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Recommendation for a

COUNCIL RECOMMENDATION

on the 2022 National Reform Programme of Lithuania and delivering a Council opinion on the 2022 Stability Programme of Lithuania

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Recommendation for a

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], and in particular Article 5(2) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[2], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support for the implementation of reforms and investment, entailing a fiscal impulse financed by the Union. It contributes to the economic recovery and to the implementation of sustainable and growth-enhancing reforms and investment, in particular to promote the green and digital transition, while strengthening the resilience and potential growth of the Member States' economies. It also helps strengthen sustainable public finances and boost growth and job creation in the medium and long term. The maximum financial contribution per Member State under the Recovery and Resilience Facility [was] updated on [XX] June 2022, in line with Article 11(2) of Regulation (EU) 2021/241.

(2) On 24 November 2021, the Commission adopted the Annual Sustainable Growth Survey, marking the start of the 2022 European Semester for economic policy coordination. It took due account of the reaffirmed joint commitment of the Porto Social Summit of May 2021 to further implement the European Pillar of Social Rights, proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. The European Council endorsed the priorities of the 2022 Annual

[1] OJ L 209, 2.8.1997, p. 1.

[2] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

Sustainable Growth Survey on 25 March 2022. On 24 November 2021, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism Report, in which it did not identify Lithuania as one of the Member States for which an in-depth review[3] would be needed. On the same date, the Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which was adopted on 5 April 2022 by the Council as well as the proposal for the 2022 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which was adopted by the Council on 14 March 2022.

(3) Russia's invasion of Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. The impact of the invasion on Member States' economies has been felt for example through higher energy and food prices and weaker growth prospects. The higher energy prices weigh particularly on the most vulnerable households experiencing or at risk of energy poverty. The EU is also seeing an unprecedented inflow of people fleeing Ukraine. In this context, on 4 March 2022, the Temporary Protection Directive was triggered[4] for the first time, granting displaced persons from Ukraine the right to legally stay in the EU, as well as access to education and training, labour market, healthcare, housing and social welfare. Exceptional support is made available to Lithuania under the Cohesion's Action for Refugees in Europe (CARE) initiative and through additional pre-financing under the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) programme to urgently address reception and integration needs for those fleeing Ukraine.

(4) Taking account of the rapidly changing economic and geopolitical situation, the European Semester resumes its broad economic and employment policy coordination in 2022, while evolving in line with the implementation requirements of the Recovery and Resilience Facility, as outlined in the 2022 Annual Sustainable Growth Survey. The implementation of the adopted recovery and resilience plans is essential for the delivery of the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 Semester cycles. The 2019 and 2020 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241, in addition to any country-specific recommendations issued up to the date of submission of the modified plan.

(5) The General Escape Clause has been active since March 2020[5]. In its Communication of 3 March 2021[6], the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity

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3 Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

4 Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having the effect of introducing temporary protection, OJ L 71, 4.3.2022, p. 1.

5 Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, Brussels, 20.3.2020, COM(2020) 123 final.

6 Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final.

in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

(6) Following the approach in the Council opinion of 18 June 2021 on the 2021 Stability Programme, the fiscal stance is currently best measured as the change in primary expenditure (net of discretionary revenue measures), excluding COVID-19 crisis-related temporary emergency measures but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term potential growth[7]. Going beyond the overall fiscal stance, in order to assess whether national fiscal policy is prudent and its composition is conducive to a sustainable recovery consistent with the green and digital transitions, attention is also paid to the evolution of nationally-financed[8] primary current expenditure (net of discretionary revenue measures and excluding COVID-19 crisis-related temporary emergency measures) and investment.

(7) On 2 March 2022, the Commission adopted a Communication providing broad guidance for fiscal policy in 2023, aiming at supporting the preparation of Member States' Stability and Convergence Programmes and thereby strengthening policy coordination[9]. The Commission noted that, based on the macroeconomic outlook of the 2022 winter forecast, transitioning from an aggregate supportive fiscal stance in 2020-2022 to a broadly neutral aggregate fiscal stance would appear appropriate in 2023, while standing ready to react to the evolving economic situation. The Commission announced that the fiscal recommendations for 2023 should continue to differentiate across Member States and take into account possible cross-country spillovers. The Commission invited the Member States to reflect the guidance in their Stability and Convergence Programmes. The Commission committed to closely monitor the economic developments and adjust its policy guidance as needed and at the latest in its Semester spring package of late May 2022.

