

Annex T

Verification of completeness of the Draft Performance Plan of Lithuania (Annex to EC letter, Ref. Ares(2021)6636522-27/10/2021)

The table below presents the findings resulting from the verification of completeness, which are to be addressed as part of the updated performance plan. The findings are listed in the order of appearance of the draft performance plan sections.

No	Draft Performance Plan Section	Topic	Finding	Comments / References
1	section2 1.2; 3.4; Annex A; Annex B (if applicable)	En route and terminal traffic forecasts	Please review and update (as appropriate) the draft performance plan in respect of the traffic forecasts for en route services and terminal services in light of the Eurocontrol STATFOR baseline traffic forecast published on 15 October 2021	Applicable only to Annex A due to the scope of PP. STATFOR BASE scenario TSUs applied to 2021 after evaluation actual JAN-OCT numbers and latest trend. Discrepancies in analysed STATFOR forecast for 2022-2024 revealed possible non-compliance with the SUs/IFR ratio trend attributed to NINTA-ADAXA airspace in Vilnius FIR delegated to Latvia and reinstated into Lithuania's CZ back from 2020. Analysis done by RCO disclosed that closure BY airspace added 10-15% SUs what are fragile considering next political steps after ICAO report's publication in JAN 2022 and impact of developments of geopolitical situation with the neighbouring non EU Member States (BY and RF[Kaliningrad]). Bilateral meeting with STATFOR for clarifications is booked on 19thNOV upon their first availability as usual September consultations on draft forecasts were skipped in 2021. Issue details placed in Annex V.
2	2 ; Annex A	Investments	The costs of new and existing investments per ANSP submitted in part 2 of the draft performance plan are not consistent with	Applicable to Annex A for LATVIA's ANSP data. Latvia's CAA complemented missing

			<p>the costs reported in Annexes A and B (Table 1 - items 1.4, and 3.10 to 3.12). Also, the information on major investments is often incomplete in part 2.</p> <p>Please ensure the completeness of these elements and their consistency throughout the draft performance plan and its annexes.</p>	<p>information, inserted in section 2, delivered their data update in Annex A.</p>
3	2	<p>Investments per ANSP</p> <p>Benefits for airspace users and consultation outcome</p>	<p>Relevant information is missing on the outcome of the consultations and the benefits for airspace users of some of the investments.</p> <p>Please provide the missing information.</p>	<p>Added.</p>
4	2	<p>Investments per ANSP</p> <p>Reported values</p>	<p>The number of new major investments for LGS ANSP is missing (2.3, line 6). Please complete.</p> <p>The sub-totals of determined costs of new major investments, other new investments and existing investments are incomplete for LHMS (2.2). (Even if the value is zero, it should be reported).</p> <p>Please modify/correct/complete.</p>	<p>Latvia's CAA complemented with required data, full scope would be visible with LV draft PP.</p> <p>0 added to LHMT Investments part.</p>
5	3.1	<p>Local safety targets</p>	<p>Lithuania did not provide safety targets for 2020.</p> <p>Please provide the required information.</p>	<p>Safety targets 2020 and actual 2020 achievement were reported in the monitoring report 2020 of draft RP3 PP implementation in June, 2021.</p>
6	Annex A	<p>Eurocontrol Costs</p>	<p>The Eurocontrol costs reported under items 3.13 and 3.15 of Table 1 for years 2022-2024 are higher than Other State costs reported under item 2.9.</p> <p>Please clarify/correct.</p>	<p>Corrected</p>
7	Annex A	<p>Determined Costs</p>	<p>Annex A contains minor discrepancies:</p> <p>For 2020 and 2022-2024 total costs by nature are higher than total costs by services. The differences come from the NSA for 2020 and ANSP for 2022-2024 (NINTA-ADAXA T1).</p> <p>Please correct.</p>	<p>Corrected</p>
8	Annex A	<p>Asset base</p>	<p>The components of the average asset base are not clearly explained in the additional information (Table 1 item (i)).</p>	<p>Added.</p>

			Please provide further details.	
9	3.4.4; Annex A	Cost of capital	<p>The draft performance plan indicates that the return on equity is capped at 3% to limit the cost base, whilst the additional information states that the Ministry of Transport requires a return of 3.7%.</p> <p>Additionally, the draft performance plan notes that a Eurocontrol loan was received in 2020, which has to be repaid in March 2022. The breakdown values for this loan are not provided.</p> <p>The cost of capital under 1.4 should be the WACC times total assets, while the value under 3.11 should be the WACC times the net book value of fixed assets.</p> <p>The share of financing through equity reported in Table 1 (ANSP NINTA-ADAXA) for years 2020 and 2021 is not in line with the calculation of the share of financing through equity based on the components reported under Table 1.</p> <p>(ANSP NINTA-ADAXA) item 3 “Complementary information on the average assets base and on the cost of capital”. Please correct.</p> <p>Please clarify and provide the missing information.</p>	<p>ANSP will not implement expectations of the owner – MoT - for the interest of airspace users.</p> <p>Clarification filled in T1 Additional information.</p> <p>Latvia’s CAA provided updated data.</p> <p>Latvia’s CAA provided updated data.</p>
10	Annex A	Inflation rate	<p>In T1 consolidated, the inflation rates for years 2021-2023 differ from the 2021-2023 inflation rates as published by the IMF.</p> <p>Please align.</p>	<p>PRB provided IMF Inflation rates based on IMF 2019 data. IMF staff visited Lithuania in June 2021 and published report with the latest inflation rates which were used for the time of drafting PP (Art 2 (11) of IR 2019/317, and explanation about this with w. reference was provided in uploaded PP text. Then it was circulated on 1 SEP in the Press Release, copied below.</p>
11	Annex A	Depreciation	<p>The values of depreciation under items 1.3 and 3.10 in the reporting table 1 ANSP (NINTA-ADAXA) are inconsistent.</p> <p>Please clarify.</p>	<p>Corrected by LV CAA.</p>

