digital transition component' (digitalisation of public and business sectors, digital skills, 5G and broadband)	**448 (20%)**
D/IV: 4. Quality and accessible education for the entire life-cycle hereafter 'Education component' (improving the school network, the quality of education, vocational training and of adult learning)	**312 (14%)**
E/V: Higher education, a coherent framework for stimulating innovation and high value-added business hereafter 'Higher education and Innovation component' (improving R&I promotion and quality and efficiency of higher education sector)	**200 (9%)**
F/VI: Efficient public sector and preconditions to recover after the pandemic	**64 (3%)**

hereafter 'Public sector component' (tax compliance, tax system, budgetary framework and improving public administration)	
G/VII: More opportunities for everyone to actively build national well-being **hereafter 'Social protection component'** (training and employment support scheme and adequacy of the social safety net)	**109 (5%)**
Total:	**EUR 2.225 billion**

Health component. Accounting for EUR 268 million or 12% of the plan, this component contributes to addressing challenges related to the resilience, quality, accessibility and efficiency of the healthcare system. The creation of a centre for advanced therapies should ensure the availability of innovative advanced therapies. Furthermore, investments shall be made to strengthen Lithuania's genetic research, personalised medicine and facilitate secure matching within the framework of the European cross-border project "Genome Europe". The establishment of a health professionals' competence platform should help identify, monitor and match the supply and demand for health professionals. The development of an integrated model for measuring the quality of health care is also envisaged. Investments in digitalisation of the health system should facilitate the integration of various health information resources into a system based on uniform principles.

Measures on long-term care focus on setting up of ten day care centres across the country, providing equipment, vehicles and creating ninety mobile teams to contribute to developing outpatient services, accompanied by a reform of the long-term care framework. The resilience of the health system should be strengthened by targeted investments in infrastructure of healthcare facilities responsible for crisis-responsiveness. In particular, developing the capacity in five centres of expertise in the cluster of infectious diseases and modernisation of emergency, resuscitation and intensive care medical units in seven hospitals/trauma centres are planned across the country. These investments should help reorganise the ambulance services to ensure that the necessary medical assistance timely reaches the population. They should also enhance the capacity to treat infectious diseases without increasing the total number of curative and long-term care beds at national level. A particular attention will be given to primary healthcare and prevention measures using national and other EU financial instruments.

Green transition component. With EUR 823 million or 37.8% of the plan, this component envisages the development of offshore wind infrastructure, support for the construction of onshore RES plants (solar and wind power), individual energy storage facilities and the establishment of renewable energy communities, and the installation of other electricity storage infrastructure. As regards mobility, key measures cover support for the replacement of polluting road transport vehicles used by the public sector and businesses into zero-emission and low emission vehicles, to improve the quality and attractiveness of public transport services by upgrading public transport vehicles with zero or low emission vehicles, to establish charging/refilling infrastructure for all types of clean vehicles using alternative fuels, and to develop the alternative fuels sector (biomethane, second generation liquid biofuels, hydrogen).

Greater energy efficiency is planned to be achieved by the building renovation packages and renovation standards, municipal development plans, sustainable urban development methodologies and district renovation projects[7], establishment of a competence centre for building renovation to provide coordination and technical assistance, promoting the supply of construction products and services that speed up the renovation of buildings and funding for renovation. To restore the capacity of degraded peatlands to absorb and store GHG, a reform to restore these areas is envisaged as result of which 8000ha of peatlands will be restored upon the Plan's implementation. Finally, resource efficiency will be advanced with the adoption of the Circular Economy Action Plan, which will lay out the direction to more resource efficient Lithuanian by 2035.

Digital transformation component. This component is attributed EUR 448 million or 20% of the Plan. The digitalisation of public sector represents by far the largest part of reforms and investments. Other envisaged measures relate to improving digital connectivity and digital skills, as well as promoting advanced digital technologies and the digitalisation of businesses. The digitalisation of the public sector includes measures to (i) fully consolidate state information resources, IT infrastructure and services, (ii) ensure the availability of reliable public sector data and the possibility to share it across sectors; and (iii) fully digitalise government processes and expand digital public services, while ensuring that all digital public services are accessible for citizens with disabilities. Furthermore, the Plan puts forward investments to create the necessary conditions for science and businesses to develop and deploy advanced digital technologies capable of communicating in the Lithuanian language as well as ensure universal access to digitised and digital resources. This enables science, business and society to develop innovative technologies, services and products based on cultural content. Measures to improve digital connectivity will aim to put in place 50 towers and 2000km of fibre infrastructure in market failure areas as well as provide access to Gigabit speed broadband for 5000 digitally intensive enterprises/institutions. In addition, by the end of 2025 the 5G mobile rollout will be completed, notably in international land transport corridors (Via Baltica, Rail Baltica) and other trunk roads and railway lines of national significance, airports and seaports. Finally, the RRP includes as a horizontal theme an agenda to promote the development of digital skills at all levels of the society, including pupils, employees, jobseekers, vulnerable groups, and older people.

Education component. EUR 311.5 million or 14% of the Plan aim at consolidating the school network, improving pre- and general education, vocational education and training, as well as adult learning. The long- standing challenges related to the efficiency and quality of education at all levels and skills promotion will be addressed by reforms and investments. The content of early childhood education and care will be updated on the basis of scientific progress and new methodological tools will be developed to help assess children's educational needs and progress

[7] In line with a "district" approach to energy efficiency renovations: Shnapp, S., Paci, D. and Bertoldi, P., Enabling Positive Energy Districts across Europe: energy efficiency couples renewable energy, EUR 30325 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-21043-6, doi:10.2760/452028, JRC121405; and Saheb, Y., Shnapp, S. and Paci, D., From nearly-zero energy buildings to net-zero energy districts, EUR 29734 EN, Publications Office of the European Union, Luxembourg, 2019, ISBN 978-92-76-02915-1, doi:10.2760/693662, JRC115188.

from an early age. Consolidating teaching and learning resources will be improved via the "Millennium Schools" programme. The opportunities for teachers to improve their qualifications will be expanded. School infrastructure will be reorganised and improved. The attractiveness and quality of vocational education and training will be increased by expanding the access to vocational training through schools and work-based learning and strengthening the coherence between education content and labour market needs. A reform of a career planning system and career counselling services, recognition of competences acquired via formal and non-formal learning, one-stop shop lifelong learning system operating on the basis of individual learning accounts should help better respond to labour market needs, including those needed for the green and digital transition.

Higher education and innovation component. EUR 200.2 million or 9% of the plan are envisaged for measures to gear the funding model of the higher education system towards contract-based system; increase students' admission standards; promote research and internationalisation of universities; set higher qualitative standards for colleges and universities. The consolidation of agencies responsible for innovation promotion is expected to make research and innovation policies more efficient, however, the ambition level of consolidation could be higher and encompass more agencies. The narrowing of the national smart specialisation areas and support for mission-based science-business cooperation are also envisaged.

Public sector component. With EUR 64 million or 3% of the plan, this is financially the smallest component in the plan. However, it includes important reforms and accounts for the largest share of milestones and targets. The measures in the component aim at (i) improving tax compliance and broadening the tax base, (ii) enhancing the budgetary framework, (iii) improving business environment, and (iv) improving HR management in the public sector, including staff training. The reform on enhancing tax administration to reduce the VAT gap at a faster pace includes improving data analytics, development of a number of IT tools, also used in customs work, and investments in staff competences of the State Tax Inspectorate and the Lithuanian Customs. Planned legal measures to limit transactions in cash is especially important in tackling the shadow economy. In addition, this component comprises commitments to amend tax legislation in order to broaden the tax base to sources less detrimental to growth and to improve the redistributive capacity of the tax-benefit system. The reform on the budgetary framework aims at introducing methodologies and tools needed for medium-term budgetary planning and enhancing the rules on budget amendments and determination of municipal revenues. It also encompasses the introduction of spending reviews and the development of a tool to compare budgetary indicators of municipalities. The measure aims at enhancing the rules of public-private partnership (PPP) planning and their incorporation in budgets. The reform on business insolvency management aims at creating four digital tools which should support business and other actors in insolvency management.

Social protection component. The component aims at contributing to the implementation of the European Pillar of Social Rights and addressing some of the long-standing challenges related to social exclusion, poverty and income inequality as well as to the low coverage of active labour market measures. The reforms and investments in the social component will be supported with EUR 109 million or 5% of the plan and are centred around two headline measures – the customer-oriented employment support and the guaranteed minimum income protection. Customer-oriented employment support measures include optimisation and digitalisation of the public employment service's operational processes along with the training and entrepreneurship

support measures in the areas of twin transition and circular economy and with the focus on high value-added jobs. Several reforms are included as part of the Guaranteed minimum income protection measure. In particular, they concern increasing coverage of the unemployment insurance scheme, introducing additional benefits to single elderly and disabled people, improving the pension indexation mechanism and developing an accreditation scheme for institutions providing social care. Some further changes will be implemented following a comprehensive analysis of the minimum income scheme and will include changes to the key legal acts, i.e. the Law on cash social assistance, the Law on the determination of reference indicators of social security benefits and the basic amount of penalties as well as Law on social insurance for sickness and maternity.

3.2. Implementation aspects of the plan

The plan describes and ensures consistency with the other main European and national programmes and planning documents. On 9 September 2020, Lithuanian Government adopted a National Progress Plan for 2021-2030. It aims at identifying the main changes to achieve over the next decade, to ensure progress in the social, economic, environmental and security fields. In total, the National Progress Plan is expected to invest around EUR18 billion between 2021 and 2030, where the EU and other international financial investments account for around 82 % of total planned investment. On 11 December 2020, the national Parliament approved the Programme of the present Government. The RRP is consistent both with the National Progress Plan and the implementation plan of the Programme of the Government. The RRP is also broadly consistent with the National Climate and Energy Plan, the Territorial Just Transition Plan (in preparation), the Youth Guarantee, Partnership Agreement (in negotiation) and Operational Programmes (in negotiation).

The RRP is broadly consistent with the challenges and priorities identified in the most recent euro-area recommendation (EAR). The Council recommendation on the economic policy of the euro area[8] recommended to euro area Member States to take action, including through their recovery and resilience plans, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council recommendation also recommended to strengthen national institutional frameworks, to ensure macro-financial stability and to complete EMU and strengthen the international role of the euro.

The plan sets out a clear administrative organisation for its implementation. Lithuania's Ministry of Finance, which is the Managing Authority for Cohesion Policy programmes, will also be the national coordinator for the RRF. The Ministry of Finance will work closely with line ministries in order to ensure and monitor the implementation of the plan.

[8] Pending final adoption by the Council, after endorsement by the European Council. The text agreed by the Eurogroup on 16 December 2020 is available at: https://data.consilium.europa.eu/doc/document/ST-14356-2020-INIT/en/pdf

Lithuania plans the implementation of various measures to promote gender equality and equal opportunities during the implementation phase of some investments. With regard to gender equality and equal opportunities for all, the plan describes existing national challenges in terms of gender equality and needs of persons with disabilities, and explains which reforms and investments are expected to contribute to addressing the challenges identified. The challenges are supported by statistics disaggregated by gender. This description includes a wider reference to legislative and policy initiatives that are due to complement the reforms and investments in the plan in order to overcome the identified equality challenges. The plan states that ensuring equal opportunities for all is a horizontal principle that will be consistently applied through all implementation phases. Lithuania plans to collect equality data and develop competences for public sector workers to strengthen the implementation of policies promoting equal opportunities for all policies at local level.

Relevant stakeholders have been consulted. Between November 2020 and April 2021, the Ministries responsible for the respective components of the plan, conducted a number of individual consultations with the social partners. From 23 February to 1 March 2021, six discussions with the social partners, including employer organisations, trade unions, local authorities and non-governmental organisations, were organised, which, among other issues, discussed the reform and investment priorities for the RRP. The first partial draft of the plan was made public in mid-April 2021, allowing citizens and organisations to submit their comments. Around three quarters of 300 responses received were considered before submitting the final plan to the Commission. The draft plan was regularly discussed in the Lithuanian Parliament. The stakeholder involvement was facilitated by a dedicated website under the management of the Lithuanian Ministry of Finance[9]. The views of the social partners were particularly reflected in the elaboration of the measures in the component on digital transition. The national stakeholders, including social partners, have nonetheless raised concerns about their limited involvement in the preparation of the plan. It will be important to further strengthen the dialogue with the social partners and civil society during the plan's implementation phase, involving them in the reform and investment-related decision making, monitoring and evaluation processes.

The RRP broadly outlines Lithuania's communication strategy. The objectives of the communication strategy are consistent with the RRF Regulation and aim to ensure awareness about the EU's contribution to mitigate the economic and social consequences of the COVID-19 pandemic and to the twin transition.

The target audiences are clearly defined and justified based on their specific role in relation to the RRF. These will cover the general public, the social and economic partners, potential applicants, final recipients, the media and opinion makers. The communication activities will take into consideration the geographical and thematic scope of the plan as well. The communication tools and channels will be adapted to the type of communication activity and the needs of the target audiences. The main channel of disseminating information will be the website of the Ministry of Finance which will be the central entry point on all aspects in relation to the

[9] https://finmin.lrv.lt/lt/es-ir-kitos-investicijos/naujos-kartos-lietuva

planning and implementation of the plan. In addition to this, traditional (printed media, TV, radio, etc.) and digital tools, including social media, will be used. Lithuania has foreseen an estimated budget of 0.15% of the overall allocation of the plan for communication purposes that will be ensured through the national budget. The overall budget will be adapted to the needs and challenges in terms of achieving the overall communication targets.

The plan foresees a wide range of coordinated communication activities with the European Commission, including joint communication messages and joint events. The plan identifies key communication areas such as sustainable electricity production, sustainable transport, digitalisation of state administration and connectivity, general education and resilience of the health system.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid if all the other criteria of Article 107(1) TFEU are met. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[10]. When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Lithuania in the recovery and resilience plan cannot be deemed a State aid notification. In as far as Lithuania considers that a specific measure contained in the recovery and resilience plan entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of Lithuania to ensure full compliance with the applicable rules. Irrespective of whether they comply with the EU's State aid regime, measures taken under this framework should be compatible with the EU's international obligations, in particular under World Trade Organization rules.

The Lithuanian RRP contributes to the following cross-border and multi-country projects:

- **5G services in international land transport corridors:** The plan includes measures to facilitate the development of the 5G mobile network along international land transport corridors, including Via Baltica and Rail Baltica, which also directly contributes to strengthening social and territorial cohesion. In addition, reforms in the digital field, such as the "Transformation of public information technology governance", "Prerequisites for innovative technological solutions in business and daily life" or "Client-Oriented Services" could pave the way to cross-border projects.
- **The Genome of Europe:** A multi-country project which brings together European countries to build a high-quality European network of national genomic reference cohorts, representative of the European population.

