NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF LITHUANIA

2025-2029

LIETUVOS RESPUBLIKOS VYRIAUSYBĖ

CONTENTS

Abbreviations and their explanations 5
Introduction 7
1. Fiscal commitments and macroeconomic assumptions 10
1.1. Fiscal commitments 10
1.2. Fiscal policy guidelines 12
1.3. Macroeconomic assumptions and their comparison with the assumptions used by the EC in the preparation of the technical information 13
1.4. Evolution, management and sustainability assessment of government debt 15
2. Reforms and investments 18
2.1. Implementation of the common priorities of the EU 18
2.2. Implementation of the CSR for Lithuania 22
2.3. Compatibility with the RRF and the PA 33
2.4. List of reforms and investments 35
2.5. Investment needs 43
Sources 47
MACROECONOMIC ASSUMPTIONS. FISCAL PROJECTION CONSISTENT WITH THE NET EXPENDITURE PATH 49
CSRs PROVIDED BY THE EU COUNCIL TO LITHUANIA IN 2019-2024 54

List of tables

Table 1. Fiscal commitment 11
Table 2. Macro-fiscal indicators consistent with the fiscal commitment 11
Table 3. Projected costs of ageing (p.p. of GDP)) 12
Table 4. Stock-flow adjustment (% of GDP) 15
Table 5. Interest rates on long-term (10-year) Government borrowing on behalf of the State (%) 15
Table 6. Summary of the CSR to Lithuania by the Council of the EU during the 2019–2024 period ... 22
Table 7. Reforms and investment 36
Table 8. Investment needs to meet the EU's common priorities and other objectives of relevance to Lithuania and the EU 44
Table 9. Macroeconomic scenario consistent with the fiscal commitment 49
Table 10. External assumptions 50
Table 11. Projection of general government finances consistent with the net expenditure path 50
Table 12. Projections of general government debt and balance and their main assumptions, consistent with the net expenditure path 53
Table 13. CSR provided by the EU Council to Lithuania in 2019-2024 54

List of figures

Figure 1. Evolution of general government debt with the net expenditure path assumption, % of GDP 16
Figure 2. Development of credit ratings on long-term foreign currency borrowing of Lithuania 17
Figure 3. EU's common priorities 18
Figure 4. Results of the previous and ongoing measures in the area of economic and financial policy 25
Figure 5. Results of the previous and ongoing measures in the field of healthcare 27
Figure 6. Results of the previous and ongoing measures in the field of social protection 29
Figure 7. Results of the previous and ongoing measures in the field of education and matching skills with the labour market needs 31
Figure 8. Results of the past and ongoing actions in climate change mitigation and sustainability areas 33
Figure 9. Components of the NGL Plan 33
Figure 10. Main intervention directions of the programmes implemented under the PA (IP, Lithuanian Fisheries Sector Programme 2021–2027, and the Material Deprivation Reduction Programme)..... 34

Abbreviations and their explanations

ALMPs – active labour market policies

Budget for 2025 – the Law on the Approval of the Budget of the Republic of Lithuania for the years 2025-2027[1]

Communication on defence cost assessment – European Commission Communication of 19 March 2025 on accommodating increased defence expenditure within the Stability and Growth Pact

CSR – a country-specific EU Council recommendation on the economic, social, employment, structural and budgetary policies

DHCS – district heating and cooling system

EC – European Commission

EDS – Economic Development Scenario prepared by the Ministry of Finance of the Republic of Lithuania, published on 20 March 2025 on the website of the Ministry of Finance[2], approved by the independent fiscal institution[3]

ESA – European System of Accounts 2010

EU – European Union

GDP – the gross domestic product. The Plan uses a value of EUR 77,940 million for 2024 GDP at current prices

GHG – greenhouse gases

HICP – Harmonised Index of Consumer Prices

Independent fiscal institution – the independent fiscal institution of the Republic of Lithuania, the functions of which are performed by the Budget Policy Monitoring Department of the State Audit Office of the Republic of Lithuania

IP – European Union Investment Programme 2021-2027

IT – information technology

Lithuania 2050 Strategy – the State Progress Strategy "Lithuania's Vision for the Future "Lithuania 2050"

NATO – North Atlantic Treaty Organisation (NATO)

Net expenditure – government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures

[1] the Law on the Approval of the Budget of the Republic of Lithuania for 2025-2027 https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c46cb880c13d11ef940bca4d136e126f?positionInSearchResults=0&searchModelUUID=7fb97694-b35d-4515-8b9b-b462162430b6.

[2] Economic development scenario https://finmin.lrv.lt/public/canonical/1742387552/24820/ERS%20apra%C5%A1ymas%202025%20kovas_skelbimui.pdf.

[3] Conclusion of the Independent Fiscal Institution, 26 March 2025, No BPE-1 https://www.valstybeskontrole.lt/LT/Product/24301/isvada-del-ekonomines-raidos-scenarijaus-tvirtinimo

Net expenditure path – the multi-annual trajectory of a Member State's net expenditure within the meaning of Regulation 2024/1263

NGL Plan – "Next Generation Lithuania" Plan for economic recovery and resilience

OECD – Organisation for Economic Co-operation and Development

PA – Partnership Agreement

PIPGP – Plan for the implementation of the provisions of the Nineteenth Government Programme of the Republic of Lithuania

Plan – the national medium-term fiscal-structural plan of Lithuania for 2025-2029, prepared in accordance with Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance, repealing Council Regulation (EC) No 1466/97, and Resolution No 48 of the Government of the Republic of Lithuania of 5 February 2025 "On the preparation and implementation of the national medium-term fiscal-structural plan and annual progress report of Lithuania"[4]

Recommendation on the Plan – Council of the European Union recommendation to the Member State on the adoption of the Plan

Regulation (EU) 2024/1263 – Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance, repealing Council Regulation (EC) No 1466/97

RES – renewable energy sources

RRF – Recovery and Resilience Facility – a new European Union grant and loan facility for Member States of the European Union to implement structural reforms and related investments, as well as the green and digital transformation, established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing an instrument for economic recovery and resilience[5]

R&D – research and experimental development

SDA – the State Data Agency

SME – small and medium-sized enterprises

STEAM – Science, Technology, Engineering, Arts and Mathematics (STEAM)

Note. The 2024 government finance statistics in millions of euro are in line with the government finance statistics published by the SDA on 4 April 2025 and the 2024 GDP at current prices of EUR 77,940 million is in line with the value used for the EDS. The EDS is compiled using statistical data published by 28 February 2025 and published on 20 March 2025. The EDS was approved by an independent fiscal institution. The fiscal projection is based on statistical data and the EDS, the most recent information available until 15 April 2025.

[4] Resolution of the Government of the RoL https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/a4db6656e3c111ef8cdff2c320e69444?positionInSearchResults=0&searchModelUUID=b90268b5-2740-4079-af02-b4979b3c973e.

[5] Lithuania may receive a non-repayable grant of around EUR 2.298 billion and a loan component of EUR 1.552 billion.

Introduction

The national medium-term fiscal-structural plan of Lithuania (hereinafter – the Plan) is based on the Stability and Growth Pact of the European Union (hereinafter – EU), Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance (hereinafter – Regulation (EU) 2024/1263). Under Regulation (EU) 2024/1263, the Plan is a commitment by an EU Member State during the mid-term (the term of the Government) to: (i) manage its public finances in a way that maintains financial sustainability, i.e. that government debt does not exceed 60% of gross domestic product (hereinafter – the GDP) and the deficit does not exceed 3% of the GDP reference values established in the Treaty on the European Union; (ii) implement structural reform and investment measures to address the country-specific recommendations of the Council of the EU on economic, social, employment, structural and budgetary policies (hereinafter – the CSR), contributing to the implementation of the EU's common priorities.

The Plan covers the 2025-2029 period. Compliance of the Plan with the requirements laid down in Regulation (EU) 2024/1263 are assessed by the European Commission (hereinafter – the EC), and the Council of the EU, taking into account the EC's assessment, decides on its approval by adopting a Recommendation of the EU Council for the Member State (hereinafter – the Recommendation on the Plan). The Recommendation on the Plan sets out, for each year of the Plan period, the maximum possible percentages of growth in net general government expenditure that the Member State has to respect when preparing its budgets for the respective years.

Progress on the implementation of the Plan will be presented each year in an annual progress report as foreseen in Regulation (EU) 2024/1263. This report provides information and data on the implementation of the Recommendation on the Plan, i.e. compliance with the net expenditure growth restraint, and on the progress of reforms, and investment.

The Plan consists of the following two parts:

1. the fiscal part, which provides information on the commitments made by the Government of the Republic of Lithuania on the management of government expenditure (the net expenditure path); macroeconomic assumptions underpinning the consistency of the net expenditure path with the headline target of maintaining the sustainability of government finances; and the evolution of government debt consistent with the net expenditure path.
2. the reforms and investments part, which presents how Lithuania's planned structural reform measures address the EU's common priorities and the CSR. It also presents the coherence of the planned reforms and investments with the Recovery and Resilience Facility (hereinafter – RRF) and the Partnership Agreement (hereinafter – PA), as well as Lithuania's future public investment needs.

The reforms and investments part of the Plan is based on the Plan for the Implementation of the Provisions of the Nineteenth Programme of the Government of the Republic of Lithuania[6]

[6] Government of the Republic of Lithuania, 2025. Resolution No 151 of the Government of the Republic of Lithuania of 12 March 2025 "On the Approval of the Implementation Plan for the Provisions of the Nineteenth Government Programme of the Republic of Lithuania". Available at https://e-

(hereinafter – the PIPGP). Extensive public consultation has been carried out on the content of the PIPGP and, consequently, of the Plan, in particular on the reforms and investments to be included in it. During the period between November 2024 and February 2025, 27 consultations were organised by the Ministries of the Republic of Lithuania, with the participation of a wide range of socio-economic partners: business, employees, non-governmental organisations, etc. Stakeholders had the opportunity to take part in public presentations and discussions and to submit their proposals on the priorities and planned actions identified by the Government. In addition, more than 2,100 written proposals for improving reforms and investments were received from socio-economic partners during the consultation period. This process has ensured that the actions and measures contained in the Plan are aligned with the needs of different sectors and socio-economic groups and aim at sustainable economic growth.

The draft Plan was presented and discussed in the European Affairs Committee of the Seimas of the Republic of Lithuania and during the technical dialogue with the EC. The Plan has been approved by the Government[7].

Lithuania is not subject to macroeconomic imbalance or excessive deficit procedures, as they are understood in the Council Regulations, respectively (EU) No 1176/2011 and (EU) No 1467/97, as well as the macroeconomic adjustment programme in accordance with Council Regulation No 472/2013.

In recent years, Lithuania has demonstrated its ability to respond to crises while simultaneously pursuing its long-term strategic objectives. The successfully contained COVID-19 pandemic and the subsequent inflation surge were successfully managed: annual average inflation stood at 19.7% in 2022, declined to 9.1% in 2023 (OSP, 2023; SDA, 2024) and further fell to 0.7% in 2024 (SDA, 2025). In the face of Russia's war in Ukraine, the defence budget was significantly increased, reaching 3% of GDP in 2024[8] (MoD, 2025b). Despite these challenges, general government debt remained relatively low, standing at 38.5% of GDP in 2024 – well below the EU average of 81% of GDP in 2024.

Economic stability has benefited from positive developments in migration. Improving migration trends in recent years have turned a long-standing negative migration balance into a positive one. The change was particularly pronounced in 2022, after the outbreak of war in Ukraine. This situation and the growing labour force participation of the Lithuanian population have contributed to the strengthening of the labour market, with labour supply increasing and the number of employed people in Lithuania in 2024 being 7.9% higher than in 2019 (Bank of Lithuania, 2025).

At the same time, Lithuania has achieved significant results in the energy sector and in improving the investment climate: renewable energy plants generated 70% of the country's electricity in 2023-2024, while solar and wind power capacity surpassed 4 GW in 2025 (EM, 2025; Litgrid, 2025a). In 2024, Lithuania attracted 47 projects from foreign investors, with investments amounting to EUR 565 million, creating more than 3,000 jobs (EIM, 2025).

seimas.lrs.lt/portal/legalAct/lt/TAD/12f5cd91062911f0a2ad91db29a9514e?positionInSearchResults=0&searchModelUUID=639fe1a8-59f6-4680-a3ac-d9b1197676b1.

[7] Resolution No 255 of the Government of the Republic of Lithuania of 30 April 2025, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c4f65c7125ba11f09cbcab0ff4d74843?positionInSearchResults=2&searchModelUUID=a92df00d-af24-4c2f-a502-1764aff6e8dc

[8] Based on the 2024 budget execution data in cash flow terms.

While making progress, Lithuania still faces challenges in the areas of public finances, socio-economic inequalities, and other areas. The quality and accessibility of public services remain insufficient, especially in areas far from the country's major cities. Regional economic disparities in Lithuania became even more pronounced in 2022-2023. More specifically, in the Vilnius region, GDP per capita increased by EUR 3.7 thousand per year and exceeded the national average by 52.1 percentage points in 2023. In other regions, GDP growth was much slower, with most of them below EUR 1,600; in four of them GDP per capita was only around 55-58% of the national average (MoI, 2025).

To address the current challenges and to meet the EU's overall priorities and the CSR, Lithuania envisages reforms and investments in a number of areas, particularly focusing on green and digital transformation and socio-economic resilience. The transformation of energy, transport and industry is being driven by the expansion of renewable energy sources (hereinafter – RES), the modernisation of electricity grids, the development of infrastructure for alternative fuels and the promotion of energy efficiency. There are also significant mitigation measures targeting industrial decarbonisation, building renovation, the strengthening of the circular economy and sustainable agricultural transition. Digitalisation plays an important role, with the development of information technology (hereinafter – IT) infrastructure, the introduction of cloud solutions, and the digitalisation of public services.

In the social field, the well-being of the population, reducing poverty, and preventing social exclusion are prioritised. Key reforms aim to improve the adequacy of social services and benefits, ensure the sustainability of social insurance, revise the second pillar of pensions based on personal accounts, increase access to housing and strengthen support for children. The Plan focuses on promoting employment, more effectively targeted employment support measures and the development of career guidance services. Planned reforms will also modernise the educational content, strengthen teacher training, develop adult learning opportunities, promote research and experimental development (hereinafter – R&D) projects and attract talent. Reforms in the health sector are directed at improving the quality and accessibility of services and the development of medical workforce competences, with particular focus on mental healthcare and resilience-building. Concurrently, strategic actions in energy security, defence capabilities and economic competitiveness are being pursued to build a resilient, innovative and socially just country.

