

**EXECUTIVE
BOARD
MEETING**

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Supplement 1

July 1, 2021

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Republic of Lithuania—Staff Report for the 2021 Article IV Consultation—
Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
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Publication:	Yes*
Questions:	Mr. Gracia, EUR (ext. 36085) Ms. Shi, EUR (ext. 37438)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	Forthwith—European Central Bank Tuesday, July 6, 2021—European Commission After Board Consideration—European Bank for Reconstruction and Development, European Investment Bank, Food and Agriculture Organization, Bank, Organisation for Economic Cooperation and Development, United Nations Development Programme, World Trade Organization

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**



REPUBLIC OF LITHUANIA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 28, 2021

Prepared by

European Department

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FUND RELATIONS

(As of May 31, 2021)

Membership Status: Joined: April 29, 1992; Article VIII

General Resources Account:

	SDR Million	Percent of Quota
Quota	441.60	100.00
Fund holdings of currency (Exchange Rate)	413.58	93.65
Reserve Tranche Position	28.03	6.35

SDR Department:

	SDR Million	Percent of Allocation
Net cumulative allocation	137.24	100.00
Holdings	137.40	100.12

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Aug 30, 2001	Mar 29, 2003	86.52	0.00
Stand-By	Mar 08, 2000	Jun 07, 2001	61.80	0.00
Stand-By	Oct 24, 1994	Oct 23, 1997	134.55	134.55

Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2021	2022	2023	2024	2025
Principal		0.00	0.00	0.00	0.00
Charges/Interest		0.00	0.00	0.00	0.00
Total		0.00	0.00	0.00	0.00

Implementation of HIPC Initiative: Not applicable.

Implementation of MDRI Assistance: Not applicable.

Implementation of Catastrophe Containment and Relief (CCR): Not applicable.

Exchange Rate Arrangement:

The currency of Lithuania is the euro. The exchange rate arrangement of the euro area is free floating. Lithuania participates in a currency union (EMU) with 18 other members of the EU and has no separate legal tender. The euro, the common currency, floats freely and independently against other currencies. Lithuania has accepted the obligations of Article VIII of the Fund's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions except for those maintained solely for the preservation of national or international security and which have been notified to the Fund pursuant to Executive Board Decision No. 144 (52/51).

Previous Article IV Consultation:

Lithuania is on the 12-month consultation cycle. The last Article IV consultation was concluded on June 25, 2019. The staff report and other related documents are available at <https://www.imf.org/en/Publications/CR/Issues/2019/07/30/Republic-of-Lithuania-2019-Article-IV-Consultation-Press-Release-Staff-Report-48537>.

Safeguards Assessment:

Under the Fund's safeguards assessment policy, the Bank of Lithuania (BoL) was subject to and completed a safeguards assessment with respect to the Stand-By Arrangement, (the SBA was approved on August 30, 2001 and expired on March 29, 2003) on December 10, 2001. The assessment identified certain weaknesses and proposed appropriate recommendations as reported in EBS/01/211. The BoL has implemented these recommendations.

FSAP Participation and ROSCs:

An FSAP Update mission was completed on November 19, 2007. Fiscal and statistics ROSCs were completed in November 2002 and December 2002, respectively.