[10] Commission Regulation 651/2014, OJ L 187, 26.6.2014, p. 1

Furthermore, opportunities for future cooperation with other EU members are expected to arise from implementing reforms and investments under the component on green transition. Those measures could create positive indirect incentives for EU cross-border projects. For example, planned investments aimed at promoting the use of organic materials in construction processes and related innovation and technological progress in industry through the creation of production and technological capacity in Lithuania may create additional preconditions for imports of relevant raw materials and exports of finished products. Similar effects are expected to arise from the implementation of the reform "Towards a circular economy" and other reforms and investments related to sustainable electricity generation, sustainable increase of transport and GHG absorption capacity or renovation of buildings.

The Lithuanian plan includes a security self-assessment for investments in 5G networks, which refers to and describes the national legislation implementing key measures recommended in the EU Toolbox. As regards cloud investments towards the development and extension of a governmental cloud, the plan mentions security as one of the objectives of this reform. Strategic measures mentioned in the security self-assessment would need to be closely monitored during the implementation of the plan.

4. SUMMARY OF THE ASSESSMENT OF THE PLAN

4.1. Comprehensive and adequately balanced response to the economic and social situation

The plan includes a balanced set of reforms and investments contributing to the six policy pillars referred to in Article 3 of the Regulation. Lithuania's plan consists of seven components, covering a broad range of policy areas: 1. Health, 2. Green transition, 3. Digital transition, 4. Education, 5. Higher education and Innovation, 6. Public sector, 7. Social protection. Each component encompasses reforms and investments that are mutually reinforcing. One component in the Lithuanian plan is directly related to the green transition (pillar 1). Two components directly addresses the digital transformation and four indirectly contribute to it (pillar 2). The remaining four policy pillars are addressed adequately through measures to: (i) strengthen the health and long-term care systems; (ii) reduce poverty; (iii) improve the quality of the education and vocational education and training systems; (iv) incentivise innovation and support entrepreneurship; (v) digitalise public services, make the public administration more efficient, improve budgetary framework and tax compliance supporting the sustainability of public finances. The coverage of the Lithuanian plan toward the six pillars is summarised in Table 4 below. The green and digital pillars also meet the minimum thresholds.

Table 4. Coverage of the six pillars of the Facility by the Lithuanian RRP components

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
1. Health	○	○		●	●	
2. Green transition	●	○	●	○		
3. Digital transition		●	●		○	○
4. Education	○	○	●	●		●
5. Innovation & science	○		●			●
6. Public sector	○	●	○	○	●	
7. Social protection		○	○	●		

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

1st pillar: green transition

Green challenges are addressed in the plan mostly under component 2 on green transition. Investments in energy efficiency, clean transport emissions and circular economy, as well as reforms in renewable energy, are expected to contribute to Lithuania's climate and energy objectives**.** Measures fostering the green transition entail the promotion of the production and storage of renewable energy; the reduction of emissions from transport by replacing polluting vehicles with clean vehicles; the acceleration of renovation of buildings and sustainable urban environment; and the promotion of a circular economy.

Other components indirectly contribute to the green transition. For instance, to some extent, under component 5 (higher education and innovation), the measure to support green innovation is expected to contribute to the green transition, as well as some measures under component 1 (health) such as the provision of long-term care services measure and component 7 (social) under client-centered employment support measure. Moreover, component 6 (public sector) is expected to contribute to the green transition by expanding environmental taxation. In addition, green and innovative public procurement measures, addressed in component 2 (green) and included under 5 (higher education and innovation), contribute to the green transition to some extent as well.

Based on the methodology for climate tracking set out in Annex VI of Regulation (EU) 2021/241, the quantitative assessment of the plan in relation to the climate target finds a contribution of 37.8% of the total allocation, thereby complying with the minimum threshold of 37%.

2nd pillar: digital transformation

Measures under component 3 (Digital transition) and component 6 (public sector) directly contribute to the digital transformation. They notably relate to the science-business framework to develop and deploy advanced digital technologies, the digitalisation of government processes and the expansion of digital public services, and the consolidation of state information resources. Efficiency both in the public administration and business sector will be supported by enhancing digital connectivity (5G and broadband). The one stop shop lifelong learning IT system based on individual learning accounts will also make adult learning more efficient. Other measures under component 1 (health) such as e-health, component 2 (green transition) (e.g. IT tools for charging stations and renovations support), component 4 (education) and component 7 (social protection), are expected to contribute indirectly to the 'second pillar'.

Based on the methodology for digital tagging set out in Annex VII of Regulation (EU) 2021/241, the quantitative assessment of the Plan in relation to the digital target finds a contribution of 31.5% of the total allocation, therefore complying with the minimum threshold of 20%, with a direct contribution from 2 components out of 7.

3rd pillar: smart, sustainable and inclusive growth

The green, digital and higher education components (components 2, 3, 5) provide opportunities for job creation, economic competitiveness and sustainable long-term growth.

Under the component on green transition (component 2), Lithuania pledges to reduce its dependence on non-renewable energy and create the necessary framework and infrastructure throughout the country. Also, Lithuania will support the purchase of clean vehicles for public sector and businesses, as well as for public transport vehicles in various municipalities. The adoption and further implementation of the Circular Economy Action Plan could have a considerable impact on labour market benefiting from business opportunities in new value chains within different industrial ecosystems (also cross-border) and thus contributing to sustainable growth.

Under the component on digital transition (component 3), the measures aimed at fostering the digitalisation of the public sector, the economy, and academia are expected to make the economy more resilient to potential shocks, using digital competitiveness as a key driver of economic recovery. Different digital investments strands envisaged in the component (new technological solutions, digital innovation, AI development or IT business creation) are mutually linked and contribute to further digitalisation of businesses. Adaptation to smart digital solutions could help to enable a faster digital transition and make the economy more competitive and resilient.

Under the component on higher education and innovation (component 5), there are measures aimed at gearing the funding model of the higher education system towards contract-based system, at promoting research and internationalisation of universities, and at setting higher qualitative standards for colleges and universities. The consolidation of agencies responsible for

innovation promotion is expected to make research and innovation policies more efficient. A new innovation policy framework, promoting innovative, high value-added solutions for businesses and industries, could attract private investments, enhance export activities, create new job and business opportunities and stimulate economic growth.

Other growth-enhancing measures are expected to tackle structural weaknesses of the economy, enhance economic resilience and productivity.

Under the component on public sector (component 6), the measures are aimed at reducing the currently large VAT gap, collecting additional funds for the national budget, which could be used to finance social spending. In addition, new digital tools, helping businesses to better manage insolvency risk, have a potential to improve conditions for *doing business* in Lithuania, strengthen entrepreneurship performance, attract private investments and enhance economic resilience.

Measures under the component on social protection (component 7) are also expected to improve labour market outcomes, thereby contributing to the 'third pillar'. Lithuania will facilitate the ability to take up and stay in employment, invest in active labour market policies and focus on training, which will contribute to the inclusiveness of growth. Finally, investments and reforms in the education system (under component 4) are also expected to contribute to Lithuania's competitiveness in the long-run.

4th pillar: Social and territorial cohesion

The plan's components on health, education, public sector and social protection (i.e. components 1, 4, 6, 7) include measures that aim at improving social inclusion and addressing regional disparities, thereby contributing directly to the 'fourth pillar'. Investments in the healthcare infrastructure (five infectious disease clusters; seven regional emergency and reanimation and intensive care divisions; tools to provide healthcare services electronically) are expected to improve the territorial coverage of emergency and acute care for people with infectious diseases and ensure affordable, high-quality and safe diagnostic and treatment services for the whole Lithuanian population. Another investment to be funded from the RRF will focus on establishing 90 mobile teams providing long-term care services. Such teams will cover the whole territory of the country, with additional attention to rural municipalities.

In order to address urban-rural gaps in access to quality education, Lithuania plans to implement a number of measures. The so-called Millennium Schools programme aims at a coherent, gradual renovation of schools and creating equal conditions for Lithuanian children, despite their place of residence, social, economic or cultural background. Municipalities would be encouraged to consolidate educational resources and strengthen existing schools through a new funding system. Funds will be available if municipalities with at least 1 000 enrolled pupils submit a plan that meets quality and efficiency criteria. Smaller municipalities will also be able to apply for this programme together, e.g. metropolitan and surrounding municipalities, with several adjacent smaller municipalities. This will promote school network beyond the territory of one municipality and should encourage smaller schools to connect to larger entities. Lithuania plans to map childcare infrastructure to assess how to improve accessibility tackling territorial and social imbalances in childcare provision. The enhanced mobility programme will also

contribute to reduce urban-rural gap by facilitating the take-up of vocational education and training for students living in remote areas.

The component on social protection contains two sets of measures to support social cohesion – revision of minimum income system and social benefits, and additional active labour market policy measures. In the plan, Lithuania commits to revise the minimum income system and unemployment, sickness and maternity benefits with a view to increase them and in this way somewhat strengthen the redistributive power of the tax and benefit system. The efforts are to be complemented by a new type of social benefits for single persons. The plan is also set to enable jobseekers to enhance their qualifications and competences through vocational training and higher education programmes. In addition, jobseekers will be given the opportunity to learn by participating in apprenticeship programmes.

In addition, the component on public sector is assumed to contribute to social and territorial cohesion through higher tax revenues, better expenditure management and improvements in financial management of municipalities. Improvements in tax compliance and additional tax revenues from broadening the tax base potentially could provide additional funds for social needs, whereas the expected amendments to personal income taxation and social insurance contributions could contribute to reducing poverty and income inequality. Savings resulting from spending reviews could be used for the same purposes as well. Adjustments to municipal revenues, tools to determine funding needs and promotion of public-private partnerships are expected to support regional investments, contributing to territorial cohesion.

Finally, the component on green transition is also expected to contribute to some extent to territorial cohesion, notably as Lithuania will support the purchase of public transport vehicles in various municipalities and installation of RES plants and storage.

5th pillar: Health and economic, social and institutional resilience, with the aim of increasing crisis preparedness and crisis response capacity, among others

The resilience of Lithuania's health system is expected to improve as a result of the measures proposed in the component on health (component 1). Investments in infectious disease clusters and seven regional emergency and reanimation divisions should allow efficient treatment of a large number of patients at the same time, improving the responsiveness of the system to potential shocks. Lithuania also plans to invest in digital tools enabling alternative ways of providing healthcare and better management of epidemiological surveillance. In addition, the RRF should fund the creation of the competence platform to monitor and project the supply and demand for healthcare professionals and skills, and supervise compliance with licensing conditions.

The component on public sector (component 6) contains a civil service reform which is expected to increase institutional resilience. Lithuania intends to centralise human resource management in the public sector and enhance the development of mangers. In addition, the plan contains extensive training measures, especially concerning digital, strategic and leadership skills in the public sector. At the same time, such institutions as the State Tax Inspectorate and the Customs Department also plan specialised training for their staff related to work specific competences (e.g. customs controls). Such planned measures contribute to strengthening the capacity and resilience of the public administration that in return should improve the response to crisis, better support, policy development and implementation.

6th pillar: Policies for the next generation, children and young people, such as education and skills

Measures aiming at ensuring access to quality of education across schools and regions (component 4) contribute to creating the better prospects for the next generation. Reforms and investments are notably directed to improve the quality and efficiency of early childhood education, and general education and VET. The component on education shall support the creation of an inclusive educational ecosystem with the so-called Millennium Schools at its core. In addition, the plan comprises a reform on establishing a lifelong career counselling and planning system. It should help students identify and decide on possible career paths at an early age. Children should gain knowledge of competences acquired in educational institutions and learn about the transition between different levels of education. The plan also envisages a creation of an additional scheme supporting vocational training under apprentice programmes and work-based learning, especially in the small and medium-sized enterprises, as well as additional incentives for pupils to take-up VET modules early in the secondary school and a review of the content of VET programmes with the aim to better adapt it to the labour market needs, including twin transition.

The component on higher education and innovation (component 5) aims at revising the funding of higher education and the student admission system. The goal is to encourage higher education institutions to prepare specialists needed in the labour market. The investments are set to reduce the mismatch between the current qualification of recent graduates and their employment. According to the plan, it is also envisaged to invest in the development of priority competences relevant to future economic sectors and clarify the missions and quality requirements for universities and colleges.

Taking into consideration all reforms and investments envisaged by Lithuania, its Recovery and Resilience plan represents, to a large extent a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Lithuania into account. This would warrant a rating of A under the assessment criterion 2.1 in Annex V to the RRF Regulation.

4.2. Link with country-specific recommendations and the European Semester

In 2019 and 2020, Lithuania received country-specific recommendations to improve tax compliance and broaden the tax base to sources less detrimental to growth, ensure the coverage and adequacy of the social safety net, and improve the effectiveness of the tax-benefit system in order to protect against poverty. Furthermore, it was recommended that Lithuania improve the quality and efficiency of education and training, and address issues related to the quality, affordability and efficiency of the healthcare system. Lithuania was also called upon to focus investment on the green and digital transitions, to stimulate productivity growth, to develop a coherent policy framework to support science-business cooperation, and to consolidate research and innovation implementing agencies. Finally, Lithuania was invited to take all necessary measures to address the pandemic effectively, sustain the economy and support the ensuing recovery.

All the broad policy areas relevant for the CSR – strengthening tax compliance, social safety net, health, education and innovation systems, skills, efficiency of the public sector, as well as the

twin transitions – have been addressed through reform and investment measures to varying degrees.

Lithuania's RRP puts forward measures to improve tax compliance and broaden the tax base (CSR 1, 2019). *Component 6 – Public sector* aims to reduce the VAT gap and improve tax compliance by enhancing the capacity of the State Tax Inspectorate and the Lithuanian Customs to manage tax risks through legal and administrative measures, and preventing illegal activities, broadening sources of electronic taxpayer data, building on innovative data analytics, automating some tax administration procedures and reducing public tolerance to the shadow economy and tax evasion. In addition, the component envisages investment in staff competences of both the State Tax Inspectorate and the Lithuania Customs. The component also envisages changes to the tax system, in particular concerning broadening the tax base and reducing inefficient tax breaks and exemptions.

The plan proposes measures that aim to strengthen the social safety net, address income inequalities and reduce poverty and social exclusion, (CSR 1, 2019; CSR 2, 2020). *Component 7 – Social protection* includes measures aiming at assessing the minimum income scheme in a holistic manner and identify pathways for its improvement. To this end, a minimum income study will be carried out, leading to recommendations and an action plan for implementation. Based on the outcome of the study existing legislation will be amended (e.g. the Law on cash social assistance, the Law on the determination of reference indicators of social security benefits and the basic amount of penalties as well as the Law on social insurance for sickness and maternity). In addition to that, a reform to increase the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality is envisaged under the Component 6 – Public Sector. Lithuania also committed to increase the coverage of unemployment insurance scheme, to introduce an additional benefit to single elderly and disabled people and to improve the pension indexation mechanism. Finally, in order to increase the quality and accessibility of social care services, Lithuania will introduce a scheme concerning the accreditation of social care institutions with the aim that only accredited institutions provide social care as of 1 January 2022. The measures are expected to address some of the long-standing challenges related to social exclusion, poverty and income inequality and improve social welfare of the most vulnerable groups.