1. Fiscal commitments and macroeconomic assumptions

1.1. Fiscal commitments

The review of the EU's economic governance framework, which was finalised in April 2024, has led to a major overhaul of the numerical fiscal discipline rules applicable to all EU Member States, with the main pillar of the numerical rules being the government debt, which must remain at a sustainable level below the Maastricht criterion of 60% of GDP in both the longer (14 years into the future) and the long term. If the debt-to-GDP ratio is above 60% of GDP, the Member State must manage government expenditure in such a way as to ensure that debt is reduced consistently and at a sufficient pace and that the general government deficit remains below 3% of GDP. If the general government deficit exceeds the 3% of GDP threshold, the Excessive Deficit Procedure applies.

Net expenditure in the new economic governance framework is the main indicator used to assess the compliance of an EU Member State's public finances with the EU fiscal discipline rules. Net expenditure as defined in the Regulation (EU) 2024/1263 is general government expenditure, excluding interest expenditure, expenditure on EU programmes (which is equal to revenue from the EU), national expenditure on EU co-financed programmes, cyclical unemployment benefits and after taking into account discretionary revenue measures, one-off and other temporary measures.

For the Member States meeting the debt and deficit Maastricht criteria, the EC provides technical information at the request of the Member State. It specifies the value of the general government structural primary balance that the Member State must achieve by the end of the Plan period in order to keep the general government deficit below 3% of GDP and debt below 60% of GDP over the next 14 years, i.e. until 2038, after taking into account the ageing costs. Member States may choose the percentage of net expenditure growth in certain years of the Plan period, basing the sustainability of net expenditure growth on plausible macro-economic assumptions and projections, and ensuring that such expenditure growth will allow the achievement of the structural primary balance of the general government, as specified in the technical information.

Upon Lithuania's request, the EC provided the technical information on 31 January 2025 based on the EC's 2024 autumn forecasts and the debt sustainability assessment carried out for Lithuania. The technical information shows that at the end of the adjustment period, in 2028, the structural primary balance of the Lithuanian general government should be no worse than 0.3% of GDP, or, after excluding interest expenditure, the structural balance should be no lower than -1% of GDP.

According to the fiscal discipline rule set out in the Constitutional Law on the Implementation of the Fiscal Compact of the Republic of Lithuania[9], in years when the economy is projected to grow more slowly than it could potentially do, the general government structural balance should be no worse than -1% of GDP. Given that the economic development scenario[10], prepared by the Ministry of Finance and published on 20 March 2025, as endorsed by the

[9] Constitutional Law on the Implementation of the Fiscal Compact of the Republic of Lithuania https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/6be2c020699a11e48710f0162bf7b9c5/asr?positionInSearchResults=0&searchModelUUID=c86eae70-004e-469f-ac94-e79b770172b0

[10] Economic Development Scenario, https://finmin.lrv.lt/public/canonical/1742387552/24820/ERS%20apra%C5%A1ymas%202025%20kovas_skelbimui.pdf.

independent fiscal institution[11] (hereinafter – the EDS), foresees a negative output gap relative to potential in all years of the Plan period, the requirements for fiscal consolidation under the technical information and the national structural balance rule are similar.

Lithuania does not use the provision of Regulation (EU) 2024/1263 on the possibility to extend the fiscal adjustment period up to a maximum of 7 years, so Lithuania is subject to the 2025-2028 fiscal adjustment period. However, due to the need to align the Plan's timeframe with Lithuania's political cycle, the overall timeframe of the Plan extends to 2029.

The 2025 budget was approved by the Seimas in December 2024 and no changes are foreseen during the preparation of the Plan. The Plan sets out an expenditure plan for the period 2025-2029 (**Table 1**), which allows net expenditure to grow at an average annual rate of 5.2% between 2025 and 2028, resulting in a primary structural balance of 0.3% of GDP in 2028. At the end of the fiscal adjustment period foreseen in the technical information, in 2029 the general government structural primary balance is projected to be maintained at the level indicated in the technical information (**Table 2**).

1 Table 1. Fiscal commitment

			2025	2026	2027	2028	2029
1	Net nationally financed primary expenditure	(growth rate, %)	6.1	5.2	4.8	4.5	4.3
2	Net nationally financed primary expenditure	(cumulative growth rate, %)	6.1	11.6	17.0	22.3	27.5

Source: Ministry of Finance.

2 Table 2. Macro-fiscal indicators consistent with the fiscal commitment

		2024	2025*	2026	2027	2028	2029
		growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
1	Potential GDP	2.8	2.5	2.3	2.1	2.0	1.8
2	GDP deflator	2.8	3.4	2.8	2.6	2.5	2.5
		% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
3	Net lending (+) / borrowing (-)	-1.3	-1.3	-1.3	-1.3	-1.2	-1.4
4	Structural balance	-0.5	-0.6	-0.8	-0.9	-1.0	-1.1
5	Structural primary balance	0.3	0.4	0.3	0.3	0.3	0.3
5a	Structural primary balance corresponding to the technical information provided by the EC	-	-	-	-	0.3	-
6	General government debt	38.5	41.0	42.5	43.5	43.7	43.2
7	Change in general government debt	1.1	2.5	1.5	1.0	0.2	-0.5

Sources: SDA, Ministry of Finance, EC.
Notes:
1. The values of the 2025 indicators in this table are not consistent with the 2025 budgetary projection.
2. The structural primary balance for 2029 excludes ageing costs.

The 2025-2028 net expenditure path does not include possible additional defence expenditure, which, according to the EC Communication of 19 March 2025 on Accommodating increased defence expenditure within the Stability and Growth Pact[12] (hereinafter – the Communication on Accommodating increased defence expenditure), would be subject to the flexibility of the application of the EU's fiscal discipline rules laid down in Regulation (EU) 2024/1263.

[11] Conclusion of the Independent Fiscal Institution, 26 March 2025, No. BPE-1, https://www.valstybeskontrole.lt/LT/Product/24301/isvada-del-ekonomines-raidos-scenarijaus-tvirtinimo
[12] EC Communication. *Accommodating increased defence expenditure within the Stability and Growth Pact*, 19 03 2025) https://defence-industry-space.ec.europa.eu/document/download/a57304ce-1a98-4a2c-aed5-36485884f1a0_en?filename=Communication-on-the-national-escape-clause.pdf.

Although Lithuania's general government debt was 38.5% of GDP in 2024 and well below 60% of GDP, ageing will put additional pressure on public finances (**Table No. 3**). Regulation (EU) 2024/1263 sets out the need to manage net expenditure in such a way that at the end of the adjustment period, the primary structural balance, interest payments, ageing costs and other components included would not result in exceeding the Maastricht criterion of 3% of GDP and does not increase the risks to the long-term sustainability of general government finances. The 2024 Ageing Report[13] projects that the costs of ageing in Lithuania will increase steadily over the 10 years after the adjustment period, reaching 1.6 percentage points of GDP in 2038.

3 **Table 3. Projected costs of ageing (p.p. of GDP))**

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Costs of ageing	0.2	0.4	0.5	0.7	0.9	1.1	1.2	1.4	1.5	1.6

Source: EC.
Note**:** Ageing costs are calculated from projections of government expenditure in the four ageing-related areas (pensions, health, long-term care and education), minus the sum of the current year's amount for the last year of the adjustment period (in this case – 2028).

1.2. Fiscal policy guidelines

Expenditure policy priorities. In a tense geopolitical situation, the main priority of expenditure policy for 2025-2029 is to ensure national defence and all kind security. Meeting the EU common priority of strengthening defence capabilities will require significant defence expenditure throughout the Plan period. The impact on government finances of rapidly increasing defence expenditure over the Plan period, starting 2025, will lead to a deviation from the Plan's expenditure path.

In the light of the Communication on Accommodating Increased Defence Expenditure[14], which, inter alia, calls on EU Member States to make coordinated use of the flexibility clause in EU rules, Lithuania is addressing the EC and the Council on the application of national escape clause for the period 2025-2028. The request is based on Article 26(1) of Regulation (EU) 2024/1263, which provides that *the Council may adopt a recommendation allowing a Member State to deviate from its net expenditure path as set by the Council where circumstances outside the control of the Member State have a major impact on the public finances of the Member State concerned, provided that such deviation does not endanger fiscal sustainability over the medium term*.

The Plan contains the reform and investment measures to maintain the sustainability of government finances in the medium and long term. The tax and expenditure policies foreseen in the Plan period will have a positive impact:

- **Tax policy** aimed at securing sustainable incomes, an efficient, growth-friendly and socially just tax system:
  - greater progressivity in personal income taxation;
  - promoting investment by reviewing corporate taxation;
  - strengthening the tax base;
  - more effective prevention of the shadow economy and reduction of the tax gap, to encourage voluntary payment of taxes, by simplifying tax procedures, expanding electronic services, increasing access to consultations, and ensuring prevention of

[13] The Ageing Report 2024 https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en.

[14] EC Communication. *Accommodating increased defence expenditure within the Stability and Growth Pact*, 19 03 2025) https://defence-industry-space.ec.europa.eu/document/download/a57304ce-1a98-4a2c-aed5-36485884f1a0_en?filename=Communication-on-the-national-escape-clause.pdf.

tax violations based on smart data analysis, including data generated in cooperation with authorities at national and international level.

Specific measures reflecting the CSR tax policy are foreseen under the reforms of the RRF[15] Component 6: “A fairer and more growth-friendly tax system”, “Improving tax compliance”, “Smart tax administration to reduce the VAT gap faster”, etc.

- **Mobilising the public sector’s internal financial resources**. As part of the preparation of the 2026-2028 budget, the Government instructed the ministries, with the exception of the Ministry of National Defence of the Republic of Lithuania, in their areas of responsibility, applying zero-budget method, to reduce expenditures by reviewing the expenditure required for the implementation of the continuous State budget measures , if they are not related to the provision of the public services (for example, administrative expenditure, IT expenditure, and other costs of goods and services procured through public procurement). Savings should be achieved without adversely affecting society and/or its groups, or limiting the scope and/or quality of services that are important to citizens. At the same time, ministries (with the exception of the Ministry of National Defence) are instructed to drop or reduce the scope of measures and activities of the lower-priority.
- **Reviewing public expenditure and increasing efficiency of public spending**. In 2023-2024, the Ministry of Finance was implementing the RRF-funded project “Implementing a Systematic Review of Public Expenditure and Improving the Estimation of Continuing Financing Needs” The major review of the state budget’s continuing expenditure was carried out, the recommendations for ministries to improve the efficiency of spending by reallocating expenditure from the underperforming measures to priority measures were provided. Also, the recommendations on more accurate planning of expenditure needs and more precise definition of the targeted results and their monitoring. Many of these recommendations have been implemented in the preparation of the 2025-2027 budget.

The Ministry of Finance plans to continue the annual review of public expenditure. The 2025-2026 expenditure review will be carried out within the framework of the EU technical assistance project “Advancing Public Expenditure Reviews in Lithuania: improving methods and strengthening competences”, which will carry out, with the support of IMF experts, an expenditure review in a selected area, aimed at improving efficiency and identifying opportunities for internal savings, and reallocating expenditure to priority needs. This review will also evaluate the methodology of reviewing costs used so far with a view to improve it.

- **Information on the specific discretionary revenue and expenditure measures that will come into force from 2026 onwards will be provided in the Lithuanian draft budgetary plan.** The list of discretionary revenue measures applicable in the 2024-2025 period and their quantification is provided in the 2025 Annual Progress Report, prepared under Regulation (EU) 2024/1263[16].

1.3. Macroeconomic assumptions and their comparison with the assumptions used by the EC in the preparation of the technical information

The net expenditure path in Lithuania’s Plan differs from the net expenditure guidelines provided to Lithuania by the EC in the technical Information. According to Article 13 of

[15] Annex to the proposal for a Council Implementing Decision https://data.consilium.europa.eu/doc/document/ST-13498-2024-ADD-1/lt

[16] In accordance with Article 21 of Regulation (EU) 2024/1263, each Member State must submit an annual progress report to the Commission no later than 30 April each year, providing information on the implementation of the Plan.

Regulation (EU) 2024/1263 , higher limits on net expenditure growth must be justified by data and economic arguments. All macroeconomic and other assumptions underlying the calculation of the net expenditure ceilings for Lithuania are set out in **Table 9 of Annex 1**. This part of the Plan provides information on the main reasons for the differences in assumptions.

The projected net expenditure ceilings for Lithuania differ from those calculated in the EC technical information due to differences in the following assumptions: the primary fiscal position, potential and real GDP growth, GDP deflator growth, stock-flow adjustment, the interest rate on long-term government debt, and the share of long-term government debt that matures in a given year. All changes to these assumptions are consistent with the latest statistical data and information available at the time of the Plan's preparation.

The difference in the government's primary fiscal position is due to the change in the 2024 estimate of the primary structural balance. The Plan takes into account the Lithuanian government finance statistics published by Eurostat on 22 April 2025[17], which estimate an improved primary structural balance in 2024 (0.33% of GDP) compared to the one provided in the technical information (-0.37% of GDP).

The growth assumptions for potential GDP, real GDP and the GDP deflator for the period 2025-2026 are consistent with the March 2025 EDS prepared by the Ministry of Finance, which takes into account the statistical data and other information published until 28 February 2025. The choice of these assumptions instead of the assumptions used by the EC is due to the fact that the publication date of the EDS (20 March 2025) is much closer to the Plan's preparation date, and therefore includes more recent external assumptions and statistical information, while the EC's macroeconomic assumptions are based mainly on the November 2024 economic forecast.

From 2027 to 2029, the estimates of potential GDP growth are combined with the assumption of the technical information, taking into account that the Plan has to be consistent with the EC methodology for debt sustainability monitoring[18]. Real GDP growth is recalculated using the output gap projected by EDS. For the subsequent period, assumptions for potential and real GDP growth consistent with the technical information are used in the calculations.

From 2027, the GDP deflator growth rate starts to gradually converge towards the 2034 target. Based on the EC methodology for debt sustainability monitoring , the 2034 estimate has been updated taking into account the latest (March 2025) 10-year and 20-year inflation swap data, with the final estimate calculated as the average expected inflation over a 10-year period, starting after 10 years. From 2035 onwards, as in the technical information, GDP deflator growth is converging towards the European Central Bank's inflation target of 2% to be gradually reached in 2054.

The Ministry of Finance has prepared the stock-flow adjustment assumption taking into account the latest (March 2025) actual data and the Government borrowing programme. 2024-2028 stock-flow adjustment and the differences in this assumption compared to the estimates in the technical information are presented below in Table No. 4. The projections of the Ministry of Finance take into account: the difference between the accrual-based general government balance and the cash- based State budget balance, the cash flows of the EU funds and other international financial assistance, the planned on-lending by the sovereign

[17] Lithuanian government finance statistics: https://ec.europa.eu/eurostat/documents/1015035/21384415/LT-2025-04.pdf/8d1ffac1-e14e-73c4-feb6-e8ebcaa17b29?t=1745133470559.
[18] EC, Debt Sustainability Monitor 2023). Available at: https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en.

and the repayments of sovereign on-lent loans in previous years, the evolution of the liquid assets of the Treasury. From 2029 onwards, an assumption consistent with the technical information is applied, with the stock-flow adjustment t being set to zero.