Republic of Lithuania: Technical Assistance from the Fund, 1999–2021

Department	Issue	Action	Date	Counterpart
STA	Balance of payments statistics (also covering Latvia)	Mr. Buxton	Resident Advisor, Oct. 1999–Oct. 2000	Bank of Lithuania
LEG	Bankruptcy legislation	Mr. Dimitrachkov	Mar. 2000	Ministry of Economy
FAD	Establishment of Fiscal Reserve Fund	Mission	Jul. 2000	State Privatization Fund
MAE	Multi-topic	Mission	Mar. 2001	Bank of Lithuania
FAD	Tax policy issues	Mission	Jun. 3–26, 2001	Ministry of Finance
STA	ROSC	Mission	May 8–22, 2002	Department of Statistics, Ministry of Finance, and Bank of Lithuania
FAD	ROSC	Mission	Jul. 10–23, 2002	Ministry of Finance
FAD	Treasury Operations	Mr. Ramachandran	Nov. 22–Dec. 5, 2004	Ministry of Finance
FAD	Decentralization	Mission	Dec. 3–Dec. 15, 2004	Ministry of Finance
STA	External debt statistics	Mission	Aug. 2–4, 2006	Bank of Lithuania
MCM	Stress testing	Mr. Miguel A. Segoviano Basurto	Jun. 11–21, 2007	Bank of Lithuania
STA	External debt statistics	Mission	Nov. 8–19, 2007	Bank of Lithuania
FAD	Public expenditure review	WB mission / Ms. Budina (FAD) participation	Apr. 14–24, 2009	Ministry of Finance
FAD	Tax Administration	Mission	Aug. 26–Sep. 8, 2009	Ministry of Finance
MCM/LEG	Bank Resolution/Banking Law	Mission	Sep. 28–Oct. 6, 2009	Bank of Lithuania/Ministry of Finance
FAD	Reform of Social Security and Health Funds	Mission	Apr. 6–20, 2010	Ministry of Finance/State Social Insurance Fund Board
LEG	Personal Bankruptcy Reform	Mission	Apr. 30–May 8, 2010	Ministry of Economy
FAD	Tax Administration	Mission	Jul. 14–27, 2010	Ministry of Finance
FAD	General Tax Policy	Mission	Oct. 19–25, 2010	Ministry of Finance
STA	GFS 2001 Statistics	Mission	Feb. 11–22, 2013	Ministry of Finance
MCM	Credit Unions	Mission	Nov. 18–29, 2013	Bank of Lithuania
MCM	Stress Testing	Mission	Dec. 16–18, 2013	Bank of Lithuania
FAD	Local Government Finance	Mission	Dec. 9–16, 2014	Ministry of Finance
FAD	Fiscal Transparency	Mission	Nov. 28–Dec. 11, 2018	Ministry of Finance
FAD	High Wealth Individuals Management	Mission	Feb. 25–Mar. 30, 2021	State Tax Inspectorate

Resident Representative:

None

Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT): Lithuania's compliance with the Financial Action Task Force (FATF) standard, was assessed by MONEYVAL, the FATF-style regional body of which it is a member, in April 2012 and December 2018. The former assessment report was published in December 2012. Lithuania was rated partially compliant on nineteen FATF Recommendations, leading to the application of the first stage of the Compliance Enhancing Procedure (CEP). In response, the authorities amended the Criminal Code and the AML/CFT Law and put in place secondary legislation and guidelines. This extended the list of punishable activities, criminalized financing of terrorism, reorganized the suspicious transactions reporting system, strengthened customer due diligence, and extended record keeping requirements. Lithuania has submitted to date three compliance reports under the CEP procedure. In recognition of the progress achieved in the key areas of concern, MONEYVAL ended the CEP at step 1 in April 2015, but recommended that the authorities address the remaining deficiencies and ensure effective implementation of its AML/CFT framework in order to exit the regular follow-up procedures. At the 50th Plenary meeting in April 2016, the MONEYVAL Secretariat acknowledged progress made by Lithuania but noted that further progress is needed with respect to R.5, R.13/SR.IV and SR.III. While Lithuania has made progress on criminalizing ML/FT, it remained subject to regular follow-up. At the MONEYVAL Plenary in September 2017, the Plenary agreed that Lithuania has taken sufficient steps to remedy deficiencies on key and core FATF recommendations which resulted in Lithuania being removed from the regular follow-up process. At the MONEYVAL Plenary in December 2018, Lithuania's 5th round mutual evaluation was adopted, with all moderate effectiveness ratings except one (substantial) and a set of recommendations to be addressed by the 2020 plenary session, including an update of the National Risk Assessment.

Lithuania made a number of improvements on the AML/CFT front in 2020. The government adopted resolution regarding the establishment of the AML Centre of Excellence, which is designed to facilitate information sharing and strengthen collaboration among key stake holders. A National Risk Assessment (NRA) was completed in 2019 and the report was published in 2020. Based on the NRA report, a draft plan for the measures to mitigate the risk of ML/TF for the 2021-2023 was prepared and in consultation with competent authorities. The Bank of Lithuania has also approved a new policy for AML/CFT supervision and the ML/TF Risk Scoring Methodology against ML/TF risks.