Some further steps are expected to be taken to address the challenges related to the impact of the crisis on employment and active labour market policies (CSR 2, 2020). In particular, *Component 7 – Social protection* includes measures to optimise and improve the employment service's operational processes, ensuring systematic customer orientation as well as to increase the scope and diversity of employment support measures, contributing to the objectives of digital and green transformation and promoting the circular economy. Overall, the implementation of the Plan is expected to directly contribute to alleviating the negative impact of the pandemic on the labour market. In the short and medium term, the measures planned under the *Component 2 – Green transition* and *Component 3 – Digital transition* are expected to have the greatest economic impact on alleviating the effects of the crisis.

Lithuania's plan includes measures to strengthen the resilience of the health system, to improve the accessibility and quality of health services (CSR 1, 2020) and increase the quality, affordability and efficiency of the healthcare system (CSR 2, 2019). As the pandemic has revealed the vulnerability of the health system, the RRP includes investments and reforms

aiming at improving the quality and accessibility of health care, enhancing the sustainability and resilience of the health system to shocks and enabling a more flexible response to changing environmental factors and demographics. In this regard, *Component 1 - Health* includes reforms that aim to develop new models of regional cooperation between healthcare institutions, develop a model and incentives for the deployment of a more efficient hospital's network, strengthen primary care, scale up prevention measures, improve well-being, working conditions and skills of healthcare workers. It is important to ensure that measures to improve primary care and scaling up of preventive measures are implemented with the necessary resources as their implementation is expected to be supported by other funding sources. Increasing the efficiency of the health system is expected to be addressed by reforms and investments focusing on the digitalisation of sector. Furthermore, the component includes reforms and investments to prepare the long-term care sector for an ageing population. A one-stop-shop for the organisation, delivery and financing of long-term care services (care and social care) is expected to be developed to reduce the number of avoidable hospitalisations. The component includes reforms and investments in organisation of emergency and ambulance services to ensure that the necessary assistance reaches the population in a timely manner. They should enable modernising the infrastructure of individual health facilities to adapt work in emergency and crisis situations. In order to effectively address the challenges in the healthcare system, further policy efforts should ensure that the health model provides sufficient coverage for people's needs and health problems, and addressing problems caused by inequality and structural underinvestment.

Reforms and investments in the field of education aim to improve the quality and efficiency of all levels of education and training, and promote skills development (CSR 2, 2019; CSR 2, 2020). *Component 4 - Education* includes measures to promote quality and modern early childhood and general education, including by strengthening the competences of teachers and school leaders and the development of a STEAM education ecosystem. Furthermore, the component aims to ensure that adults have the opportunity to develop competences in line with the needs of the economy and the labour market via a national, advanced technology and innovation-based lifelong learning system operating on the principle of individual learning accounts. The plan also includes policies to enhance the coherence between the education system and the labour market by strengthening the vocational education and training system and lifelong career guidance. The component also includes investments for the development of a model for the functioning and governance of the lifelong learning framework and investments to fund individual learning accounts for relevant target groups. In addition, measures aim to develop and update the content of vocational education and training programs, to support work-based learning via apprenticeships, facilitate the take-up of VET modules in secondary schools and mobility of VET students, as well as expand a career planning and guidance system to schools. The plan also envisages the development of a Millennium School Network (improvement and consolidation of existing educational infrastructure). In addition to these measures, the content of early childhood education will be up-to-dated, to respond to the latest scientific knowledge about the needs of the youngest children.

In the field of higher education and innovation, several measures support innovation, science-business cooperation, and promote quality and efficiency in the higher education sector (CSR2, 2019; CSR 3, 2019; CSR 3, 2020). *Component 5 – Higher education and innovation* includes measures to consolidate existing innovation promotion functions in a single innovation agency and make R&I policy framework more coherent. To further stimulate demand

for innovation, public procurement will be exploited for green innovation. Measures will also support joint business-science missions focused on innovation and R&I activities. With regard to higher education, the component envisages reforms in the student admission and funding system for higher education institutions in order to strengthen their focus on quality, foster their international competitiveness, increase the volume and quality of R&D activities, and increase the attractiveness of the researcher career. A special funding scheme will be created to incentivise the consolidation in the higher education sector. The component is expected to lead to the revision of the study programmes with the aim to reduce duplications, train professionals in areas with labour market shortages as well as ensure access to higher education for people facing social exclusion and disabilities. During the implementation of the plan, sectoral support for the design, implementation and evaluation of research and innovation policy reforms will be available via the Horizon Policy Support Facility.

The measures in the plan contribute to the green transition by fostering energy and resource efficiency, sustainable transport, energy interconnections and promoting a clean and efficient energy production (CSR 3, 2019; CSR 3, 2020). *Component 2 – Green transition* includes reforms and investments that are expected to provide a significant boost to Lithuania's path towards a climate-neutral economy. The energy reform for sustainable electricity production is welcome as it is expected to improve the institutional and legal mechanisms to encourage the production, transmission and consumption of electricity from renewable sources. The plan also includes measures to finance preparatory work for the development of wind farms and related infrastructure in the Baltic Sea, investment support for renewable energy generation capacity (solar and wind onshore) and individual storage facilities. In addition, new electricity storage infrastructure with a combined capacity of 200 MW will be developed to ensure the national energy security needs as well as facilitating the integration of renewable electricity in the system in the medium term. The regional dimension will be targeted by one flagship energy community project to improve the socio-economic environment in the Ignalina Nuclear Power Plant (IAE) region by installing new solar power generation capacity.

Furthermore, the plan puts forward reforms and investments aiming at reducing GHG emissions by phasing out the most polluting road transport vehicles in cities and regions and increasing the share of renewable energy sources in the transport sector. It provides support to businesses and the public sector by promoting zero and low-emission vehicles, with the aim of improving the quality and attractiveness of public transport services as well as measures to promote the development of infrastructure for the production of alternative fuels as well as charging/filling infrastructure for all types of clean vehicles with alternative fuels will contribute to the promotion of sustainable transport. The plan includes the creation of a Sustainable Mobility Fund, the designation of low-emission municipalities, as well as tax incentives for less polluting road transport, promotion of green procurement in the transport sector, and the development of "e-tolling" toll system among other measures. All these measures will contribute to GHG emission reduction from transport. However, in order for these measures to fully contribute to the green transition of transport in Lithuania and to better address its connectivity needs, a stronger emphasis on rail transport would be needed. In particular this concerns measures to boost the uptake of rail transport, including the implementation of Rail Baltica, as a key EU cross-border project, and focus on multimodality for passenger transport, with a special attention to integrating rail within the urban transport system, for example through multimodal travel hubs.

Finally, the plan includes reforms and investments to optimise the administration and management of renovation projects, with a target to increase energy efficiency and start a renovation wave in Lithuania to ensure that 1 000 multi-apartment buildings are renovated per year. In order to promote resource efficiency, the RRP envisages the preparation of an action plan by 2023 for Lithuania's transition to a circular economy by 2035.

Lithuania's RRP promotes investment in the digital transition, in particular the coverage and take-up of high capacity broadband, and addressing challenges in the urban-rural digital divide, digital skills, and the digitalisation of the economy (CSR 3, 2020). *Component 3 – Digital transition* includes measures to improve digital connectivity with the aim to put in place 50 towers and 2000km of fibre infrastructure in market failure areas as well as provide access to Gigabit speed broadband for 5000 digitally intensive enterprises/institutions. In addition, the plan includes measures to facilitate the 5G rollout, notably in international land transport corridors (Via Baltica, Rail Baltica) and other trunk roads and railway lines of national significance, airports and seaports. The promotion of digital skills are envisaged for children, employees and senior citizen as well as measures to address the shortage of IT employees in the labour market. Furthermore, the plan puts forward investments to promote the take-up of advanced digital technologies in the private sector, particularly regarding science-business cooperation for innovative technologies and the digitalisation of the cultural sector. Last but not least, the RRP includes substantial reforms and investments aiming to digitalise the public sector by (i) fully consolidating state information resources, IT infrastructure and services, (ii) ensuring the availability of reliable public sector data and the possibility to share it across sectors; and (iii) fully digitalising government processes and expand digital public services, while ensuring that all public services are accessible for citizens with disabilities.

The plan is expected to contribute to boosting productivity growth, including by making public investment more efficient (CSR 3, 2019). In particular, *Component 6 - Public sector* includes a reform to increase the efficiency of public investment by enhancing the medium-term planning of state and municipal budgets and increasing the transparency of budget amendment rules. In addition, *Component 3 – Digital transition* includes measures pushing for the digitalisation of the public sector which are expected to have a lasting positive impact on the functioning of the public administration and its productivity. Finally, *Component 2 - Green* addresses measures stimulating productivity growth by improving the efficiency of public investment by exploiting the potential of innovative and green public procurement.

The recovery and resilience plan represents to a large extent a comprehensive and adequate response to the economic situation of Lithuania. Continued convergence remains of significant importance to Lithuania, especially in terms of regional disparities, lack of a skilled workforce, low investment in R&D, and difficulties in attracting foreign direct investment. Reforms and investments are needed to diversify the economy and make it more modern and competitive, including by strengthening investment in human capital, research and innovation, and to alleviate the socio-economic costs of the twin transitions. The plan provides a comprehensive response to these challenges, but in some areas a holistic approach and continued ambitious reform effort will be required to effectively address them. Lithuania's business environment is expected to be improved through reforms and investments aimed at improving tax collection, the efficiency of the tax system and digitalising the public sector. The plan aims to improve the quality of education at all levels and the participation in adult learning for better skills management. The higher education system will be reformed to increase students'

admission standards and better respond to the demand for workers and skills in the labour market. The consolidation of agencies responsible for innovation promotion is expected to make research and innovation policies more efficient. High risks of poverty and social exclusion are addressed through reforms to improve the adequacy of the minimum income support and redistributive power of the tax-benefit system, improvements in long-term care, and the quality and accessibility of the healthcare system. Policies to support the country's digital transformation and green transition to some extent take into account the significant regional disparities. Overall, implementation of the reforms and investment in the plan would ensure a significant boost to the growth potential of the Lithuanian economy in a sustainable manner.

Overall, the plan addresses Lithuania's main identified challenges, stimulating the recovery from the Covid-19 crisis and laying the foundation for its long-term growth. The challenges underlined in the most recent country-specific recommendations are related to the twin transitions, social inclusion, healthcare, education, innovation and science and taxation. Measures envisaged in the plan are expected to bring structural change in these areas and increase the participation and financing of private agents. Lithuania's plan proposes a balanced and adequate response to the economic and social situation.

Taking into consideration the reforms and investments envisaged by Lithuania, its recovery and resilience plan is expected to contribute to effectively addressing to varying degrees all of the challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the recovery and resilience plan represents an adequate response to the economic and social situation of Lithuania. This would warrant a rating of A under the assessment criterion 2.2 in Annex V to the RRF Regulation.

Table 5. Mapping of country challenges identified in 2019-20 country-specific recommendations and the Lithuania's RRP components

Country challenges (as identified in Section 2)	Associated CSR (2019-2020) and European Semester recommendations	Component 1: Healthcare	Component 2: Green transition	Component 3: Digital transition	Component 4: Education	Component 5: Innovation and Science	Component 6: Public sector	Component 7: Social policies
Public Finances								
Improve tax compliance	CSR.2019.1.1;						●	
Broaden tax base	CSR.2019.1.2;		○				●	
Healthcare								
Increase the quality, affordability and efficiency of the healthcare system	CSR.2019.2.2; CSR.2019.2.3; CSR.2019.2.4; CSR.2020.1.3	○						
Strengthen the resilience of the health system, including by mobilising adequate funding and addressing shortages in the health workforce and of critical medical products	CSR.2020.1.2	●						
Education								
Improve the quality and efficiency at all education and training levels, including adult learning	CSR.2019.2.1;			○	●	○		

Promote skills, including digital skills	CSR.2020.2.3			○	●		○	○
Social								
Ensure the coverage and adequacy of the social safety net and improve the effectiveness of the tax and benefit system to protect against poverty	CSR.2019.1.3; CSR.2020.2.4						○	●
Labour								
Mitigate the impact of the crisis on employment	CSR.2020.2.1		○	○				●
Increase the funding and coverage of active labour market policy measures	CSR.2020.2.2							●
Research and innovation								
Focus investment-related economic policy on innovation	CSR.2019.3.1			○		●		
Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies	CSR.2019.3.7; CSR.2019.3.8					●		
Promote technological innovation in small and medium-sized enterprises	CSR.2020.3.7			○		○		
Investment								
Digital transition, in particular on the coverage and take-up of very high-capacity broadband	CSR.2020.3.4	○	○	●			○	
Energy and resource efficiency and energy interconnections	CSR.2019.3.2; CSR.2019.3.3; CSR.2019.3.5		●					
Clean and efficient production and use of energy	CSR.2020.3.5;		●					

Sustainable transport	CSR.2019.3.4; CSR.2020.3.6		●					
Public administration and business climate								
Stimulate productivity growth by improving the efficiency of public investment	CSR.2019.3.6			○			●	

4.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

Fostering economic growth and jobs

The plan is estimated to have a positive long-term impact on Lithuania's economic performance. The Commission's own estimates indicate a GDP effect of up to 1.6% by 2026 (see box 2). Similarly, the micro-simulation macro-econometric model used by the authorities estimates an improvement of the GDP figures compared to the baseline scenario that is 1.53% greater in the short-term (2 years), 1.69% in the medium-term (5 years) and 0.73% in the long-term (20 years) annually. This is expected to result in an expected GDP growth of 2.6 % in 2021, followed by an acceleration of the recovery in the 'outer years', with an average yearly GDP growth of 3.2%. As a result, over the period 2021-2026, the implementation of the plan's measures is projected to lift GDP cumulatively by around 9% (based on a relatively optimistically assumed multiplier effect of 1.9). In this respect the Lithuanian plan alludes to the effect of *convergence theory* – economies with a lower level of development grow faster than more developed economies – justifying the high rate of growth relative to the EU average. The plan is estimated to have a positive impact on employment of 0.97% in the short-term, 1.61% in the medium-term, and 1.81% in the long-term, whereas the unemployment rate (8.5% in 2020) is expected to be 2 percentage points lower in the medium-term and 1.9 percentage points lower in the long-term (compared to the baseline). The short-term impact of the plan is expected to be driven by investment and long-term innovation, improving educational performance; expanding Active Labour Market Policies measures; and decreasing energy imports as a result of implemented energy efficiency measures. Overall, the plan's quantitative assessment of its economic and employment impact is plausible.

Lithuania's fiscal figures suggest macro-additionality of the expenditure financed under the plan. The average growth-enhancing expenditure level (excluding RRF non-repayable financial support) in the three years prior to the pandemic crisis (2017-19) was 1.48% of GDP. The nominal level of expenditure had a growth trend smaller to the level of GDP, thus showing a ratio marginally decreasing with time. The planned average over the projection period of 2020-2026 is 1.52% of GDP, with a considerable frontloading of the investments in 2020-21. By 2023, the ratio follows an increasing trend, showing Lithuania's propensity to commit to medium-to-long-term investments. Overall, the plan does not seem to crowd-out public investments, implying macro-additionality. Furthermore, the plan acknowledges that Lithuanian public investment is insufficient and highly dependent on EU funding, thus explaining the low level of public investment in areas covered by EU funds.

