



**MINISTRY OF FINANCE**  
of the Republic of Lithuania

# STABILITY PROGRAMME OF LITHUANIA FOR 2020



30 April 2020

## TABLE OF CONTENT

PART I INTRODUCTION .....	7
PART II ECONOMIC OUTLOOK.....	9
SECTION 1 EDS FOR 2020–2021 .....	9
SECTION 2 EDS ASSUMPTIONS AND RISKS FOR THE EDS TO COME TRUE ...	10
PART III GENERAL GOVERNMENT FINANCIAL SITUATION AND PROSPECTS.....	11
SECTION 1 GENERAL GOVERNMENT FINANCE IN 2019–2021 .....	11
SECTION 2 STATE BUDGET REVENUE IN 2020–2021.....	14
SECTION 3 GENERAL GOVERNMENT FINANCIAL TRENDS IN 2022–2023 .....	16
PART IV COVID-19 IMPACT MITIGATION AND ECONOMIC STIMULUS MEASURES .....	16
PART V GENERAL GOVERNMENT DEBT AND ITS PROJECTIONS .....	18
PART VI STABILITY OF THE LITHUANIAN FINANCIAL SYSTEM .....	21
PART VII EDS AND PUBLIC FINANCIAL DATA .....	23

## LIST OF TABLES

Table 1. Macroeconomic indicators .....	10
Table 2. Main EDS assumptions .....	23
Table 3. Price indicators .....	23
Table 4. Labour market indicators.....	23
Table 5. General government indicators in 2019–2021* .....	24
Table 6. General government debt projections.....	25
Table 7. Discretionary COVID-19 plan revenue and expenditure measures .....	26
Table 8. Discretionary COVID-19 plan State guarantee measures .....	31
Table 9. Discretionary COVID-19 plan EU and other international financial assistance reallocation measures .....	31
Table 10. Government borrowing targets in 2020–2021 and medium-term debt management tasks .....	33

## LIST OF CHARTS

Chart 1. Lithuania’s real GDP rate of change, % .....	9
Chart 2. General government balance in 2007–2021, % of GDP.....	12
Chart 3. Impact of the COVID-19 plan measures on the general government revenue and expenditure in 2020–2021, % of GDP* .....	13
Chart 4. General government subsector balances in 2021–2022, % of GDP .....	14
Chart 5. Implementation of the State budget revenue plan in Q1 2020, EUR million .....	15
Chart 6. Alternative State budget revenue collection scenarios, EUR million.....	15
Chart 7. General government debt , % of GDP .....	19
Chart 8. Development of Lithuania’s long-term foreign currency credit ratings.....	20

## ABBREVIATIONS

<b>CCB</b>	countercyclical capital buffer
<b>Constitutional Law</b>	Republic of Lithuania Constitutional Law on the Implementation of the Fiscal Treaty
<b>COVID-19</b>	new coronavirus (COVID-19)
<b>COVID-19 Plan</b>	Action Plan for Economic Stimulus and Mitigation of Consequences of Coronavirus (COVID-19) Transmission approved by Government of the Republic of Lithuania Minutes No 14 of 16 March 2020
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>EDS</b>	Economic development scenario
<b>ESA</b>	2010 European System of Accounts
<b>EU</b>	European Union
<b>Fiscal institution</b>	Lithuanian independent fiscal institution whose functions are performed by the Budgetary Policy Monitoring Department under the National Audit Office of Lithuania
<b>GDP</b>	gross domestic product
<b>Government</b>	Government of the Republic of Lithuania
<b>GS</b>	securities of the Government of the Republic of Lithuania
<b>HICP</b>	average annual inflation calculated according to the consumer price index methodologically harmonized with other EU Member States
<b>IMF</b>	International Monetary Fund
<b>INVEGA</b>	UAB Investicijų ir verslo garantijos (investment and business guarantees)
<b>Law on the Budget for 2019</b>	Republic of Lithuania Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2019
<b>Law on the Budget for 2020</b>	Republic of Lithuania Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020
<b>Ministry of Finance</b>	Ministry of Finance of the Republic of Lithuania
<b>OPEC</b>	Organization of Petroleum Exporting Countries
<b>PIT</b>	personal income tax
<b>Programme</b>	Stability Programme of Lithuania for 2020
<b>SAP</b>	Stability and Growth Pact <sup>1</sup>

---

<sup>1</sup> 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, as last amended by Regulation (EC) No 1175/2011 of the European Parliament and of the Council of 16 November 2011; Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, as last amended by Regulation (EC) No 1177/2011 of the European Parliament and of the Council of 8 November 2011.

<b>Seimas</b>	Seimas of the Republic of Lithuania
<b>Social model</b>	Lithuanian legal administrative model of labour relations and state social security
<b>Structural balance</b>	structural balance indicator of the general government sector
<b>USA</b>	United States of America
<b>VAT</b>	value added tax

## SUMMARY

General government financial projections presented in the Programme have been developed based on two EDSs under conditions of high uncertainty. Global COVID-19 outbreak, which disrupted global supply chains, claimed thousands of lives and prompted the countries worldwide to impose measures to contain the spread of COVID-19, has an enormous negative impact on the economies of the EU and other countries of the world.

Due to COVID-19 caused consequences, Lithuanian economy will shrink in 2020, and in 2021 the economy is expected to grow. The scope of economic downturn will depend on how quickly the COVID-19 spread will be contained in Lithuania, EU and other countries of the world. The Programme projects that the measures imposed in Lithuania to cushion the negative effect of crisis caused by COVID-19 will significantly increase general government expenditure.

In 2019, for the fourth consecutive year, Lithuania's general government finance was in surplus which constituted 0.3 % of GDP. In 2019 the structural balance accounted to -1.4 % of GDP. In 2019, there was no deviation from the medium-term objective considering the SGP clause for structural pension reform expenses of 0.5 % GDP valid for Lithuania in 2019. In 2020-2021 general government sector will be in deficit. It is currently projected that in 2020, depending on the materialization of risks, the general government deficit may constitute from 9.1 % of GDP to 11.4 % of GDP.

The medium-term objective of Lithuania is set in accordance with the SGP and the Constitutional Law. The medium-term objective of 2019-2021 established by the Seimas<sup>2</sup> – structural balance not exceeding 1 % of GDP at current prices. Due to a negative COVID-19 effect on the general government finance, the deviation from the medium-term objective will occur in 2020, however no national and SGP fiscal discipline rules will apply. After the expiry of imposition of measures specified in the COVID-19 plan and decreased negative COVID-19 effect, the structural balance should improve. Also, the efforts will be made to strengthen the general government financial position and gradually restore fiscal buffers.

It is projected that in 2020 the value of measures to counteract negative COVID-19 effects (including the measures to increase the lending potential of 5.6 % of GDP of banks) will constitute 17.1 % of GDP. Of which the measures, excluding the measures to increase the lending potential, estimated in the Programme account for 10.6 % of GDP, and the value of measures directly affecting the general government balance constitutes 6.8 % of GDP.

The general government debt accounted for 36.3 % of GDP at the end of the year and was by 2.4 percentage point higher than in 2018. This indicator was affected by the funds of EUR 1.3 billion accumulated at the end of 2019 for the Eurobond redemption at the beginning of 2020. It is projected that in 2020 the debt may constitute from 46.8 % of GDP to 50.6 % of GDP.

---

<sup>2</sup> Seimas of the Republic of Lithuania Resolution No XIII-1058 On Setting the Medium-Term Objective of 22 March 2018.

## PART I INTRODUCTION

The Government, by its Resolution No 152 On Declaration of the State Level Emergency<sup>3</sup> of 26 February 2020, declared a country-wide State level emergency with regard to the threat of the COVID-19 spread. Due to disadvantageous epidemic COVID-19 situation, quarantine has been imposed in the territory of the Republic of Lithuania by Government Resolution No 207 On Imposition of Quarantine in the Republic of Lithuania of 14 March 2020<sup>4</sup> and the fixed period of the quarantine regime from 16 March to 11 May 2020. The period of the quarantine regime may be extended.

In order to ensure necessary resources for effective functioning of health and public security systems, to help to safeguard jobs and maintain the level of personal income, to help business save liquidity, stimulate the economy, ensure liquidity of the State Treasury, the Government drew up the COVID-19 plan<sup>5</sup> for the implementation of which at that time it earmarked about EUR 5 billion, where EUR 2.5 billion consisted of the measures to increase the lending potential of the banks.

The detailed information about the measures to counteract negative COVID-19 effects and their impact on general government finance is presented in Part IV of the Programme.

Republic of Lithuania Law No XIII-2695 On the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020 and the Amendment to Articles 9 and 10<sup>6</sup> was adopted on 17 March 2020. The amendment to the Law aimed to increase the Government net debt borrowing limit in 2020 from EUR 904.6 million to EUR 5,401.7 million that, in case of failure to implement the State budget revenue plan, the Government could ensure financing of the COVID-19 plan, issue loans to other general government subsectors from funds borrowed on behalf of the State and balance public cash flows.

Considering the fact that the expenses of implementation of the imposed measures to maintain the economic viability of the country and to ensure health care and public security will have a major impact on general government finance, the Government, by its Resolution No 230 On Delegation of Powers to the Ministry of Finance of 18 March 2020<sup>7</sup> authorised the Ministry of Finance to initiate institution of exceptional circumstances in the Republic of Lithuania. Exceptional circumstances are instituted and withdrawn following Article 7 of the Constitutional Law. According to the Constitutional Law and Regulation (EC) No 1466/97 of the Stability and Growth Pact, exceptional circumstances – an unusual event outside the

---

<sup>3</sup> Government of the Republic of Lithuania Resolution No 152 On Declaration of the State Level Emergency of 26 February 2020, [https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/8feb1a7658a111\\_eaac56f6e40072e018?ifwid=24tsi3r15](https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/8feb1a7658a111_eaac56f6e40072e018?ifwid=24tsi3r15).

