



INVESTOR CONFIDENCE INDEX FOR LITHUANIA 2014, Q2 (ISSUE 1)

FOREWORD

Based on knowledge and experience gained while acting in the Lithuanian business environment and interacting with numerous governmental institutions and authorities, the association Investors' Forum (hereinafter – Investors' Forum) has recognized a need for the creation and introduction of an Investor Confidence Index for Lithuania (hereinafter ICIL).

The methodology for index construction and data collection, and for this information's dissemination, is based on the Joint Harmonised EU Programme of Business and Consumer Surveys by the European Commission and a Handbook of Business Tendency Surveys by the Organization of Economic Co-operation and Development (OECD). The survey questionnaire composition is based on the discussions of an expert panel comprised of experts from the Investors' Forum, Invest Lithuania and the consultancy firm Ernst & Young Baltic.

The purpose of this index is to provide an alternative tool with which to assess the business conditions and investment climate in Lithuania, as well as to indicate the expectations of market participants for the short-term future.

“In order to ensure sustained economic development and a smooth transition towards a Euro based economy, as well as increased international competitiveness, Lithuania has to take advantage of areas it has a competitive advantage in and to procure resources and attention from both the business community and governmental authorities towards areas identified as inferior in relation to other European economies. We believe that an Investor Confidence Index for Lithuania will highlight the most relevant problems that market participants face in today's fast-paced business community.” – says Rūta Skyrienė, the Executive Director of Investors' Forum.

**INVESTOR CONFIDENCE INDEX
FOR LITHUANIA 2014, Q2 (issue 1)
Prepared by Gytis Trilikauskis,
Investors' Forum analyst**

Contacts: Gytis Trilikauskis, Investors' Forum,
Gytis@investorsforum.lt; +370 612 784 62



INTRODUCTION

What is the ICIL?

The ICIL (Investor Confidence Index for Lithuania) is an index which represents the evaluation of Lithuania's business and investment climate conducted by top executives and senior officers of the country's largest foreign capital firms. It is a direct reflection of the opinions and expectations that present business decision-makers in Lithuania have about the development of Lithuania's economy in the foreseeable future.

Why the ICIL is relevant?

The Investor Confidence Index for Lithuania has been formed in order to evaluate Lithuania's business climate, investment conditions and the overall attractiveness of the economy. This assessment is reached using the experiences and expectations of existing investors in Lithuania. The index's purpose is not only to assess the general market conditions for FDI (Foreign Direct Investment) in Lithuania, but also to determine the most significant factors shaping these conditions.

The ICIL is an informative and useful tool for possible foreign investors and other interested parties, providing them with relevant information and expected short-term developments in the economy through the eyes of market participants that face the existing challenges and exploit the opportunities of the Lithuanian market on a daily basis.

Who compiles the ICIL?

Investors' Forum staff, with the support of delegate experts in their respective fields from Invest Lithuania and Ernst & Young Baltic, have established a set of questions for inquiry into three areas of interest: the general economic situation, firm-specific factors and the investment plans of surveyed companies. The established questionnaire enables the evaluation of Lithuania's economic conditions and the identification of existing barriers preventing the maximum business efficiency potential of the country being reached.

The Investor Confidence Index for Lithuania is compiled from the survey responses of the top executives of the largest and most influential foreign capital firms in Lithuania.

Who participates in the formation of the ICIL?

It is the real experiences and opinions of existing investors that act as the basis for the Investors' Confidence Index for Lithuania, making the input of the largest and most influential companies essential. The Index itself is an invaluable tool for potential investors as it provides a detailed view of the country's business climate and investment conditions, and, thus, presents an overall picture of the attractiveness of the market.

Moreover, the fact that the Index has, as its basis, the on-the-ground operational experience of key investors gives it added significance as a reliable gauge for investment. It is, therefore, of real importance that the information gathered is of the highest quality and value, which is why we ask only top executives and senior officers of a selected group of companies to participate in the questionnaire.

What are the long-term implications of the ICIL?

The index is intended to be carried out every quarter. This will not only allow for the assessment of business conditions every three months but, more importantly, will enable the dynamics of the ICIL to be followed. As a result, this will create more possibilities for analysing and interpreting the Lithuanian business and investment climate. This will include:

- Determining quarter-to-quarter changes of the index value and its underlying conditions;
- Determining index value changes over longer periods of time in the economic cycle, while analysing what circumstances have changed during that period in the eyes of investors;
- Measuring index performance vis-a-vis distinguished macroeconomic factors in order to adjust and correct for any unaccounted errors in the methodology, and to improve the overall reliability and efficiency of the ICIL;
- Creating a simple and accurate tool which reflects the state of business conditions in Lithuania over a continuous period of time.

INDEX METHODOLOGY AND MAGNITUDE INTERPRETATION

The index is based on a three option answer scale. Composite indicators are included in the formula for ICIL calculation, and each can be evaluated by a particular surveyed respondent in three ways: expressions of pessimistic, unchanged and optimistic expectations assigning 0, 1 and 2 points accordingly. Balances of composite indicators are calculated before inserting them in the general formula for ICIL by dividing the net amount of points by the total number of respondents. After that, individual weights to composite indicators are assigned to form the final value for ICIL.

