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European Union

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**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL RECOMMENDATION endorsing the national medium-term fiscal-structural plan of Lithuania

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## **COUNCIL RECOMMENDATION**

### **endorsing the national medium-term fiscal-structural plan of Lithuania**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

## GENERAL CONSIDERATIONS

- (1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance<sup>1</sup>, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure<sup>2</sup>, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States<sup>3</sup> are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances, and sustainable and inclusive growth and resilience through reforms and investments, and preventive excessive government deficits. It also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement of the rules.

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<sup>1</sup> Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>).

<sup>2</sup> Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1264/oj>).

<sup>3</sup> Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: <http://data.europa.eu/eli/dir/2024/1265/oj>).

- (2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure<sup>4</sup> path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.
- (3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.
- (4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorse the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

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<sup>4</sup> Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

## **CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF LITHUANIA**

- (5) On 30 April 2025, Lithuania submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Lithuania. The extension was agreed as the national parliamentary elections had taken place on 13 and 27 October 2024, which was followed by several months of coalition negotiations and consultations of the new government's programme and its implementation plan<sup>5</sup>.

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<sup>5</sup> The Government Programme Implementation Plan is an action plan, which sets out clear actions and deadlines for the implementation of the Government Programme's objectives.

## Process prior to the submission of the plan

- (6) Prior to the submission of its plan, Lithuania requested technical information<sup>6</sup>, which the Commission provided on 31 January 2025 and published on 30 April 2025<sup>7</sup>. The technical information indicates the level of the structural primary balance in 2028 that is necessary to ensure that the general government deficit is maintained below 3% of GDP over the medium term and that the general government debt remains below 60% of GDP over the medium term, in the absence of further budgetary measures beyond the four-year adjustment period. The medium term is defined as the ten-year period after the end of the adjustment period. The technical information was prepared and transmitted to the Member State under two scenarios: a scenario including consistency with the deficit resilience safeguard<sup>8</sup>, in line with Article 9(3) of Regulation (EU) 2024/126, and a scenario without this safeguard.

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<sup>6</sup> Prior guidance transmitted to the Member States and the Economic and Financial Committee includes technical information i) without and with an extension of the adjustment period (covering 4 and 7 years, respectively), and ii) with and without the deficit resilience safeguard. It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The technical information was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* ([https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023\\_en](https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en)). It was based on the European Commission Autumn 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* ([https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070\\_en](https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en)).  
<sup>7</sup> [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans\\_en#Lithuania](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#Lithuania).

<sup>8</sup> The deficit resilience safeguard established in Article 8 of Regulation (EU) 2024/1263 establishes that the annual improvement in the structural primary balance is of 0.4 percentage points of GDP (or 0.25 percentage points of GDP in case of an extension of the adjustment period) until the structural deficit is lower than 1.5% of GDP.

The technical information for Lithuania sets out that, in order to comply with the applicable fiscal rules over an adjustment period of four years, and based on the Commission's assumptions, the structural primary balance should amount to at least 0.3% of GDP at the end of the adjustment period (2028; scenario without the deficit resilience safeguard), as per the following table. For information, considering the deficit resilience safeguard, the structural primary balance should amount to at least 0.3% of GDP at the end of the adjustment period (2028). However, the deficit resilience safeguard is not a requirement for Lithuania, which is eligible for technical information.

**Table 1: Technical information provided by the Commission to Lithuania**

Final year of the adjustment period	2028
Minimum value of the structural primary balance (% of GDP), scenario without the deficit resilience safeguard	0.3
<i>For information only:</i> Minimum value of the structural primary balance (% of GDP), scenario with the deficit resilience safeguard	0.3

Source: Commission calculations.

- (7) In line with Article 12 of Regulation (EU) 2024/1263, Lithuania and the Commission engaged in a technical dialogue in April 2025. The dialogue centred on the net expenditure path envisaged by Lithuania, its underlying assumptions (in particular the GDP deflator, potential GDP growth rates, stock-flow adjustments, the share of long-term debt that matures every year, and long-term interest rates), and the impact of the 2024 outturn data – of which the general government deficit and debt statistics were published by Eurostat on 22 April 2025 – compared to the information underlying the technical information, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in a fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

- (8) From November 2024 to February 2025, in line with Article 11(3) and 36(1), point (c), of Regulation (EU) 2024/1263, according to the information provided by Lithuania in its plan, Lithuania engaged in a consultation process with civil society, social partners, regional authorities and other relevant stakeholders.
- (9) The National Audit Office implementing the function of a fiscal institution (hereinafter – NAO FI) delivered an opinion on the macroeconomic forecast underpinning the multi-annual net expenditure path. The NAO FI endorsed the macroeconomic forecast and concluded that it is based on credible macroeconomic assumptions and in line with the projections prepared by the NAO FI.
- (10) The plan was presented to the national parliament's committee on European affairs and later approved by the Lithuanian government on 30 April 2025.

#### **Other related processes**

- (11) On 25 October 2024, Lithuania submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on 26 November 2024<sup>9</sup>.
- (12) On 2 May 2025, Lithuania requested the activation of the national escape clause to accommodate higher defence spending, in accordance with Article 26 (1) of Regulation (EU) 2024/1263 and following the Commission Communication (C(2025)2000 final) of 19 March 2025. On [date; OJ: please insert here as date 8 July 2025], the Council, upon a recommendation from the Commission, adopted the recommendation activating the national escape clause for Lithuania<sup>10</sup>.

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<sup>9</sup> Commission Opinion on the Draft Budgetary Plan of Lithuania, 26.11.2024, C(2024) 9058 final.

<sup>10</sup> Council Recommendation allowing Lithuania to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10473/25].



- (13) On 21 October 2024, the Council addressed to Lithuania a series of country-specific recommendations (CSRs) in the context of the 2024 cycle of the European Semester<sup>11</sup>. On [date; OJ: please insert here as date 8 July 2025], the Council addressed to Lithuania a series of country-specific recommendations (CSRs) in the context of the 2025 cycle of the European Semester.<sup>12</sup>

## **SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF**

- (14) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

### **Context: macroeconomic and fiscal situation and outlook**

- (15) Economic activity in Lithuania grew by 2.8% in 2024, driven by a strong increase in private consumption, buoyant services exports and despite a decline in investment. According to the European Commission Spring 2025 Forecast, the economy is expected to grow by 2.8% in 2025, supported by an acceleration of consumption growth and a modest recovery in investment. In 2026, real GDP is set to accelerate again to 3.1% as investment growth strengthens. Over the forecast horizon (i.e. 2025–2026), potential GDP growth in Lithuania is expected to slightly increase from 2.7% in 2024 to 2.8% in 2025, and decline to 2.2% in 2026, driven by natural population decline and the decrease in persons in Lithuania fleeing the war in Ukraine. The unemployment rate stood at 7.1% in 2024 and is projected by the Commission to amount to 6.8% in 2025 and 6.6% in 2026. Inflation (GDP deflator) is projected to increase from 3.4% in 2024 to 3.6% in 2025 and to decrease again to 2.4% in 2026.

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<sup>11</sup> Council Recommendation of 21 October 2024 on the economic, social, employment, structural and budgetary policies of Lithuania, OJ C 6822, 29.11.2024.

<sup>12</sup> Council Recommendation of [date; OJ: please insert here as date 8 July 2025] on the economic, social, employment, structural and budgetary policies of Lithuania, OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10975/25].

- (16) Regarding fiscal developments, Lithuania's general government deficit amounted to 1.3% of GDP in 2024. According to the European Commission Spring 2025 Forecast, it is set to increase to 2.3% of GDP in 2025 and, on a no-policy-change basis, to stabilise at 2.3% in 2026. General government debt was 38.2% of GDP at end-2024. According to the European Commission Spring 2025 Forecast, the debt ratio is projected to increase to 41.2% of GDP at end-2025 and 43.9% at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

#### **Net expenditure path and main macroeconomic assumptions in the plan**

- (17) Lithuania's national medium-term fiscal-structural plan covers the period 2025–2029 and presents a fiscal adjustment over four years.
- (18) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.
- (19) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 5.0% over the years 2025-2029 and 5.2% over the adjustment period 2025–2028.
- (20) The technical information (assuming a linear adjustment path) is consistent with an average net expenditure growth of 4.2% over the years 2025-2029 and 4.3% over the years 2025-2028. The net expenditure path committed to in the plan is reported to lead to a structural primary balance of 0.3% of GDP at the end of the adjustment period (2028). This is equal to the minimum level of the structural primary balance of 0.3% of GDP in 2028 provided by the Commission in the technical information on 31 January 2025.
- (21) The plan assumes potential GDP growth to decrease to 1.8% in 2029 (from 2.8% in 2024). In addition, the plan expects the growth rate of the GDP deflator to increase to 3.4% in 2025 (from 2.8% in 2024), before decreasing to 2.5% in 2028 and 2029.

**Table 2: Net expenditure path and main assumptions in Lithuania's plan**

	2024	2025	2026	2027	2028	2029	Average over the period of validity of the plan 2025–2029	Average over the adjustment period 2025–2028
Net expenditure growth (annual, %)	N/A	6.1	5.2	4.8	4.5	4.3	5.0	5.2
Net expenditure growth (cumulative, from base year 2024, %)	N/A	6.1	11.6	17.0	22.3	27.5	n.a.	n.a.
Potential GDP growth (%)	2.8	2.5	2.3	2.1	2.0	1.8	2.2	2.2
Inflation (GDP deflator growth) (%)	2.8	3.4	2.8	2.6	2.5	2.5	2.8	2.8

Source: Medium-term fiscal-structural plan of Lithuania and Commission calculations.

### **Implications of the plan's net expenditure commitments for general government debt**

- (22) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually increase from 38.5% in 2024 to 43.7% of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, general government debt is planned to decrease slightly until 2031, followed by a resumed increase over the medium term, reaching 48.4% in 2038.

**Table 3: General government debt and balance developments in Lithuania's plan**

	2024	2025	2026	2027	2028	2029	2038
Government debt (% of GDP)	38.5	41.0	42.5	43.5	43.7	43.2	48.4
Government balance (% of GDP)	-1.3	-1.3	-1.3	-1.3	-1.2	-1.4	-3.0

Source: Medium-term fiscal-structural plan of Lithuania

Thus, according to the plan, general government debt would stay below the Treaty reference value of 60% of GDP over the medium term. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Article 16(2) of Regulation (EU) 2024/1263.

#### **Implications of the plan's net expenditure commitments for the general government balance**

- (23) Based on the plan's net expenditure path and assumptions, the general government deficit would decline from 1.3% of GDP to 1.2% of GDP at the end of the adjustment period (2028). Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2028).
- (24) In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Article 16(2) of Regulation (EU) 2024/1263.

## Macroeconomic assumptions of the plan

(25) The plan is based on a set of assumptions which differs from the Commission's assumptions transmitted to Lithuania on 31 January 2025. In particular, the plan uses 28 February 2025 as the cut-off date for the data and other information taken into account for the macroeconomic projections. As for the budgetary projections the plan takes into account the latest budgetary outturn data in absolute terms for 2024, as published by Eurostat in April 2025 but uses the nominal GDP figure with an older cut-off date of 28 February 2025. In addition to the late cut-off date for the data and other information, the plan also uses different assumptions for a further nine variables, namely, potential GDP, the GDP deflator, implicit interest rates and market interest rates, revenue elasticity for 2025, stock-flow adjustments and one-offs, debt composition and maturity profile. A careful assessment of these differences in assumptions is necessary, especially as average net expenditure growth in the plan is higher than implied by the technical information. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan is based on more recent statistical data and estimates for 2024 for the macro-fiscal variables. This difference is duly justified as it takes into account more recent information. Notably, the general government deficit turned out lower than assumed in the Commission's technical information, which makes for a better starting budgetary position. This contributes to higher average net expenditure growth over the validity of the plan than according to the Commission's assumptions.
- The plan uses smoothed potential output growth, which also contributes to higher average net expenditure growth over the validity of the plan compared to the Commission's assumptions. The possibility to use alternative potential growth assumptions is granted by Article 36, paragraph (1), point (f), of Regulation (EU) 2024/1263, provided that cumulative growth over the projection horizon (i.e. up to 2038) is broadly in line with the Commission's assumptions, which is the case in the plan. Consequently, this assumption is deemed to be duly justified.

- The plan uses an updated convergence value for the GDP deflator based on market expectations. The plan also assumes a slightly lower GDP deflator for 2025 and somewhat higher for 2026 compared to the Commission's assumptions. These contribute to a higher average net expenditure growth over the validity of the plan. The differences are in part due to more recent information, in particular consumer price inflation developments in the first months of 2025, especially for energy and food prices. By contrast, the plan assumes faster convergence to the convergence value compared to what would be implied by a linear convergence rule, which partly balances the impact of the other differences in GDP deflator assumptions on the maximum net expenditure growth. While the deflator assumption for 2026 does not factor in the deflationary developments in commodity markets since April 2025, taken together with the steeper decline in 2027–2028, the difference in the GDP deflator assumption is deemed to be duly justified.
- The commitment for net expenditure growth presented in the plan for 2025 implies that Lithuania assumes a higher than unitary revenue elasticity for that year. This contributes to higher average net expenditure growth over the validity of the plan than according to the Commission's assumptions. This assumption is not consistent with the common DSA framework.
- The plan uses more cautious assumptions on implicit and market interest rates as well as for stock-flow adjustments than the Commission's technical information. These contribute to lower average net expenditure growth over the horizon of the plan. This difference is motivated by prudent budgetary policy-making and is therefore duly justified.

The remaining differences in assumptions do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. On balance, the impact on average net expenditure growth from the more cautious assumption on the interest rates and stock-flow adjustments balances that of the different assumption on revenue elasticity in 2025. In turn, this implies that the difference between the net expenditure path in the plan and the one consistent with the technical information is explained by assumptions that the Commission considers duly justified. Overall, all the differences in assumptions taken together lead to average net expenditure growth in the plan that is higher than the average net expenditure growth implied by the technical information. Based on the above assessment, the plan fulfils the requirement under Article 13, point (b), of Regulation (EU) 2024/1263. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

## **Fiscal strategy of the plan**

- (26) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through both expenditure restraint and discretionary revenue increases. The fiscal strategy includes tax policy changes aimed at improving personal income tax progressivity, encouraging investment through corporate income tax revision, broadening the tax base and reducing tax evasion through smarter administration and international cooperation. Additionally, it emphasises future savings in the public sector via zero-based budgeting, reduction of low-priority expenditure and annual public spending reviews to enhance efficiency and allow a reallocation of funds to higher-priority areas such as national defence. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. Some measures were specified in the 2025 budget, adopted by the National Parliament on 19 December 2024, whereas others are expected to be confirmed in the forthcoming budgets. Measures planned for 2025 include, on the revenue side with a positive fiscal impact, an increase in excise duties, mostly on polluting fuels, and an increase in the corporate income tax rate. The adjustments to the personal income tax exemption (the non-taxable income amount) will have a revenue-reducing effect. On the expenditure side, spending increases are planned for public wages, defence, and pensions. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, as other specific measures have yet to be worked out, the level of additional revenues coming from measures to fight tax evasion is generally difficult to predict, and there is a need to make additional fiscal space to increase funding for healthcare, social protection and other public services, as also recommended by the Council.



## **Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union**

- (27) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, and to address the common priorities of the Union. The plan includes about 60 reforms and investments, of which 11 are financially supported by the Recovery and Resilience Facility and 27 by the cohesion policy funds. The plan's reforms and investments are based on an existing government strategy document ('Plan for the implementation of the Nineteenth Government Programme of the Republic of Lithuania').
- (28) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes reforms and investments aiming to increase the share of renewable energy sources by ensuring their integration into electricity grids, to increase the energy efficiency of district heating, hot water and cooling systems and to develop recharging and refuelling infrastructure for alternative fuels. The plan also describes measures to promote the decarbonisation of Lithuanian industry and improve the incentives for more efficient waste prevention, management and recovery of secondary raw materials. Finally, the plan also describes measures, as part of the expansion of ultra-fast broadband coverage in the country, to design the mobile infrastructure needed to operate on the territory of at least five Lithuanian counties. These measures and others in the plan contribute to the implementation of the 2023, 2022, 2020 and 2019 CSRs on climate change mitigation and sustainability, in particular decarbonisation and expanding renewable energy production, but also energy efficiency and the development of sustainable transport. The measures also contribute to CSRs in the area of the expansion of very high-capacity broadband.

- (29) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes reforms and investments aiming to modify the indexation regime for the basic amounts of social benefits to ensure that it better reflects developments in prices and average wages, adjust the indexation of social insurance pensions, improve the implementation of employment support measures, introduce sustainable budget-based funding model for adult learning, and develop a network of regional career centres throughout the country. The plan also includes reforms and investments aiming to introduce quality requirements for social housing, and define, implement, apply and maintain quality requirements for social services. Finally, the plan aims to improve healthcare access and quality, reduce shortages of health professionals and enhance disease prevention. These reforms and investments contribute to the 2024, 2023, 2022, 2020 and 2019 CSRs on improving the planning and delivery of social services, improving the implementation of active labour market policies, strengthening the resilience of the health system, as well as reducing inequality, poverty and social exclusion.
- (30) Concerning the common priority of energy security, the plan includes the completion of the Strategic Harmony Link Project between Lithuania and Poland and strengthening of the resilience of energy systems in strategic sites through the installation of anti-drone systems, stockpiling equipment or the construction of safety walls. These reforms and investments contribute to the 2023 CSR on energy security.
- (31) Concerning the common priority of defence capabilities, the plan includes reforms and investments to develop the National Infantry Division and its enabling military units, to develop the necessary infrastructure to host the German Brigade in Lithuania, to strengthen Lithuania's defence industry and to promote scientific-technological progress.
- (32) The plan provides information on the consistency and, where appropriate, complementarity with the cohesion policy funds and Lithuania's RRP. The plan includes measures from the RRP such as the implementation of renewable fuel production and the development of infrastructure for their use in the transport sector, or the improvement of employment support measures. The plan also supports the same objectives as the RRP.

- (33) The plan aims to contribute to meet the public investment needs of Lithuania related to the common priorities of the Union. The investment needs largely refer to investments outlined in the reforms and investments section. Regarding defence, the plan explains that the Lithuanian State Defence Council expressed the ambition to allocate EUR 28 billion to defence between 2026 and 2030, corresponding to 5-6% of GDP annually. This is above the NATO reference target of 2% of GDP.

#### **Conclusion of the Commission's assessment**

- (34) Overall, the Commission is of the view that Lithuania's plan fulfils the requirements of Regulation (EU) 2024/1263.

## OVERALL CONCLUSION OF THE COUNCIL

- (35) The Council welcomes the medium-term fiscal-structural plan of Lithuania and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.
- (36) The Council takes note of the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.
- (37) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. The Council welcomes that the plan has been presented to the Parliament. The Council also notes that geopolitical risks may put pressure on defence expenditures.
- (38) The Council expects Lithuania to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.
- (39) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

- (40) The Council takes note of the Commission description of the reforms and investment needs and intentions, responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.
- (41) The Council looks forward to the annual progress reports from Lithuania that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.
- (42) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Lithuania.

HEREBY RECOMMENDS that Lithuania

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels,

*For the Council*

*The President*

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**Maximum growth rates of net expenditure**  
**(annual and cumulative growth rates, in nominal terms)**

**Lithuania**

Years		2025	2026	2027	2028	2029
Growth rates (%)	Annual	6.1	5.2	4.8	4.5	4.3
	Cumulative*	6.1	11.6	17.0	22.3	27.5

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\* The cumulative growth rates are calculated by reference to the base year of 2024. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.