<sup>4</sup> Government of the Republic of Lithuania Resolution No 207 On Imposition of Quarantine in the Republic of Lithuania of 14 March 2020, [https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/deaf8694663011\\_eaa02cacf2a861120c/asr?positionInSearchResults=4&searchModelUUID=0366b759-c75c-408e-b582-811c5198ee4d](https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/deaf8694663011_eaa02cacf2a861120c/asr?positionInSearchResults=4&searchModelUUID=0366b759-c75c-408e-b582-811c5198ee4d).

<sup>5</sup> Minutes No 14 of the Meeting of the Government of the Republic of Lithuania of 16 March 2020, [http://lrv.lt/uploads/main/meetings/docs/10936\\_imp\\_d5380e103019120ba479452a2a6bc64e.pdf](http://lrv.lt/uploads/main/meetings/docs/10936_imp_d5380e103019120ba479452a2a6bc64e.pdf).

<sup>6</sup> Republic of Lithuania Law No XIII-2695 On the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020 and the Amendment to Articles 9 and 10, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/815a43c0232511eab86ff95170e24944/asr>.

<sup>7</sup> Government of the Republic of Lithuania Resolution No 230 On Conferral of Powers to the Ministry of Finance of 18 March 2020, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/ff7f2311692511eaa38ed97835ec4df6>.

control of public authorities, which has a major impact on financial position of the general government, or severe economic downturn. On 27 March 2020 the fiscal institution published the conclusion that the situation in the country corresponds to the definition of an unusual event<sup>8</sup>, and the general government balance indicator not lower than 0.2 % of GDP set in the Law on the Budget for 2020 may be reasonably not achieved.

Under exceptional circumstances the surplus general government rule set forth in Article 3(1) of the Constitutional Law does not apply. It is projected that the output gap estimated based on the EDS published on 20 March 2020 will be negative in 2020-2021. According to Article 3(3)(5) of the Constitutional Law, a negative output gap is a presumption allowing not to limit the general government expenditure.

During the period of institution of exceptional circumstances, following Article 7(3) of the Constitutional Law, the Ministry of Finance once per quarter will update the EDS, publish it, and the fiscal institution will provide the Seimas with its conclusion on the approval of the scenario.

The EC considering the economic downturn faced by the EU countries and the entire euro area due to negative COVID-19 containment effects and huge expenses, in 2020 intends to apply the General Escape Clause within the Stability and Growth Pact<sup>9</sup>. A country is allowed to deviate from the amount of expenditure for the implementation of measures of fiscal discipline rules set forth in the SGP to counteract negative COVID-19 effects.

The Stability Programme of Lithuania is a medium-term fiscal policy document of Lithuania which under normal circumstances covers the current year and the next three years.

The Programme has been developed following the SGP regulations and EC guidelines on the content of 2020 Stability and Convergence Programmes for the EU countries published on 6 April 2020. The Programme covers the period of 2019–2021. The Programme presents the information about two EDSs and general government financial projections prepared on the basis of these scenarios. The Programme has been harmonised with the 2020 reform agenda of Lithuania<sup>10</sup>.

Due to great uncertainty of social and economic environment of Lithuania and currently impossible to assess external risk factors to Lithuanian, EU and global economies, the EDS and fiscal projections may not come true.

The Government approved the Programme on 29 April 2020.<sup>11</sup> The Programme was presented to the members of the European Affairs Committee and Audit Committee of the Seimas. The assessment of fiscal indicators presented in the Programme was performed by the Lithuanian independent fiscal institution. On 30 April 2020 the Programme was submitted to the European Commission and Euro Group.

---

<sup>8</sup> Conclusion by the fiscal institution, <https://www.vkontrole.lt/bp/ismada.aspx?id=10366>.

<sup>9</sup> European Commission clarification on the activation of the General Escape Clause, [https://ec.europa.eu/info/sites/info/files/economy-finance/2\\_en\\_act\\_part1\\_v3-adopted\\_text.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf).

<sup>10</sup> The Government of the Republic of Lithuania plans to discuss the 2020 National Reform Agenda at the beginning of May 2020.

<sup>11</sup> Government of the Republic of Lithuania Resolution No 433 On the 2020 Stability Programme of Lithuania of 29 April 2020, [https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/4fb123508ac911eaa51db668f0092944?\\_positionInSearchResults=0&searchModelUID=17a4fd1a-ce80-4e40-a699-80f92079c55b](https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/4fb123508ac911eaa51db668f0092944?_positionInSearchResults=0&searchModelUID=17a4fd1a-ce80-4e40-a699-80f92079c55b)

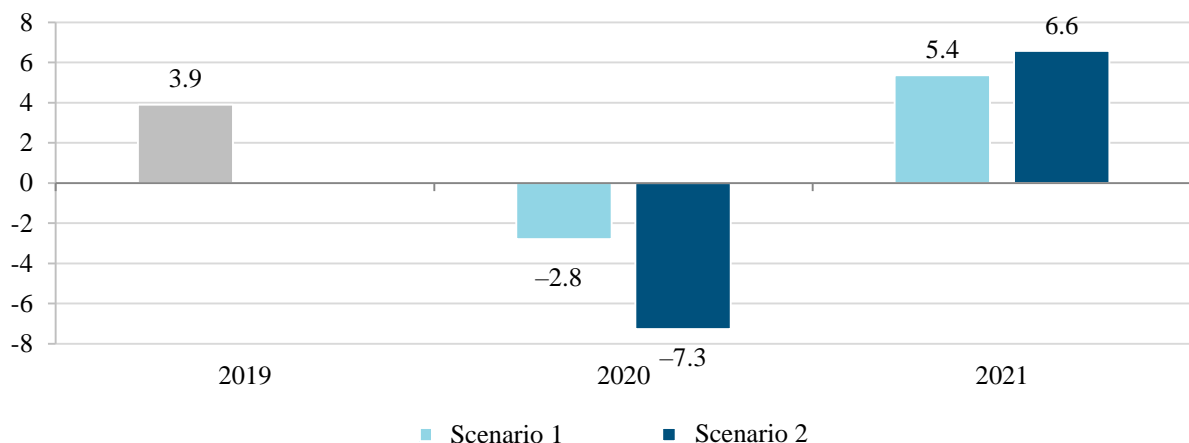


## PART II ECONOMIC OUTLOOK

### SECTION 1 EDS FOR 2020–2021

The Programme presents two Lithuania’s economic development scenarios for 2020–2021 where the Lithuanian GDP slump gap in 2020 depends not only on period of imposition of measures restricting economic activity in our country, but also on the economic position in Lithuania’s export markets. In drafting the EDSs presented in the Programme, the assumption was made that before the COVID-19 outbreak in Europe the Lithuanian GDP could grow 2.6 % in 2020, while one week of quarantine reduces the Lithuanian GDP growth rate by about 0.5 percentage point. Assuming that the COVID-19 spread will be contained in the first half of this year followed by gradual economic recovery, the scenarios predict that the Lithuanian GDP this year may fall from 2.8 % to 7.3 %. In case the COVID-19 spread is not contained till summer 2020, there is a risk that in 2020 the Lithuanian GDP may slump more than projected in the scenarios.

**Chart 1. Lithuania’s real GDP rate of change, %**



Sources: Statistics Lithuania, Ministry of Finance.

Economic activity restrictions will negatively affect the labour market indicators (Table 4 of Part VII). It is likely that the unemployment rate will grow from 6.3 % in 2019 to 8.7–10.5 % in 2020, and the number of the employed will shrink, from 2.6 % to 4.5 %.

The level of personal income will be supported by the reduction of taxation on labour, higher pensions, and the COVID-19 plan measures to help to safeguard jobs and personal income. However, the economic shock caused by COVID-19, deteriorating consumers’ expectations and decreasing employment will limit consumption expenditure. Household consumption expenditure may decrease by 3.7 % in 2020.

The investment will be supported by the projects implemented with the EU and other international financial assistance, implementation of the COVID-19 plan measures to

accelerate the investment programmes, however, some investment projects may be postponed, therefore, expenditure for gross fixed capital formation may slump by 5.1 % in 2020.

The price level in the country will be mainly determined by oil price developments. Based on updated technical assumptions, due to faster decline of oil prices HICP may decrease from 2.2 % in 2019 to 1 % in 2020 (Table 3 of Part VII).

Foreign demand shock caused by the COVID-19 pandemic in 2020 will lead to contraction of exports of the Lithuanian goods and services by 6.6–15 %.

**Table 1. Macroeconomic indicators**

Title of the indicator	ESA code	Value of the indicator in 2019, MEUR	Rate of change, %				
			2019	Scenario 1		Scenario 2	
				2020	2021	2020	2021
GDP, chain-linked volume	B1g	42,974.5	3.9	-2.8	5.4	-7.3	6.6
GDP, at current prices	B1g	48,339.2	6.8	-2.7	7.5	-7.4	8.7
Components of GDP (chain-linked volume)							
Household consumption expenditure + consumption expenditure of non-profit institutions serving households (NPIs)	P.3	26,915.2	3.2	-0.2	3.0	-3.7	3.1
General government final consumption expenditure	P.3	6,491.6	0.7	1.3	0.5	1.3	0.5
Gross fixed capital formation	P.51	9,533.0	7.4	-0.4	3.7	-5.1	4.1
Change in stocks and acquisition of valuables, minus loss, % of GDP	P.52 + P.53	–	–	–	–	–	–
Exports of goods and services	P.6	35,573.2	9.3	-6.6	6.9	-15.0	13.7
Imports of goods and services	P.7	34,164.8	6.7	-3.3	3.5	-10.3	9.0
Impact on real GDP development percentage point							
Final domestic demand		42,920.3	3.7	0.0	2.6	-3.2	3.0
Change in stocks and acquisition of valuables, minus loss	P.52 + P.53	–	–	–	–	–	–
Balance of goods and services	B.11	1,408.3	2.1	-2.8	2.6	-4.2	3.6

Sources: Ministry of Finance, Statistics Lithuania

## SECTION 2

### EDS ASSUMPTIONS AND RISKS FOR THE EDS TO COME TRUE

The EDSs presented in the Programme are developed under exceptionally increased uncertainty. The global COVID-19 outbreak which disrupted global supply chains, claimed thousands of lives and prompted many countries in the world to impose the measures to contain the spread of COVID-19 having a huge negative effect on the economy, cause major negative economic consequences on both global economy and the economies of the EU Member States. The scope of negative economic consequences will depend on how long the COVID-19 spread will last. During the development of the EDS the global COVID-19 spread has not been contained. To contain the COVID-19 spread, the European countries had to take

unprecedented measures (country-wide quarantine, closure of borders) the scope of negative effect of which will depend on period of their imposition.

