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Lithuania: Success Drawing In

International experts, observing, analyzing and evaluating European economies' development, have named Lithuania as one of the most successful economies in the whole EU. Experts and analysts at the International Monetary Fund (IMF), World Bank, Economist Intelligence Unit (the research subdivision of "The Economist" magazine), the European Commission etc., declare that Lithuania maintains an exceptional economic progress, based on macro stability and economic flexibility.

Lithuania demonstrates wonderful economic development figures; economic reforms in Lithuania, which joined the EU in 2004, have resulted in one of the highest economic growth rates among the 10 new EU member states - Lithuania has maintained a stable average GDP growth of 7.8% during 2000-2006, and it was one of the highest growths in the whole EU.

Not only the present economic situation in Lithuania is praised, but also a very promising future for the country is projected. The "FDI Magazine" of the Financial Times Group surveyed 140 European cities and regions and already twice awarded Vilnius, the capital city of Lithuania, the title of the "Baltic City of the Future", while the Kaunas and Vilnius dipolis was named the "Baltic Region of the Future" for the economic development potential biggest in the region.

Located at the crossroads of Scandinavian, East European and West European markets, offering knowledge-economy-oriented business environment, one of the most qualified human resources in the EU, a wide range of investment incentives (free economic zones with tax benefits and one-stop-shop services, industrial parks with developed infrastructure, access to EU Structural Funds support etc.) and the most diversified industry base among the Baltic States, Lithuania is a treasure to be discovered by foreign investors and businessmen looking for reliable business partnership and opportunities to expand their business activities.

Lithuania invites foreign businesses to use the opportunity to expand their activities to the booming Lithuanian market and to join the conglomerate of many big corporate names, such as Microsoft, IBM, Philip Morris, HP, AON, Coca-Cola, Kraft Foods, Masterfoods, Siemens, Dalkia, Yazaki, SEB, TeliaSonera, Marzotto, Transcom Worldwide, DSV, Schenker, Indorama and many others, who are already at home in Lithuania. Refresh your investment portfolio and discover new opportunities in the prospering Lithuanian economy!

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IGNALINA NUCLEAR POWER PLANT REGION



The Ignalina NPP Region is located in the East of Lithuania and borders with Latvia and Byelorussia. The region consists of Ignalina and Zarasai districts and Visaginas town. The region is strategically well positioned, only a one-hour drive from the capital, Vilnius. Thanks to the favourable political and geographic location, the region is a gateway to the East and the West, and is part of the new external eastern border of the EU.

The largest towns of the region are Visaginas (population 29,000), Ignalina (population 7,000) and Zarasai (population 7,000). 60% of the overall population (which is 72,000 inhabitants) lives in urban areas.

The region is said to be the most picturesque in Lithuania, with 505 lakes of a different size having a total aquifer area of 30,345 hectares. Forestation of 100,080 hectares complements the land of lakes, covering 36% of the territory.

INDUSTRY

Ignalina NPP Region was created as a consequence of a decision to shut down Ignalina Nuclear Power Plant, where 80 % of the electric energy is produced, consumed in Lithuania.

Ignalina NPP Plant was built in 1984. In March 1990 Lithuania became independent. In May 2004 it joined the EU. One of the main conditions of entering the EU was the decommissioning of Ignalina NPP. The first unit has been shut down since the beginning of the year 2005, and the second one will be decommissioned in 2009. Decommissioning of the Nuclear Power Plant is financed from the Government of Lithuania, PHARE funds, European Bank for Reconstruction and Development, and various international organisations. In 2007-2013 the budget for decommissioning amounts to 815 M EUR. The EU will cover a part of this amount.

The Ignalina Nuclear Power Plant, (INPP) is currently the largest employer in the region with about 3,500 workers, including numerous highly qualified engineers. Most employees live in the town of Visaginas, but the INPP also engages workers from the other two towns in the region. The Power Plant is being decommissioned and is programmed to shut down in 2009. On the 1st of January 2005 the first block was shut down.

The employees of the Power Plant are generally highly qualified and/or trained and would make valuable employees for any given manufacturing industry.

Small-scale industrial enterprises prevail there, with 10% of the region's industrial enterprises in wood processing, saw milling, and joinery works. There are also six textile companies and several producers of plastic components.

SMALL AND MEDIUM-SIZE BUSINESS

Small and medium-size enterprises (SMEs) are one of the key factors of economic growth in Lithuania, impacting both general development of the Lithuanian economy, and the economic development of individual regions. This dynamic sector of the economy is one of the most important preconditions contributing to creation of new jobs, ensuring social stability and improving the level of personal funds. Lithuania acknowledges that, in order to compete effectively in the European market, the development of SMEs is of the paramount importance.

For the beginning of the year 2005 the total number of employer companies in the region was 980 (respectively: in Visaginas – 428, in Ignalina – 258, in Zarasai – 294). 700 of them were small and medium-size enterprises (up to 50 employees).

SUPPORT TO SME DEVELOPMENT IN THE REGION

There are two regional development institutions – INPP Regional Development Council (decision making body) and INPP Regional Development Agency (executive body), operating in the region. Their general objective is to help mitigate social and economical consequences of decommissioning of Ignalina Nuclear Power Plant. Both institutions, together with other institutions of the region, have been implementing the measures of Ignalina NPP Regional Development Plan (2004-2006).

RDA has been preparing and administering specific projects and programmes in the region, and performing the role of Managing Authority of the Ignalina NPP Region SME Development Programme, dedicated to the enterprises of the Ignalina Nuclear Power Plant Region. The objective of the Programme is to render grants to local SMEs for equipment acquisition and support the preparation of business plans, feasibility studies and applications to ERDF. The grants are designed to support the development of the industry, service, and tourism sector of the local economy.

7 stages of the INPP Region SME Development Programme have been implemented during 2003-2006, and the 8th stage is going on. 2,3 M EUR came from the National Decommissioning Fund (2003-2006), and 22,000 EUR from The British Department of Trade and Industry, for implementation of the INPP Region SME Development Programme. From the 1st to 7th Stages on, 94 business projects are now under support; whereas 440 new jobs are being created.

3 INSTITUTIONS OF THE NATIONAL SME SUPPORT NETWORK –

Ignalina and Zarasai Business Information Centers and INPP Region Business Incubator provide their services to the local enterprises. They organize courses on business management, provide consultancy, and rent premises to SME start-ups. Additionally, the municipalities administer their own means of support to their SME's.

INTERNAL AND FOREIGN INVESTMENTS

Most foreign investments in the region are made in food products and textiles, with addition to the wholesale and retail trade sectors. The main sources of foreign investment in the region come from Germany, Scandinavia and the UK.

In Visaginas area there are about 35 hectares of industrial land, including 9000 sq.m of industrial buildings, 8000 sq.m of warehouses and 2300 sq.m of offices that have been identified as possible free space to be designated by actual owners for industrial park development.

The industrial park is an important opportunity for creation of new jobs for INPP workers facing redundancy. It is also a key resource for regional economic development within the main potential location for inward investment and productive employment.

At the end of August 2005, a 110 km long pipeline from Pabrad_ to Visaginas was launched. It has been a result of the project that was financed by EU funds, the Government of the Lithuanian Republic and SC "Lietuvos dujos". It was an essential action determined by the circumstances of decommissioning of the nuclear power plant.

Agriculture, fishery, forestry, construction and tourism are the sectors that have substantial potential for further foreign investment in Ignalina NPP region.

More information about Ignalina NPP Region can be found on the Web Site www.inppregion.lt



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ADVANCED ECONOMIC PERFORMANCE

- 1.1 Minimal Economic & Political Risks
- 1.2 Macrostability & Flexibility
- 1.3 Laws Best Harmonized with EU Legal Acts
- 1.4 Part of the Competitive Baltic Sea Region
- 1.5 Well-balanced Economic Growth
- 1.6 Advancing Innovation Policy
- 1.7 Easiest Place to Do Business

Information provided by Lithuanian Development Agency (LDA)

1

ADVANCED ECONOMIC PERFORMANCE

10

Information provided by Lithuanian Development Agency (LDA)

Minimal economic and political risks

Risk category	Current ranking
Tax policy risk	A/13
Security risk	A/14
Political stability risk	B/25
Legal risk	B/28
Infrastructure risk	B/34
Overall risk evaluation	B/26

Note: E = maximum risk, A = minimal risk; 100 = maximum risk, 0 = minimal risk. Source: Economist Intelligence Unit, www.eiu.com

1.1 Minimal Economic & Political Risks

British analysts of the “Economist Intelligence Unit” (the research subdivision of “The Economist” magazine) confirmed Lithuania to be a country with very low economic and political risks. The research showed a minimal Lithuanian tax policy risk. Similarly, security and political stability risks were also considered to be minimal. The country is a member of the EU and NATO, and follows the Western type of internal affairs and foreign policies.

1.2 Macrostability & Flexibility

The International Monetary Fund (IMF) has observed that Lithuania’s performance is ranked as the best within the European Union. Lithuania has been maintaining an exceptional economic progress, based on macrostability and economic flexibility. The IMF has reported that the flexible product and labour market as well as strong international trade have laid solid foundations for Lithuania’s success. *(continued on page 14)*



BUILDING CONFIDENCE. EIP IS A LEADING CONSULTING COMPANY IN LITHUANIA. THROUGH 3 YEARS OF INTENSIVE DEVELOPMENT, EIP PREPARED MORE THAN 280 SUCCESSFUL PROJECTS FINANCED BY EU STRUCTURAL FUNDS FOR MORE THAN 100 MILLION EURO. OUR CLIENTS ARE THE LARGEST NON-PROFIT AND BUSINESS ORGANIZATIONS IN LITHUANIA.

EUROINTEGRACIJOS PROJEKTAI UAB (EIP) - IS A PRIVATE COMPANY, ESTABLISHED IN THE YEAR 2003 IN LITHUANIAN TOWN KLAIPĖDA. AFTER 3 YEARS OF INTENSIVE GROWTH, TODAY EIP IS A LEADER OF LITHUANIAN CONSULTING COMPANIES, SPECIALIZING IN PROJECT DEVELOPMENT AND IMPLEMENTATION FROM EUROPEAN UNION STRUCTURAL AND OTHER FUNDS.

NOWADAYS EIP CONSULTING NETWORK CONSISTS OF FIVE CONSULTING COMPANIES. EIP HAS OFFICES IN VILNIUS, KAUNAS, KLAIPĖDA AND ŠIAULIAI. COMPANY EMPLOYS MORE THAN 30 HIGH QUALITY SPECIALISTS. ABOUT 90 PERCENT OF ALL EIP SERVICES ARE PROVIDED FOR PUBLIC SECTOR ORGANIZATIONS. EIP ACHIEVED 1 MILLION EURO TURNOVER IN 2005.

THE COMPANY IS CERTIFICATED BY ISO 9001:2000. EIP CONSTANTLY IMPLEMENTS CLIENT SURVEYS, THAT ALLOW IMPROVING QUALITY OF SERVICES AND MANAGEMENT SYSTEM.

SERVICES

EIP operates in the sectors of transport, energy, environment protection, health care, education, social environment, human resources, innovation and production, tourism, information technologies, agriculture.

Our activities include the following:

- Development of investment projects, business plans, feasibility studies;
- Development of companies/organizations strategic plans and activity concepts;
- Development of companies/organizations crisis analysis (providing solutions to crisis management implementation and participation in problems solving process);
- Preparation of market research and reviews;
- Development of projects for EU grants;
- Administration and implementation of EU grant projects;
- Preparation of documents for tenders and procurements (for EU grant projects);
- Consultancy and training.

WHAT WE OFFER INVESTING IN LITHUANIA?

Investment in Lithuania needs specific knowledge. We can provide you with a solution whenever you are going to invest in Lithuania.

We carry out the following projects:

- Prepare political, economical, and/or financial market analysis of your company.
- Buy or sell companies in Lithuania.
- Find a good and accountable partner for your business in Lithuania.

EIP has already worked hard and invested in knowledge, image building, infrastructure, seeking to be as near as possible to the client and make consulting more efficient and bring more value. Intensive work, fair business concept, permanent challenges result in client database development, client satisfaction and growing company turnover.



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VP MARKET IS A RETAIL TRADE LEADER IN LITHUANIA AND ABROAD



VP Market UAB is a Lithuanian capital company, the largest retail chain operator selling foodstuffs and commodities in the Baltic States. The company belongs to the largest group of private undertakings in Lithuania, VP Grupė, which has been engaged in retail trade in foodstuffs and commodities since the beginning of its activities in 1992.

VP Market is a successfully growing company, having its energy, perfect knowledge of business, ability to make fast decisions and highly professional team as advantages over its competitors. VP Market is also the company that has been ensuring the highest number of workplaces in our country for many years already, and it is the second largest company in Lithuania by its sales and services.

Shopping centres by this Lithuanian capital company are well-known not only in Lithuania, but also in Latvia, Estonia and the Balkan countries – Romania and Bulgaria. In the 1st half of 2006, the chain owned more than 340 shops, called Maxima X, Maxima XX, Maxima XXX, T-Market and Albinuta in the aforementioned five countries.

The company has been developing its activities in Latvia and Estonia since 2001, and the first shops in Romania and Bulgaria were opened in 2005. Judging by evaluations of its competitors, shops by VP Market enter new markets as strong competitors having significant impact on prices. It is true the

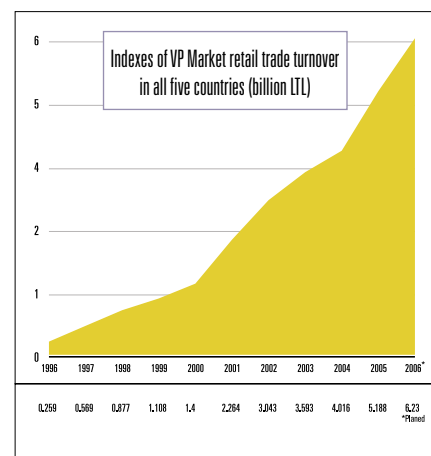
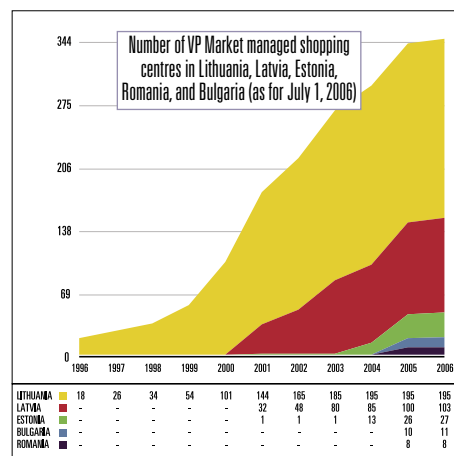
company is striving that buyers could find the best assortment, highest quality, low prices and most professional servicing in all its shops operating in the above mentioned countries.

About 900 thousand customers shop daily at all shopping centres owned by the company. Almost 600 thousand customers visit shops in Lithuania every day, and within a week all residents of our country, i.e. over 4 million people, visit the shopping centres. Depending on the size of a shopping centre, customers are offered with 3,000 to 65,000 various brands of foodstuffs and commodities, and the range is constantly renewed and supplemented.

In 2005 VP Market reached the turnover of LTL 5.188 billion (EUR 1.502 billion) in Lithuania, Latvia, Estonia, Romania, and Bulgaria. The plans for 2006 include consolidation and maintenance of the leader's status in the Baltic countries, consistent development in Romania and Bulgaria, not to mention the Baltic States, and the sales increase by 20 per cent. Within this year, it is forecasted to open about 50 new shopping centres in all aforementioned countries.

From autumn 2005 on, following the decision of the board, the company has started the gradual replacement of names of all shops owned with Maxima X, Maxima XX and Maxima XXX.

Maxima X (analogous Albinuta shops are operating in Romania and T-Market in Bulgaria) is a shop covering over 300 sq. m. area, located near your home and designed for fast daily shopping.



Maxima XX is a larger shopping centre with the area up to 3,000 sq. m., usually built in the high rise residential blocks.

Maxima XXX is a supermarket covering the area of up to 10,000 sq. m. designed for weekend shopping and built in large cities.

In 2006 the company has started constructing the typical shopping centres Maxima X in the Baltic States. They are of the same size, standard architecture, similar exterior and having their goods arranged by the same principle. They represent the company's attempt to unify and standardize the managed shops.

Willing to get acquainted with its customers better and find out more about their needs, VP Market UAB keeps ordering and observing different qualitative and quantitative researches (opinion polls) carried out in general. The Customer Trends and Trademark Value Research carried out by the company AC Nielsen in 2005 has shown that the MAXIMA trademark is one of the strongest in Lithuania. According to the data of survey performed by the company Spinter Tyrimai by the end of 2005, VP Market is in the third of top ten undertakings having the best reputation in Lithuania.

According to the research performed, customers choose the shopping centres by VP Market, as they are offered with the best choice of goods, in high quality and at low prices there. One of the most effective ways to solidify such recognition by customers is the creation and development of own brands covering all categories of goods from the low-priced foodstuffs to ecological products or fashionable clothing and footwear. The loy-

alty programme implemented in the company shops in Lithuania and Latvia three years ago has proven to be of extreme importance. At present over 0.7 million customers are using various discounts and privileges provided by the loyalty programme "Maximum" in both countries.

Successful and purposeful activities of the company VP Market are ensured by clever organisation of trade business and highly skilled professionals working as a concordant team. About 21,000 staff members are employed in Lithuania, Latvia, Estonia, Romania, and Bulgaria at the moment. Conditions are created to all employees to make their carriers from a cashier or sales assistant to an employee in the commerce or administration department, shop manager or the company's representative in other countries.

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1.3 Laws Best Harmonized with EU Legal Acts

Internal market scoreboard, published in 2006 by the European Commission, acknowledged Lithuania as the best in implementing EU internal market laws among the Baltic States.

1.4 Part of the Competitive Baltic Sea Region

Lithuania is a part of the Baltic Sea Region, which is home to around 100 million people. Located in the Region, the quarters for many world-leading companies, Lithuanian businesses enjoy active economic cooperation with Scandinavian countries and Germany, which are among the most important business partners of Lithuania, as well as among the strongest economies of the world.

1.5 Well-balanced Economic Growth

Lithuania has maintained a GDP growth of 6 to 10 per cent annually. In 2005 Lithuania's GDP increased by 7.5 per cent, and, according to the Eurostat (the EU Statistics Agency), with its 8.6 per cent Lithuania had the largest annual GDP increase in the EU in the 2nd quarter of 2006. In 2006 Lithuania's GDP increased by 7.4 per cent, and it has been forecasted that it will grow by 7.4 per cent in 2007.

Lithuania is expected to join the Eurozone in 2011. Among the Baltic States, Lithuania is the most successful in inflation control.

According to the Eurostat, the increase of Lithuanian industry production of 13.6 per cent (for the period of June 2005 - June 2006) was one of the highest among the EU Member States.

1.6 Advancing Innovation Policy

Lithuania's economic policy is strongly innovation-oriented. The country belongs to the common EU technological market and holds position No. 16 among the EU-25.

1.7 Easiest Place to Do Business

The World Bank in its report "Doing Business in 2006: Creating Jobs" announced Lithuania to be the easiest place to do business among the Baltic States and all new EU members.

Rankings on the ease of doing business

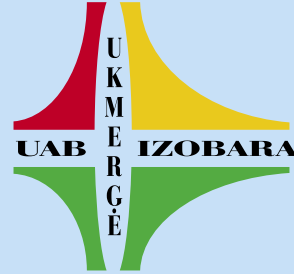
2007 rank	Economy
1	Singapore
2	New Zealand
3	United States
4	Canada
5	Hong Kong, China
6	United Kingdom
7	Denmark
8	Australia
9	Norway
10	Ireland
16	Lithuania
17	Estonia
24	Latvia
37	Georgia
49	Romania
54	Bulgaria
75	Poland
96	Russia
128	Ukraine
129	Belarus

Note: The rankings for all economies are benchmarked to April 2006 and reported in the Country tables. Rankings on the ease of doing business are average within the country rankings on the 10 topics covered in Doing Business 2006. Source: World Bank, www.worldbank.org

Engineering Communications
Boiler Plants
Heating Points
Gas Mains
Electricity Installations
Ventilation and Air Conditioning
Construction

Consultations
Design
Trade
Assembling
Operation

www.izobara.lt



Izobara UAB was founded in 1999. The operational activities of the Company comprise assembling of engineering systems and heat supply services.

At present, the Company has about 250 different types of specialists employed. We can perform the most versatile work, ranging from general construction and finish works to automated industrial or private building heating and technological systems.

The Company is also able, with its own resources, to assemble energy supply systems for heating of premises or industrial processes according to customer needs. We also provide maintenance and operation services for any engineering systems and communications.

For convenience of our customers, we offer a wide range of design and technical maintenance services.

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INVESTMENT AND BUSINESS CLIMATE

- 2.1 FDI Development Trends
- 2.2 Foreign Trade Growth
- 2.3 Quality Human Resources
- 2.4 Excellent Infrastructure
- 2.5 Competitive Taxes & Costs
- 2.6 Investment Incentives
- 2.7 Promising Business Sectors
- 2.8 Success Stories

Information provided by Lithuanian
Development Agency (LDA)

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Development Agency (LDA)

2.1 FDI Development Trends

A comparative weight of investments in Lithuania (22.3 per cent) exceeded the average of EU-15 (19.7 per cent) by more than 2 per cent in 2005. As of 1 October 2006, the cumulative foreign direct investments (FDI) in Lithuania amounted to EUR 7.2 bn, whereas FDI per capita was EUR 2,135.

Investments from EU-25 countries made 69.3 per cent of the total FDI, and CIS countries' investments – 20.3 per cent of all investments. The major investor countries are Russia (20 per cent), Denmark (16.3 per cent), Sweden (11.7 per cent), and Germany (10.5 per cent).

Lithuania has the largest and most diversified industries among the Baltic States, offering a wide variety of investment opportunities.

2.2 Foreign Trade Growth

Lithuania's integration into the EU has resulted in faster growth of foreign trade. Improvements in export conditions gave a strong momentum for exports of goods and services, which in 2006, according to the estimates of

the Lithuanian Department of Statistics, exceeded the level of 2005 by 18.4 per cent. Also, imports of goods grew by 23 per cent in 2006. According to the Eurostat, Lithuania's foreign trade growth was one of the most successful in the EU in the 1st half of 2006 (see Table 1). Also, Lithuania's foreign trade has been the most active of the three Baltic States.

2.3 Quality Human Resources

Lithuanian labour force is one of the most educated in Central and Eastern Europe. The percentage of the Lithuanian population with higher education doubles the EU-15 average, and is also the highest in the Baltic States.

The recent public opinion analysis „Europeans and Languages“ carried out by the European Commission has revealed that Lithuania is among the 5 EU members with the highest percentage of people speaking at least one foreign language. Even 90 per cent of Lithuanians can speak at least one language other than native, mostly Russian, English and Polish.

2.4 Excellent Infrastructure

Lithuania is strategically located at the gateway between huge markets in the north, east and west. The country provides fast access to the regional and neighbouring markets, such as rich Scandinavian, fast-growing Baltic, huge CIS and West European - within a 500 km ra-

dius. The European Union has recognized Lithuania as the key transport centre in the region linking the EU with the East.

The Klaipėda Seaport is the northernmost ice-free port on the eastern coast of the Baltic Sea. It is the most important and the largest Lithuanian transport hub, connecting the sea, land and railway routes from the East to the West, and providing high quality services complying with the requirements of the European Union.

Lithuania has a wide and well-developed network of high-quality roads and highways, the best in the Baltic States. Also, direct rail routes link Lithuania with Russia, Belarus, Latvia, Poland, and Germany. The main passage between Russia and Russian Kaliningrad Region crosses Lithuania.

Direct flights to major European cities are available from Lithuania's international airports.

2.5 Competitive Taxes & Costs

Lithuania pursues one of the most business-friendly tax policies in the EU. Lithuania's corporate tax is among the lowest in the EU, personal internal revenue tax is in line with other peer-countries, and the overall taxation policy is one of the softest among the EU countries. There are no taxes on investment in Lithuania. (*continued on page 22*).

Table 1

Country	Exports growth	Imports growth
Luxembourg	42%	33%
Lithuania	31%	31%
Estonia	28%	34%
Slovakia	26%	28%
Great Britain	25%	19%
Greece	23%	17%
Poland	22%	19%
France	9%	9%
Ireland	3%	5%
Cyprus	2%	21%

Source: Eurostat, www.epp.eurostat.ec.europa.eu

Major Corporate Taxes

Tax	%
Personal income tax (after the non taxable allowance of EUR 93 on monthly salaries)	27*
Corporate profit tax	15 (temporary changes: 18% in 2007 and later 15% again)
Tax on dividends	0 to 15**
Social security tax for the employer (employee's contribution is 3%)	31
VAT	18
Real estate tax	1
Land tax	1.5

* to be reduced to 24 per cent by the end of 2007.

** 0 per cent tax on dividends applies when an investor controls at least 10 per cent of voting shares in an enterprise for the period of at least 12 months.

GEOsintetika®

GEOsintetika UAB started its work in 1994. At that time a generic name of geosynthetic materials for construction industry was the main area of existing services in the field. This gave rise to the name GEOsintetika.





Today we are proud to state that our decision to link our future with building business in Lithuania using earlier unexploited materials has now fully served the purpose. GEOSintetika is the first company in Lithuanian construction history that started to use insulation of a completely new quality. This material, namely, HDPE (polythene of high density) was geo-membrane. This is an insulation of a brand-new kind, whose purpose is protect the soil against possible pollution. It is used to equip landfills, gasoline stations, oil terminals and other similar objects. We have already insulated about 700 thousand sq. meters in Lithuania and abroad.

As you may know, all our mentioned services are completed under a specific condition – they are performed during the warm season. Therefore, from the very moment our company was established, there came a question we were concerned about: What should we do in winter? As a solution to it, we chose planning and building of economical and eco-friendly log houses.

Log houses in Lithuania is not a new idea, but old ancestral wooden building traditions and methods were forgotten over a long time. We remembered them only when were about to build a small bathhouse or a summerhouse. And again, it was obvious, that if you want to build a safe, long-lived house, responding to the modern person's needs, you the knowledge of hundred-year old traditions will be insufficient as a unique source. You will need daring decisions and new technologies.

When time went by, we started to seek for new partners. We chose a Finnish company, mostly corresponding to our demands, which produces qualitative log constructions. Today our partner is Company KONTIO in Finland. We are official representatives of this Company in Lithuania, Latvia, and Kaliningrad district of Russian Federation.

Naturally, each our planned and built house is unique. You can find log houses of GEOSintetika all over Lithuania, Kaliningrad district and Norway. Overall in Lithuania and abroad we have already built 60 log houses. House sizes are rather different: ranging from 120 sq. Meters to 500 sq. meters.

GEOSintetika now offers a lot more than is usually described as general preparation services. We provide all the construction package services and follow the interest of our clientele during the whole process - from its initial idea, project and building performance preparation to the very end, and up to the guaranteed time expiration.

Today we can willingly admit that GEOSintetika UAB has gone through a long creative and practical way, and the works we accomplished have born tangible fruits. The established company has become an extraordinary oasis in the middle of fields of Klaipėda district, near the place called Karklė, where lots of people arrive not only from Lithuania, but also from abroad to accumulate experience, gain creative ideas or just satisfy their inquiring mind.



Geosintetika UAB
Kunkių k. Kretingalės
sen. Klaipėdos r.
Phone: +370 46 46 31 25
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www.geosintetika.lt

Since July 1, 2006, the minimum monthly salary has been LTL 600 (EUR 174), and the minimum hourly wage has been LTL 3.28 (EUR 0.95). The average gross monthly salary in the 4th quarter of 2006 was LTL 1,731 (EUR 501).

Lithuanian banks offer the least expensive loans among the Baltic States. The yearly interest rates on long-term loans from Lithuanian banks amount to 7 per cent, whereas on short-time loans it is 5 per cent.

2.6 Investment Incentives

Free Economic Zones (FEZes)

Lithuania's two free economic zones are located in the country's economically important centres and provide extremely favourable conditions for developing business activities by offering developed industrial sites with physical and/or legal infrastructure, support services, and tax incentives.

Incentives in Lithuania's free economic zones* include:

- no corporate tax for the first 6 years and a 50 per cent corporate tax reduction for the next 10 years (applicable for investments exceeding EUR 1 m);
- no road and real estate taxes;
- extensive application of zero VAT.

Industrial Parks (IP)

The Government of Lithuania and the respective municipalities have selected 8 industrial sites to apply for EU Structural Funds for the development of physical infrastructure (electricity, gas, sewerage, roads, etc.). The industrial parks will be ready for businesses' use in 2008-2009.

The size of the industrial parks will range from 50 to 210 ha and will be subdivided into smaller parcels corresponding to the investor requirements. The land will be leased to the investors for long-term periods at favourable prices. Infrastructure will be passed to the investor's land plot free of charge.

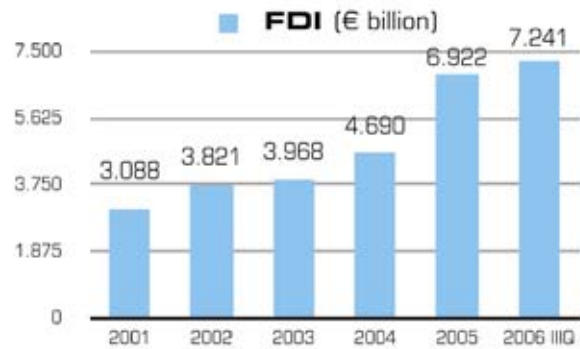
Investors are encouraged to address the Lithuanian Development Agency and the municipalities, the future owners of the industrial parks, to start discussions about the lease of land.

EU Structural Funds

Both local and foreign businesses, having decided to transfer their activity to the Lithuanian market, can apply for the EU Structural Funds support. In comparison

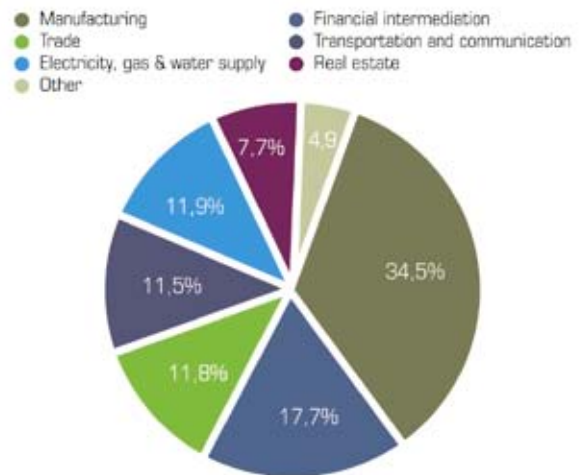
(continued on page 28)

* Total amount of incentives received by a company may not exceed 65 per cent for small enterprises and 50 per cent for medium-size and large enterprises of investment to the long term assets.