4 Table 4. Stock-flow adjustment (% of GDP)

	2024	2025	2026	2027	2028
Plan	1.8	3.4	2.5	1.9	0.9
EC technical information	0.9	2.7	3.1	0.0	0.0
Difference	0.9	0.7	-0.6	1.9	0.9

Sources: Ministry of Finance, EC.

The assumption for the long-term government interest rate is also based on the most recent information. The differences between the Ministry of Finance's projected interest rate assumption and the long-term interest rate assumption for Government borrowing on behalf of the State, as provided in the technical information, are shown in Table No. 5. Up to 2025, these differences are driven by the latest actual data and for 2026, the projections based on the latest data. The Ministry of Finance's projections use up to March 2025 data for interest rate swap prices, with an added risk premium paid on government securities of the relevant maturity issued in foreign markets and traded in the secondary market. The difference in the projections from 2027 to 2033 is due to the updated projection for 2034, with which interest rates are expected to gradually converge according to the methodology of the EC's Debt Sustainability Monitor. From 2035 onwards, as in the technical information, it is assumed that long-term (10-year) interest rates on Government borrowing on behalf of the State will gradually approach 4% by 2054.

5Table 5. Interest rates on long-term (10-year) Government borrowing on behalf of the State (%)

	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35	'36	'37	'38
Plan	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.8
Technical information	3.4	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.9	3.9	3.9	3.9
Difference	0.1	0.6	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1

Sources: Ministry of Finance, EC.

The share of long-term government debt maturing in a given year is projected in the same way as in the technical information, until 2034, with the ratio converging to the average of the last 6 actual years, and then equalising it to this average from 2035. The differences in this assumption are due to the fact that at the time of the Plan's preparation, the European Central Bank had already published the actual data for 2024, and the Ministry of Finance already knew the expected value for 2025 (without including it in the calculation of the actual average). The Plan assumes the long-term government debt ratio maturing in the relevant year is 0.094 in 2034, compared to 0.086 in the EC technical information.

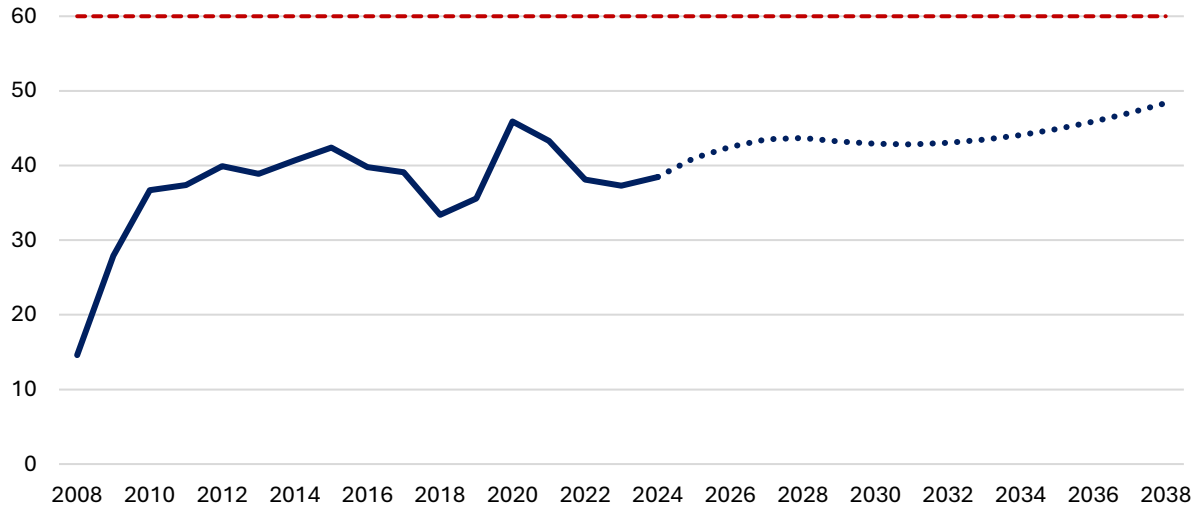
1.4. Evolution, management and sustainability assessment of government debt

General government debt stood at 38.5% of GDP at the end of 2024. Over the Plan period, the net expenditure path would lead to an increase in the government debt-to-GDP ratio from 38.5% in 2024 to 43.2% in 2029. Risks to the long-term sustainability of general government finances are not expected to increase significantly[19]. The Plan meets the sustainability condition under which the EC has prepared technical information for Lithuania: by maintaining

[19] According to the EC's Debt Sustainability Report 2024, Lithuania is at medium risk of debt sustainability in the medium to long term: https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2024_en

a primary structural surplus at the end of the adjustment period in 2028, taking into account ageing costs, among other components, the general government deficit in 2038 will not exceed the Maastricht criterion of 3% of GDP (without additional fiscal policy measures). With the deficit below 3% of GDP, the debt-to-GDP ratio should be well below 60% of GDP in 2038 (**Figure 1**).

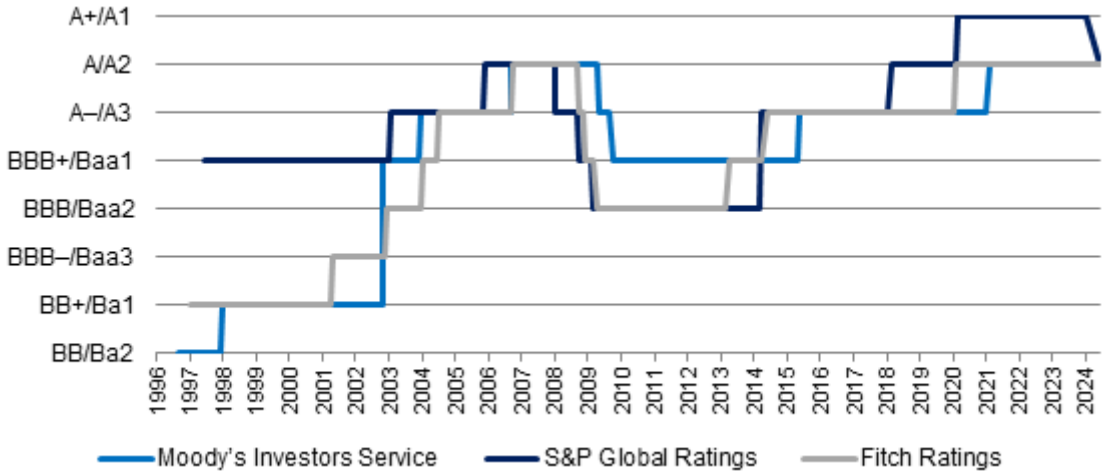
1 1. Evolution of general government debt with the net expenditure path assumption, % of GDP



The goal of the Government's borrowing and debt management for the 2025-2028 period is to ensure the financing of objectives set out in the Law on State Debt of the Republic of Lithuania with borrowed funds at the lowest possible cost and at an acceptable level of risk, and to ensure the efficient and rational management of the State's cash resources. In order to achieve these objectives, the Government intends to ensure the liquidity and efficiency of the government securities market, to further develop and diversify the investor base, to increase the transparency of borrowing activities, to optimise cash flows, and to manage the risks of interest rate fluctuations, refinancing, exchange rate movements and guarantees.

Lithuania's long-term foreign and local currency borrowing credit ratings set by *Fitch Ratings* and *Moody's* were unchanged in 2024, while *S&P Global Ratings* changed Lithuania's previously assigned long-term borrowing rating from A+ with negative outlook to A with stable outlook in May 2024.

2 **2. Development of credit ratings on long-term foreign currency borrowing of Lithuania**



Source: Ministry of Finance.

According to rating agencies' experts, Lithuania's higher investment grade rating is driven by its membership of the euro area and NATO, a moderate level of public debt, a strong institutional and political framework, and economic resilience and growth prospects.

Contingent liabilities of the State. The State's liabilities under State-guaranteed loan agreements and State-guaranteed non-equity securities issuance documents increased by 16.2% or EUR 143.3 million in nominal terms over 2024, reaching EUR 1,026.2 million or 1.3% of GDP at year-end. This increase was mainly due to the withdrawal of the State-guaranteed loan taken out by SC KN Energies to finance the investment project "Liquefied Natural Gas Terminal Buyout" (EUR 138.1 million). The largest share (33.9%) was accounted for by State guarantees granted to the guarantee institution JSC ILTE.

2. Reforms and investments

The recent period has been characterised by a particularly dynamic macroeconomic environment – the pandemic, the migrant and energy crises, the war in Ukraine, and rising inflation have all demanded quick and flexible solutions. Against this backdrop, Lithuania has maintained a responsible fiscal policy stance while pursuing structural changes[20] that strengthen the country's ability to respond to complex global and regional crises, thereby building long-term economic and social resilience.

This Chapter outlines the key reforms and investments underway or planned for the 2025-2029 period to foster sustainable growth, increase competitiveness, and achieve the strategic objectives, as well as the results of ongoing reforms and investments. The reforms and investments span over sectors such as economic policy, education, health, social protection, energy, environment, defence, and innovation. The following subsections contain information on how they implement the 2019-2024 CSR for Lithuania and the common priorities of the EU. They also highlight the alignment of the Plan's reforms and investments with the RRF and the PA, as well as identify future investment needs.

2.1. Implementation of the common priorities of the EU

Article 13 of Regulation (EU) 2024/1263 sets out the common EU priorities that guide the strategic objectives for Member States in the upcoming period (**Figure**). They reflect the EU's ambition to ensure sustainable, secure and competitive development of the Union in response to global challenges and the geopolitical situation. At the national level, these priorities are integrated into each country's strategic and investment plans, providing concrete implementation measures.

3 **3. EU's common priorities**

1. Fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119.

2. Social and economic resilience, including the European Pillar of Social Rights.

3. Energy security.

4. Strengthening defence capabilities.

In line with the EU's common priorities, Lithuania is planning and carrying out reforms and investments across various areas of public governance. The following section provides information on how these measures contribute to national social and economic development and increase security. **Table 7** indicates which of the EU's common priorities each of the Plan's reform and investment contributes to.

Priority 1. Fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119

To deliver the EU's first common priority – a fair green and digital transition Lithuania is implementing and plans to continue to implement reforms and investments to transform energy, transport, industry, and digital infrastructure. In the energy sector, the share of RES is being increased by integrating them into electricity grids, developing the production and use of RES fuels in the transport sector and increasing energy efficiency and decarbonisation in buildings, industry, and district heating and cooling systems (hereinafter – DHCS). In recent

[20] The impact of implemented structural reforms is built into the macroeconomic assumptions: **Fiscal commitments and macroeconomic assumptions.**

years, Lithuania has rapidly developed green energy. In 2023-2024, for the first time, more than half of the country's electricity was generated from RES, and important legislative changes were adopted to enable the development of RES in agriculture and in businesses, while the investment of the population in solar power plants was actively promoted (MoE, 2025). The solutions implemented also include strengthening of the circular economy: waste prevention and recycling, modernising the municipal waste management system, and reusing building materials.

In addition, the green transformation is being successfully implemented in Lithuanian agriculture – no-till farming is expanding, the use of synthetic fertilisers is being reduced, and eco-schemes are widely applied. In livestock farming, manure and slurry are managed sustainably – used for biomethane production, composted or directly incorporated into the soil. Although transforming the energy sources remains a challenge, agriculture is already adopting the green measures with the greatest benefits and further optimisation of their use is foreseen in the future (MoA, 2025).

An important role is assigned to digitalisation and data: IT infrastructure and the cloud model are being strengthened, environmental control is being made more efficient, legal processes are being digitalised, and innovative training methods are being introduced. These measures not only reduce the environmental footprint but also contribute to efficiency, transparency, and innovativeness of public governance – all of which are essential conditions for implementing green and digital transformation.

Priority 2. Social and economic resilience, including the European Pillar of Social Rights

The second EU's common priority – social and economic resilience – is being implemented in Lithuania through complex measures across various policy areas. These efforts aim to strengthen societal well-being, reduce social exclusion, improve access to and quality of education, employment and health services, and enhance the state's capacity to respond to long-term structural challenges.

In the field of social protection and inclusion, it is planned to create and implement common standards for social services, to optimise the indexation procedure of social benefits and to increase targeted support for the most vulnerable groups. The purchasing power of social security old-age pensions was maintained during the period of rapid inflation in 2022-2023. In the period 2025–2029, it is planned to further increase the replacement rate of statutory pensions, in line with the goal of maintaining an adequate reserve fund and ensuring the long-term sustainability of the pension system. The voluntary second pension pillar is being reviewed to make the system more attractive (in order to attract more participants) and more flexible (to better meet participants' needs). At the same time, housing affordability measures are being expanded, social housing quality standards are being updated, and the number of housing units for vulnerable groups is being increased. At the beginning of 2024, as every year, social benefits and pensions were indexed. In addition, during the same period, social assistance systems were strengthened and the disability reform was launched[21]. Legal amendments also came into force, expanding the range of recipients of social insurance benefits to include children's guardians, reorganising specialised assistance for children and revising the procedure for housing rent compensation (MoSSL, 2025). These measures are a continuation of Lithuania's long-term efforts to reduce poverty and increase social inclusion.

[21] The disability reform aims to ensure that people with disabilities have the same opportunities as other people in all areas of life – at work, at home, in the community and at school. This reform has created a one-stop shop for people with disabilities.

In the field of employment, Lithuania plans to promote the employment and retention of unemployed people in the labour market, thereby contributing to active social inclusion. More specifically, it is planned to implement employment support measures more effectively – in particular, to encourage the acquisition of competencies and the improvement of qualifications, as well as to develop a network of regional career centres to improve the availability and quality of career counselling services (MoSSL, 2025). Talent attraction from the diaspora was also encouraged by organising career fairs, supporting diaspora projects, and funding high-tech studies for students committed to work in Lithuania (MoESS, 2025). These reforms and investments continue the state's long-term work in the field of employment.

In the field of education, it is planned to strengthen teacher training, develop a micro-credentials system, improve the quality of higher education, and expand opportunities for adult learning. In pursuit of a high value-added economy, R&D projects that respond to regional and smart specialisation needs are being promoted and a talent ecosystem is being created, including the attraction and integration of international professionals into the labour market. In implementing the inclusive education reform, educational support services are being expanded, specialists competences are being strengthened, salaries are being increased, and incentives are being introduced to encourage enrolment in high-demand pedagogical specialisations. Opportunities for teachers to acquire additional competences and to participate in international placements are also being expanded (MoESS, 2025).

In the area of vocational training, programmes are being updated, apprenticeships are being strengthened, and investments in infrastructure are being made. Vocational school councils and the social partners are given a greater role in admission planning. Adult learning is being promoted, including a new learning platform and programmes for seniors. The level of lifelong learning in Lithuania grew faster than the EU average in 2019-2023. In higher education, performance-based funding is being strengthened, the network of colleges is being reformed, admission requirements have been standardised, planning is being linked to employability indicators, and the external assurance model is being updated to ensure the quality of studies (MoESS, 2025).