After the COVID-19 pandemic gained momentum, the global oil demand slumped, thus, depressing its price. In the middle of March *Brent* oil price fell down to almost 30 USD / bar. The start of oil price war between Saudi Arabia and Russia, when the latter has not agreed with the oil extraction cut proposed by OPEC, also has a downward effect on oil prices. Under protracted price war, the average oil price in 2020 should have a downward effect on inflation this year.

Geopolitical tensions and uncertainty over international trade conditions did not fade and may get stronger. The first stage of the US-China Trade Agreement fulfilled this year decreased uncertainty over trade conditions, however, international trade is still feeble. The majority of already imposed US and China trade tariffs on each other's goods remained, it is not known for how long the trade truce between the United States and China will last, the trade agreement has not been reached between the US and EU, and the COVID-19 virus shock damps the international trade. After the UK officially left the EU on 31 January this year, additional uncertainty emerged about the UK-EU future relationship negotiations after the expiry of the transition period.

The risk for sustainability of global economy still remains high with regard to some sovereign debts and challenges related to their financing. All this increases vulnerability of both global economy and economies of the euro area and Lithuania.

If economic and political uncertainty of external environment continues to increase, this may have adverse consequences for both external and domestic demand, population may reduce consumption expenditure and enterprises postpone their investment plans.

Due to crisis caused by COVID-19, the situation in the world rapidly changes. This year international organisations have repeatedly revised downward global and euro area economic growth perspectives. The IMF forecast published in the middle of April predicts that global GDP this year will shrink by 3 % though earlier in January a growth of 3.3 % was projected. The latest IMF forecast predicts exceptionally severe downturn for the euro area (–7.5 %) and USA (–5.9 %).

If the main assumptions based on which the scenarios presented in the Programme have been developed do not come true, the estimates of the majority of indicators specified in the scenarios would change.

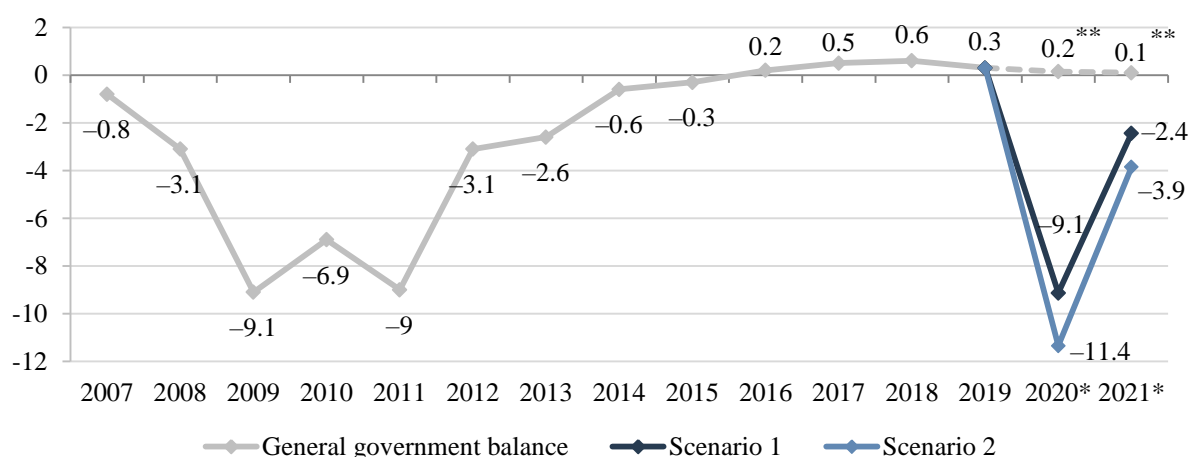
**PART III**  
**GENERAL GOVERNMENT FINANCIAL SITUATION AND PROSPECTS**  
**SECTION 1**  
**GENERAL GOVERNMENT FINANCE IN 2019–2021**

In 2019 general government surplus was 0.3 % of GDP. The Law on the Budget for 2019<sup>12</sup> set a target – general government surplus not lower than 0.4 % of GDP in 2019. In 2019 the structural deficit constituted 1.4 % of GDP. Considering the SGP flexibility clause of 0.5 % of GDP applied to Lithuania for structural reform – social model – implementation, the medium-term objective was respected in 2019.

The Law on the Budget for 2020<sup>13</sup> approved by the Seimas in December 2019 set the general government surplus of 0.2 % of GDP in 2020. The surplus was matched by indicators of the State budget, municipal budgets, Social Insurance Funds budgets and other budgets attributable to the general government approved at that time by the Seimas.

General government projections for 2020–2021 have been developed considering two EDSs presented in the Programme, discretionary revenue and expenditure measures, among which also the measures specified in the COVID-19 plan, as well as the measures additionally included into the COVID-19 plan until 27 April 2020.

**Chart 2. General government balance in 2007–2021, % of GDP**



Source: Ministry of Finance.

\* Projection.

\*\* Planned in autumn 2019 when drafting the Law on the Budget for 2020.

It is ambiguous how deeply the economy will slump during the crisis caused by COVID-19. However, a higher general government deficit than during the crisis in 2008–2009 when Lithuania’s economic downturn was twofold<sup>14</sup> and than currently projected for 2020, is already predicted if the second EDS presented in the Programme comes true. The deficit is driven by the Government endeavour to contain the COVID-19 spread in Lithuania as soon as possible and to pursue the counter-cyclical fiscal policy.

In 2020 the general government deficit will constitute from 9.1 % of GDP to 11.4 % of GDP. It is projected that lower income and higher expenditure will exert the major negative impact on deteriorating general government balance as compared with the planned one.

<sup>12</sup> Republic of Lithuania Law On the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2019, <http://finmin.lrv.lt/uploads/finmin/documents/files/2018-12-11%20XIII-1710.pdf>.

<sup>13</sup> Republic of Lithuania Law On the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/815a43c0232511eab86ff95170e24944/asr>

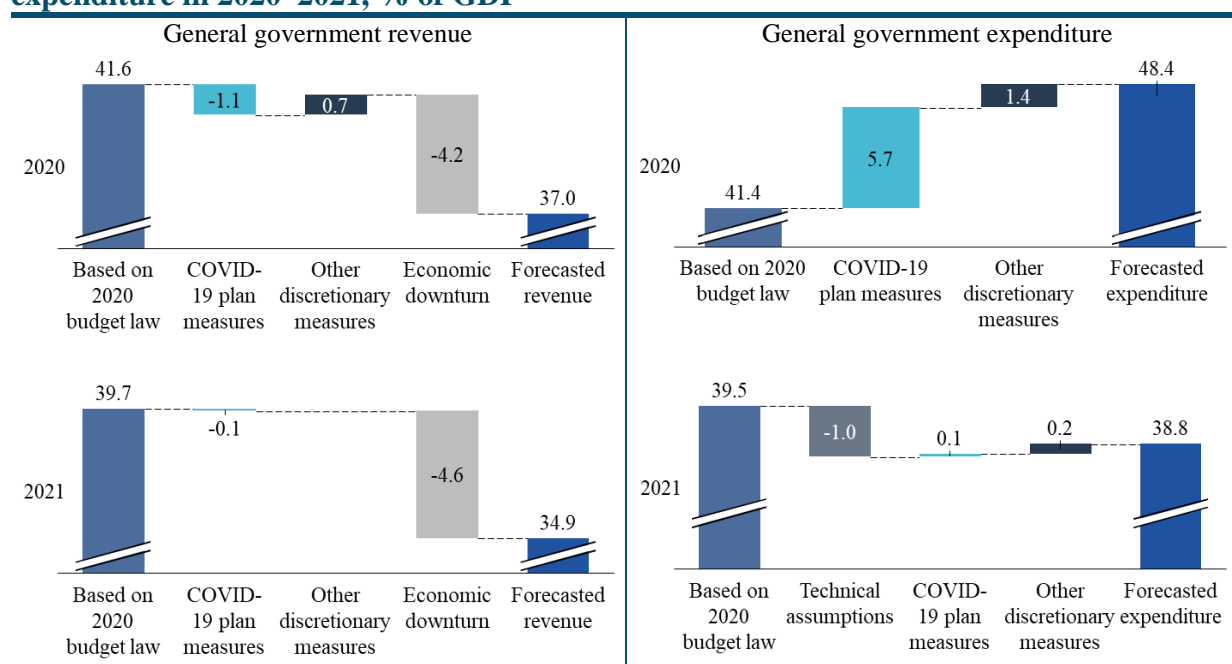
<sup>14</sup> In 2009 GDP at current prices slumped by 14.8 %.

According to two EDSs presented in the Programme, the general government revenue may decrease, as compared with the planned one, from 2.6 % of GDP to 4.6 % of GDP. The decrease in revenue is a result of the implementation of the COVID-19 plan measures and economic downturn. The increase in the general government expenditure is driven by increased appropriations for the health system and the implementation of measures for economic stimulus, ensuring liquidity of businesses, safeguard of jobs and personal income.

