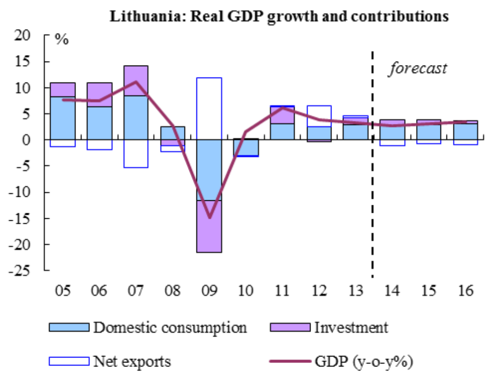
INVESTMENT IN LITHUANIA

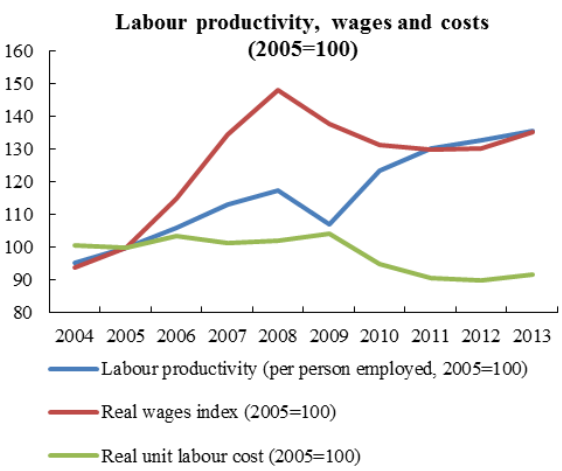
What is the situation in Lithuania?



Source: European Commission 2014 Autumn Forecast

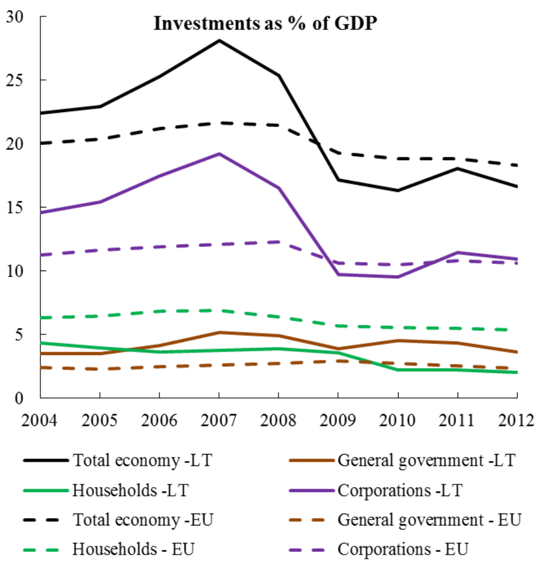
Investment in Lithuania rose until 2007, on the back of a property boom, when it reached almost 30% of GDP. The subsequent economic crisis resulted in a sharp fall in investments to around 18% of GDP, similar to the EU average, but well below levels in the other Baltic countries. In particular, investments in machinery and equipment – key for ensuring future growth potential – have so far not recovered, although existing production facilities are close to their limit. Public investment remains below pre-crisis levels. Current geopolitical tensions are holding back a more positive investment climate.

What is the main challenge?



After a significant adjustment process, Lithuania has returned to healthy GDP growth of around 3%. However, to safeguard recent competitiveness gains and to ensure its growth is sustainable, there needs to be further improvements in productivity. Corporate investment, in particular by SMEs, also seems to be constrained. SMEs still face less favourable lending conditions and alternative sources of finance remain very scarce. Adoption of the euro could be the occasion to attract additional investors to Lithuania and the Baltics.

Opportunities for investment



Existing production facilities, which are close to their limit, strong consumer demand as well as low interest rates should help investment to pick up in the coming years once there is less geopolitical uncertainty. Public investment, with the support of EU structural funds, should focus on high quality training and education to lower structural unemployment and ease shortages of qualified labour. Other sectors with potential are the energy sector to improve supply and efficiency and transport infrastructure to ensure the country can further integrate into global value chains.

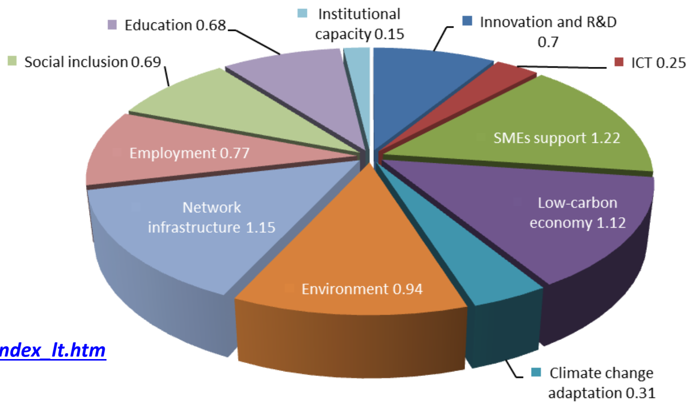
Reforms for investment

In the Country Specific Recommendations for Lithuania, the European Union recommended

Reinforce budgetary measures to ensure a sufficient reduction of the structural deficit	Fully implement the reform of state-owned enterprises
Legislate on a comprehensive pension system reform	Step up measures to improve energy efficiency in buildings, using the entire financial support provided by the EU (Jessica holding fund)
Better target active labour market policy measures	Continue the development of cross-border connections for both electricity and gas and promote competition through improved integration of the Baltic energy markets

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement:
http://ec.europa.eu/contracts_grants/agreements/index_lt.htm

Past or ongoing projects for investment

Energy infrastructure projects

Synchronous interconnection with the Continental European networks (**Estonia , Latvia , Lithuania**)

Sweden-Lithuania electricity interconnection (Nordbalt1)

LNG terminal in Klaipeda and Klaipeda-Kiemenai gas pipeline upgrade

Transport interconnections

Freight corridor "North Sea – Baltic" (**Germany, Netherlands, Belgium, Poland, Lithuania, Latvia, Estonia**): By November 2015

Connecting Europe Facility:
"North Sea - Baltic" core network corridor (**Estonia, Latvia, Lithuania, Poland, Germany, Netherlands, Belgium**)