

1. SUMMARY OF THE ASSESSMENT OF THE LITHUANIAN RECOVERY AND RESILIENCE PLAN

Grants: EUR 2 224 195 119

30 measures, covering both reforms and investments divided into 7 components

Number of milestones and targets: 191

Climate target: 37.8%

Digital target: 31.5%

1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	<p>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.</p> <p>The achievement of the green objective is set to be supported through the increase of locally produced renewables, the promotion of sustainable transport, the green public procurement measures as well as the renovation of buildings to foster a sustainable urban environment, thus promoting the reduction of greenhouse gas emissions.</p> <p>Investments and reforms geared towards the digitalisation of the public sector, business and industrial ecosystems as well as improving the level of digital skills and promoting the 5G rollout are all expected to contribute to achieving the digital objectives.</p> <p>The plan is expected to contribute towards the improvement of macro-economic performance, while enhancing the economic, social and territorial cohesion, thus supporting the pillar on smart, sustainable and inclusive growth. This includes increasing investments and supporting long-term innovation, improving educational performance and expanding active labour market policies.</p> <p>The plan's components on health, education, public sector and social protection include measures that aim at improving social inclusion and addressing regional disparities. Improving education in Lithuania is expected to contribute directly to economic and social resilience by reducing the education gap caused by socio-economic backgrounds of pupils. The plan aims at ensuring that people have the skills for future jobs through improved vocational education and training systems, expanded career guidance system and a restructured adult learning system. Measures that promote higher education and innovation are expected to increase the productivity and the competitiveness of Lithuania. The plan contains several measures to support social cohesion – revision of minimum income system and social benefits, and additional active labour market policy measures. The plan pledges to improve the efficiency of the public sector through civil service reform and digitalisation, through a reform of the tax system oriented towards higher compliance, fairness, better redistributive capacity and growth-friendliness, as well as through improvements to the budgetary framework, including spending reviews.</p>	A

	<p>Lithuania also includes measures aimed at strengthening the health and economic, social, and institutional resilience. Whilst the plan focuses directly on improving the resilience, quality, accessibility and efficiency of the healthcare system, it also includes measures aimed at reforming the economic and social infrastructure of Lithuania.</p> <p>Measures aiming at ensuring access to quality of education across schools and regions 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 vocational education and training.</p>	
2.2	<p>The plan includes an extensive set of mutually reinforcing reforms and investments that are expected to contribute to effectively addressing to varying degrees all of the economic and social challenges outlined in the country-specific recommendations addressed to Lithuania by the Council in the European Semester in 2019 and in 2020, notably those in the areas of healthcare, such as the resilience, accessibility, quality, affordability and efficiency of the healthcare system; education and skills, such as the quality and efficiency of all education and training levels; social inclusion such as the adequacy of minimum income benefits; tax compliance, broadening the tax base and the effectiveness of the tax and benefit system; innovation, energy and resource efficiency, sustainable transport and energy interconnections. The reforms and investments included in the plan are expected to boost the growth potential of the economy in a sustainable manner. The plan aims to foster renewed growth by supporting the digital and green transitions, innovation, education and skills development, and a more efficient public sector.</p> <p>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.</p>	A
2.3	<p>The plan is estimated to have a positive long-term impact on Lithuania's economic performance. Simulations by the Commission services show that the plan has the potential to increase the GDP of Lithuania by between 1,0% and 1,6% by 2026.</p> <p>The plan is expected to have a significant short-to-medium term impact on labour market indicators, education, poverty, income inequality, and environmental indicators. 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).</p> <p>Sustainable and growth-enhancing reforms and investments included in the plan are expected to address the structural weaknesses of Lithuania's economy and enhance its resilience and productivity. Measures supporting renewable energy generation and storage, energy-efficient renovation, digitalisation of public administrative services, training and entrepreneurship support measures as well as innovation and science and business cooperation are in line with the updated European Industrial Strategy and are expected to directly contribute to greater job creation, economic competitiveness and sustainable long-term growth. The reform of minimum income scheme, measures to modernise general education and reforming the vocational education and training system together with measures to improve quality and accessibility to health services are expected to have a lasting effect on Lithuania's social inclusion and skills. The long-term impact of those measures is expected to be reinforced by the fiscal and</p>	A