The general government revenue and expenditure policy discretionary measures have been estimated based on the EDS, when GDP at current prices in 2020 shrinks by 7.3 %. In 2020 all general government discretionary expenditure measures constitute 7.1 % of GDP. Of which COVID-19 related discretionary expenditure measures account for 5.7 % of GDP. In 2020 all discretionary revenue measures reduce the general government revenue by 0.4 % of GDP. Of which COVID-19 related discretionary revenue measures reduce revenue by 1.1 % of GDP, and COVID-19 non-related measures increase it by 0.7 % of GDP. Net effect of discretionary expenditure and revenue measures on the general government balance is negative.

It is projected that in 2020 the State budget expenditure plan approved by the Law on the Budget for 2020 will be implemented and expenditure will be additionally increased. The approved budget expenditure plans of Social Insurance Funds and municipalities are also not reduced in 2020. Maintaining the level of the general government expenditure specified in the Law on the Budget for 2020 and additionally increasing expenditure, when the general government revenue decreases, the aim is to implement the counter-cyclical fiscal policy that stimulates the economy.

**Chart 3. Impact of the COVID-19 plan measures on the general government revenue and expenditure in 2020–2021, % of GDP\***



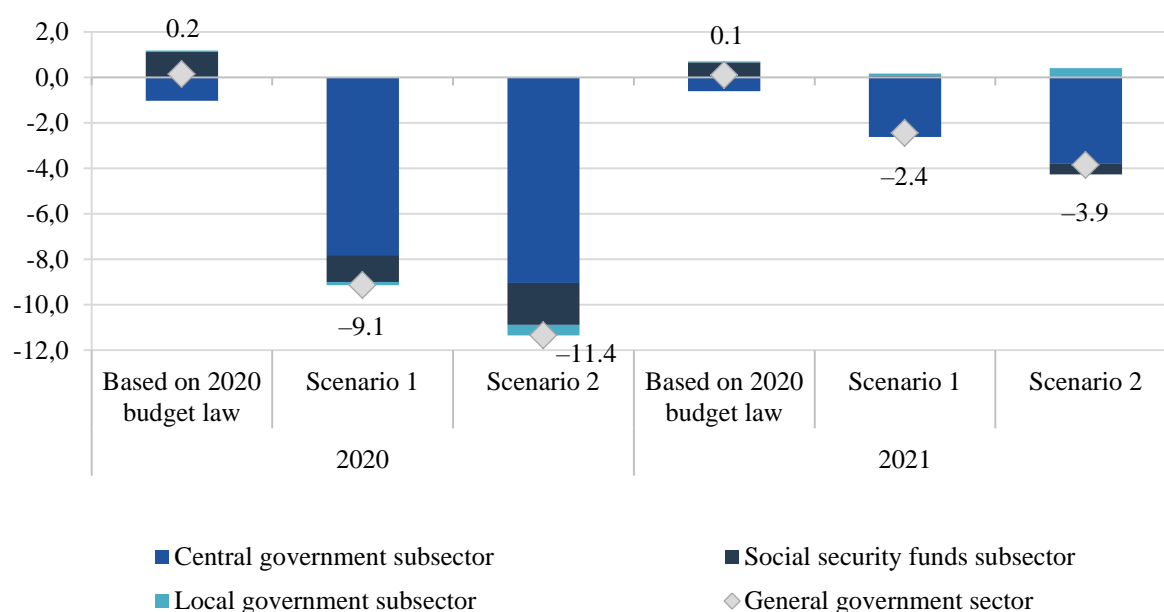
Source: Ministry of Finance.

\* Projected revenue and expenditure are compared with those projected in autumn 2019 (when drafting the Law on the Budget for 2020); percentage of revenue and expenditure is calculated based on the EDS 2 presented in the Programme.

The general government financial prospects for 2021 reflect a no-policy change scenario according to which when COVID-19 plan measures are no longer applicable and the economy returns to growth, the general government deficit should decrease, as compared with the deficit of 2020, and represent from 2.4 % of GDP to 3.9 % of GDP (Table 5 of Part VII).

It is projected that in 2021 the general government expenditure will constitute 38.8 % of GDP. The expenditure prospect for 2021 is prepared based on technical and no-fiscal policy change assumptions as compared with 2020. The assumption is also made that discretionary expenditure measures to counteract negative COVID-19 effects will constitute upto 0.1 % of GDP.

**Chart 4. General government subsector balances in 2021–2022, % of GDP**

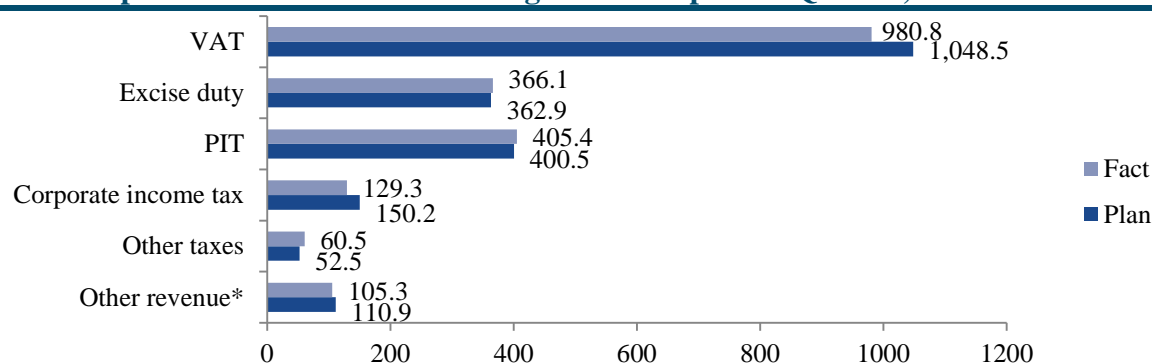


Source: Ministry of Finance.

## SECTION 2 STATE BUDGET REVENUE IN 2020–2021

When drawing up the budget for 2020 it was planned that in 2020 the State budget revenue, as compared with actual revenue in 2019, will increase by 9.5 %. However, considering the crisis caused by COVID-19, in 2020 the revenue growth, as compared with actual revenue in 2019, may not occur – revenue, depending on the scenario, may increase marginally (0.1 %) or even decrease by 4.2 %.

State budget revenue in QI 2020 is by 3.6 % (EUR 77.3 million) lower than planned, however, the amount of generated revenue is higher by 3.9 % (EUR 76.4 million) than at the same period in 2019. The failure to meet the State budget revenue plan in QI of 2020 was mainly caused by quarantine imposed in Lithuania in the middle of March. The major decrease was in VAT revenue, as compared with the plan. Over March 2020 the amount of revenue generated from VAT was one-third lower than planned.

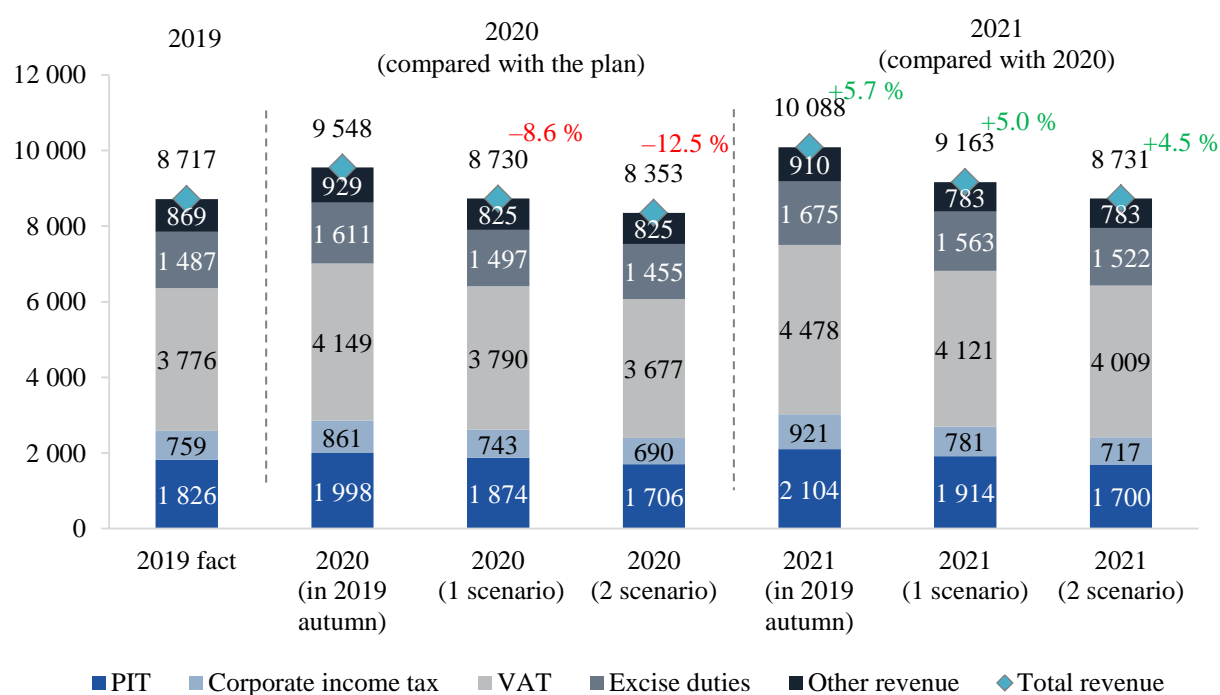
**Chart 5. Implementation of the State budget revenue plan in QI 2020, EUR million**

Source: Ministry of Finance.

\* Dividends, income from the State natural resources, State land lease, sales of property and etc.

The scenario of the implementation of the planned State budget revenue plan for 2020 and revenue collection scenario for 2021 have been developed based on two EDSs. It is projected that in 2020–2021 the revenue from four main taxes – VAT, PIT, excise duties and corporate income tax – will remain the major source of the State budget revenue and will constitute, depending on the scenario, about 89 % of total revenue.

In developing the State budget revenue collection scenarios, a feasible impact of the COVID-19 plan and measures to counteract negative COVID-19 effects supplementing it by the decisions of the Seimas on revenue from taxes, has been taken into consideration. Also including the possibility of deferring the payment of taxes for businesses most affected by the crisis caused by COVID-19 by exempting them from default interest and not carrying out any recovery actions.

