INVEST

FOREIGN DIRECT INVESTMENT

FDI flows to Lithuania have been fluctuating over the last fifteen years, firstly due to the global financial crisis and then to the regional crisis involving Russia and Ukraine, following a trend that is observed in other Baltic countries. According to UNCTAD's World Investment Report 2023, FDI inflows totaled USD 2.15 billion, 24.7% less than the level recorded the previous year. At the end of the same period, the total stock of FDI stood at USD 27.54 billion, which is around 39.1% of the country's GDP. The most significant contributions to total FDI come from investors in Germany (18.9%), Sweden (10.8%), Estonia (10.5%), the Netherlands (8.4%), the United Kingdom (6.9%), and Latvia (5.6%). The distribution of investment by sector is as follows: financial and insurance activities (34.6%), manufacturing (16.5%), wholesale and retail trade, repair of motor vehicles and motorcycles (10.2%), and real estate activities (8.1%) of the total FDI. Within manufacturing, the largest share of investment went into the manufacture of petroleum, chemical, and pharmaceutical products, constituting 33.8% of the total investment in manufacturing (data Official Statistics Portal). According to the latest data from the Bank of Lithuania, FDI flow in Lithuania amounted to EUR 704.2 million in Q3, driven by a EUR 930.8 million increase in reinvested earnings and a EUR 365.7 million decrease in debt instruments. The largest positive flows to Lithuania were recorded from Poland (EUR 238.9 million) and Sweden (EUR 230.8 million), while negative flows came from Switzerland (EUR 81.2 million) and Norway (EUR 41.8 million). In terms of economic activity, investments in manufacturing (EUR 338.6 million) as well as financial and insurance activities (EUR 275.4 million) were the ones to stand out.

The government of Lithuania extends equal treatment to both foreign and domestic investors and imposes minimal limitations on their operations. Foreign investors enjoy the freedom to repatriate or reinvest profits without constraints and can seek investor-State dispute settlement according to pertinent treaty provisions. Lithuania provides special benefits, including tax concessions, to both small enterprises and strategic investors. Additionally, incentives are accessible within seven Special Economic Zones situated nationwide. Lithuania actively participates in the regional Three Seas Initiative as a partner. However, the country is still dependent on its exports towards Russia, hence vulnerable to external shocks, its domestic market is small and the income is lower than neighboring countries. Recently, Lithuania strengthened the national security review mechanism to align it with the EU FDI Screening Regulation. Amid other changes, it extended the list of companies and entities considered relevant for national security to include radioactive waste companies, 5G service providers and infrastructure developers, secure public data networks, public safety and emergency services, digital mobile radio communication network operators, and selected power generation companies. Growing sectors in terms of investment opportunities include real estate and construction, business process outsourcing (BPO), shared services, financial technologies, biotech, and lasers. The country's positive business climate is also assessed in international investment indexes: it ranks 34th among the 132 economies on the Global Innovation Index 2023 and 15th out of 184 countries on the latest Index of Economic Freedom.

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow *(million USD)*	3,518	2,865	2,158
FDI Stock *(million USD)*	29,411	26,215	27,541

Foreign Direct Investment	2020	2021	2022
Number of Greenfield Investments*	66	58	69
Value of Greenfield Investments (million USD)	1,128	2,272	1,104

Source: UNCTAD - Latest available data.

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

Country Comparison For the Protection of Investors	Lithuania	Eastern Europe & Central Asia	United States	Germany
Index of Transaction Transparency*	7.0	7.5	7.0	5.0
Index of Manager's Responsibility**	4.0	5.0	9.0	5.0
Index of Shareholders' Power***	7.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

*Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.*

WHAT TO CONSIDER IF YOU INVEST IN LITHUANIA

Strong Points

The main strengths of Lithuania are:

- A democratic and stable political system.
- Growth among the highest in the European Union (4.3% in 2019 - Eurostat) based on a diversified economy.
- Quality transport infrastructure with one of the most developed road networks in the region.
- Good international relations (member of the European Union since 2004 and NATO) giving it good access to international markets.
- An investor-friendly business environment as evidenced by its 11th place in the *World Bank's Doing Business* 2020 ranking. The tax rate for companies is low and Lithuanian legislation offers foreign and Lithuanian investors the same protections.
- Stable and healthy public and external accounts.
- Highly skilled (4th highest in the EU with 55.2% of young people aged 25 to 34 having a higher education diploma - Eurostat, 2019) and motivated labour force.

Weak Points

The country has a number of weaknesses:

- The attractiveness of the domestic market moderated by the level of income of Lithuania which remains below the average of the European states. This implies a readjustment of the selling price of the products.
- The high rate of emigration of Lithuanians to other European countries, making skilled labour more and more difficult to find.
- The bureaucracy is relatively inefficient. The risks of corruption and lack of transparency in some parts of

the economy are hindering the development of the country and can discourage potential investors.

- High dependence on exports to Russia and emerging countries making the economy vulnerable to external shocks.
- High external debt.
- A strong income gap between the capital and the other regions, especially in the northeast where poverty is widespread.
- Erosion of competitiveness due to low productivity gains.

Government Measures to Motivate or Restrict FDI

Lithuania's laws ensure equal treatment of foreigners and domestic investors. No special permit from government authorities is necessary to invest foreign capital in Lithuania. Apart from a few exceptions, nearly all sectors of the economy are freely accessible. To encourage investment, the government has also created seven Free Economic Zones (FEZs) with tax benefits and one-stop-shop services.

In recent years, various measures have also been taken to protect minority investors and facilitate administrative procedures (the payment of taxes and social contributions is now done online).

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

Tenders Info, Tenders in Lithuania
Globaltenders, Tenders & Projects from Lithuania
DgMarket, Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

Invest Lithuania

Other Useful Resources

Ministry of Economy

Doing Business Guides

Doing Business Guide in Lithuania - PwC
Lithuania Tax Guide, Deloitte
Doing Business Guide - World Bank
Doing Business Guide in Lithuania - Moore