The ICIL does not evaluate the magnitude of changes in the business environment, only whether managers expect improvements or not. The ICIL cannot indicate by what proportion (percentage points) the current conditions are going to improve/deteriorate in the upcoming period. It is merely a tool for determining whether positive or negative changes are anticipated.

Moreover, as the ICIL is calculated on the individually weighted balances of composite indicators, absolute distinctions towards the proportion (percentage points) of

Index Magnitude Table

Index value	Interpretation
ICIL = 2 (maximum)	All enterprises anticipate improvement (Maximum Positive Expectations).
ICIL > 1	There are more enterprises anticipating improvement than ones anticipating deterioration. The respondents feel that, in general, conditions are improving.
ICIL = 1	There is same number of enterprises with positive and negative expectations (Balanced Expectations). The respondents feel that, in general, conditions are unchanged.
ICIL < 1	There are more enterprises anticipating deterioration than ones anticipating improvement. The respondents feel that, in general, conditions are deteriorating.
ICIL = 0 (minimum)	All enterprises anticipate deterioration (Maximum Negative Expectations).

Based on the Index Magnitude Table, it is clear to understand that the closer the overall value of ICIL is to 2, the more enterprises are giving positive feedback on the business and investment climate in Lithuania. Vice versa, the closer the value of ICIL stands to 0, the greater the number of enterprises that are dealing with negative externalities limiting operations and efficiency, while the overall score of 1 indicates balanced expectations. Anything in between these keystone values indicates either improving (ICIL>1) or deteriorating (ICIL<1) conditions.

enterprises expressing positive or negative expectations can be made only in the cases of three keystone values (0, 1 and 2). Other values of ICIL cannot be expressed as percentages of enterprises expecting improvements, because while calculating the balances of the composite indicators, the assigned points of optimistic expectations cancel the pessimistic ones out. Comparisons about index scores can be made only by analysing the dynamics of the ICIL over numerous quarters, and its proportional change may be referenced only by itself.

INVESTOR CONFIDENCE INDEX FOR LITHUANIA 2014 Q2

Investors claim positive expectations, demand of production & services fuels job creation

Based on the survey responses of the questionnaire of the Investor Confidence Index for Lithuania, the calculated index score is 1.101. The overall score of 1.101 represents a general evaluation of Lithuania's business conditions. Investment conditions are expected to improve in the second quarter of 2014, rather than

deteriorating or maintaining the current state. The index indicates positive expectations of Lithuania-based managers towards increasing the efficiency of operating in Lithuania (see Index Magnitude Interpretation table below) and shows improving business conditions.



► ICIL = 1.101

Key Positive Expectations

• Business Environment

In terms of the general business environment, Investors seem to be the most optimistic about the efficiency of Internet and Telecommunications infrastructure. 31% of the respondents expect the efficiency of this sector to improve. None of the surveyed managers foresee any deterioration in the second quarter of 2014.

• Firm-specific factors

Lithuania's rebounding economy provides confidence for existing investors and signals increasing trade volumes in the future. 43% of surveyed executives expect the demand for their products or services to increase in the upcoming quarter. A decrease in demand is anticipated in only 5% of the enterprises. The remaining 52% expect no change.

• Investment Plans

The second quarter of 2014 may offer a helping hand for the unemployed. Based on the questionnaire, 37% of existing investors in Lithuania are expecting to increase the number of workplaces they currently have. Only 6% of enterprises plan to lay people off. This is in accordance with the notion that firms are expecting an increase in demand for their products and services. Investors perceive a need for additional employees to deal with it.

Anchors of the economy

• Business Environment

The biggest issue limiting Lithuania is predicted to be the stability of the political environment. 30% of respondents anticipate worsening conditions in terms of political stability. However, a large amount of this unease regarding political stability may be influenced by the current situation in Crimea and the eastern regions of Ukraine. The stability of the business and political environment plays a key role when determining investment locations. The authorities should take direct action to address this issue if expectations regarding political stability remain pessimistic in the future.

• Firm-specific factors

The most concerning factor the investors recognize in the current state of the economy is (most likely probably) the lack of qualified labour. A shocking 46% of enterprises evaluate the availability of qualified labour as insufficient. This means that almost half of the companies operating in Lithuania are in need of qualified professionals. This may be the result of various factors such as emigration, insufficient levels of tertiary education or inadequate composition of tertiary education programmes (which do not meet the needs of businesses), or insufficient levels of applicable practical skills provided at universities. Whatever the reasons are, if investors continue to see the amount of qualified employees in Lithuania as a concern, companies may start importing workforce from abroad, and possible future investments may be deterred. It should be noted that only 4% of the surveyed companies evaluate qualified labour resources to be more than sufficient.