Lithuania has transposed the 5th Anti Money Laundering and Terrorist Financing Directive on January 10, 2020. The new legislation, among other things, makes public the registers of beneficial owners of companies (and under some conditions trusts) operating within the EU and improves interconnectedness of member countries' national registers. Virtual currencies and custodian wallet providers are included into the scope of Directive. The amendment of the Law on the Prevention of Money Laundering and Terrorist Financing VIII-275, which emphasizes the prevention, detection, investigation or prosecution of serious criminal offences, was adopted by the Seimas and should enter into force on August 1, 2021.

STATISTICAL ISSUES

(As of June 28, 2021)

I. Assessment of Data Adequacy for Surveillance

General: Over the past several years, Lithuania has made good progress in establishing a macroeconomic database. Data provision to the Fund is adequate for surveillance purposes.

National Accounts: The national accounts are compiled by Statistics Lithuania (SL) in accordance with the guidelines of the European System of Accounts 2010 (ESA 2010) from 2005 data onwards (data before 2005 still follow the European System of Accounts 1995, ESA 95). Quarterly GDP estimates at current and at constant prices are compiled using the production, expenditure and income approaches. GDP estimates by production are considered to be more reliable than the corresponding estimates by expenditure and income, but no statistical discrepancies between these three estimates are shown separately in the published figures as the discrepancies are included in the estimates of changes in inventories (expenditure approach) and operating surplus and mixed income (income approach). The annual and the quarterly national accounts are compiled at previous year prices and chain-linked to 2010.

Price Statistics: The main statistical data source for the production of the CPI is a monthly statistical survey on prices for consumer goods and services. Information published in the legal acts of state institutions, catalogues, pricelists, and on enterprises' websites is also used. The price survey covers the entire territory of the country, and data is collected in small, medium, and large towns. The CPI covers consumption expenditure of the residents of the country and is the main instrument of indexation. The authorities also produce the Harmonized Index of Consumer Prices (HICP) which is used to measure inflation in the EU and is fully comparable across countries. In addition to the consumption expenditure of residents, the HICP covers also consumption expenditure of non-residents and foreign visitors but excludes financial intermediation services and games of chance. Differences in coverage and hence weighting account for most of the differences in the value of the CPI and HICP. Since December 1998, CPI weights have been updated annually. The index reference period for both the CPI and the HICP is 2015. The monthly CPI and HICP are available in the second week following the reference month. The consumer price index is calculated according to the chain-linked Laspeyres formula with weights updated every year.

Government Finance Statistics: Data on the central government budget execution are available at a monthly and quarterly frequency. Annual and quarterly historical data have been converted into the GFSM 2014 format. Administrative data sources include the Ministry of Finance, State Social Insurance Fund Board (Sodra), Compulsory Health Insurance Fund, Employment Fund, and financial statements of enterprises. The MoF is reporting to STA general government's annual data on an accrual basis for publication in the Government Finance Statistics Yearbook (GFSY). In addition, the MoF is reporting quarterly and monthly data for publication in the IFS. Lithuania participates in the Eurostat GFS convergence project with the IMF since 2012.

Monetary and Financial Statistics: Lithuania uses the ECB reporting framework for monetary statistics, and data are reported to the IMF through a gateway arrangement with the ECB that provides for efficient transmission of monetary statistics to the IMF and for publication in the IFS. IFS coverage includes the central bank and other depository corporations (ODCs) using Euro Area wide and national residency criteria. Data are published in IFS with a lag of about a month. Lithuania reports some data and indicators of the Financial Access Survey (FAS), including two indicators of the United Nations Sustainable Development Goals. There is room for improvement in reporting to the FAS, especially for series on use of financial services (depositors, deposit accounts, borrowers, and loan accounts).

Financial sector surveillance: Lithuania reports all 12 core and 8 of the 13 encouraged financial soundness indicators (FSIs) for deposit takers, three FSIs for nonfinancial corporations, one FSI for households, and all four FSIs for real estate markets on a quarterly basis. Reporting of one FSI for deposit takers and one FSI for real estate markets was discontinued since 2018.