Source: Lithuanian Department of Statistics, www.stat.gov.lt

FDI by Economic Activities (as of October 1, 2006)



Source: Lithuanian Department of Statistics, www.stat.gov.lt

Major Investors in Lithuania (as of October 1, 2006)



Source: Lithuanian Department of Statistics, www.stat.gov.lt

FELIUGA

PROFESSIONALISM, RESPONSIBILITY and DYNAMISM

Dynamism and professionalism are the main assets that have allowed us to become a well-known company not only in Lithuania, but also in the Netherlands, Denmark, Norway and other countries, over quite a short period of time.

Since 2000, when the company was established, the following priorities have been set by our management: recruitment of highly-qualified employees; purchase of state-of-the-art equipment, and establishment of long-term cooperation with business partners.

As compared to 2001, the Company's turnover has nearly skyrocketed ten times. It is important to note that such growth has been mainly achieved thanks to increasing work efficiency.

At present Feliuga UAB is a modern enterprise, having its own industrial premises with the total area of 3,000 sq. m., providing a complex of high-output equipment for prefabrication of steel plates, profiles, pipes, and assembly of the UNITS.

The Technical Design Department of the Company is equipped with the advanced hardware, and software that allows preparation of high quality technical paperwork to be done in shortest terms and totally driven by customers needs.

Feliuga UAB is a member of the Lithuanian Association of Shipbuilders and Repairers, as well as the International Tube Association.

Their main customers are industrial companies, power plants, ship-building and ship-repair yards, construction and agricultural companies.

The traditional operations performed here are the following: manufacturing and assembly of the various steel constructions, ship and industrial systems and equipment.

Over the last years the Company has been successfully engaged in complex and challenging activities, such as designing, manufacturing and assembly of steel constructions of the asphalt plant and steel spans for railway bridges.

Production of buckets for excavators and silo bins has also been developed here.

High standards of engineering performance and proper process organization allow the company to carry out complex projects such as prefabrication, mounting and full installation of modern refrigeration plants for fishing vessels and refrigerator ships.

In 2005 the Company opened its branch in Tallinn (Estonia), specializing in ship-building and ship-repair.

Not only has the company opportunities to deliver to our customers various materials, components and equipment, but it also renders customs services in the port of Klaipėda.

The ice-free seaport in Klaipėda, well-developed railway and automobile road networks, and excellent logistics ensure efficient supply of products to every customer, strictly according to the fixed terms.

High-quality performance of the works would not be possible without continuous personnel development and advanced training of the staff. Every welder has been certified according to Det Norske Veritas, TPT (the Technical Supervision Service), as well as Russian Maritime Register of Shipping.

To be able to administer the personnel, the affiliate company Baltic-Contractors was founded. One of the main activities of this company is: staff recruitment, and their training to work on drilling platforms, building and repairing vessels and industrial objects.

Expanding the Company's industrial facilities, modernization of equipment, as well as personnel development are reflected in the strategic development plans of the Company.

FELIUGA UAB:

Office and Industrial Facilities:

85, Liepų St. LT-92195 Klaipėda, Lithuania, tel.: +370 46 482 175, fax: +370 46 482 179

E-mail: info@feliuga.w3.lt, web page: www.feliuga.lt



Your Business in Kaunas Free Economic Zone, the largest Trans-European Inland Terminal



Kaunas Free Economic Zone (FEZ) is an industrial development area of 534 ha receiving tax incentives. The zone is attractive due to its geographic location as well as its perfect development possibilities; and in the long run it is going to have an economic impact on the economic situation of Kaunas and whole Lithuania.

The incorporator of the FEZ Management Company is a Belgian company AOI NV, which represents the international consortium consisting of 11 partners, providing technical assistance, and investing into Kaunas FEZ.

Our most distinguished partners include the Antwerp Port, logistics partners of the Belgian Railways (Transurb NV); the strategic zone management partner of Shannon Free Airport Development Company Ltd., Ireland; the Dutch Arcadis group engineering companies, and Belgian-French Tractebel group; all of the above can be considered the world leaders in industrial development, civil engineering, and urban planning. Hydro Finance, a member of DEME group, shares its experience in international finances.

AOI NV was set up to participate in the Kaunas FEZ tender. After the tender was won, they founded Kaunas FEZ Management Company, UAB. The Board of the Company consists of nine members, including five delegated AOI NV representatives and four Lithuanian representatives. Those mentioned earlier include representatives of Kaunas County; City; Region, and the Government.

Among others, Kaunas FEZ Management Company's partners, who assist in the development of Kaunas FEZ activities, involve LAWIN law firm; Architect's A.Karalius' studio; companies Colliers International, and Euro Immo Star. The latter one is a real estate division of the Belgian Railways which specifically deals with the development of Kaunas FEZ. Freddy Opsomer, the Commercial Director of the said company, is the Chairman of Kaunas FEZ Management Company Board.

The land of Kaunas FEZ belongs to the state, whereas the Management Company has rented it for a long period.

The 82 ha territory of Stage 1 is being intensively developed. The land plots offered on this territory are completely prepared to establish enterprises. The planning of the territory and the implementation of the concept was delegated to the Real Estate Consultants Colliers International, who have been enjoying extensive practise in the implementation of similar projects. This is thought to help reaching and attracting international customers.



A team of experts from the Great Britain, France, and other Central and Eastern European countries, who have substantial practice in the implementation of similar projects, have worked on the development concept and the long-term strategy. In their work, they have considered the experience of the development of free economic zones in Poland and Latvia, as well as the industrial territories in Czech Republic.

Kaunas FEZ is located on the cross-roads of the Via Baltica motorway and the priority transport corridors, connecting Helsinki and Warsaw, as well as the East-West highway, linking the Klaipėda Sea Port with Russia and the Ukraine. It is a very convenient location given that in the future Kaunas FEZ will become the main transport terminal of the region with excellent access by road and railway to the ice-free Klaipėda and other Baltic ports.

The investment climate in Lithuania is attractive for the investors, and all they need is favourable conditions for their business. The cargo transportation industry is developing very fast. The development of Kaunas airport has made a significant contribution to this

field, whereas Kaunas FEZ Management Company, in their turn, have influenced the growth of the airport as they intermediated in attracting cheap flight providers to Kaunas. This new service invigorated the operations of the airport, which is hoped to attract more cargo flights.

The field of Kaunas FEZ activities embraces all the possibilities offered by a multi-modal transport terminal. It is planned that Kaunas FEZ will host an industrial area; a transport terminal with load distribution and warehousing facilities; offices, and science and technology park. Business consulting, translation, customs agent's, banking, and marketing services will be rendered in the zone.

The investments are attracted by the outstanding concept of the project, a strategic location, long-term strategy of the project, as well as tax incentives for the investors.

The income tax is not imposed company's investment over EUR1m for a period of 6 financial periods, whereas over the following 10 financial periods the tax rate is 50% lower.

In accordance to the Law on Income Tax of the Republic of Lithuania, the dividends earned by foreign investors from the business in Kaunas Free Economic Zone are not subject to taxation.

No property tax has to be paid.

Currently, four companies are located in Kaunas FEZ. UAB Elinta specializes in production and technological process management systems, and manufacturing of industry automation and measuring devices. The buildings of UAB LEZ Lavisos Terminalas and UAB Aurantijus have been emerging next to this company.

In March 2007, a modern Class A logistics terminal sprung off the 100% Finish capital company UAB LEZ Kausta Logistika will open its doors to the customers. Their strategic location: the international Karmėlava airport located nearby; the crossing of two major roads – the highway Vilnius – Klaipėda and Via Baltica; the envisaged implementation of the European railway project Rail Baltica Warsaw-Kaunas-Riga-Tallinn, and the exceptional possibilities of the territory development, will enable the Kaunas Terminal to integrate into the European transport and logistics network. Kaunas FEZ is expected to become one of the largest free economic zones in the Baltic Region.

The companies that have been currently setting up in the zone have already invested LTL21m, including direct foreign investments in the amount of LTL18m.

Presently, negotiations and correspondence with several Scandinavian, German, and British investors are taking place.



KLAIPĖDA
FREE
ECONOMIC
ZONE
MANAGEMENT
COMPANY

THE KLAIPĖDA FREE ECONOMIC ZONE (FEZ) - Industry Park & Logistic Centre

205 ha of prime industrial land in the heart of the only Lithuanian port city – Klaipėda with excellent tax incentives!

THE KLAIPĖDA FREE ECONOMIC ZONE offers:

- Excellent location
- EU approved tax incentives
- Prepared sites with infrastructure for lease
- Easy entrance
- Support services
- Facilities for lease
- Construction Project Management

The area occupying 205 ha is strategically located near the port, the airport, the motorway, and the rail network.

TAX INCENTIVES

Tax incentives available to companies in the Klaipėda Free Economic Zone are interpreted under European Union law as State aid for Regional Development, and thus the incentives comply with European Union law.

- 6 years' exemption from corporate income tax following made investment, and 50% discount for the following 10 years – for companies that have invested more than € 1 million.
- No real estate taxes
- No taxes on dividends

SITES AND FACILITIES FOR LEASE

The essential infrastructure for industrial development is already in place at the site.

Water, electricity, natural gas and telecommunication supplies are immediately available for connection to your premises at the lowest possible level of costs and within the shortest time.

You can choose the site that suits you best. There are more than 20th sq.m. industrial and warehousing facilities available for lease.

SUPPORT SERVICES

In accordance with the Klaipėda Free Economic Zone concept and mission, we offer our clients a wide range of different services. These will help you to start your activities quickly and easily in Lithuania and ensure your business can develop free from many of the problems associated with operating overseas.

GETTING STARTED

Stage 1. Ask us for the initial enquiry form or obtain it from our web site at www.fez.lt and complete the form. On receiving the form, we will prepare a proposal for you, which will cover estimated development costs and time.

Stage 2. If the proposal meets your needs, we will then ask for more details regarding your planned enterprise.

Stage 3. We will prepare a contract for you to approve. Only when all the terms and conditions are to your satisfaction do you need to sign a formal agreement with us. All work carried out in order to prepare the contract is done by us free of charge.

Stage 4. If the company is not yet registered in Lithuania, it will be necessary to register it with the Lithuania's Registry of Companies. For a Lithuanian based Company the Company Statutes will need to be amended.

Stage 5. Sublease the land plot or facilities from the Klaipėda Free Economic Zone Management Company!



CONTACT US: Klaipėda Free Economic Zone Management Company. Pramonės Str. 8, LT-94102 Klaipėda, Lithuania.



OUR CLIENT CONFIRMS:

"The Klaipėda FEZ Management Company helped us with modifying the regulations of our company in order to comply with Lithuanian law regarding free economic zones. There were a few bureaucratic barriers, but the Klaipėda FEZ management team helped us to overcome these quickly."

*Max Fuchsschwanz, General Manager,
Yazaki Wiring Technologies Lietuva*

"One thing of vital importance to Espersen was the infrastructure, which was already established. Water and electricity were led almost down to the actual plant site and this meant we were able to start building immediately and saved valuable time."

Henrik Munk / Hans Holst, UAB Espersen Lietuva

"From a developer's point of view, the fact that we knew our total land and infrastructure costs from the start of the project, together with the other obvious benefits such as location, local support and the tax advantages meant the Free Economic Zone was a good choice for us"

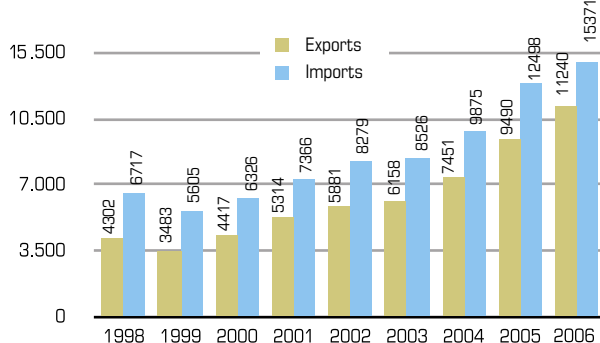
*James A Clarke, General Director
BNTP Group*

OUR CLIENTS:

Electronic harnesses - YAZAKI WIRING TECHNOLOGIES (Japan), Food processing - ESPERSEN (Denmark), PET material production – ORION GLOBAL PET/INDORAMA (Thailand), PET packing pre-forms – RETAL BALTIC GROUP, Plastic pre-forms - OXK KLAIPĖDA (Russia), Real estate development – KLAIPĖDOS VERSLO PARKAS/BNTP (Ireland), Truck service center - SKUBA (Lithuania), Methyl ester processing - MESTILLA (Lithuania).

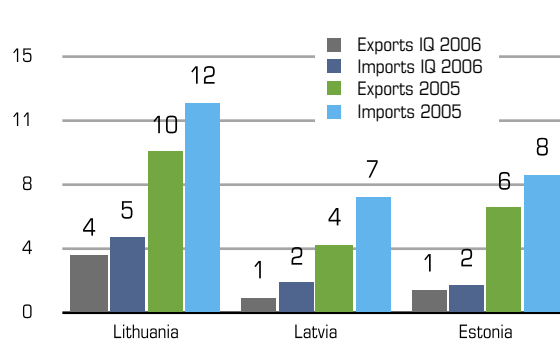


Lithuania's Foreign Trade
(EUR million)



Source: Lithuanian Department of Statistics, www.stat.gov.lt

Baltic Foreign Trade
(EUR billion)



Source: Turku School of Economics and Administration, Finland, www.tukkk.fi

with the EU financial support for the years 2004–2006, when Lithuania received EUR 895 m, the EU support for Lithuania for the period of 2007–2013 is more than 8 times bigger – reaching approximately EUR 7 bn.

2.7 Promising Business Sectors

ITT

Lithuania's ITT sector is one of the most promising sectors of the country's economy. The extremely fast development of information technologies and telecommunications is related to the overall rapid economic development of the country as well as the implementation of projects related to IT infrastructure development using assistance from the EU Structural Funds.

The number of Internet users comprised 37 per cent of households in 2006. The number of Internet banking users leaped by 41 per cent in 2005.

The growth of the telecommunications sector in Lithuania is exceeding even the most optimistic expectations. In 2005, the growth in the number of mobile service users in Lithuania was the fastest among all EU member states. [In December 2005, Lithuania was the world leader in terms of mobile penetration, as Informa Telecoms & Media, the leading provider of business intelligence to global telecoms and media markets, reported.](#) According to the data of the European Commission, the annual increase in the number of active users of mobile services is 37 per cent.

Biotech

Lithuania has successfully proved to be the absolute leader in the field of biotechnology among the Central and East European countries. Lithuanian biotech com-

panies are regarded as the most advanced in Central and Eastern Europe and successfully compete in Europe and North America. [International experts at Ernst&Young ascertain that Lithuanian biotechnology companies hold immense future development prospects.](#)

Lithuania's biotechnology firms, mainly concentrated in the capital, have been exporting products to 42 countries around the world, and are rapidly expanding with the help of foreign investments.

Lasers

[Lithuanian laser companies embrace over 50 per cent of the world market for high-energy pico-second lasers, and are leaders in global production of ultra-fast parametric light generators.](#)

Lithuania's laser producers export laser technologies and devices to nearly 100 countries, including EU members, the US, Japan, Israel, and Switzerland, mostly for universities and corporate laboratories for the purposes of scientific research, aiming at further integration of lasers into the machine tools and industrial equipment.

[Lithuanian laser technologists have created unique laser devices:](#) a pico-second laser spectrometer for selective activation and probing, a device for measuring the thickness and profile of unfinished glass at the television picture tube screen factory, a non-contact laser measuring device to control the level of the mass of glass in a casting furnace, a medical laser scalpel, etc.

Machinery & Electric Equipment Manufacturing

The average labour productivity in Lithuania's machinery and electric equipment production sector grew by 19 per cent in 2005. Over the last three years, the volume

(continued on page 30)

After starting its activities as a state-owned enterprise, the Company was privatized in 1998. 60 percent of its shares are held indirectly by one of the largest telecommunication operator in the Nordic and Baltic countries, TeliaSonera.

Over a few years after its privatization, the Company was transformed from an old, monopolistic state-run enterprise into one of the most advanced telecommunication companies in Eastern and Central Europe, orientated towards the needs of its clients, holding a strong position on different markets of telecommunication services in Lithuania.

Today, TEO has a leading stand on the broadband Internet, data transmission and fixed telephone communication markets. Current capabilities of the Company allows to offer the most advanced technologies to its customers, remaining the most progressive players on the telecommunications market.

In 2006 TEO entered a new for the Company market of digital television. In July TEO launched its digital terrestrial television broadcasting services (DVB-T), and in October it was the first in the country to offer digital Internet TV services (IPTV). TEO became an integrated telecommunication, IT and TV service provider.

Since 1998 the Company has invested over 2 billion Litass and widely developed the network based on the ADSL technology. This

allowed the Company to gain the leader's position on the most rapidly developing Internet access market. Since 2005 the Company has been the first in the country to introduce fast wireless broadband Internet network. At the present moment there are more than 800 wireless Internet access points functioning in Lithuania.

Through its subsidiary UAB Lintel, the Company controls the largest according to the business scope and the most advanced in terms of technologies and management Call Centers in Lithuania. TEO also owns 100 percent stake in UAB Baltic Data Center. Working in cooperation with TEO, this company offers IT infrastructure solutions to the business clients.

TEO LT, AB shares are listed on Vilnius and London Stock Exchanges. In 2006, total revenue of TEO Group reached LTL 735 million and net profit totaled LTL 131 million. At the end of 2006 the Company had 785 thousand fixed telephone lines, 181 thousand broadband Internet access points and 5 thousand IP TV service users. TEO Group has 3,098 employees.

The Company's vision is to be the customers' best partner in communicating with the constantly changing world. By employing the most modern technologies TEO enable its customers to reach people, knowledge and entertainment.

TEO LT, AB (UNTIL 5 MAY 2006 KNOWN AS AB LIETUVOS TELEKOMAS) IS ONE OF THE LONGEST OPERATING AND MOST SUCCESSFUL COMPANIES IN LITHUANIA.

WWW.TEO.LT



LITEXPO – new space for business!



LITEXPO – leader of organising exhibitions and conferences, the largest and most modern business attraction centre in the Baltic States – now offers even more opportunities:

- Total exhibiting area of 32.7 thousand square metres
- 10 conference halls of diverse size
- Design and installation of stands

The new LITEXPO pavilion offers an exhibition area of 3,500 square metres, easily rearranged into the biggest conference hall in Lithuania with the capacity of 1,800 seats.

More information www.litexpo.lt



The Lithuanian Exhibition Centre LITEXPO
Laisvės Pr. 5, 04215 Vilnius
Tel. (+370 5) 245 18 00, fax (+370 5) 2686826
E-mail: info@litexpo.lt

of accrued FDI grew almost 3 times in the sector. More than 90 per cent of production is exported, and exports cover more than 20 European countries.

Lithuania is No. 1 in refrigerator and freezer production, and the largest LCD-screen TV producer in the Baltic States.

Such prestigious electronics giants as Philips and Samsung subcontract major components in Lithuania.

Metal Processing & Transport Equipment Manufacturing

The value added at constant prices created by Lithuania's metal processing industry more than doubled during 2003-2005. Transport equipment manufacturing sector grew by 64 per cent in 2005. The value added was 37 per cent higher than in 2004 and grew by 83 per cent over two years. Domestic sales increased 6 times during 2003-2005. Almost 60 per cent of the transport components produced in Lithuania are exported to western and eastern markets.

Lithuanian companies in the transport component manufacturing industry design, research, and manufacture new products, for example, gas (LPG) equipment for motor vehicles, speed controllers for transport, cable harnesses, ventilators, containers, agricultural machinery, etc.

Lithuanian metal processing and transport equipment companies supply various transport parts to companies such as Volkswagen, Volvo, SAAB, Renault, and Yazaki, which are known as demanding top quality and value.

Plastics

Lithuania's export-oriented plastics manufacturers (almost 45 per cent of their production is exported), already leading in the local industry, have also been becoming leaders in the region with 3 large plants in the Klaipėda FEZ. A cluster is developing with approx. 20 dominant Lithuanian companies of the sector.

In 2005, the value added at constant prices created by the sector was even 17 times higher compared to 1995, and 25 per cent higher as compared to 2004. The exports share in total sales reached more than 50 per cent in 2005. During the 1st quarter of 2006, both exports and the turnover grew by more than 33 per cent.

Furniture, Wood Processing & Paper Industry

Over the several previous years the local wood, furniture and paper industry has demonstrated a brisk leap towards leading positions. Experts forecast the annual growth of 15-20 per cent of the furniture sector during the coming two years. New factories are under construction, and the domestic demand has been accelerating; the number of people employed within the sector is in excess of 50,000 and is steadily growing.

Using both local and imported raw materials, Lithuanian wood processing and furniture manufacturing enterprises exported 61 per cent of their production in 2005 to the EU, the US, the CIS, and Japanese markets. During 2005, exports of Lithuanian furniture leaped by 15.4 per cent. Although the figure seems humble as compared to those reported by global leaders, however, in terms of the furniture exports per capita Lithuania in 2005 exceeded that of Italy (and China *a fortiori*). It is likely that in this respect Lithuania is a leader on the global market.

Locally manufactured furniture, wood, and paper products meet the EU standards of quality and design, and are at the same time offered at very competitive prices, as confirmed by the companies as IKEA, Laura Ashley, Habufa, Smurfit Kappa Group, SCA Packaging, Stora Enso, Ochoco Lumber and others, which have been working with Lithuanian wood product manufacturers.

Textile & Apparel

Lithuania's textile and apparel industry, maintaining a centuries-old tradition, today has been actively investing into own brands and design, developing higher-value-added products. Lithuanian producers co-operate with well-known European companies, such as Marzotto, Laura Ashley, Marks & Spencer, H&M, Adidas, and many other world-famous brands.

In 2005, 77 per cent of Lithuanian textile production was exported. About 90 per cent of Lithuanian textile exports went to the EU. The volume of investments into the textile and apparel industry grew by 13 per cent in 2005.

Lithuanian textile manufacturers produce high-quality protective clothing for the military, police and civilians, as well as garments for ballistic protection, according to the requirements of EN, NATO and NIJ standards.

(continued on page 34)

**Hydraulic cylinders,
hydraulic power units,
lifting tables.**



**Metal details made according
customer specification.**



Savanorių pr. 192-402
LT-44151 Kaunas, Lithuania
Tel. +370 37 32 74 10, fax +370 37 33 18 48
E-mail: info@pramoniniai.lt, www.pramoniniai.lt



PADEVĖŽYS

New Course

Panevėžys is the leader of Aukštaitija region. It boasts of its business and investment-friendly environment, as well as intense public life.

Panevėžys has shown all prospects for growth of its economic potential. In 2006 a globally-known supplement of the Financial Times, the Foreign Direct Investment, performed a special review on European cities. According to importance, downwards listed cities Berlin, Hamburg, Paris, Lille, Barcelona, Madrid, London and Manchester were selected as leaders ensuring the best investment conditions in respective regions. In this research Vilnius was announced the town of the future in the Baltic Region. According to the magazine experts, after Vilnius, Panevėžys was nominated as having most favourable conditions for investment.

As stated by the statistics, direct foreign investment in Panevėžys grows every year. Within the three recent years, direct foreign investment has increased by 85.9 % or 310.7 million Litas. In the city considered the capital of Aukštaitija, a Norwegian industrial park has been established and is the only of such kind in Lithuania. 11 Norwegian companies work in this park. In summer 2006, a few Norwegian capital companies invested in construction of "the green field" industrial facilities. Danish, Finnish and German capital companies also started developing their businesses in the city. A year ago the second largest shopping and entertainment centre in Lithuania, Babilonas, was opened in Panevėžys. After successful participation at the real estate and investment exhi-

bition MIPIM in Cannes, this object was purchased by one out of the 17 international investment funds that had shown their interest in the centre. In order to implement a project amounting to 100 million Litas, AB "Panevėžio Energija" has launched the construction of a modern thermal power plant in the city. The Project has been supported by the Danish Government.

The project of Panevėžys Industry and Logistics Park is of great significance for the city from the economical and new job development points of view. The plot of the land covering about 50 hectares, to be shaped by the Municipality of Panevėžys, located close to the Via Baltica highway, has been selected as one out of the four most prospective land plots in the country by the International ECORYS consortium. These land plots have been selected with the aim to encourage the "the green field" investment, using the aid of the EU structural funds. Favourable geographical location and development of transport infrastructure of the city will ensure the transformation of Panevėžys as a "transit region" to the centre of logistic services.

The city has also been taking part in the RIS Lietuva-Innpulse Innovation Strategy Preparation Programme, where the projects to encourage regional partnership in the area of innovation are planned. Their implementation has been started already: the



- One of the largest Lithuanian town with population amounting to 116.2 thousand;
- Convenient geographical location: situated at the intersection of the most important motorways in Lithuania, including VIA BALTICA highway;
- It is a place, where successful large-scale companies are functioning, such as AB „Panevėžio statybos trestas”, AB “Danisco Sugar Panevėžys”, AB “Panevėžio Keliai”, AB “Malsena”, AB “Panevėžio Energija” and others;
- Small and Medium-scale businesses dominate there;
- Panevėžys is also a centre of culture, education, arts and sports.

Park of Science and Technology with a business incubator has been launched. Multifunctional cooperation among scientific research and pilot production companies, along with industrial and business service companies will be fostered in the Park. The Technology Demonstration Centre undergoing its foundation process by the Centre of Mechatronics of Panevėžys will also contribute to the possibilities of applied scientific research in introduction of advanced technologies to industrial companies of the city.

In 2007, the construction of a universal sports arena will be commenced in Panevėžys. A 47.9 million Litas aid from the European Communities structural funds has been allocated for implementation of this project. The multipurpose sports arena will contain 5-7 thousand seats for the audience and a stationary bicycle track in compliance with the Olympic standards. Nearby an entertainment, sports and business centre will be developed. A men play-off competition of the European Basketball Championship in 2011 is planned to run in the Sports Arena of Panevėžys.

The city of Panevėžys has been developing more rapidly than it is shown by the general trends of development of the country and city. In October 2006, in appreciation of the progress achieved by Panevėžys, the Seimas (Parliament) of the Republic of Lithuania made certain

improvements in the General Layout Regulations of the Republic of Lithuania and ascribed Panevėžys to the category of a metropolitan centre. Such transformed status of the city will increase its attractiveness for business development, overall development possibilities and competition abilities of the North East Lithuania.

The new status of Panevėžys as a metropolitan centre may also have a positive impact on the social and economic environment of not only the city itself and the county of Panevėžys, but also on the entire region of Northern Lithuania. It is expected that the possibilities to attract new prospective investors and create more new jobs; situate the headquarters of business companies and financial institutions here; expand the employment opportunities; prepare and employ specialists of higher qualification will increase.

In the Strategic Development Plan for 2004-2013 of the city of Panevėžys, a great attention is paid to the development of knowledge-based economy by implementation of a new type of a learning city and making grounds for cooperation among local educational institutions, business companies and authorities.

Photos: Romas Bagonas, Marija Čičirkienė, Gintaras Lukoševičius, Tomas Stasevičius.



Real Estate

Lithuania's real estate market has been booming. The demand for residential and commercial real estate has shown sharp increases in recent years.

The years 2005 and 2006 have seen a considerable growth in office and retail markets, with a new trend of developing property in regional towns and smaller locations. Further developments of the office market have been designed responding to a growing demand for office space. The retail market has a big potential for further development too, as there is a growing demand for modern retail space.

Lithuania's geographic location in the crossroads of the West and the East offers a lot of opportunities for warehouse/logistic projects, and many projects of this kind are being implemented. Lithuania's free economic zones also offer excellent conditions for warehouse/logistic project development.

Due to the increasing number of incoming business travelers and tourists, and the growing demand for hotel services, more and more foreign hotel chains are starting operations in Lithuania. In 2006 experts of Colliers International, a global real estate services firm, reported the Lithuanian market to hold the largest potential for the development of hotel networks in the Baltics. In 2005, as compared to 2004, investments in this area grew by 15 per cent. Although hotel chains have been rapidly expanding in major cities, there is a strong demand for hotels in the periphery, hotels with conference halls for audiences of up to 2,000 people, as well as for economy class family hotels.

2.8 Success Stories

IBM, the world's largest IT company, operating in 75 countries, has selected Lithuania as the most promising country for the prospective expansion of IBM after an analysis of development perspectives of IBM branches in the region of Eastern Europe. The Lithuanian IBM has been servicing the whole Nordic Region, including Finland, Sweden, Norway, Denmark, as well as the Baltic States.

The Japanese IT leader in client relation management (CRM) solutions and marketing systems, INTERLOGICS, which services the largest Japanese companies such as Sony, Borland Japan, AOL Japan, IDG Japan, etc, established a representative office in Lithuania, which has been successfully coordinating the expansion of Japanese investments in other European countries since 2003.

In order to win more of the market and power in the EU, D.BOSS, the South Korean export-oriented specialized LCD TV producer, doing business in 78 countries globally, built up a local manufacturing plant in Lithuania. The Lithuanian D.BOSS factory produces 20,000 LCD TV sets per month. The company's plan is to double the Lithuanian operations as compared to its present size.

At the end of 2004, one of the world's largest plastic products manufacturers, INDORAMA of Thailand, started construction of the Orion Global PET, a major high-tech PET granule manufacturing plant in the Klaipėda Free Economic Zone.

IKEA, one of the world's largest home furnishings companies, today is Lithuania's main wood and furniture customer. Lithuania now is the 5th largest furniture supplier for IKEA, operating 165 stores in Europe, North America and Asia and receiving products from approximately 1,600 suppliers in 55 countries.

In 2002, TRANSCOM WORLDWIDE, Europe's largest geographic CRM solution provider for companies in a wide range of industry sectors, entered Lithuania. Today Transcom WorldWide Vilnius customer call centres provide professional customer relationship management services and information for many international companies in a multitude of industries in Lithuania, Estonia, the UK, Germany, Ireland, other European countries, and the US, in the English, German, French, Polish, Russian, Danish and other languages.

In 2004, AON CORPORATION, the world's leading provider of risk management services, insurance and reinsurance brokerage, as well as human resources and management consulting, came to Lithuania. The Lithuanian AON services local businesses and foreign investors in Lithuania, Russia, the CIS states as well as Central & Eastern Europe. Adapting to growing client needs and changing market conditions, the office have expanded its services to Asia and the Balkans.