The plan is expected to have a significant short-to-medium term impact on labour market indicators, education, poverty, income inequality, and environmental indicators. Thus, it contributes to the implementation of the European Pillar of Social Rights and climate change**.** Under the component on social protection, Lithuania will facilitate the ability to take up and stay in employment via acquisition of competences in high value-added areas and the transition of the unemployed into employment in the areas of green and digital. In the long-run, a focus on training the next generation of youth will improve education and labour market indicators. In 2025, Lithuania expects a decrease in the poverty and inequality indicators, with a decrease of 1 percentage points of the population 'at-risk-of-poverty', 0.3 percentage points in 'severe material

deprivation', and 0.1 percentage points in the 'income distribution coefficient s80/s20'. This decrease is said to persist in 2040, with a poverty rate reduced by 1.3 percentage points (compared to the baseline). The plan justifies those improvements with short-and-long-term efforts, such as: investment in active labour market policies in the component 'More opportunities for everyone to actively create prosperity'; an increase in universal benefits for all single-person beneficiaries; as well as an increase in the coverage of the unemployment social insurance system. The long-term impact is expected to be reinforced by the reforms planned in the "Efficient public sector and preconditions to recover after the pandemic" component, which will reduce the VAT gap and collect additional funds into the public budget, which could be used to finance social spending. However, the impact of the plan on territorial cohesion was not quantified, but a qualitative analysis suggests an indirect impact on the reduction of socio-economic disparities between Lithuanian regions. Overall, the measures in the plan suggest an improvement in economic cohesion in an inclusive manner.

Sustainable and growth-enhancing reforms and investments to address the structural weaknesses of the country's economy is expected to contribute to enhanced resilience and productivity. The pandemic crisis has exposed health system vulnerabilities and under-preparedness for emergencies. As such, the plan is expected to allocate 12% of the RRF envelope (EUR 268 million) towards the health system, with most of it (EUR 152 million) dedicated to the emergency adaptation of the cluster on infectious diseases in 5 cities, and the reception units of 10 regional hospitals. Following the contraction of the Lithuanian labour market and economic performance, the plan aims to make use of the measures planned under the 'Green transformation of Lithuania' (37.8% of the envelope – 820.1 million) and 'Digital transformation for growth' (20% of the envelope – 445 million) to recover and propel the economy in the short-and-medium-term. These measures alone would boost Lithuania's GDP growth by 0.75 % in the short-term and would later average 0.8 % over the projection period. This would also have an estimated positive impact on employment – with 0.27 percentage points and 0.28 percentage points in the short- (2 years) and medium-term (5 years), respectively. The plan further addresses the importance of the component on education as well as the component on higher education and innovation, to promote economic transformation and growth in the medium and long term. As such, 14% (EUR 311 million) and 9% (EUR 200 million) of the RRF budget has been attributed to the reforms of each of the two components respectively. Furthermore, in an effort to reduce social inequalities, Lithuania has planned a reform on 'guaranteed minimum income protection' to assess and reform its minimum income scheme. However, the positive impact of such measure will depend on the concrete solutions proposed and their effective implementation. Overall, the measures suggested in the Lithuanian plan do address the weaknesses of its economy.

The components on green, digital transition and education will serve as an opportunity for job creation, economic competitiveness and sustainable long-term growth. Lithuania's economic and labour market performance improved before the pandemic. The rapid economic growth helped to reduce the overall and long-term unemployment rates, while the share of its economically active population and employment were at a historically high level. The RRP provides an opportunity for Lithuania to reform its economy around three components (i.e. green transition, digital transition, and education) and increase its competitiveness. Under the component on green transition, Lithuania pledges to reduce its dependence on foreign and non-renewable energy and create the necessary framework and infrastructure. The digitalisation of

the public sector, the economy, and academia is said to make the economy more resilient to potential shocks, using digital competitiveness as a key driver of economic recovery, while investments and reforms in the education system will most likely drive Lithuania's labour market competitiveness in the long-run. Overall, the plan fosters job creation, while boosting the growth potential of the economy. At the same time, the social protection and health components are expected to strengthen growth inclusiveness and sustainability. The impact of these measures is expected to be reinforced by reforms planned in the public sector, notably in terms of improved budgetary framework, better tax collection and public sector efficiency.

Box 2: Stylised NextGenerationEU impact simulations with QUEST – Lithuania

Model simulations conducted by the Commission using the QUEST model show that the economic impact of the NGEU in Lithuania could lead to an increase of GDP of between 1.0% and 1.6% by 2026.[1] After 20 years, GDP could be 0.5% higher. Spillovers account for an important part of such impact.

According to these simulations, this would translate into up to 9,000 additional jobs. Cross border (GDP) spillovers account for 0.5 pps in 2026, showing the value added of synchronised expenditure across Member States (line 2). Even in a scenario with a lower productivity of NGEU funds, it would still lead to a significant impact (line 3). [2]

Table 1: QUEST simulation results (%-deviation of real GDP level from non-NGEU case, linear disbursement assumption over 6 years)

Scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040
Baseline	0.9	1.4	1.3	1.4	1.5	1.6	1.2	0.9	0.9	0.9	0.5
of which spillover	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.1
Low productivity	0.6	1.0	0.9	0.9	0.9	1.0	0.6	0.2	0.3	0.3	0.2

This stylised scenario does not include the possible positive impact of structural reforms, which can be substantial. A model-based benchmarking exercise shows that undertaking structural reforms that would result in halving the gap vis-à-vis best performers in terms of indicators of structural reforms could raise Lithuania GDP by 8% in 20 years time. [3]

Due to the differences in the assumptions and methodology, **the results of this stylised assessment cannot be directly compared to the numbers reported in chapter 4 of Lithuania's RRP.**

[1] RRF amounts to roughly 90% of NGEU, which also includes ReactEU, Horizon Europe, InvestEU, JTF, Rural Development and RescEU.
[2] Technically, the low productivity scenario considers a significantly reduced output elasticity of public capital.
[3] Varga, J, in 't Veld J. (2014), "The potential growth impact of structural reforms in the EU: a benchmarking exercise ", European Economy Economic Papers no. 541.
http://ec.europa.eu/economy_finance/publications/economic_paper/2014/pdf/ecp541_en.pdf.

Strengthening social cohesion

The RRP measures directly aimed at strengthening social cohesion, and the social protection system are presented in the component on social protection and on public sector. The plan envisages, inter alia, a measure to improve pension indexation, introduction of additional single person benefits, improving the coverage and adequacy of unemployment benefits, and increasing minimum maternity and sickness benefits. All these measures directly target socially vulnerable groups at risk of poverty or social exclusion, and should have a positive impact on poverty and income inequality indicators. They will also contribute to principles 12-15 of the European Pillar of Social Rights In addition, Lithuania intends to reform the minimum income system and to increase the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality (in the Public Sector component), both on the basis of the comprehensive analytical expert studies. The recommendations of these studies would be reflected in the follow-up changes in the legal acts. If implemented, these reforms would have a positive impact on the Social Scoreboard indicators related to poverty and income inequality,

The measures of the component on social protection are expected to improve labour market performance and help to alleviate poverty. They will expand the coverage and types of the active labour market policy measures, facilitate the acquisition of competences in high value-added areas and the transition of the unemployed into employment in the areas of green and digital. As the unemployed are one of the most deprived groups in Lithuania, these employment support measures are expected to contribute to alleviating poverty, reducing income inequality and to implementing the principles 1 and 4 of the European Pillar of Social Rights.

Measures are included in the component on education to support employment. They aim at improving the participation in adult learning, as well as enhancing the professional guidance system and boosting the participation in vocational education and training (VET) via various measures, including the modernisation of the content of the VET and programs and modules, as the component addresses the needs and imbalances of the labour market, including the mismatch of skills. The reorganisation of school network through the "Millennium schools" project and the measures envisaged at pre-school level and for teachers could help Lithuania tackle urban-rural gaps in access to quality education and in student outcomes by also better addressing pupils' learning needs. This is expected to improve equity in education in the long-term mitigating the impact of socio-economic background on education and contributing to social cohesion. Measures in the other components that aim to increase accessibility of people with disabilities to the higher education system and public services, as well as improving general accessibility of long-term care, also contribute to strengthening social cohesion.

Lithuania also foresees substantial measures to strengthen social cohesion financed from European Structural and Investment Funds (ESIF). This is expected to include, in particular, the areas of social housing and inclusion of the vulnerable groups, including persons with disabilities. Robust coordination between the measures funded from the RRF, ESIF and the national budget will be needed to achieve their full potential and to avoid double funding. In the light of the above, the measures foreseen in the RRP potentially have a notable impact on strengthening social cohesion and social protection systems. The RRP is expected to significantly complement Lithuania's efforts between 2017 and 2019 that have already led to sizeable improvements in the relevant Social Scoreboard indicators.

The plan contains some measures that are expected to contribute to addressing the country's challenges in the areas of gender equality and equal opportunities for all. Lithuania states that all reforms and investments included in the plan are designed to reduce existing social, economic and territorial disparities. As regards gender equality, gender mainstreaming has to be taken into account in the implementation phase in order to continuously monitor impacts for women or men. The plan also aims to assess possibilities to introduce a gender equality dimension when designing state and municipal budgets.

There are measures in the plan that directly and indirectly aim to address the needs of persons with disabilities, such as facilitating accessibility to buildings, independent use of public services online and an increase in universal benefit for single persons with disability. Development of digital skills especially for vulnerable groups (persons with disabilities, older persons, migrants and refugees) are included in the plan. The reform of long-term care provision is planned to improve the possibility for working-age carers, most of whom are middle-aged women, to return to the labour market. Maximising synergies between the plan and the national equality related legislative and policy actions should provide a comprehensive response to the challenges identified.

Reducing vulnerability and increasing resilience

Lithuania's economy has weathered the COVID-19 induced economic shock better than most EU Member States, as GDP fell relatively little thanks in particular to the resilience of its exports. In addition, Lithuania entered the COVID-19 crisis with no identified macroeconomic imbalances, although the recent dynamics of the nominal unit labour cost index involve some risks. Before 2020, the general government balance was in surplus despite the VAT gap being one of the largest in the EU. The debt-to-GDP ratio was also well below the 60% threshold. The most pertinent challenge for Lithuania is contracting labour supply due to the worsening demographic composition, linked to ageing net emigration and a relatively low number of healthy living years. Furthermore, lack of skilled labour limits the economic growth potential. High poverty and income inequality are also persistent problems. The Plan envisages some measures that are expected to address those issues at least partially.

Lithuania's plan aims at increasing the resilience of the healthcare system by investing in competences of healthcare personnel and a modernisation of infectious disease clusters in five major cities. At the regional level, seven emergency and reanimation and intensive care divisions are expected to be modernised with a view to efficiently treat a large number of patients at the same time. Overall, these investments are envisaged to ensure affordable, high-quality and safe diagnostic and treatment services for the Lithuanian population. The plan includes healthcare workforce reforms to address shortages, improve well-being and working conditions for the medical staff during pandemics and normal times. In addition, the plan envisages the creation of digital tools allowing to improve the management of epidemiological surveillance and data exchange as well as the provision of healthcare services electronically.

The plan's component on education includes reforms to address gaps in educational achievements. The core element of this component is the Millennium Schools' programme. It is set to encourage municipalities to consolidate educational resources and better allocated school funding. It should enable the creation of an inclusive educational ecosystem beneficial to all schools joining the network. In the Plan, it is also envisaged to invest in the development of digital competences of teachers. This should enable them to better use digital content and tools

while teaching. Implementation of the previously mentioned reforms, including the curriculum reform and the development of a methodology for school evaluations, and investments are expected to ensure possibilities for all pupils to get good quality education and narrow the gaps in educational outcomes which are due to the socio-economic environment.

Institutional resilience should be strengthened by the reform of the civil service. According to the Plan, changes to legislation, which are to be accompanied by corresponding investments in digital tools, should improve human resource management and staff development, especially what concerns digital, strategic and leadership skills in the public sector. A centralised mechanism for developing public sector managers is supposed to ensure an adequate supply of skilled staff corresponding to the needs of the state. Overall, these measures are expected to increase the quality of decision making in the public sector and strengthen customs orientation of civil servants.

Planned improvements in the budgetary framework are expected to increase the stability and transparency of public finances. The Plan comprises three very important reform and investment elements in this respect. First of all, a methodology on medium-term budgetary planning should be adopted. It should contain, for example, clear rules on the calculation of basic expenses and expenditure limits for appropriation managers. Furthermore, amendments to the Law on the Budget Structure should clarify amendment procedures of annual budgets, which should eliminate unbudgeted expenditures. Another important pillar is spending reviews. The Recovery and Resilience Facility will finance a comprehensive review planned in 2023. Its results are set to help reducing inefficient expenditures and channel public funds to where they could create higher added value.

A set of reforms and investments designed to increase tax compliance should generate additional budget revenues to fund social and other policy measures. If properly designed and implemented, the legal measures included in the Plan are expected to limit the use of cash in certain risky economic sectors and (or) for some types of transactions, and in this way strengthen the fight against the shadow economy. Digitalisation of various business documents (consignment notes, receipts, payment data) and their almost immediate availability to the tax authorities creates opportunities for better tax compliance monitoring and consequently tax collection. Envisaged improvements in data analytics and investments in staff competences should enable the State Tax Inspectorate and the Lithuania Customs to better target businesses that do not comply with tax and customs legislation.

Economic resilience should be supported by increasing energy production from renewable resources and ensuring the energy security. The RRF may fund preparatory studies which are necessary to start developing a wind farm in the Baltic Sea. Investments will also be channelled to encourage individual production and storage of energy from renewables on the mainland. These measures should help Lithuania to achieve the goal of 45% share of RES in gross final energy consumption. In addition, a battery park of 200 MW will be set up to provide the necessary energy reserve and facilitate the transition period before Lithuania synchronises its electricity grid with continental Europe in 2025.