ADDITIONAL FINDINGS

The questionnaire for the Investor Confidence Index for Lithuania contains additional questions about the economy, business environment, business limiting factors, existing advantages of operating in Lithuania and others. The purpose of an expanded questionnaire is to provide not only the quarterly ICIL score, but also

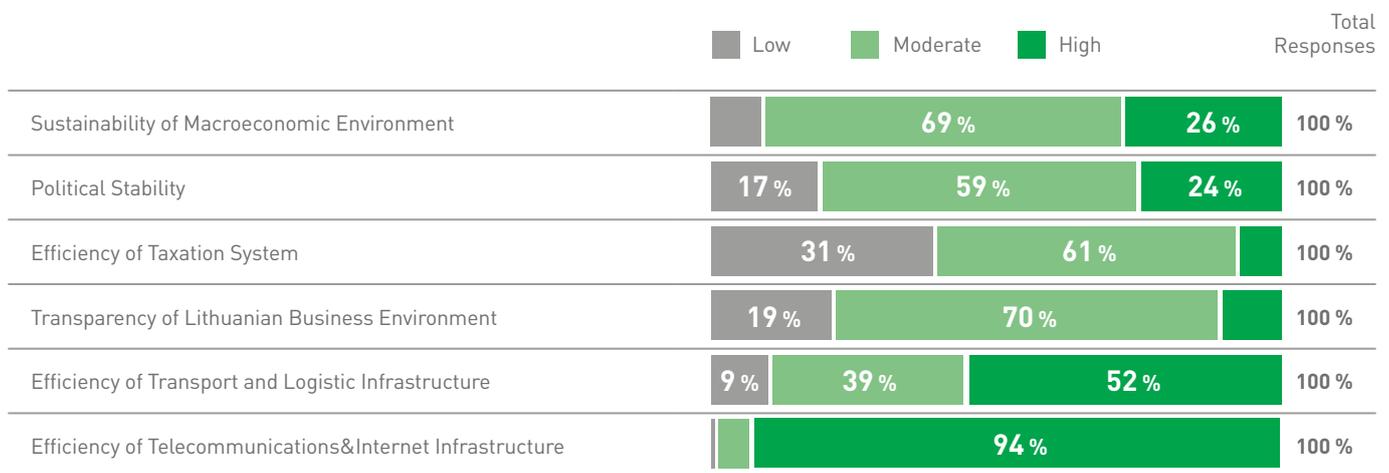
to identify the most important and concerning areas and track their performance scores over different periods. There is always a way to improve, and the goal of supplementary questions is to deepen our knowledge of what factors bear the largest weight in today's interdependent and ever-changing business community.

1st Block: Business Environment Situation

The first block of additional findings focuses on identification of the most developed and underdeveloped areas of the overall economic environment, and the implications they have on the business and investment climate.

Figure 1: Lithuanian business environment evaluation

Question: Based on your opinion, please mark the level of Lithuania's:



Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

Nationwide advantages

Existing foreign investors were asked to evaluate the current situation in the Lithuanian market in terms of infrastructure development and efficiency measures. A staggering 94% of all surveyed identified Telecommunications & Internet infrastructure in Lithuania as highly efficient (see Figure 1). As previously

mentioned, 31% of respondents expect the infrastructure to increase in efficiency even more in the near future. It should therefore be noted that the Telecommunications industry is on a reassuring path and in an excellent condition.

Moreover, Transport and Logistics infrastructure is perceived to be in a relatively good state. More than half (52%) of the participants described Transport and Logistics infrastructure as highly developed, with 39% indicating it to be moderately developed and 9% of opinions rating the efficiency level as low.

Areas of Concern

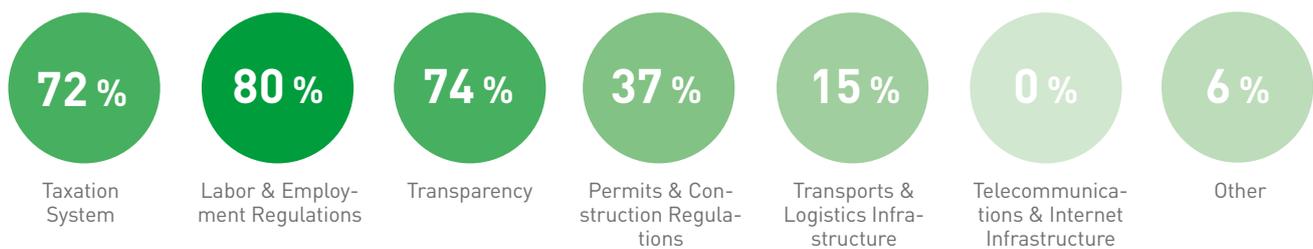
On the other hand, the taxation system and business transparency seem to cause the most unease for investors. Almost a third (31%) of executives are displeased with the efficiency of the taxation system in Lithuania, and almost a fifth (19%) of them indicate Business Transparency to be at a low level in Lithuania. The need for attention towards these areas is supported by indications that over 70% of respondents (72% for Taxation system & 74% for Business Transparency) claim

these areas are among the ones in need of persistent inspection and correction (see Figure 2).

An inflexible and faulty tax code may be indirectly creating an incentive for companies to take part in the shadow economy that otherwise would not. One can argue that by tackling the causes of inefficiency in the tax code, the authorities could kill two birds with one stone: namely raise the overall efficiency of the Taxation system and simultaneously reduce incentives for firms to engage in illegal activities. Irrespective of their causes, the aforementioned problems are present and relevant for businesses in Lithuania.