DSV, an international transport and logistics company, which offers a wide range of international transport services all around the world, has been operating in Lithuania for over 10 years now. Due to Lithuania's favourable geographic location and excellent infrastructure, Lithuania's DSV has been successfully expanding its activities, such as high quality air, sea, and road transport services.



LITHUANIAN DEVELOPMENT AGENCY



The Lithuanian Development Agency provides an efficient free-of-charge support for starting a business in Lithuania by:

- providing detail information on the local market;
- servicing investors through the investment decision process;
- organizing site and company visits;
- identifying local suppliers and sourcing.

The Lithuanian Development Agency invites foreign businesses to use the opportunity to expand their activities to the booming Lithuanian market, a gateway to the European Union and the markets in the East.

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LEGAL ENVIRONMENT IN LITHUANIA

- 3.1 Legal Framework for Investment
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- 3.4 Labour Law
- 3.5 Dispute Resolution

Information provided by Law Firm Lideika,
Petrauskas, Valiūnas ir partneriai LAWIN

By Lideika, Petrauskas,
Valiūnas ir partneriai LAWIN

3.1 Legal Framework for Investment

- **Lithuanian Legal System**

The Lithuanian legal system is principally based on the legal tradition of continental Europe. Since the restoration of Lithuania's independence in 1990, the legal system has been vastly reformed to meet the demands of modern open economy. In recent years, the central priority has been the harmonisation of Lithuanian law in line with the EU legislation. From 1 May 2004, the *acquis communautaire* has also been integrated into the Lithuanian legal system

Within this system, the principal body of law is statutory. Main areas of substantive law are structured by codes (e.g. the Civil Code, Code of Civil Procedure, Labour Code, Customs Code, etc.). The system of regulatory acts is hierarchical having the Constitution as an act of supreme power, followed by (in the descending order) constitutional laws, laws, resolutions passed by the *Seimas* (Parliament) or Government of the Republic of Lithuania, decrees by the President of the Republic of Lithuania, and acts of other governmental institutions and local municipal authorities. All regulatory acts, including laws,

must comply with the Constitution. Lithuania is subject for implementation of all international treaties and conventions, however, the ones ratified by the *Seimas* prevail over national laws. As has been mentioned above, the EU legislation has become a part of the Lithuanian legal system since 1 May 2004.

The system of courts of general jurisdiction in Lithuania consists of the Supreme Court, the Court of Appeals, district courts and local courts, which deal with civil and criminal matters. In 1999 the system of specialised administrative courts was established to handle administrative litigation. The latter system consists of the Supreme Administrative Court and district administrative courts.

Though earlier the doctrine of precedent was not acknowledged by the Lithuanian law, its elements have been gradually introduced due to the need to ensure consistency in the interpretation of law. Currently, a court hearing a case is obliged to take into consideration published decisions by the Supreme Court and Supreme Administrative Court of Lithuania.

The Constitutional Court is not integrated into the general court system, it is an independent judicial body hav-

ing an authority to determine whether the laws and other legal acts adopted by the *Seimas* are in conformity with the Constitution, and legal acts adopted by the President and Government conform to the Constitution and other laws.

• Regulation of Foreign Investment

Foreign investments in Lithuania are regulated and protected by national legislation as well as numerous international agreements on promotion and protection of investment. Currently, there are about 36 bilateral agreements in place with most of the EU member states, the USA, and many Central and Eastern European countries. Such agreements prevail over the provisions of the Lithuanian national laws and usually provide for more favourable treatment of reciprocal investment.

The Law on Investment of 7 July 1999 (the 'Law on Investment') establishes the following fundamental principles for treatment of foreign investment in Lithuania:

- *equal protection* – rights and lawful interests of Lithuanian and foreign investors are equally protected by the laws of Lithuania;
- *equal treatment* – foreign investors enjoy the same rights and obligations relating to commercial activities as Lithuanian domestic investors, including the State and municipalities, and the same economic conditions are applied equally for all investors;
- *free access to all sectors of economy* – foreign investors have free access to all sectors in the national economy, except for activities of the State security and defence (however, investments from countries satisfying EU and NATO integration criteria are allowed upon the consent of the State Protection Council).

When a licence or permit is required for a certain type of activity, licensing requirements apply equally to entities owned by foreign and domestic investors. Activities, which require prior permission or licence, are mostly related to the increased danger to the human life, health, environment, and also include activities in certain regulated sectors (such as pharmacy, energy, *etc.*).

• Investment Protection and Guarantees

The Law on Investment emphasises protection of investment, rights and lawful interests of investors. State institutions or officers have no right to prohibit or restrict the possession, use and disposal of the investment by the investor. Investors can claim compensation for any damage suffered due to unlawful practices by the State or municipal institutions.

Expropriation of an investment may take place only for the public necessity and only in cases and under the procedures established by the laws, and provided the investor is adequately compensated pursuant to the rules established by the Government. Generally, the investor must be compensated at the market value of the assets deprived. The compensation must be paid within three months after the day of expropriation in the currency requested by the foreign investor, including any interest accrued from the moment of publication of the notice on expropriation until the compensation payment date (based on the LIBOR rate of the relevant currency).

After having paid all taxes, investors have a right to transfer their profit (income) abroad without any restrictions.

Disputes concerning rights and lawful interests of a foreign investor are settled according to the agreement between the parties, by the courts of Lithuania, international arbitration or by other institutions. In case of investment disputes foreign investors may also apply to the International Centre for Settlement of Investment Disputes since Lithuania is a member of the Washington Convention on the Settlement of Investment Disputes between States and Nationals of other States ratified on 18 March, 1965. The disputes are resolved under the provisions of applicable Lithuanian or foreign legislation and relevant international treaties.

• Forms of Investment

Investments may be made by means of monetary funds or other tangible, intangible and financial assets invested for the purposes of profit (income) generation, achievement of social results (educational, cultural, scientific, health, social security, *etc.* in similar areas), or to ensure the implementation of the State functions.

The Law on Investment provides for the following forms of investment:

- establishment of an enterprise or acquisition of shares (or other participation rights) in an operating enterprise registered in Lithuania;
- acquisition of securities of any type;
- creation, acquisition or increase of the value of fixed assets;
- lending of funds or other valuables to an enterprise in which the investor owns a stake allowing to control or influence it considerably;
- conclusion of concession or leasing agreements.

Foreign entities may also establish branches or representative offices. Notably, foreign entities performing economic activities in Lithuania in certain cases are required

to register their permanent establishment in Lithuania for tax purposes.

• Investments Related to Real Estate

Enterprises with foreign capital may own, lease or use real estate in Lithuania. There are no limitations set on the ownership or usage of buildings, but some particular requirements may apply to buildings of cultural or historical value.

Enterprises can take state-owned land plots on the lease for a maximum period of 99 years. Privately owned land may be leased for a maximum period of 100 years.

Foreign citizens and entities engaged in some registered commercial activity in Lithuania and complying with certain established criteria are allowed to purchase non-agricultural land plots.

• Concessions

Currently, concessions are regulated by the Law on Concessions, which was significantly amended on 24 June 2003 (the 'Law on Concessions'), and harmonised with the EU directives 89/665/EEC, 92/50/EEC, 93/37/EEC and 2001/78/EU. Significant amendments were also introduced to the Law on Concessions on 11 July 2006 in relation to the improvement of the legal environment for the private investments in the area of concessions and its harmonisation with the EU directives 2004/17/EB and 2004/18/EB. The law defines a concession as granting of special permission to the concessionaire to perform economic activities related to design, construction, development, renovation, change, repairs, management, use and (or) supervision of infrastructure objects, rendering of public services, management and (or) use of the state or municipal property (including natural resources) in accordance with the concession agreement, whereby the concessionaire accepts all or main liability for risks, rights and obligations arising out of such activities, whereas the remuneration to the concessionaire is assumed to be a special permission to perform the indicated activities and to the revenues from the pursued activities. The law includes the list of activities which may be the subject of concession agreements. Concessions may be granted to Lithuanian or foreign entities. Usually, a public tender must be held for granting a concession, however, in case of necessity a concession may be granted without it. Lately, concessions have been rapidly gaining popularity, particularly among municipalities.

• Incentives

Currently, there are no laws establishing special incentives for foreign investments, although certain tax incen-

tives still continue to apply to some foreign investments that were made during 1993–1997. The Law on Investments provides for several forms of incentives, such as compensation of a portion of interest on the loans for investment projects, granting of State (municipal) guarantees, granting of loans by the State *etc.* The application of such incentives is, however, subject to discretion of respective State or municipal institutions.

Some specific incentives were provided to strategic investors, *i.e.* the investors executing investment agreements in relation to special investment and business conditions applicable to investments exceeding LTL 200 million signed with the Government until September 2001.

Currently, the Government or its authorised institution may enter into investment agreements regarding investments reaching up to LTL 20 million (up to LTL 5 million in regions with high unemployment). As far as investments into municipal infrastructure, manufacturing and services are concerned, the municipality may enter into investment agreements that meet the criteria established by the Council of the Municipality. A municipality may set special investment, business and land plot selection conditions according to its competence. Based on the practice of the Constitutional Court, stability clauses may be provided in investment agreements only to the extent that they do not limit applicability of any laws implementing the Constitution to any foreign investors.

• Free Economic Zones

Lithuania has enhanced its attractiveness to foreign investors through the development of free economic zones ('FEZs'). Lithuanian and foreign enterprises, corporations and associations are invited to join the FEZs. Such Zones offer considerable benefits to companies registered and operating within their boundaries. These benefits include:

- profit tax incentives, such as 6 years' exemption from profit tax following the date of investment and 50% discount for the following 10 years, are applicable to the FEZs companies that have invested more than EUR 1 million; no taxes on dividends for foreign investors;
- exemption from customs duties and import taxes for goods imported from a foreign country into free areas (*i.e.* parts of the FEZ territory separated from it and from the customs territory of Lithuania which does not belong to FEZ) and exported from the free areas into foreign countries; the aforementioned duties and taxes also do not apply to goods stored, destroyed in or used for the purpose of functioning of such free areas; and
- FEZ companies receive the same legal guarantees as those operating outside the FEZ.

It should be admitted that in the light of the EU Law the above listed incentives (applicable to FEZ companies) are recognised as the State aid under strict regulation by the EU legislation and monitoring by the European Commission.

Currently, two FEZs established in the ice-free port city of Klaipėda and in the second biggest city in Lithuania, Kaunas, are already successfully operating. In 2001, the scheme for the State aid 'Investments in Klaipėda's FEZ' and in 2005 the scheme for the State aid 'Investments in Kaunas FEZ' were approved.

3.2 Forms of Business Organisations

• Types

Under the Lithuanian law foreign investors may establish the following forms of presence in Lithuania:

- a representative office;
- a branch;
- a permanent establishment (for tax purposes);
- an enterprise (a company or other).

• Representative Office

A representative office of a foreign enterprise may be established for representational and promotional purposes only and cannot engage in commercial activities. The representative office may perform various activities set forth in its statutory documents, *e.g.* to represent and protect the interests of its foreign parent company (*i.e.* the incorporator of the representative office), enter into transactions on behalf of the parent company *etc.*

Notably, if the foreign parent company's activities carried out through its representative office amount to permanent commercial activities in Lithuania (*i.e.* if the foreign company is deemed to have a permanent establishment in Lithuania, as discussed in more detail below), they may become subject to the profit tax in Lithuania.

The representative office does not have the capacity of a legal person and is not required to keep a separate balance sheet. The foreign parent company is liable for the obligations of its representative office.

The Civil Code provides for a requirement that at least one person out of the entire staff authorised to act on behalf of the representative office (in practice, the manager of the representative office) must reside in Lithuania.

• Branch

A branch of a foreign enterprise is its structural subdivision, located in Lithuania. In difference from a representative office, the branch of a foreign enterprise may engage in commercial activities, enter into transactions and assume obligations, however only within the scope of powers provided for in its statutory documents.

The branch does not have the capacity of a legal person. The parent company is liable for the obligations of its branch, and the branch is liable by all of its assets for the obligations undertaken by the parent company. The activities of the branch are organised and carried out by the manager thereof who has the right to represent the branch in relations with any third parties only upon registration of the branch. At least one of the persons authorised to act on behalf of the branch (in practice, the manager of the branch) must reside in Lithuania.

• Permanent Establishment

Permanent establishment is a notion derived from the tax legislation. Permanent establishment is not a separate legal entity or a subdivision of a foreign enterprise. Rather, it refers to a form of a foreign company's activities in Lithuania, which is regarded as a presence for tax purposes.

A foreign enterprise may be required to register its permanent establishment if its activities in Lithuania comply with criteria of a permanent establishment. Under the Law on Profit Tax of 20 December 2001, a foreign enterprise is deemed to have a permanent establishment in Lithuania if it:

- carries out commercial or industrial activities on a permanent basis in order to receive income or other economic benefit;
- carries out its permanent activities through its dependent representative (agent) in the territory of Lithuania; or
- in the territory of Lithuania uses a construction site, an object under construction, fitting or equipment, or permanently uses equipment or structures for exploration or extraction of natural resources, including drilling wells or ships used for that purpose.

A permanent establishment of a foreign company in Lithuania is registered with the Register of Tax Payers and is subject to taxation in accordance with the applicable Lithuanian legislation and international treaties.

• Private and Public Companies

Lithuanian laws provide for a number of different types of enterprises which may be established in Lithuania. However, the most convenient and popular way to invest capital in Lithuania is through incorporation of a private or public company or acquisition of shares in existing Lithuanian companies. For this reason, key issues related to private and public companies are more thoroughly described below.

General Issues

Public and private companies are limited liability enterprises with authorised capital divided into shares. A company is liable for its obligations only to the extent of its assets. Its shareholders have no property obligations to the company, except the obligation to pay for the shares subscribed. Only in case the company is unable to perform its obligations due to unfair actions by its shareholder, the shareholder may incur personal subsidiary liability for the obligations of the company.

Capital Formation and Capitalisation Requirements

Capital may be contributed to a company in cash or in kind: (1) at least 25% of the capital but not less than the minimum authorised capital amount (as described in the comparative table below) should be paid in cash prior to the registration of the company; (2) the remaining part of the authorised capital may be paid either in cash or in kind within 12 months after the subscription for the shares. While increasing the authorised capital by in-kind contributions, the amount of the increase should be paid in full at once.

Shareholders' equity cannot be less than 1/2 of the authorised capital of the company. If it becomes less, the situation is subject for rectification.

Shareholders

Shareholders of private and public companies may be Lithuanian or foreign natural and/or legal persons. Each shareholder has such rights in the company as are inherent to the shares owned. The Law on Companies of 11 December 2003 (the 'Company Law') provides for the general principle 'one share – one vote'. It further establishes that the number of votes given by a share must be proportional to its nominal (par) value. Shareholders' rights are divided into:

- the property rights (*e.g.* to receive dividends if the company generates profit, receive a portion of the assets of the company under liquidation, receive shares without additional payment if the authorised capital is increased out of the funds of the company *etc.*); and

- non-property rights (*e.g.* to attend meetings of shareholders and vote, to receive information about the company, challenge in court resolutions of the General Shareholders' Meeting or resolutions and actions by other bodies of the company, *etc.*).

The statutory rights of shareholders may not be restricted in any way, except in cases as specified by laws or by a court order.

Shares

Shares are securities certifying the participation in the company's capital and entitling their owners to certain property and non-property rights. Public trading in shares of private companies is not allowed, *i.e.* such shares can be traded only privately. The Company Law provides for the right of first refusal (under the terms offered by the seller to a third party) for the other shareholders of the private company in case the shares are offered either to other shareholders or to a third person who is not a shareholder of the company. However, this statutory right may be modified or limited by the Articles of Association of the company.

Companies are prohibited from introducing any restrictions on the shareholders' right to transfer fully paid shares to other persons (except for the case when such transfer would increase the number of shareholders of the private company in excess of the maximum number permitted, that of 249).

Companies, both public and private, may issue bonds convertible into shares, as well as ordinary bonds.

Governance structure

Either private or public companies must have two mandatory bodies – the General Meeting of Shareholders and Head of the Company (the chief executive officer). Shareholders of the company may also decide to form collective bodies in the company, such as the Board (of Directors) and/or Supervisory Council. In practice, Supervisory Councils rarely occur in private companies, but Boards are formed quite often.

Bookkeeping

Bookkeeping may be carried out by the chief financial officer (usually titled the 'chief financier' or 'chief accountant') who is an employee of the company or by a separate bookkeeping company under a service agreement. The same person cannot hold the offices of both the Head (chief executive officer) and chief financial officer of the Company.

Body	Mission and Authority
General Meeting of Shareholders (compulsory)	<p>Mission: general guidance of the company</p> <p>Authority:</p> <ul style="list-style-type: none"> • election and removal of the Supervisory Council / or the Board / or the Head of the Company • amendment of the Articles of Association • distribution of profit • choice of audit enterprise • increase / decrease of the authorised capital • reorganisation, liquidation etc.
Supervisory Council (optional)	<p>Mission: supervision of the activity of the Board and the Head of the Company</p> <p>Authority:</p> <ul style="list-style-type: none"> • supervision of activities of the Board and the Head of the Company • control of legality of corporate decisions etc.
Board (optional)	<p>Mission: strategic management of the company</p> <p>Authority:</p> <ul style="list-style-type: none"> • determination of company's strategy • formation of company's management structure • decisions on investments etc.
Head of the Company (compulsory)	<p>Mission: daily management of the company</p> <p>Authority:</p> <ul style="list-style-type: none"> • planning of company's activities and achievement of its objectives • execution of transactions on behalf of the company etc.

Financial control

Audit is compulsory to all public companies. Audit is also compulsory to private companies which meet at least two of the following requirements:

- annual revenue amounts to LTL 10 million (app. EUR 2.9 million);
- more than 50 employees; and
- value of assets amounts to LTL 5 million (app. EUR 1.45 million). (see table on next page).

Still, in practice the most popular form of business in Lithuania is acting through a private company (as of the beginning of 2006, there were 839 public companies and 56,418 private companies registered in Lithuania).

3.3 Agency, Distributorship and Franchising

• Introduction

For foreign producers and suppliers, agency, distribution and franchising often are quite an effective alternative to establishing a business in Lithuania. This section will cover basic regulatory principles applicable to an agency, distribution and franchising.

• Agency

Under the Lithuanian legislation, a commercial agent is an independent legal or natural person engaged in continuous business activities to negotiate and/or conclude transactions on behalf and at the expense of the principal. The key source of rules applicable to commercial agency is the Civil Code of 18 July 2000 (the 'Civil Code'). Provisions of the Civil Code on commercial agency aim to implement the EC Council Directive 86/653/EEC of 18 December 1986 regarding self-employed commercial agents while the provisions concerning agency engaged in international sale of goods, in principle, are tailored according to the Geneva (UNIDROIT) Convention on Agency in the International Sale of Goods of 17 February 1983.

According to the Civil Code, the parties may agree on the terms of agency either in writing or verbally. However, the provisions on non-competing undertaking, procedure of and grounds for contract termination, exclusive rights of the agent, as well as the limiting party's civil liability or dependence of the agent's remuneration on executed transactions by the third party are legally binding and enforceable only if they are agreed in a written form. The Civil Code requires agents to maintain valid insurance of their civil liability; therefore, before entering into an agency contract it is advisable to request a potential commercial agent to provide a valid insurance

policy. The Civil Code does not provide for any compulsory insurance sum thus, it is for the principal to decide whether amount of the agent's insurance sufficiently covers the potential risks.

The main obligation of an agent is to act in good faith and dutifully in performing the principal's instructions, to be loyal and take good care of the principal's interests. The agent may undertake not to compete with the principal; however, such an undertaking will be binding on the agent only if it is expressly provided in a written contract.

In protection of the agent's interests, the Civil Code entitles the agent to exercise a lien on the merchandise of the principal in case of failure by the principal to pay the agent's commission on time. Besides, the agent is also entitled to demand the audit of the principal if a dispute regarding the correctness of calculation of the commission arises.

The agent is entitled to the commission on the concluded transactions as well as transactions concluded by the principal in result of the agent's activities. The parties

may agree that the agent's remuneration is due only if the transaction is performed by the third party or make the agent's remuneration dependant on the scope of the agent's performance. The agent is also entitled to additional remuneration (del credere) if it guarantees such due performance of the transaction by the third party.

Notably, the agent's commission does not include the reimbursement of the agent's expenses incurred in relation to performance of the assignments; therefore, such expenses must also be compensated by the principal.

Although the parties may agree on the deadline and procedure for payment of the commission, however, in any case, the commission becomes due upon execution by the third party of its part of the transaction and must be paid by the end of the third month thereafter at the latest. In case the payment of the commission is subject to the execution of the transaction by the third party, the agent is entitled to claim an advance payment, which cannot be less than 40% of the commission.

An agency contract concluded for an indefinite period may be terminated by prior notice of either party. The

Table of Comparison between Private and Public Companies

Attribute	Private company	Public company
Minimum authorized (share) capital	LTL 10,000 (app. EUR 2,900)	LTL 150,000 (app. EUR 43,450)
Maximum number of shareholders (if any)	249	Not established
Minimum number of shareholders (incorporators)	1	1
Liability of shareholders	Limited ¹	Limited ¹
Way of formation of the authorized capital	Both monetary and non-cash contributions are acceptable	Both monetary and non-cash contributions are acceptable
System of corporate bodies	Obligatory corporate bodies: General Meeting of Shareholders and Head of the Company (CEO). Optional corporate bodies: Board and Supervisory Council	Obligatory corporate bodies: General Meeting of Shareholders and Head of the Company (CEO). Optional corporate bodies: Board and Supervisory Council ²
Registration of shares with the Securities Commission	Not applicable	Compulsory (with certain exceptions)
Public trade in securities	Prohibited	Allowed
Reporting /disclosure requirements	No reporting is required; basic disclosure to the State authorities	Reporting on annual basis (by drafting annual report-prospectus); public disclosure of all material events; basic disclosure to the State authorities
Supervision by the Securities Commission	Not applicable	Applicable
Share accounting	Performed by the company itself	Requirement to outsource a share accounting company
Audit	Obligatory only if special criteria are met	Obligatory

¹ However, if a company becomes unable to perform its obligations due to unfair actions by its shareholder, the shareholder may be held subsidiary liable for the obligations with his/her/its personal property.

² According to the Corporate Governance Code of Lithuania, it is advisable for public companies to have both optional corporate bodies formed as mentioned above.

term of such prior notice varies from one to four months, depending on the length of the agency contract. An agency contract for a fixed period may be terminated prior to expiry of the period only due to a reasonable cause. The principal must compensate the loss of the agent's benefit upon termination of the contract. Such compensation might take either the form of indemnity or, as an alternative, reimbursement of damages suffered in result of the termination of the relations with the principal. As a rule, the agent shall be entitled to an indemnity unless the parties specifically agree on compensation for damage. The agent's right to indemnification or compensation for damage is denied only in case of termination of the agency contract due to the agent's fault.

It is noteworthy that along with the commercial agency, the Civil Code provides for another form of commercial representation, a commission contract, which might be viewed as an alternative to the commercial agency. Pursuant to the commission contract, the commissioner undertakes to conclude transactions in his (i.e. commissioner's) name at the expense of the principal. The commissioner, being a party to the transaction, acquires the rights and undertakes the obligations with regard to the other party of the transaction. On the other hand, the commissioner is not responsible to the principal in case the other party to the transaction fails to fulfil its obligations, provided the commissioner was sufficiently diligent in selecting that other party. The commissioner is entitled to assign, and the principal is entitled to take over, the claim against such a defaulting party.

All items handed over to the commissioner by the principal or acquired by the commissioner at the expense of the principal is the property of the principal.

A commission contract concluded for an indefinite period may be terminated by notice of the principal served at least 30 days prior to such termination. In case of contract termination upon the principal's initiative, the commissioner is entitled to compensation for the damage suffered as a result of such termination. The commissioner is entitled to refusal of performance of the assignment only if such performance becomes impossible or in case of the principal's defaults.

• Distributorship

Distributorship implies a distributor's obligation to acquire in his name and at his expense goods or services provided by a supplier and to resell such goods to customers or other dealers. In contrast to the agency and commission agreement, the distributor undertakes all the risks related to the conducted business activities.

According to the Civil Code, the distribution agreement must be concluded in a written form, otherwise such agreement is void. Besides, only enterprises (businessmen) may become a party to the distribution agreement.

The parties may enter into exclusive distribution agreement whereby the supplier appoints a sole distributor for a specific territory or a specifically appointed group of customers. However, exclusivity conditions and other vertical restraints are subject to provisions of the Law on Competition.

Unless otherwise provided in the agreement, the distributor is under obligation to ensure effective distribution of goods, advertising, sufficient qualification of the personnel, proper warehousing of goods, sales of goods under the trademark to supplier if applicable, purchase and reselling of the agreed quantities of goods within the agreed period of time, providing warranty repair, disclosure of information to the supplier on the market situation and protection of commercial secrets of the supplier. The supplier must ensure proper quality of goods, train employees of the distributor and provide distributor with advertising material. The supplier is also entitled to control the distributor's warehouses and supervise its compliance with the distribution agreement. In any case, parties to the distribution agreement may not undertake obligations otherwise as in compliance with competition rules.

If it occurs that the supplier is the manufacturer of the defective goods, it must be liable to compensate the damage caused to the consumers. However, in case the defective goods were imported by the distributor, the distributor is liable to the same extent as the manufacturer.

A distribution agreement concluded for an indefinite period may be terminated by notice of either party served at least three months prior to such termination. In case a distribution agreement for a fixed period is terminated prior to its expiration date due to the fault of either party, the defaulting party is liable to compensate damages caused to the other party.

• Franchising

Pursuant to a franchise agreement the franchisor undertakes to provide the franchisee a package of exclusive rights (e.g. trade names and trademarks, know-how etc.) to be used for commercial purpose while the franchisee undertakes to pay the franchise an agreed fee. Only enterprises (businessmen) may become a party to the franchise agreement.

The franchise agreement, in order to be valid and enforceable, must be concluded in a written form. Furthermore, such an agreement may be invoked against any third party only if the agreement and its amendments, if any, are registered with the Register of Legal Persons. The licence to use certain industrial property rights under the franchise agreement, if such is issued, must be registered with the State Patent Bureau.

The principal undertakings of the franchisor are to provide the franchisee with relevant technical and commercial documentation and grant necessary licences in compliance with the agreement. Besides, unless otherwise provided in the agreement, the franchisor must ensure due registration of the franchise agreement, control the quality of goods or services supplied by the franchisee, provide technical support, consulting and assistance in training of the franchisee's employees.

The franchisee is obliged to perform its activities under the licensed trademark, ensure quality of goods/services, preserve confidentiality of commercial secrets entrusted thereto by the principal, provide clients with services which would have been reasonably expected to be provided had the goods/services been purchased directly from the franchisor as well as to disclose the fact that the franchisee acts under the franchise agreement.

The parties may also agree on exclusivity of franchising as well as to impose some other restrictions limiting the franchisee's activities and/or the franchisor's right to exploit his intellectual property rights at his discretion. However, such agreements must comply with competition rules.

The franchisee shall be primarily responsible for the quality of goods or services produced under the franchise agreement. However, in case of the franchisee's refusal to honour the claim or failure to respond to the claim within a reasonable period of time, the third party claimant will be entitled to sue the franchisor. Besides, the franchisor and franchisee shall be jointly and severally liable for the damage caused to consumers by the defective products.

A franchise agreement concluded for an indefinite period may be terminated by notice of either party served at least six months prior to the termination. Termination of the agreement must be notified to the Register of Legal Persons. Notably, the assignment of all or some of the intellectual property rights licensed under the franchise agreement from the franchisor to a third party does not impede validity of the franchise agreement. However,

the assignee must also become a party to the franchise agreement at its issue.

In case of expiry of a franchise agreement concluded for a fixed term, the franchisee, provided it has duly performed the contractual obligations, has a pre-emptive right to enter into a new franchise agreement on the same terms and conditions as the previous one. The franchisor may refuse to enter into a new agreement with the franchisee but only if he undertakes not to conclude any franchise agreements in the same territory with other third parties for the period of three years.

3.4 Labour Law

• Introduction

The main legal act in Lithuania regulating labour relations is the Labour Code, which came into effect on 1 January 2003. Nevertheless, separate labour law areas such as activities of trade unions, work councils, safety and health of employees, support of the unemployed are regulated by special other laws.

• Trade Unions and Work Councils

In labour relations the rights and interests of employees may be represented and protected by trade unions. Where an enterprise, agency or organisation has no functioning trade union and if the staff meeting has not transferred the function of employee representation and protection to the trade union in the appropriate sector of economic activity, the employees shall be represented by the work council elected by a secret ballot at the general meeting of employees.

Trade unions may be established on the basis of professional, office, industrial, territorial or other principles that represent and protect the interests of employees, as determined by the trade unions. A group of trade unions, through free choice and on their own initiative, may join together to form a trade unions' association.

In order to establish a trade union:

- its founding members must account for at least 20% of all employees in the company, but never less than 3 employees; or
- it must have minimum 30 founding members (then the founding members may account for less than 20% of all headcount in the company or include other members).

(continued on page 48)



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Trade unions have a legal person's capacity from the moment when their articles of association are registered with the Ministry of Justice, the County Governor or the municipality, depending on the geographic area of their activities.

The work council may be formed only in an enterprise where the number of employees is not less than 20. In an enterprise where the number of employees is under 20, the functions of the work council may be performed by the representative of the employees to be elected at the employees' meeting. The number of members in a work council depends on the company's headcount and must not be less than 3 and not exceed 15. The work council is formed for an office term of three years.

• **Collective Agreements**

Trade unions represent employees when negotiating and making of enterprise, branch of industry, territory or state collective agreements. Work councils are able to represent employees only in negotiating and making enterprise collective agreements.

• **Employment Contracts**

Parties to an employment contract must agree on the following substantive terms: the employee's place of work (a company, branch etc.), the official duties and/or position. Parties must also agree on remuneration. The employment contract cannot establish any terms less favourable to the employee than employment conditions established by the law.

An employment contract is deemed to be concluded when the parties have agreed on the conditions of the employment contract. Employment contract must be made in writing and in accordance with a model form established by the law. The model form for employment contract contains blank spaces for additional clauses. Employment contracts may be concluded for an indefinite period or for a fixed period if the work is of temporary nature. It is prohibited to conclude a fixed-term employment contract if work is of a permanent nature, except for the cases when it is provided by the law or collective agreements.