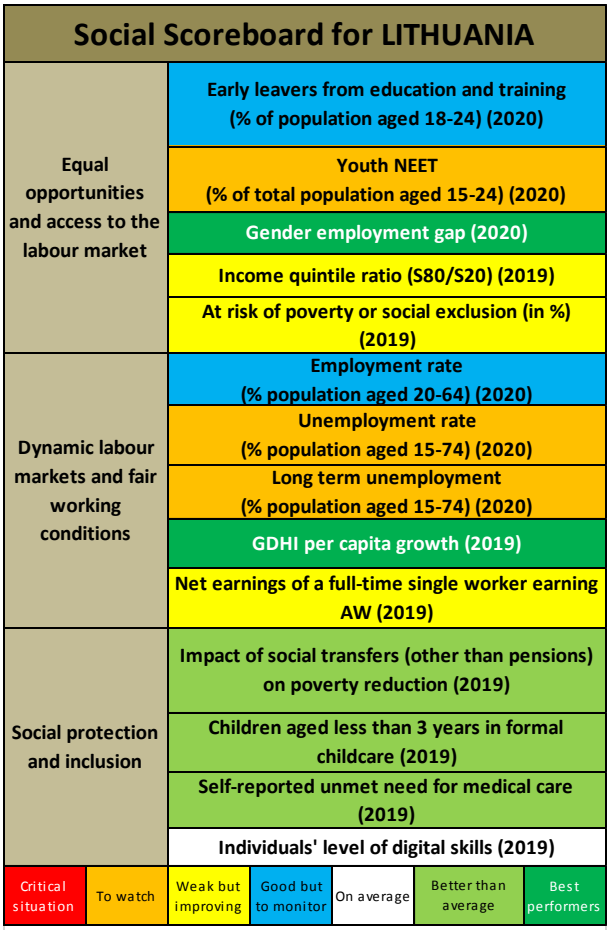
Cohesion and convergence

The Lithuanian plan includes promising measures to help tackle economic and social inequalities at a national and European level, thus promoting greater cohesion and

convergence. Out of the seven components of the plan, four are expected to significantly help converge towards the European average, while three are expected to alleviate the disparities within the country. Substantive effort in the green component towards the circular economy is said to improve the labour market conditions through the creation of sustainable jobs, but not necessarily lead to social cohesion. However, the plan suggests that the renovation funds should prioritise restoring low-income regions, thus improving the poverty rate, which is amongst the highest in the EU. Additionally, significant targeted investments are expected in Utena, fostering large improvements among the most lagging counties in Lithuania. Further investments and reforms in digitalisation, education, social inclusion and ALMPs, as well as the public sector, are expected to improve the country's competitiveness and improve the overall performance in terms of GDP per capita, poverty rate, and the labour market situation. However, the impact of the plan on territorial cohesion was not quantified, therefore providing little evidence on the heterogeneous impact of the RRP. A qualitative analysis suggests an indirect impact on the reduction of socio-economic disparities between the Lithuanian regions, suggesting an implicit improvement of the territorial cohesion. Furthermore, one should note that the aggregate positive impact of the plan on macro-economic variables is dependent on the successful implementation of all the reforms, as they are complementary, and the overall effect is greater than the sum of the effects of the individual reforms.

Taking into consideration all reforms and investments envisaged by Lithuania, its recovery and resilience plan is expected to have a high impact on strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union. This would warrant a rating of A under the assessment criterion 2.3 of Annex V to the RRF Regulation.

Box 3: **Employment and social challenges in light of the Social Scoreboard accompanying the European Pillar of Social Rights**



Update of 29 April 2021. Members States are classified on the Social Scoreboard according to a statistical methodology agreed with the EMCO and SPC Committees. It looks jointly at levels and changes of the indicators in comparison with the respective EU averages and classifies Member States in seven categories. For methodological details, please consult the Joint Employment Report 2021; NEET: neither in employment nor in education and training; GDHI: gross disposable household income.

The Social Scoreboard supporting the European Pillar of Social Rights points to a few employment and social challenges in Lithuania. The COVID-19 crisis has slowed the positive economic and labour market developments observed in the past years. The economic contraction contributed to a steep rise in the unemployment rate (9.3% in Q3 of 2020, significantly above the EU average of 7.5%). Young people and women were among those impacted the most. The share of long-term unemployed increased as well, but remained at the EU average of 2.5% in 2020. However, the overall employment rate (70.7% in Q3 2020) remains above the EU average in the same period (67.8%), as does the share of the economically active population. Nevertheless, disparities in employment across regions and skills levels persist, with the employment rate of people with less than primary and lower secondary education significantly below the EU average. Despite the rise in unemployment, the gender employment gap remains one of the lowest in the EU. Lithuania improved the percentage of children aged less than 3 years in formal childcare, but remains below the EU average.

Although the situation before the pandemic was improving, income inequality and the risk of poverty or social exclusion remain high, particularly for vulnerable groups. Despite a substantial increase, the impact of social transfers (other than pensions) on poverty reduction remains below the EU average in 2019, and the redistributive capacity of the tax and benefit system remains limited. The income of the top 20% of the income distribution exceeds those of the bottom 20% by 6.4 times, which is among the highest in the EU and well above the EU average of 5.0.

The early school-leaving rate remains among the lowest in the EU, although the share of the early school leavers increased in 2020. The strong performance is due to a combination of measures to prevent early school leaving, intervene in case of risks, or compensate the learning of pupils that did drop out. This helped to keep the share of young-people neither in employment, nor in education or training (NEET) close to the EU average, despite a sharp increase during the COVID-19 crisis.

The Recovery and Resilience Plan submitted by Lithuania contains some labour market

measures relevant for the implementation of the Pillar. To foster equal opportunities and access to the labour market, the plan envisages a new one-stop shop platform for lifelong learning, based on individual learning accounts and reinforced by an improved career guidance system. A reform of the vocational education and training is also envisaged, including the introduction of centres of vocational excellence and a National Platform for the Progress of VET that brings together social partners, authorities, VET providers and other stakeholders. The digitalisation of public employment services is expected to free the human resources needed to provide more individual and tailored support to jobseekers. The proposed investments on entrepreneurship support in twin transition areas, and on reskilling to high value-added areas support the shift away from the crisis measures for the labour market, but their implementation will need to be monitored to ensure impact and coherence with other national and EU funding sources.

The Plan also introduces measures to address issues related to social protection, inclusion and health. Lithuania also plans putting in place some concrete measures to address poverty and income inequality, and envisages changes to the minimum income model and the taxation system. Social services and higher education will be made more accessible for persons with disabilities through digital solutions tailored to their specific needs. The Plan aims to strengthen the quality and accessibility of health services through digitalisation, cooperation between hospitals, and stronger long-term care.

4.4. The principle of 'do no significant harm'

Lithuania's recovery and resilience plan assesses compliance with the 'do no significant harm' (DNSH) principle. The assessment follows the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C 58/01). It covers the six environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The environmental impact is assessed per reform or investment. Hence, the 30 measures (reforms and investments) in Lithuania's recovery and resilience plan translate into 180 'do no significant harm' assessments, based on the six objectives.

Each 'do no significant harm' assessment follows a two-step approach. The first step assesses whether there is a risk that a measure could do significant harm to one or more of the environmental objectives. In some cases, the assessment concludes that there is no risk of significant harm, in which case the measure is assessed as compliant with this objective of the Regulation. In cases where the analysis identifies a risk, a more detailed assessment is performed in which Lithuania demonstrates the absence of significant harm.

Where needed, the requirements of the DNSH assessment are enshrined in the design of a measure and specified in a milestone or target of this measure. This ensures that any disbursement for the respective measures can only be made once compliance with the DNSH principle is ensured. For instance, regarding "Efficient implementation of innovation policy, increased demand for innovation, start-up ecosystems and green innovation development" (COFOG 01.5) measures, the DNSH assessment states that it will be ensured that financial instruments are designed in such a way that activities do not adversely affect the climate change

mitigation objective, and in particular that the contracts and/or other documents will stipulate that the financial intermediary and the project promoter will ensure that investments will exclude sectors incompatible with DNSH. This is also integrated in the milestone of this measure.

Lithuania's recovery and resilience plan puts particular focus on sustainable mobility with a reform "On the Move without Emissions". This notably entails support to develop renewable fuels sector (biomethane, second generation liquid biofuels) and development of filling infrastructure for these alternative fuels. These investments could potentially represent harm to several environmental objectives, namely climate change mitigation, air pollution and biodiversity. This is expected to be prevented by the requirement that biomethane gas or biofuels are produced exclusively from waste or residues (and not from feed stocks) and that the final production complies with the provisions of the Renewable Energy Directive 2018/2001/EU (REDII), and related implementing and delegated acts. The producers will have to submit certificates attesting to the sustainability of their production. Furthermore, Lithuania provided assurances that exclusively RED II compliant biofuels, bio liquid and biomass fuels are used by the vehicles supported under the plan and that the mix of biofuels in the national fuel mix will increase over time, namely through the system of renewable fuel accounting units established by the Law on alternative fuels.

Under the same reform, Lithuania will provide support to replace polluting road transport vehicles which could potentially represent harm to the objective of climate mitigation. This will be prevented by the requirement to support purchase only of zero emission (e.g. electric or hydrogen-powered) light duty vehicles, zero emission (e.g. electric or hydrogen) low-floor buses for urban or suburban passenger transport, high-floor buses powered by electric power, biogas produced from raw materials meeting RED II requirements and zero emission and low emission heavy duty vehicles powered by electricity or biogas produced from RED II compliant feed stocks. Potential harm to the objective of circular economy is also addressed in the DNSH assessment, in particular by stating that a circular economy approach shall be complied with for the vehicles acquired under this reform, both during the use phase (maintenance) and at the end of their lifetime, including the reprocessing of batteries and electronics.

The plan also places a strong focus on the renovation of buildings. This is mostly under Reform "Accelerating renovation of buildings and a sustainable urban environment" of Green transition component, but also under measure "Improving the quality and accessibility of services and promoting innovation" of the Health component, measure "Modern pre-primary and general education" of Education component. While this has a positive impact on the energy system as well as on emissions reductions, it can also create significant amounts of construction waste and hence cause harm to the circular economy objective. Lithuania ensures that there will be no significant harm to the circular economy objective by detailing in the plan for each of the measures that at least 70% (by weight) of the non-hazardous construction and demolition waste generated on the construction sites will be prepared for reuse, recycling and other material recovery. Where a construction of new buildings is envisaged, it will be ensured that they meet all the EU legislation requirements to ensure that no harm to climate change mitigation is done, and notably that they will be Near Zero Energy Buildings (NZEB). Finally, in order to ensure that the investment to promote a sustainable market for construction products and services under the measure "Faster renovation of buildings and a sustainable urban environment" does not cause harm to biodiversity, it will be ensured that raw materials will be sourced from forests managed sustainably and will not be sourced from protected natural areas.

Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in Lithuania's recovery and resilience plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'). This would warrant a rating of A under the assessment criterion 2.4 of Annex V to the RRF Regulation.

4.5. Green transition

Lithuania's RRP correctly follows the methodology for climate tracking set out in Annex VI of the RRF regulation. It identifies intervention fields and corresponding coefficients for the calculation of support to the climate objectives, for most measures. It should be noted that:

- the measures of the RRP often consist of several sub-measures – for these measures, the RRP indicates an intervention field for each sub-measure and computes the climate contribution at sub-measure level. The total number of measures indicated for tagging purposes does however differ from the total number of measures as presented in the plan.
- where relevant, milestones and targets include specifications that ensure that the requirements of an intervention field are met (for instance, where intervention field 025bis – "Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures compliant with energy efficiency criteria" is used, a target specifies that the measure must achieve the conditions of the tag i.e. on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786).
- the choice of intervention fields for the climate transition is well justified and reflects the nature, focus, objective or expected outcome of the investments.

Measures supporting climate change objectives in Lithuania's recovery and resilience plan account for EUR 841.2 million, which represents 37.8% of the plan's total allocation of EUR 2.22 billion. Of the 7 components in the plan, 4 components (Green transition, Health, Higher education and Innovation and Social Protection) include expenditure that contribute to the climate objectives.

With a total of EUR 820 million, the largest climate contribution of the recovery and resilience plan results from *Component 2 – Green* devoted to green transition. This component notably includes 4 reforms and 1 investment and accompanying sub-measures: on renewable energy (Reform 1), sustainable mobility (Reform 2), buildings renovation (Reform 3), restoration of degraded peatlands (Investment 4) and circular economy (Reform 5).

The investments under Reform 1 include support for the preparatory works for the offshore wind development, construction of onshore RES plants (solar and wind), individual storage facilities and the establishment of renewable energy communities, and they benefit from a 100% climate tag under 028 Renewable energy: wind and 029 Renewable energy: solar. Investment in other electricity storage facility benefits from a 100% climate tag 033 Smart Energy Systems (including smart grids and ICT systems) and related storage.

Under Reform 2 ("On the Move without Emissions"), investments aimed at replacing polluting road transport vehicles, and in particular those that support purchase of zero emission light

vehicles and low and high-floor buses, and zero and low emission Heavy Duty Vehicles address the challenges identified in the country report for Lithuania related to sustainable mobility.

According to Article 18(4), point (e) of the RRF Regulation, the methodology for climate tagging set out in Annex VI can "be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI". Therefore, the planned investments in zero-emission vehicles should benefit from a 100% climate tag, similarly to that under 074 Clean urban transport rolling stock. Support for the development of charging/filling infrastructure for all types of clean vehicles using alternative fuels benefits from a 100% climate tag under 077 Alternative fuels infrastructure. Finally, support to develop renewable fuels sector (biomethane, second generation liquid biofuels and hydrogen) qualify for 100% climate tag under 030bis Renewable energy: biomass with high GHG savings and 032 Other renewable energy (including geothermal energy).

The investments under Reform 3 "Accelerating renovation of buildings and a sustainable urban environment" benefit from a 100% climate tag (025bis and 026bis) as they will respect the energy efficiency criteria of at least 30% primary energy savings and this level is guaranteed in their respective different milestones and target. Also, one investment qualifies for a 100% climate tag under 022 Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change, as this reflects the measure's main objective.

Lastly, this component is completed by a measure supporting the restoration of degraded peatlands, which benefits from a 100% climate tag under 037 Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches).

The measures in Lithuania's recovery and resilience plan are expected to effectively contribute to the green transition, and to addressing the challenges resulting therefrom. The plan supports Lithuania's decarbonisation and energy transition objectives, as set out in the National Energy and Climate Plan. In the NECP, Lithuania commits to reducing GHG emissions (-9% compared to 2005), increasing energy efficiency (reduction in primary energy consumption down to 5.5 Mtoe in 2030), and increasing renewable energy (45% renewables in gross final energy consumption).[11] Energy and climate investments and reforms envisaged in the recovery and resilience plan are consistent with the NECP as well as the Carbon Neutrality Roadmap 2050 (RNC 2050). Lithuania has systematically ensured through its do-no-significant-harm assessment that none of the proposed measures generate harm to the protection and restoration of biodiversity and ecosystems and has demonstrated how the measures in the plan contribute to biodiversity.

[11] Economidou, M., Ringel, M., Valentova, M., Zancanella, P., Tsemekidi Tzeiranak, S., Zangheri, P., Paci, D., Ribeiro Serrenho, T., Palermo, V. and Bertoldi, P., National Energy and Climate Plans for 2021-2030 under the EU Energy Union, EUR 30487 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-27013-3, doi:10.2760/678371, JRC122862.