(8) With respect to the fiscal guidance provided on 2 March 2022, the fiscal recommendations for 2023 take into account the worsened economic outlook, the heightened uncertainty and further downside risks, and the higher inflation compared to the winter forecast. Against these considerations, the fiscal response has to expand public investment for the green and digital transition and energy security, and sustain the purchasing power of the most vulnerable households so as to cushion the impact of the energy price hike and help limit inflationary pressures from second round effects via targeted and temporary measures; fiscal policy has to remain agile so as to adjust to the rapidly evolving circumstances, and be differentiated across countries depending on their fiscal and economic situation, including as regards the exposure to the crisis and the inflow of displaced persons from Ukraine.

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7 The estimates on the fiscal stance and its components in this recommendation are Commission estimates based on the assumptions underlying the Commission 2022 spring forecast. The Commission's estimates of medium-term potential growth do not include the positive impact of reforms that are part of the Recovery and Resilience Plan and that can boost potential growth.

8 Not financed by grants from the Recovery and Resilience Facility and other EU funds.

9 Communication from the Commission to the Council: Fiscal policy guidance for 2023, Brussels, 2.3.2022, COM(2022) 85 final.

(9) On 14 May 2021, Lithuania submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 20 July2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Lithuania[10]. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Lithuania has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(10) On 27 April 2022, Lithuania submitted its 2022 National Reform Programme and, on 29 April 2022, its 2022 Stability Programme, in line with the deadline established in Article 4 of Regulation (EC) No 1466/97. To take account of their interlinkages, the two programmes have been assessed together. In accordance with Article 27 of Regulation (EU) 2021/241, the 2022 National Reform Programme also reflects Lithuania's bi-annual reporting on the progress made in achieving its recovery and resilience plan.

(11) The Commission published the 2022 country report for Lithuania[11] on 23 May 2022. It assessed Lithuania's progress in addressing the relevant country-specific recommendations adopted by the Council in 2019, 2020 and 2021, and took stock of Lithuania's implementation of the recovery and resilience plan, building on the Recovery and Resilience Scoreboard. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges, including those emerging from Russia's invasion of Ukraine. It also assessed Lithuania's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(12) On 23 May 2022, the Commission issued a report under Article 126(3) TFEU. This report discussed the budgetary situation of Lithuania, as its general government deficit in 2022 is planned to exceed the 3% of GDP Treaty reference value. The report concluded that the deficit criterion was not fulfilled. In line with the Communication of 2 March 2022, the Commission did not propose to open new excessive deficit procedures in spring 2022 and it will reassess the relevance of proposing to open excessive deficit procedures in autumn 2022.

(13) On 20 July 2020, the Council recommended Lithuania to take in 2020 and 2021 all necessary measures, in line with the general escape clause, to effectively address the pandemic, sustain the economy and support the ensuing recovery. It also recommended Lithuania to pursue, when economic conditions allow, fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. In 2021, based on data validated by Eurostat, Lithuania's general government deficit fell from 7.3% of GDP in 2020 to

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10 Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Lithuania (ST 10477/2021; ST 10477/2021 ADD 1)

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1.0% in 2021. The fiscal policy response by Lithuania supported the economic recovery in 2021, while temporary emergency support measures declined from 3.9% of GDP in 2020 to 2.8% in 2021. The measures taken by Lithuania in 2021 have been in line with the Council Recommendation of 20 July 2020. The discretionary budgetary measures adopted by the government in 2020 and 2021 were mostly temporary. At the same time, some of the discretionary measures adopted by the government over the period 2020 to 2021 were not temporary or matched by offsetting measures, mainly consisting of higher compensation for public sector employees. Based on data validated by Eurostat, general government debt stood at 44.3% of GDP in 2021.