**Chart 6. Alternative State budget revenue collection scenarios, EUR million**

Source: Ministry of Finance.

### **SECTION 3**

#### **GENERAL GOVERNMENT FINANCIAL TRENDS IN 2022–2023**

Due to uncertainty of a crisis situation caused by the COVID-19 pandemic, it is difficult to assess changes in the general government financial situation and the scope of the changes, not only in the upcoming years of 2020–2021 but also in the remaining medium-term years. It is not clear how long the cumbersome situation for the economy and general government finance will last. However, when the exceptional circumstances will be withdrawn in Lithuania, and the national economy will start recovering, the efforts will be made to follow the fiscal policy which would help restore a stable general government financial position, further reinforce the economic growth, and return the general government debt to pre-crisis level. Adherence to fiscal discipline rules, formation of the counter-cyclical fiscal policy in the medium term still remain the priority.

How fast Lithuania's economic and financial situation will succeed to return to the pre-crisis position depends on containment of the COVID-19 pandemic not only in Lithuania, but also in Europe, other parts of the world, also on whether the EU coordinated fiscal response to crisis will be sufficient and used effectively. Lithuania is a country with a small and open economy, therefore restoration of economic viability of trade partners will have a decisive influence on the recovery of its economy.

The preparation of budgets for 2021 attributed to general government and guidelines of budgets for 2022–2023 will be launched at the end of June – beginning of July this year in accordance with the EDS planned to be updated at that time. The State budget expenditure policy priorities, financing possibilities of their implementation will be again revised in autumn 2020 during the preparation of the draft Law On the Approval of Financial Indicators of the State Budget and municipal Budgets for 2021. Expenditure volumes will be established considering the scope of the economic downturn and need for counter-cyclical, presumably, economy stimulating policy.

### **PART IV**

#### **COVID-19 IMPACT MITIGATION AND ECONOMIC STIMULUS MEASURES**

On 16 March 2020 the Government approved the COVID-19 plan consisting of five groups of measures to:

- ensure resources necessary for effective functioning of health and public security systems;
- help safeguard jobs and personal income;
- help business to save liquidity;
- stimulate the economy;
- ensure the State Treasury liquidity.

The COVID-19 plan is being supplemented considering the changing situation of the COVID-19 spread and economic development in Lithuania. The Government continually



cooperates with business and public sector representatives in order to determine what kind of State aid is mostly needed for different business and public administration areas in a crisis situation. Table 7 of Part VII of the Programme presents the information on measures to counteract negative COVID-19 effects which were approved by the Seimas and the Government by 27 April 2020. In performing the quantitative assessment of these measures, the assumptions are made that quarantine will last for 2 months in Lithuania, GDP at current prices will fall 7.3 %. It is projected that in 2020 the value of measures to counteract negative COVID-19 effects (excluding the measures to increase the lending potential of the banks), will make up EUR 4.7 billion (10.6 % of GDP). Of which the measures of the value of EUR 3.1 billion (6.8 % of GDP) will directly affect the general government balance. It is planned to issue 2.9 % of GDP State guarantees, and 0.9 % of GDP of the EU and other international financial assistance will be reallocated between budget programmes or the funds will be faster invested.

The Ministry of Economy and Innovation, Ministry of Finance and INVEGA responding to the situation unfavourable for business due to COVID-19, prepared the package of measures to help the businesses to resolve liquidity and financial problems. The State aid measures and their development are implemented in three main directions: by compensating interest on loans for business, issuing soft loans from public funds, and guaranteeing for financial services provided by financial institutions. In addition to the guarantee limit increased by EUR 0.5 billion for the Rural Credit Guarantee Fund and INVEGA, the Government additionally allocated EUR 306 million for the implementation of measures to save liquidity of businesses. Considering possible risk-taking of these measures and the likelihood of the risk materializing, a negative effect on the general government balance may amount to approximately EUR 100 million.

At the time of preparation of the Programme it is not clear how long the COVID-19 pandemic will last. Therefore, the implementation expenditure of currently evaluated measures may change.

The EC assessing compliance of fiscal projections presented in the Programme with the SGP fiscal discipline rules, intends to apply the General Escape Clause and to take into account the implementation expenditure of measures imposed by the Government to counteract negative COVID-19 effects. It means that the general government structural balance estimate is not adjusted by the level of implementation expenditure of these measures, however, if Lithuania's general government structural balance deviates from the medium-term objective by the level of implementation expenditure of the measures, it is considered that the SGP fiscal discipline rules are satisfied. Such assessment will be applied to Lithuania and other EU countries as long as the EC applies the General Escape Clause.

The Ministry of Finance is preparing a plan for promotion of medium-term investment in Lithuania's economy which would contribute to the recovery of Lithuania's economy and sustainable growth. This investment, mobilizing all sources of funding, should reach the areas which will support the economic recovery and ensure a sustainable economic development

the most. The measures of the plan are intended to be targeted to financing of active workforce (education, human skills, employment), research, experimental development, innovation; increasing productivity of enterprises and industrial digitalization, e. society, energy efficiency enhancement and renewable energy sources, transport and communication infrastructure.

To cushion the COVID-19 consequences to the economy, temporary measures adopted at the EU level are also of utmost importance: maximum possible flexibility of application of the SGP, EU State aid rules and use of the EU Structural and Investment Funds, a possibility to use the credit line via the European Stability Mechanism, to borrow for the implementation of temporary unemployment schemes (SURE) and the establishment of the Guarantee Fund of the European Investment Bank. The efforts are being made that the EU countries could start using these measures already from June 2020. Also, the discussions are launched on the EU economic recovery strategy and necessary financial instruments. The EU budget and forthcoming EU Multiannual Financial Programme are likely to be one of the main financing sources in implementation of the economic recovery strategy.

## **PART V**

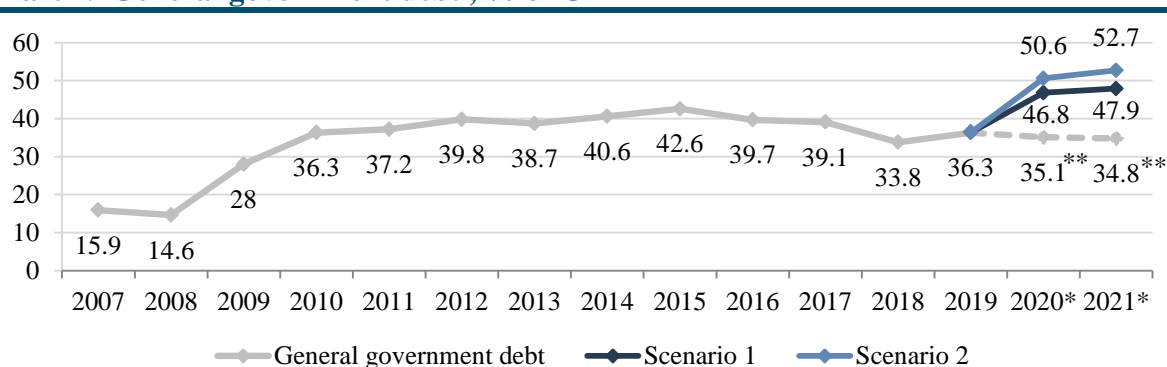
### **GENERAL GOVERNMENT DEBT AND ITS PROJECTIONS**

#### **General Government Debt Level, Structure, Development and Risk Management**

The general government debt, after financial derivatives, at the end of 2019 constituted 36.3 % of GDP and was by 2.4 percentage point higher than at the end of 2018, when it reached 33.8 % of GDP. This indicator was affected by the funds of EUR 1.3 billion accumulated at the end of 2019 for the Eurobond redemption at the beginning of 2020.

Debt obligations assumed by the Government on behalf of the State and risk management of public cash resources cover the management of exchange rate, interest rate variation, credit, liquidity (refinancing), and operational risk. The borrowing and debt limits set by legal acts regulating the borrowing on behalf of the State were followed in 2019. Short-term liabilities according to residual maturity accounted for 12.7 % at the end of 2019, where the average weighted residual maturity of the debt was 7.6 years, average weighted residual maturity of the debt till changes in interest rates – 7.4 years. The debt with floating interest rates, after financial derivatives, constituted 0 % of total debt. After financial derivatives, the central government debt was 100 % denominated in euro. The State guaranteed debt represented 0.7 % of GDP.

It is projected that in 2020 the general government debt may constitute from 46.8 % of GDP to 50.6 % of GDP. How much Lithuania's general government debt will increase in the near future will depend on negative consequences caused by COVID-19 to public finance and cash flows.

**Chart 7. General government debt , % of GDP**

Source: Ministry of Finance.

\* Projection.

\*\* Planned in autumn 2019 when drafting the Law on the Budget for 2020.

Financial reserves accumulated by the beginning of 2020 and low general government debt level of 32 % of GDP at the beginning of 2020 created the fiscal space, which under current crisis situation to the economy is used to support aggregate demand and the investment level as well as to fulfil social obligations to the population.

After assessment of the use of the accumulated reserves, in 2020 the State Treasury may need to borrow from EUR 6.7 to EUR 7.3 billion. It is projected to borrow approximately EUR 1.8 billion in domestic market by issuing GS (bonds) via auction. It is planned to borrow approximately EUR 1.5 billion from international financial institutions. The remaining amount the Ministry of Finance plans to borrow in foreign capital markets by placing Eurobond issues.

### **Government Borrowing in 2020-2021 and Medium-Term Debt Management Guidelines**

The Government borrowing in 2020–2021 and medium term and debt management goal is to ensure financing of public expenditure specified in laws of the Republic of Lithuania and fulfilment of assumed debt obligations from borrowed funds at the lowest possible costs and acceptable risk. This goal is especially relevant in 2020, when the COVID-19 pandemic and along of it imposed quarantine in the country raised new operational, liquidity and financing challenges to borrowing and debt management: a sudden and significant increase in borrowing needs, volatile market conditions, temporary cash flow imbalances.