An employment contract shall terminate:

- upon the liquidation of the employer without a legal successor;
- upon the death of the employee;
- by agreement between the parties;
- upon expiration of its term;

- upon the notice of the employee;
- on the initiative of the employer with notice;
- on the initiative of the employer without notice;
- in other cases provided for by the law.

• **Work Permits for Foreign Personnel**

Foreign citizens (except the EU citizens) and stateless persons other than permanent residents of Lithuania may work temporarily in Lithuania under an employment contract provided they have a work permit issued by the National Labour Exchange under the Ministry of Social Security and Labour. EU citizens are released from the obligation to obtain a work permit, but those who intend to reside in Lithuania for more than 3 months must declare the place of residence.

The law includes a list of other exemptions for persons who are not required to get work permits. Exempted foreigners might be required to obtain a visa or a temporary residence permit, as the case may be.

• **Remuneration**

The minimum permitted wages are set periodically by the Government. From 1 January 2007, the common minimum hourly rate has been LTL 3.66 (app. EUR 1.06) and the common minimum monthly wage has been LTL 600 (app. EUR173.77). Wages must be paid to employees at least twice a month. Wages may be paid once per month if an employee presents a respective application in writing asking to pay wages in such a way.

At least 1.5 times higher the hourly wage rate, or proportion of the monthly salary established for the employee, must be paid for overtime and night work (from 10 p.m. to 6 a.m.). The pay for work on a day-off or holiday which has not been provided for in the work schedule, must be compensated at least at a double rate, or by granting to the employee another day-off during the same month or by adding that day to his annual leave. The pay for work on a holiday which has been provided for in the work schedule must be compensated at least the double rate of the hourly or daily pay.

• **Work Hours**

The normal work hours for an employee may not exceed 40 hours per week. A daily period of work normally should not exceed 8 working hours. A 5-day workweek is the standard established under the law, but it may be extended to six days. Maximum working time, including overtime, must not exceed 48 hours per 7 working days.

Duration of working time for specific categories of employees (in health care, care (custody), child care institutions, specialised communication services and specialised accident containment services, etc.) as well as of watchmen in premises may be up to 24 hours per day. The duration of working time of such employees must not exceed 48 hours per 7-day period, and the rest period between working days must not be shorter than 24 hours. For employees employed in more than one undertaking or in one undertaking but under two or more employment contracts, the working day may not be longer than 12 hours.

- **Leave**

The minimum annual paid vacation leave is 28 calendar days. The minimum annual paid vacation leave is 35 calendar days for employees under 18 years of age, single parents who raises a child under 14 or disabled child under 18, and for disabled persons. Normally, all employees are entitled to their annual paid vacation leave after they have worked in a company continuously for an initial period of six months. Additional annual leave shall be granted to the employees working in the conditions, not in conformity with the normal working conditions, for a long uninterrupted employment at the same work place or for a special character of work. Extended annual leave of up to 58 calendar days must be granted to certain categories of employees whose work involves greater nervous, emotional and intellectual strain and occupational risk, as well as to those employees who work in specific working conditions.

At an employee's request, the annual leave may be taken in separate parts. One part of the annual leave cannot be shorter than 14 calendar days. During the annual leave the employee must be guaranteed his average wage received at all places of his/her employment.

Special-purpose leave is also available and includes the following:

- maternity leave (70 calendar days before a childbirth and 56 calendar days thereafter, or, in the event of a complicated childbirth or birth of two or more children, 70 calendar days), which is normally paid by the company but covered by the social insurance or social welfare authorities;
- child care leave (until the child reaches 3 years of age), which is normally paid directly by the social insurance or social welfare authorities;
- educational leave, which is paid by the company if the employee is sent to study at the company's request (3 paid days for each normal examination);

- sabbatical leave;
- leave for performance of one's official or public duties, which are paid, or compensated not less than the average wage by the agency or organisation whose obligations are being performed unless otherwise is provided by the law;
- unpaid leave

3.5 Dispute Resolution

- **Litigation**

General

Any person or legal entity may sue or be sued in courts of the Republic of Lithuania subject to the applicable procedural rules. The rules regulating procedure in civil actions are contained in the Code of Civil Procedure of 28 February 2002 (the 'Code of Civil Procedure'). The rules regulating procedure in administrative actions are contained in the Law on Administrative Proceedings of 14 January 1999.

The Lithuanian court system includes:

- Local Courts – the courts of the first instance in matters of civil, criminal and administrative law, except matters assigned by the law to higher courts;
- five District Courts functioning as the courts of the first instance in matters ascribed to them by the legislation and as the courts of appeal for decisions, judgments and rulings by local courts. District Courts are the courts of the first instance for, inter alia, civil cases where the amount of action exceeds LTL 100,000; cases regarding intellectual property relations; cases involving foreign state as a party; and bankruptcy cases. The District Court of Vilnius (capital of Lithuania) being the court of the first instance has exceptional competence to hear civil cases regarding, inter alia, patenting and use of inventions; registration and protection of trademarks; adoption matters involving citizens of foreign countries;
- the Court of Appeal, seated in Vilnius, functions as the court of appellate instance for decisions, judgments and rulings of the District Courts adopted at the first instance and hears other cases ascribed thereto by laws;
- the Supreme Court, seated in Vilnius, is the only court which examines cassation appeals for other courts' (of first and appellate instances) decisions, judgments and rulings, which have entered into force and were appealed at the appellate instance.

The system of administrative courts was established in 1999. It is comprised of five District Administrative

Courts and the Supreme Administrative Court of Lithuania, which is seated in Vilnius. Administrative courts decide, among other things, on the following issues:

- legality of decisions taken by the state or municipal administrative institutions or failure to act in proper way or procrastination;
- compensation of moral and material damage caused by unlawful actions of the state or municipal administrative institutions;
- tax disputes;
- claims by employees of the state or municipal administrative institutions;
- disputes among two subordinated administrative bodies;
- violations of election and referendum laws;
- appeals against decisions in cases of violation of administrative laws;
- decisions of public institutions and non-governmental organisations in the sphere of public administration;
- legality of decisions taken by public organisations and political parties.

All lawsuits are commenced by filing a statement of claim with the competent court. Appropriate venue generally is the defendant's domicile or seat. The parties may agree, with certain exceptions, on choosing another appropriate venue (jurisdiction). Actions regarding ownership of or right to use land, buildings or other real estate, or regarding release of attachment and actions of creditors of the deceased are subject to the court of location of, respectively, real estate or inheritance. In certain cases the plaintiff has an alternative to sue in court other than the defendant's domicile, like the place of tort, place of contractual performance, place of legal entity's branch or the plaintiff's domicile etc.

Litigation costs, which include stamp duty and costs related to court proceedings (fees to witnesses and experts, costs of site examination, search of the defendant, enforcement of the court judgment, etc.) are regulated by the Code of Civil Procedure. Generally, stamp duties for bringing actions in proprietary disputes are: for claims of up to LTL 100,000 – 3% of the claimed amount, but not less than LTL 50; for claims of up to LTL 300,000 – LTL 3,000 plus 2% of the claimed amount exceeding LTL 100,000; for claims over LTL 300,000 – LTL 7,000 plus 1% of the claimed amount exceeding LTL 300,000. However, in any case the stamp duty can not exceed LTL 30,000.

Stamp duty in case of appeal of a court decision is of the same amount as is payable for bringing an action. In a number of cases (including e.g. recovery of alimony, compensation of losses caused by a crime, etc.), the plaintiff is

exempted from the payment of the stamp duty. The payment of litigation costs by the parties may be deferred or apportioned by the court decision. The losing party has to bear all costs, including stamp duty and costs related to court proceedings. The losing party has to cover the awarded party's attorney fees within the limits of established rates.

Pursuant to the Code of the Civil Procedure, representatives of the parties have to be advocates or counselors of advocates with few exceptions: legal persons may be represented by their employees in lower courts; trade unions are allowed to represent their members in labour disputes; a person, who has university degree of law, – his or her nearest relatives or spouse; when a few persons participate in a dispute as one party, one of these persons may be appointed by others to represent them. It is possible for the court, upon request of a party to the dispute, to appoint a tutor for the other party, if the latter is incapable or does not have a statutory representative, or its residence and the place of work are not known, or it has nobody to represent it.

Depositions and Discovery

The Code of Civil Procedure provides for witness testimony and taking of evidence in Lithuanian courts. If evidence is not available to a party due to reasonable grounds it may be collected with the assistance of the court. The court may take appropriate measures to secure evidence, including prior to initiation of the court procedures, provided there are reasons to expect that evidence will consequently be destroyed or become unavailable. The opponent party is provided with information on collected evidence. Generally, all available evidence must be submitted to the court before the hearing of the case. However, evidence may also be submitted later if it was unavailable before.

Parties may invite any person aware of the circumstances related to the case to act as a witness. Due to valid reasons a witness may give testimony elsewhere than in court. Evidence may also be collected abroad with assistance of foreign courts in compliance with the EU law or international treaties Lithuania is a party to. The Council Regulation No. 1206/2001 on Cooperation between the Courts of the Member States in the Taking of Evidence in Civil or Commercial Matters has also been in force in Lithuania from 1 May 2004. Furthermore, Lithuania is a party to the European Agreement on Transmission of Applications for Legal Aid (1977), the Convention on Taking of Evidence Abroad in Civil and Commercial Matters (1970) and a number of bilateral agreements.

Judgments

Judgments adopted at the first instance court enter into force upon expiry of 30 days (in case the appellant is a foreign legal person or natural person residing outside Lithuania – 40 days) from adoption, provided they are not appealed. Judgments passed at the second (appellate) and the third (cassation) instances enter into force on the adoption day.

A judgment may be enforced only when it has come into force, except for urgently enforceable judgments. A judgment must be enforced urgently in certain cases provided by the Code of the Civil Procedure or when the court deems it necessary on reasonable grounds. A judgment is enforced only upon request of the awarded party after submission of the enforcement writ. Limitation period for enforcement of judgments is ten years from their entrance into force.

Judgments are enforced by bailiff offices. Orders of bailiffs are binding on every natural person or legal entity in the Republic of Lithuania. Costs of enforcement are borne by the judgment debtor. Action or inaction of a bailiff may be appealed within 10 days in court of the location of the respective bailiff's office. Foreign judgments are enforced in Lithuania either on the basis of the following EU legislation: the Council Regulation No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, Regulation (EC) No 805/2004 of the European Parliament and Council of 21 April 2004 creating a European Enforcement Order for uncontested claims, or on the basis of international agreements on legal aid (for judgements rendered in Byelorussia, Estonia, Kazakhstan, Latvia, Moldova, Poland, Russia, Ukraine, Uzbekistan, Azerbaijan, China, Armenia and Turkey and in civil and commercial cases only), or on the basis of the Code of the Civil Procedure (judgements rendered in all other countries).

Limitation of Actions

Limitation of actions is considered a matter of substantive law in Lithuania. The Civil Code provides that the right to seek protection of a right and rights supplementary thereto (of pledge, guarantee *etc.*) ceases to exist upon expiration of the set limitation period. However, the court may not reject a statement of claim on grounds of an expired limitation period. Limitation of an action is applied only upon request of the opponent party to dispute. The debtor may not demand restitution if he/she has satisfied the creditor's claim after expiration of the limitation period.

The Civil Code establishes the general limitation period of ten years. It also establishes the shortened period

of one month for claims arising out of results of a tender; three months for claims to invalidate decisions of managing bodies of legal entities; six months for claims of forfeit (default interest, fines) and claims arising from shortage in the goods sold; six months in respect to claims arising from the relationships between communication enterprises and their clients regarding dispatches sent within the territory of Lithuania, or one year when the dispatches were sent abroad; one year for claims related to insurance; three years for claims for damage; and five years for interest and other periodic payments. Different limitation periods may be established by other laws or international treaties. Limitation of actions does not apply to claims arising out of violation of personal non-property rights and claims of depositors to repay bank deposits.

• Arbitration

Commercial disputes in Lithuania are currently most commonly adjudicated through the courts. However, arbitration has been continuously gaining popularity and trust among commercial entities, particularly in relation to international business transactions. A foreign or Lithuanian permanent arbitration institution (*e.g.* Vilnius Court of Commercial Arbitration) or *ad hoc* arbitration may be chosen for the settlement of disputes by inserting an arbitration clause in a contract or by concluding a separate arbitration agreement.

Notably, according to the Law on Commercial Arbitration of 2 April 1996 (the 'Law on Commercial Arbitration') the following disputes are not subject for arbitration:

- disputes arising out of constitutional, employment, family or administrative legal relations;
- disputes related to competition law, patents, trademarks and service marks, and bankruptcy;
- disputes arising out of consumer contracts.

Disputes with the State or municipal enterprises, institutions or organisations, except the Bank of Lithuania, being parties thereto may not be submitted to arbitration, unless advance consent to arbitration has been given by the founder of such an enterprise, institution or organisation.

Lithuania is a party to New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958. Thus an arbitral award made in any state, which is a party to the New York Convention, is recognised and enforced in Lithuania according to the provisions of the Law on Commercial Arbitration, Code of Civil Procedure and the New York Convention.



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FINANCIAL MARKETS

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analysts of AB Vilniaus Bankas

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FINANCIAL MARKETS

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Credit institutions: already at the peak?

One of the most significant recent trends in the Lithuanian banking sector is concentration increase. If measured by assets, at the end of 2006, three country's largest banks held a market share of 69.0%, having moved up from 67.1% at the end of 2005.

Although this statistical data looks sufficient to be a critical proof for "smaller" banks' surrender in their fight for a larger market share; however, it can be an overstatement to claim that they have already capitulated. For quite a long time, small- and medium-size banks have been trying hard to conquer possibly largest market share by offering very attractive terms for taking credits or for obtaining other financial services. Sometimes their sale offers have been so in favour of clients that even brought no returns. This has negatively affected their profitability and disappointed shareholders. As a matter of fact, in 2006, bigger banks showed better financial results; e.g. the profits earned by the three largest market players accounted for 78.7% of the whole banking system's total (see Table 1), whereas, relatively smaller banks were among those not being able to manage to increase profits noticeably.

Table 1. Profits before taxes (LTL million)*

Bank	2005	2006
SEB Vilnius Bankas	106.8	285.5
Bankas Hansabankas	107.9	179.5
DnB NORDBankas	43.0	56.2
Bank Snoras	40.7	52.3
Ūkio Bankas	19.7	42.5
Sampo Bankas	8.2	23.3
Šiaulių Bankas	8.1	13.7
PAREX BANKAS	7.2	4.4
Medicinos Bankas	2.1	3.6
Bayerische Hypo- und Vereinsbank AG Vilnius Branch	1.7	1.5
Nordea Bank Finland Plc Lithuania Branch	3.9	-0.3
SEB VB Mortgage Bank	4.8	-
TOTAL	354.0	662.2

Source: Bank of Lithuania.

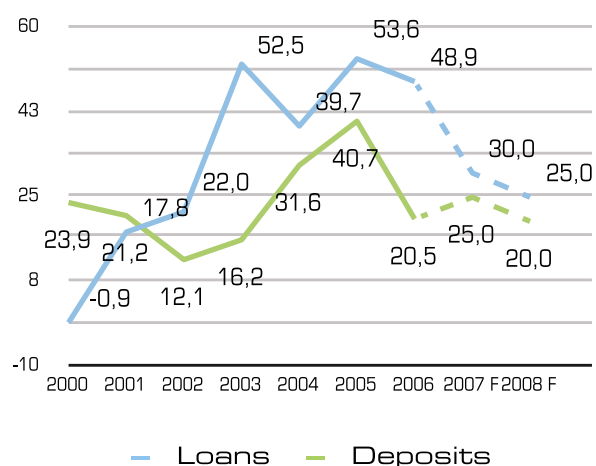
*Litas is fixed to euro at 3.4528 to 1 under currency board regime.

While the banking sector continues following the path of robust growth, recent times have seen first signs of its deceleration. At the end of the 1st quarter of 2006, the credit portfolio of the banks was by 59.1% higher than at the same date a year ago; the respective growth figure at the end of the 2nd quarter reached even 59.7%, but then went down to 55.6% at the end of the 3rd quarter and to 48.9% at the end of the year. Similar to the past trends, loans to individuals are growing significantly faster than those to companies: at the end of 2006, the latter were by 72.3% higher on a year-on-year basis (of which housing loans, by 60.9% higher) versus 42.8%, respectively.

In the coming years, the credit boom will gradually come down from the stage due to increasing interest rates and unfavourable statistical base effect, but the growth rate will still remain dynamic, if compared to developed countries (see Graph 1). The ratios of credits and deposits relative to GDP in Lithuania are still considerably lower than in most of Europe and even than in a majority of EU “newcomers”.

For five subsequent years, credit growth has been faster than deposit growth. At the end of 2006, the volume of loans at commercial banks was by 48.9% high-

Loans and deposits at banks, year-on-year growth (%)



Source: Bank of Lithuania, forecasts by SEB Vilnius Bankas.

er on an annual basis, whereas that of deposits – only by 20.5% higher. As a result of this gap, the last year saw the volume of loans becoming larger than that of deposits, which has happened for the first time since the country regained its independence. Some skeptics claim that banks will soon be left out of money for lending, but there is no reason to sound the alarm yet.

Deposits exceed credits in most of developed countries. Deposits of companies and individuals are not the only source to finance loans in Lithuania as well. Most of local banks enjoy strong financial support from their parent companies – well-known international banks – which may lend necessary amounts at low interest rates anytime. Furthermore, Lithuanian banks themselves may easily attract financial funds on international markets as most of them maintain high credit ratings. Thus, the fact that loans finally became larger than deposits is the sign of progress on the market development path rather than an indicator of money deficiency.

In line with ECB tightening, interest rates in Lithuania have started to move upwards but at a slower pace: since their lowest level last year the ECB increased interest rates already by 150 bps up to 3.50%, whereas av-

verage interest rates on loans in litas went up from 4.70% in December 2005 to 5.37% in December 2006 or by only 67 bps. On-going tough competition urges banks to look for ways to offset any such costs increases by improving efficiency. Indeed, one of the key indicators of banks performance efficiency is a ratio of fixed costs (operational and amortization) to profits from the core operations which declined by 9.0 percentage points over the year down to 44.9% at the end of 2006.

SEB Vilniaus Bankas expects average interest rates on loans in litas to reach 6.00% at the end of 2007 and to stay on the same level until the end of 2008. Rising interest rates usually positively correlate with real interest margins of banks. Consequently, despite credit growth deceleration, the financial performance of Lithuanian banks should continue being good.

- **Leasing: moving ahead at a slightly lower gear**

Over the year 2006, leasing services have definitely preserved their great attractiveness but were making their way at a somewhat slower pace. The value of the whole leasing portfolio came to LTL 7480 million (EUR 2166 million) at the end of 2006, and was by 40.6% higher than at the end of 2005 (see Graph 2). In comparison, the leasing portfolio growth over 2005 reached 36.9%, whereas the respective increase over 2004 made up 44.1%.

In 2006, Hansa Lizingas was holding the lion's market share of 39.3%. SEB VB Lizingas was fairly close with the market share of 36.7% followed by DnB Nord Lizingas (6.6%) and Sampo Banko Lizingas (6.3%). Thus, it is not only largest banks but also their leasing subsidiaries are major competitors.

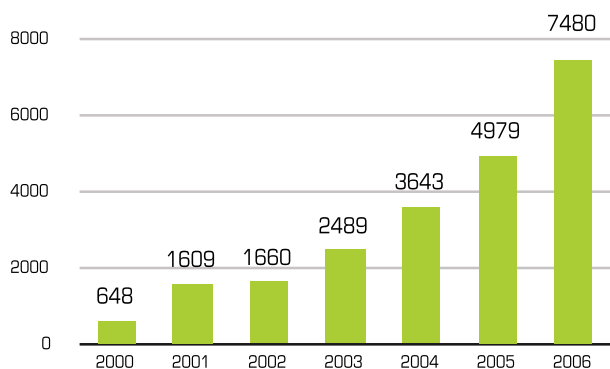
In the near future demand for leasing services will remain rather large in line with active investment process, rising but still relatively low interest rates and bright expectations of both companies and individuals. It is worth pointing out that leasing is mainly being acquired by companies, whereas the portfolio of consumption leasing (leasing services acquired by individuals) accounted for only LTL 432 million (EUR 125 million) or 5.8% of the whole leasing portfolio at the end of 2006.

- **Factoring: growing in line with economy**

Factoring services are developing at a robust pace. At the end of 2006, total factoring portfolio in the country made up LTL 1323 million (EUR 383 million) and was by 30.2% higher on an annual basis. In 2006, the turnover of factoring operations reached LTL 6546 million (EUR 1896 million), or by 15.7% more than in 2005. In comparison, the annual growth of nominal GDP over 2006 made up 14.5%.

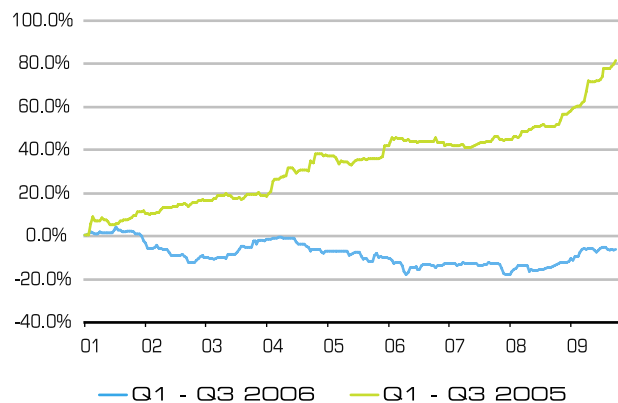
Both fast-developing exports and imports of goods and services (up by 22.3% and 27.3% in the nine months of

■ **Total leasing portfolio (LTL million)***



* Litas is fixed to euro at 3.4528 to 1 under currency board regime.
Source: Lithuanian Leasing Association.

Graph 2. OMX Vilnius index



2006 on an annual basis, respectively) significantly contributed to factoring expansion. At the end of 2006, the international factoring portfolio made up LTL 316 million (EUR 91.5 million), i.e. up by 16.4% year-on-year, whereas the domestic factoring portfolio stood at LTL 1000 million (EUR 290 million) and was by 35.2% higher than at the same time a year ago.

Similar to the banking sector, factoring activities in Lithuania are characterized by a high degree of concentration with two leaders holding more than ¾ of the market. At the end of 2006, Hanza Lizingas accounted for 42.2% of total portfolio, SEB Vilniaus Bankas for 35.7%, Ūkio Bankas for 8.6% and Nordea Finance Lietuva for 4.1%.

- **Insurance market: demand growing in spectrum**

In 2006, the insurance market reached LTL 1448 million (EUR 419 million) and was by 38.7% larger on an annual basis. The main driver of growth was the compulsory vehicle insurance but other types of insurance were on the constant rise as well. The non-life insurance market showed an increase of 31.9% up to LTL 995 million (EUR 288.3 million). The life insurance market grew even faster, at annual rate of 56.5%, but its size in absolute terms came to only LTL 453 million (EUR 132 million) or roughly 31% of all insurance premiums.

The Lithuanian insurance market still maintains a large potential for growth. In the future it should become more diversified by types of insurance services.

- **Equity markets: back to positive returns***

During the first nine months of 2006, investors in Vilnius Stock Exchange made 107 thousand deals worth LTL 443 million (EUR 128.4 million). At the end of September, the market capitalization equaled LTL 22.45 billion (EUR 6.51 billion) and was by 19% smaller than on the same date a year ago. Due to the downtrend which surfaced in the fall of 2005, over the first nine months of this year, the value of OMX Vilnius index declined by 6.4%. The bear market trend can be well illustrated by the ratio of share price ups (10) and downs (33). On the other hand, the market saw a turning point in August as the index bottomed at 366 and gained about 14% by the end of September. The opposite tendencies prevailed in 2005, which was when most of the securities kept rising and returns of over 100% occurred (see Graph 2).

The shares of telecommunications group TEO LT were the most liquid securities with a trade turnover of LTL 256 million (EUR 74.2 million) in January through Sep-

tember. This stock, often called a flagship of the bourse, has been closely following the general market direction. Thus, despite the sound company's financial performance and positive analysts' comments on its share appraisal, TEO's stock price went down by 14% in the first nine months. The company has managed to offset its declining revenues from fixed-line telecommunication services by increasing the supply of the Internet services and retained an impressive EBITDA margin of approximately 50%. On the other hand, TEO is being criticized for their rather conservative financing and investment decisions.

On September 29, 2006, oil refinery Mažeikių Nafta, the largest listed company and the second largest in trade turnover, reached a market capitalization of LTL 6.13 billion (LTL 1.78 billion) and a turnover of LTL 125 million (EUR 36.23 million). During the first three quarters of this year, its share price fell by 8.5%. The share price has been fluctuating dramatically due to high political risk and uncertainty over the company's future. In May 2006, Polish PKN Orlen agreed to acquire the share stakes of Mažeikių Nafta from the major shareholder Yukos and from the Lithuanian government at a price of USD 3.927 per share, which is about 30% above the current market value. In case the deal is successfully made, minor shareholders will obtain the right to sell their shares at the mentioned price in the tender. Yet, investors fear that the Polish enterprise might withdraw or seek recalculation of the agreed price. Fears grew even stronger after the supply of Russian crude oil by pipeline was terminated.

All the providers of financial services have improved their profitability as they were reaping the benefits of robust economic growth and rising population's purchasing power. Yet, by increasing its semi-annual net profit almost 50% Ūkio Bankas has best appeased its investors. At the same time, the bank has improved its investor relations policy and moved to the more prestigious Official List. These achievements were rewarded as the stock price advanced by 53% in January–September of 2006. Its trade volume doubled over the year and reached LTL 108 million (EUR 31.3 million) on September 29, 2006.

In the nearest future, there will still be attractive blue chips to choose from, and the Lithuanian market will grow faster than most of those in the developed world. However, impressive returns of 2004 or 2005 will hardly ever be gained again. Not to mention the foreign players, local investors are becoming more educated and selective, too – the times when all the stocks were simply being swept away without any examination are already a history.

* Equity market view is given as of September 30, 2006.

LITHUANIAN ELECTRICITY

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District Heat Supply Association
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Information provided by members of
Lithuanian Member Committee of the
World Energy Council

Information provided by members of Lithuanian Member Committee of the World Energy Council

5.1 Lithuanian Electricity Association

The Lithuanian Electricity Association (LEA) is a public, non-profit organization founded to represent the interests of Lithuanian energy, energy construction-mounting companies, business enterprises and employers. Founded in 1998, the LEA puts together largest power and heat production, transmission, distribution and supply companies, institutions engaged in design, construction and installation of energy objects, companies in electrical engineering and construction industries, including educational institutions providing specialists for the energy sector. The Association Statute establishes the principles of volunteer membership and collective activities. Standing for representation and protection of its member interests, the Lithuanian Electricity Association takes part in the process of drafting legal acts regulating the energy sector within the country, contributes to the development and strengthening of market relations in the energy sector, and supports efforts toward more rapid integration of the Lithuanian economy into the energy systems and power markets of the European Community. In its activities, the Association follows the principles of sustainable development in compliance with environmental and social requirements, implementing an envi-

ronment-friendly combination of energy resources, promoting control of energy demand and its effective use, as well as observing obligations to the public.

The Association is a member of the European Union of Electricity Industry EURELECTRIC and the Lithuanian Committee of the World Energy Council; besides, it works in close cooperation with the Electricity Associations and Energy Construction Associations in Estonia and Latvia, majority of other Lithuanian associations, education and science institutions.

After the restoration of Lithuanian independence, the Lithuanian electricity and heating economy sector was a natural state monopoly. The control and management of this economy sector was entrusted to the State enterprise the Lithuanian State Energy System, which, on December 4, 1995, was reorganized into the Special Purpose Joint Stock LIETUVOS ENERGIJA, with a 96.5 % share stake owned by the State. Subsequently initiated changes were accelerated and orientated towards progressive experience accumulated in the EU. The guidelines of initiated reforms stood for the development of the legal base within the energy sector, implementation and ensuring of the necessary structural, management and economic changes. The start was not easy due to the general downturn in economy, insolvency of users, large debts and lack of at least minimal experience. The first essential progress was achieved in the structural reforms in 1997, when, on July 1, the heat production and supply sector was separated from the common energy economy of the Republic and its management was redirected to municipalities of 6 largest towns in Lithuania. The segmentation of the heating economy was not limited to this project and continued growing for another few years. Management of regional objects within this sector was handed over to regional municipalities and even local self-government institutions. In order to implement regional restructuring of this kind, municipalities in larger towns were provided with an option to choose the degree of disintegration of relevant district heating facilities. Public company Panevėžio Energija and Panevėžys Town municipality (Panevėžio miesto savivaldybė) have retained the regional structure of district heating sector, with 6 other towns and districts subordinating it. With respect to public and social interests, this allows to apply a more flexible policy on heating tariffs within the entire Panevėžys district.

After detachment of the heating sector from Lietuvos Energija AB, preparations for restructuring in this company were started, aiming at transition from vertical to horizontal management principle, separation of electricity production, transmission and distribution companies

from the centralized management, as well as separations of its structural divisions of secondary industrial activities (construction, repairs, social and servicing areas). Thus, full transparency in the cost structure was sought. The reorganization project was supported by the consortium headed by the Canadian Investment Bank CIBC World Markets.

The Ministry of Economy, and associated energy enterprises focused on the development of the legal basis for the electricity sector's proper management and functioning to ensure its reliable and continuous operation after the reorganization of Lietuvos Energija AB, and transition to functioning under the electricity market conditions. Attempts have been made to develop the legal environment that could ensure appropriate conditions for privatization of energy companies and their integration into the European Community energy systems and electricity markets in the near future.

After the reorganization of Lietuvos Energija AB, 5 companies were founded, such as Lietuvos Elektrinė AB and Mažeikių Elektrinė AB, both power generating companies; Lietuvos Energija AB, a company engaged in power transmission; Rytų Skirstomieji Tinklai AB and Vakarų Skirstomieji Tinklai AB, two power distribution and supply companies. In 2003 privatization of the company Vakarų Skirstomieji Tinklai AB was completed. Mažeikių Nafta AB by the way of public tender has purchased the power plant Mažeikių Elektrinė AB, and from January 1, 2007 on, the power plant will function as a subsidiary of this oil refinery.

As established by the Parliament (Seimas) of the Republic of Lithuania, privatization cannot be applied to companies Lietuvos Energija AB, managing 110 kilovolt and 330 kilowatt power supply lines and objects for the system balancing and voltage regulation, the Hydroelectric Power Plant in Kaunas and Kruonis Pumped Storage Plant.