Figure 2: Red flags

Question: Which areas do you consider to be in the biggest need of attention and improvement (select up to 3 areas)?



Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

Labour & Employment regulation is another issue constantly emerging during investment negotiations. A total of 80% of ICIL participants identified reviewing Labour & Employment regulations as their priority concern. Various representatives of investment promotion agencies and institutions have described the present Labour Code as worn-out and out-dated. Five of the largest employer associations, namely the Investors' Forum, the Lithuanian Confederation of Industrialists, the Lithuanian Chambers of Commerce, the Lithuanian Business Employers association and the Lithuanian Business Confederation support Labour Code amendments that have been proposed for consideration during the Parliament's spring session.¹ However, a decision is yet to be made.

Together with the fact that 46% of enterprises consider the level of qualified workers in Lithuania to be insufficient, the ineffective Labour & Employment regulations pose a serious threat towards Lithuania's competitiveness. Interested and existing investors are struggling to find adequate workforce in the local market, and what is more, having found the employees needed, they are restricted by administrative barriers. In order to ensure the creation of new workplaces and achieve sustainable employment improvements in the country, these problems must be addressed sooner rather than later.

¹Source: Penkios didžiausios darbdavių organizacijos pritaria Darbo kodekso keitimui. Vilniaus Diena, 2014-03-25. Retrieved on the World Wide Web: http://www.diena.lt/naujienos/verslas/ekonomika/penkios-didziausios-darbdaviu-organizacijos-pritaria-darbo-kodekso-keitimui-621927#.U1Y4l_L_svs

2st Block: Firm-specific factors

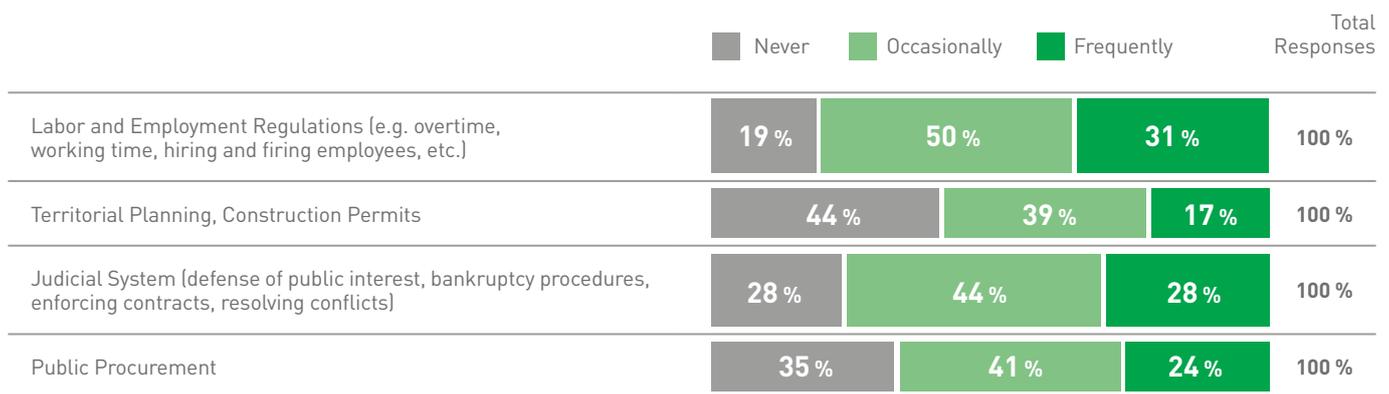
The second block of additional findings is concerned with information regarding individual firms and operations carried out on a daily basis. It shifts the point of analysis from the macro to the microeconomic level. Understanding particular trends at the business enterprise level may enable us to draw more insightful conclusions about the macroeconomic environment of Lithuania and its international competitiveness.

Day-to-day activities

The surveyed managers were asked to identify how frequently they encounter problems in various day-to-day activities. The most alarming findings are presented in Figure 3.

Figure 3: Frequency of Obstacles to daily operations

Question: How often do you encounter problems in any of these areas while carrying out your daily activities?



Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

Once more, the issue of Labour & Employment Relations arises. Less than a fifth of all enterprises state they never face problems in this area, with all other enterprises having to deal with it either from time to time (50%) or on a constant basis (31%).

Other concerning trends include problems of inefficiency in the Judicial System and Public Procurement, with 72% (28% of them frequently) and 65% (24% of them frequently) of the surveyed companies indicating having to deal with various problems within these areas. It has been reported that in some cases public institutions disrupt fair competition by trying to replicate privately developed services. These market externalities lower the

overall level and efficiency of institutions in the country, which is an important factor determining international competitiveness.² Moreover, despite the reforms that have been implemented by the Ministry of Environment of the Republic of Lithuania, 17% of respondents are still frequently bothered (with 39% bothered occasionally) with the issuance of Construction Permits and Territorial Planning. Even though the initiative shown by the Ministry of Environment is to be congratulated, there is still more scope for further reform.

