

Lithuania

In BEEPS V, the three largest obstacles in the business environment, as identified by Lithuanian firms, were workforce skills; competitors' practices in the informal sector; and electricity issues (Chart 1). Corruption was one of the most binding constraints for large and young firms, while manufacturing firms cited limited access to finance. In BEEPS IV political instability; workforce skills; and electricity issues were considered the three major business environment obstacles, while competitors' practices in the informal sector ranked eighth.

Workforce skills remain the most severe business environment constraint

The concern regarding the **skills of the workforce** stems from the fact that many educated young people are emigrating to find better work opportunities. According to Reuters, Lithuania has the highest level of migration in the EU. In 2010, 83,000 people (2.6% of the population) left the country, followed by almost 54,000 in 2011. Between 2002 and 2012 the outward mobility of Lithuanian students doubled.

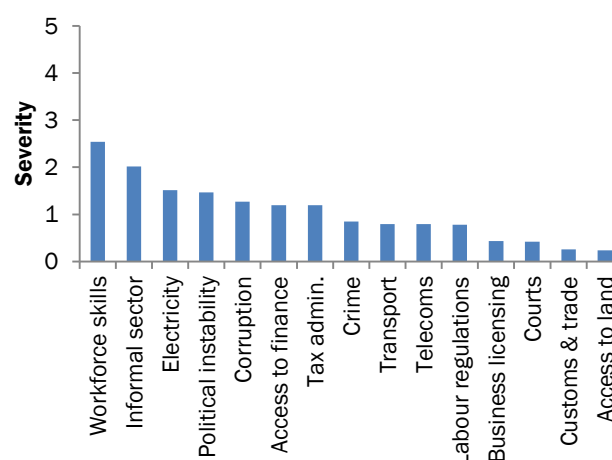
Of the firms surveyed, 58% reported that they had been **competing against unregistered or informal firms** (Chart 2). This was the highest share among countries in central Europe and the Baltic states (CEB). It is also above the average of countries covered in the survey (39%).

Electricity issues remained in third place, despite a favourable comparison with other countries in CEB on many indicators. The duration of power outages was 1.8 days compared with a CEB average of 3 days. On average, power outages occurred 2.4 times in a month compared with the CEB average of 2.3. Only 0.9% of total annual revenue was lost due to power outages compared with a CEB average of 2.3%. The reason behind the firms' concerns is likely to be linked to electricity prices. In 2012 the price of electricity in Lithuania was €0.114 per kilowatt hour (kWh), which was above the EU average of €0.094 per kWh.

As in all EU countries that experienced both financial and budget deficit crises, **political instability** emerged as one of the largest obstacles in Lithuania in BEEPS IV. In BEEPS V, the situation had improved and political instability moved down from first to fourth place.

Corruption remained an issue. The share of firms reporting that informal payments were expected or requested when applying for an electrical connection almost quadrupled since the previous round, increasing from 2.7% to 10.1%, which makes it the highest in the region (Chart 3). Moreover, the share of firms reporting that they had never made informal payments "to get things done" decreased from 72.7% to 62.4%.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Competition from the informal sector

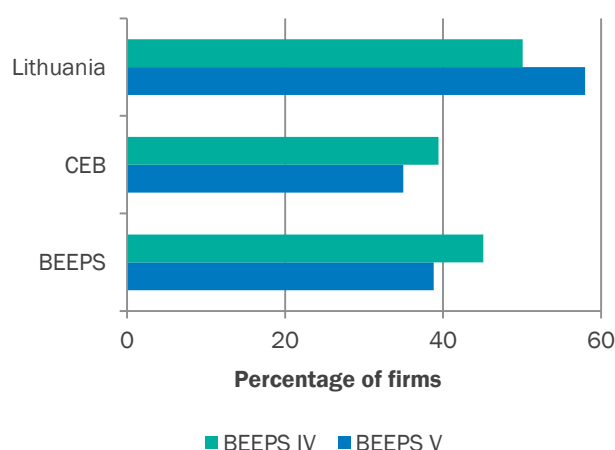


Chart 3. Informal payments to be connected to electricity