Taking into consideration the fact that a major part of facilities, equipment, power transmission lines and technological resources in the energy sector of the country was built some 30 – 40 years ago, and is physically depreciated and morally outdated, an active and planned investment renovation policy has been carried out. Every year, tens of transformer substations, switchyards and distribution points, some power transmission lines and energy blocks in power stations are renovated. Annual scope of works in electricity companies ranges from 500 to 600 million Lit. Continuous annual increase in power consumption, steadily growing from 2000, and at present at average amounting to 4.5 %, is also significant

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here. The average annual number of new business and household connections has recently exceeded 20 thousand consumers.

In relation to the decommissioning of the first reactor in the Ignalina Nuclear Power Plant on December 31, 2004, and planned decommissioning of the second reactor in 2009, certain measures should be implemented to ensure the compensation of capacities, the operation of which has been and will be ceased, and fulfillment of respective environmental requirements. The newly prepared National Energy Strategy has designed plans for construction of a new nuclear power plant in Lithuania by 2017. This decision has been based on an official communication signed between the Heads of Lithuanian, Latvian and Estonian Governments on February 27, 2006, by which they expressed their approval to construct a new nuclear power plant within the region and invited national energy companies to invest in this project. On March 8, 2006, in response to the communication, chief executives of key energy companies Lietuvos Energija, Latvenergo and Eesti Energia signed a memorandum on preparation of the feasibility study for construction of the new nuclear power plant. Sponsors of this Study appointed Dresdner Kleinwort, Freshfields Bruckhaus Deringer and Colenko Power Engineering as consultants in preparation of legal, technical and financial analyses for this project. On October 25, 2006, the key points of this Feasibility Study were introduced to the public and shortly presented to the governments of Lithuania, Latvia and Estonia. According to the results of the Feasibility Study, the idea of construction of the new nuclear power plant common to the three Baltic States is feasible within the technical, electricity system, financial and legal aspects. This case is a unique instance in the history of the European Community, when three countries agree on solving the issue, in order to respond to the needs for the source of additional generation. Basic parameters of the new nuclear power plant are designed as the following:

- Power required: 800 – 1600 MW;
- Investment: EUR 2.5 – 4.0 billion;
- Common construction and facility costs: 1300 – 2000 EUR/kW
- Planned project accomplishment year: 2015.

Implementation of the project is a great task that will require consistent technical, commercial, financial and legal work flows. It will have to involve negotiations between different commercial partners, consultations with EU national regulatory institutions and getting their approvals.

After full decommissioning of the second reactor at Ignalina Nuclear Power Plant by the end of 2009; until the new nuclear power plant is constructed, Lietuvos Elektrinė AB will be the main electricity generator in the country, therefore; this will require additional reconstruction and renovation works to be performed at this power plant to increase the efficiency, reduce electricity production costs and ensure the implementation of enhanced environmental requirements. By 2010, the launch of at least one 400 MW power combined cycle gas-turbine block is planned at the Lietuvos Elektrinė AB power plant. The investment is presently estimated at about 250 million Euros.

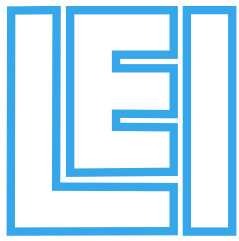
Constructions of new thermal power plants in Klaipėda, Šiauliai, Panevėžys, Alytus, Marijampolė and other Lithuanian towns are also planned as the need for higher power capacities and economic expedience have been growing. By 2020 total capacities of such plants will amount to 400 MW, and the share of energy generated by these plants within the general power balance will reach up to 35 %. Estimated investment amount is about EUR 700 million.

First steps in this direction have already been made: on July 4, 2006, Panevėžio Energija AB launched the construction of 32 MW power capacity first block of the combined cycle gas-turbine thermal power plant. The investment amounts at EUR 32 million.

The Lithuanian energy sector has been reconstructed in compliance with the European Community requirements. It is a pity that this sector has not been integrated into the EU power markets yet, as we still have no links to the EU energy systems. Since 1993, Lithuania has aimed to connect the Lithuanian and Polish power networks. In 2003, a consortium of foreign companies headed by the IPA Energy Consulting conducted a study financed by the EBRD. Study results suggest to be sufficient to connect Lithuanian and Polish power networks by the two-circuit 400 kV, 1000 MW power line with the DC insert. This project will cost about 434 million Euro. The EU support required for its implementation amounts at 267 million Euros. This is the prerequisite for the project to be commercially acceptable. For the sake of further development of the idea, in September 2006, Ministers of Economy of Lithuania and Poland signed a memorandum of intent regarding the interconnection of the energy systems between the two countries. As foreseen by the Memorandum, Lietuvos Energija AB and Polish electricity network company Polskie Sieci Elektroenergetyczne are to form a project preparation group to develop recommendations for the best way possible to implement the interconnection project.

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On the Eve of Anniversary

In order to commemorate the 50th anniversary of Lithuanian Energy Institute, each of the laboratories have reviewed its history, summarized current and previous accomplishments and determined their new visions and missions. For instance, the Laboratory of Hydrology have prepared three projects of Klaipėda State Seaport dredging; the Laboratory of Regional Energy Development has continued the international INTERREG III project RUSE, the aim of which is to assist new EU countries, using the Structural Funds, and reorganize energy policy towards sustainable development; whereas the Laboratory of Heat-Equipment Research and Testing has got involved into the programme of conformity assessment of gas, water and liquid fuel meters. Researchers of the Institute have actively participated and currently take part in FP5, FP6, COST, EUREKA, INTERREG, IAEA, Phare, Tacis, Intelligent Energy Europe, Nordic Council and Leonardo da Vinci programmes. The goal of the Lithuanian Energy Institute is to be a sound and active partner in European Research Area.

Moreover, there are activities, such as hydrogen energy and nuclear energy, carried out by several laboratories of LEI that should be also emphasized.

Laboratory of Combustion Processes

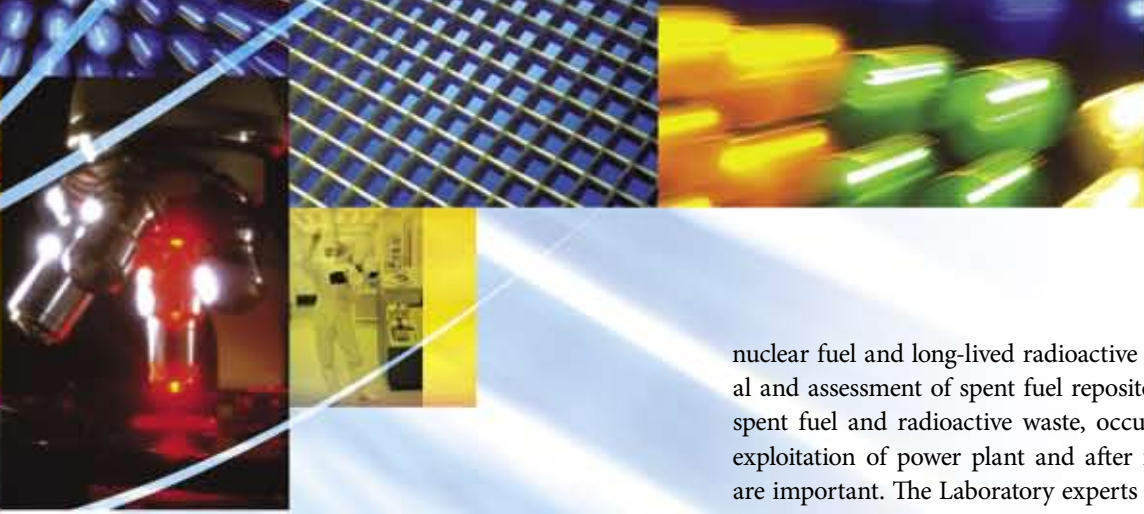
Laboratory of Combustion Processes has set a task to create a process, in which heat production, hydrogen generation and its separation is co-ordinated in one facility. It is considered that while forming the economy of hydrogen use in energy, it is critical to smoothly manage the available fossil fuel infrastructure. One of the most effective means to accomplish

this is hydrogen extraction from organic fuel – e.g. hydrogen separation from methane gas, auto-thermal hydrocarbon decomposition and partial oxidation.

After performing research of primary organic fuel decomposition, the Laboratory of Combustion Processes determined that most of hydrogen is generated during instant partial exothermic fuel oxidation. In further research heavier hydrocarbons are forecasted to be used for hydrogen separation. There will also be an attempt to separate hydrogen from gaseous mixture with selective membranes (Pd, Pt alloy) or molecular separators. Glycerol ($C_3H_8O_3$) – a by-product of bio-diesel production – is to be used as organic fuel. (Note: Usage of glycerol fraction from bio-fuel production waste is part of EUREKA project).

Laboratory of Material Research and Testing (hydrogen storage)

While there is a striving to find alternatives to the exhausted fossil fuel, different companies present interesting solutions on how to force engines operate. Most recent and widely investigated alternative energy resource has been hydrogen. Though some famous companies created hydrogen powered engines, the biggest problem researchers face is hydrogen storage. Scientists of the Laboratory of Material Research and Testing of LEI participate in the programme of hydrogen storage in solids and liquids. In the project Hydrogen behaviour in Hg_2Ni thin film structures it is analyzed that during hydrogenation of nano-crystalline materials hydrogen may be stored not only in chemical compounds, but in inter-crystal structures, too; therefore, the amount of stored hydrogen increases significantly. Researchers of the Laboratory have been actively involved in a number of FP6 and COST



projects and International Energy Agency Hydrogen Implementation Agreement Task 17 activities.

Laboratory of Nuclear Installation Safety

In addition to hydrogen energy, the activity of nuclear energy is important as well. It is carried out by the Laboratory of Nuclear Installation Safety. After evaluating all internal and external events, which may influence safety of nuclear objects in Lithuania, mathematical models, partially developed at the laboratory, are used.

Most of the attention the laboratory pays is the creation of technology of transferring nuclear fuel for additional reuse of Ignalina NPP Unit 1 fuel in Unit 2 reactor. The technology which for the first time has been created in the history of nuclear reactors exploitation will enable Ignalina NPP to save approximately 100 million Litass, while the economical impact on Lithuania will reach several hundreds millions Litass.

Laboratory of Nuclear Engineering

The Laboratory of Nuclear Engineering have been further continuing activities in the fields of Ignalina NPP decommissioning, assessment of spent

nuclear fuel and long-lived radioactive waste disposal and assessment of spent fuel repository. Issues of spent fuel and radioactive waste, occurring during exploitation of power plant and after its shutdown are important. The Laboratory experts have been involved in long-term safety assessment of the Interim Storage Facility for RBMK spent nuclear fuel assemblies from Ignalina NPP Units 1 and 2. Works regarding treatment of spent nuclear fuel have been continued as well.

European Research Programmes

Researchers of the Institute complete other projects as well. Projects of the EU's Sixth Framework Programme are carried out together with partners from well-known European science centers. To name a few – hydrogen energy (NENNET, HYTRAIN, FET-EEU and HySIC); new and renewable energy sources (CERRES); nuclear energy phenomenology (SARNET and NULIFE); and energy social economy projects (NEEDS, EIFN, SOLID-DER and CASES). Activity in FP6 fusion research programme, the aim of which is to create an operating thermonuclear reactor, is continued. Institute researchers are involved in two cost-shared actions.

In 2006 Sixth Framework Programme has been completed, however Lithuanian Energy Institute is to participate very actively in the Seventh Framework Programme in 2007-2013, to propose representatives for the existent technical platforms, and contribute to creation the new ones.



Laureates of 2005 Lithuanian Science Prize – Eugenijus Ušpuras, Algirdas Kaliatka, Juozas Augutis, Sigitas Rimkevičius, Kazys Kęstutis Almenas. Prize awarded for fundamental and applied science research works “Deterministic and probabilistic research, engineering solutions and their implementation increasing safety and reliability of Ignalina NPP (1994-2004)”.



Signing the Collaboration agreement between Joint Research Center (JRC) Institute for Energy (JRC Director General Mr. Roland Shenkel) and Lithuanian Energy Institute (LEI Director Mr. Eugenijus Ušpuras). This is the only agreement between the Joint Research Centre and Lithuanian research institutions.

Technical and economical analysis concerning the construction of SWINDLIT, the 1000 MW power capacity underwater cable electricity transmission link between Sweden and Lithuania is in progress at the moment. The project budget comes up to EUR 400 million. The project feasibility study has been undergoing implementation by Lietuvos Energija and Svenska Kraftnat.

It is noteworthy to mention that similar ESTLINK project was successfully accomplished in November 2006. The project resulted in interconnection of the energy systems of Estonia and Finland by 350 MW power capacity sub-sea cable link and cost EUR 110 million. Companies, administering the project, such as, Eesti Energija, Latvengero, Lietuvos Energija, Pohjolan Voima and Helsingin Energija, are going to discuss the possibilities for triple increase of the power capacity of the link, i.e., up to 1,000 MW.

Implementation of Lithuania's integration into the European Community energy systems will influence greatly reliability of the country's electricity supply and will create precondition for its participation in the efficient European electricity market.

5.2 Energy Construction Companies

Apart from energy companies, the Lithuanian Electricity Association joins together the largest companies in the Republic of Lithuania engaged in construction of energy objects and providing a wide range of services required for effective development of the energy sector and maintenance of the required technical state, including, but not limited to: design, construction and assembly of overhead and cable power transmission and distribution lines, transformer substations, distribution points, communication and information transmission systems, industrial buildings and structures; consultancy services and approval works; topographic and geological surveys; construction, assembly, repairs, adjustment, tests, measurements and technical maintenance of relay protection and automation, electricity measurement units, power receivers, alternating current power devices in zones of increased blast and fire risks, as well as specialized electrical devices; construction and assembly of pipelines and hydro-structures; production and assembly of supports for electricity lines, structural metal elements, pressure vessels, switching boards, control and distribution panels and dispatchers' boards; repairs, modernization, mounting, diagnostics and production of energy devices; as well as services of fault detection, mechanical tests and high voltage laboratories.

One of the greatest advantages of the staff employed in the energy construction companies of this kind is high

professional competence, continuously being improved at the State Energy Personnel Training Center and specialized courses and seminars. Of course, long-term experience of personnel also matters in performance of work and provision of services. Heads of the companies are trying to orientate their staff toward ensuring high-quality services, accurate understanding of each client's needs and expectations, as well as attempting to reach desired satisfaction of their needs. The companies encourage their personnel to regularly improve their skills; attempts are made to gather and retain a core of employees with the highest intellectual and creative potential. The major part of associated construction companies have been working in compliance with ISO 9001 Standard; all of them are licensed and certified according to domestic and foreign standards set for performance of specialized work. The same is true about highly skilled workers.

Companies have been constantly improving their industrial bases. A number of the companies have recently moved into new or renovated premises with by 20-30 % reduced maintenance costs. Many workshops have acquired computerized equipment and production lines mounted. Transportation, mechanical and small devices' parks have been renewed. Introduction of the most advanced technical devices has created favorable conditions for the use of the newest and most progressive technologies. End-buyers of the services, the energy companies, have acknowledged this.

In 2006 it is expected the associated energy construction companies to perform works and provide services for approximately EUR 120 million. Moreover, this number can be easily hit. The current reserve funds ensure possibilities to increase the scope of provided services by 20 - 30 % to reach up to EUR 140 - 160 million annual operating profits.

Energy construction companies are ready to take part in large investment projects in the country's energy sector.

5.3 Lithuanian Gas Association

The Lithuanian Gas Association has been established to promote economic and technical progress of the Lithuanian gas market and protect legal interests of its own members standing for the progress.

The Lithuanian Gas Association is a voluntary confederation of legal entities of the Republic of Lithuania advocating for economical and technical progress of Lithuanian gas sector, joining together the largest companies of supply, transmission and distribution of natural gas

(Lietuvos Dujos AB, Dujotekana UAB, joint Lithuanian and USA venture ITERA LIETUVA, joint Lithuanian and Russian venture Stella Vitae UAB, and Haupas UAB). The Association also has associated members related to natural gas sector, such as association Lietuvos Dujotiekio Statyba, consolidating 16 holding companies of construction of gas mains in Lithuania and abroad, as well as academic and scientific institutions specializing in energy including the Heating and Ventilation Department of Vilnius Gediminas Technical University; the Heating and Nuclear Energy Department of Kaunas University of Technology; and the Heating Equipment Research and Testing Laboratory of the Energy Institute of Lithuania.

The Lithuanian Gas Association is a public organization that stands for the interests of its own members in harmony with other energy sectors and public interests.

5.4 Activities of the Lithuanian District Heat Supply Association

Article by Ramunė Gurklienė, the Lithuanian District Heat Supply Association

The Lithuanian District Heat Supply Association, founded on February 24, 1998, is a voluntary organization that puts together legal entities functioning in the heat supply sector of Lithuania. It aims at coordination of activities of its members, and representation of their interests in relation to relevant institutions. At present the Association has 40 members, including 31 heat supply companies, generating and providing about 99 per cent of the total heat produced in a centralized way in Lithuania. As compared to initial period of Association's activities, the number of its members has grown over the time, the scope of solicited issues under its competence increased, and the Association has become recognized by public authorities. In 2003 the Lithuanian District Heat Supply Association joined the International District Heat Supply, Cooling and Cogeneration Association EuroHeat&Power (Brussels) as a full member. Since 2001 the Lithuanian District Heat Supply Association has also been a member of the Lithuanian Committee of the World Energy Council.

An important field of Association's activities is the task force meetings concerning the implementation of legal acts related to the Law on Heat Supply. On Fridays, for three subsequent years already, all parties interested in the social dialogue have been meeting together at their meetings. They discuss the most urgent issues in the heat supply sector and seek for the best solution of the problems risen. Starting from the first meeting held on Sep-

tember 27, 2002, when the preparation and approval process of the draft Law on Heat Supply was launched; over 125 of the task force meetings were held.

The Association takes continuous care of the adequate member qualification. In 2001-2004 the Lithuanian District Heat Supply Association implemented a training project financed by the Danish Energy Agency. In its essence the project was devoted to implementation of training programs for project development and preparation of technical guidelines for the programs of this kind.

In March 2005 the Lithuanian District Heat Supply Association received financial support for the project Training Staff Members of District Heat Supply Companies (the project duration embraces March 2005 – March 2007) out of the EU Social Fund. The main objective of the project is training staff members in order to increase the competitiveness of legal entities, and Lithuanian economy in general through human resource development. During the period of the project implementation, employees in Lithuanian district heat supply companies were trained according to the following 4 training programs: Management, Marketing, Finance Management and Accounting, and EU Energy Policy.

From July 2004 to July 2006 the Lithuanian District Heat Supply Association and Kaunas City Municipality took part in the international EU project SENET financed by PHARE Programme. 4 European Community member states participated in the project: Vantaa Town Municipality, Finland; Graz Town Municipality and Graz Energy Agency, Austria; Latvian District Heat Supply Association and Municipality of Ogre Town and Estonian Union of Municipality Associations and Estonian District Heat Supply Association.

This project aimed at encouraging cooperation between new EU member states, facilitating integration of bordering countries of the region into the common European space, encouraging social and economical cohesion, as well as ensuring harmonization and observance of EU legal acts and standards in the area of energy saving.

After active institutional meetings and dialogues, on August 24, 2006, the NATIONAL TECHNOLOGY PLATFORM FOR HEAT ENERGY was founded. The Lithuanian District Heat Supply Association; Vilnius Gediminas Technical University; Lithuanian Energy Institute; Axis Industries UAB; Lithuanian Association of Energy Consultants; and Lithuanian Association of Producers and Suppliers of Biological Fuel agreed to take part in activities of the National Technology Platform by signing the partnership agreement.

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Kauno Energetikos Remontas UAB

Presently, Kauno Energetikos Remontas UAB, which is one of the most advanced and reliable Lithuanian companies, has become an active member in the modernization process of the Lithuanian energy sector, capable to carry out works and assigned tasks on time and in appropriate quality. Since 1945, the company has gained long-term experience in the area of repair, assembly, test operations and spare part production. Starting from a small mechanical workshop, Kauno Energetikos Remontas has developed into a production and service company, well-known throughout Europe, and competitive on Lithuanian and international markets.

Our customers are hydro-, thermal and nuclear power plants, industrial companies, electricity and thermal system operators and construction companies.

Our internationally operating company consists of boiler, turbine, power equipment and mechanical shops, five laboratories, a metal working and welding research centre, engineering design office, and other subdivisions. The company's laboratories are certified by the Lithuanian National Accreditation Bureau according to the requirements of the ISO/IEC 17025 standard. The performance indicators (test protocols, calibration certificates and certificates of compliance) of the laboratories accredited by the Lithuanian National Accreditation Bureau are recognized by the EU and the EFTA states.

The company also manages the joint Lithuanian-German Welders' Training Centre offering training services and issuing qualification certificates. In 2004, the Company joined the German Welders' Association (DVS).

The company possesses all necessary certificates, permits and licenses. Last year the company introduced the integrated management system consisting of quality, environment, occupational health and safety management subsystems, according to ISO 9001, ISO14001 and OHSAS18001 standards.

The Company's experts have been working in accordance with international Standard requirements: the ISO, IEC, EN, DIN and RST (for energy and marine industries).

Upon changed market conditions, the Company has been successfully operating and has introduced an expanded range of services and products to its customers by initiating production of metal structures for construction sites, pressure vessels, multi-purpose containers, construction and assembly of power substations and switchyards up to 330 kV voltage. For the first time in Lithuania, at the Lithuanian Power Plant (situated in the Lithuanian town of Elektrėnai), the Company has mounted a flue gas desulphurization plant of 300 MW power





ISO 9001
ISO 14001
OHSAS 18001

unit boiler designed to reduce the level of harmful emissions to the environment.

At present the Company is engaged in technical maintenance and reconstruction works for the Vilniaus Energija UAB, Lithuanian Power Plant (in Elektrėnai), Power Plants in Kaunas, Mažeikiai and other Lithuanian locations. We are carrying out the reconstruction project for Kaunas Hydro Power Plant, one of the affiliates of the Lietuvos Energija AB. This reconstruction covers replacement of facilities and increasing power generation capacities of the plant. The Company is also engaged in assembly works of smoke cleaning facilities for 300 MW power energy units and reconstruction of air heaters at the Lithuanian Power Plant.

The workshop manufacturing boilers started producing 16 MW boiler furnaces using ecologically clean biofuel (wood waste, peat, straw) in 2006. The customer is AXIS Industries UAB.

Metal structures manufactured by Kauno Energetikos Remontas UAB are used in construction of bridges, industrial, trade and entertainment centres (this kind of products was used in construction of the shopping centre Akropolis in Vilnius, Maxima supermarket in Utena, Iki supermarket in Telšiai, Entertainment Centre in Panevėžys, Saulutė shop in Švenčionėliai, Aleksotas Bridge in Kaunas,

M.K.Čiurlionis Bridge in Kaunas, Kleboniškis Pedestrian Bridge over the Vilnius-Klaipėda highway and on many other construction sites).

The Company takes an active part in exhibitions, seminars, and forums of various industry-branch associations to develop commercial relations and exchange information.

The Company operates not only on the western market, but also holds licenses and accreditation certificates of Russian certification bodies for carrying out works in energy-sector objects in Russian Federation.

It would be difficult to find a place in today's Lithuania without the employees of Kauno Energetikos Remontas employed. Throughout all the years of the Company's operation, its specialists have worked in Latvia, Estonia, Germany, Denmark, India, Iraq, Norway, Poland, Russia, Belarus, Kazakhstan and other countries. This allows us to hope for increasing number of orders by foreign customers. This wide recognition of the Company by Lithuanian, and also foreign specialists, as well as many awards granted to the Company witnesses the competence and continuous improvement of Kauno Energetikos Remontas UAB and its staff.

For more information look at: www.ker.lt

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On October 25, 2006, the Lithuanian District Heat Supply Association received the EU support to finance the Project Development of the National Technology Platform for Heating Energy and to form the capital of the Platform. The project is mainly aimed at harmonization of interests and activities of scientific and educational institutions, consultancy and industrial companies; joining their human, institutional and financial resources in search for sustainable use of energy resources in sectors of district heat generation, supply and use. The designed project outcome is the following:

1. Upon successful implementation of the project, the Lithuanian District Heat Supply Association will gain substantial institutional trust, which is important in Lithuania's policy building and implementation within the district heat energy sector;
2. The scope of public services provided to the district heat energy sector players by the Lithuanian District Heat Supply Association will be expanded, and this will increase confidence of the organization not only by its members, but also by other interested stakeholders in the district heat supply sector;
3. The Lithuanian District Heat Supply Association will act in new fields of activities not limited to business companies representation, adding scientific institutions to this list, and this will allow to increase their organizational and human capacities.

• **Promotion of Local and International Cooperation**

On September 19, 2006, a cooperation agreement was signed by and between the Energy Saving Association of

Kaliningrad; Lithuanian Electrical Energy Association; and Lithuanian District Heat Supply Association.

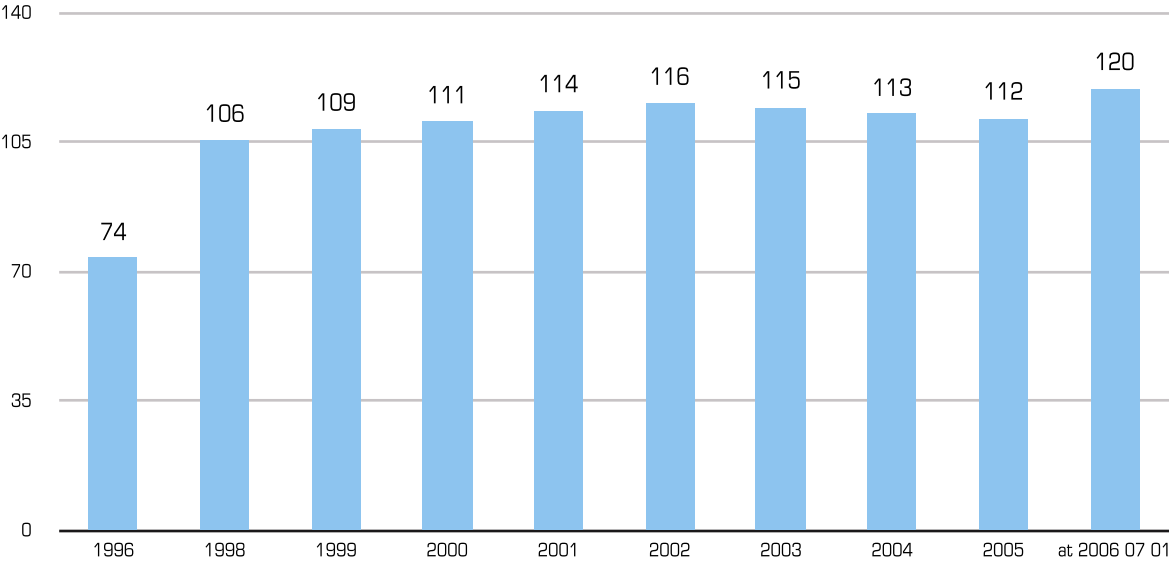
The agreement aims at:

- expanding collaboration and cooperation in the area of energy efficiency increase;
- using the possessed energy saving potential at its maximum by consolidated solutions to environmental issues;
- outreaching the use of local and renewable energy resources (including biological fuel, utilities and combustible waste, wind, water energy, etc.);
- modernizing the existing district heat supply systems;
- promoting and introducing the use of state-of-art technologies in the energy and industrial sectors aimed at reducing energy consumption for product manufacturing;
- introducing measures to increase the sustainable development of the energy sector without damage to the surrounding environment;
- organizing and participation at seminars, conferences and other topical measures being held by the parties of the agreement;
- inviting the parties of the agreement to seminars, conferences and other relevant measures; and
- exchanging information related to the key issues in the energy sector among the parties of the agreement; involving mass media for this purpose.

5.5 Survey of the Heat Supply Sector

The heat supply sector is one of the most important energy sectors in Lithuania. It is closely connected to other branches of energy, such as electricity, gas, oil and renewable energy resources.

Dynamics of Prices of District Heat Supply, 1996-2005



On the global scale the district heat supply first appeared some 130 years ago in New York, and respectively in 1903 in Lithuania, when a public district power plant was opened in Vilnius. Within the premises of the plant the first district heat supply system was installed. More substantially the operation of district heat supply systems in Lithuanian towns started after the World War II: in 1958 a district heat supply company was established in Vilnius; in 1963 - in Kaunas and Panevėžys; and, after some time, also in Šiauliai and Klaipėda. During 1960-1990 district heat supply systems were constructed in all Lithuanian towns and a major part of settlements. The systems were growing and expanding with the development of each town, becoming the most effective and rational way for heat supply and hot water preparation.

At present, the district heat supply makes 50 per cent of the total heat generation balance in the country, alongside the means of individual heat production. Individual heating is more popular in small settlements, rural homesteads and in the outskirts of towns, where district heat supply is not economically viable.

In 2005 the income of the district heat supply companies amounted to 914 million Litass. This made up to 1.33 per cent of the Gross Domestic Product (GDP) in Lithuania, which in 2005 reached up to 70,763 million Litass. In total Lithuania has maintained over 60 district heat supply companies (on the annual basis supplying at least 5 GWh heat) and the total number of consumers is >584,000. The total length of heat transmission networks reaches up to 2,545 km. Heat supply companies employ about 5,300 persons.

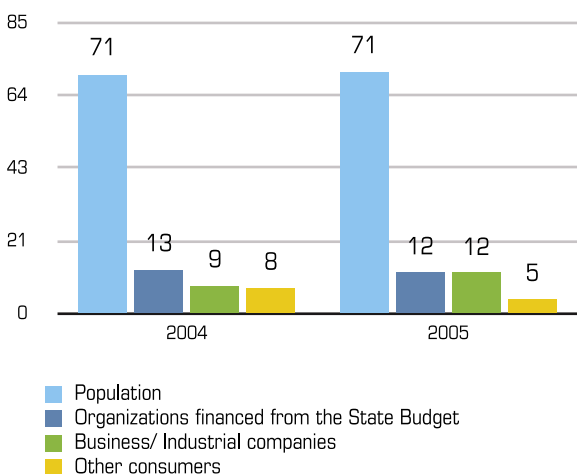
The Lithuanian district heat supply sector was shifted to a new legal framework after the Law on Heat Supply had been passed for enforcement on July 1, 2003. The Law with accompanied legal acts has been providing many innovations, and regulating more actively the relations, duties and responsibilities of the interested parties.

