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MANAGEMENT OF RISKS TO THE FULFILMENT OF MILESTONES AND TARGETS OF LITHUANIA'S RECOVERY AND RESILIENCE PLAN

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SUMMARY

Relevance of the Assessment

Lithuania has been earmarked EUR 3 849.2 million (5.37% of the country's GDP) of EU support for the implementation of the measures of the National Recovery and Resilience Plan "Next Generation Lithuania". EUR 2 297.5 million of this assistance is non-repayable and EUR 1 551.7 million is a loan. In order to receive the financial support, Lithuania committed to fulfil 218 milestones and targets by 31 August 2026 in accordance with the indicative timetable: 198 for the non-repayable support and 20 for the loan. 49% of the total milestones and targets are expected to be fulfilled at the end of the implementation of the Plan, between 2025 and 2026.

The implementation of the measures set out in the Plan should contribute to significant changes in the country's education, health, green transformation, digitalisation, innovation and science, public sector transformation and social security. Failure to fulfill the milestones and targets on time or to the full extent planned may result in Lithuania not receiving the full financial contribution allocated to it, without which there is a risk of missing out on important reforms and investments for the country.

Assessment Objective and Scope

The objective of the assessment is to assess progress in the implementation of Lithuania's Recovery and Resilience Plan and the risks to fulfilling the milestones and targets for the latest period of the Plan.

The main areas of the assessment:

- ✓ progress on the implementation of the Plan;
- ✓ ensuring the fulfilment of the milestones and targets for the latest Plan period, 2025-2026.

Entities assessed: the Ministry of Finance - the lead authority for the Next Generation Lithuania Plan, the Ministry of Energy, the Ministry of Economy and Innovation, the Ministry of Social Security and Labour, the Ministry of Transport and Communications, the Ministry of Health, and the Ministry of Education, Science and Sport - all of which are responsible for the fulfilment of 75% of the milestones and targets for the latest period.

Period covered: from the approval of the Plan on 28.07.2021 to 30.09.2024. To assess changes, we have also used data from subsequent periods.

The scope of the assessment and the methods used are described in more detail in Annex 2 "Scope and Methods of the Assessment" (p. 35).

Key Assessment Results

Failure to fulfil milestones and targets and submit payment requests on time has delayed implementation of the plan. Investments worth at least EUR 2 848 million, or 74% of the Plan's funding for Lithuania, will need to be made during the remaining 34% of the Plan's implementation time. Failure to implement the Plan in full risks missing the national targets.

Non-fulfillment of 6 milestones results in a 9-month delay in the submission of a payment request for EUR 477.5 million

After 66% of the plan's implementation time, 92 out of 218 or 42% of the milestones and targets have been fulfilled. Given the indicative timelines set in the Plan, 17 out of 98 milestones and targets were delayed until 30 September 2024. The 6 milestones that have not yet been fulfilled delay the submission of the payment request for the third instalment of the non-reimbursable assistance amounting to EUR 477.5 million. 4 milestones relate to tax changes which are being considered by the Parliament as of June 2023, 1 milestone relates to the incomplete development of the one-stop-shop for lifelong learning, and another one relates to the incomplete adoption of legislation on the use of long-term strategic public-private partnership projects. The payment request for the second instalment of the non-repayable assistance of EUR 221.8 million was submitted on the 16.09.2024, with a delay of 9 months, but the payment request for the second instalment of the loan of EUR 310.3 million was submitted earlier than planned, resulting in a total of EUR 167.2 million less in payment requests than planned until 30.09.2024 (Section 1, p. 10).

93% of investments have been contracted, but their implementation costs are below 30% of the Plan

Investments are increasing to fulfil the milestones and targets of the plan, but are behind the planned deadlines:

- ✓ 99% of calls have been launched, 88% of project contracts have been awarded and 24% of the non-repayable country support has been paid to project promoters. The failure to fulfil the milestones and targets on time and the resulting delays in the submission of payment requests resulted in Lithuania receiving EUR 419.9 million, or 28% less non-repayable assistance than planned. 51% of the received support or 66% less than planned was transferred to project promoters by 31.12.2024. Payments to project promoters reflect the intensity of the implementation of the investment, as the money is paid for expenditure incurred or as advances.
- ✓ For the full amount of the loan, financing agreements have been concluded with the National Development Institution, its authorised capital has been increased by a Government Decision and 30% of the country loan has been transferred to the Institution. The loan amount was 1.6 times higher than planned and 96 % of the expenditure plan was disbursed to the National Development Institution, but the actual expenditure incurred to fulfil the milestones and targets was 45 % of the disbursed amount (Section 2, p. 13).

Ministries are taking action to manage risks, but the status of milestones and targets indicates that planned changes will not be fully implemented

12 of the 45 milestones and targets assessed will not be fulfilled to the extent planned including those related to the acquisition of clean vehicles, the installation of public and private charging points, fostering the development of a start-up ecosystem, encouraging science and business to participate in international science and innovation programmes, improving centralised public procurement and increasing employment support measures, focusing on high value-added jobs and digital and green transformation. Failure to fully fulfil the milestones and targets will lead to negotiations with the European Commission on adjustments to the milestones and targets, proposing alternative ways of their fulfilment or lowering the target values. If targets are lowered, other means may have to be found to achieve the national targets, as the Plan's targets and the financial support planned for them contribute to achieving the objectives of the National Progress Plan (Section 3.1, page 18).

Two milestones for measures related to the installation of individual electricity storage devices and the purchase of clean public transport vehicles will not be fulfilled within the planned timeframe, although the final targets are expected to be achieved on time (Section 3.2, page 24).

The progress towards achieving 17 of the 45 milestones and targets assessed indicates risks that the Plan will not be implemented on time and/or in full. Milestones and targets are related to: the establishment of an advanced therapy centre and the modernisation of healthcare facilities, implementation of mission-driven science and innovation programmes, increase in renewable electricity generation capacity, offshore wind farm development and infrastructure installation, introduction of an electronic toll collection system, assembly and retrofitting of electric buses, construction of a biomethane gas production facility, development of the Lithuanian language resources needed for the development of artificial intelligence solutions and implementation of college transformation projects (Section 3.3, page 25).

12 of the 45 milestones and targets assessed will not be fulfilled to the extent planned, as the measures under implementation did not attract a sufficient number of eligible applications and the renewed funding conditions offered did not encourage their use. 19 of the 45 milestones and targets assessed are delayed due to over-optimistic timeframes, which were set without taking into account the introduction of the new strategic planning system with the start of the Plan and the time required to transition, resulting in longer than planned preparation of the development programmes and descriptions of the progress measures. The delay in these activities delayed the start of others. The preparation of project financing conditions and project implementation plans also took longer than planned, while coordinating these documents with other bodies and institutions.

The timeframe for milestones and targets related to construction and reconstruction is too short, especially when it comes to the preparation of the technical design. The main risk management measures taken by the Ministries are: adjusting the conditions for financing projects, encouraging the use of the proposed instruments and extending the implementation deadlines; seeking additional funding; negotiating with the European Commission on adjustments to the scope, content and timing of the milestones and targets (Section 3, p. 17).