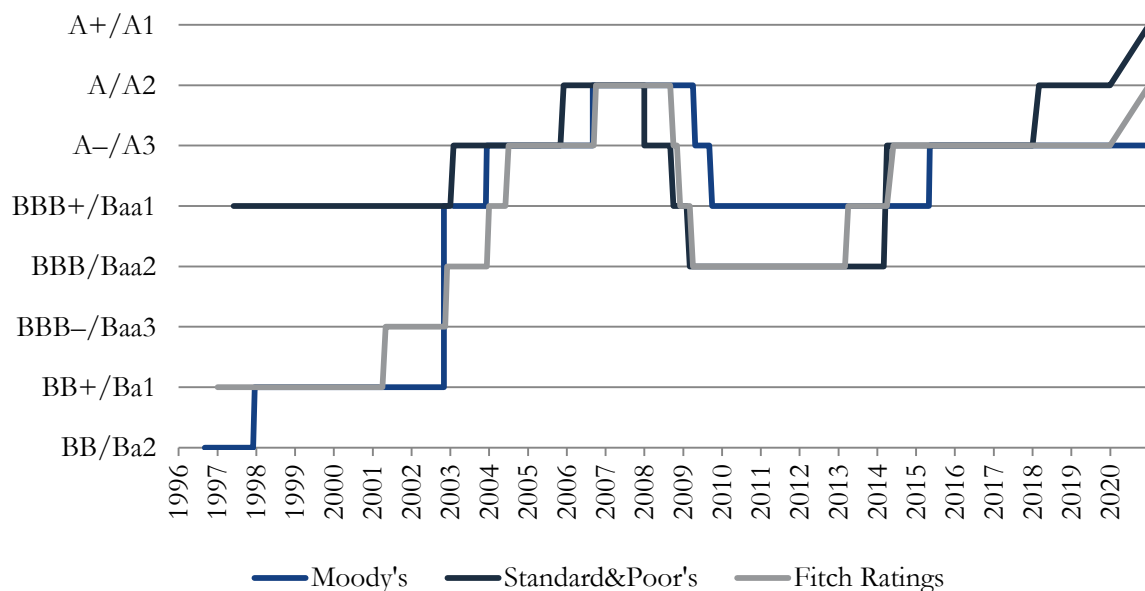
In pursuit of this goal and responding to the new challenges, three main Government borrowing and debt management tasks and their implementation criteria are identified (Table 10 of Part VII). Liquidity enhancement of domestic GS market and promotion of its attractiveness also provide flexibility to effectively respond to challenges caused by COVID-19. Considering market conditions, investors' expectations, the auction schedule is operatively adjusted to support a smooth functioning of the internal financial market, relations with partners and investors are developed, thus, maintaining the ability to borrow effectively in domestic market. Attraction of temporary idle cash resources to the

State Treasury – additional liquid assets which under extremely unfavourable economic circumstances may cover net liquidity outflows in the short term. Interest rate variation, refinancing, exchange rate, and guaranteed debt risk management are an important factors in implementation of the basic debt goal by ensuring debt stability and the Government ability to fulfil its obligations. Considering the COVID-19 plan, in 2020 the overall ceiling for government obligations under guarantees was increased from 3 % of GDP to 5 % of GDP.

### Credit Ratings

Long-term foreign currency credit ratings granted by international credit rating agencies *Moody's*, *Standard & Poor's* and *Fitch Ratings* for Lithuania on 31 December 2019 were A3 / A / A–, accordingly.

**Chart 8. Development of Lithuania's long-term foreign currency credit ratings**



Source: Ministry of Finance.

In August 2019 the international credit rating agency *Moody's* upgraded Lithuania's long-term credit rating outlook from stable to positive. *Moody's* based its decision on the a responsible fiscal policy pursued by Lithuania built on decreasing general government debt level, declining debt service costs and reducing fiscal risk related to ageing society.

In January 2020 the international credit rating agency *Fitch Ratings*, after a positive assessment of Lithuania's public finance and economic situation, upgraded long-term and short-term credit ratings for the country from A– to A and from F1 to F1+, accordingly. Long-term credit rating outlook established by the agency – stable. The decision of the agency experts was governed by real GDP growth, declining government debt level and debt service costs. It was also influenced by the general government surplus recorded for several consecutive years and increasing current account balance surplus, contained inflation during a period of rapid growth and positive net migration.

In February 2020 the international credit rating agency *Standard & Poor's* upgraded Lithuania's long-term credit rating from A to A+. The decision of the agency experts was based on balanced Lithuania's economic growth and sustainable fiscal policy. The granted rating also reflects a strong Lithuanian institutional set-up and effective policy formation.

In April 2020 the credit rating agency *Moody's* presented its updated position that Lithuania's long-term foreign currency credit rating and outlook remain unchanged, i.e. A3 positive outlook.

## **PART VI**

### **STABILITY OF THE LITHUANIAN FINANCIAL SYSTEM**

#### **Security of Financial Stability**

In order to secure financial stability and to contribute to the stimulation of the economy in the event of an adverse shock due to a negative impact of COVID-19 on the economy, the Bank of Lithuania implements monetary policy, financial stability and consumer protection measures<sup>15</sup>. These measures aim to facilitate the provision of credit to business and population, and the population and business facing difficulties are offered a possibility of deferring credit payments. The Bank of Lithuania also reduces a regulatory burden for financial institutions by deferring the planned inspections and more flexibly in assessing the accountability.

#### **Macroprudential Policy**

When the economic upswing in Lithuania was adjusted by challenges of COVID-19, in March 2020 the Bank of Lithuania reduced the CCB rate applied in Lithuania down to 0 %. This adjustment will become effective on 1 April 2020, while before that date the CCB rate of 1 % that became effective since 30 June 2019 was applied to national banks. The key aim of this measure is for the banking sector to have a sufficient capital buffer to cover potential losses when cyclical systemic risk emerges, in the event of economic downturn or when there are any signs that the economy will face challenges. The reduction of the CCB rate contributes to the reduction of credit procyclicality, enhancement of opportunities for credit institutions to maintain lending supply, thus, contributing to absorption of negative impact of COVID-19 on national economy. Other macroprudential policy measures to increase the resilience of banks and to protect the debtors remain unchanged. Three systemically important institutions are subject to additional capital buffers: for AB SEB Bank and Swedbank AB – set 2 % capital reserve buffers of other systemically important institutions. Following the increased systemic importance of AB Šiaulių Bank, in 2018 the bank was imposed a higher – 1 % capital reserve buffer of other systemically important institutions. The bank must accumulate it by 31 December 2020 (till that date a capital buffer of 0.5 % set earlier will be valid for AB Šiaulių Bank). Macroprudential measures for protection of debtors established in

---

<sup>15</sup> For more information: <https://www.lb.lt/lt/naujienos/lietuvos-banko-pirmoji-pagalba-del-koronaviruso-pandemijos-sukelto-soko-1>.

responsible lending regulations continue to apply (the minimum down-payment is 15 %; the maximum total financial debt-service-to-income ratio – 40 %, this ratio in applying the interest rate stress test – 50 %; the maximum loan maturity – 30 years).

### **Lithuanian Financial System Stability Risk Factors**

The main risk in 2020 – the impact of the world closing up due to COVID-19 on Lithuania's economy and banking performance. Lithuania is one of the most open economies in the EU, therefore, the COVID-19 effect will be strong – this year the Lithuanian GDP will decrease. Whereas the businesses operating in Lithuania are closely interrelated due to a significant funding by trade credits and loans from other enterprises, where difficulties of business of one economic activity could spill over to other economic activities. Accommodation, construction, artistic activities, as well as enterprises carrying out production, transport, and trade activities are potentially the most vulnerable in the short term. Bank loans for some of these activities (transport, trade, defence, accommodation) constitute approximately 20 % of total bank loan portfolio, or approximately 50 % of total corporate loan portfolio.

Imbalances in the Nordic countries and a sharp increase in risk premiums as well as its potential effect on parent banks still remain a significant risk for the Lithuanian financial system. Due to a large concentration in the Lithuanian banking sector, the major banks are dependent on group-level decisions. In the context of deteriorating economic situation in Sweden, the decisions of parent banks could make a negative impact on lending in Lithuania. The Swedish banks are vulnerable due to a significant share of funding in international markets: after the COVID-19 pandemic shook the markets, low investors' confidence in Swedish banks caused by money laundering scandals weakened even more, funding became more expensive. However, household indebtedness and boosting housing prices in Sweden stabilised in 2019. Capital adequacy of the Swedish banks was satisfactory. Moreover, the interaction of the Lithuanian banking sector with parent banks kept decreasing in 2019: in 2019 deposits of the parent banks and other credit institutions constituted about 7 % of their assets, i.e. 6 times lower as compared with the period before the crisis in 2009.

Protracted rapid growth of housing loans and active real estate market is still one of the most significant risks. Though the growth rate of the housing loan portfolio in recent three years was relatively fast, and the number of real estate transactions kept increasing, the growth of housing prices was moderate – there were no evident signs of market overheating. However, due to the COVID-19 outbreak the economic downturn is unavoidable in 2020 and this will affect households and real estate market activity, lead to a more complicated financial position of debtors, deteriorate the position of their creditors.

The banks operating in Lithuania have accumulated sufficient buffers to cover potential losses. The banks operating profitably significantly increased the capital adequacy ratio (19.9 % in 2019). The banks not only possess much more capital but also of higher quality, what means that they have accumulated additional capital buffers which could be

used to cover losses. Even under extremely unfavourable economic scenario which would lead to a significant decrease in the level of capital buffers, minimum capital requirements would be satisfied.