Various components of the recovery and resilience plan contribute to the achievement of the energy and climate targets set out in the NECP and are expected to have a lasting impact:

Regarding renewable energy, the plan's implementation is expected to lead to at least 301.9 MW of additional electricity generation capacity from RES, of which at least 271.8 MW will consist of solar power plants (including 4 MW solar power plant in the Utena region) and at least 30.1 MW of onshore wind power plants will be created, while individual electricity storage facilities of at least 15.2 MWh are expected to be installed by 2026. In addition, energy storage facilities with a combined capacity of at least 200 MW should also be installed.

Regarding energy efficiency, as a result of the plan's implementation, and in particular due to investments aimed at accelerating the renovation of buildings, primary energy savings of 215 GWh are expected to be attained by 2026 which would translate into the reduction of GHG emissions by 21.500 tCO2eq. This is in addition to the energy and GHG emissions savings that are expected to result from the replacement of polluting vehicles with the zero and low emission vehicles accompanied by the creation of the necessary alternative fuels production and recharging/filling infrastructure.

Regarding resource efficiency, material reuse and reducing waste generation, as a result of the plan's implementation, a Circular Economy Action Plan is expected to be adopted by 2023 to ensure Lithuania's transition to a circular economy by 2035. The Action Plan is expected to focus on waste prevention, recycling, product design and use of secondary raw materials, digitalisation, the promotion of green innovation, as well as on an improved legal framework and fiscal measures promoting long-term benefits instead of short-term solutions and results for a return of resources to circularity.

These investments are therefore expected to contribute to reaching Lithuania's 2030 and 2050 energy and climate targets, and in particular:

- to increase the share of RES to at least 38% of electricity by 2025, and to 45% to 50% by 2030;
- to reduce GHG emissions by at least 9% by 2030 compared to 2005 by increasing energy efficiency, RES and alternative fuels and promoting sustainable mobility in clean, connected and digitalised intermodal transports;
- increasing the share of renewable energy sources in transport to 15% in 2030 by providing the necessary infrastructure;
- increasing GHG absorption capacity based on natural resources and technological solutions.

The measures in the plan is expected to not only contribute to the green transition, but also to the enhancement of biodiversity and environmental protection. The restoration of degraded peatlands reform, as a result of which 8000 ha of these areas will be rewetted by 2026, will not only restore their GHG absorption capacity (it is estimated that total GHG emission reductions could amount to around 2.5 MtCO2equivalents) but also reduce surface water pollution caused by agriculture.

The recovery and resilience plan therefore supports Lithuania in meeting the national energy and climate targets set out in the NECP 2030 and RNC 2050 and thus in achieving carbon neutrality in 2050.

Taking into consideration the assessment of all the measures envisaged, the recovery and resilience plan is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37.8% of its total allocation contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V to the RRF Regulation.

4.6. Digital transition

Digital tagging

Lithuania's RRP correctly follows the methodology for digital tagging set out in Annex VII of the RRF regulation. It identifies intervention fields and corresponding coefficients for the calculation of each measure's support to the digital objectives. It should be noted that:

- the measures of the RRP often consist of several sub-measures – for measures where that is the case, the RRP indicates an intervention field for each sub-measure, and digital tagging is computed at sub-measure level.
- the choice of intervention fields for the digital transition is well justified and reflects the nature, focus, objective, or expected outcome of the investments included in the component. In one case, the applied intervention field is justified only for part of the measure. The Commission has applied a corresponding correction in its assessment.
- the RRP does not propose to increase the digital coefficients for any measure.

Overall, the RRP contributes to digital objectives for 31.5% of the plan's allocation, and as such, the digital target of 20% is met. The most important contributions to this target relate to Component 3 – Digital transition. Particularly prominent within this component are the measures related to the science-business framework to develop and deploy advanced digital technologies (EUR 117 million), the digitalisation of government processes and expansion of digital public services (EUR 117 million), and the consolidation of state information resources (EUR 110 million). Component 1 - Health (EUR 90 million) is the second largest contributor to the digital objective. Other components that contribute to the digital objective are Components 7 - Social (EUR 59 million), Component 6 – Public sector (EUR 45 million), Component 2 – Green transition (EUR 40 million), and Component 4 - Education (EUR 33 million).

Digital transition

The digital transition component covers multiple aspects of Lithuania's digital transformation - connectivity, the digitalisation of the public and private sectors, and digital skills. The plan includes measures to further develop the rollout of very high capacity networks, including 5G and fibre infrastructure in rural and remote areas. In addition, substantial reforms and investments aim to digitalise the public sector. The promotion of digital skills is envisaged for children, employees and senior citizen as well as measures to address the shortage of IT specialists in the labour market. Furthermore, the Plan puts forward investments to promote the take-up of advanced digital technologies in the private sector, particularly regarding science-business cooperation for innovative technologies and the digitalisation of the cultural sector. Overall, the digital component includes five measures (three reforms and two investments).

The digitalisation of the public sector is the focus of the majority of measures and is covered by three reforms. This is in response to the lack of momentum in the modernisation of the public sector over the last decade, which has struggled to progress with the IT advancements, resulting in under-developed state information systems and a lack of coordination at the state level. In this regard, Lithuania's RRP has prioritised its Digital Agenda to focus on (i) fully consolidating state information resources, IT infrastructure and services, (ii) ensuring the availability of reliable public sector data and the possibility to share it across sectors, and (iii) fully digitalising government processes and expand digital public services, while ensuring that

all digital public services are accessible for citizens with disabilities. These measures are expected to lay a solid foundation for the digital public sector to meet the expectations of businesses and citizens to access public services in a convenient and timely manner. Investment in the digitalisation of the public sector can play an important role in the digitalisation of the economy, by creating better conditions for business and reducing costs across private and public sectors, with related effects on productivity.

The plan includes an important investment to improve digital connectivity and address the urban-rural digital divide. The investment aims at facilitating the 5G mobile rollout, notably in international land transport corridors (Via Baltica, Rail Baltica) and other trunk roads and railway lines of national significance, airports and seaports with a relatively small financing by the RRF complemented by funding from the Connecting Europe Facility, other EU structural funds, national funds and leveraging private investment. At the same time, the plan also puts forward investment to develop 50 towers and 2000km of fibre infrastructure in rural and remote areas where there are market failures as well as provide access to Gigabit speed broadband for 5000 digitally intensive enterprises/institutions. The investment also includes elements to encourage businesses and public bodies to innovate and to adapt to rapid digital connectivity by developing at least seven applications for mobility innovations (e.g. in the areas of autonomous transport, drones, etc. across the sectors communication, education, health, energy, social security, agriculture, environment, etc.).

The plan puts forward investments to promote the take-up of advanced digital technologies in the private sector. In particular this includes science-business cooperation for innovative technologies and the digitalisation of the cultural sector. The aim of the investment is to create the necessary conditions for science and business to effectively develop and deploy advanced and innovative tools and AI solutions capable of communicating, reading, analysing, understanding and interpreting in the Lithuanian language at an initial level and creating and ensuring universal access to digitised and digital resources that enable science, business and society to develop innovative technologies, services and products based on cultural content. The measure includes six investment strands: (i) investment in the development of Lithuanian-language technological resources; (ii) investment in digitisation and accessibility of cultural resources; (iii) investment in the production of digital education content and resources; (iv) investment in financial instruments for digital business creation and digital innovation, (v) financial incentives for business service centres to develop and deploy solutions for the automation of robotics processes and artificial intelligence; and (vi) investment to create an ICT Competence Centre.

Lithuania has presented an ambitious agenda to promote the development of digital skills at all levels of society, including pupils, employees, civil servants, jobseekers, vulnerable groups, and older people. The measures on digital skills are included horizontally across the RRP: in Component 3 - Digital transition (measure Customer-oriented services), Component 6 - Public sector (measures Efficient Public Sector and Smart tax administration to reduce the VAT gap faster), and Component 7 - Social (measure Client-oriented employment support). Component 4 – Education (measure on acquisition of competences for green and digital transformation in vocational education and training and measure on lifelong learning system). The development of digital skills is also planned to be funded by other EU structural funds, for example, investment in human resources with a particular focus on developing and upgrading the

digital skills of SME workers, improving the digital literacy of children, and the development of digital skills of low-skilled adults (especially older people).

The digital dimension is also prominently covered outside the digital component. In the context of the pandemic, the digitalisation of health and education systems has become a major challenge and a priority for action, thus it is welcome that the plan includes measures promoting digital solutions related to e-health and online learning in Component 1 - Health and Component 4 - Education. Component 7 – Social protection further includes measures to fully integrate digital solutions into the organisation of the Employment Service and the provision of services, including digital counselling. Component 2 – Green transition will contribute to the digital transformation through encouraging investment in electricity storage facilities managed by digital solutions and increase the speed of the building renovation process with digital solutions. Component 6 - Public sector includes digital solutions for tax and customs duties collections.

The reforms and investments for the digital transition create synergies and complementarities with planned Cohesion Policy investments, other European level initiatives as well as the Lithuanian national strategic context. The plan includes measures with a somewhat higher maturity, taking into account the relatively short eligibility period of the plan by the end of 2026 compared to other Cohesion policy investments. Demarcation between different projects or their implementation stages are set out. The Plan is aligned with the European Digital Strategy, focused on improving competitiveness, digital connectivity and boosting the digitalisation of the economy. The Plan includes measures that are expected to be co-financed under the Connecting Europe Facility, and Cohesion policy funds as well as it is underpinned by the overall implementation strategy of the Lithuanian Digital Agenda and the objectives of the Eighteenth Government Programme.

Taking into consideration the assessment of all the measures envisaged, the Recovery and Resilience Plan is expected, to a large extent, to make a significant contribution to the digital transition or to address the challenges resulting from it and ensures that 31.5% of its total allocation contribute to support digital objectives. This would warrant a rating of A under criterion 2.6 of Annex V to the RRF Regulation.

4.7. Lasting impact of the plan

The measures envisaged in the plan are expected to address the structural weaknesses of Lithuania and have lasting positive effects on its economy. Overall, the plan boosts the growth potential of the economy, fosters job creation and aims at enhancing inclusiveness. **The Green transition, Digital transition and Education components, as well as the Higher education and Innovation component, are expected to foster job creation, economic competitiveness and sustainable long-term growth.** Measures of the green component are expected to contribute to the reduction of Lithuania's dependence on foreign and non-renewable energy and create the adequate infrastructure and capacities. The digitalisation of the public sector, the economy, and academia will make the economy more resilient to potential shocks, using digital competitiveness as a key driver of economic recovery. Investments and reforms in the education system, notably the early childhood and general education (evaluation system, school network, curriculum) and the vocational education (making VET more attractive and better aligned with the labour market needs), are expected to drive Lithuania's labour market

competitiveness in the long-run. Finally, the creation of a single Innovation agency, streamlining state innovation policy and enhancing the cooperation between science, academia and businesses are expected to have a considerable lasting and high added-value impact on economic sectors in Lithuania. As recalled in the updated EU industrial strategy[12], a well-functioning internal market will be key for strengthening diversification, competitiveness and resilience of Lithuania's economy.

The social protection and health components are also expected to have a lasting effect on Lithuania's inclusiveness. For instance, under the component 7 – Social protection, measures focusing on training the next generation of youth, and investment in active labour market policies, are expected to have a lasting impact on the functioning of the labour market, as well as on poverty reduction and income equality. The planned increase in the coverage of the unemployment social insurance system, as well as the planned increase in universal benefits for all single-person beneficiaries are also expected to have some lasting impacts, provided that their financing shall remain sustainable.

The long-term impact of those components is expected to be reinforced by reforms planned in component 6 on the Public sector. These will aim at reducing the VAT gap, abolishing inefficient tax breaks and exemptions, and expanding the tax base to sources less detrimental to growth. These efforts should allow collecting additional funds into the public budget and increase the redistributive capacity of the tax-benefit system and help improve fiscal sustainability and economic efficiency.

Overall, the plan is estimated to have a sizeable positive long-term impact on Lithuania's GDP and employment. The economic model presented in the plan foresees an improvement of GDP compared to the baseline scenario – by 1.69% in the medium-term (5 years) and 0.73% in the long-term (20 years) annually. The impact of the plan on employment is also estimated at 1.61% in the medium-term, and 1.81% in the long-term. As a result, the unemployment rate (8.5% in 2020) would be 2 percentage points lower in the medium-term and 1.9 percentage points lower in the long-term (compared to the baseline). While these results partly rely on an optimistic assumption regarding the multiplier effect of the plan (1.9 over the period 2021-2026), it remains plausible that the plan shall have sizeable long-term impacts in terms of GDP and employment.

Structural change in administration and institutions, as well as in policies

Structural changes on administration and relevant institutions, as well as in policies, can be expected from the implementation of the plan.

Under the component on health (component 1), some measures aimed at increasing efficiency are expected to bring structural changes in the administration or in relevant institutions. This includes measures on the consolidation of the hospital's network, the creation of a centre of excellence (Advanced therapies centre), the establishment of a Health Professionals Competency Platform and the development of the digital health system. The envisaged adoption of the

[12] Updating the 2020 New Industrial Strategy. COM(2021)350 final.

legislative package (Emergency Medical Act and related legislation) which regulates the organisation, management and provision of ambulance services, is also expected to bring structural changes in policy.

Overall, the measures under component 1 are expected to have a lasting positive impact on the healthcare system (both in terms of administrations or institutions, and policies). The developments related to the reform of the hospital network will however depend on the social consensus and political agreement at local level. In addition, reforms related to the healthcare workforce will also be crucial to sustain the transformation of the health system. Finally, the lasting impact of the RRP will depend on complementary investments implemented by other funding sources to strengthen primary care and preventive measures, which are crucial to ensure the quicker transition towards better health outcomes.

Under the component on green transition (component 2), various measures are expected to have a sizeable lasting impact on policies.

For instance, as a result of Plan's implementation, the Circular Economy Action Plan is expected to be adopted by 2025 to ensure Lithuania's transition to a circular economy by 2035, with a focus on waste prevention, recycling, or the use of secondary raw materials. Furthermore, the measures contributing to reduce Lithuania's dependence on non-renewable energy would trigger the creation of adequate frameworks and positively impact policy-making in the energy domain.

The component on digital transition (component 3) includes measures fostering the digitalisation of the public sector. These measures are expected to have a lasting positive impact on the functioning of the public administration and its efficiency. In addition, the facilitation of the 5G rollout is expected to bring a structural change for digital policy making. As regards transport, measures under the component 2 also boost innovative and smart mobility, thereby contributing to the objectives of the Smart and Sustainable Mobility.

Measures in the component on education (component 4) are also expected to bring a lasting impact on education policy and institutions. The Millennium School programme is expected to improve access, quality and efficiency by encouraging municipalities to consolidate educational resources and innovating existing schools, paying particular attention to teaching quality and to the creation of an inclusive education ecosystem in schools. The programme aims at introducing networking-based organisation and improving management of school funding at municipal and school level. Some measures are also aimed at raising accessibility and participation at early childhood education level and at strengthening its educational content. Some measures are also aimed at improving the participation in adult learning, as well as enhancing the professional guidance system and increasing the quality and attractiveness of vocational education and training. Ultimately, all these measures are expected to improve equality in education in the long-term, mitigating the impact of the socio-economic background on education.