(14) The macroeconomic scenario underpinning the budgetary projections in the 2022 Stability Programme is realistic. The government projects real GDP to grow by 1.6% in 2022 and 2.5% in 2023. By comparison, the Commission’s 2022 spring forecast projects a real GDP growth of 1.7% in 2022 and 2.6% in 2023. In its 2022 Stability Programme, the Government expects that the headline deficit will increase to 4.9% of GDP in 2022 and decrease to 2.4% in 2023. The increase in the deficit in 2022 mainly reflects measures to contain the impact of high energy prices, to support lower income households and to accommodate the flows of people fleeing Ukraine. According to the Programme, the general government debt-to-GDP ratio is expected to decrease to 43.3% in 2022, and to remain stable in 2023. Based on policy measures known at the cut-off date of the forecast, the Commission 2022 spring forecast projects a government deficit for 2022 and 2023 of 4.6% of GDP and 2.3% respectively. This is in line with the deficit projected in the 2022 Stability Programme. The Commission 2022 spring forecast projects a similar general government debt-to-GDP ratio, of 42.7% in 2022 and 43.1% in 2023.

Based on the Commission spring 2022 forecast, the medium-term (10-year average) potential output growth is estimated at 3.2%. However, this estimate does not include the impact of the reforms that are part of the Recovery and Resilience Plan and can boost Lithuania’s potential growth.

(15) In 2022, the government phased out the majority of measures taken in response to the COVID-19 crisis, such that the temporary emergency support measures are projected to decline from 2.8% of GDP in 2021 to 1.2% in 2022. The government deficit is impacted by the measures adopted to counter the economic and social impact of the increase in energy prices, which in the Commission spring 2022 forecast are estimated at 1.2% of GDP in 2022 and 0.0% of GDP in 2023.[12] These measures mainly consist of subsidies to gas and electricity companies, compensation of the VAT applied for heat energy and broader application of other compensations for heat energy. These measures have been announced as mostly temporary. However, in case energy prices remain elevated also in 2023, some of these measures could be continued. Some of these measures are not targeted, notably the subsidies to gas and electricity companies and compensations of heat energy VAT. The government deficit is also impacted by the costs to offer temporary protection to displaced persons from Ukraine, which in the

[12] The figures represent the level of annual budgetary costs of those measures taken since autumn 2021, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

Commission 2022 spring forecast are projected at 0.2% in 2022 and 2023[13], as well as the increased cost of defence expenditure by 0.5% of GDP in both 2022 and 2023.

(16) On 18 June 2021, the Council recommended that in 2022 Lithuania[14] maintain a supportive fiscal stance, including from the impulse provided by the Recovery and Resilience Facility, and preserves nationally-financed investment. The Council also recommended Lithuania to keep the growth of nationally-financed current expenditure under control. It also recommended Lithuania to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term, and at the same time, to enhance investment to boost growth potential.

(17) In 2022, based on the Commission's 2022 spring forecast and including the information incorporated in Lithuania's 2022 Stability Programme, the fiscal stance is projected to be supportive at -4.2% of GDP as recommended by the Council.[15] Lithuania plans to provide continued support to the recovery by making use of the Recovery and Resilience Facility to finance additional investment as recommended by the Council. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to increase by 0.5 percentage points of GDP compared to 2021. Nationally-financed investment is projected to provide an expansionary contribution to the fiscal stance of 0.3 percentage points in 2022.[16] Therefore, Lithuania plans to preserve nationally financed investment, as recommended by the Council. At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide an expansionary contribution of 3.2 percentage points to the overall fiscal stance. This significant expansionary contribution includes the additional impact of the measures to address the economic and social impact of the increase in energy prices (1.2% of GDP) as well as the costs to offer temporary protection to displaced persons from Ukraine (0.2% of GDP, while, among other measures, additional support to lower income households (additional increase of pensions, child benefits, social assistance, minimum level of non-taxable income) is also projected to contribute 0.4 % of GDP to the growth in net current expenditure. Therefore, on the basis of current Commission estimates, Lithuania does not sufficiently keep under control the growth of nationally-financed current expenditure in 2022.

13 The total number of displaced persons from Ukraine to the EU is assumed to gradually reach 6 million by the end of 2022, and their geographical distribution is estimated based on the size of the existing diaspora, the relative population of the receiving Member State, and the actual distribution of displaced persons from Ukraine across the EU as of March 2022. For budgetary costs per person, estimates are based on the Euromod microsimulation model of the Commission's Joint Research Centre, taking into account both cash transfers people may be eligible for as well as in-kind benefits such as education and healthcare.

14 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Stability Programme of Lithuania, OJ C 304, 29.7.2021, p. 68.

15 A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

16 Other nationally-financed capital expenditure is projected to provide an expansionary contribution of 0.1 percentage point of GDP.