	<p>economic benefits of planned reforms related to the public sector, especially to improve the budgetary framework, tax compliance and the efficiency of the tax system.</p> <p>The plan is expected to contribute to the implementation of the European Pillar of Social Rights through a significant positive short-to-medium-term impact on the labour market functioning, education, poverty and income inequality, inter alia thanks to an increase in the funding and coverage of active labour market policies; an increase in universal benefits for single elderly and people with disability; and an increase in the coverage of the unemployment social insurance system. The long-term impact is expected to be reinforced by improving educational performance and efficiency of the tax-benefit system.</p>	
2.4	<p>Lithuania has conducted an assessment for each measure indicating that the principle of “do no significant harm” is followed. Based on the information provided by the Lithuanian authorities, no measure included in the plan is expected to do significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852. Special attention has been paid to measures whose impact on environmental objectives warrants close scrutiny. The green component puts particular focus on sustainable mobility with a reform <i>Moving without polluting the environment</i>. This notably entails support to develop renewable fuels sector such as biomethane and second generation liquid biofuels and the establishment of filling stations for these alternative fuels. Those investments could potentially harm several environmental objectives, such as climate change mitigation, prevention and control of air pollution and biodiversity. This should be prevented by the requirement that biomethane gas or biofuels are produced exclusively from the feedstocks listed in Annex IX to Directive (EU) 2018/2001 of the European Parliament and the Council and that the final production complies with the provisions of that Directive, and related implementing and delegated acts. The producers should submit certificates attesting to the sustainability of their production. Furthermore, Lithuania provided assurances, reiterated in the corresponding target, that exclusively biofuels, bio liquid and biomass fuels compliant with Directive (EU) 2018/2001 should be used by the vehicles supported under the recovery and resilience plan and that the share of biofuels in the national fuel mix should increase over time.</p>	A
2.5	<p>The green pillar of the plan contributes to a large extent to the green transition, including biodiversity, or 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. The plan contains measures aimed at increasing the generation and storage of renewable energy, sustainable mobility, renovation of buildings, restoration of degraded peatlands and circular economy. In addition, the plan contains a measure on the review of the current tax system with a view to identifying and phasing out tax breaks and exemptions that are most harmful to the environment. The implementation of those proposed measures is expected to have a lasting impact, notably by contributing to the green transition, the enhancement of biodiversity, and environmental protection. Together, the measures supporting the climate objectives account for an amount which represents 37,8 % of the Lithuanian plan's total allocation.</p>	A
2.6	<p>The digital transition is supported through measures aiming at enhancing connectivity, improving the digitalisation of the public and private sectors and digital skills. The plan includes measures to further facilitate the rollout of very high capacity networks, including in rural and remote areas. In addition, substantial reforms and investments aim to digitalise the public sector. This should play a key role in the digitalisation of the economy, improving the business environment and reducing administrative costs. The plan includes</p>	A

	<p>measures to promote digital skills for children, employees, civil servants and senior citizens. Measures are also planned 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. The plan includes measures to promote digital solutions related to e-health and online learning. In addition, the plan includes important measures to integrate digital solutions into the organisation of the Employment Service, tax and customs duties collection, and the greening of the economy. Together, the measures supporting the digital transition objectives account for 31.5% of the Lithuanian plan's total allocation.</p>	
2.7	<p>The implementation of the plan is expected to bring about a lasting impact on Lithuania to a large extent.</p> <p>Long-lasting structural changes can be expected from the implementation of the envisaged reforms. In particular, the envisaged reforms that aim at fostering the green and digital transitions, as well as reforms in the education, vocational education and training systems, are expected to have a lasting impact on Lithuania's economy, by strengthening people's skills for the labour market, fostering export capacity, productivity, and, overall, sustainable long-term growth. In addition, the envisaged reforms in higher education are expected to improve the quality and efficiency of higher education programmes. The streamlining of the state innovation policy is expected to have a sizeable lasting impact on innovation. The envisaged reforms of the health sector are expected to increase the efficiency, accessibility and strengthen resilience of the healthcare system. Furthermore, reforms to modernise the public sector, both in terms of civil service management and budget planning, including spending reviews, are expected to trigger long-lasting improvements in the efficiency of the public sector. Reforms to strengthen tax compliance and improve the efficiency of the tax system and the redistributive capacity of the tax-benefit system are expected to alleviate poverty and social exclusion and help improve fiscal sustainability and economic efficiency.</p> <p>Long-lasting structural changes can be expected from the implementation of the envisaged investments. Green investments are expected to support Lithuania's transition to a circular economy, to boost innovative and smart mobility, and to reduce Lithuania's dependence on non-renewable energy and resources. Investments fostering digitalisation in the public sector, businesses and academia, are expected to bring greater efficiency in those sectors. In addition, the increase in funding and coverage of active labour market policies is expected to have lasting impact on the functioning of the labour market, as well as on poverty reduction and income equality. The lasting impact of the plan can also be enhanced through synergies between the plan and other programmes including those financed by the cohesion policy funds.</p>	A
2.8	<p>The plan clearly describes the institutional actors that are responsible for the implementation of the reforms and investments. The Ministry of Finance should be the managing authority which coordinates the implementation and monitoring of the plan and should be the main contact point for the Commission. The Central Project Management Agency should be an administrating authority of the plan, which assesses and selects projects and ensures their compliance with project contracts, national and the Union legislation. Sectoral ministries and authorities under their control should be mainly responsible for the implementation and reporting on the milestones and targets. The monitoring indicators are relevant, acceptable and robust. They reflect the overall level of</p>	A