In the field of healthcare, Lithuania's planned measures include both improving access to and quality of services and strengthening policies related to the training, recruitment and qualification of specialists. These measures aim to ensure that doctors, nurses, and other health professionals are evenly distributed throughout the country, that services are provided to patients without additional charges and that waiting times for consultations are reduced. The conditions for implementing these measures have been created in recent years – prior reforms have included a long-term recruitment plan for specialists[22], the expansion of functions of nurses and midwives, professional development programmes, closer cooperation with municipalities and healthcare institutions, the expansion of family doctor teams, and the improvement of working conditions of healthcare workers (MoH, 2025).

Special attention is being paid to strengthening mental health and increasing society's resilience to crises. Suicide prevention programmes are implemented, community-based and non-pharmaceutical mental health services are being developed, and models of fostering psychological literacy among the public are expanded. By involving society in initiatives promoting healthy lifestyles, nutrition, vaccination, and health literacy, an informed, resilient, and long-term challenge-ready society is being built.

[22] Order No V-704 of the Minister of Health of the Republic of Lithuania of 2 July 2024 "On the Approval of the Action Plan for Attracting and Retaining Health Care Professionals 2024-2029". Online access: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/a002812238a611efb121d2fe3a0eff27.

Priority 3. Energy security

The third EU's common priority – energy security – is implemented in Lithuania directly through strategic initiatives in the energy sector. One of the most important steps in this area is the completion of preparations for synchronising the electricity grid with continental Europe in 2024. On February 8, 2025, Lithuania disconnected from the former system, successfully tested isolated operation and commenced permanent synchronous operation with the continental European grid. The remaining planned synchronisation activities continue, including the implementation of the Harmony Link project, a strategic overland cable between Lithuania and Poland (MoE, 2025).

Projects to increase the resilience of energy systems at strategic sites are also underway, such as the installation of anti-drone systems, stockpiling of equipment, and the construction of protective barriers. In 2023, the largest battery system in Europe, with a capacity of 200 MW, began operating at the Vilnius transformer substation, making it one of the key guarantees of national energy security. Synchronous compensators were installed in Telšiai and Alytus to help ensure the stability of the electricity system and an automatic generation control system was successfully implemented. All these actions are focused on strengthening infrastructure and energy security (MoE, 2025). Thus, the implemented measures significantly strengthen national energy sovereignty and create the conditions for building a resilient, reliable, and less vulnerable energy system both in Lithuania and across the EU.

Priority 4. Strengthening defence capabilities

In response to growing geopolitical threats and in an effort to strengthen its national security, Lithuania is actively implementing measures that reflect the fourth EU's common priority – strengthening defence capabilities. To this end, the development of the National Infantry Division and its supporting military units is planned, ensuring their provision with weapons, infrastructure, and ammunition. In parallel, infrastructure is being developed to host the German brigade, reflecting the deepening partnership within the North Atlantic Treaty Organisation (hereinafter – NATO) and enabling the accelerated deployment of allied forces.

In addition, investments in the development of Lithuania's defence industry and the deployment of science and technology solutions are intended to enhance national security and autonomy, as well as long-term geopolitical resilience. By promoting society's preparedness for global defence and building resilience to threats, a foundation for comprehensive security is being built, involving both state institutions and citizens. All of these measures reinforce not only the national but also the overall defence capacity of the EU.

Lithuania has already begun putting these measures into practice. In January 2025, the First Division of the Lithuanian Armed Forces was established, which will be expanded into a full National Infantry Division with 20,000 soldiers by 2030. In parallel, the largest military infrastructure in the country's history is under construction at the Rūdininkai military training area to host the German Brigade, including a military campus, firing ranges, and logistics.

Following the entry into force of the Law on Defence and Security Industry of the Republic of Lithuania, the Defence Resources Agency under the Ministry of National Defence has established the Defence Industry Policy and Innovation Department. In cooperation with the Ministry of National Defence, it organises events such as Drone Day and the "TechBatt" conference and promotes research and technological development as well as cooperation with international partners. Measures to strengthen societal resilience are also being implemented, including training on armed and unarmed resistance, the establishment of a drone competence centre, the expansion of citizenship and patriotism education in schools, and preparing the healthcare system for mobilisation by training thousands of professionals (MoD, 2025a).

2.2. Implementation of the CSR for Lithuania

As part of the European Semester, Member States receive CSR, which reflects specific challenges and priorities in each country, outlining the directions in which Member States should strengthen their policies. The CSR issued to Lithuania between 2019 and 2024 (**Annex 2**) can be grouped into the five main thematic areas: economic and financial policy; healthcare; social protection; education and matching skills with labour market needs; climate change mitigation and sustainability (**Table 6**). At a horizontal level (i.e., relevant to all thematic groups and areas of public governance), the CSR for Lithuania emphasise the need to reduce regional disparities – recommending the promotion of municipal cooperation and the strengthening of access to public services throughout the entire national territory.

6 6. Summary of the CSR to Lithuania by the Council of the EU during the 2019–2024 period

Thematic area	Summary of the CSR to Lithuania
Economic and financial policy	Upon assessing Lithuania's economic and fiscal policy, the Council of the EU issued a CSR focused on fiscal sustainability, the quality of investments, and strengthening economic resilience. The recommendations suggest controlling public deficit and public debt while ensuring adequate funding for social protection and public services. Lithuania is also advised to ensure balanced implementation of the RRF and Cohesion Policy programmes, as well as to accelerate and deliver effective reforms and investments, particularly in the fields of green and digital transformation. Additionally, the recommendations encourage improving the tax system, reducing income inequality, and strengthening tax compliance. In terms of structural reforms, it is necessary to promote innovation, the competitiveness of small and medium-sized enterprises (hereinafter – SME) and cooperation between science and business.
Healthcare	The CSR for Lithuania in the healthcare sector emphasise the need to strengthen the resilience of the system, improve service quality and accessibility, and ensure adequate funding. Particular attention is given to the development of primary and preventive healthcare. It is essential to adopt measures that reduce the shortage of healthcare professionals and ensure the availability of essential medical equipment.
Social protection	Based on its assessment of Lithuania's social protection policies, the Council recommends strengthening income redistribution mechanisms to reduce income inequality, poverty, and social exclusion, with particular emphasis on improving the structure of the tax and social benefit system. It is also proposed to increase the adequacy of old-age pensions while ensuring their long-term sustainability. Furthermore, it is recommended to improve the planning and delivery of social services so that they become more efficient, user-oriented, and accessible, as well as to enhance the implementation of active labour market policy (hereinafter – ALMP) measures. In addition, Lithuania is encouraged to expand access to social housing and improve its quality to ensure dignified living conditions for the most vulnerable groups in society.
Education and matching skills with the	In the field of education, the CSR propose focusing on aligning skills development and training systems to the changing labour market needs. It is recommended to improve the relevance of higher education to labour market demands, addressing the mismatch between the supply and demand in the Lithuanian labour market.

labour market needs	The recommendations highlight the need to improve the quality and effectiveness of all levels of the education and training system (including adult education) and to develop the skills needed for the green transition, ensuring that the population can adapt to a rapidly changing economic environment and technological developments. Furthermore, it is recommended to create more favourable conditions for private investment in research and innovation to strengthen cooperation between science and business.
Climate change mitigation and sustainability	In the area of climate change mitigation and sustainability, the Council that Lithuania continues implementing coherent measures aimed at ensuring energy independence and environmental protection. Priority should be given to reducing dependence on fossil fuels by expanding the production of renewable energy and ensuring efficient grid capacity and access. It is also essential to promote industrial transformation and decarbonisation by transitioning to less polluting technologies. Particular attention is given to energy efficiency, especially in the building sector, as well as to the development of public and sustainable transport. Moreover, investments should be focused on the green and digital transitions and on expanding very high-capacity broadband connectivity.

Considering each thematic area of the CSR, the Plan outlines targeted reforms and investments that address the changes proposed within them. The following section presents specific reforms and investments planned for each group to ensure the implementation of the CSR. **Table 7** indicates which specific CSR are supported by each reform and investment in the Plan. To address horizontal CSR related to regional policy and to ensure regional development, strategies for functional zones will be implemented[23]. In addition, to reduce regional disparities and promote more balanced national development, the Government of the Republic of Lithuania is implementing the Regional Development Programme for 2021-2030 (Government of the RoL, 2022). The measures foreseen in this programme aim to stimulate the economic growth of regions, cities, and functional zones by leveraging their available resources, improving access to public services, road safety, access to employment, and more efficient use of resources. Attention is also given to reducing social exclusion by strengthening long-term care and healthcare services in the regions, expanding access to education for children experiencing exclusion, and developing all-day schools. Furthermore, the document includes measures to promote sustainable mobility, expand urban green infrastructure, improve the availability of water supply and wastewater management, clean up polluted areas, expand waste sorting systems, and strengthen air quality monitoring in municipalities.

Economic and financial policy

To implement the Council of the EU's CSR on economic and financial policy, Lithuania has put in place measures to improve the investment and regulatory environment. The renewed Smart Specialisation concept will enable more targeted investments in sectors with the highest added value. It also foresees the creation of a coherent ecosystem for start-up growth and the simplification of legislation on R&D and innovation funding, thereby promoting innovative solutions and enhancing the competitiveness of SMEs. To attract investment, conditions for major projects will be improved by introducing clearer and simpler construction and land-use planning processes. This will include changes to legal regulations, digitisation and optimisation

[23] Functional area strategies involve two or more municipalities with similar characteristics jointly providing public services and infrastructure solutions to the population of their territory.

of data management processes, and the introduction of advanced e-services. All of this will strengthen the transparency, efficiency, and attractiveness of the business environment.

To ensure the effective implementation of the RRF (delivered in Lithuania through the Economic Recovery and Resilience Plan "Next Generation Lithuania", hereinafter – the NGL) and the timely achievement of indicators, the NGL is subject to a monthly risk assessment and discussion of the NGL indicators until the expiry of the eligibility period of the RRF in August 2026. These reviews are based on information provided by ministries in their action plans. Following the assessment, information on high-risk indicators is shared with the relevant ministries, the Government and, where necessary, parliamentary committees, along with recommendations for risk management.

One of the risk management tools of the NGL is the ability to amend the plan itself. Based on progress in implementing reforms and investments and on the need for adjustments, changes to indicator descriptions, target values, or timelines are proposed to the EC. Where necessary (for example, due to insufficient demand for measures or other objective factors), NGL funds may be reallocated between measures. To accelerate the implementation of the EU Investment Programme (hereinafter – IP) for the Cohesion Policy Funds 2021-2027, an IP Call Plan was drawn up with the ministries at the start of 2025. This plan forms the basis for forecasts of funds to be declared to the EC. Its implementation is continuously monitored through monthly meetings held with ministries to address challenges, manage risks, and agree on corrective actions.

In 2025, an interim evaluation of IP implementation is carried out to assess progress towards policy objectives, analyse the coherence, efficiency, and expected impact of IP investments and identify opportunities for improvement.

Specific reforms and measures addressing the CSR in the tax policy area are included under the scope of the NGL plan's Component 6 reforms, "A fairer and more growth-friendly tax system", "Improving tax compliance", etc.[24]

On fiscal sustainability, see: **Fiscal commitments and macroeconomic assumptions**. The results of the previous and ongoing measures in this area are presented in **Figure 4.**

[24] Council of the EU (26 September 2024). *Annex to the proposal for a Council Implementing Decision amending the Implementing Decision (EU) of 28 July 2021 on the approval of the assessment of the Recovery and Resilience Plan for Lithuania* (No. ST 13498/2024 ADD 1).
Online access: https://data.consilium.europa.eu/doc/document/ST-13498-2024-ADD-1/lt.

4 4. Results of the previous and ongoing measures in the area of economic and financial policy

In economic and financial policy, significant progress has already been made in implementing plans and investments. In 2024, investments under the NGL plan accelerated, with disbursements of EUR 817 million in the year – more than four times the amount disbursed in 2023. From the start of the NGL (2021) to the end of 2024, the total disbursements amounted to EUR 1.063 billion or 28% of the total NGL funds. In 2024, the largest share of investment was allocated to business, digitalisation, and innovation, followed by education and science as well as energy projects. By the end of 2024, calls for proposals worth EUR 3.8 billion had been launched and contracts worth more than EUR 3.5 billion had been signed, paving the way for accelerated investment in 2025 (MoF, 2025).

In 2024, investments under the IP for the 2021-2027 period gained momentum. During the period between 2021 and the end of 2024, EUR 728 million was disbursed, representing 12% of the IP funds earmarked for the entire period. In 2024 alone, EUR 510 million was paid out, more than double the amount paid in 2023. The largest shares of investment – EUR 126 million each – were invested in social protection and transport and EUR 111 million in energy projects. From the start of the period (2021) until the end of 2024, almost EUR 4.5 billion worth of calls were launched (nearly twice as much as at the end of 2023) and project contracts worth EUR 2.6 billion were signed (more than twice the amount at the end of 2023), setting the stage for a significant acceleration of investment in 2025.

R&D funding indicators are improving. In 2024, almost EUR 79 million more was allocated than in 2023, representing an increase of 0.09% of GDP. In the 2025 state budget, R&D funding from the state budget in the higher education and general government sectors is expected to amount to 0.52% of GDP. The goal is to raise this expenditure to 1% of GDP by 2030. According to the latest data from the State Data Agency, in 2023, corporate funding of R&D activities in the higher education and government sectors increased by EUR 2.7 million from Lithuanian companies and by EUR 0.5 million from foreign companies (MoESS, 2025). To foster innovation, mission-based R&D programmes, accelerator projects, and venture capital funds have been launched and Lithuania's start-up environment has been recognised as one of the strongest in the world. Support has been provided to SMEs for digitalisation, exports, skills development, and regional business growth, while the Green Corridor initiative has been used to attract major projects, contributing to economic growth and competitiveness (MoEI, 2025).

The Green Corridor helped attract 68% more planned investment in fixed assets in 2024 than in 2023 – EUR 348 million compared to EUR 207 million. This growth was mainly driven by the planned Rheinmetall plant in Baisogala, with an investment of more than EUR 180 million under the Green Corridor regulation (Invest Lithuania, 2025).

Healthcare

To implement the CSR in the area of healthcare, Lithuania has put in place measures to improve the accessibility and quality of health services, as well as to increase the resilience of the healthcare system. One of the key objectives is to strengthen human resources. The aim is to bring back healthcare professionals who have left or become inactive, attract foreign professionals, and ensure the recognition of their qualifications. Particular attention is paid to strengthening the regions: measures are planned to attract doctors and nurses to regional areas, to expand nurses' career opportunities, to enhance the competences of pharmacists and other healthcare professionals, and to fund more residency and nursing training places.