(18) In 2023, the fiscal stance is projected in the Commission 2022 spring forecast at 1.5% of GDP on a no-policy change assumption.[17] Lithuania is projected to continue using the grants from the Recovery and Resilience Facility in 2023 to finance additional investment in support of the recovery. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to increase by 0.4 percentage points of GDP in 2023. Nationally-financed investment is projected to provide a contractionary contribution to the fiscal stance of 0.5 percentage points in 2023.[18] At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2023 is projected to provide a contractionary contribution of 1.5 percentage points to the overall fiscal stance. This includes the impact from the phasing out of the measures addressing the increased energy prices (1.2% of GDP) and additional costs to offer temporary protection to displaced persons from Ukraine (0.1% of GDP).

(19) In the 2022 Stability Programme, the government deficit is expected to gradually decline to 1.3% in 2024 and to 1.0% by 2025. The general government deficit is thus planned to remain below 3% of GDP over the programme horizon. According to the Programme, the general government debt-to-GDP ratio is expected to decrease by 2025, specifically with a decrease to 42.6% in 2024, and a decline to 42.5% in 2025. Based on the Commission’s analysis, debt sustainability risks appear low over the medium term.

(20) The public procurement scoreboard 2020 identified some bottlenecks in the public procurement system in Lithuania: lack of cooperation between purchasing organisations, few or no participants in tenders, and an over-reliance on the price criterion. Broadening the scope of ongoing efforts to foster co-operative public procurement across municipalities, so that the reform would also cover the central government level would help develop and spread best practices and improve the overall efficiency and effectiveness of the processes. This would also help increase fiscal sustainability.

(21) In accordance with Article 19(3), point (b), and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These help address all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Lithuania by the Council in the European Semester in 2019 and 2020, in addition to any country-specific recommendations issued up to the date of adoption of a plan. In particular, the plan strongly focuses on measures to promote digitalisation and the green transition, ensure the quality and efficiency of health services, enhance social protection, prioritise education and innovation, and increase the effectiveness of the public sector.

(22) The implementation of the recovery and resilience plan of Lithuania is expected to contribute to making further progress on the green and digital transition. Measures supporting the climate objectives in Lithuania account for 37.8% of the plan’s total allocation, while measures supporting digital objectives account for 31.5% of the

[17] A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

[18] Other nationally-financed capital expenditure is projected to provide a neutral contribution of 0.0 percentage point of GDP.

plan's total allocation. The fully-fledged implementation of the recovery and resilience plan, in line with the relevant milestones and targets, will help Lithuania swiftly recover from the fallout of the COVID-19 crisis, while strengthening its resilience. The systematic involvement of social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as well as other economic and employment policies going beyond the plan, to ensure broad ownership of the overall policy agenda.

(23) The Commission approved the Partnership Agreement of Lithuania on 22 April 2022. Lithuania submitted the cohesion policy programme[19] on 21 March 2022. In line with Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, Lithuania has taken into account the relevant country-specific recommendations in the programming of the 2021-2027 cohesion policy funds. This is a prerequisite for improving the effectiveness and maximising the added value of the financial support to be received from cohesion policy funds, while promoting the coordination, complementarity and coherence between these funds and other Union instruments and funds. The successful implementation of the Recovery and Resilience Facility and cohesion policy programmes also depends on the removal of bottlenecks to investment to support the green and digital transition and balanced territorial development.

(24) Beyond the economic and social challenges addressed by the recovery and resilience plan, Lithuania faces a number of additional challenges related to primary and preventive care, weaknesses in the planning and delivery of social services and a lack of strategy on social housing. The high levels of avoidable hospital admissions and of treatable and preventable mortality rates demonstrate the need for more preventive actions in Lithuanian healthcare. Moreover, shortages and uneven distribution of health professionals limit access to primary healthcare. Beyond the health reforms and investment in Lithuania's recovery and resilience plan, there is a need to further strengthen primary care and prevention. Lack of collaboration between various ministries and other public bodies and gaps in identifying the needs hinder the integrated provision of social services. The services also insufficiently address the needs of unemployed people. Lithuania's spending on social housing, i.e. EUR 10.31 per inhabitant (in constant 2010 prices), compared to an EU average of EUR 101.58 in 2019[20], is significantly below the EU average, leading to persistent shortages and long waiting lists. The quality of the social housing provided also needs to be improved. The recovery and resilience plan includes important measures such as a reform of the minimum income scheme and the tax-benefit system together with increasing the coverage of unemployment social insurance. These measures are expected to help address some of the key social protection challenges once implemented. However, beyond the measures included in the plan, further efforts are needed to improve the planning, quality and effectiveness of social services and to address the shortages and insufficient quality of social housing.