Balance of Payments: The BoL is responsible for compiling balance of payments, international investment position (IIP), external debt and international reserves statistics. The BoL reports quarterly data on balance of payments, IIP and monthly international reserves to STA on a timely and regular basis. Balance of payments data (on a monthly and quarterly basis) are compiled using the format recommended in the Balance of Payments Manual, sixth edition (BPM6) from 2004 data onwards (data before 2004 still follow the BPM5 methodology). The monthly data correspond to several key balance of payments components, compiled on the basis of a sample survey covering the public sector, commercial banks, and some nonfinancial private sector institutions. Lithuania reports comprehensive data to two STA initiatives: (i) the Coordinated Direct Investment Survey (CDIS); and (ii) the Coordinated Portfolio Investment Survey (CPIS). The Data Template on International Reserves and Foreign Currency Liquidity is disseminated monthly according to the operational guidelines and is hyperlinked to the Fund's DSBB. Since late 2004, the BoL disseminates quarterly external debt data in the World Bank's Quarterly External Debt Statistics (QEDS) database.

II. Data Standards and Quality

Lithuania is an adherent to the Special Data Dissemination Standard Plus (SDDS Plus) since July 2018, and its metadata are posted on the Dissemination Standards Bulletin Board (DSBB). Lithuania's latest SDDS Plus Annual Observance Report is available on the [DSBB](#).

The ROSC data module was published on December 2002.

The authorities publish a range of economic statistics through a number of publications, including the SL's monthly publication, Economic and Social Developments, and the BoL's monthly Bulletin, and a significant amount of data is available on the Internet:

- metadata for data categories defined by the Special Data Dissemination Standard are posted on the IMF's DSBB (<http://dsbb.imf.org>);

- the BoL website ([http://www.lb.lt/statistical data tree](http://www.lb.lt/statistical_data_tree)) provides data on monetary statistics, treasury bill auction results, balance of payments, IIP, external debt and other main economic indicators;
- the SL website (<http://osp.stat.gov.lt>) provides monthly and quarterly information on economic and social development indicators;
- the MoF (<http://www.finmin.lrv.lt>) home page includes data on the national budget, as well as information on laws and privatization; and government finance statistics (deficit, debt);
- NASDAQ OMX Baltic website (<http://www.nasdaqomxbaltic.com/market/?lang=en>) includes information on stock trading at NASDAQ OMX Baltic stock Exchange in Vilnius (the former Vilnius Stock Exchange).

Republic of Lithuania: Table of Common Indicators Required for Surveillance

As of June 28, 2021

	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷	Memo Items:	
						Data Quality – Methodological soundness ⁸	Data Quality – Accuracy and reliability ⁹
Exchange Rates	March 2021	Feb 2021	M	M	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	April 2021	June 2021	M	M	M		
Reserve/Base Money	April 2021	June 2021	M	M	M	O, LO, LO, LO	O, O, LO, O, O
Broad Money	April 2021	June 2021	M	M	M		
Central Bank Balance Sheet	April 2021	June 2021	M	M	M		
Consolidated Balance Sheet of the Banking System	April 2021	June 2021	M	M	M		
Interest Rates ²	April 2021	June 2021	M	M	M		
Consumer Price Index	May 2021	June 2021	M	M	M	O, O, O, O	O, O, O, O, O
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	2021Q1	June 2021	Q	Q	Q	LO, LO, LO, O	O, O, O, O, O
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	2021Q1	June 2021	Q	Q	Q		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2020Q4	June 2021	M	M	M		
External Current Account Balance	2020Q4	April 2021	Q	Q	Q	O, O, LO, O	O, O, O, O, O
Exports and Imports of Goods and Services	2021Q1	June 2021	Q	Q	Q		
GDP/GNP	2021Q1	June 2021	Q	Q	Q	O, LO, O, LO	O, LO, LO, LO, O
Gross External Debt	2020Q4	June 2021	Q	Q	Q		
International Investment Position ⁶	2020Q4	June 2021	Q	Q	Q		

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means

² Both market-based and officially-determined, including deposit and lending rates, discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability position vis-à-vis nonresidents.

⁷ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Not Available (NA).

⁸ Reflects the assessment provided in the data ROSC published in July 2004, the findings of the mission that took place during September 2003 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

⁹ Same as footnote 8, except referring to international standards concerning source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.