Before 2000, district heat generation and sales quantities had been decreasing due to the economic situation in the country (bankruptcies of companies, disconnections from the district heat supply system, decrease of the living standards, or shift to the decentralized gas heating, etc.). Recently, heat supply volumes have been stabilized; heat loss on the networks has significantly reduced (up to 17.8 %); and this is a basis for future stability in the Lithuanian district heat supply sector. In 2005 the heat production reached 10,110 GWh and 8,126 GWh of heat was supplied to population.

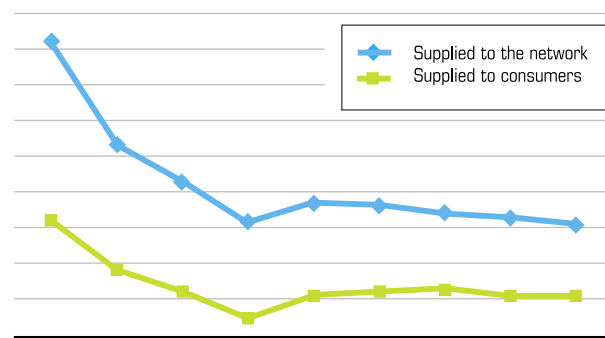
94 hydraulically integral district heat supply systems function in all Lithuanian municipalities at present.

The Guidelines for the Heating Infrastructure Development provide for modernization of Vilnius and Kaunas co-generated power plants and construction of a new-type pilot co-generated power plant in Panevėžys, as well as construction of co-generated power plants in Šiauliai, Klaipėda, Alytus, Marijampolė and other Lithuanian towns by 2015. The total power generated by all co-generated power plants will grow by 400 MW by 2020. Plans are made to make a share of electricity produced by cogeneration power plants in the gross power balance equal at least 35 per cent (17 per cent at present), and a share of heat produced by cogeneration power plants

Heat Energy Consumption



Heat Energy Generation Balance in Lithuania, 1996-2006



within the gross district heating balance equal at least 75 per cent in 2020 (50 per cent at the moment). The facts that total heating power by cogeneration power plants presently having been under construction will reach up to 155 MW, and up to 145 MW by the planned to construct cogeneration power plants, seem to be promising of successful completion of this task.

Employees of the Lithuanian district heat supply sector are working to achieve the goal foreseen in the Guidelines for the Heating Infrastructure Development: “to prepare special plans for the heating infrastructure, and implement these by the funds of municipalities, public and private companies and consumers”, in compliance with the national energy priorities. In preparation of these plans, long-time essential solutions for modernization and development of the heating infrastructure in Lithuania have been designed. At present 40 municipalities (out of 60) in the country have the plans described above already prepared, and organize their district heat supply sector development based on these plans.

Great influence on profitability of district heat supply companies is made by fuel prices, as fuel expenses make up to 46 per cent of heat supply cost price on average.

More intense use of biological fuel will allow ensuring energetic independence of the country in the future. In 2005 the use of the fuel of this kind made up about 12 per cent of the general fuel balance, and in regional heat supply companies the biological fuel consumption part exceeded 22 per cent. Operation of the first boiler plant working on biological fuel started in 1994. At present

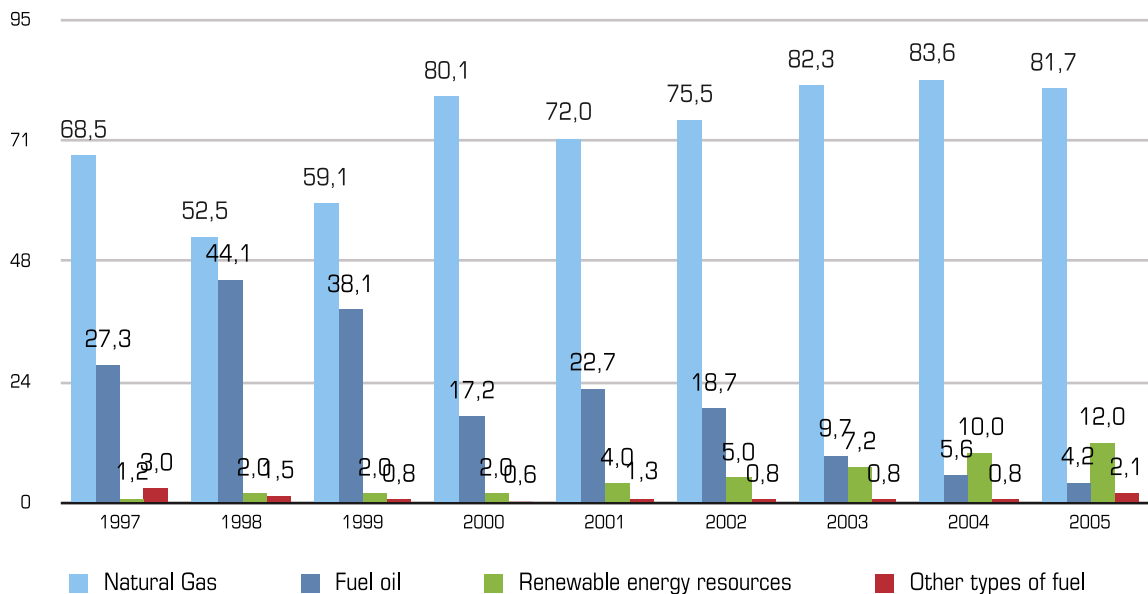
Lithuania has counted at about 200 boiler plants (up to 416 MW power capacity) within its total fuel balance. Biological fuel consumption share within the general Lithuania’s fuel balance has been remarkably increased due to a new biological fuel boiler (of 60 MW power capacity), introduced to operation in October 2006 at the Power Plant No. 2 of the company Vilniaus Energijs UAB. The company has invested about 40 million Lit as in this type of boiler that has replaced one out of the 4 boilers working in the Power Plant No. 2 on fuel oil and natural gas.

Moreover, when local fuel, such as lumbering waste, straw, chaff, osier, etc., is used by district heat generating plants, the amount of combustion pollutants and greenhouse gas is also reduced. Within four recent years, the amount of pollution exhausted by heat supply companies has decreased by 27 per cent.

The Guidelines for the Heating Infrastructure Development secure that heat production of local, renewable and waste resources will make 17 per cent in 2010 and 23 per cent in 2020 within the gross heat production balance.

Key consumers of district heat are persons residing in blocks of flats. Difficult economic situation of a part of this segment of population, and problems in budgetary institutions have determined that the level of liabilities for the heat consumed within the district heat supply sector still remains high, although the number of consumers has been growing.

Fuel Consumption Dynamics, 1997-2005



A major problem in Lithuania is poor quality housing in blocks of flats, and, therefore, the heating costs of this part of population are higher. Persons residing in old blocks of flats are forced to spend up to three times more than persons residing in brand-new buildings. With regards to this aspect, houses built during 1960-1990 are critical to consider, and high heating costs in the housing of this kind are preconditioned by poor wall, window and roof thermal resistance. Renovation of this part of housing would allow residents to reduce housing heat and maintenance costs.

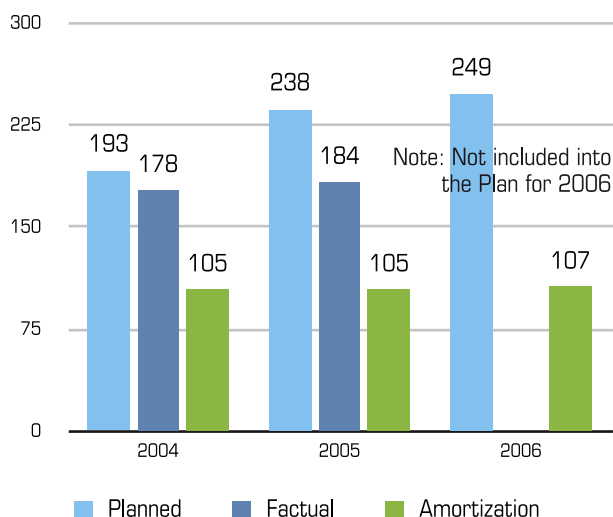
Over the recent years Lithuanian district heat supply companies have implemented many projects in relation to heat generation resources and heating networks. This has ensured the growth of heat supply efficiency and a possibility to reduce heating prices.

Present price-making policies in heat supply companies allow investments in purchasing new and reconstruction of the existing technological facilities (including heat generation resources, and heat transmission routes, etc.) out of the funds accrued from their amortization long-term assets. Although in most cases these amortization deductions are used to cover company's liabilities or finance its activities avoiding increase in heating prices to consumers. In 2004 actual implemented investments were well synchronized with the planned ones, and in 2005 the plans for investment remarkably exceeded the actual investments (obviously due to corporate expectations to get support from the EU structural funds).

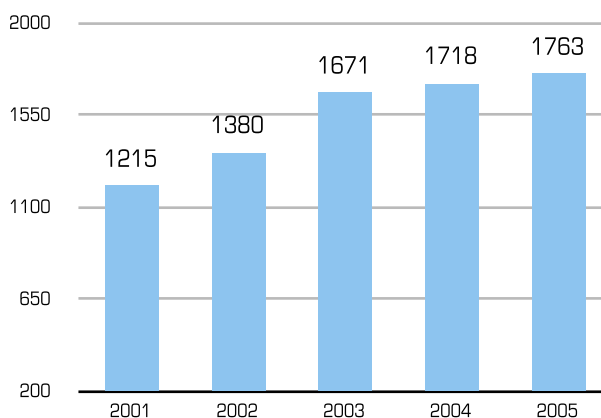
Investments to production have grown from 32 per cent in 2004 to 40 per cent in 2005. Up to 50 million Litass investment in construction of the thermal power plant in Panevėžys should also be ascribed to the production investments. During the period of 2001-2005 total investments by Lithuanian heat supply companies amounted to 709 million Litass. Companies leased to private operators have received the major part of investment. Investments planned for 2006 have reached up to 249 million Litass.

The investment in renovation of heat transmission networks has so far been low. Only about 2 per cent of total heat transmission networks are renovated on the annual basis. At present pipelines older than 20 years make up 5,000 km (after their recalculation into the standard 100 mm diameter) within the heat supply network. The pipelines of this type need to be replaced by 2013. With inclusion of heat supply network structures, about 1.4 billion Litass is required for this purpose. Other funds necessary for energy generation resources (reconstruction, and fuel conversion, etc.) amount to 0.93 billion Litass. In total, for renovation of the entire heat supply in-

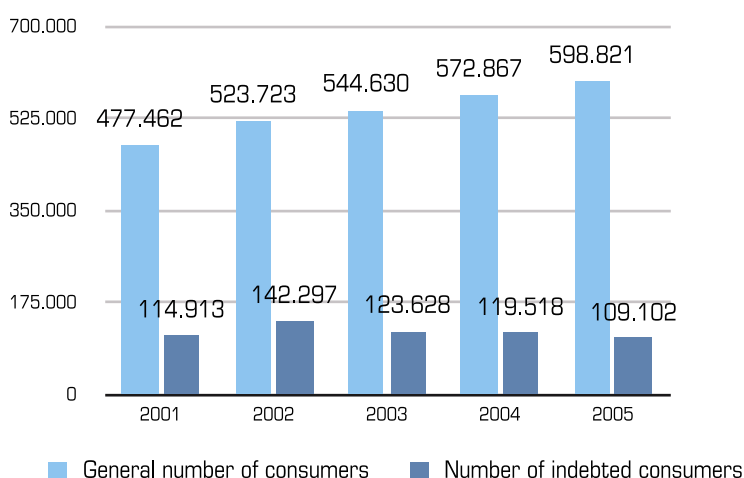
Scope and Implementation of Investment in District Heat Infrastructure, 2004-2006



Energy Quantities Supplied to the Market by Thermal Power Plants



Dynamics of Growth of Heat Consumers, 2001-2005



frastructure, over 2.3 billion Litas are required in the period of 2007-2013. Although this is expensive and hardly returning investment, it is crucial to ensure reliability of the heat supply system.

Over the 16 years of the independence, the district heat supply sector in Lithuania has faced many changes, starting from the Soviet methods to transition into the market economy. Within this transition period, the district heat supply sector has also survived a danger of destruction. The efforts made by specialists of the country, as well as positive example and support from Scandinavian countries have been essential factors that determined preservation of the district heat supply sector in Lithuania. At present among 10 new member states of the European Community Lithuania has been estimated as having quite well-managed district heat supply infrastructure with good possibilities for its modernization to reach the level of Western European states.

5.6 Lithuanian Energy Consultants Association

• History, activities, goals

Dr. Vykintas Šuksteris, President
Donatas Misiūnas, Director

The Lithuanian Energy Consultants Association (LECA), a non-profit association, was established on December 14, 2000. Eight consulting companies and two natural persons were promoters of this association.

The Lithuanian Government with support from the World Bank and technical assistance from Denmark and Holland, aiming to encourage energy saving in buildings (both residential and public) started an experimental project on Energy saving in Housing in 1997; implementation of this project was the principal factor in the appearance of LECA. The project in Lithuania was administered by the Fund of Housing and Urban Development (now the Central Project Management Agency).

To develop this project, calls were made to all possible energy specialists from universities, scientific research institutes and private consulting companies; later they formed the LECA initiative founders group. Colleagues from Denmark, Sweden and the Fund of Housing and Urban Development supported and encouraged the appearance of the association.

During the initial stage our main tasks for association activity were the following:

- to represent and protect the interests of members in all the governmental institutions and in work with Contractors, to provide judicial help for association members as well;

- to consult upon and participate in development and implementation of national legislation and legitimate acts relevant to association activities;
- to participate in the process of instituting normative documents and preparing methodology;
- to raise professional qualifications of the members of the association and to organize their trainings;
- to organize specialist instruction, their placements and trainings;
- to ensure professional ethics among LECA members and to stimulate fair competition;
- to enter into similar organizations abroad;
- to promote and instill economical usage of energy.

Since the establishment of the association in 2000 we have noticed a significantly greater interest in our activities not only among energy producers, suppliers and users, but also among consultants providing similar services. Last year, following the decision of General Members Assembly, the company Ugira UAB (formerly one of the LECA establishers) lost its association membership, but at the same time we can willingly note that three active companies have entered the organization. M.Nagevičius' company Ekostrategija and Termosistemų projektai UAB refreshed the constituency of LECA in 2002, followed by Statybos strategija UAB in 2003. These three companies together with old-timers COWI Baltic UAB, AF-Terma UAB and Eksergija UAB occupy most of the consulting market in the area of economic and effective energy.

At present the association embraces twelve consulting companies and natural members from across Lithuania: AF-Terma UAB, Eksergija UAB, Carl Bro UAB, COWI Baltic UAB, M.Nagevičius company Ekostrategija, Pastatų konstrukcijos UAB, Šiltas namas UAB, Statybos strategija UAB, Termosistemų projektai UAB, Etima UAB and two natural persons – president of the association Vykintas Šuksteris and Vytautas Gaubas.

The urge to of renew and develop Lithuania's energy sector, together with the possibilities offered by EU Structural Funds, has directly influenced the activity of energy consultants. More activity in the professional consultants market is felt, especially because of rational usage of support focused onto the energy sector, and this is evident from the returns enjoyed by LECA members: in 2005, as compared to 2004, the value of total sales in the energy sector increased by 34 %. Last year was especially successful for M.Nagevičius company Ekostrategija, whose annual return in the energy sector grew 6, 6 times. Dynamism was also shown by COWI Baltic UAB, Statybos strategija UAB, Termosistemų projektai UAB, AF-Terma UAB and Eksergija UAB.

The address of the Lithuanian Energy Consultants Association (LECA) is Smolensko st. 10, 03201 Vilnius. Contact phone number: +370 5 2788433, fax +370 5 2788789, e-mail: info@leka.lt. The main information about LECA can be found at its web site: www.leka.lt (currently under renovation).

LECA is a member of the World Energetic Council Lithuanian Committee (Association “Lithuanian energetic union” before that) and participates actively in its work.

It is important for Lithuania that qualified consultative work is applied to rationally solve problems related to the transformation of energy, its allocation, provision and use; and to implement EU Directives 93/76/EEC, 96/737/EC, 93/500/EEC, 98/352/EEC (focused on effective usage of energy and renewable energy resources). Companies members of the LECA have expertise in great diversity of energy projects.

- Usage of energy in buildings. Energy auditing (in public, residential, industrial buildings); investment proposals; consultations developing technical projects (some companies even prepare them by themselves); preparation of documentation and support; organizing competitive tenders; technical supervision of works.
- Special plans. Special plans for towns and villages for rationale and confirmation of the chosen way to provide thermal energy.
- Industrial enterprises. Energy auditing in industrial enterprises; usage of accessory heat; change of fuel sort; analysis on efficiency of combined heat – electricity power stations; increase of energy efficiency.
- Renewable and local energy resources. Investment proposals for projects where usage of wind, sun, hydro-, bio-resources is analyzed.
- Central heat supply. Analysis of heat production, provision and allocation; feasibility studies for companies providing heat; research into cost-cutting options in heat production.
- Business plans and bids for structural funds. Feasibility studies, business plans and bids for structural funds in accordance with SPD (Single Planning Document) measure 1.2 “Assurance of supply stability, accessibility and more effective energy”. Clients are eligible from both public institutions and business enterprises.
- Environmental protection. Requirements for environmental protection in energy; assessment of environmental impact; climate change; the Kyoto Protocol.
- Laws. Participation in preparing national legislation and legitimate acts and other normative documents, relating to energy.

- Buildings’ energetics certification. Beyond the above activities the association is seriously preparing for a new wave of consulting activities – energy certification of buildings, pursuant to EU DIRECTIVE 2002/91/EB “Buildings Energetic Utility”.

We are striving for LECA’s participation in developing building renovations and in the market for implementation of energy saving measures, thus discovering potential for rewarding investments on the part of other market participants (housing owners, contractors, producers, designers, companies providing heat, administration and supervision companies). As the services of energy consultants are expanding and should stimulate implementation of energy-saving measures, for us it is very important that as many market participants as possible, related to energy, are informed about the services provided.

Specialists from LECA members continuously improve their professional skills, participate in trainings, seminars and regularly get acquainted to the results of new research and professional working tools (software programs).

So far there have been no systems in Lithuania for assessment, accreditation, licensing and other regulatory requirements for energy auditing (for either legal or natural persons). This could explain why, seeking to maintain our professional prestige, we had in 2000 already prepared and initiated an Energy Auditors (consultants) Accreditation and Assessment System. But for a long time there was no real answer to our initiatives from government institutions.

Only in 2003-2004 a working group concerning DIRECTIVE 2002/91/EB “Implementation of Buildings Energetic Utility in Lithuania” was founded under the Ministry of Environment. Representatives from LECA have been already participating in such activities, and in the Directive Implementation Plan for 2005 there is intention to start implementation of the consultants teaching – assessment system.

We can see that the expertise and interests of LECA members are very wide; therefore, we ensure the professional preparedness of our members, as the association is growing and developing - that is why we offer you our services and we guarantee that you will not be disappointed.

We state – energy won’t be cheap anymore!

FAVOURABLE INFRASTRUCTURE

- 6.1 Results of the EU Transport Network Membership
- 6.2 Cohesion Fund
- 6.3 EU Structural Funds, European Regional Development Fund (ERDF)
- 6.4 Future Plans

Information provided by the Ministry of Transport and Communications of the Republic of Lithuania

Information provided by the Ministry of Transport and Communications of the Republic of Lithuania

The sector of transport and communications is one of the fields growing most rapidly in Lithuanian economy. Currently, this sector has been developing fairly successfully to ensure effective growth of the domestic market, foreign trade and transit servicing, as well as communication between individuals and tourism development.

Today the key role within the Lithuanian transport system is played by main motorways and railroads of the European significance, intertwining into a wide network of the country's roads, the ice-free port in Klaipėda and 3 international airports. As it had been approved by the second and third European Transport Conferences (held in Crete and Helsinki, respectively), two trans-European transport network corridors have been crossing our country which are important arteries for transportation of large flows of cargoes:

- Corridor I, the North - South direction. Constituting parts of this Corridor Tallinn – Warsaw are: the Via Baltica highway, one of the most important transit routes in Lithuania, and the railway Tallinn-Riga-Kaunas-Warsaw. Total length of the 1st Multimodal Transport Corridor within the territory of Lithuania reaches 333 km, including 192 km of single-track and 141 km of double-track rail; and
- Corridor IX, the East-West direction. Branch IXB (Kiev – Minsk – Vilnius – Kaunas – Klaipėda) and

Branch IXD (Kaunas – Kaliningrad) are constituencies of this corridor. In the territory of Lithuania the total length of the Multimodal Transport Corridor IX is 536.4 km.

Taking into consideration capabilities of all transport facilities, including motorways, railways, air and water transport, Lithuania has become able to provide high quality cargo and passenger transportation services. Each year an abundant flow of cargoes and passengers cross Lithuania, lying in the crossroads of the East and the West, as well as the North and the South. In 2005, about 80 per cent of cargoes were transported through international transport corridors. Lithuanian transport carriages weighed (totalled in) 110.5 million tones, and over 453 million customers were carried by Lithuanian passenger transport in 2005.

Roads form one of the most important areas in country's infrastructure, strongly influencing the growth of economy and culture of Lithuania. The total length of Lithuanian roads (including streets in towns) reaches 79.5 thousand kilometres, including 21.3 thousand kilometres of roads of the national significance. At the beginning of 2006, the density of public roads was 6.25 km per 1,000 of population, and 326.6 km per 1,000 km² of the country's area. The density of roads covered with improved road pavement (asphalt-concrete) was 3.8 km per 1,000 of population and 197.6 km per 1,000 km². Lithuania has maintained a fairly well-balanced network of roads, and no county with insufficient length of roads has been kept.

The length of Lithuanian railways totals to 1,771.2 km with 382.6 km (21.6 per cent) of double-track railways. The network of Lithuanian railways covers 528 bridges with access roads at total length of 16.4 km, and a single tunnel of 1.3 km. The density of Lithuanian railways is approximately 27.1 km per 1,000 km². Lithuania has also had two electrified railway lines (Naujoji Vilnia – Vilnius – Kaunas, and Vilnius - Trakai) with the total length of 122 km, used for passenger commute by electrified trains. To better satisfy passenger needs, the reconstruction of Vilnius Railway Station has recently been completed; in addition, passenger service terminals are undergoing the modernization in other Lithuanian towns.

To ensure effective train reception – transference operations on the outside EU borders, railway stations in Kena and Kybartai have been modernized.

The infrastructure of Klaipėda port and the related road transport is also customer-friendly, and has been undergoing continuous modernization. Klaipėda Port is the remotest northern ice-free port on the eastern shore of the Baltic Sea, and an important node within the Transport Corridor IXB, joining together the routes in the Eastern – Western direction and sea-lanes. After the reconstruction of the port gate in 2003, lengthening of the

southern and northern breakwaters and deepening the quays up to 14 m was done, and the port is now capable to accept up to 245 m length ships with the gauge up to 10.5 m. Due to the quayside deepening works of this kind, the competitive ability of the port has increased a lot. With further consistent development of accessibility of the port via railroads, the port's cargo acceptance and stevedoring capacities have been growing every year. A recent trend could be noticed that Klaipėda Port can now provide service for vessels of greater tonnage. The Port competes with other Baltic ports by amounts of stevedored cargoes. In 2005, 21.8 million tones of cargoes were stevedored in Klaipėda Port, and the number of reloaded containers grew up to 214.3 thousand TEU. This makes almost by 23 per cent greater than in 2004. It is the most profound growth whatsoever, as compared to other ports on the eastern shore of the Baltic Sea. 72 per cent of trade transactions in Klaipėda Port are made with the EU member states. By regular sea navigation lines, the Port is connected to the main harbours in Western and Northern Europe, and is an important link to the trans-European network of sea-lanes.

The total length of inland waters in Lithuania is 902 km. 425 km of this number are used to carry passengers and cargoes. The span of the river Nemunas (Kaunas – Jurbarkas – Klaipėda) and Kaunas river port have been included into the priority European Inland Water Network (TEN-T), which is of international significance. Besides, the inland water lane Kaunas – Klaipėda and the Curonian Lagoon lane are the routes E41 and E70, which are part of the United Nations Water Lanes joining Kaunas with the routes of international navigation through Klaipėda Port, and with the Western European Inland Waters Network through the Kaliningrad Region. Basic passenger and cargo flows are conducted by the ferries between Klaipėda and Neringa. The largest Lithuanian river Nemunas should become an attractive route for local and international tourist travel. As a result, it is worth mentioning that one of the priority prospects for inland water routes is the tourism development in the area.

3 international airports (in Vilnius, Kaunas and Palanga) of Lithuania have been included into the TEN-T network. In 2005 Lithuanian airports serviced 1.4 million passengers. Over the decade, Lithuania has formed an effective structure of the civil aviation market, developed a contemporary legal framework for regulation of this sector, and has been expanding the fleet of western aircrafts. Lithuania maintains effective air navigation infrastructure, which is undergoing renewal in compliance with the European control standards. At the international airports of Vilnius and Palanga air jet noise control systems corresponding the European Community's requirements have been launched, and additional technical, organizational and investment measures are being implemented in order to meet the requirements for en-

(continued on page 80)

tering the Schengen Convention. To guarantee flight security within the international airports and ensure their competitiveness, these ports are undergoing modernization, with civil aviation safety measures being introduced; such as modernization of flight strips at the Airport of Palanga, installation of latest higher intensity lighting systems for flight strips at the Airport of Kaunas, and replacement of the Instrument Landing System (ILS) at Vilnius Airport.

6.1 Results of the EU Transport Network Membership

Lithuania's membership in the European Community encourages the specialists identifying the key areas in the country's economy and efficient use of the most developed sectors potential to contribute to the country's entry to the common European market. It is noteworthy that, within recent years, a part of our GDP developed in the sectors of transport and communications has been increasing, and, according to the drafted data of 2005, it made 12.5 per cent where 9.4 per cent went to the transport and 3.1 per cent to the communication sectors. These sectors have about 93.6 thousand persons employed, which makes 6.4 per cent of total manpower within the Lithuanian economy sector. Thus, a relatively smaller number of the workforce produces a relatively higher GDP in the sectors.

The growth of Lithuanian economy, ensuring higher living standards and establishment of new jobs, is impossible without the efficient transport system and the appropriate infrastructure, to provide a possibility to use the potential of both domestic and foreign markets. Therefore, it is of the greatest importance to possess a well-developed road network, well-balanced interaction of different types of transport, and strong logistics centres. As it could be noticed in the experience of other EU member states, subjects to assistance from the Cohesion and Structural funds, there is a clear positive influence of investments on reconstruction and modernization of the transport structure and overall economic growth of any country. For example, after the railway line Athens – Salonika had been modernized in Greece; the duration of a journey was reduced by 1 hour. When an appropriate road infrastructure had been developed in Portugal, the duration of a journey was approximately decreased by 20%. Investments on infrastructure have contributed to reduction of unemployment in the European Community: by implementation of projects within the transport infrastructure, 56,000 jobs in Greece and, respectively 98,000 in Italy were created.

By implementation of the European Union's regional policy and investment in the transport infrastructure, Lithuania not only aims at decreasing the length of a journey, growth of passenger and cargo flows and increase of the number of jobs, but also seeks reduction of

the discrepancies in the development of its regions and encourages progress in the under-developed regions. In order to achieve adequate results, the priority areas and trends in the transport sector should be defined first, about Lithuania's use of the investments. Related to this, in 2005 State authorities approved the long-term Lithuanian Transport Development Strategy (up to the year 2025), based on the European Community legislation and needs assessment within the transport sector. The Strategy foresees development of advanced multimodal transport system in Lithuania up to 2015, capable to gain ground at the levels of other EU countries by its technical parameters and quality of provided services. Besides, these trends were reflected in the Cohesion Fund Strategy of the Republic of Lithuania for 2004-2006, and the General Programming Document (2004-2006). Implementation of the ISPA Program and appropriate use of the Cohesion and Structural funds could also contribute to achievement of the goals discussed earlier.

6.2 Cohesion Fund

Projects Started within the ISPA Program Period (in 2000 and on)

While implementing modernization and reconstruction, the key objects within the transport infrastructure included in the International Transport Corridors I and IX have received a solid financial support by the European Community's ISPA Program. Within the spoken period, the ISPA approval was received for 10 projects to receive assistance within the transport sector, including 7 infrastructure objects and 3 technical support projects. The value of the financial support amounts totals to 951 million Litas (275.5 million Euros). For the time being, 5 ISPA Projects have been fully completed.

Within the road sector, pavements in certain sections of the motorway Vilnius – Kaunas – Klaipėda have been strengthened according to the European Community Road Load requirements 11.5 t/ axis; a loop road for Kaunas City has been broadened up to 4 traffic lanes, where two-grade separations have been constructed, and a loop road for Šiauliai town has been built in the Corridor IA; as well as traffic safety measures have been implemented.

Within the railway sector; power supply lines, signal and telecommunication systems, tunnel, bridges and viaducts are in progress of modernization; whereas access railroads to the National Port of Klaipėda and Port Railway Station are also undergoing reconstructions; and sorting plants are being modernized.

By having analyzed the results achieved recently, the contribution by these EU investments can be clearly seen. For example, after the repairs of particular railway sections, the speed of passenger trains has increased and duration of a trip shortened by 10-20 minutes. After a

part of the railway infrastructure repair works was implemented in the Corridor IX, the speed of freight trains increased from 80 km/h to 90 km/h; besides, the reliability and traffic safety of railway transport generally increased. This can also be reflected by the growing extent of freight flows transported by railways. For example, in 2005 the transport sector reached the highest number of carriages by train, having made 49.3 million tons freight (as compared to 45.6 million tons in 2004; when the growth was almost 8.2 per cent). This year has also seen an obvious growth of cargo transportation by train. During the 8 months of 2006, cargos at the value of 33.7 million Litass have been transported, which is by 9.8 % more than compared to the same period in 2005.

Projects to be completed within the Period of the Cohesion Fund (2004-2006)

The support Lithuania received from the Cohesion Fund within 2004-2006 amounted to about 1 billion Litass. They have been allocated to the projects in the transport sector, which are aimed at renovation and/or further development of the transport infrastructure in the country, that is an integral part of the Trans-European Transport Networks (TEN-T), or ensure an access thereto.

Within the described period, money from the Cohesion Fund have been used only for financing large-scale projects (of at least EUR 10 million value) and projects of the great importance. Up to 80-85 per cent of public costs (or of equal value) of a project may get support from this Fund. Therefore financial support from the Cohesion Fund may be exclusively provided for the measures designed in advance and approved by the European Commission.