²Source: Foreign Direct Investment and the locational competitiveness of countries. Transnational corporations. [pp. 2-9]. Volume 17, Number 3. New York and Geneva: United Nations. Retrieved on the World Wide Web: http://unctad.org/en/Docs/iteit21v9n2_en.pdf#page=81

Promising outlook for firms: business is likely to boost

According to the managers surveyed, the upcoming quarter should be booming, with rising demand, employee and profitability numbers, as well as increasing exports and capital investments. The overwhelming majority of respondents expect all of these factors to either increase or remain at the current state in the upcoming quarter.

As can be observed in Figure 4, firms are looking rather optimistically towards the second quarter of 2014. A third of enterprises are looking to increase profitability and capital investments. 31% will be hiring additional workforce, and almost a quarter (24%) of firms are expecting their share of exports to scale up.

Only a few areas cast a shadow of concern. A proportion of 15% of enterprises anticipate negative changes in profitability and numbers of employed staff. The highly tense situation in Ukraine may be a cause of distortion in the plans businesses have made for the quarter.

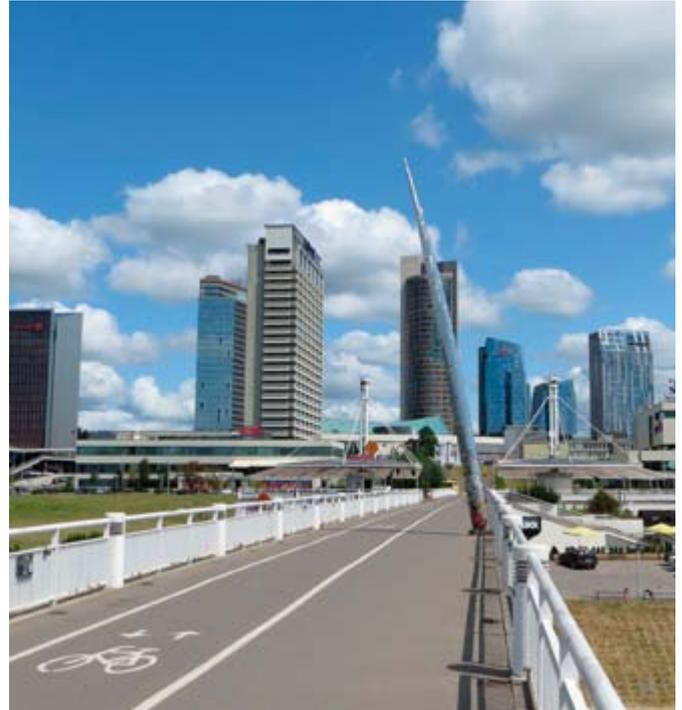
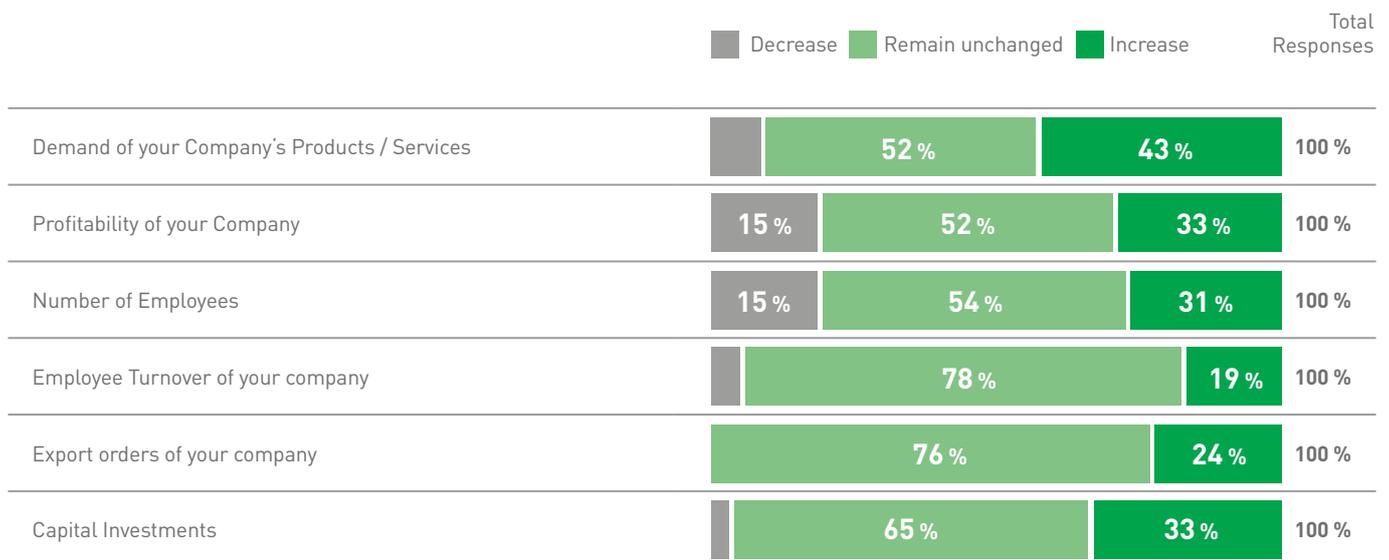


