NATIONAL AUDIT
OFFICE OF LITHUANIA
• BRINGING BENEFITS •

ASSESSMENT OF THE STABILITY PROGRAMME OF LITHUANIA FOR 2020

15 May 2020

No BPE-3

SUMMARY

Key messages from the Assessment of the Stability Programme of Lithuania for 2020:

- General government revenue grew at a slower pace than expenditure in 2019. Nevertheless, the surplus amounted to EUR 129.3 million, or 0.3% of GDP. The Fiscal Institution projects the general government deficit to be at 10.9% of GDP in 2020 and 4.0% of GDP in 2021. It is expected that budgets of all sub-sectors of the general government to be in a deficit.

- Lithuania's economy grew faster than expected in 2019, however, the amount of funds accumulated in fiscal reserves was 8.6% lower than planned and amounted to 2.0% of GDP.

- General government debt amounted to 36.3% of GDP at the end of 2019. The central government debt, which increased by 15.0% and amounted to EUR 17.1 billion, has the major impact to the debt dynamics.

- According to the Fiscal Institution's *ex-post* assessment, the compliance with the surplus of the general government rule was not ensured in 2019. The expenditure growth limitation rule of the general government has not been applied reasonably. Contrary to the budget of the Compulsory Health Insurance Fund, the budget of the State Social Insurance Fund was implemented in accordance with the fiscal discipline rules attributable to the general government sector.

- According to the Fiscal Institution, the general government debt level, which was relatively stable before the economic downturn caused by COVID-19, is expected to reach 50% of GDP in 2020.

- In the event of a significant increase in general government debt, it is necessary to set the direction of its reduction in the future. In addition to debt increase measures, accumulated fiscal reserves could be used during the period of exceptional circumstances

- The expected economic downturn in Lithuania in 2020 warns of the need for targeted fiscal policy that promotes economic growth. According to the Fiscal Institution, the expected fiscal policy of Lithuania in 2020 is counter-cyclical.

- The measures of the Lithuanian Economic Stimulus Plan are mainly aimed at preserving jobs and personal income and are expected to amount to EUR 1.3 billion or 2.9% of its GDP. The projected discretionary revenue and expenditure measures related to COVID-19 will reduce the general government balance by EUR 3.1 billion or 6.8% of its GDP in 2020.

- The comparative analysis of the Baltic countries' economic stimulus packages presented in their Stability Programmes for 2020 shows that debt growth rates are similar in terms of declining GDPs and general government deficits. Economic stimulus packages amount to approximately 5–7% of countries' GDPs.