## PART VII EDS AND PUBLIC FINANCIAL DATA

**Table 2. Main EDS assumptions**

Title of the indicator	2019	Scenario 1		Scenario 2	
		2020	2021	2020	2021
1. USD/EUR exchange rate	1.12	1.09	1.09	1.09	1.09
2. Global GDP growth, %	2.9	1.0	3.3	0.5	3.4
3. European Union GDP growth, %	1.5	-2.5	3.0	-5.0	3.7
4. Growth of the main export markets, %	1.6	-1.8	2.4	-3.6	2.9
5. Oil prices ( <i>Brent</i> , USD/bar)	64.1	38.4	40.2	38.4	40.2
6. Duration of quarantine	–	1.5 months	–	2 months	–

Sources: Organisation for Economic Cooperation and Development, EC, Ministry of Finance estimates.

**Table 3. Price indicators**

Title of the indicator	Value of the indicator in 2019	Rate of change, %				
		2019	Scenario 1		Scenario 2	
			2020	2021	2020	2021
1. GDP deflator	112.5	2.8	0.1	2.0	-0.2	2.0
2. Household consumption expenditure deflator	109.3	2.0	–	–	–	–
3. HICP (average annual)	109.5	2.2	1.0	2.0	1.0	2.0
4. General government consumption expenditure deflator	126.4	9.2	–	–	–	–
5. Gross fixed capital formation deflator	107.3	2.5	–	–	–	–
6. Export of goods and services deflator	106.1	0.8	–	–	–	–
7. Import of goods and services deflator	103.4	-0.7	–	–	–	–

Sources: Ministry of Finance, Statistics Lithuania.

**Table 4. Labour market indicators**

Title of the indicator	ESA code	Value of the indicator in 2019	Rate of change, %				
			2019	Scenario 1		Scenario 2	
				2020	2021	2020	2021
1. Number of employed population, thou.		1,378.4	0.3	-2.6	1.2	-4.5	2.3
2. Employment, hours worked, thou.		2,615,886	0.5	–	–	–	–
3. Unemployment rate, %*		6.3	6.3	8.7	7.2	10.5	8.1
4. Labour productivity (gross value added at constant prices per person employed), EUR thou.		31.2	3.6	-0.2	4.1	-2.9	4.2

Title of the indicator	ESA code	Value of the indicator in 2019	Rate of change, %				
			2019	Scenario 1		Scenario 2	
				2020	2021	2020	2021
5. Labour productivity, hours worked (gross value added at constant prices per hour worked), EUR		–	–	–	–	–	–
6. Compensation of employees, MEUR	D.1	22,386.1	10.1	2.2	5.7	–4.8	5.9
7. Compensation per employee, EUR**		1,296.2	8.8	4.6	4.2	–0.6	3.3

Sources: Ministry of Finance, Statistics Lithuania.

\* Presented value of the indicator.

\*\* Average monthly gross earnings.

**Table 5. General government indicators in 2019–2021\***

Title of the indicator	ESA code	2019, MEUR	% of GDP				
			2019	Scenario 1		Scenario 2	
				2020	2021 **	2020	2021 **
Net lending (+) / net borrowing (–) (B.9) by subsector							
1. General government	S.13	129.3	0.3	–9.1	–2.4	–11.4	–3.9
2. Central government	S.1311	–254.7	–0.5	–7.8	–2.6	–9.0	–3.8
3. State government	S.1312	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Local government	S.1313	39.9	0.1	–0.1	0.1	–0.5	0.4
5. Social security funds	S.1314	344.1	0.7	–1.2	0.1	–1.9	–0.5
General government (S13)							
6. Total revenue	TR	17,023.7	35.2	36.9	35.4	37.0	34.9
7. Total expenditure	TE	16,894.4	34.9	46.1	37.8	48.4	38.8
8. Net lending / borrowing	B.9	129.3	0.3	–9.1	–2.4	–11.4	–3.9
9. Interest expenditure	D.41	425.4	0.9	0.7	0.5	0.7	0.5
10. Primary balance		554.6	1.1	–8.5	–2.0	–10.6	–3.4
11. One-off and other temporary measures		37.3	0.1	0.0	0.0	0.0	0.0
Selected components of revenue							
12. Total taxes(12 = 12a + 12b + 12c)		9,858.3	20.4	20.8	20.4	20.7	20.0
12a. Taxes on production and imports	D.2	5,612.5	11.6	11.7	11.8	12.0	11.9
12b. Current taxes on income, wealth, etc.	D.5	4,243.9	8.8	9.1	8.7	8.7	8.0
12c. Capital taxes	D.91	2	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D.61	4,868.2	10.1	10.8	10.5	10.7	10.3
14. Property income	D.4	193.9	0.4	0.5	0.3	0.5	0.3
15. Other		2,103.4	4.4	4.8	4.2	5.1	4.4
16 = 6. Total revenue	TR	17,023.7	35.2	36.9	35.4	37.0	34.9
p.m.: Tax burden (D.2 + D.5 + D.61 + D.91 – D.995)		14,724.8	30.5	31.6	30.9	31.4	30.3



Title of the indicator	ESA code	2019, MEUR	% of GDP				
			2019	Scenario 1		Scenario 2	
				2020	2021 **	2020	2021 **
Selected components of expenditure							
17. Compensation of employees + intermediate consumption	D.1 + P.2	7,081.9	14.7	17.7	15.8	18.6	16.1
17a. Compensation of employees	D.1	4,956.7	10.3	11.5	10.8	12.1	11.0
17b. Intermediate consumption	P.2	2,125.2	4.4	6.2	5.0	6.5	5.1
18. Social payments (18 = 18a + 18b)	D.6M	6,790.1	14.0	17.5	15.3	18.4	15.9
o/w unemployment benefits	D.6M	201.3	0.4	0.6	0.5	0.8	0.6
18a. Social transfers in kind	D.632	898.6	1.9	1.6	1.6	1.9	1.9
18b. Social transfers other than in kind	D.62	5,891.5	12.2	11.4	11.8	16.4	14.0
19 = 9. Interest expenditure	D.41	425.4	0.9	0.7	0.5	0.7	0.5
20. Subsidies	D.3	204	0.4	3.0	0.3	3.2	0.4
21. Gross fixed capital formation	P.51G	1,506.1	3.1	4.4	3.4	4.6	3.3
22. Capital transfers	D.9	141.6	0.3	0.3	0.2	0.3	0.2
23. Other		745.3	1.5	2.4	2.3	2.6	2.4
24 = 7. Total expenditure	OTE1	16,894.4	34.9	46.1	37.8	48.4	38.8

Sources: Statistics Lithuania, Ministry of Finance.

\* Due to rounding, the amount of revenue and expenditure components may not overlap with the data "Total revenue" and "Total expenditure" in the table.

\*\* General government financial prospects in acc. with a no-policy change scenario.

**Table 6. General government debt projections**

Title of the indicator	% of GDP				
	2019	Scenario 1		Scenario 2	
		2020	2021	2020	2021
1. General government statistical debt, including funds accumulated to manage the refinancing risk	36.3	46.8	47.9	50.6	52.7
1.a. General government debt at the end of the year, without taking into account the funds accumulated to manage the refinancing risk	33.5	44.5	45.6	48.1	50.4
2. General government debt development	2.4	10.6	1.0	14.3	2.1
The main factors affecting the general government debt					
3. Primary balance	1.1	-8.5	-2.0	-10.6	-3.4
4. Interest expenditure	0.9	0.7	0.5	0.7	0.5
5. Stock-flow adjustment	4.8	0.5	1.9	0.1	2.3

Sources: Ministry of Finance, Statistics Lithuania.

Table 7. Discretionary COVID-19 plan revenue and expenditure measures

Sr. No.	Description of the measure	ESA code	Legal status of the measure	2020		2021		General government subsector acc. to ESA
				MEUR	% of GDP	MEUR	% of GDP	
<b>REVENUE MEASURES</b>								
1.	PIT deferrals for taxpayers affected by COVID-19	D.5	Approved: Minutes No. 14 of the Government meeting of 16 March 2020, Republic of Lithuania Law No. XIII-2812 Amending the Law on Tax Administration	-38	-0.09	-	-	S1311
2.	PIT losses due to employees in downtime and which have certificates of incapacity for work due to situation caused by COVID-19	D.5	Approved: Minutes No. 14 of the Government meeting of 16 March 2020, Law No. XIII-2821 Amending the Labour Code, Law No.XIII-2824 Supplementing the Law on Sickness and Maternity Social Insurance of 17 March 2020, Law No.XIII-2846 Amending the Law on Employment of 7 April 2020	-118	-0.26	-	-	S1311
3.	VAT deferrals of taxpayers affected by COVID-19	D.2	Approved: Minutes No. 14 of the Government meeting of 16 March 2020	-100	-0.22	-	-	S1311
4.	Deferrals of social insurance contributions for taxpayers affected by COVID-19	D.6	Approved: Minutes No. 14 of the Government meeting of 16 March 2020	-99	-0.22	-43	-0.09	S1314
5.	Losses of social insurance contributions due to employees in downtime and which have certificates of incapacity for work due to situation caused by COVID-19	D.6	Approved: Minutes No. 14 of the Government meeting of 16 March 2020, Law No. XIII-2821 Amending the Labour Code of 17 March 2020, Law No.XIII-2824	-131	-0.29	-	-	S1314