Measures under the component on higher education and innovation (component 5) are expected to improve effectiveness and efficiency of the higher education sector. Higher student admission standards, changing funding model and higher qualitative standards for higher education institutions are expected to improve the quality of higher education programmes, increasing the R&D component in the funding system, and are likely to result in the consolidation in the sector. In addition, the consolidation of innovation promotion functions in

one single innovation agency is likely to make public administration more effective and efficient in that field. Furthermore, Lithuania's commitment in the RRP to develop a coherent science-business cooperation framework could be considered as a structural change.

Various measures under the component on public sector (component 6) are also expected to bring structural change in administration or relevant institutions, as well as on policy. Lithuania's plans to centralise HR management of the civil servants and invest in staff development, especially of managers (digital, strategic and leadership skills) will bring about a structural change. The tax and customs administrations' plan to invest in IT tools should structurally facilitate their work. Investments in customs are expected to contribute to reducing the risk of non-compliant and/or illegal goods being placed on the internal market, which should also ensure a level playing field for businesses and the adequate protection of consumers. The planned changes to the Law and the Budget Structure aim at enhancing medium term budget planning, establishing a process of spending reviews and clarifying the rules on budget amendment. Lithuania also plans to reduce the size of the shadow economy and improve tax compliance, by limiting cash use in some sectors and (or) for some types of transactions. Finally, Lithuania is planning to amend tax legislation in order to broaden the tax bases less detrimental to growth. Though the results depend on the design of amendments, this could potentially generate additional revenues to the budget.

Under the component on social protection (component 7), the planned digitalisation of public employment service (new IT platform which will allow 90% of services to be provided digitally) is expected to bring structural change in the administration and free up resources to be used for more advisory work rather than administration.

Taking into consideration all reforms and investments envisaged by Lithuania in its recovery and resilience plan, their implementation is expected, to a large extent to bring about a structural change in the administration or in relevant institutions and in relevant policies and to have a lasting impact. This would warrant a rating of A under criterion 2.7 of Annex V to the RRF Regulation.

4.8. Milestones, targets, monitoring and implementation

The Ministry of Finance and the Central Project Management Agency will be assigned responsibilities that will provide an adequate structure for implementing the plan, monitoring progress and reporting. The Ministry of Finance will be the managing authority which will coordinate the implementation and monitoring of the plan and will be the main contact point for the Commission. The Ministry will prepare and adopt the necessary legal acts for the management and control system of the plan, will ensure proper audit trail and record keeping. The Central Project Management agency (CPMA) will be an administrating authority of the plan. CPMA will assess and select projects, will ensure their compliance with project contracts, as well as national and EU legislation. CPMA will monitor project implementation progress, will provide necessary information to the Ministry of Finance and will develop an IT system to ensure that it contains the data set out in Article 22 of the RRF Regulation. Both the managing and administrating authorities will have rights to access the information from the project managers, other institutions and data registers which will be needed to exercise their functions. Both the Ministry of Finance and CPMA have relevant expertise in planning, managing and implementing projects funded by the EU Structural Funds and other sources. The

reporting mechanism between the Ministry of Finance, CPMA and the sectoral ministries which will be responsible for the reforms and investments in their areas could be further elaborated.

The implementation and monitoring of the plan is expected to require additional human resources. Around 16 full time equivalent jobs will be allocated in the managing authority within the institution's existing resources and around 100 new employees will be hired in the CPMA to exercise the plan-related functions. The planning and hiring of staff should be completed before the end of 2021. Authorities are expected to ensure that new staff is equipped with necessary skills. The administrative capacity of the sectoral ministries and authorities under their control which will be in charge of the plan's reforms and investments was not assessed in-depth in the plan.

The plan is expected to be implemented under the new national strategic management system and revised EU structural funds' management procedures, but uncertainties remain as to the timely adoption and implementation of necessary rules and systems. The implementation of the new strategic planning system is being finalised, which should ensure a link between the investments and strategic goals of the country as well as coherence between investments funded by different funding sources. Similarly, processes for the administration of the EU structural funds are being revised with a view to optimise them for the 2021-2027 period. The IT tool to manage and monitor investments funded by the Recovery and Resilience Facility and 2021-2027 EU structural funds is under development and is expected to be fully functional by mid-2022. Until then, transitionary systems and rules will be used. It is important to ensure that the transitionary period is smooth and that all remaining legal acts and technical tools are developed and finalised in a timely manner to ensure proper implementation and monitoring of the plan.

The milestones and targets of the Lithuanian plan are backloaded towards 2026 which poses a risk for the full implementation of the plan. The implementation of the 30 measures in the plan is tracked through 191 milestones and targets, of which there are 98 milestones and 93 targets. The milestones and targets represent the key elements of the measures and are relevant for their implementation. The verification mechanisms, data collection and responsibilities described by the Lithuanian authorities appear sufficient to justify the disbursement requests once the milestones and targets are completed. In most cases, sectoral ministries and authorities under their control will be responsible for achieving milestones and ensuring the traceability and validity of the data on milestones and targets achieved. However, the distribution of milestones and targets across time is somewhat uneven, with a backloading towards 2026. This could represent a risk for the full implementation of the plan if some reforms and investments are delayed. The monitoring indicators are sufficiently clear to ensure that their completion can be traced and verified. They reflect adequately the overall level of ambition of the plan and appear realistic.

The plan describes the institutional actors that are responsible for the implementation of the individual reforms and investments at component level. The various actors, mainly sectoral ministries and authorities under their control, which will be in charge of the implementation of the measures, are indicated in the description of the components of the plan. Close technical cooperation between the Ministry of Finance, CPMA and sectoral ministries will be critical for the plan's implementation. Involvement of other authorities, such as the Public Procurement Service, the Competition Council, the Financial Crime and Investigation Service as

well as Special Investigation Service will be important to ensure the proper and lawful use of EU funds. More broadly, involving the national Parliament, local authorities, civil society and social partners will be key to ensure the successful implementation of the reforms and investments under the plan.

The arrangements proposed by Lithuania in its recovery and resilience plan are expected to be adequate to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V to the RRF Regulation.

4.9. Costing

Lithuania has provided individual estimated costs for all investments and many reforms in the recovery and resilience plan.

The cost breakdown is generally detailed and well-substantiated. For almost all cost estimates the assumptions used are well described and can be understood. The estimates are mainly based on comparisons with past investments of similar nature and procurement data. While the tables proposed in the standard template were duly completed and presented, Lithuania did not provide an independent validation for any of the cost estimates proposed.

The assessment of the cost estimates and inherent supporting documents shows that most of the costs are well justified, reasonable and plausible.

Reasonable costs

To support the cost estimates, Lithuania provided an extensive list of documents to justify and explain the amounts proposed and gave explanations on how those amounts were computed. For the most part, older projects or comparative cost data for the main cost drivers were presented to serve as a benchmark for the cost estimates. The analysis of the supporting evidence is not consistent throughout the plan. While for the most part the calculations were clearly spelt out and it is possible to clearly identify the methodology used, for a limited number of sub-investments the information provided, proved less clear. Nevertheless, there is no evidence that would allow doubting the costing estimates provided.

In this context, it is deemed that the reasonability of the cost estimates has been established to a medium extent.

Plausible costs

The amount of the estimated total costs of the recovery and resilience plan is in line with the nature and type of the envisaged reforms and investments. Lithuania provided a large set of documents and links to online sources to substantiate the cost estimates. Explanations were added to how the past projects relate to the cost estimates of the new investments in the Plan, enabling a full assessment of the plausibility of the costs. For about a third of the measures the costs were deemed quite high compared to costs of similar investments, leading to a medium plausibility rating.

Considering the limitations of an ex-ante assessment of cost estimates, the amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent.

No double EU financing

The individual components provide clear information about additional investments from other EU funds. Projects funded by other EU sources are demarcated in time and scope from the projects in the RRP. Furthermore, Lithuania has put in place arrangements to avoid double EU funding both at the project and at the plan level. At RRP level, checks will be carried out in the planning stage to identify the specific sources of funding to ensure that the same activities will not be financed from multiple sources. At the project level, before the funding is awarded to a project, it will be verified which other projects have been carried out and/or are being carried out by the same applicant. In case risk of overlap is identified, those cost categories will be screened before processing the payment. Finally, on-the-spot checks to verify that there is no overlap between project activities and expenditure will also be carried out.

To note, the 2021-2027 Partnership Agreement is currently under negotiation, and as such a completely developed delineation is not possible at this moment. However, the Commission did a preliminary check to reduce the risks of double European Union financing, and no evidence of clear risks was identified.

Commensurate and cost-efficient costs

The recovery and resilience plan is expected to effectively help address a significant subset of challenges identified in the country-specific recommendations (CSRs). Moreover, the recovery and resilience plan contains measures to support economic growth and economic cohesion in an inclusive manner. The main objectives of the plan are to improve Lithuania's growth potential, job creation, and economic, social and institutional resilience that will ultimately reduce the country's vulnerability to shocks. Several of these measures also contribute effectively to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and to mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union. The significant economic and social impact of the plan in combination with the positive cost assessment, indicates that the **cost is in line with the principle of cost-efficiency.**

The justification Lithuania provided on the amount of the estimated total costs of the recovery and resilience plan is, to a medium extent reasonable and plausible, in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact. Lithuania provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing. This would warrant a rating of B under the assessment criterion 2.9 of Annex V to the RRF Regulation.

4.10. Controls and audit

Robustness of internal control system and distribution of roles and responsibilities

The internal control system seems to be robust, with a clear distribution of roles and responsibilities. As set out in the plan the implementation of Lithuanian RRP will be based on:

- the national **strategic management system,**
- the **management and control system set up for the administration of RRP,** as well as

- **roles and responsibilities of other state authorities** acting in accordance with their remit under national legislation.

The recently adopted **Law on Strategic Governance** establishes a results-oriented national strategic management system, integrating strategic planning, regional development and spatial planning processes and aiming to ensure sustainable development, effective planning and use of public finances. These principles have been applied when preparing the RRP.

The RRP management and control system will be based on the model used for the EU Structural Funds, which is undergoing significant changes for the 2021-2027 funding period, and will be governed by the same principles and rules, except where different procedures and processes are needed to fulfill the specific requirements of the RRF Regulation. The system will encompass a set of functions and procedures for the management and control of RRP to be carried out by (i) the managing authority, (ii) the administering authority and (iii) the audit authority within their remit, ensuring compliance with the provisions and principles of European Union (EU) and national legislation.

In addition to the responsibilities entrusted to the managing and administering authorities (*as described in section 4.8*) as of 1 May 2021 **the functions of the audit authority have been assigned to the Central Internal Audit Division and to the Department for Conformity Assessment and Declaration of Expenditure within the Ministry of Finance.** These two departments are functionally independent from other departments of the Ministry of Finance, are directly accountable to the Minister of Finance, and have direct and unhindered access to all levels of the organisation. The adoption of an audit strategy is planned for September 2021. It is foreseen that the audit authority will be carrying out both the assessment of the effectiveness of the internal control system of the authorities responsible for the implementation of the RRP (system audits) as well as audits of selected projects focusing on performance aspects (and expenditure audits, if needed). The audit authority will also ensure the follow-up of recommendations made and report back to the managing authority on their state of play.

All information related to RRP implementation (including the data required under Article 22(2)(d) of the RRF regulation) **will be stored in a single IT system** dedicated to management of all EU funds for 2021-2027 period (IS2021). The IS2021 aims to digitalise all project management processes, including monitoring of milestones and targets under RRP. At the time of the submission of the plan the system was still under development and was expected to become operational mid-2022. As set out in the plan existing tools used for the management of the state budget will be used during the transitional period and an audit trail will be ensured. In this context a milestone with regard to the fulfilment of reporting requirements set out in the RRF regulation has been included in the plan.

Other bodies entrusted with the certain functions under national legislation will also be part of the RRP governance structure. This concerns in particular the Public Procurement Office, Financial Crime Investigation Service, Special Investigation Service as well as the Competition Council.

Adequacy of control systems and other relevant arrangements

In their plan the Lithuanian authorities have described adequate policies, systems and procedures to prevent, detect and correct corruption, fraud and conflicts of interests when

using the funds provided under the RRF. These include, for example, the provisions in the Law on declaration of public and private interests which sets out the requirement for civil servants to declare their private interests to ensure that public interests prevail in the decision-making process and that conflicts of interest and corruption are prevented. For this purpose a register of private interests has been developed. Besides controls to be carried out by the administering and audit authorities the Financial Crime Investigation Service and Special Investigation Service through their respective roles in fighting corruption and financial crimes would also contribute to the adequacy of the control systems. Concerning risk scoring and data mining tools, the Lithuanian authorities are considering using ARACHNE once the IS2021 IT tool is in place but a definitive decision couldn't be taken at this stage.

Alternatively, other data-analysis and risk-scoring tools would be put in place. To address the risks of delays in implementation and capacity issues it is important to ensure the timely finalization of setting-up the management and control system for the EU funds 2021-2027, including the new IS2021 tool.

Adequacy of arrangements to avoid double EU funding

The arrangements described in the RRP to avoid double EU funding are adequate. According to the RRP, the risk of double EU funding will be mitigated both at the project and at the plan level. At the RRP level, this will include checks in the planning stage to link planned activities to specific sources of funding to ensure that the same activities will not be financed from multiple sources. At the project level, activities to prevent double funding are carried out both before and throughout the project implementation. Before the funding is awarded to a project, it will be verified which other projects have been carried out and/or are being carried out by the same applicant. In this respect, the necessary data from RRP projects will be collected and stored in IS2021 which will include a functionality to verify that the supporting documents are not submitted twice. In case a risk of overlap is identified, those costs categories will be screened before processing the payment. Finally, on-the-spot checks to verify that there is no overlap between project activities and expenditure will be also carried out.

Legal empowerment and administrative capacity of control function

The legal acts appointing the above described RRP authorities (managing, administering and audit authorities) are in final phase of the preparation and are expected to be adopted by end July 2021. These bodies shall be granted full access to the relevant information from other authorities, bodies and project promoters as well as from main State and departmental registers, information systems and databases managed by public authorities and bodies. A long history of the managing and administrative bodies to manage EU and other international programmes is expected to contribute to a smooth implementation of the RRP. However, the expertise and administrative capacity of the newly created audit authority still need to be built up.

The arrangements proposed by Lithuania in the recovery and resilience plan to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from the Facility and other Union programmes, are assessed to be adequate. This would warrant a rating of A under the assessment criterion 2.10 of Annex V to the RRF Regulation.

4.11. Coherence

The Lithuanian recovery and resilience plan is coherent, with consistent reforms and investments, and synergies between the different components. The seven components structure the investments and reforms and show their thematic relation and interlinkages well. Coherence is ensured within the components, with investments accompanied with relevant reforms, as well as between the different components in the plan through mutually reinforcing reforms and investments.