To improve access to services and efficiency, the operation of healthcare centres will be optimised to ensure that patients can see doctors within prescribed timeframes and to reduce waiting lists. A management system for patients with multimorbidity will be introduced[25], pharmaceutical care services will be strengthened, and prevention and early diagnosis of

[25] Polymorbidity – the medical condition of an individual having two or more chronic health conditions simultaneously.

cardiovascular and oncological diseases will be expanded, thereby reducing avoidable mortality.

There is also a strong focus on public health promotion and disease prevention. Plans include expanding the network of healthy schools and communities, involving social partners in health promotion activities. The objective is to strengthen the knowledge of both the population and professionals on infectious disease management and public health safety, promote healthy diets, reduce salt, sugar, fat intake, and run information campaigns on the importance of vaccination.

Greater emphasis is also being placed on personalised medicine, including the creation of a national oncogenetics data infrastructure, strengthening the clinical trials network, promoting the participation of Lithuanian healthcare institutions in international trials, and establishing research units.

In the area of mental healthcare, plans include expanding services in public health offices, strengthening suicide prevention, increasing mental health literacy, introducing a social prescription model, developing a mental health ambassador programme in communities, and increasing access to services in municipalities. Introduction of an inter-agency coordination mechanism for suicide prevention and a national model for the prevention of psychoactive substance use among children and young people is also envisaged.

The results of previous and ongoing measures in this area are presented in **Figure 5.**

5 5. Results of the previous and ongoing measures in the field of healthcare

The overall mortality rate in Lithuania is decreasing, with the number of deaths falling to 37.005 in 2023 compared to 43.547 in 2020 (OSP, 2025). This trend is driven by a steady decline in preventable and treatable mortality in recent years (from 334.21 deaths per 100.000 inhabitants in 2020 to 264.94 in 2023 and from 196.69 in 2020 to 163.84 in 2023, respectively) (OSP, 2025). The suicide rate is also declining, with 19.6 suicides per 100.000 inhabitants in 2023, compared to 23.4 in 2019 and 36.6 per 100.000 inhabitants in 2013 (Institute of Hygiene, 2024). The number of road traffic fatalities has likewise decreased: 123 in 2024 compared with 740 in 2007 (OSP, n.d. - a).

Population health indicators are also improving. For example, the incidence of tuberculosis has decreased by around 50% between 2019 and 2023 (from 31.8 to 21.3 cases per 100.000 inhabitants) (NPHC, 2024). The average healthy life expectancy for both men and women has also increased from 56.3 and 59.1 years to 58.2 and 62.3 years, respectively (OSP, 2025).

In 2024, significant reforms and measures were implemented in the healthcare sector to ensure accessibility, quality, and continuity of healthcare services throughout Lithuania. A long-term action plan for attracting and retaining professionals was developed[26] and the role of nurses and midwives began to be actively strengthened so they could provide more services independently. This helped to reduce waiting times and ease the workload of general practitioners. In addition, professional development courses and upgrading programmes were organised to improve skills of healthcare professionals.

Cooperation with municipalities and healthcare institutions was strengthened, with EUR 17 million in investments earmarked to attract around 1.500 healthcare professionals to personal healthcare facilities. The branch collective agreement for the Lithuanian national healthcare system was also updated to improve working conditions and provide social guarantees for healthcare workers.

The expanding network of healthcare centres is broadening the teams of family doctors to include a variety of specialists, from case managers to lifestyle specialists. This strengthens primary healthcare services and ensures more comprehensive patient care.

Considerable attention has been paid to strengthening mental healthcare. New models for services were introduced, incentive bonuses for professionals were increased and specialised psychological services as well as community-based mental disorder treatment teams were established. From 2025, child and adolescent mental healthcare teams will be set up, and from 2026 the number of medical psychologists will be increased to expand access to non-medical services.

Prevention programmes and early diagnosis have also been prioritised. Centralised invitations to participate in early diagnosis programmes have been introduced, target age groups have been expanded, and new areas of cancer prevention have been included. From 2025, the Compulsory Health Insurance Fund will finance additional tests and procedures to improve the diagnosis and treatment of prostate and breast cancer, as well as intestinal infections.

In the field of child health, projects have been implemented to strengthen disease prevention, reduce injuries, and improve mental health. Methodological guidelines and informational material for parents have been developed, dental preventive care enhanced, and positive parenting education strengthened to support children with behavioural and emotional difficulties.

Finally, promoting healthy lifestyles remains a priority. Effective disease prevention programmes have been implemented and projects such as “Be Healthy, Active and Happy” have contributed to improving children’s physical and mental health (MoH, 2025). Special attention has also been devoted to maternal and infant health with the introduction of family visitation services in Lithuania, in which specialists (midwives, nurses, or community nurses) provide individual support to families from the beginning of pregnancy until the child reaches the age of two. This initiative strengthened early prevention during the highly sensitive prenatal and postnatal period.

Social security

In line with the CSR in the area of social policy, the Plan foresees reforms and investments aimed at further reducing income inequality, poverty, and social exclusion. The reforms include changes to the procedure for indexing the basic amounts of social benefits so that they better reflect changes in prices and wages. The system of monetary social assistance for the low-income residents will also be improved to encourage the integration of beneficiaries into the labour market, create more favourable conditions for vulnerable groups, and revise the criteria for property valuation increasing accessibility to monetary social assistance. To reduce child social exclusion, the Child Guarantee Scheme[27] will continue to be implemented with services expanded for vulnerable groups of children. Special attention will be paid to people of retirement age, with a review of pension indexation to improve the adequacy and ensure sustainability of pensions.

To further improve the quality and accessibility of social services, quality requirements for social services have been developed and introduced in social service institutions, along with the integration of social and nursing services, to be provided through a one-stop-shop model. The mechanism of the social housing system is also being improved, with clear quality standards, revised support conditions, and an expansion of the housing stock to meet the needs of at least one quarter of large families and people with disabilities in the waiting list for social housing in the coming period.

In recent years, social security pensions have been increasing at a faster rate than the national average wage, which should result in improved adequacy (replacement rate). In the future, a significant share of old-age pensions is expected to come from the funded second pillar (annuities), making the strengthening of this system a priority. The reform of the second pillar pension system aims to attract more participants and create more favourable participation conditions, including greater flexibility for participants to decide on the size of their contributions, the temporary suspension of participation, and the form of benefits upon completion of accumulation. To make the labour market more responsive to economic, technological, and social change, the network of regional career centres is being expanded, and the implementation of employment support measures is being reviewed and improved. To attract and retain foreign talent, the talent ecosystem is planned to be regulated at the legislative level. The results of the previous and ongoing measures in this area are presented in **Figure 6.**

[26] Order No V-704 of the Minister of Health of the Republic of Lithuania of 2 July 2024 “On the Approval of the Action Plan for Attracting and Retaining Health Care Professionals 2024-2029”. Online access: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/a002812238a611efb121d2fe3a0eff27.

[27] The Child Guarantee System aims to prevent and combat social exclusion of children by ensuring their access to basic services, as well as contributing to the protection of children’s rights by combating child poverty and promoting equal opportunities.

6 **6. Results of the previous and ongoing measures in the field of social protection**

The share of people at risk of poverty or social exclusion in Lithuania decreased from 24.6% in 2022 to 24.3% in 2023, reflecting the results of the ongoing efforts to improve the social well-being and reduce social exclusion (MoSSL, 2025).

At the beginning of 2024, social benefits and pensions were indexed to strengthen income redistribution mechanisms and reduce poverty and income inequality, with increases of more than 7% in the main basic social benefits amounts, and the average old-age pension growing faster than average wages. Notably, the ratio of the average monthly old-age pension to the average monthly net wage had already been rising in previous years (from 42.2% in 2022 to 43.2% in 2023) (OSP, n.d.–b). These developments have contributed to a reduction in the risk of poverty, both overall and among older people. Amendments to legislation also came into force, expanding the circle of benefit recipients to include guardians (carers) of children (MoSSL, 2025). The State has increased spending on monetary social assistance by strengthening social support systems. Changes to the provision of benefits are aimed at boosting labour market participation and reducing long-term dependency on assistance. A major change was the disability reform, which entered into force in 2024. In its first year, more than 7,000 people received individual support plans to help them to participate more actively in society. The reform also made it possible, after nearly 20 years, to determine participation rates for those who had reached retirement age. In cases where severe disability was established (a loss of 70-100% of participation capacity), old-age pensions were increased by 7-50%. Nearly 25,000 old-age pensioners saw their pensions rise due to the determination of severe disability after reaching retirement age (MoSSL, 2025). Measures have also been implemented to strengthen child protection against violence. On 1 November 2024, the QR code mechanism for verifying the legal right to work with children became operational, enhancing the monitoring of individuals subject to restrictions on working or engaging in any other activities with children, thereby protecting children from violence and abuse. The Centre for Assistance to Child Victims of Sexual Abuse has been integrated into the structure of the State Child Rights Protection and Adoption Service through reorganisation, with the aim of improving the quality of assistance provided to child victims of sexual violence (MoSSL, 2025).

Significant progress has also been made in the field of social housing. The rent compensation procedure was revised, social housing was provided to almost 850 households in 2024, and the municipal social housing stock was increased by 277 dwellings. Regional projects are underway to provide housing for the most vulnerable groups, such as persons with disabilities and large families (MoSSL, 2025). In addition, heating allowances are provided to low-income residents in multi- and single-family dwellings (MoE, 2025).

The employment rate for the 20-64 age group in Lithuania rose from 78.5% in 2023 to 79.2% in 2024 (MoSSL, 2025). Employment among people aged 65 and over reached a record level for Lithuania, rising from 12.6% in 2023 to 13.2% in 2024 (compared to 6.3% in 2015) (OSP, n.d. - c). The statutory retirement age is also being steadily increased, reaching 65 for both men and women in 2026 (Law on Social Insurance Pensions of the Republic of Lithuania, 2024). To promote employment among the unemployed, a network of regional career centres is being developed, in particular to improve the integration of young people into the labour market. Thousands of people have received counselling and vocational guidance services (MoSSL, 2025).

Education and matching skills with the labour market needs

In line with the CSR regarding education, Lithuania has planned a range of systemic measures aimed at improving the quality of education, better aligning skills development with the labour market needs and strengthening human capital. To reduce the mismatch between higher education and the labour market, it is planned to update the external evaluation model for higher education institutions and to develop applied R&D projects focused on smart specialisation and regional needs, in close cooperation with business stakeholders. In order to enhance the quality of teacher training it is planned to strengthen teaching practice and promote the preparation of teachers in shortage specialties, as well as to provide opportunities

each year for at least 500 school leaders and teachers to develop their competences, with particular attention to science, technology, engineering, arts, and mathematics (STEAM).

In the context of the green transition and a sustainable economy, the role of adult education is emphasised, with plans to expand opportunities for at least 15,000 individuals annually to upgrade their qualifications. This will involve incorporating state and municipal funding for adult education and introducing a sustainable budgetary funding model. In addition, a micro-credentials system is to be introduced to recognise the acquisition of competences that, while limited in scope, are relevant to the labour market. The results of the previous and ongoing measures in this area are presented in **Figure 7.**

7 **7. Results of the previous and ongoing measures in the field of education and matching skills with the labour market needs**

Lithuania has already implemented significant measures to improve the quality of its education system, enhance the alignment of higher education with labour market needs, strengthen inclusion, foster innovation and develop the competences of adults and educators. According to international student achievement surveys (Organisation for Economic Co-operation and Development (hereinafter – OECD) PISA, IEA PIRLS, IEA TIMSS, IEA ICCS), the performance of Lithuanian pupils is improving or remains stable. Lithuania's education score in the OECD Prosperity Index has also shown consistent improvement, increasing from 7.3 in 2019 to 7.7 in 2023, indicating positive developments in the education sector (MoESS, 2025).

From the 2024-2025 academic year, all classes are following a renewed curriculum designed to develop competences such as creativity, citizenship, culture, communication, and cognition. A new procedure for assessing pupils' achievements has also been introduced, with a focus on individual progress assessment. Amendments to the Law on Education of the Republic of Lithuania have established the principle of inclusion[28] and set higher requirements for attaining primary and secondary education. The Digital Transformation in Education (EdTech) project promotes technology-driven innovation, while 36 municipalities are implementing the Millennium Schools programme to embed the hallmarks of a good school[29].

In higher education, performance-based funding is being developed, admission requirements have been harmonised, and the allocation of publicly funded study places is planned based on graduates' employability outcomes. A new external evaluation model is being developed in cooperation with the OECD and the EC. Plans are also underway to establish International Centres of Excellence – 11 potential centres have been identified, with 5 to be created with additional funding (MoESS, 2025). To increase access to higher education, an additional competitive admission pathway for socially disadvantaged applicants has been introduced, alongside student loan repayment incentives and the development of short-cycle programmes at colleges. Access to higher education for the lowest-income groups increased from 33.2% in 2021 to 51.5% in 2023.

Teacher professional development has been strengthened and opportunities are being created to attract professionals from other fields to schools, such as participation in national professional development programmes, gaining competences in additional subject or specialisation, and undertaking 5–10-day shadowing placements in foreign educational institutions. Teachers, support specialists, and school leaders have received increases in pay and the number of state-funded places for professional pedagogical studies has more than doubled since 2021 (MoESS, 2024).

In vocational training, curricula are being updated, the quality of training is being improved, and apprenticeships are being strengthened. Investments in infrastructure are planned and the integration of vocational modules into mainstream schools is being promoted. From 2024, vocational school councils and social partners have been given greater authority in admission planning. Adult education is being expanded, with the introduction of an individual learning account system, a EUR 500 grant, and publicly funded learning programmes for seniors.

Climate change mitigation and sustainability

[28] A total of 4 national and 9 regional special education centres provide qualified support to schools and pre-school institutions in the country to implement the principles of inclusion, and provide opportunities for education support specialists to improve their qualifications through national qualification improvement programmes; training of education support professionals has been strengthened: the number of students enrolled in special education studies has more than tripled in two years, targeted financial incentives have been introduced; the Open Classrooms initiative has been launched, with more than 100 classrooms across the country, where up to 3 pupils with severe and very severe special educational needs have started to be educated, with a second teacher or a special educator or a teacher's aide involved in the educational process.

[29] In accordance with the Good School Concept, approved by Order No. V-1308 of the Minister of Education and Science of the Republic of Lithuania of 21 December 2015.
Online access: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/46675970a82611e59010bea026bdb259?jfwid=32wf90sn.

In line with the CSR regarding climate change mitigation and sustainability, Lithuania is committed to implementing reforms and investments to reduce dependence on fossil fuels, increase energy independence, and foster the transition to a sustainable economy. The main objectives are to significantly increase the share of RES, ensure their integration into electricity grids and transport and to expand the use of RES in heating and cooling. To strengthen energy security, systemic resilience projects are planned and the synchronisation of electricity transmission networks, including the strategic *Harmony Link*, is being completed.