At present 10 projects co-financed by the Cohesion Fund (5 projects in the road, 4 projects in the railway and 1 project in the urban infrastructure) are in the process of implementation.

• **Railway Transport**

In the implementation of the Program for Improvement of Lithuanian Railway Structure 2004-2006, the railway infrastructure within the Transport Corridors I and IX is undergoing modernization process according to the EU standards, as foreseen in AGC and AGTC agreements.

The Strategy of the Cohesion Fund for 2004-2006 provides help to many projects, although only a part of them gets adequate assistance up to 2006, as the railway transport projects are too complex and costly.

Among the projects currently having been implemented under the Cohesion Fund's assistance, the following are worth mentioning:

Modernization of Radio Link: the project was approved by the European Commission in 2005. For more effective and safe regulation of the project traffic intensification (from 120 km/h to 160 km/h) and implementation of traffic safety requirements within the railway transport corridors, it is planned to install basic high frequency radio link maintenance and transmission equipment.

Renovation of Kaunas' Tunnel: the project was approved in 2004. To ensure traffic safety, reliability and capacities of the entire railway infrastructure, and to renew the railway infrastructure, adjusting it to higher train speed, we designed the renovation of the only railway tunnel in Lithuania located in Kaunas, at the intersection and on the line of the transport Corridors I and IX, connecting the capital city of Vilnius and Kaunas, the second city in Lithuania. The renovation covers renewal of structures for the high axial load trains. Parts of the tunnel exposed to high penetration of water will be protected by special membrane, tunnel wall; and vault supports of reinforced concrete will be constructed. The narrow section in the tunnel will be broadened, and the low part elevated. The engineering networks and railroad upper structure in the tunnel will also be renovated.

Modernization of Sorting Stations: the project was approved in 2004. Modernization of sorting stations in the Crete Corridor IX covers railway stations in Vaidotai and Radviliškis. In Vaidotai Railway Station the wagon distribution process is mainly automated; micro-electronic systems for stoppers and route control are fully computerized there, in addition, new acceptance - release roads are constructed, and other station remodelling and infrastructure modernization and environment protection works are carried out. In Radviliškis station the overhauls of wagon stoppers and compressors have been performed, shunts replaced, electricity supply and lighting systems modified, radio link modernized, and environment protection works carried out.

Extension of the Station Sections: the European Commission approved the project in 2005. After the implementation of the project, 17 station railroads will be extended and these stations will be able to accept trains of up to 1,000 m length for unloading.

After implementation of these projects, the infrastructure of Lithuanian railway transport will be in full compliance with the European Community standards. This will allow successful integration of the Lithuanian railway transport system to come to the common railway system of the European Community and contribute to strengthening of the EU internal market. Realization of the projects within the program will help to ensure reliable and fast (up to 160 km/h) carriage by railways, increase the load on the axis from 22.5 to 25 tons by extending main lanes in stations, and new possibilities will be created for acceptance of 6,000 ton trains and signif-

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icant reduction of the trip time. This will also contribute to solving common transport issues by redirecting part of cargoes and passengers from one transport branches to the other, as well as reduction of harm done by transport on environment.

- **Road Transport**

Within the road transport sector, 5 road projects co-financed from the Cohesion Fund, are on the way of implementation.

The Project for Modernization of Roads in the Trans-European Road Network (E85 Lida – Vilnius, E272 Vilnius – Panevėžys, E272 Panevėžys – Šiauliai and E272 Šiauliai – Palanga) was approved in 2004. The road crosses the territory of Lithuania in the South - eastwards and westwards and, further running through the northern part of Lithuania connects the border post in Šalčininkai in the South-East, and Klaipėda and Palanga in the western part of the country. This motorway of international significance crosses the Corridor IXB in Vilnius, Corridor I (Via Baltica) in Panevėžys, and Corridor IA in Šiauliai. The project aims at reinforcement and extension of roadway pavement, reconstruction of four bridges and viaducts, two crossings, implementation of environment preservation and traffic safety measures (construction of pedestrian and bicycle routes, installation of protection shields, net fencing, underground passages for wild animals, etc.).

The Project for Modernization of the Roads in the Trans-European Road Network (E28 Vilnius – Marijampolė) was approved in 2004. This motorway crosses the territory of Lithuania from the Southwest to the Southeast connecting the Transport Corridor IXB in Vilnius and Transport Corridor IXD in Marijampolė. It is the shortest way to leave Kaliningrad Port via Vilnius and Minsk for Moscow. To ensure safer road traffic corresponding to the traffic intensity level on this motorway, separate sections in poor condition are under reconstruction, road pavement is being extended and strengthened; pedestrian and bicycle routes, safety enclosures and net fencing constructed; lighting installed, a parking lot for control of dangerous cargoes is under construction; and other traffic safety and environmental protection measures are being introduced.

The Project for Development of the Transport Corridor IXB was approved in 2004. Transport Corridor IXB is the main motorway crossing the country in the East – West direction. This Corridor includes a highway Vilnius – Kaunas – Klaipėda, a motorway Vilnius - Minsk, and a part of the Klaipėda – Liepaja road. Under implementation of this project, the road pavement and roadsides at its particular sections are being extended and reinforced; new carriageway and 3 grade-separated intersections are constructed; bridges reconstructed differ-

ent traffic safety and environment conservation measures have been under implementation, including construction of pedestrian and bicycle routes, installation of lighting, pedestrian passages on different levels, protective fencing, noise-absorption walls, net fences, etc.

The Project for Development of the Transport Corridor IXD was approved in 2004. The Corridor branch IXD belongs to the transport Corridor IX, and is a significant link connecting the Kaliningrad's Region and other Eastern EU member states within the Baltic Sea region, as well as the in-land territory of the Russian Federation. The project covers reconstruction of the road Marijampolė – Kybartai to meet the AII technical category requirements by expanding this road pavement up to 9 meters, and construction of a loop around Marijampolė town. After the implementation of the project, the existing road pavement will be extended; the solidity of the road pavement will be increased and sidewalks constructed; the bridge over the river Rausvė will be reconstructed; net fencing and car parking for dangerous cargo control will be installed, and other environment protection measures implemented.

The Project for Development of the Transport Corridor I (Via Baltica) was approved in 2004. The project presents the third stage of construction and renovation of the Via Baltica Road and covers expansion and strengthening of the road pavement; implementation of traffic safety and environmental protection measures at the sections Panevėžys – Pasvalys – Ryga; and Kaunas – Marijampolė – Suvalkai; as well as reconstructions of 14 bridges, viaducts and overhead roads.

- **Urban Road Infrastructure**

Construction of a missing link in the Transport Corridor IXB, Vilnius Southern Bypass Road

In 2005 the European Commission approved the project for construction of Vilnius Southern Bypass Road. The aim of this project was integration of the transport system inf Vilnius City into the Trans-European Road Network and reduction of traffic flows in the City centre. After implementation of the project, the existing network of ex-urban essential motorways will be joined together within the boundaries of Vilnius City.

Subsequently, after enlargement of the European Community, Poland and the Baltic countries started gradually undertaking a double role, i.e. they function as the EU member-states and the joining link between the Commonwealth of Independent States and countries in the Mediterranean region. Therefore, the networks of Poland and the Baltic states transport infrastructure and its development are of key importance to the growth of economy, competition and employment within the entire European Community.

6.3 EU Structural Funds. European Regional Development Fund (ERDF)

In the view of the EU Structural funds, Lithuania is a single region; therefore, in 2004-2006 Lithuania will receive assistance from the funds on the basis of a single program of the so-called 1st program objective (according to this objective, presently assistance is provided to the regions, where the GDP per capita in population is less than 75 per cent of the Community's average). In Lithuania this program has been approved by the General Programming Document (GPD) for 2004-2006. The essential part of the GPD is implemented via investments to the physical infrastructure, in a way of forming a basis for a long-term economy development.

In 2004-2006 the Lithuanian transport sector is to receive assistance from the ERDF pursuant to the measure the Improvement of Access to the Transport Infrastructure and Quality of Services amounting to 491.5 million Lit. The measure covers the activities required for the regional development, i.e.:

- Improvement of technical parameters, reconstructions and construction within the transport infrastructure of the State significance, (roads, railways, sea transport, inland water transportation and airports) and ensuring its functioning;
- Development of environmental and traffic safety measures, including reconstruction and building of railway crossings;
- Reconstruction of passenger terminals and accesses thereto;
- Multimodal transport development. Creation of the transport infrastructure for foundation of logistic centres;
- Reconstruction and development of roads of local significance. Improvement of urban infrastructure, introduction of urban traffic regulation systems, and upgrading of public transport services. Construction and reconstruction of bicycle and passenger routes;
- Development of feasibility studies and technical documentation for projects within the transport infrastructure.

• Road Transport

In 2004 and 2005, 59 road transport projects were approved for the ERDF support and submitted for implementation. The projects cover the entire territory of Lithuania and include 4 roads of national significance and 55 roads of local significance; as well as urban streets reconstruction projects. By modernization of motorways, attempts have been made to influence the development in separate regions; improvement of living conditions in rural areas, as well as ensuring the communication between agricultural, administration and tourism objects. Besides, traffic safety and environmental protection measures are introduced to reduce the sector's neg-

ative impact on environment, improve traffic conditions and reduce accident rate on the trunks and roads of national as well as local significance. Objectives have been set to improve functioning of urban communication systems to respond to the actual communication needs in particular districts and counties, as well as a basis for implementation of measures on required transport calculations. In order to reduce traffic jams and improve street traffic organization, streets in towns and cities are undergoing reconstruction; bypass roads, grade-separated intersections, underground and overground pedestrian crossings are built, advanced traffic regulation systems and other measures are introduced.

• Railway Transport

For the development of railway infrastructure in 2004-2006, 8 projects for ERDF assistance have been approved. By implementation of the projects, attempts are made to ensure regular and safe railway traffic, increase train speed. Railway passenger terminals are being reconstructed in Vilnius and Kaunas, in order to improve passenger carriage and servicing quality. Introduction of the system for maintenance and control of the wheel-sets is foreseen to increase the safety of railway transport and reduce air pollution. Railway road accessibility is undergoing reconstruction in the Klaipėda Port as well.

• Water Transport

As stevedoring capacities of Klaipėda State Port have been increasing, it is still important to modernize the railway network of the State Port of Klaipėda. Railway stations and access roads need to operate in compliance with cargo transportation safety requirements. Recently, about 76 % of all cargoes reloaded in the port have been delivered and shipped out by train.

To increase railway accessibility to the sea port, 3 projects, co-financed by the ERDF funds, are under development at the moment.

In order to develop a well-balanced network of water roads from Kaunas to Klaipėda, and within the Curonian Lagoon, the reconstruction projects for development of required infrastructure are being performed to fit the needs of passenger and freight transfer. Construction of piers, access roads and parking sites has been in process. The feasibility study for carrying out the aforementioned works had been co-financed from the ERDF funds and completed in 2005. Implementation of the construction projects mentioned above was commenced in 2006 with co-financing from the ERDF.

• Air Transport

7 air transport infrastructure modernization projects were approved for the period of 2004-2006. Through

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implementation of air transport infrastructure projects financed by ERDF, flight strips are being extended; outdated lighting systems for flight strips are being replaced with new systems of higher intensity (Instrument Landing System (ILS)); and perimeter fencing and safety systems are undergoing reconstruction and modernization at 3 international airports of Lithuania. Renewed meteorological element measurement system has been introduced at the Airport of Kaunas.

As we can see, present investments in Lithuanian transport sector are mostly driven towards improvement of the existing infrastructure, servicing growing international and local passenger and freight flows in harmonization with international standards.

6.4 Future Plans

The Lithuanian Strategy for the Use of EU Structural Support for 2007-2013 is based on and carry out consistently the strategic vision shaped in the Lithuania's General Programming Document and Cohesion Fund Strategy: to reach the social and economic levels of development as in the long-standing EU member states by 2015. In 2007-2013 all Lithuanian population is expected to experience qualitative improvement of living conditions reflected by growing income and considerable employment, better business environment and perfect people movement conditions, both inside and outside Lithuania. Following this way, efficient economic structure could provide a basis for the growth of competitiveness in Lithuania within this long-term period, ensuring pre-conditions for business and public mobility, communication and cooperation.

Besides, in the environment of steadily developing economy and living standards, consumer needs in transport

services and infrastructure quality have also been growing. Modernized infrastructure of roads and railways of national and local significance, water transport and multimodal transport will undoubtedly encourage business development in supply of products to the local markets and realization of goods of local production; allow more effective use of local tourism and other service potential; better satisfy needs for labour force mobility and have a positive influence on the processes discrepancy reduction in economic development of particular regions.

It is planned that within the period of 2007-2013 financial support to the transport sector will be provided from the Cohesion Fund, as well as the European Regional Development Fund (ERDF), according to a single action program called the Action Program for Economic Growth.

It is also planned for the transport sector to receive 1.529 billion Litas from ERDF, according to the action group 2 "Transport Network" of Priority 4 "Essential Economic Infrastructure" of the aforementioned Action Program, and 3.755 billion Litas from the Cohesion Fund, according to Priority 5 Development of Trans-European Networks.

The ERDF funds are planned to be used to fund the following road, railway and water transport measures:

1. improvement of traffic control systems, reconstruction of bridges, level-crossings and intersections, construction of pedestrian and bicycle routes, as well as implementation of other traffic safety measures;
2. asphaltting gravel-covered roads, improving pavement on the roads of national, regional and local significance, increasing permeability of railway connection lines and improving quality of commuting services; and
3. development of local and regional navigation infrastructure and improvement of passenger servicing capacities.

Table 1: Areas within the Transport Sector and Funding Resources in 2004-2006

	Infrastructure of International Significance				Infrastructure of Local Significance		
Cohesion Fund	Roads of State significance (TEN-T network)	Main railway lines (TEN-T network)	Links of the Transport Corridor IX with the Sea Port (projects worth over EUR 10 million)	International airports (projects worth over EUR 10 million)			
	Development of frontier posts on the EU external border; TEN-T network links with the intermodal platform						
European Regional Development Fund	Links of the road transport infrastructure with elements within the TEN-T networks	Railway links with elements within the TEN-T networks; passenger terminals	Multimodal transport, transport infrastructure for logistics centres; the road and railway network of Klaipėda Sea Port.	International airports	Roads of regional and local significance; railway crossings; bicycle and pedestrian routes.	Urban public transport infrastructure and commuting	Routes of inland waters

Thus within the period 2007-2013 a further focus will be done on safeguarding traffic safety by replacing regular crossings in towns and rural settlements by the circular ones and/or those regulated by traffic-lights, building different-level crossings and pedestrian passages, developing information systems on the roads of high intensity. Plans are being made for asphaltting regional and local roads and reconstructing depreciated asphalt pavements on these roads. For the railway sector, plans are being made to modernize railway lines, rebuild the upper road structure, reconstruct bridges, overflows, electricity supply, alarming, communication and telecommunication systems, and develop the infrastructure diagnostics and emergency situation control systems on the railroads. As far as the water transport sector is concerned, in order to create favourable conditions for development of navigation in coastal and inland waters, the plans are being made for increasing safety of navigation, modernization of regional water transport infrastructure and rebuilding the Port in Šventoji that had functioned before the World War II on the Northern coast of Lithuania by adjusting it to yacht and smaller cruise ship mooring.

In 2007-2013, a minimal project value requirement (of 10 million EUR) will be applied for screening of applications for the funds from the Cohesion Fund. Besides, the application procedure will be changed: only large-scale projects in the transport sector with the general value of at least 50 million EUR will be submitted to the European Commission for approval. Smaller value projects will be estimated in Lithuania in compliance with national legal acts. The following TEN-T Network projects in the road, railway, sea and air transport sectors, as well as logistic measures will receive financial support from the Cohesion Fund:

1. construction of new lines, increasing permeability of infrastructure of automobile roads and railways of trans-European significance; improvement of technical parameters, and development of infrastructure required for founding public logistic centres;
2. development of safe traffic engineering infrastructure; construction of bypass roads in towns and development of informational traffic control systems;
3. deepening the water area at Klaipėda Sea Port; reconstruction and construction of quays, development of new access roads, railroads and passenger servicing infrastructure; and
4. enlargement of passenger terminals, introducing new flight safety and aviation security measures, as well as development of passenger transit infrastructure.

To achieve sustainable development of different types of transport within the period of 2007-2013, and continue the implementation of goals shaped by the Cohesion Fund Strategy 2004-2006, the conditions of communication by different means of transportation will be further improved, whereas insufficient inland transport links

with other EU member states and transport networks in the third countries on the North-South transport axis (Via Baltica and Rail Baltica) and on the East-West axis (Multimodal Transport Corridor IX and Klaipėda State Sea Port) will be developed. Development and modernization of advanced North-South transport axis (Tallinn-Riga-Kaunas-Warsaw) to connect the Baltic States and Poland will contribute to satisfying the constantly growing commercial and servicing needs in the European Community states. The key priority on this axis is the development of appropriate interoperability conditions for connection with the EU railway network in construction of the railway line Rail Baltica in compliance with the European Union standards.

Plans are being made for further modernization of the Via Baltica highway by strengthening the pavement and building different-level crossings at its particular sections. Infrastructure modernization of the West-East axis servicing intensive flows of transit has also chosen as a key priority for Lithuania. Up to 2015, full reconstruction of Vilnius – Kaunas – Klaipėda highway is planned to come in compliance with technical parameters of a trunk, including broadening of roadsides, elimination of single-grade intersections and turn-offs, and construction of grade-separated intersections and crossings, reconstructions of this highway sections through Grigiškės, Vievis and Elektrėnai settlements; installation of protective wire fence, noise-absorbing walls, lighting and other traffic safety and environmental protection measures. To ensure high quality servicing for growing passenger and cargo flows, modernization of international airports (in Vilnius, Kaunas and Palanga) will further keep on focus. Besides, in order to properly apply the capacities of different means of communication and existing transport infrastructure, the interoperability and development of new logistic centres will be encouraged, and new projects prepared for connection of the State Sea Port in Klaipėda with the neighbouring Scandinavian and other European countries via the Baltic Sea navigation lanes. The interaction of the Sea Port and road transport will be further improved, deepening of the port waters will be continued, and quays reconstructed and built.

As a result, through increasing the competitive abilities of Lithuanian economy in the transport sector within the period of 2007-2013, the development of advanced transport infrastructure network will be further sought, in compliance with the EU mobility needs to ensure the uninterrupted traffic and create favourable conditions for economic and social cohesion of the country's economy. By using the globalization-brought possibilities for marine navigation lanes, favourable conditions will be developed for launching multimodal transport and other business centres (clusters) in close proximity of modern transport trunks. This will allow further increase in the scope of export of transportation services.

REAL ESTATE

Information provided by the State
Enterprise Centre of Registers

7 REAL ESTATE

Information provided by the State Enterprise Centre of Registers

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Land Market Activity Trends in Lithuania*

Year	Total number of land sales	Total value of land sales, millions EUR	Total number of all registered parcels, thousands
2001	27,155	110,8	950,5
2002	35,431	163,1	1073,2
2003	34,549	257,1	1284,4
2004	45,421	548,8	1458,2
2005	61,411	1751,0	1628,2
2006	60,640	2688,4	1758,8

*Improved and not improved land

Residential sales transactions in Lithuania*

Year	Number of transactions
2001	8,476
2002	10,863
2003	11,963
2004	12,401
2005	15,318
2006	14,343

*Improved and not improved land

Land area in sales & total registered area*

Year	Total number of land sales	Area in sales, thousands ha	Total registered area, thousands ha
2001	22,596	66,5	2537,2
2002	23,798	73,3	2793,8
2003	25,332	70,4	3033,3
2004	34,447	106,0	3243,8
2005	46,896	137,3	3412,6
2006	46,363	126,2	3571,6

*Not improved land only

Land sales transactions in Baltic States, 2005 – 2006

Use type	2005	2006
L	46,896	46,363
R	8,199	8,150
C & I	143	158
A&F	1,965	1,919
O	4,208	4,050

Remark: L - Non-improved land of all use types (it includes arable land, forest land, non-improved residential land, other non-improved land), C & I - Improved Commercial & Industrial, R - Improved Residential, A&F - Improved Agricultural and forest, O - Improved Other and mixture (remaining land use types and parcels having several use types). In the case of Lithuania, it includes gardening areas, therefore, the number of sales is larger in comparison with other countries).

- **Market of land in Lithuanian cities**

Average prices of land in urban area, EUR/m²

City	Residential land (EUR/m ²)				Commercial land (EUR/m ²)			
	2005		2006		2005		2006	
	Prevailing price range	Average price	Prevailing price range	Average price	Prevailing price range	Average price	Prevailing price range	Average price
Vilnius	13-116	61	23-162	86	64-507	301	43-348	196
Kaunas	5-77	21	8-116	37	17-153	76	12-93	46
Klaipėda	13-91	33	22-174	52	20-174	64	23-232	102
Palanga	12-101	28	20-122	46	14-125	42	28-240	97

Average prices of land in rural area, EUR/ha/m² 2005

Territory	Arable (EUR/ha)		Forest (EUR/ha)		Residential (EUR/m ²)	
	Prevailing price range	Average price	Prevailing price range	Average price	Prevailing price range	Average price
Vilnius county	300-29000	7320	280-5790	3930	0.4-28.8	13.8
Kaunas county	250-17000	2260	230-2800	1650	0.2-13	5.8
Klaipėda county	230-21000	2370	280-1680	840	0.3-14.5	6
Other	150-1800	750	150-2350	1060	0.1-7.7	2.1

Average prices of land in rural area, EUR/ha/m² 2006

Territory	Arable (EUR/ha)		Forest (EUR/ha)		Residential (EUR/m ²)	
	Prevailing price range	Average price	Prevailing price range	Average price	Prevailing price range	Average price
Vilnius county	330-57000	8030	380-9840	4170	0.5-44	23.2
Kaunas county	270-33000	2760	290-4280	1390	0.4-22.5	9.7
Klaipėda county	260-41000	4560	310-5000	1400	0.4-34	13
Other	170-4000	1010	290-2320	1270	0.2-12.7	5.9

- **Market of family houses and apartments**

Average Prices of Apartments in Vilnius in 2003 – 2006, EUR/m²

City	1H 2003	2H 2003	1H 2004	2H 2004	1H 2005	2H 2005	1H 2006	2H 2006
Vilnius	437	483	600	660	744	948	1091	1260
Centre of Vilnius	701	758	960	980	1306	1595	1729	2193

Average prices of 1 m² of family houses and apartments, EUR/m²

City	1-2 room apartments		3-4 room apartments		Family houses*	
	2005	2006	2005	2006	2005	2006
Vilnius	463-1216	367-1448	521-1101	637-1390	145-2317	434-2896
Centre of Vilnius	869-2027	985-2433	811-2143	1043-2607	927-2896	869-5792
Kaunas	232-753	405-1043	232-811	521-1043	463-1303	261-2896
Klaipėda	348-1043	463-1448	405-985	637-1322	666-1101	666-3475

* Source: Ober-Haus.

CONSTRUCTION MARKET & ENVIRONMENT PROTECTION

Information provided by the Ministry of
Environment of the Republic of Lithuania

Information provided by the
Ministry of Environment of the
Republic of Lithuania

Investment in tangible fixed assets

- **Construction & accommodation**

Introduction of the Market

After the decline of the country's economy was overcome in 1990-2000, and since 2002, material investments into construction and repairs have been showing an upward tendency (See Table No. 1 on 94 page).

32, 9 per cent of all material investments in 2005 were made into construction, 23,1 per cent - in reconstruction and repairs, whereas 43,6 per cent were invested into long-term property acquisition, and 0,4 per cent in other expenditure (soil enrichment and other).

The private sector in 2005 dominated in the whole investment policy: its part constituted 51,5 per cent of the investment put into long-term property acquisition; 38,0 per cent put into construction and 10,5 per cent - in reconstruction and repairs. The remaining part is covered by the public sector.

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SPB

UAB STATINIŲ PROJEKTAVIMO BIURAS

complex design work



- ARCHITECTURE STRUCTURES
- WATER SUPPLY AND SEWERAGE SYSTEMS
- HEATING, VENTILATION AND AIR CONDITIONING
- ELECTRICAL ENGINEERING
- ENVIRONMENT CONSERVATION
- ORGANIZATION OF CONSTRUCTION WORKS
- TECHNICAL SUPERVISION ON A CONSTRUCTION SITE

■ Statinių Projektavimo Biuras is a close limited liability company incorporated on January 29, 1993.

This is a licensed company, engaged in completion of complex works of construction design, seeking original and nontraditional solutions on the subject of architecture, structure, water supply and waste water disposal, heating, ventilation and air conditioning, electrical engineering, environmental issues, preparation of construction site and building construction organization, as well as implementing technical supervision management functions in construction of buildings of special purpose (Certificate No. 1727).

The company has been steadily growing each year, expanding the scale and geography of the projects it implements. Most advanced computerized design technologies are applied in the services the Company provides, contributing to solution of specific engineering tasks. Works in the Company are organized not only to respond to the requirements of large-scale companies, but also in consideration of individual customer needs. Within the years of diligent work, the Company has gained significant experience and won trust by its customers.

The year 2006 has really been successful for the Company. The Company employs many young professionals who on a regular basis receive training in various courses, seminars and conferences and are continuously introduced to advanced technologies in the field of design. Within the last year the Company could sense its young professionals'

determination to improve their skills and the progress made. Subsequently, the management of the Company has been significantly improved by passing on decision-making to its employees.

The key project of the year 2006 has been development of the waste management system for the Panevėžys region. This project is financed by the European Community funds. The planned investment amounts in 19 million Euros.

Traditional corporate projects, such as design projects for industrial and storage premises, comprise a significant part of the Company's activities. Major partners within this area are the following companies: Malsena AB, Kursita AB, Hidromatika UAB, Kriaute UAB, VEEKO UAB, and A.Kuzminskas' individual company ARHEDA.

The Company has recently completed a design project of a shopping center MAXIMA for the company VP MARKET UAB.

The Management is convinced that the Company Statinių Projektavimo Biuras UAB is a state-of-the-art and reliable company, committed to satisfaction of its client needs on due time and in the highest quality manner. The best proof for this is our completed projects.

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About 11,0 per cent of all investments was made into the construction of residential houses. The volume of construction and installation work has been growing constantly since 2002 (See Table No. 2).

The greatest part of construction work is carried out within the domestic territory (according to data for 2005 – 99 per cent).

The construction work is distributed on the basis of service types in the following way (over 2005):

- New construction – 45,4 per cent;
- Reconstruction – 25,0 per cent;
- Repairs and restoration – per cent;
- Other – 2,7 per cent.

Non-residential buildings and civil engineering constructions dominated in the distribution of construction work by the type of buildings in 2005 (See Table No. 3.).

The average index of construction input prices was 99,46 in 2002 (as compared to 2000). It reached 100,49 in 2003, and the average index of construction input prices rocketed to 110,1 in 2005. The average index of construction prices was increasing up to 110,1 during eight

months of 2005 (as compared to August 2005). The index of prices was also influenced by the prices of working hours of construction machinery and equipment utilization.

The average index of residential construction prices was 99,11 in 2002 (as compared to 2000), 100,47 - in 2003, 107,53 - in 2004, and 116,46 - in 2005. The average index of residential construction prices was surging up to 126,2 during eight months of 2006 (in August as compared to December 2005).

This surge was determined by the changes in residential houses construction input prices, which increased by 11,0 per cent in August, 2006, as compared to August, 2005.

• Cohesion Fund

Target goals in the environment sector are based on the environmental conditions. Goals for environment financing are orientated towards ensuring proper conditions of environmental components and their maintenance, in compliance with respective European Community and Lithuanian national environmental requirements. The aid allocated to the environmental sector from the Cohesion Fund allows the implementation of protection

(continued on page 96)

Table No. 1. Material investments into construction and repairs

	Year			
	2002	2003	2004	2005
1. Material investments into construction and repairs (buildings, civil engineering structures), in millions LTL	4603,3	5058,1	5627,0	6617,2
2. Material investments into construction and repairs compared with last year, percentage	114,7	108,1	104,8	109,3

Table No. 2. Construction work carried out within the country.

	Year			
	2002	2003	2004	2005
1. Volume of construction and installation work, in millions of LTL.	3321,3	4351,4	4881,9	5904,4
2. Volume of construction and installation work compared with last year, percentage	121,9	126,8	107,2	110,9

Table No. 3. Distribution of construction work carried out within the country by the type of construction, 2005

Type of construction	Construction work carried out, in millions LTL	Construction work carried out, per cent	Compared to 2004, growth, drop (-), %
Residential buildings	824,9	14,1	124,6
Non-residential buildings	2709,7	46,3	101,8
Civil engineering structures	2312,7	39,6	119,9
Total:	5847,3	100,0	111,3

Presently waste management has become a priority area in Lithuanian environmental policies regulated by the related legislation of the country. Different sorts of waste challenge country's environmental quality and human health; therefore, the society in this regard should first follow the existing environmental requirements and only then favour the consumerist approach towards our nature as a never-ending source.

DON'T WAIT WHILE NATURE GETS ANGRY...

Žalvaris UAB was founded in 1965 and at that time it was known as the Board for Production and Preparation of Recyclable Non-ferrous Metals of the Republic of Lithuania, Vtorcvetmet. In 1991 it was reorganized into the state-owned company for production of recyclable non-ferrous metals Žalvaris. In 1995 the company was reshaped into the public share company Žalvaris, and further on, in 1999 the privatization of the company was completed. At present the authorized capital of the company amounts in over 4 million Litās. The stock of the company is held by 2 legal bodies and 6 persons. The company has over 200 employees. The long-term experience and relatively young and innovative team ensure possibilities for the company to develop in the most effective way, implement the set objectives and protect the quality of environment.

"Don't wait while nature gets angry" it is the credo of the Žalvaris staff, helping other companies in getting rid of their hazardous waste. The Company has consecutively been expanding its operational activities and hopes to achieve an industrial and technical level of the leading companies of the European Community, working in the same area. At present the Company owns a developed network of over 40 grounds for collection of non-noble metals and recyclable raw materials and more than 1,200 stationary waste collection units with specialized containers. The containers are placed in fuel stations, car workshops and similar locations after signing special agreements for provision of this kind of services. The Company has also signed an agreement with the Ministry of Environment of the Republic of Lithuania for collection of package waste (plastic, glass, paper/paperboard and metal) and its preparation for recycling. Žalvaris UAB works in cooperation with local municipalities in different regions of the country and organizes regular waste collection campaigns, when hazardous and other domestic waste is collected from the population. The Company aims at provision of economically attractive and high quality waste and recyclable materials collection and recycling services for manufacturers and importers of taxable products and packages, as well as other waste keepers. The Company

issues certificates on recycled waste to the entities that, in their turn, may benefit from certain environmental pollution tax concession.