Figure 4: Firm-specific expectations for Q2, 2014

Question: Based on your own opinion, please indicate your expectations in the upcoming quarter (Q2, 2014)



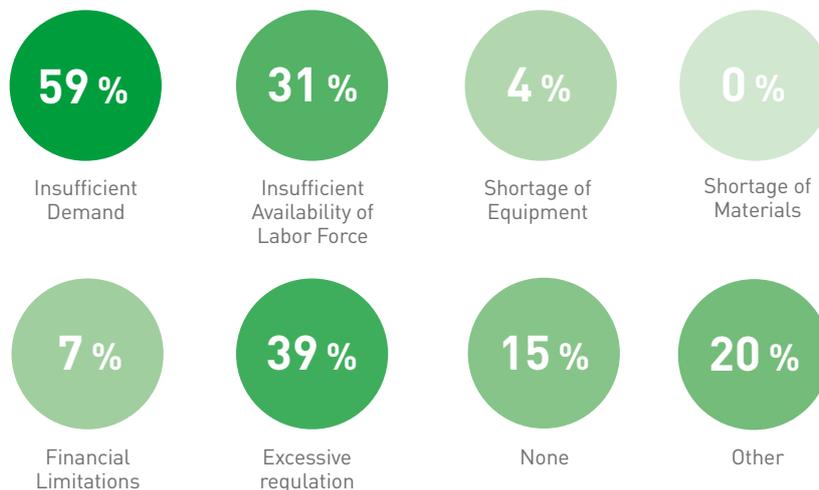
Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

Limiting Factors

For a more in depth understanding of the current situation in the market, companies were asked to identify the most limiting factors affecting business (see Figure 5). The most popular response was the issue of Insufficient Demand (59%), followed by Excessive Regulation (39%) and Insufficient Availability of Labour Force (31%). The insufficient demand criteria might be met in the long-term by the expected increases in trade volume and employment (see Figure 4). These may foster continuous growth in demand, which is expected to increase in the first place. Excessive regulation is to be tackled by firstly satisfying the need to amend the Labour & Employment regulations (which is going to be debated in the Parliament), and increase the efficiency of the Taxation System.

Figure 5: Business Limiting Factors

Question: What are the main factors currently limiting your business (select up to 3 factors)?



Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

What is more, beyond the stated limitations, a few additional ones were mentioned, such as unfair competition from State institutions, market entry barriers (competition), the shadow economy and the lack of land for operations. In addition to this, public procurement has been brought up under the 'Other' category. It is perceived that the situation of public tenders, in which a supplier is chosen based on the criteria of offering the lowest price, is preventing the most economical use of funds. When lowest price criteria are used instead of one based on economic value, contesting firms engage in a sort of price war. In order to be chosen as the supplier for the tender, the contestants use any means available to lower the offer price (such as using the cheapest

labour force, cheap materials etc.). This brings down the profitability for the tender, so the companies producing quality goods face opportunity costs that are too great for them to realistically compete. Moreover, sometimes firms are indirectly pushed to minimize the offer price down to extreme levels. This results in operating below profit levels or, in other cases, in engaging in illegal activities such as participating in the shadow economy, making deals with subcontractors etc. To sum up, the lowest price criteria for public procurement might be logical in terms of spending the lowest amount of funds, but the old adage that the cheapest goods are most likely not the best in quality definitely raises questions as to whether the current method is the most appropriate one.

3st Block: Investment Determinants

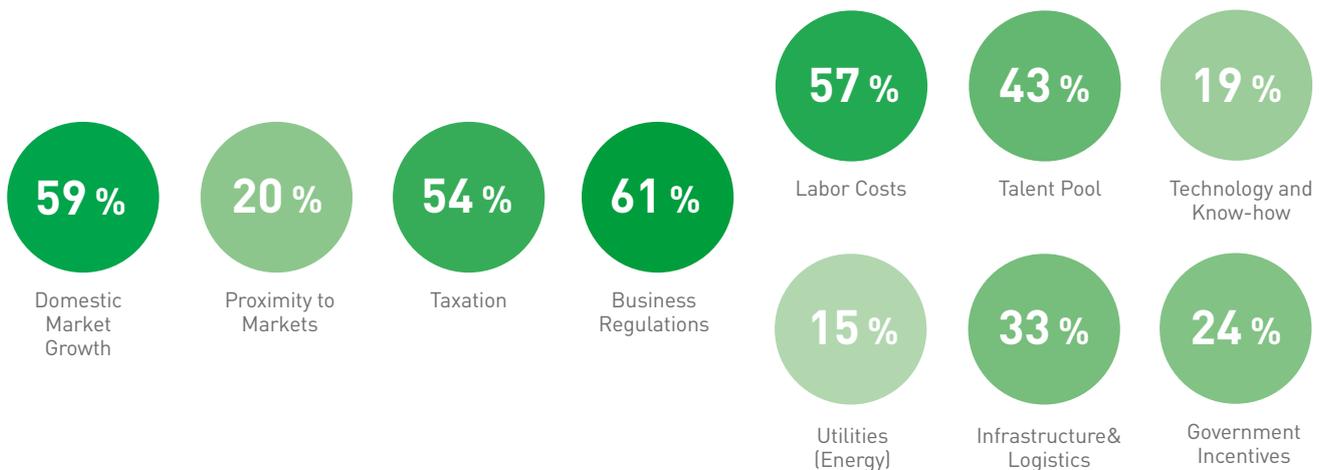
This section concentrates upon the factors that have the highest impact on determining Lithuania as a location for investment, through the perspectives of existing investors in Lithuania. These are the features that, if managed correctly, increase a country’s competitiveness and attract Foreign Direct Investments, which in turn create jobs and bring technological innovation and know-how, thus contributing towards a further development of the economy.