In pursuit of industrial decarbonisation and technological renewal, Lithuania intends to promote low-emission production technologies, while in the transport sector – the production of renewable fuel and the development of related infrastructure. The aim is to increase the share of alternatively fuelled vehicles registered and to introduce the “user pays” and “polluter pays” principles in the road toll system. In addition, there are plans to significantly expand the network of bicycle and pedestrian paths and to build new infrastructure in the Klaipėda State Seaport that will use clean energy.

A strong focus is placed on improving energy efficiency in the building sector, from public buildings to individual homes. The forthcoming National Plan for the Renovation of Buildings will include differentiated public support and a digitised building data system, enabling accurate assessment of building conditions and the planning of long-term energy performance measures. Alongside this, Lithuania plans to develop a long-term policy for increasing affordable housing, to improve waste management and recycling systems and to strengthen pollution prevention by fostering green innovation and modern environmental technologies. Digitalisation is becoming a cornerstone of environmental governance. Planned actions include the introduction of a hybrid cloud model, the expansion of advanced e-services, the digitalisation of construction and planning processes, and the improvement of efficiency and transparency in pollution prevention procedures.

The results of the previous and ongoing measures in this area are presented inFigure **Figure 8.**

8 **8. Results of the past and ongoing actions in climate change mitigation and sustainability areas**

Lithuania has made significant progress towards its climate change mitigation and sustainability goals. Renewable energy has set a record high – in 2024, it accounted for around 70% of all electricity generated in Lithuania (Litgrid, 2025b). The share of electricity produced from RES in the final consumption balance has also increased significantly in recent years, from 26.46% in 2022 to 36.21% in 2023 (OSP, 2025). Solar and wind power capacity has expanded rapidly, supported by a range of financing mechanisms aimed at residents, businesses and farmers to encourage the installation of renewable energy and energy storage systems (MoE, 2024).

In the transport sector, electrification programmes are being developed, as well as electric vehicle charging infrastructure. Major green projects are being implemented, from Via Baltica and Rail Baltica to sustainable solutions for the Klaipėda Seaport. A sustainable mobility network is being actively developed, with over 65 km of cycle paths built or upgraded by 2024. The use of alternative fuels is being promoted – the share of RES in total energy consumption in the transport sector is steadily increasing (7.2% in 2023, around 6.7% in 2021-2022 and 5.5% in 2020) (MoE, 2024; OSP, 2025; MoH, 2025).

In the area of waste prevention, recycling and pollution reduction, several key measures have already been launched. In 2024, three out of five waste prevention activities were launched: the development of a building life-cycle modelling system, public awareness campaigns on reuse and food waste prevention, and training for public catering establishments. In addition, a package of four out of seven activities aimed at wase recycling have been initiated – expanding recycling capacity for food, plastic, and textile waste, with tens of millions of euros in EU and national budget funding earmarked up to 2030. Furthermore, actions are already underway in environmental monitoring, information provision, and regulatory impact assessment, while environmental regulation of economic activities is being strengthened and a modern pollution prevention information system is being developed (MoEn, 2025).

Lithuania is already fully prepared for synchronisation of the electricity grid with continental Europe, having disconnected from the IPS/UPS system in February 2025 and successfully switched to synchronous mode. The Harmony Link interconnection with Poland has been launched and since early 2024, the upgraded gas pipeline link between Lithuania and Latvia has been fully operational. This interconnector has reinforced the integration of the Baltic and Finnish gas markets, significantly improved regional gas supply security and contributed to the elimination of Russian gas imports (MoE, 2025).

2.3. Compatibility with the RRF and the PA

As specified in Regulation (EU) 2024/1263, the reforms and investments foreseen in the Plan are aligned with the RRF and the PA, as they correspond to the objectives of the RRF and the PA in Lithuania. **Table 7** outlines how the Plan's reforms and investments contribute to the specific intervention areas of the RRF and the PA.

Compatibility with the RRF

The implementation of the RRF in Lithuania is detailed in the NGL. The NGL consists of seven intervention areas or components (**Figure 9**), which correspond to the main reform and investment directions identified in the Plan.

9 **9. Components of the NGL Plan**

1. A healthcare system that is resilient to threats and ready for the challenges of the future: the aim is to increase the sustainability and resilience of the healthcare system to shocks, enabling it to respond more flexibly to changing environmental factors and demographic changes and to improve the quality and accessibility of services.

2. Lithuania's green transformation: aimed at increasing the production and consumption of energy from RES, promoting consumer efficiency, developing circular economy, and reducing greenhouse gas (hereinafter – GHG) emissions.

3. Digital transformation for growth: aims to promote the digitisation of the public sector, the economy, and society and to develop smart technological solutions to ensure economic resilience and competitiveness.

4. High quality and accessible lifelong education for everyone: aiming to improve the inclusion, efficiency, and relevance of education to labour market needs by ensuring the quality of education at all levels, the availability of lifelong learning opportunities, and the development of vocational training and guidance services.

5. Higher education, a coherent framework for promoting science and innovation and high added-value businesses: improving the efficiency, quality, and international competitiveness of higher education and fostering innovative activities.

6. A functioning public sector and the preconditions for post-pandemic recovery: transforming the public sector through modern management principles and digital solutions as well as proactively reducing the tax gap.

7. More opportunities for everyone to play an active role in building the country's prosperity: strengthening the links between labour market participation and social inclusion; increasing social well-being and inclusion.

The reforms and investments set out in the Plan contribute directly to Lithuania's green transformation (Component 2 of the NGL) through planned investments in RES production and transport sector infrastructure. Investments in hydrogen, biomethane, electricity supply solutions, and the infrastructure of the Klaipėda State Seaport address both climate objectives and energy security, while also fostering the development of a circular economy. The objectives of digital transformation for economic growth (Component 3 of the NGL) and to promote the efficiency of public service delivery (Component 6 of the NGL) will be pursued through investments in hybrid cloud solutions, the creation of secure IT infrastructure, the digitalisation of legal services, the expansion of digital cultural resources, and the strengthening of data governance. To build a high value-added economy and increase Lithuania's competitiveness in international markets (Component 5 of the NGL), measures are envisaged to improve the investment and regulatory environment, including updating the Smart Specialisation Concept, developing a start-up ecosystem, and revising the system of science and innovation funding. Measures aimed at increasing employment, promoting social inclusion and improving the conditions for re-socialisation will strengthen social inclusion, encourage active participation in the labour market, and contribute to the growth of social well-being (Component 7 of the NGL Plan). The Plan reforms and investments implemented through the RRF are marked with the abbreviation 'RRF' in **Table 7**.

Compatibility with the PA

The PA is comprised of three programmes: the IP, the Lithuanian Fisheries Sector Programme 2021-2027, and the Material Deprivation Reduction Programme (**Figure 10**).

10 **10. Main intervention directions of the programmes implemented under the PA (IP, Lithuanian Fisheries Sector Programme 2021–2027, and the Material Deprivation Reduction Programme)**

A greener economy: investments in energy efficiency and decarbonisation, adaptation to climate change, a sustainable, coherent, safe and intermodal trans-European transport network (TEN-T),

national, regional, and local mobility, pollution reduction, biodiversity and conservation are foreseen to achieve a climate neutral impact.

More research and innovation: focus on research and innovation in enterprises, digitisation, increasing competitiveness, and smart specialisation.

More social cohesion: investing in employment, high quality and inclusive education and training, green and digital skills, as well as high quality healthcare and social inclusion services, as foreseen in the European Pillar of Social Rights.

Integrated territorial development: reducing demographic challenges and territorial disparities, implementing integrated development measures for territories, cities, and functional areas, and involving local populations in investment decision-making.

The reforms and investments outlined in the Plan make a significant contribution to the greener economy objective by investing in the expansion and integration of RES into the electricity grid, improving energy efficiency in buildings and in the district heating and cooling sector. Measures are being developed to reduce pollution, modernise waste management, strengthen wastewater treatment and include initiatives to restore nature and preserve biodiversity. In the field of mobility, planned projects such as Via Baltica, Rail Baltica, and the development of cycle lanes ensure sustainable and coherent transport development.

Measures in the field of research, innovation, and digitalisation include updating the Smart Specialisation concept, R&D projects in the regions, building a start-up ecosystem, and amending legislation on innovation funding. In addition, the efficiency of construction, spatial planning, and public services will be improved through data digitisation, automation, and process simplification. The creative industries are also being opened up to innovation.

In the areas of social cohesion and integrated territorial development, a strong focus is placed on strengthening social services, healthcare, mental healthcare, social housing, and child protection systems. Investments will support regional development, functional area strategies, citizen participation and transparency in decision-making, thus ensuring balanced territorial development and reducing regional disparities. The reforms and investments of the Plan implemented through the PA programmes are marked with the abbreviation “PA” in **Table 7**.

2.4. List of reforms and investments

Table 7 presents the list of the reforms and investments referred to in this Chapter. The table provides information on the financing of the reforms and investments under the RRF or through the PA and information on the specific CSR and EU priorities to which each of the planned reforms and investments contribute. For more detailed information on planned reforms and investments (e.g. timelines and responsible authorities), see PIPGP[30].

[30] Resolution No 151 of the Government of the Republic of Lithuania of 12 March 2025 “On the Approval of the Plan for the Implementation of the Provisions of the Nineteenth Government Programme of the Republic of Lithuania”. Online access: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/12f5cd91062911f0a2ad91db29a9514e?positionInSearchResults=0&searchModelUUID=639fe1a8-59f6-4680-a3ac-d9b1197676b1.

7 7. Reforms and investment

Name of the reform or investment			RRF / PA	CSR*	EU's common priorities**
Health and education					
1.	*Strengthening human resources in healthcare and education systems*	Ensure a more balanced distribution of doctors and nurses across regions, improving the qualifications of healthcare professionals, and enhancing the quality of training	PA	2024 (3); 2023 (1); 2023 (3); 2020 (1); 2019 (2)	2
2.		Targeted allocation of resources to ensure high-quality teacher preparation, with increased duration of pedagogical practice and training for teachers in shortage subjects	-	2019 (2)	2
3.		Enable at least 500 school leaders, teachers, and other pedagogical staff annually to upgrade their skills, with priority given to strengthening STEAM didactics	-	2023 (4); 2019 (2)	2
4.	*Lifelong learning*	Provide opportunities to at least 15,000 people per year to develop competences by integrating state and municipal adult education funding measures into an individual learning accounts system and introducing a sustainable, budget-based financing model	-	2023 (4); 2020 (2); 2019 (2)	2
5.		Develop and implement regulation to ensure the functioning and quality of a micro-credentials system (short-term learning programmes), enable the accumulation and recognition of acquired competences	-	2020 (2); 2019 (2)	2
6.	Organise, deliver, and finance long-term care services on a one-stop-shop basis, prepare and adopt legislation regulating the implementation of an integrated long-term care service delivery model		-	2024 (1); 2023 (3); 2022 (3); 2019 (2)	2
7.	Improve the accessibility of healthcare services by reducing waiting times to see doctors and enhance the quality of care for patients with chronic diseases		PA	2024 (3); 2023 (1); 2023 (3); 2022 (3); 2020 (1); 2019 (2)	2
8.	Reduce preventable mortality through preventive measures by encouraging more active participation in preventive programmes and increasing health literacy		PA	2024 (3); 2023 (3); 2022 (3)	2
9.	Improve the quality of healthcare services by introducing innovative solutions for disease diagnosis and treatment		-	2024 (4); 2020 (1); 2019 (2)	2

	Name of the reform or investment		RRF / PA	CSR*	EU's common priorities**
10.	Strengthen mental health by increasing psychological resilience and mental health literacy and by expanding community-based and non-pharmacological mental healthcare services		PA	2024 (3); 2023 (3); 2022 (3); 2020 (1); 2019 (2)	2
11.	Update the external evaluation model of higher education institutions to strengthen the quality of higher education in Lithuania		-	2024 (4); 2020 (2); 2019 (2)	2
Social security					
1.	***Availability of social housing***	Set quality requirements for social housing and review the income and asset thresholds, as well as the conditions for state-subsidised housing loans, in order to improve access to support for purchasing or renting housing and to increase the targeting of assistance	-	2023 (3); 2022 (3)	2
2.		Expand the social housing stock for people with disabilities and large families, with the aim of providing housing to at least 25% of those currently on the waiting list	PA	2023 (3); 2022 (3)	2
3.	Develop, implement, apply, maintain, and monitor quality requirements for social services		PA	2024 (3); 2023 (3); 2022 (3)	2
4.	Improve the implementation of employment support measures, with particular emphasis on promoting the acquisition of qualifications and competences, and expand the network of regional career centres across the entire country		RRF, PA	2024 (3); 2024 (4); 2023 (1); 2023 (3); 2022 (3); 2020 (2); 2019 (2)	2
5.	Increase the duration of unemployment insurance benefits for people approaching retirement age, strengthen their link to social security contributions and improve their targeting		-	2024 (1); 2020 (2)	2
6.	Raise the replacement rates of social security pensions, taking into account the socially and economically sustainable growth rate and size of the Social Security Reserve Fund, prepare and adopt the necessary amendments to the pension indexation procedure		-	2024 (1); 2024 (3)	2
7.	Implement the reform of the second pillar of pension provision by ensuring voluntary participation, greater system flexibility and attractiveness, employer participation, a balanced system of financial incentives, and the possibility to terminate participation when it becomes burdensome or irrelevant		-	2024 (1); 2024 (3)	2

	Name of the reform or investment		RRF / PA	CSR*	EU's common priorities**
8.	Amend the indexation rules for basic amounts for social benefits to ensure that they reflect changes in prices and average wages		-	2024 (1); 2020 (2); 2019 (1)	2
9.	Prepare and adopt a draft law amending the Law on Monetary Social Assistance for Low Income Residents, aimed at encouraging beneficiaries to seek employment and remain active in the labour market, improving access to support for single parents and children (persons) with disabilities and revising asset assessment criteria		-	2024 (1); 2020 (2); 2019 (1)	2
10.	Strengthen the protection of workers' rights, in particular for those employed on digital labour platforms, and increase the transparency of automated employee monitoring systems and decision-making systems		-	-	2
11.	Reduce the social exclusion of children through the Child Guarantee System by developing services for children who may have experienced sexual violence, are displaying high-risk behaviour, are in children's socialisation centres, and children with disabilities and/or developmental disorders		PA	2023 (1); 2023 (3); 2022 (3)	2
State governance					
1.	***Digitisation***	Operationalise the hybrid cloud model and create a secure IT infrastructure for delivering services in the digital space	RRF	2023 (1); 2020 (3)	1; 2
2.		Ensure the diversity, renewal, and use of digital cultural resources available on the e-Culture platform in various fields, particularly in tourism, as well as in formal and non-formal education, enriching the educational content and offering innovative teaching and learning methods to participants in the education system	RRF	2023 (1); 2020 (2); 2020 (3); 2019 (2)	-
3.		Develop advanced and digitalised legal services	RRF	2023 (1); 2020 (3)	-
4.		Implement the data governance reform to improve the quality of public governance decision-making and increase the efficiency of public sector data reuse and exchange	RRF	2023 (1); 2020 (3)	1; 2
5.		Increase the efficiency of the environmental monitoring system and pollution prevention processes by simplifying procedures, ensuring effective data accessibility and integration across society, business, municipalities, and state institutions, and by digitalising these processes	PA	2024 (4)	1
6.	Implement functional area strategies		PA	2024 (3)	-