	<p>ambition of the plan adequately and are realistic.</p> <p>The plan is expected to be implemented under the new national strategic management system and revised EU structural funds' management structures.</p> <p>The implementation of the 30 measures in the plan is tracked through 191 milestones and targets (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.</p>	
2.9	<p>Lithuania has provided individual cost estimates for all investments included in the recovery and resilience plan. The cost breakdown is generally detailed and well-substantiated. The estimates are based on comparisons with past investments of a similar nature. While 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 well justified and reasonable. The amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent. Although most amounts are in the low to medium range compared to costs of similar reforms or investments, for a limited set of measures the costing is deemed to be plausible to a low 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.</p>	B
2.10	<p>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.</p>	A
2.11	<p>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, in structuring the investments and reforms and in showing their thematic relation and interlinkages well.</p>	A

2. Horizontal principles and additionality

Horizontal principle	Commission assessment
Complementarity with EU programmes 2021-2027	The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027.
Principle of additionality	The measures in the plan respect the principles of additionality. The plan ensures the additionality of the support provided under the Recovery and Resilience Facility to the support provided under other Union funds and programmes and also ensures that they do not cover the same cost.
Recurring costs	Some of the investment projects are expected to create recurrent cost, due to the nature of the investment, but these cases are limited in number and duly justified and well explained.

3. Reply to the European Parliament's questions

Contribution to equality and gender equality: The plan contains several measures that are expected to help Lithuania address the challenges posed by gender equality and equal opportunities for all. These include measures that directly and indirectly aim to address the needs of persons with disabilities such as facilitating accessibility to buildings, independent use of online public services and an increase in universal benefit for single people with disability. The development of digital skills especially for vulnerable groups including persons with disabilities, older persons, migrants and refugees is also included in the recovery and resilience plan of Lithuania. The reform of long-term care provision should improve the possibility for working-age carers, most of whom are middle-aged women, to return to the labour market. Reforms and investments included in the plan should reduce existing social, economic and territorial disparities. The plan refers to legislative and policy initiatives that are expected to complement the reforms and investments included in the plan.

Contribution to high-quality employment creation: Overall, the plan is estimated to have a sizeable positive long-term impact on Lithuania's GDP and employment. The plan includes a set of measures that contribute to economic growth and increasing employment. Model simulations conducted by the Commission 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. 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. The measures included in the plan under the component on social protection 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. To foster 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.

Contribution to the implementation of the European Pillar of Social Rights: Measures in the plan contribute to the implementation of the European Pillar of Social Rights. In particular, the 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 benefit for single elderly and people with disability, improving the coverage of the 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. The Plan also introduces measures to address issues related to social protection, inclusion and health. Lithuania 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.

Addressing regional disparities: The plan addresses regional disparities primarily through reforms to improve the adequacy of the minimum income support, and the redistributive capacity of the tax-benefit system, improvements in long-term care, and the measures to improve the quality and accessibility of the healthcare system and of education. Policies to support the country's digital transformation and green transition, such as further developing the rollout of very high capacity networks, supporting renewable energy generation and storage and replacing polluting vehicles with the zero emission ones to some extent also contribute to address significant regional disparities. 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.

Contribution to upward economic and social convergence: Lithuania's Recovery and Resilience plan represents to a large extent a comprehensive and adequate response to the economic situation of Lithuania. The plan includes 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 active labour market policies, 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.

Contribution to CSRs on taxation and anti-money laundering: The component on public sector includes legal and technical measures targeted at improving tax compliance. First of all, Lithuania shall limit the use of cash in certain cases in order to tackle the shadow economy. In addition, the authorities plan to improve their data analysis tools and upgrade ICT systems for tax compliance purposes and invest in development of their staff. The component also focuses on adjustments to the tax system, better expenditure management and improvements in financial management of municipalities. 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. Improvements in tax compliance and additional tax revenues from broadening the tax base potentially could provide additional funds for social needs, whereas the expected

The information contained in this summary is based on the documents COM(2021) 386 final and SWD(2021) 187 final, which are the authentic documents representing the Commission's assessment of the plan.

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 referred to in the plan.

The information contained in this summary is based on the documents COM(2021) 386 final and SWD(2021) 187 final, which are the authentic documents representing the Commission's assessment of the plan.

Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	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

The information contained in this summary is based on the documents COM(2021) 386 final and SWD(2021) 187 final, which are the authentic documents representing the Commission's assessment of the plan.

Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Lithuanian RRP components¹

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	●						

¹ The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Lithuania's RRP, notwithstanding the fact that Member State has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause.

The information contained in this summary is based on the documents COM(2021) 386 final and SWD(2021) 187 final, which are the authentic documents representing the Commission's assessment of the plan.

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		●					

The information contained in this summary is based on the documents COM(2021) 386 final and SWD(2021) 187 final, which are the authentic documents representing the Commission's assessment of the plan.

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			○			●	

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge