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Proposal for a

COUNCIL IMPLEMENTING DECISION

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

{SWD(2021) 187 final}

2021/0196 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Lithuania. In 2019, the gross domestic product per capita (GDP per capita) of Lithuania was 56 % of the Union average. According to the Commission's Spring 2021 forecast, the real GDP of Lithuania declined by 0,9 % in 2020 and is expected to increase by 2 % cumulatively in 2020 and 2021. Longer-standing issues with an impact on medium-term economic performance include poor health and educational outcomes, high income inequality and poverty rates, poor tax compliance, untapped research and innovation potential and low levels of private and public investment.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Lithuania in the context of the European Semester. In particular, the Council recommended to Lithuania to improve tax compliance and broaden the tax base to sources less detrimental to growth, address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system. Moreover, it recommended to improve the quality and efficiency at all education and training levels, including adult learning, and to increase the quality, affordability and efficiency of the healthcare system. Lithuania was also recommended to focus investment-related economic policy on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities, and stimulate productivity growth by improving the efficiency of public investment. In addition it

[1] OJ L 57, 18.2.2021, p. 17.

was also recommended to develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies. To tackle the COVID-19 crisis, Lithuania was recommended to take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. In addition, the Council recommended to Lithuania to strengthen the resilience of the health system, including by mobilising adequate funding and addressing shortages in the health workforce and of critical medical products and improve the accessibility and quality of health services. Furthermore, it was recommended to mitigate the impact of the crisis on employment, increase the funding and coverage of active labour market policy measures and promote skills, ensure the coverage and adequacy of the social safety net and improve the effectiveness of the tax and benefit system to protect against poverty. It was also recommended to support liquidity for businesses, especially for small- and medium-sized enterprises and export-oriented sectors, front-load mature public investment projects, and promote private investment to foster the economic recovery. Finally, the Council recommended Lithuania to focus investment on the green and digital transition, in particular on the coverage and take-up of very high-capacity broadband, on clean and efficient production and use of energy, and sustainable transport and to promote technological innovation in small and medium-sized enterprises. Having assessed progress in the implementation of those country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that the recommendation on taking all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery has been fully implemented. Substantial progress has been achieved with respect to the recommendation to focus investment on energy interconnections.

(3) The Council recommendation on the economic policy of the euro area[2] 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.

(4) On 14 May 2021, Lithuania submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at Union level. Pursuant to Article 19 of that Regulation, the Commission has assessed the relevance, effectiveness, efficiency and coherence of recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

[2] 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

(5) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094 in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union´s economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(6) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, those reforms and investments will mutually reinforce each other and generate positive spillovers across the whole Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

(7) In accordance with Article 19(3), point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) 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 Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of the Member State concerned into account.

(8) The plan includes measures that contribute towards all of the six pillars, with each of the seven components of the plan addressing one or more pillars. Such an approach contributes to ensuring that each pillar is comprehensively addressed in a coherent manner. At the same time, the plan includes one component dedicated specifically to the green transition and another one to the digital transition. 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. 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.

(9) The plan is expected to contribute towards the improvement of macro-economic performance through the mitigation of the economic and social impact of the COVID-19 crisis, while enhancing the economic, social and territorial cohesion, thus supporting the third pillar referred to in Article 3 of Regulation (EU) 2021/241 on smart, sustainable and inclusive growth. This includes increasing investments and supporting long-term innovation, improving educational performance and expanding active labour market policies. The plan focuses on education and innovation, in particular, on the improvement of the education and training framework, therefore contributing to the fourth and sixth pillars referred to in Article 3 of that Regulation. 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.

(10) Following the pandemic crisis, the Lithuanian plan includes measures aimed at strengthening the health and economic, social, and institutional resilience that is the fifth Pillar referred to in Article 3 of Regulation (EU) 2021/241. 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 social infrastructure of Lithuania. 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. The measures included in the plan also aim at improving employment support and guaranteed minimum income protection, with the view to alleviating poverty and improving social cohesion. These measures are expected to improve territorial cohesion.

Addressing all or a significant subset of challenges identified in Country-Specific Recommendations

(11) In accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof addressed to the Member State concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(12) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing to varying degrees all or a significant subset 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 minimum income benefits; tax compliance and the effectiveness of the tax and benefit system; innovation, energy and resource efficiency, sustainable transport and energy interconnections.

(13) 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.

(14) The recommendations regarding the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Lithuania's recovery and resilience plan, notwithstanding the fact that Lithuania 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. Furthermore,

the recommendations related to energy interconnections and liquidity support for the private sector can also be considered as falling outside the scope of the plan as firstly, the energy interconnection projects are on track and secondly, the Lithuanian government introduced tax deferrals, allocated funds for direct payments and committed to providing additional loan guarantees to support liquidity for businesses, in response to the COVID crisis.

(15) Continued convergence remains a priority for Lithuania, and requires reducing regional disparities, addressing a lack of a skilled workforce and low investment, including in research and development. Lithuania's business environment should be improved through reforms and investments aimed at improving tax collection, efficiency of the tax system and digitalising the public sector. The plan aims at improving the quality of education and training at all levels and at increasing the participation rates in adult learning for better skills management. Reforms and investments in higher education, vocational education and training systems are expected to help these systems to better respond to the green and digital transition in the labour market and social policies. The consolidation of agencies responsible for innovation promotion is expected to help make research and innovation policies more efficient. Regional disparities, high risks of poverty and social exclusion are tackled 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. 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. On this basis the plan is expected to provide a significant boost to the growth potential of the Lithuanian economy in a sustainable manner.

Contribution to growth potential, job creation and economic, social and institutional resilience

(16) In accordance with Article 19(3), point (c) and section 2.3 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, 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.

(17) 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.[3] 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,

[3] Such simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon Europe, InvestEU, JTF, Rural Development and RescEU. Such simulation does not include the possible positive impact of structural reforms, which can be substantial.

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 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.

(18) 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. The impact of the plan on territorial cohesion was not quantified, but a qualitative analysis suggests a positive impact on the reduction of socio-economic disparities between Lithuanian regions.

Do no significant harm

(19) In accordance with Article 19(3), point (d) and section 2.4 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[4] (the principle of 'do no significant harm').

(20) The recovery and resilience plan ensures for each reform and investment that no significant harm is done to any of 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. Lithuania provided justifications following the 'do no significant harm' technical guidance of the Commission (2021/C 58/01). Where needed, the requirements of the 'do no significant harm' assessment are enshrined in the design of a measure and specified in a milestone or target of that measure. This ensures that any disbursement for the respective measures can only be made once compliance with the 'do no significant harm' principle is ensured.

[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

(21) The plan pays particular attention to measures whose impact on environmental objectives warrants close scrutiny. The green component puts particular focus on sustainable mobility with a reform "Moving without polluting the environment". 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[5] 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. A system of renewable fuel accounting units should be created to record the quantities of biomethane gas and other renewable fuels supplied to the transport sector according to which the operators should obtain certificates commensurate to the expected renewable fuel use. Finally, the Law on alternative fuels establishes new requirements on the fuel producers.

Contribution to the green transition including biodiversity

(22) In accordance with Article 19(3), point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 37,8 % of the plan's total allocation calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(23) 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. The green component 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 public sector component 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.

[5] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

(24) Regarding renewable energy, the plan is expected to contribute to the creation of at least 301,9 MW of additional electricity generation capacity from renewable energy sources. Out of this new capacity at least 271,8 MW should consist of solar power plants including 4 MW solar power in the Utena region and at least 30,1 MW of onshore wind power. Moreover, individual electricity storage facilities of at least 15,2 MWh and other electricity storage of at least 200 MW should be installed.

(25) As a result of the implementation of the measures in the plan, and in particular investments aimed at accelerating renovation of buildings, a primary energy saving of 215 GWh is expected to be attained by 2026 which could be translated into the reduction of greenhouse gas emissions by 21,500 tCO2eq. This is in addition to the energy and greenhouse gas savings expected from the replacement of polluting vehicles with zero and low emission vehicles, accompanied by the creation of the necessary alternative fuels production and recharging/filling infrastructure. Furthermore, a Circular Economy Action Plan should be adopted by 2023 to ensure Lithuania's transition to a circular economy by 2035. The measures in the recovery and resilience plan are expected to contribute to reaching Lithuania's 2030 and 2050 climate and energy targets.

Contribution to the digital transition

(26) In accordance with Article 19(3), point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 31,5% of the plan's total allocation calculated in accordance with the methodology of Annex VII to Regulation (EU) 2021/241.

(27) The plan addresses all 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 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 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.

(28) In the context of the pandemic, the digitalisation of health and education systems has also become a prominent challenge and a priority for action. 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.

Lasting impact

(29) In accordance with Article 19(3), point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Lithuania to a large extent (Rating A).

(30) 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, such as the consolidation of the hospitals' network, the re-organisation of ambulance services, the establishment of the Health Professionals Competency Platform and the development of the digital health system 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.

(31) 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, notably by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

(32) In accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan are adequate (Rating A) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

(33) 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 ambition of the plan adequately and are realistic. The distribution of milestones and targets across time is somewhat uneven, with a backloading towards 2026. Milestones and targets are also relevant for measures already completed which are eligible according to Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of those milestones and targets over time is required to justify a disbursement request.

(34) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument to assist Member States in the implementation of their plan.

Costing

(35) In accordance with Article 19(3), point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

(36) 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.

Protection of financial interests

(37) In accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding from that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interests, and for protecting the Union finances in

line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council[6].

(38) The internal control system described in the recovery and resilience plan of Lithuania is based on existing processes and structures and clearly identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The system relies on the model used for the structural funds for the 2021-2027 period and should encompass a set of functions and procedures to be carried out by the managing authority, the administering authority and the audit authority within their remit, ensuring compliance with the provisions and principles of the applicable legislation. These bodies should be granted full access to the relevant information. However, while additional expertise and administrative capacity of the newly created audit authority is planned, it still needs to be built up.

(39) Due amongst others to the significant changes in the management and control system of the EU Structural Funds, certain audit and control elements were not yet in place at the time of submission of the plan and therefore they need to be completed in due time. This concerns the adoption of decisions to establish legal mandates of the management, administering and audit authorities, the adoption of an audit strategy and the operationalisation and entry into service of a dedicated IT tool (IS2021), which is necessary for meeting the relevant requirements of Regulation (EU) 2021/241. Concerning the latter, a milestone to monitor the fulfilment of the respective requirements has been included in the plan and should be completed by the time of the first payment request.

Coherence of the plan

(40) In accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

(41) The Lithuanian recovery and resilience 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. The components reinforce each other, in particular the Green Transition and the Digital Transformation. The plan is also consistent with the National Progress Plan and with the Government's Programme.

Equality

(42) The plan contains some measures that are expected to help Lithuania address the challenges posed by gender equality and equal opportunities for all. These include

[6] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I , 22.12.2020, p. 1.)

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.

Security self-assessment

(43) The plan includes a security self-assessment for investments in 5G connectivity, which refers to and describes the national legislation implementing key measures recommended in the context of the EU Toolbox for cybersecurity of 5G networks. These measures include, amongst others, strengthening the role of national authorities, and restricting the role of high-risk suppliers.

Cross-border and multi-country projects

(44) The plan is contributing to the following cross-border and multi-country projects (MCPs): Genome Europe and Via Baltica and Rail Baltica 5G corridors. Some of those projects are funded by other programmes as well, such as Connecting Europe Facility and by structural funds.

Consultation process

(45) The plan was subject to a public consultation which was held in April 2021, allowing citizens and organisations to participate. At the early stages of the plan development, a number of thematic discussions were organised, involving employer organisations, trade unions, local authorities and non-governmental organisations. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(46) Following the positive assessment of the Commission concerning the Lithuanian recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial support.

Financial contribution

(47) The estimated total cost of the recovery and resilience plan of Lithuania is EUR 2 224 686 966. As the recovery and resilience plan satisfactorily complies with the

criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is higher than the maximum financial contribution available for Lithuania, the financial contribution allocated for Lithuania's recovery and resilience plan should be equal to the total amount of the financial contribution available for Lithuania.

(48) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Lithuania is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Lithuania should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution without undue delay.

(49) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[7]. The support should be paid in instalments once Lithuania has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(50) Lithuania has requested pre-financing of 13% of the financial contribution. That amount should be made available to Lithuania subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241.

(51) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Lithuania on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved.

The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

[7] OJ L 424, 15.12.2020, p. 1.

Article 2
Financial contribution

1. The Union shall make available to Lithuania a financial contribution in the form of non-repayable support amounting to EUR 2 224 195 119[8]. An amount of EUR 2 091 774 090 shall be available to be legally committed by 31 December 2022. Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 calculating an amount for Lithuania equal to or more than this amount, a further amount of EUR 132 421 029 shall be available to be legally committed from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Lithuania in instalments in accordance with the Annex. An amount of EUR 289 145 365 shall be made available as a pre-financing payment, equal to 13 % of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Lithuania has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3
Addressee

This Decision is addressed to the Republic of Lithuania.

Done at Brussels,

For the Council
The President

[8] This amount corresponds to the financial allocation after deduction of the Lithuania's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.