In **Figure 6** we have a reflection of the most influential factors when making a decision as to whether to invest in a particular location or not. Managers and executives take into account numerous considerations before committing to long-term engagement in a foreign economy. According to the survey, Business Regulations (61%), Domestic Market Growth (54%), Labour Costs (57%) and Taxation (54%) are the four most influential determinants on decisions to invest, followed by the level of the existing Talent Pool (43%), Infrastructure & Logistics (33%), Government Incentives offered to investing businesses (24%) and other. Even though not all conditions of the aforementioned determinants are affected on the short-term, an effort to increase the overall competitiveness of the country has to be made. The sooner the identified areas are addressed, the more attractive as a location for FDI Lithuania will become.

(57%) and Taxation (54%) are the four most influential determinants on decisions to invest, followed by the level of the existing Talent Pool (43%), Infrastructure & Logistics (33%), Government Incentives offered to investing businesses (24%) and other. Even though not all conditions of the aforementioned determinants are affected on the short-term, an effort to increase the overall competitiveness of the country has to be made. The sooner the identified areas are addressed, the more attractive as a location for FDI Lithuania will become.

Figure 6: 10 Primary Determinants of Investment

Question: Which factors do you consider to be the most influential when making the decision whether to invest or not?

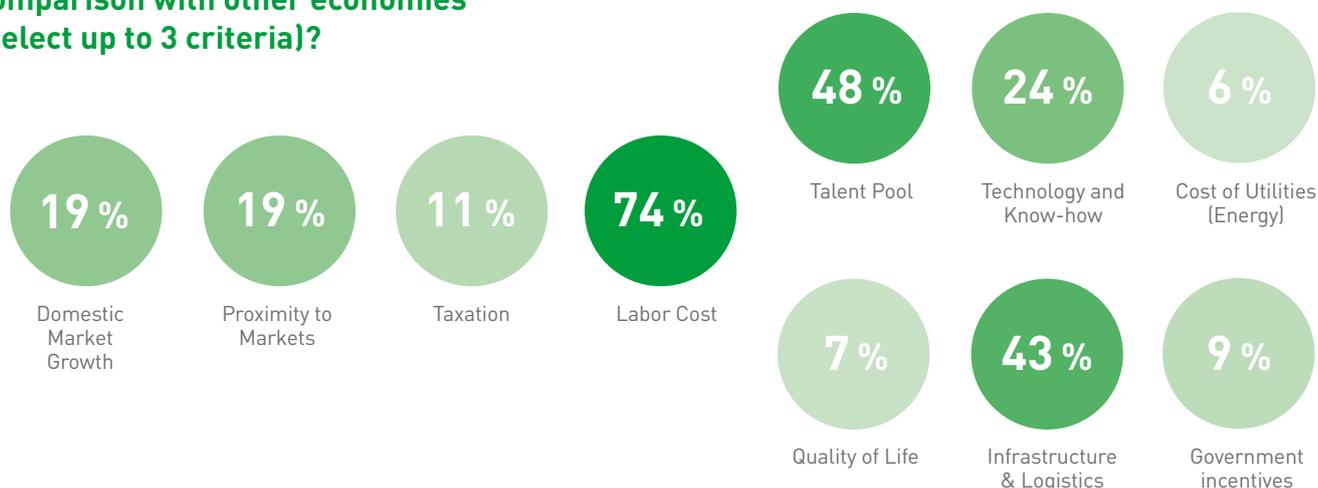


Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

For the purpose of comparison, the questionnaire also asks existing managers to identify what constitutes Lithuania’s competitive advantage compared to other economies. The overwhelming majority, 74%, named Labour Costs as the main advantage for Lithuania, followed by the existing Talent Pool (48%), Infrastructure & Logistics (43%) and Technology and Know-how (24%).

Figure 7: Lithuania's Top 10 Distinguished Advantages for Investments

Question: What determines Lithuania's advantage towards investment in comparison with other economies (select up to 3 criteria)?



Source: Investor Confidence Index for Lithuania initial survey, Q2 2014

When comparing the most influential factors perceived by investors in general with the specific advantages of Lithuania that have been identified, several observations can be made. First of all, the Lithuanian economy offers investors competitive and manageable labour costs, which is a highly sought-after commodity while investing abroad. The affordable labour costs as well as the highly-valued talent pool clearly act as two of the main factors that put Lithuania ahead of the curve when compared with other economies.