Sr. No.	Description of the measure	ESA code	Legal status of the measure	2020		2021		General government subsector acc. to ESA
				MEUR	% of GDP	MEUR	% of GDP	
			Supplementing the Law on Sickness and Maternity Social Insurance of 17 March 2020, Law No.XIII-2846 Amending the Law on Employment of 7 April 2020					
<b>Total:</b>				<b>-486</b>	<b>-1,09</b>	<b>-43</b>	<b>-0,09</b>	
<b>EXPENDITURE MEASURES</b>								
1.	Assurance of additional social guarantees for employees working in focus of serious contagious diseases Payment of sickness benefits to persons taking care of children and people with disabilities when the regime for mitigation of transmission of infections is imposed in educational establishments or social care and employment centres	D.6	Approved: Republic of Lithuania Law on Sickness and Maternity Social Insurance and Minutes No. 14 of the Government meeting of 16 March 2020	415	0.93	27	0.06	S1314
2.	Payment of fixed allowances of EUR 257 per month for self-employed persons (the measure is applied not longer than for 3 months)	D.6	Approved: Minutes No. 14 of the Government meeting of 16 March 2020, Republic of Lithuania Law on Employee Entitlements in the Event of Employer Insolvency and Long-Term Employment Benefits	107.9	0.24	-	-	S1314
3.	Compensation of a part of the downtime payment from public funds in order to safeguard jobs (the measure is applied not longer than for 3 months)	D.3	Approved: Minutes No. 14 of the Government meeting of 16 March 2020, Republic of Lithuania Law on Employee Entitlements in the Event of Employer Insolvency and	1,138.1	2.54	-	-	S1311

Sr. No.	Description of the measure	ESA code	Legal status of the measure	2020		2021		General government subsector acc. to ESA
				MEUR	% of GDP	MEUR	% of GDP	
			Long-Term Employment Benefits					
4.	Compensation from 60 % to 100 % of salary bonuses to medical staff working in focus of COVID-19 (the measure is applied during quarantine)	D.1	Approved: Republic of Lithuania Law on Amendment to Article 32 of the Law No. I-1553 On Prevention and Control of Human Communicable Diseases and Supplement of the Law by Article 32-1; Minister of Health Order No. V-281 On the Approval of the Description of the Procedure for Organisation of Healthcare Services Due to Coronavirus (COVID-19) of 4 March 2020	35.0	0.08	-	-	S1314
5.	Payment of wage subsidies from public resources to employers safeguarding jobs during the downtime following the procedure and conditions specified in Article 41(21) of the Republic of Lithuania Law on Employment	D.3	Approved: Government Resolution No. 351 of 8 April 2020	56.5	0.13	-	-	S1311
6.	Implementation of the Concept of Mitigation of Rental Obligation Burden on Business approved by Minutes No. 19 of the Government meeting of 15 April 2020. It is planned to cover 50 % of the rent tax to businesses whose activities during quarantine is limited or suspended.	D.3	Approved: Government Resolution No. 412 of 22 April 2020	100.0	0.22	-	-	S1311
7.	Reconstruction, repair of national or secondary roads	P.51 D.1 P.2	Approved: Government Resolution No. 412 of 22 April 2020	150.0	0.34	-	-	S1311

Sr. No.	Description of the measure	ESA code	Legal status of the measure	2020		2021		General government subsector acc. to ESA
				MEUR	% of GDP	MEUR	% of GDP	
8.	Permission to use all funds of the Climate Change Programme, Road Maintenance and Development Programme which were frozen during the preparation of the Law on the Budget for 2020	P.51 D.1 P.2	Approved: Minutes No. 14 of the Government meeting of 16 March 2020	160.0	0.36	-	-	S1311
9.	Issue of subsidies to promote film industry, to support continuity of activities performed by cultural or artistic organisations, development of digital cultural products and/or services, development of new cultural products and/or services; to pay wage subsidies from public funds to employers in emergency and during quarantine following the procedure and conditions specified in the Republic of Lithuania Law on Employment; co-financing of measure No. 07.3.1-ESFA-V-401 "Integration of the unemployed to the labour market" of priority axis 7 under the 2014–2020 Operational Programme for the EU Funds' Investment	D.3	Approved: Government Resolution No. 412 of 22 April 2020	11.1	0.02	-	-	S1311
10.	Implementation of financial instruments to save liquidity of business entities of the Republic of Lithuania (administration costs of financial instruments INVEGA)	D.7/ D.9	Approved: Government Resolution No. 318 of 1 April 2020	19.0	0.04	-	-	S1311
11.	Payment of wages and social insurance contributions to officers and other employees whose work is directly related to the containment of emergency caused by COVID-19	D.1	Approved: Government Resolution No. 412 of 22 April 2020	6.8	0.02	-	-	S1311

Sr. No.	Description of the measure	ESA code	Legal status of the measure	2020		2021		General government subsector acc. to ESA
				MEUR	% of GDP	MEUR	% of GDP	
12.	Compensation of expenditure for acquisition of medical aids (ventilators, personal protective equipment for medical staff with regard to COVID-19, reagents, thermal imaging cameras, disinfectants, medicines, etc.), freight deliveries to the Republic of Lithuania, repatriation of the citizens of the Republic of Lithuania from abroad, installation of fixed workstations, telecommunication equipment, software for work in emergency, acquisition of other equipment	P.2	Approved: Government Resolution No. 155 of 26 February 2020; Government Resolution No.178 of 4 March 2020; Government Resolution No. 197 of 10 March 2020; Government Resolution No. 229 of 18 March 2020	119.4	0.27	-	-	S1311
13.	Reimbursement of expenditure for examination of persons without permanent residence status in the Republic of Lithuania and preventive COVID-19 treatment	D.6	Approved: Government Resolution No. 265 of 25 March 2020; Government Resolution No. 318 of 1 April 2020; Government Resolution No. 351 of 8 April 2020; Government Resolution No. 374 of 15 April 2020; Government Resolution No. 412 of 22 April 2020	0.5	0.00	-	-	S1314
14.	Additional funds for a more rapid implementation of the investment projects included in the Public Investment Programme	P.51	Approved: Minutes No. 20 of the Government meeting of 22 April 2020	250	0.56	-	-	S1311
<b>Total:</b>				<b>2,569.2</b>	<b>5.7</b>	<b>27</b>	<b>0.06</b>	

Source: Ministry of Finance.

**Table 8. Discretionary COVID-19 plan State guarantee measures**

Sr. No.	Description of the measure	Legal status of the measure	2020		2021	
			MEUR	% of GDP	MEUR	% of GDP
1.	To increase the limit of the Agricultural Credit Guarantee Fund and ceiling for INVEGA guarantees by EUR 500 million and to extend guarantee conditions. To reimburse SMEs from 50 % to 100 % of actually paid interest	Approved: Republic of Lithuania Law No. XIII-2819 Amending the Law No. XIII-2695 on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020 and Supplementing Articles 9 and 10 of 17 March 2020.	500.0	1.12	-	-
2.	To issue the State guarantees on loans used for the implementation of objectives of promoting the economy affected by emergency and enhancing liquidity.	Approved: Amended Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2020 of 17 March 2020	500.0	1.12	-	-
3.	INVEGA measures to save liquidity of businesses	Approved: Government Resolution No. 318 of 1 April 2020	306.0	0.7		
<b>Total:</b>			<b>1,306</b>	<b>2.94</b>	<b>-</b>	<b>-</b>

Source: Ministry of Finance.

**Table 9. Discretionary COVID-19 plan EU and other international financial assistance reallocation measures**

Sr. No.	Description of the measure	Legal status of the measure	2020		2021	
			MEUR	% of GDP	MEUR	% of GDP
1.	To reallocate the EU investment funds to health, employment and business areas	Approved: Government Resolution of 8 April 2020 No. 349 On Amendment to Government Resolution of 12 February 2020 No. 108 On Allocation of Approved Appropriations of the State Budget of the Republic of Lithuania for 2020 by Programmes	41.0	0.09	-	-

Sr. No.	Description of the measure	Legal status of the measure	2020		2021	
			MEUR	% of GDP	MEUR	% of GDP
2.	To reallocate the EU investment funds to health, employment and business areas	Approved: Government Resolution of 18 March 2020 No. 252 On Amendment to Government Resolution of 26 November 2014 No. 1326 On the Approval of the Annex to the Operational Programme for the European Union Funds' Investment for 2014–2020 Government Resolution of 25 March 2020 No. 272 On Amendment to Government Resolution of 26 November 2014 No. 1326 On the Approval of the Annex to the Operational Programme for the European Union Funds' Investment for 2014–2020	255.5	0.57	-	-
3.	To accelerate the implementation of the Programme for Renovation of Multi-Apartment Buildings. To solve the problems caused directly by COVID-19, specific measures from the COVID-19 plan (recommendations for financial institutions to offer residents to make use of the deposit holiday or waive the collection of interest on arrears, to ensure continuous remote dissemination of information, non-contact decision-making concerning the renovation and etc.). In order to accelerate the implementation of projects, procurement procedures, deadlines for signing the State aid agreements are shortened.		90	0.20	-	-
<b>Total:</b>			<b>386.5</b>	<b>0.86</b>	<b>-</b>	<b>-</b>

Source: Ministry of Finance.



**Table 10. Government borrowing targets in 2020–2021 and medium-term debt management tasks**

Sr. No.	Target/Task	Implementation criterion
1.	To increase liquidity of the domestic GS market, as a significant share of the Lithuanian financial market, by promoting attractiveness of domestic GS to investors. In implementation of this task, it is planned to support the yield curve for at least of up to 10-year maturity GS focusing on 2–3 year, 4–6 year and 7–10 year residual maturity bond issues by placing new Government domestic bond issues, to create relatively liquid issues of at least EUR 250 million.	In the long term the domestic debt share from total debt on behalf of the State increased up to 28 %.
2.	To attract the largest possible share of temporary idle cash resources of entities attributable to the general government to the State Treasury.	Analysis and adoption of legal acts which create a possibility to increase liquidity of financial assets of the State Treasury.
3.	To manage the interest rate variation, refinancing, exchange rate and guaranteed debt risk.	The benchmark of the short-term debt on behalf of the State by residual maturity and debt obligations of total debt on behalf of the State will not be higher than 25 %; the average weighted residual maturity of the debt on behalf of the State will be more than 4 years; the average weighted residual maturity of the debt on behalf of the State before the change of interest rates will be more than 3.5 years; the ratio between the debt by floating rate and total debt on behalf of the State will not be higher than 10 %; the debt in euro, after assessment of transactions of financial derivatives, will constitute 100 % of total debt; total level of government liabilities by guarantees will not be higher than 5 % of GDP.

Source: Ministry of Finance.

---