	Name of the reform or investment		RRF / PA	CSR*	EU's common priorities**
7.	Strengthen the protection of human rights and freedoms and ensure their effective defence		-	-	-
8.	Introduce a modern, effective, and open penal system by improving infrastructure, staff working conditions, and the rehabilitation of prisoners		RRF	2023 (1); 2023 (3); 2022 (3); 2020 (3)	-
9.	In the context of implementing the Migration and Asylum Pact, enhance the efficiency of migration management and the asylum system through regulatory and investment measures and ensure adequate reception conditions for asylum seekers		PA	-	-
Economic growth and competitiveness					
1.	*Fostering high value-added creation*	To increase Lithuania's competitiveness in the global talent market, regulate the talent ecosystem at the legislative level	-	2024 (4); 2020 (2)	1; 2
2.		Improving the investment and regulatory environment by: • updating the Smart Specialisation concept • creating a coherent ecosystem for the growth of start-ups • amending the legislation governing the financing of science, technology, experimental development, and innovation • improving investment conditions and simplifying construction processes for projects with major project status	RRF, PA	2024 (4); 2023 (1); 2020 (3); 2019 (3)	1; 2
3.		Implement new applied R&D projects in line with Smart Specialisation priorities and regional needs, with the involvement of business entities	PA	2024 (4); 2020 (3); 2019 (3)	2
4.		Establish coherent practices for the development of the cultural and creative industries sector ecosystem: create a system of sustainable and targeted services and incentives, promote the growth of private investment, foster social innovation, strengthen capacity and competence, and ensure adequate infrastructure	PA	2024 (4); 2020 (3); 2019 (3)	-

		Name of the reform or investment	RRF / PA	CSR*	EU's common priorities**
5.	*Infrastructure development*	Complete of the reconstruction of the Via Baltica A5 Kaunas-Marijampolė-Suvalkai road, carry out the spatial planning procedures for the engineering infrastructure plans of the Via Baltica A8, A10, A17 highways and initiate the procedures for land acquisition for public needs	PA	-	-
6.		Expanding very high capacity networks coverage within the country, to design the mobile network infrastructure and the necessary supporting infrastructure required for its operation across the territories of at least five Lithuanian counties	-	2020 (3)	1
Climate change and sustainability					
1.	*RES production and use*	Increase the share of RES, ensuring its integration into electricity grids	PA	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
2.		Implement measures to increase the use of RES for heat and cooling production in the district heating and cooling sector	PA	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
3.	*Energy efficiency*	Implement measures to improve the energy efficiency of district heating, hot water, and cooling supply systems	PA	2023 (4); 2022 (4); 2019 (3)	1
4.		Implement energy efficiency measures in public central government buildings, individual residential houses, and businesses	PA	2023 (4); 2022 (4); 2019 (3)	1
5.		Approve the National Building Renovation Plan, providing for a systematic breakthrough in the renovation of existing buildings, in order to create an independent from fossil fuel and climate-neutral building sector by 2050	-	2023 (4)	1
6.		Develop a long-term, consistent, and coherent policy to increase the accessibility of quality housing in Lithuania, in cooperation with representatives of science, business, real estate developers, state and municipal institutions, civil society, and other stakeholders	-	2023 (4); 2022 (4)	-

Name of the reform or investment			RRF / PA	CSR*	EU's common priorities**
7.	*Sustainable and RES-based transport*	Implement measures for the production of renewable energy-based fuels and develop the infrastructure for their use in the transport sector	RRF	2023 (1); 2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
8.		To reduce environmental impact, electrify the Vilnius railway hub and the Kaišiadorys-Klaipėda railway line, increasing the share of electrified railway lines in Lithuania from 7.97% to 32% of the total network	PA	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
9.		In the process of integrating into the EU freight and passenger transport markets, implement the Rail Baltica project and achieve 34% technical progress by 2028, as well as complete the construction of a 114 km railway section on the Kaunas-Panevėžys stretch	PA	-	1
10.		Develop alternative fuel (electricity, hydrogen, biomethane) charging and refuelling infrastructure – ensure the installation of 4,000 publicly accessible charging points, 3 hydrogen refuelling stations, and 10 biomethane refuelling stations, along with the necessary electricity supply infrastructure across all transport sectors	RRF	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
11.		Increase the share of newly registered alternative fuel vehicles in the country from 10% to 15%	RRF	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
12.		Develop new alternative fuel infrastructure in the Klaipėda State Seaport – install hydrogen production and supply infrastructure, as well as shore-side electricity supply stations for ships	RRF	2023 (4); 2022 (4); 2020 (3); 2019 (3)	1
13.		Expand the cycling path network – build or reconstruct 300 km of bicycle and pedestrian paths	PA	2023 (4); 2020 (3)	1
14.	To achieve climate neutrality targets, promote the technological modernisation of Lithuanian industry, i.e. industrial decarbonisation		-	2023 (4)	1
15.	Introduce a road tolling system (e-tolling) applying the "user pays" and "polluter pays" principles		PA	2023 (4); 2022 (4); 2019 (3)	1
16.	Improve the legal framework and establish financial incentive mechanisms to ensure more effective waste prevention and management and recovery of secondary raw materials		PA	2024 (4)	1

		Name of the reform or investment	RRF / PA	CSR*	EU's common priorities**
17.		Develop a more effective pollution prevention and control system to more efficiently reduce environmental pollution caused by economic activities: establish a proportional link between economic sanctions for environmental protection and the use of natural resources with the scale of violations and require industrial enterprises to implement green innovations (innovations with an environmental dimension) and modern pollution reduction technologies	-	-	1
National security					
1.	*Development of defence capabilities*	Develop the National Infantry Division and enabling military units by equipping them with weaponry, infrastructure, and ammunition	-	-	4
2.		Develop the necessary infrastructure to host the German Brigade in Lithuania	-	-	4
3.		Strengthen Lithuania's defence industry and promote scientific and technological progress in the field of defence	-	-	4
4.		Enhance societal preparedness for national defence and resilience to threats	-	-	4
5.	*Energy security*	Complete the expansion of the electricity transmission grid infrastructure by implementing the synchronisation project, including the construction of the "Harmony Link"	PA	2023 (4); 2019 (3)	3
6.		Strengthen the Lithuania-Latvia intersystem (territorial planning procedures and design work)	PA	2023 (4); 2019 (3)	1; 3
7.		Implement energy system resilience enhancement projects in strategic energy facilities	PA	2023 (4)	3

Notes:

* For the full list of CSR and their exact titles – see **Annex 2. Table 7** does not include the CSR 2022 (2), 2023 (2) and 2024 (2) (see the Section "Economic and Financial Policy" under **2.2 "Implementation of the CSR for Lithuania"** for the actions taken by Lithuania to ensure smooth implementation of the RRF and Cohesion Policy programmes); the CSR 2019 (1) and 2022 (1) (the implementation of these CSR is being carried out in the context of the NGL and the national budget).

** For the full list of the EU's common priorities and their exact titles, see **Figure 3. EU's Common Priorities.**

2.5. Investment needs

Table 8 presents additional investment needs, going beyond the scope of the reforms and investments planned for implementation in 2025-2029, in the areas of EU common priorities as well as enhancing Lithuania's competitiveness in the global knowledge and talent economy. The table sets out future changes and actions requiring investment.

8 8. Investment needs to meet the EU's common priorities and other objectives of relevance to Lithuania and the EU

Priorities	Investment needs
Fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119	Lithuania is committed to reducing its GHG emissions by at least 70% compared to 1990 levels by 2030 and to achieving a climate-neutral economy by 2050. Green transformation is envisaged across multiple sectors, with strategic documents such as the State Progress Strategy Lithuania's Vision for the Future "Lithuania 2050" (hereinafter – the Lithuania 2050 Strategy) and the National Energy Independence Strategy calling for the rapid expansion of renewable energy, electrification of industry, and other sectors and improved energy efficiency in both transport and buildings. The National Climate Change Agenda sets out Lithuania's policy objectives and targets, divided into short-term goals by 2030, medium-term goals by 2040, and long-term goals by 2050. These cover both climate change mitigation and adaptation. Meeting them will require substantial investment, including in green electricity and synthetic fuels, clean transport, advanced industrial pollution-control technologies, data centre development, public transport network strengthening, and sectoral decarbonisation. In implementing the Energy Efficiency Directive and the Energy Performance of Buildings Directive, Lithuania will face growing investment needs for building renovation and energy-use reduction in public, residential, and other facilities. A Social Climate Plan is also being prepared to mitigate the socio-economic impact of green transformation measures on the most vulnerable households and micro-enterprises. Additional investments will be required to meet other key EU priorities: • Biodiversity protection and ecosystem restoration – under Regulation (EU) 2024/1991 on nature restoration, Lithuania is developing the Nature Recovery Plan, which will include measures to restore natural habitats, forests, agricultural, and urban ecosystems and increase pollinator populations. By 2030, restoration measures must cover at least 30% of all habitats currently in poor condition. • Good water status – in line with the EU Water Framework Directive 2000/60/EC and the National Water Plan 2022-2027, all water bodies should reach good ecological status by 2027. • Circular economy – investments in recycling infrastructure for plastics, textiles, food, and green waste are planned to meet demand for secondary raw materials and reduce dependence on primary resource markets. • Green innovation and industrial pollution reduction – based on updated EU directives, by 2027 all industrial companies in Lithuania will be required to implement environmental management systems and by 2030 to have transformation plans for implementation by 2050.

	Lithuania has also adopted the National Digital Agenda, committing to the EU-wide digital targets. Green innovation and industrial pollution reduction – based on updated EU directives, by 2027 all industrial companies in Lithuania will be required to implement environmental management systems and by 2030 to have transformation plans for implementation by 2050.
Social and economic resilience, including the European Pillar of Social Rights	The Lithuania 2050 Strategy sets out social policy goals mainly focused on strengthening the healthcare, social protection, and education systems, as well as addressing demographic challenges in the labour market and other areas. To strengthen the healthcare system, the Strategy foresees investment in increasing system resilience, reducing the shortage of healthcare professionals, improving their qualifications, expanding access to healthcare services, and promoting healthy lifestyles. In the field of social protection, investments will be needed to expand access to social services and to create or improve incentives for older people to participate in the labour market. In the education sector, the main priority is to ensure quality and accessible education. Measures will address the shortage of teachers and invest in improving their competencies. The Strategy also sets out to develop a lifelong learning system, provide digital skills improvement measures, and increase higher education funding, including investments in quality doctoral studies and social guarantees for doctoral candidates. Applied R&D will be promoted by involving businesses and strengthening science-business cooperation. To boost economic resilience, planned investments include reducing strategic dependencies, developing domestic industry, and expanding critical infrastructure linking Lithuania to international partners. The Strategy also aims to build a knowledge- and advanced technology-based economy, enabled by collaboration with higher education institutions in innovation creation and integration into global value chains
Energy security	The energy system transformation, embedded in the National Energy Independence Strategy, involves targeted and large-scale investments in clean energy production, storage, and distribution solutions. To achieve domestic generation of all required electricity by 2030, further investment in solar energy as well as onshore and offshore wind power is planned. The Strategy also foresees the development of energy storage technologies and increased demand flexibility to ensure system reliability and efficient energy use. Innovative technological solutions, such as small modular reactors, green hydrogen production and its export through the planned Nordic-Baltic hydrogen corridor, will also require investment
Strengthening defence capabilities	In January 2025, the State Defence Council expressed its intention to allocate EUR 28 billion for defence between 2026 and 2030, equivalent to 5-6% of GDP annually. The top funding priority is the formation of the National Division, which includes expanding heavy weaponry, air defence, and other enabling capabilities, as well as the related infrastructure and ammunition reserves. NATO commitments will also be reinforced through the implementation of regional defence plans. These measures will significantly increase the investment needs for strengthening defence capabilities.

	The Strategy further foresees the creation of a universal defence model over the next decade, encompassing both military and non-military measures, as an essential condition for ensuring the country's long-term security.
Enhancing Lithuania's competitiveness in the global knowledge and talent economy*	The Lithuania 2050 Strategy sets out that the future competitiveness and sustainability of Lithuania's economy will be based on its ability to transform knowledge, skills, and technologies into globally demanded innovations as well as unique products and services. Investment needs are foreseen in three key areas: • Science and innovation development and integration into global value chains, especially through the development of critical and breakthrough technologies that form the basis for new products and services. • Sustainable economic growth founded on social justice, environmental responsibility, and resource efficiency. • Strengthening the talent ecosystem by creating an attractive environment for highly qualified professionals, attracting and retaining talent and enabling the growth of creative, technological, and scientific potential. Lithuania will also develop social innovations by harnessing the potential of the cultural and creative sectors, becoming a space open to experimentation and innovation and ultimately one of the most competitive innovation ecosystems in the region. These directions are inseparable from strengthening a competitive science and innovation system, ensuring balanced territorial development, and actively contributing to the deepening of the EU single market, with the goal of achieving technological breakthroughs at the European level.

Note: * According to Article 13 of Regulation (EU) 2024/1263, improving competitiveness is not one of the EU's common priorities. This priority is included in Table 8 because of its importance for Lithuania.