The reforms and investments in each component included in the RRP are coherent, complementary and mutually reinforcing. Reforms included in the plan within components enable or facilitate the planned investments. Different components do not have negative effects on each other and in many cases reinforce measures related to the Green Transition and Digital Transformation. In the health component, the investment planned for the construction of new buildings will contribute most to the green transformation objectives by increasing energy efficiency in buildings and the use of RES for electricity and/or heating. One of the three health component reforms contributes significantly to the objectives of digital transformation in the area of the digital health system by contributing to digital public services, the integration of digital technologies, the use of online services and the development of digital competences. In the green component, one of the reforms will contribute to the objectives of the digital transformation, by investing in a new electricity storage infrastructure which will be fully automated, autonomous and smart. In the education component, all reforms will contribute to the digital transformation objectives, mostly by contributing to the development of digital skills and competences. In the higher education and innovation support component, activities to promote efficient innovation policies, increase demand for innovation in start-up systems and to develop green innovation will contribute to the green transition. The creation of an industrial platform for the exchange of technological know-how and solutions will contribute to the reorientation of the industrial sector towards a circular economy. The public sector component reforms will contribute to the objectives of the digital transition. The main contribution to the digital transformation will come from the development of digital services, applications and support to the acquisition of relevant skills and competences. In the social component, both the competence acquisition measure and new entrepreneurship support activities will focus on the digitalisation and greening of the economy and almost all programmes will contribute to the development of digital skills. The customer-oriented employment support reform will contribute significantly to the objectives of the digital transformation.

The RRP reveals a strategic and consistent vision, visible throughout the plan, displaying coherence at different levels: within each component, between the objectives of different components and amidst individual reforms and investments in different components. The RRP is also consistent with the National Progress Plan and the Government's Programme. In order to promote wider coherence across instruments, notably with the European cohesion policy funds, a balanced territorial allocation of resources is encouraged.

Taking into consideration the qualitative assessment of all the components of Lithuania's RRP, their individual weight (size, relevance, financial allocation) and their interactions, the plan contains measures for the implementation of reforms and public investments which, to a high extent, represent coherent actions. This would warrant a rating of A under the assessment criterion 2.11 of Annex V to the RRF Regulation.

5. ANNEX

Lithuania Climate Tracking and Digital Tagging Table[13]

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
4	1 – Improving the quality and accessibility of services and promoting innovation- Establishment of the Competency Platform IS	1.3	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
5	1 – Improving the quality and accessibility of services and promoting innovation- Measurement framework	2.5	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
6	1 – Improving the quality and accessibility of services and promoting innovation- Developing the digitalisation of the health sector	85.7	095 – Digitalisation in health care	0%	4-095 – Digitalisation in health care	100%
7	1 – Reform of the provision of long-term care services – Day Centres (installation)	5.4	026 – Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures	40%		0%
11	1 – Systemically strengthening the	12	026 – Energy efficiency	40%		0%

[13] While the total cost of the Lithuanian recovery and resilience plan exceeds the total allocation of non-repayable financial support to Lithuania, Lithuania will ensure that all spending related to the measures mentioned in this table as contributing to climate objectives are fully financed by the funds from the Recovery and Resilience Facility.

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	resilience of the health system to work in emergencies – Personal health care facilities (reconstruction)		renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures			
13	2 – Increasing GHG absorption capacity	16	037 – Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)	100%		0%
14	2 - More sustainably produced electricity in the country - Preparatory work for the development of offshore wind power plant and related infrastructure	9.786	028 – Renewable energy: wind	100%		0%
15	2 – More sustainably produced electricity in the country – Investment support for the construction of RES plants (wind power plants on land)	19.323	028 – Renewable energy: wind	100%		0%
16	2 – More sustainably produced electricity in the country – E.	6.44	033 – Smart Energy Systems (including smart grids and ICT	100%		0%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	construction of individual energy storage facilities		systems) and related storage.			
17	2 – More sustainably produced electricity in the country – Investment support for the construction of RES power stations (solar)	103.05	029 – Renewable energy: Solar	100%		0%
18	2 – More sustainably produced electricity in the country – Installation of other electricity storage infrastructure	100	033 – Smart Energy Systems (including smart grids and ICT systems) and related storage.	100%	4-033 – Smart Energy Systems (including smart grids and ICT systems) and related storage	40%
19	2 – More sustainably produced electricity in the country – Regional support for the construction of a 4 MW solar park in Utena County	3.788	029 – Renewable energy: Solar	100%		0%
20	2 – Accelerating renovation of buildings and a sustainable urban environment – Organic renovation construction materials	50	022 – Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change	100%		0%
21	2 – Accelerating renovation of buildings and a sustainable urban environment – Pilot renovation projects (multi-apartment)	3	025bis – Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures compliant with	100%		0%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
			energy efficiency criteria			
22	2 – Accelerating renovation of buildings and a sustainable urban environment – Pilot renovation projects (public buildings)	7	026bis – Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures compliant with energy efficiency criteria	100%		0%
23	2 – Accelerating renovation of buildings and a sustainable urban environment – Digitalisation of renovation projects	3	026bis – Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures compliant with energy efficiency criteria	100%		0%
24	2 – Accelerating renovation of buildings and a sustainable urban environment – State incentive for the renovation of multi-apartment buildings with organic materials	154.8	025bis – Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures compliant with energy efficiency criteria	100%		0%
25	2 – Moving without polluting the environment – Purchase of clean vehicles	96.6	074 – Clean urban transport rolling stock	100%		0%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
25.2	2 - Moving without polluting the environment – Purchase of clean vehicles	3.4	074 – Clean urban transport rolling stock	100%		0%
26	2 – Moving without polluting the environment – Expansion of refuelling/charging infrastructure	72	077 – Alternative fuels infrastructure	100%		0%
27	2 – Moving without polluting the environment – Investments in electric buses (M2 or M3)	69	074 – Clean urban transport rolling stock	100%		0%
28	2 – Moving without polluting the environment – Installation of recharge/charge infrastructure (public transport)	6	073 – Clean urban transport infrastructure	100%		0%
29	2 – Moving without polluting the environment – Establishment of biomethane gas production capacity	22.21	030bis – Renewable energy: biomass with high GHG savings	100%		0%
30	2 – Moving without polluting the environment – Installation of second-generation biofuel production capacity	8.7	030bis – Renewable energy: biomass with high GHG savings	100%		0%
31	2 – Moving without polluting the environment – Development of green hydrogen technologies and their use	20	032 - Other renewable energy (including geothermal energy)	100%		0%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
32	2 – Moving without polluting the environment – Installation of recharging points for private electric vehicles	46	077 – Alternative fuels infrastructure	100%		0%
33	3 – Minimum conditions for innovative technological solutions in business and daily life – Creation of technological resources for the Lithuanian language	35		0%	3-012 – IT services and applications for digital skills and digital inclusion	100%
35	3 – Prerequisites for innovative technological solutions in business and daily life – Developing and deploying digital innovation	15		0%	2-009bis – Investment in digital-related R&I activities (including excellence research centres, industrial research, experimental development, feasibility studies, acquisition of fixed or intangible assets for digital related R&I activities)	100%
36	3 – Prerequisites for innovative technological solutions in business and daily life – Development and deployment of ESA and AI solutions	3	010bis1 – Inc. e-Commerce, e-Business and Networked business processes, digital innovation hubs, living labs, web entrepreneurs and ICT start-ups, B2B	0%	6-021ter – Development of highly specialised support services and facilities for public administrations and businesses (national HPC Competence Centres, Cyber Centres, AI testing and experimentation facilities, blockchain, Internet of Things, etc.)	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
37	3 – Prerequisites for innovative technological solutions in business and daily life – Digitisation of cultural resources	30		0%	5-021bis – Support to digital content production and distribution	100%
38	3 – Prerequisites for innovative technological solutions in business and daily life – Digitisation of educational content and resources	20		0%	3-012 – IT services and applications for digital skills and digital inclusion	100%
39	3 – Ensuring the effectiveness of data management and open data – Development of a data management model and data transfer to the national data lake	30		0%	6-021quater – Investment in advanced technologies such as: High-Performance Computing and Quantum computing capacities/Quantum communication capacities (including quantum encryption); in Microelectronics design, production and system-integration; Next generation of European data, cloud and edge capacities (infrastructures, platforms and services); Virtual and Augmented reality, DeepTech and other digital advanced technologies. Investment in securing the digital supply chain.	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
40	3 – Ensuring the effectiveness of data management and open data – Creation of Euroconnector	0.5		0%	6-021quater – Investment in advanced technologies such as: High-Performance Computing and Quantum computing capacities/Quantum communication capacities (including quantum encryption); in Microelectronics design, production and system-integration; Next generation of European data, cloud and edge capacities (infrastructures, platforms and services); Virtual and Augmented reality, DeepTech and other digital advanced technologies. Investment in securing the digital supply chain.	100%
41	3 – Client oriented services – Implementation and monitoring of the projects	115.26		0%	4-011 – Government ICT solutions, e-services, applications	100%
42	3 – Client oriented services – Developing ICT tools for more efficient communication of persons with disabilities	2	012 – IT services and applications for digital skills and digital inclusion	0%	3-012 – IT services and applications for digital skills and digital inclusion	100%
43	3 – Transformation of public information	95	011 – Government ICT solutions, e-	0%	4-011 – Government ICT solutions, e-	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	technology governance – Development of ICT infrastructure		services, applications		services, applications	
44	3 – Transformation of public information technology governance – Ensuring cybersecurity requirements	15		0%	6-021quinquies – Development and deployment of cybersecurity technologies, measures and support facilities for public and private sector users.	100%
45	3 – Step towards 5G – Delivering on Connectivity Innovation	24.5		0%	1-054 – Very High-Capacity broadband network (access/local loop with a performance equivalent to an optical fibre installation up to the base station for advanced wireless communication)	100%
46	3 – Step towards 5G – Infrastructure	49		0%	1-054 – Very High-Capacity broadband network (access/local loop with a performance equivalent to an optical fibre installation up to the base station for advanced wireless communication)	100%
47	4 – Competences for the green and digital transformation are acquired in vocational education and training – Updating the content of vocational education	5	114 – Support for adult education (excluding infrastructure)	0%	3-016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	40%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	and training (formal and informal programmes)					
48	4 – Competences for the green and digital transformation are acquired in vocational education and training – Apprenticeship	20	114 – Support for adult education (excluding infrastructure)	0%	3-016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	40%
49	4 – Competences for the green and digital transformation are acquired in vocational education and training – National mobility programme	6	114 – Support for adult education (excluding infrastructure)	0%	3-016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	40%
50	4 – Competences for the green and digital transformation are acquired in vocational education and training – Acquiring a profession in BU schools	6	112 – Support for primary to secondary education (excluding infrastructure)	0%	3-016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	40%
51	4 – Access to the development of competences and recognition of qualifications for adults – LAG IT system	2	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
52	4 – Access to the development of competences and recognition of qualifications for adults – Developing LAG competences	16.2	016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	0%	3-016 – Skills development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	40%
57	4 – Modern general education as a basis for acquiring basic	9.8	112 – Support for primary to secondary education	0%	3-108 – Support for the development of digital skills	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	competences – Digital education		(excluding infrastructure)			
62	5 – Effective implementation of innovation policy and increased demand for innovation in the start-up ecosystem and development of green innovation – Fostering the development of green innovation	5	047 - Support to environmentally-friendly production processes and resource efficiency in SME	40%		0%
69	6 – Improving tax compliance – Training of municipal staff	0.005454	114 – Support for adult education (excluding infrastructure)	0%	3-108 – Support for the development of digital skills	100%
70	6 – Improving tax compliance – Infrastructure for non-cash payments in educational establishments	4.312512	086 – Infrastructure for primary and secondary education	0%	3-012 – IT services and applications for digital skills and digital inclusion	100%
71	6 – Improving tax compliance – Building ID information system	1.3	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
72	6 – Development of the electronic document ecosystem	3.843	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
73	6 – Smart tax administration to reduce the VAT gap faster – Quality data received/provided by financial institutions	5.1	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
74	6 – Smart tax administration to reduce the VAT gap faster VAT gap – New Data Analysis Tools (STI)	5	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
75	6 – Smart tax administration to reduce the VAT gap faster VAT gap – Process Robotisation (STI)	0.578	011 – Government ICT solutions, e-services, applications	0%	6-021quater – Investment in advanced technologies such as: High-Performance Computing and Quantum computing capacities/Quantum communication capacities (including quantum encryption); in Microelectronics design, production and system-integration; Next generation of European data, cloud and edge capacities (infrastructures, platforms and services); Virtual and Augmented reality, DeepTech and other digital advanced technologies. Investment in securing the digital supply chain.	100%
76	6 – Smart tax administration to reduce the VAT gap faster – New data analysis tools and ICT (Lithuanian Customs	7.765	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
77	6 – Smart tax administration to reduce the VAT gap faster – Competence development (Lithuanian Customs)	1.552	088 – Infrastructure for vocational education and training and adult learning	0%	4-011 – Government ICT solutions, e-services, applications	100%
78	6 – Smart tax	0.4	016 – Skills	0%	3-016 – Skills	40%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	administration to reduce the VAT gap faster – Competency Model (STI)		development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change		development for smart specialisation, industrial transition, entrepreneurship, and adaptability of enterprises to change	
80.1	6 – Long-term sustainability and transparency of the national budget – Improving national budget planning processes	1.4	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
83	6 – Efficient public sector – Human resources management system in the public sector	6	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
84	6 – Tools available to business to manage insolvency risk	3.24	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%
86	6 – A single window to pay fines	5	011bis – Government ICT solutions, e-services, applications valid with GHG emission reduction or energy efficiency criteria (see footnote 2)	40%	4-011bis – Government ICT solutions, e-services, applications valid with GHG emission reduction or energy efficiency criteria	100%
88	7 – Client-centred employment support: Increasing the scope and diversity of employment support measures, contributing to the objectives of digital and green transformation and promoting the circular	12.95	100 – Support for self-employment and business start-up	0%	3-100 – Support for self-employment and business start-up	40%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	economy – Measures to promote entrepreneurship (digitisation)					
89	7 – Client-centred employment support: Increasing the scope and diversity of employment support measures, contributing to the objectives of digital and green transformation and promoting the circular economy – Measures to promote entrepreneurship (green course)	12.14	01 – Contributing to green skills and jobs and the green economy	100%		0%
90	7 – Client-centred employment support: Increasing the scope and diversity of employment support measures, contributing to the objectives of digital and green transformation and promoting the circular economy – Digital skills	46.2626	108 – Support for the development of digital skills	0%	3-108 – Support for the development of digital skills	100%
92	7 – Client-centred employment support: Increasing the scope and diversity of employment support measures, contributing to the objectives of digital and green transformation and promoting the circular economy –	7.11	011 – Government ICT solutions, e-services, applications	0%	4-011 – Government ICT solutions, e-services, applications	100%

			Climate		Digital	
Measure/ Sub-Measure ID	**Measure/Sub-Measure Name**	**Budget (EUR m)**	**Int. Field**	**Coeff. %**	**Int. Field**	**Coeff. %**
	Employment platform					