12	4.2	SESAR – Common Project	The description provided for the implementation of common project 1 (CP1) functionalities is lacking the sufficient detail. Please clarify/ provide the required information.	Added
13	4.3	Change Management	The section on “change management practices and transition plans” section is lacking sufficient detail. Please provide the relevant information in sufficient detail for the assessment in line with European standards; Regulation (EU) 2017/373.	Detailed on ANSP and NSA side.
14	3.4.1 ERT- CZ1	Cost Efficiency		Update due to TSUs revision: applied 2021 – STATFOR Base OCT’21 scenarion; 2022-2024 – STATFOR LOW OCT’21 scenario.

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REPUBLIC OF LITHUANIA

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF LITHUANIA

September 2021

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with the Republic of Lithuania, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its August 25, 2021 consideration of the staff report that concluded the Article IV consultation with the Republic of Lithuania.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 25, 2021, following discussions that ended on June 14, 2021, with the officials of the Republic of Lithuania on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed June 28, 2021.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Republic of Lithuania.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR21/252

IMF Executive Board Concludes 2021 Article IV Consultation with the Republic of Lithuania

FOR IMMEDIATE RELEASE

Washington, DC – September 1, 2021: On August 25, 2021, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with the Republic of Lithuania.

Lithuania experienced the mildest contraction in Europe during the pandemic, benefiting from a strong starting position of the economy and a decisive policy response. Output fell by only 0.8 percent in 2020 compared to an average decline of 6.7 percent in the euro area. Growth recovered strongly in the third quarter of last year as containment measures eased, and momentum picked up in the first quarter of this year despite renewed containment restrictions. The impact on labor has varied across sectors—trade, transport and accommodation sectors were the hardest hit last year—with hours worked rather than employment absorbing most of the shock in the labor market.

Lithuania: Selected Economic Indicators, 2020–26							
Life expectancy at birth (2019): 81 years (women), 71.5 years (men)							
Quota (current, % of total): SDR 441.6 million, 0.09 percent							
Main products and exports: refined fuel, machinery and equipment, chemicals, textiles, foodstuffs, plastics, wood products.							
Key export markets: Russia, Latvia, Poland, Germany, U.S.							
	2020	2021	2022	2023	2024	2025	2026
		Projections					
Output							
Real GDP growth (annual percentage change)	-0.8	4.4	4.1	3.1	2.9	2.6	2.4
Domestic demand growth (year-on-year, in percent)	-5.2	7.0	6.8	4.9	4.0	4.0	3.7
Private consumption growth (year-on-year, in percent)	-2.0	6.4	5.9	4.4	3.6	3.4	3.4
Domestic fixed investment growth (year-on-year, in percent)	-0.2	10.8	10.6	7.0	5.8	5.9	5.0
Inventories (contribution to growth)	-3.8	0.0	0.0	0.0	0.0	0.0	0.0
Net external demand (contribution to growth)	4.2	-2.0	-2.3	-1.6	-1.1	-1.4	-1.3
Nominal GDP (in billions of euro)	48.9	52.4	56.0	59.2	62.3	65.3	68.2
Output gap (percent of potential GDP)	-0.9	0.3	0.9	0.6	0.4	0.2	0.0
Employment							
Unemployment rate (year average, in percent of labor force)	8.5	6.7	6.1	6.0	5.9	5.8	5.7
Average monthly gross earnings (annual percentage change) 2/	10.1	7.4	6.9	6.2	5.7	5.5	5.2
Average monthly gross earnings, real (CPI-deflated, annual percentage change)	9.0	4.0	4.1	3.5	3.2	3.2	3.0
Labor productivity (annual percentage change)	0.6	2.7	3.8	3.1	3.0	2.8	2.6
Prices							
HICP, period average (annual percentage change)	1.1	3.2	2.8	2.7	2.5	2.3	2.2
HICP core, period average (annual percentage change)	2.6	2.8	3.0	2.6	2.4	2.3	2.2
HICP, end of period (year-on-year percentage change)	-0.1	3.4	2.8	2.6	2.5	2.3	2.2
GDP deflator (year-on-year percentage change)	1.1	2.6	2.7	2.6	2.2	2.1	2.1
General government finances							
Fiscal balance (percent of GDP)	-7.4	-5.5	-2.9	-1.5	-1.1	-0.5	-0.4
Fiscal balance excl. one-offs (percent of GDP)	-7.4	-5.5	-2.9	-1.5	-1.1	-0.5	-0.4
Structural fiscal balance (percent of potential GDP) 1/	-6.3	-5.0	-2.8	-1.4	-0.9	-0.4	-0.3
Revenue (percent of GDP)	36.0	36.7	37.0	36.6	35.7	36.0	35.5