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Annex 1 to
the National Medium-Term Fiscal-Structural
Plan of Lithuania

MACROECONOMIC ASSUMPTIONS. FISCAL PROJECTION CONSISTENT WITH THE NET EXPENDITURE PATH

9 9. Macroeconomic scenario consistent with the fiscal commitment

			2024	2024	2025	2026	2027	2028	2029
		ESA code	EUR, billion	growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
1	Real GDP*	B.1*g		2.7	2.8	2.9	2.6	2.3	2.0
2	GDP deflator			2.8	3.4	2.8	2.6	2.5	2.5
3	Nominal GDP*	B.1*g	77.9	5.6	6.3	5.8	5.3	4.8	4.5
	Components of real GDP	ESA code	EUR, billion	growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
4	Private consumption expenditure	P3		3.6	3.6				
5	General government consumption expenditure	P.3		1.3	0.1				
6	Gross fixed capital formation	P.51		-1.3	5.2				
7	Changes in inventories and net acquisitions of valuables (% of GDP)	P.52+P.53							
8	Exports of goods and services	P.6		0.3	3.5				
9	Imports of goods and services	P.7		0.5	4.3				
	Contribution to real GDP growth								
10	Final domestic demand			1.9	3.2				
11	Changes in inventories and net acquisitions of valuables	P.52+P.53		0.9	0.0				
12	External balance of goods and services	B.11		-0.1	-0.4				
	Deflators and HICP			growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
13	Private consumption deflator			0.8	3.3				
14	HICP			0.9	3.3				
15	Government consumption deflator			10.6	10.5				
16	Investment deflator			2.2	2.3				
17	Export price deflator (goods and services)			0.8	1.2				
18	Import price deflator (goods and services)			-1.5	1.2				
	Labour market	ESA code	level	growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
19	Employment (1,000 persons, national accounts)		1,501.4	1.7	0.3				
20	Average number of hours worked per employee per year		1,878.6	1.2	-0.1				
21	Real GDP per person employed			1.0	2.5				

		ESA code	2024	2024	2025	2026	2027	2028	2029
			EUR, billion	growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
22	Real GDP per hour worked			-0.2	2.6				
23	Compensation of employees (EUR, billion)		39.6	10.7	8.8				
24	Compensation per employee (=23/19) (EUR, thousand)		26.4	8.8	8.4				
				%	%	%	%	%	%
25	Unemployment rate			7.1	7.0				
	Potential GDP and components			growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
26	Potential GDP			2.8	2.5	2.3	2.1	2.0	1.8
	Contribution to potential growth								
27	Labour			1.2	0.7				
28	Capital			1.7	1.7				
29	Total factor productivity			-0.1	0.1				
				% pot. GDP	% pot. GDP	% pot. GDP	% pot. GDP	% pot. GDP	% pot. GDP
30	Output gap*			-2.1	-1.8	-1.2	-0.8	-0.5	-0.3

Sources: SDA, Ministry of Finance.
Note: the values of the indicators in rows 1, 3 and 30 of Table 1 for the period 2026-2029 have been recalculated by applying the fiscal consolidation multiplier.

10 10. External assumptions

			2024	2025	2026	2027	2028	2029
1	Short-term interest rates	(%, annual average)	-	-	-	-	-	-
2	Long-term interest rates	(%, annual average)	3.6	3.6	3.7	3.7	3.7	3.7
3	USD/EUR exchange rate	(annual average)	1.08	1.06				
4	NAC/EUR exchange rate (only for non-euro area Member States)	(annual average)	-	-				
5	World real GDP (excluding the EU)	(growth rate)	3.6	3.6				
6	EU real GDP	(growth rate)	1.0	1.4				
7	World import volumes (excluding the EU)	(growth rate)	-	-				
8	Oil prices	(Brent, USD/barrel)	79.7	74.4				

Sources: SDA, Ministry of Finance.

11 11. Projection of general government finances consistent with the net expenditure path

			2024	2024	2025	2026	2027	2028	2029
	Revenue	ESA code	EUR, billion	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	9.1	11.7	11.9				
2	Current taxes on income, wealth, etc.	D.5	8.4	10.8	11.0				
3	Social contributions	D.61	8.7	11.2	11.5				

			2024	2024	2025	2026	2027	2028	2029
4	Other current revenue	(P.11+P.12+P.131)+D.39+D.4+D.7	3.3	4.2	4.4				
5	Capital taxes	D.91	0.0	0.0	0.0				
6	Other capital revenue	D.92+D.99	0.5	0.7	0.8				
7	Total revenue (=1+2+3+4+5+6)	TR	30.0	38.5	39.6				
8	Of which: transfers from the EU (accrued revenue, not cash)	D.7EU+D.9EU	1.0	1.3	2.2				
9	Total revenue other than transfers from the EU (=7-8)		29.0	37.2	37.3				
10	Discretionary revenue measures (increments, excluding EU-funded measures)		0.2	0.2	0.1				
11	One-off revenue included in projections (levels, excluding EU-funded measures)		0.0	0.0	0.0				
	Expenditure	ESA code	EUR, billion	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	9.1	11.6	11.4				
13	Intermediate consumption	P.2	3.4	4.4	4.8				
14	Interest expenditure	D.41	0.6	0.8	1.0	1.2	1.3	1.3	1.4
15	Social benefits other than social transfers in kind	D.62	10.2	13.1	14.1				
16	Social transfers in kind via market producers	D.632	1.9	2.4	2.3				
17	Subsidies	D.3	0.3	0.3	0.3				
18	Other current expenditure	D.29+(D.4-D.41)+D.5+D.7+D.8	1.6	2.1	1.7				
19	Gross fixed capital formation	P.51	3.3	4.2	4.8				
20	Of which: nationally-financed public investment		2.7	3.5	3.2	3.7	3.4	3.2	3.1
21	Capital transfers	D.9	0.5	0.6	0.5				
22	Other capital expenditure	P.52+P.53+NP	0.1	0.2	0.1				
23	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	31.0	39.8	40.9				
24	Of which: expenditure financed by transfers from the EU (=8)	D.7EU+D.9EU	1.0	1.3	2.2				
25	Nationally financed expenditure (=23-24)		30.0	38.5	38.7				
26	National co-financing* of programmes funded by the Union		0.1	0.2	0.2				
27	Cyclical unemployment benefits		0.0	0.1	0.0				

			2024	2024	2025	2026	2027	2028	2029
28	One-off expenditure included in the projections (levels, excluding EU-funded measures)		0.0	0.0	0.0				
29	Net nationally financed primary expenditure (before revenue measures) (=25-26-27-28-14)		29.2	37.4	37.4				
	Net nationally financed primary expenditure				growth rate	growth rate	growth rate	growth rate	growth rate
30	Net nationally financed primary expenditure growth				6.1	5.2	4.8	4.5	4.3
	Balances	ESA code	EUR, billion	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
31	Net lending (+) / borrowing (-) (=7-23)	B.9	-1.0	-1.3	-1.3	-1.3	-1.3	-1.2	-1.4
32	Primary balance (=31-14)	B.9-D.41p	-0.4	-0.5	-0.3	-0.1	0.0	0.1	0.0
	Cycle adjustment			% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
33	Structural balance			-0.5	-0.6	-0.8	-0.9	-1.0	-1.1
34	Structural primary balance			0.3	0.4	0.3	0.3	0.3	0.3
	Debt		EUR, billion	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
35	General government debt		30.0	38.5	41.0	42.5	43.5	43.7	43.2
36	Change in general government debt		2.4	1.1	2.5	1.5	1.0	0.2	-0.5
37	General government debt determinants								
38	Primary balance (=minus 32)			0.5	0.3	0.1	0.0	-0.1	0.0
39	Snowball effect			-1.2	-1.3	-1.1	-0.9	-0.7	-0.5
40	Interest expenditure (=14)			0.8	1.0	1.2	1.3	1.3	1.4
41	Growth			-1.0	-1.0	-1.1	-1.0	-0.9	-0.8
42	Inflation			-1.0	-1.3	-1.1	-1.1	-1.1	-1.1
43	Stock-flow adjustment (=36-38-39)			1.8	3.5	2.5	1.9	0.9	0.0
				%	%	%	%	%	%
44	Implicit interest rate on debt (=14 / DEBT (t-1))			2.3	2.8	3.0	3.1	3.2	3.3

Sources: SDA, Ministry of Finance

Notes:

* Under the 2021-2027 Financial Perspective, national co-financing includes 10 funds/measures which together make up the co-financing expenditure: the European Regional Development Fund, European Social Fund +, Cohesion Fund, Equitable Transition Fund, European Maritime, Fisheries and Aquaculture Fund, Asylum, Migration and Integration Fund, Internal Security Fund, Financial Support Instruments for Border Management and Visa Policy, European Agricultural Fund for Rural Development, and Connecting Europe Facility.

1. The structural primary balance for 2029 excludes ageing costs.
2. Due to rounding, totals may not match the detailed data.

12 **12. Projections of general government debt and balance and their main assumptions, consistent with the net expenditure path**

			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
1	General government debt	(% of GDP)	38.5	41.0	42.5	43.5	43.7	43.2	42.9	42.8	43.0	43.5	44.1	44.9	45.9	47.0	48.4
2	General government balance	(% of GDP)	-1.3	-1.3	-1.3	-1.3	-1.2	-1.4	-1.5	-1.6	-1.9	-2.1	-2.3	-2.5	-2.7	-2.8	-3.0
3	Structural primary balance (excluding ageing costs)	(% of GDP)	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
4	Cyclical component	(% of GDP)	0.8	0.7	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	One-off measures	(% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Interest expenditure	(% of GDP)	0.8	1.0	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6
7	Long-term interest rates	(%)	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.8
8	Short-term interest rates	(%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Implicit average interest rate	(%)	2.3	2.8	3.0	3.1	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.6	3.6	3.6	3.6
10	Stock-flow adjustment	(% of GDP)	1.8	3.5	2.5	1.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Potential GDP	(growth rate)	2.8	2.5	2.3	2.1	2.0	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.4
12	Real GDP	(growth rate)	2.7	2.8	2.9	2.6	2.3	2.0	1.9	1.8	1.6	1.6	1.6	1.6	1.5	1.5	1.4
13	GDP deflator	(growth rate)	2.8	3.4	2.8	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3
14	Nominal GDP	(growth rate)	5.6	6.3	5.8	5.3	4.8	4.5	4.3	4.3	4.0	4.0	4.0	3.9	3.8	3.8	3.7

Sources: SDA, Ministry of Finance

Annex 2 to

the National Medium-Term Fiscal-Structural Plan

of Lithuania

CSRs PROVIDED BY THE EU COUNCIL TO LITHUANIA IN 2019-2024

Table 13 presents the 2019-2024 relevant CSR for Lithuania (not including implemented or no longer relevant due to changes in circumstances (e.g. the end of the COVID-19 pandemic) CSR, according to the EC's 2024 analysis of Lithuania[31]).

13 **13. CSR provided by the EU Council to Lithuania in 2019-2024**

2019
2019 (1) Improve tax compliance and broaden the tax base by shifting to less growth-impacting sources of taxation. Reduce income inequality, poverty and social exclusion, including by improving the structure of tax and benefit systems. **2019 (2)** Improve the quality and efficiency of all levels of the education and training system, including adult learning. Improve the quality, affordability and efficiency of healthcare services. **2019 (3)** Focus investment-related economic policies on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional differences. Promote productivity growth by improving the efficiency of public investment. Develop a coherent policy framework to foster science-business cooperation*
2020
2020 (1) Enhance health system resilience, including by mobilising sufficient funding and addressing shortages of health workers and essential medical supplies. Improve access to and quality of healthcare services* **2020 (2)** Increase funding and coverage of the ALMPs and promote skills development. Ensure the coverage and adequacy of the social protection floor and increase the effectiveness of tax and benefit systems in protecting against poverty.* **2020 (3)** Support liquidity for businesses, in particular SMEs and export-oriented sectors. Support economic recovery, bring forward the implementation of mature public investment projects and encourage private investment. Focus investment on green and digital transformation, in particular ultra-high bandwidth broadband coverage and penetration, clean and efficient energy production and consumption and sustainable transport. Promote technological innovation in SMEs.
2022
2022 (1) In 2023, ensure that growth in nationally financed primary current expenditure is in line with the overall neutral policy stance, taking into account continued temporary and targeted support for households and enterprises most vulnerable to energy price shocks and for people fleeing Ukraine. Be prepared to adapt

[31] European Commission, 2024. *Commission staff working document: In-depth review for Lithuania in accordance with Article 5 of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances* (SWD(2024) 615 final). Online access: https://economy-finance.ec.europa.eu/document/download/b2eea0d9-a516-4153-82ac-66d150d1ce7e_en?filename=SWD_2024_615_1_EN_Lithuania.pdf

your running costs to changing situations. Promote collaborative public procurement at central government and municipal level.*

2022 (2) Continue to implement the Recovery and Resilience Plan in line with the milestones and targets included in the Council Implementing Decision of 20 July 2021. Conclude negotiations with the Commission on the programming documents for cohesion policy for the period 2021-2027 as soon as possible, so that they can be implemented.

2022 (3) Strengthen primary and preventive health care. Reduce fragmentation in the design and delivery of social services and improve their tailoring and integration with other services. Improve access to and quality of social housing.

2022 (4) Reduce overall dependence on fossil fuels by accelerating the deployment of renewables and increasing energy efficiency and reducing dependence on fossil fuels in the industrial, transport and buildings sectors, and by ensuring sufficient interconnection capacity in energy networks.

2023

2023 (1) Maintain nationally funded public investment and ensure effective absorption of grants under the Facility and other Union funds, in particular to promote green and digital transformation. Strengthen the adequacy of health care and social protection and improve general public services.*

2023 (2) Continue the steady implementation of the Recovery and Resilience Plan and swiftly finalise the REPowerEU chapter to allow for an urgent start of implementation. Continue the rapid implementation of cohesion policy programmes, ensuring close complementarity and synergies with the Recovery and Resilience Plan.

2023 (3) Strengthen primary health care and develop preventive health care, including to increase the resilience of the health system. Improve the planning and delivery of social services. Improve access to and quality of social housing.

2023 (4) Further reduce dependence on fossil fuels and imported energy by accelerating the deployment of renewables, in particular by ensuring sufficient grid capacity and access, transforming and decarbonising industrial production, increasing the use of public and sustainable transport, and improving the energy efficiency of buildings, including with a view to alleviating energy poverty. Ensure sufficient interconnection capacity of the electricity systems to enhance security of supply, while continuing work to complete synchronisation with the Union electricity grid on time. Step up policy efforts to provide and acquire the skills and competences needed for green transformation.

2024

2024 (1) Present a medium-term fiscal structural plan on time. In line with the requirements of the reformed Stability and Growth Pact, limit the growth of net expenditure in 2025 to a pace that keeps the general government deficit below the 3% of GDP Treaty reference value and government debt at a prudent level over the medium term. Adequate funding for health, social protection and general public services.

2024 (2) Address emerging delays to allow for a continuous, swift and effective implementation of the Recovery and Resilience Plan, including the REPowerEU chapter, ensuring that reforms and investments are completed by August 2026. Accelerate the implementation of cohesion policy programmes. The mid-term review will continue to focus on agreed priorities, while considering the potential of the SET-Platform initiative to increase competitiveness.

2024 (3) Improve health outcomes and health system resilience by strengthening primary and expanding preventive health care. Improve the adequacy of old-age pensions while ensuring the sustainability of the pension system. Reduce regional disparities by promoting cooperation between municipalities to improve access to public services, including public transport.

2024 (4) Address the mismatch between skills supply and demand by improving the relevance of higher education to labour market needs. Facilitate private investment in research and innovation. Increase resource productivity to make progress towards a circular economy.

Note: * These CSR have been edited – parts that have been fully implemented or are no longer relevant, based on the EC's 2024 analysis, were deleted.