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19 Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy. OJ L 231, 30.6.2021, p. 159.

20 https://ec.europa.eu/eurostat/databrowser/view/SPR_EXP_FHO__custom_2036156/default/table?lang=en

(25) In response to the mandate by the EU Heads of State or Government, set out in the Versailles Declaration, the REPowerEU plan aims to phase out the European Union's dependence on fossil fuel imports from Russia as soon as possible. For this purpose, the most suitable projects, investments and reforms at national, regional and EU level are being identified in dialogue with the Member States. These measures aim to reduce overall reliance on fossil fuels and shift fossil fuel imports away from Russia.

(26) Lithuania is highly dependent on imports for its energy supply, as it imports around two-thirds of its gross electricity needs and most of its oil and gas. Oil and gas represent three-quarters of the country's energy mix. Until Russia's invasion of Ukraine, oil and gas were predominantly imported from Russia. In 2020, Lithuania imported 42% of its natural gas imports from Russia (largely in line with the EU average of 44%) and 73% of its crude oil imports from Russia (higher than the EU average of 26%).[21] The demand for energy is driven by a large transport fleet, with public transport and rail remaining underused, a large stock of energy-inefficient buildings and highly energy-intensive industries, which account for 67% of the total gas consumption. Additional efforts to reduce energy intensity in these sectors, by promoting industrial transformation, including innovative production processes, and further promoting the use of renewable energy sources, would decrease Lithuania's dependence on overall energy imports. Lithuania has considerably improved its energy security by developing electricity and gas links with neighbouring Member States and with the liquefied natural gas terminal in Klaipėda. Overall, Lithuania needs to pursue its efforts to further enhance regional cooperation with its neighbours to coordinate further gas imports and the efficient use of regional infrastructures. In this context, the gas interconnector with Poland (GIPL) that is operational as of 1 May 2022, and the enhancement of other gas interconnectors with neighbouring Member States, will help safeguard energy supply in the region. Completing the ongoing synchronisation with the EU continental power grid, ensuring sufficient capacity for the interconnections with neighbouring Member States and pursuing joint renewable projects should nevertheless remain a policy priority. New infrastructure and network investments related to gas are recommended to be future-proof where possible, in order to facilitate their long-term sustainability through future repurposing for sustainable fuels. Further increase in ambition for reducing greenhouse gas emission and increasing renewable energy and energy efficiency targets will be needed for Lithuania to be in line with the 'Fit for 55' objectives.

(27) While the acceleration of the transition towards climate neutrality and away from fossil fuels will create significant restructuring costs in several sectors, Lithuania can make use of the Just Transition Mechanism in the context of cohesion policy to alleviate the socio-economic impact of the transition in the most affected regions. In addition, Lithuania can make use of the European Social Fund Plus to improve employment opportunities and strengthen social cohesion.

(28) In the light of the Commission's assessment, the Council has examined the 2022 Stability Programme and its opinion[22] is reflected in recommendation (1) below.

(29) In view of the close interlinkages between the economies of euro area Member States and their collective contribution to the functioning of the Economic and Monetary

[21] Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU27 average, the total imports are based on extra-EU27 imports. For Lithuania, total imports include intra-EU trade. Crude oil does not include refined oil products.

[22] Under Article 5(2) of Council Regulation (EC) No 1466/97.

Union, the Council recommended that the euro area Member States take action, including through their recovery and resilience plans, to implement the recommendation on the economic policy of the euro area. For Lithuania, this is reflected in particular in recommendations (1) and (2) below.

HEREBY RECOMMENDS that Lithuania take action in 2022 and 2023 to:

1. In 2023, ensure that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions. Foster co-operative public procurement at central government and municipality levels.

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 20 July 2021. Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation.

3. Strengthen primary and preventive care. Reduce fragmentation in the planning and delivery of social services and improve their personalisation and integration with other services. Improve access to and quality of social housing.

4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, increasing energy efficiency and decarbonisation of industry, transport and buildings, and ensure sufficient capacity of energy interconnections.

Done at Brussels,

For the Council
The President