Secondly, the current condition of business regulations acts as a weight dragging the country's competitiveness down. Favourable and supportive business regulation is one of the most important matters influencing investment for 61% of investors. The overall majority of investors see today's business regulations as inefficient. Thirdly, even though 48% of enterprises evaluate the Lithuanian talent pool as one of the main advantages Lithuania has, 46% of them also described the availability of qualified labour as insufficient. In other words, investors are happy with the existing specialists, who they feel have the right qualifications and skills, but the problem is a shortage of additional specialists who will be needed as companies grow.

In addition to this, the argument that Lithuania's advantageous position is bolstered by its well-developed logistics infrastructure is once more supported by investors. Almost a quarter of respondents perceive

Lithuania to have good technological and know-how capabilities, which were identified as investment determining factors by a third of managers.

Two final points are worth identifying. Firstly, 19% of respondents claim that Lithuania offers advantages for investors due to the growth of the domestic market and closeness to other nearby markets. Secondly, despite the fact that taxation is the fourth most popular investment influencing factor, only 11% of managers perceive the Lithuanian business environment to be favourable in terms of taxation.

Overall, it can be inferred that Lithuania's investment attraction is largely based upon its relatively well-qualified workforce and competitive labour costs. However, if the economy keeps developing as rapidly as is expected, it is possible that the problem of real costs of labour catching-up with the European average will emerge, and Lithuania will slowly begin to lose its main competitive edge. While we still have not reached this point yet, even now 46% of managers are dissatisfied with the availability of qualified labour. It is clear then, that in order to even maintain the current level of competitiveness for investment in Lithuania, the situation in other areas such as Employment & Labour law, business, taxation regulations, territorial planning and (of course) business transparency has to be improved through resolute actions from the authorities.

CONCLUSIONS

1. Results of the initial Investor Confidence Index for Lithuania suggest market participants are expecting the general investment and business environment to improve in the second quarter of 2014. These optimistic expectations are mostly influenced by increasing business intensity and accelerating business volumes in line with other factors such as increasing investments and the establishment of new workplaces among the existing foreign investors in Lithuania.
2. On the negative side, the main aspect that will cause duress for market players in the upcoming quarter is the question of political stability in the country. The forthcoming Presidential and European Parliament elections are keeping market participants on their toes: elections often incentivise politicians to make vain promises in order to gain votes, only to renege on those promises later. Moreover, the question of the referendum against land sale, despite its postponement, remains a prescient issue. On top of that, foreign affairs should not be overlooked. Highly escalated political discussions over the topics of Ukraine and Russia has resulted in constant argument amongst the political and business elite without a consensus being reached on what role Lithuania should assume in this matter. All of these factors cause uncertainty and anxiety among investors and domestic market participants as well.
3. Labour resources and regulation is another troubling aspect of the Lithuanian economy. Almost half of business units regard the amount of proficient labour to be insufficient. This creates obstacles for businesses in developing operations and expanding, due to the scarcity of qualified labour given the fact that 31% of enterprises report plans to increase their number of employees in the near future. Another labour related issue is the existing regulations covering employment, working hours and hiring/firing directions. A staggering 80% of enterprises consider Labour & Employment Regulations to be amongst the main areas in need of attention. Approximately three tenths of managers in Lithuania frequently encounter problems concerning labour management. According to the survey, 48% perceive Lithuania to have an advantageous position among other economies in terms of its talent pool, but inefficient regulations and scarce resources limit Lithuania's potential severely. Long-awaited regulation changes have been proposed to the Parliament and will be considered for approval in the Spring Session, but until then the situation is unlikely to improve.
4. A considerable number of investors have expressed their disappointment with the current public procurement system. Whilst some question the transparency of the system, the most apparent problem in public procurement seems to be the method for evaluating proposals. The present system states that suppliers for most of the tenders are selected based upon the offered price criteria (on the grounds of spending the least amount of funds). However, by using the lowest price criteria, the issue of choosing inferior suppliers and spending public funds in the cheapest (but not necessarily the most economically efficient) way arises. Investors strongly suggest making a transition from lowest price to economical value criteria when evaluating and deciding on public procurement project suppliers.
5. Existing enterprises are optimistic about the future in terms of demand for their products, increasing investment, hiring additional employees and increasing profitability. The majority of market players expect to take advantage of the increasing demand prospects, and forecast the economy to remain on an upward trend in the short-term.
6. On the topic of investment determinants, the main issues seemingly lacking investor confidence, besides labour regulations, are the inefficient taxation system and low business transparency in Lithuania. 72% and 74% of the respondents evaluate these areas to be in the greatest need of correction, respectively. By initiating changes and improvements in these areas, as well as others that have been mentioned, Lithuania could increase its international competitiveness by a substantial amount. Increased competitiveness would facilitate the attraction of more investment, thus creating workplaces and helping to develop Lithuania's economy further, which is relevant for all entities in Lithuania, be they governmental, business or public, as it increases living standards and the overall well-being of society.