Sorted and recycled metal scrap is exported to foreign partners the Company cooperates with on the basis of long-term agreements. The Company has a large network of foreign partners in different foreign countries. The Company cooperates on the regular basis with large foreign partners in Germany, USA, the Netherlands, France, Latvia, Finland, Denmark, Sweden and Singapore.

In 2003, by expanding its operational activities, the Company established its special affiliate, the Waste Utilization Centre, functioning in Kaunas. All waste produced in the process of operational activities of different companies is collected and recycled in this specialised centre. In 2006 the Company started collecting galvanic elements, waste of electric and electronic equipment.

Looking forward to further expansion of the scope of waste collected by the Company and after starting the collection and recycling of hazardous and non-hazardous waste, Žalvaris UAB has developed its environmental Quality Management System (ISO 14001 Certificate). The Certificate guarantees that the activities carried out by the Waste Utilization Centre are in compliance with all technological, legal and environmental requirements and the system requirements mentioned above comply with provisions of the Lithuanian Standard LST ISO 9001:2001.

In order to compete successfully on the market, the scope of activities in the area of hazardous and recyclable materials has been remarkably expanding; the diversity of collected and recycled waste has been increasing; the applied technologies have been constantly updated and large investments are being made into production facilities and improvement of the waste collection system. The Company seeks to ensure provision of high quality and economically viable services to importers and producers of taxable products as well as other waste holders.



measures for water and air preservation, as well as waste management. Lithuania's key commitments within the environmental sector made during the negotiation process have been designed to be implemented with the help of the Cohesion Fund.

In 2004-2006, within the period of programming of the Cohesion Fund, EUR 614.11 million (LTL 2.120 billion) were allocated, and the amount of EUR 307 million (LTL 1.060 billion) of this amount was channeled to the environmental sector. The mandatory condition for eligibility of the support is to ensure the project value of at least EUR 10 million, and provide co-financing funds from the national or international resources. The Cohesion Fund can finance up to 85 % of the project budget.

In 2000-2006, within the environmental sector, the total aid from the Cohesion Fund was approved for 26 environmental investment projects (water and waste management), with the total value of EUR 526 million (LTL 1.816 billion).

• Waste Management Sector

The negotiation statement approved by the Government of the Republic of Lithuania states the following key European Union Directives, the tasks of which Lithuania committed to implement, namely the Council Directive No. 91/698/EEC regarding hazardous waste; the Council Directive No. 96/61/EC regarding integrated prevention and control of pollution; and Council Directive 1999/31/EC on the landfill of waste.

The following goals are set to comply with the main investment requirements from the Cohesion Fund in the waste management area:

1. reduce domestic waste pollution from the landfills to meet the set requirements;
2. reduce potential pollution by outdated pesticides;
3. reduce potential pollution by hazardous waste.

According to the regional principle, Lithuania has been divided into 10 regional waste management systems, that of Alytus, Tauragė, Šiauliai, Klaipėda, Vilnius, Marijampolė, Telšiai, Utena, Kaunas and Panevėžys. Regional waste management systems are intended to function for a 20-year period including the decommissioning of the outdated landfill sites present within municipalities; development of new structures; i.e. construction of new regional landfills, development of waste acceptance and composting sites, development of reloading stations, purchasing of appropriate landfill equipment, etc. During implementation of the project Haz-

ardous Waste Management in Lithuania new hazardous waste incineration equipment will be installed, and hazardous waste landfill arranged. While carrying the hazardous waste management works, the remaining toxins resulting from earlier pesticide contamination and pollution by hazardous waste, accumulated and kept at bankrupt companies, will be handled and eliminated.

It is foreseen that from 2009 on, all domestic waste generated in Lithuania will be taken out exclusively to those landfill sites that are in compliance with the respective European Community's requirements. Up to 2012, about 800 presently functioning landfills not responding to the European Community's requirements will be closed down.

Upon the implementation of the goals set in the waste management area, the environmental household pollution and hazardous waste is expected to be reduced significantly, and the threat for soil, surface and groundwater is expected to be minimized. Potential danger caused by inappropriate hazardous waste management will also be eliminated or reduced.

During 2000-2006, the European Commission received and approved for the Cohesion Fund support 11 waste management projects, with the total value amounting to EUR 158 million (about LTL 546 million), which at present are under implementation.

During 2007-2013 financial period, the waste management sector has planned to allocate financing to the modern waste management system development, i. e. continuation of the development of the regional waste management systems. The financing will be allocated to secure the closure of the old landfills and dumpsites, waste incineration, and production of biogas and technologies for the management of biodegradable waste.

The Association of Construction Consultancy and Engineering Supervision Companies (further referred to as „SKIPA“) is a non-profit organization, founded on April 5, 2006, by 6 Lithuanian legal entities: Statybų Priežiūros Agentūra UAB, Statybos Strategija UAB, Statybų Techninė Priežiūra UAB, Kelvista UAB, Ad Notam UAB, and Kitos Krypties Statyba UAB (former Contestus UAB).

In addition to the listed founding companies, the COWI Baltic UAB and Precisa UAB have joined the SKIPA and now participate in the activities of the Association.

In the environment of continuously growing demand for construction services, and intensifying growth of the scope of the services of this kind, the significance of engineering supervision, providing warranty for the high

(continued on page 98)

TÖNSMEIER

Modern waste disposal & recycling services

Since the end of the 1920-ies, the brand name Tönsmeier stands for responsibility, reliability and continuous improvement.



The successful company, run by a single middle-class family and being a member to a large corporate group, offers a wide range of modern waste disposal and recycling services to its clients.

Generally speaking, the Tönsmeier is engaged in waste collection from residents and provision of other high-quality services to industrial and business companies. Moreover, our company offers a wide scope of services, including traditional domestic waste gathering, street cleaning and recyclable waste collecting up to reprocessing of special waste and providing optimal solutions for indoors activities. As a result; Tönsmeier has an ambition to maintain reliable partnerships not only to municipalities, but also industrial, business, trade companies and private clients.

With its 2,500 staff members and over 900 specialized vehicles in possession, the company is capable of provision of timely and appropriate waste utilization services:

- Through its more than 60 units, local centres and specialized branches;
- In the lands (regions) of Ostvestfallen Lippe, Lower Saxony, Saxony, Anhalt and Thuringia and Bavaria;
- In the neighbouring countries, such as Austria, Great Britain, the Netherlands, Poland and the Baltic States.

As the company's activities have been based on long decades of experience, specialized technologies and the know-how, Tönsmeier is working in locations, where is a need for efficient and ecologically aware waste disposal and/or recycling.

From 2001 on, a few Tönsmeier branches with a solid background of technical and technological waste disposal and recycling expertise started their operation in Lithuania. Similarly to other locations, the company has managed to provide a wide scope of waste recycling services here by the efforts of a single family. In order to facilitate better communication with the company's clients, the main headquarters in Vilnius supervise all Tönsmeier units, located in Vilnius, Klaipėda, Kaunas and Alytus, and coordinate their activities. The company also offers specialised services for the cold season of the year, administered by the staff members of the Klaipėda unit. About 400,000 Lithuanian residents have been benefiting from Tönsmeier waste disposal services.

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TEW BALTİJA
www.toensmeier.lt

quality services, has been steadily growing in construction practices, based on high intensity and principles of line production. In the nearest future, the need for strict compliance with the requirements of different construction standards and technical regulations will grow, including not only construction of new but also reconstruction of old structures; and this will be applied not just in implementation of design projects, but also on the construction sites. Besides the uniform commitment to engineering supervision quality requirements, another effective measure to guarantee work quality will soon be introduced, that of provision of consultancy services in construction, following the recommendations of the International Federation of Consulting Engineers (FIDIC). This will help investors in cutting down construction time, reducing construction costs and, finally, achieving higher quality of objects under construction, improving their selling points, making them live longer, building them in balance with the environment, and making the objects a safer place.

The Association of Construction Consultancy and Engineering Supervision Companies was founded to consolidate companies of engineering technical consultancy specializing in the area of construction, as well services of construction audit (construction inspection), construction engineering supervision, design and construction management, design and expert evaluation; to develop a positive public opinion on engineering consultant's job as one of the most important player in construction business, and to outline benefits granted by the professional services he/ she provides.

The long-term objectives of the Association are the following:

- Representation and protection of interests of the partners at any kind of public authorities, aiding them in solving economical, legal and financial issues, mandated to them by the market stakeholders;
- Taking part in or producing recommendations in preparation and enforcement of laws, legal acts, standardized instruments and methodological material having certain impact on engineering activities;
- Making and maintaining contacts and cooperation with similar foreign institutions and associations of engineering structures in our country;
- Assisting companies in finding possibilities to implement the construction and engineering standards applied in Lithuania, as well as in other European countries, sharing experience on construction practices abroad and disseminating innovative practices;
- Raising professional qualification of Association members, coordinating and providing training for them;
- Encouraging communication among companies in the area, their training and increasing competition;

- Consolidation of joint efforts in search for new markets in Lithuania and abroad, and working with foreign investors in Lithuania;
- Striving for its members to follow the requirements for their professional ethics, and encouraging fair competition.

The Companies, members of the Association, are the leaders in the construction market working in compliance with the FIDIC and related European Community requirements, greatly focusing on highly professional, responsible and outstanding services, fair and transparent business; seeking for their independence, fostering good-will and harmonious relations with the society, observing the Code of Ethics of the International Federation of Consulting Engineers (FIDIC) and the Code of Ethics of their own Association.

To implement their set of the objectives, the Association has established the following guidelines for the activities:

- Cooperation with the mass media in order to inform the society on the actual situation on the construction market, disseminating the cases of good as well as bad practice, suggesting alternatives for urgent solutions and/or providing coherent proposals;
- Influencing positive public opinion towards the compulsory insurance of operational activities of construction companies and legalization of this kind of insurance to encourage more accountability and provision for higher quality services, better protection of a consumer and employer, and at stake of conflict, guaranteeing substantial sources of reimbursement when damages in parties occur;
- Orientation of potential customers towards the principles of best economically-wise offer, better responding the builder's needs; entrusting the arrangement of tenders for procurement of engineering services and construction works to highly qualified consultants;
- Seeking to warranty the process of consultant and engineering supervision manager certification in the area of construction be entrusted to professional organizations, and undertaking every measure required to prevent the existing authorization practice from becoming just a formality and ensure it is carried out in a professional way;
- Improving the regulatory base for construction services in the Republic of Lithuania, to avoid imperfection of legal documents; and incorrect or insufficient description of activities in construction;
- Coordination of relationship with other associations.

The Association is open to all companies, including the ones abroad, engaged in construction consultancy and engineering supervision services, aiming in successful competition on the construction market, joining their efforts for better business development and representation of the common interests.



Package and Electronic Waste Handlers Association (PEATA) is a national, independent non-profit organization joining together waste management companies functioning in Lithuania.

PEATA strives for improvement of package and electronic waste management, its conditions, modernization of technical and technological facilities. It is engaged in support and promotion of waste management activities in Lithuania, in compliance with principles of sustainable development; striving to influence essential environmental decisions by the Association members, in favour of public.

PEATA represents the interests of the Association members, in their relation to public authorities, international and global organizations.



Virginijus ir Ko UAB

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Virginijus ir Ko UAB is one of the largest waste and recyclable materials management companies in western Lithuania, having operated for more than 5 years already. Not only the Company is engaged in recyclable materials and waste management, but also in biological fuel production. This year the Company will finally have its modern polystyrene waste recycling line introduced to operation. The Company is actively involved in environmental innovations and takes part in preparation of different environmental education products for our society.



Antraža UAB

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Antraža UAB was founded in 1998. It is engaged in purchasing recyclable materials, their collection and preparation for recycling, as well as assembly, removal and utilization of hazardous waste. The Company is continuously seeking to improve and modernize its activities in compliance with the EU Directive requirements.



Super Montes UAB

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Super Montes UAB is one of the largest glass waste managers (completing waste collection, sorting and exports) in Lithuania. The Company was founded five years ago, and since then has been implementing its activities all over Lithuania. It has 60 employees, and is capable of handling about 25,000 t glass packages per year. Super Montes UAB also offers services of domestic waste, plastic and paper package waste collection. Launching of a new glass package waste sorting line with optical sorting function is in the company's plans of the next year.



Metransa UAB

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It has been five years already, since Metransa UAB was set. The Company has been successfully engaged in the management services for the light and black metal market in Lithuania. Since 2006 it has started operating in the waste management area. The Company has obtained a license to handle hazardous waste, such as used lead or acid accumulators and hydraulic shock-absorbers. In the future Metransa UAB plans to provide services for other types of waste; therefore, it is seriously engaged in its employees' qualification growth and expansion of its technical facilities, so that they comply with high standards environmental, work safety and other requirements in the field.

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www.peata.lt

TELEPHONE INFORMATION SERVICE

1551

A large, stylized yellow checkmark graphic is positioned below the number 1551. The checkmark is composed of several thick, parallel yellow bars that form the shape of a checkmark, with the top bar being the longest and the bottom bar being the shortest.

www.1551.it



A Clean Environment for everyone

Kauno Švara UAB is one of the leaders among waste disposal companies in Lithuania, with experience and capacity in waste disposal and environment improvement. Working in cooperation with the Administration of Kaunas City Municipality, the Company implements the environmental policy of the entire Kaunas City in the field of waste disposal.

The main tasks performed by the Company include: prevention and control of waste formation, taking records thereof; waste management and development of collection and utilization processes for secondary raw materials; ensuring safe keeping of waste; promoting production and use of multiple-use packages and materials; recycling of secondary raw materials and safe management of waste, especially hazardous waste.

The Company started its activities back in 1944, when on October 6, upon the resolution of the Head of the Town Executive Committee and Utilities Department, the Cleaning Office was founded. In 2004, our Company marked its 60th anniversary.

IMPRESSIVE FIGURES

Kauno Švara UAB occupies a fairly honourable 15th position among 700 other companies, the statistical data of which has been presented in Lithuanian Companies: Operation Efficiency and Rating, a publication prepared by the Department of Statistics under the Government of the Republic of Lithuania and the public institution Statistikos Tyrimai (Statistical Surveys), the Union of Statisticians.

The Company's efficient work and high operational results could also be seen in the 2004 Data on the Volume of Works Performed and Income Gained. Last year, the Company collected 744.02 thousand m³ of mixed utilities (domes-

tic) waste. Throughout the last year, the dumping site in Lapes accepted 165.227 thousand tons of waste in total.

CONTINUOUS INNOVATION

To increase its labour efficiency and quality of services and reduce costs, Kauno Švara UAB has been continuously introducing innovations and updating its integrated facilities. Every year the Company allocates some funds out of its profits and reserves for implementation of investment programmes. Last year, 3.09 million Litas were invested in such programmes.

In order to reduce the scope of low efficiency manual work, new technology for territory cleaning and maintenance for use by mobile teams was introduced. Each territory that previously was cleaned by at least 20 cleaners is now serviced by several highly efficient cars running along a fixed route. Each car is operated by 4-8 employees taking out rubbish and dirt with more advanced methods.

Pursuant to relevant Lithuanian legislation, such as the Law on Taxation for Pollution and the Law on Packages and Package Waste Management, the Company focuses on sorting of waste. In 2004, the Company installed a new technological sorting line for secondary raw materials to increase the efficiency of collection and sorting of such materials.

The Company carries out package collection activities in compliance with relevant legislation.

It issues requisite certificates to customers ordering this package collection service. Throughout 2004, the number of such customers significantly increased.

Kauno Švara UAB is also engaged in modernizing its dumping site in Lapes. Modern waste dumping fields containing biogas and filtrate collection and treatment systems have been constructed in compliance with the European Community standards.

Last year, the Company received a license for intermediary services in collecting and transporting products of animal origin.

In 2004, COWI A/S and COWI Baltic prepared an investment project for the development of a waste management system covering the entire Kaunas region. To coordinate the development of the System, as required by the European Union, 2005 saw the creation of a new public institution, KRATC VI: the Waste Management Centre for Kaunas Region. Kauno Švara UAB is one of the founders of the Centre.

On January 2, 2005, the Environmental Conservation Department of Kaunas Region issued a Permit to the Company for Integrated Pollution Prevention and Control (effective until December 31, 2012). The Company is also undertaking development of the Environmental Management System in accordance with ISO 14001 Standard. In carrying out its commercial activities, the Company undertakes to follow common environmental goals set in the general environmental policy, the Integrated Pollution Prevention and Control scheme, as well as ISO 14001.

On September 3, 2004, the Company signed a contract with Socialinė Ekonominė Agentūra UAB regarding the development of the quality management system (ISO 9001:2001). In 2005, the Company plans to integrate and certify both systems.

Services provided by Kauno Švara UAB:

- Domestic waste disposal from the housing servicing companies, residential housing partnerships and institutions (including schools, kindergartens and nurseries, theatres and cinema theatres, hospitals, trade outlets and other organizations of different forms of ownership);
- Liquid waste (faeces, sewage) disposal from toilets present in the residential housing territories outside the city sewerage networks, as well as at places of cultural and recreational purposes;
- Automated and manual cleaning of town territories and public areas (streets, squares, parks, pavements, etc.); street and pavement washing, watering and brushing, removing dirt and garbage during the summer season, and removing snow from streets in winter.
- Collection and disposal of secondary raw materials;
- Collection of bulky waste, tyres and luminescent lamps;
- Disposal of constructional waste;
- Lease of special-purpose and general use vehicles to various organizations and individuals;
- Maintenance and servicing of public toilets in town;
- Services of a car workshop;
- Production of metalwork (containers, presses of different kinds and similar items).



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INNOVATION, THE FUTURE OF TEXTILE SECTOR

Information provided by Apparel
and Textile Industry Association

INNOVATION, THE FUTURE OF TEXTILE SECTOR

Information provided by Apparel and Textile Industry Association

Lithuanian textile and garment industry is ranked among the oldest and most important industries in our country. It is a traditional industry manufacturing different and diverse products, although since liberalization of textile and clothing market, this sector has also faced great challenges. Nevertheless, the industry has been favoured by foreign investors and gained some prospects on the international market.

The key macroeconomics indicators of this industry branch are the following:

- The textile and garment sector has about 47 thousand employees (21 per cent of all employed in Lithuanian industry), 35 thousand out of this number are women (75 per cent of all employed in the sector). This processing industry sector is leading, according to the headcount, and is of extreme importance to ensure employment of the population. As in previous years, the major part of such companies (about 2/3) within this sector are engaged in sewing; 1/3 of the companies are engaged in textile manufacturing; and about 4 per cent of the companies in leather and footwear manufacturing.

- This is one of the Lithuanian industries generating 11 per cent of the processing industries' GDP in the country.
- This processing industry sector is among the country's leading exporters with a positive trade balance. In 2005, the sector's exports of goods amounted to 3.22 billion Litas, and in comparison to the previous year, the exports grew by 2.3 per cent. Exports to the European Community member-states account for 83.4 per cent of the total textile and garment industry products exports. Key trade partners are the United Kingdom, Germany, Sweden, Denmark, and Italy.
- The sector has been favourable to investment. According to the data of January 1, 2006, 412.4 million Litas were invested to production capacities of textile and garments industry. Within a year direct investment increased by 45.2 million Litas. In 2005 textile and garment companies allocated 134 million Litas (or by 13 per cent more as compared to the previous year) out of their own financial sources to material investments.

Despite of fierce competition and other challenges in the market, many companies engaged in activities of this sector have been achieving more and more positive results due to their efficient management systems, work methods and innovative technological solutions. Their

highly qualified specialists have been able to solve the issues of structural reorganization and increasing competitive ability of their products in the most constructive way. Within the 1st half of 2006, exports by the Lithuanian textile and garment industry sector reached over 1.66 billion Litas. As compared to the same period in 2005, the exports has grown by 7.1 per cent, while imports have doubled (14.3 per cent). After the liberalization of international trade, products by faraway China and neighbouring Poland manufacturers have been flooding Lithuania. Imports from Latvia and Estonia have also increased significantly. The foreign trade balance has stood at 120 million Litas.

44.754 persons were employed in the textile and garment industry sector. Within the 1st half of 2006 the number of the employed within this sector decreased by 2,072 persons (about 4.4 per cent).

The average monthly gross salary grew in the 1st half of 2006. According to the data released by the Department of Statistics, the average monthly gross salary in textile and clothing sector within the 1st half of 2006 increased as follows:

In the course of development of business globalization, industry also faces significant changes. This year, Lith-

Over one fifth of all products are sold on the domestic market, including:

Textile products	137.5 million Litas (20.9 per cent);
Apparel	209.5 million Litas (23.9 per cent);
Leather and leather products	17.6 million Litas (37.2 per cent);
Textile and garments industry sector	364.6 million Litas (23 per cent).

As compared to the 1st half of 2005:

in textile industry	1,190.8 Litas (by 10.9 per cent);
in sewing industry in fur manufacturing industry	1,015.9 Litas (by 12.3 per cent);
in leather and leather goods industry	1,035.3 Litas (by 5.5 per cent);
in manufacturing industry	1,376.8 Litas (by 12.7 per cent).

uanian manufacturers in the textile sector, sewing and footwear industries experience fierce competition due to imports from Asian countries, especially China, where labour costs are remarkably lower than in our country. Relevant EU institutions have been focusing a lot on textile and apparel industries. A particular communicate has been issued in concern of the textile and apparel industries on the European Community level, and a high-level task force has been formed to contribute to solving problems within the sector. It has been stated that the key criteria for competitive advantage of the EU textile and clothing industry are high quality products in technological, aesthetical and fashion aspects; development of new brands of great demand; flexible and reliable observance of product delivery terms. The mentioned European Commission document emphasizes that the competitive ability of textile and apparel sector greatly depends on how a manufacturer is able to “cross the boundaries” of a traditional concept of cluster and integrate efficiently into the international supply chain. Lithuanian textile and apparel industry also gives a priority to the cluster development processes. The Lithuanian Apparel and Textile Industry Association has developed a project orientated towards one Lithuanian region expecting to launch and develop the international cluster development service in strengthening the abilities of textile and apparel companies to provide specialized public services. Financial assistance to this project from the EU structural funds could be an obvious support to development of apparel and textile sector in Lithuania. Unfortunately, the application has been rejected by the Lithuanian Business Support Agency.

In order to achieve competitive advantage in Europe as well as on the global scale, Lithuanian companies within apparel and textile industry sector have been implementing consistent restructuring of their manufacturing processes; including renovation of facilities, introduction of new high technologies and manufacturing innovative products. An agreement for joint (partnership) activities has been signed in relation to establishment of a national business platform. By joining the forces of representatives from the business community and scientific institutions, this platform aims at preparation of common development program for apparel and textile sector up to 2020, based on introduction of advanced technologies and new products. Working in cooperation with companies for development of the national platform, the Association also applied the elements suggested by the European

Union’s Technology Program, such as transition from the use of strands, threads and materials to special products made by the use of flexible high technology processes, development and application of new technical textiles in many industrial sectors, shift from the mass production to individual client’s needs, the era of intelligent products, logistics and distribution.

It has been almost 15 years already since good reputation of Lithuanian apparel manufacturers became well-known in many European and other countries of the world due to their highly skilled professionals, high quality of products, flexibility, fast delivery and other features necessary for success in contemporary business. Many consumers in Lithuania and abroad have been wearing tailor-made clothing; therefore, the price is not an essential criterion in purchasing one or another apparel item. Individual batches, small collections of 5 to 10 garments have become more and more popular. This means that manufacturing of this kind of collections is possible in Lithuania, but orders of the kind are hardly possible to be implemented in China. Therefore, a myth that after some time the entire textile and apparel industry will be moved to China, and textile and sewing factories in Lithuania, just like in other countries of the European Community will be closed, is an overstatement.

Due to the unique traditions, textile and apparel sector in the country has fairly good prospects in manufacturing high value-added products, as Lithuania has developed an adequate scientific potential in relation to this strong sector of the country’s economy and been preparing highly qualified specialists in different relevant fields. Financial support provided from EU Structural Funds to encourage innovation and scientific progress needs to be properly directed to strengthening this symbiosis of industry and science.

Many Lithuanian textile and apparel companies provide services to other Lithuanian and European corporations and/or large retail chains under the trademarks of these corporations. In the process of industrial modernization, more attention has now been paid to designing and development of our own trademarks. Some Lithuanian companies, such as *Audėjas*, *Audimas*, *Utenos Trikotažas*, *Rožė*, *Omniteksas* and others have found and been successfully developing their niche on the market, as well as new own brands and trademarks, thus increasing their value added produced.

In the Development Strategy for Textile and Clothing Sector, 2005- 2010, prepared at the end of 2004, clear objectives were formulated in order to maintain the competitive advantage of the sector:

- Lithuania is becoming a competitive supplier of male and female winter garments to Europe. It is known to have a supply chain management system that is flexible and able to ensure proper promptness of delivery of male and female garments to their end customers. Lithuanian business entities continuously demonstrate and prove their competence to supply and produce fabrics, make their trimming, produce and supply accessories and auxiliary materials, design, style and sew clothing, make decorations and supply them to end customers on favorable conditions. All the aforementioned is performed maintaining impeccable quality and competitive price.
- By using new generation multifunctional materials based on advanced technologies, plasma engineering and other methods, Lithuania has been becoming increasingly known all over the world. Textile companies gain the required competence for manufacturing new generation products of high added value designed for medical purposes, automobile, aviation and space industries, safety and special garments.
- With the use of all its experience gained, Lithuanian traditional textile industry of folk art and classical domestic textile has been developed. Working in close cooperation, Lithuanian textile companies have maintained and increased their ethnographic competence and have been strengthening their reputation as that of a reliable manufacturing partner in Europe as well as all over the world.

We are sure that increased financing from the European Community's structural funds of different business projects implemented by our country's textile and garment industry will contribute remarkably to strengthening of competitive advantage of companies within this sector and improve macroeconomic indicators of Lithuania.

FARMING AND FOOD PRODUCTION IN THE NATIONAL ECONOMY

Information provided by the Ministry of Agriculture of the Republic of Lithuania

FARMING AND FOOD PRODUCTION IN THE NATIONAL ECONOMY

Information provided by the
Ministry of Agriculture of the
Republic of Lithuania

The Gross Domestic Product (GDP, not in final data) of Lithuania grew by 13.8 % in 2005 and in current prices added up to LTL 71.084 billion .

In 2005, the agricultural sector produced 5.6% of GDP; in 2004 5.8% of GDP. However, macro-economic analysts view the sector of agriculture with optimism. In 2005, as compared to 2004, crop production increased by 0.4% and stockbreeding by 18.0%. According to the preliminary estimates by the Department of Statistics, the value of the agricultural products produced last year increased by 8.6% and added up to LTL 5,181 million.

The current food sector and its end products are more than a mere guarantee of income for manufacturers and everyday meals for consumers. It is also treated as national culinary and cultural heritage, a way of cherishing our national traditions, and one of the most popular methods of introducing Lithuania to other nations. Delicious and nicely presented Lithuanian food increases export opportunities and adds to Lithuania's attractiveness to foreign tourists. Tourists are charmed not only by the ethnographic countryside and distinctly original, traditional Lithuanian-style cottages and high quality services, but also by good, local and, most importantly, healthy

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Marijampolės pieno konservai



Sweetened condensed milk
Evaporated milk
Sweetened condensed milk with coffee
Sweetened condensed milk with cocoa
Boiled sweetened condensed milk
Butter and Cream
Skimmed milk powder
Full cream milk powder



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food usually made of purely organic products. Lithuania is becoming a modern agrarian and food-producing country with socially vibrant countryside that fosters its ethnic culture and distinct uniqueness.

Lithuanians View the EU Common Agricultural Policy with Optimism

According to the data of the Eurobarometer survey conducted in February 2005, Lithuanians were among the greatest supporters of the EU Common Agricultural Policy (CAP), as 48% of Lithuania's residents thought that it might help to improve the life of rural residents, 47% believed that it could ensure income to farmers. More than a half (51%) of Lithuanians thought that CAP could help farmers to offer for sale their products in line with the consumers' expectations (43% of all EU residents think so too), 60% of Lithuania's residents believed that this policy might effectively support the spread of organic farming (47% of all EU residents also think so). By 8% more Lithuanians thought that CAP could help to improve the life of rural residents as compared to the EU average that amounted to 40%.

After the Eurobarometer performed a repeated survey in October-November 2005, it showed that rural residents view the country's economic prospects just as optimistically as the large city residents.

Lithuania, as compared to the neighboring countries, still produces more of the following agricultural products per capita: the amount of meat produced (in carcass weight) in 2005 amounted to 68 kg per capita, ham out of this number amounted to 35 kg; milk to 545 kg, eggs to 253 units. In Latvia, the amount of meat produced per capita amounted to 45 kg, in Estonia to 50 kg; milk respectively to 338 and 498 kg, eggs to 219 and 155 units per resident. (Table 1,2)

• Foreign trade

In 2005, Lithuania's export amounted to LTL 32,767.3 million, while import made up LTL 43,151.9 million. Last year export and import, as compared to 2004, increased respectively by 26.9% and 25.5%. Foreign trade deficit was LTL 10,384.6 million and by 21.3% higher than in 2004.

In 2005, Lithuanian export of agricultural and food products accounted for 12.8% of the total exports, while

import of the same agricultural and food products accounted for 8.6% of the total Lithuanian imports. As compared to 2004, export of agricultural and food products increased by 42.5% (LTL 1256.7 million), import – by 25% (LTL 738.1 million). (Table 1)

Export

During the recent years most of the exported products were finished food stuffs, products of animal and plant origin. The majority of the exported agricultural and food products were milk and milk products that amounted to 21% (approximately LTL 889 million). Grain export totaled 9.9%, prepared animal feed export 9.1%, tobacco 8.2%, fish and fish products 6.2%, meat 5.5%, sugar and sugar confectionary products 4.0%.

Export of milk products increased. In 2005, 12.8% more products of this type were exported than in 2004. Cheese and cottage cheese export (with the value of LTL 478 million) grew by 8.4% as compared to 2004. Other milk products also were exported in higher amounts. As a result, whey powder export totaled LTL 54 million (32.4% increase), milk and cream export LTL 137 million (30.3% increase) and butter export LTL 66 million (30.4% increase).

The volume of food export grew twice and reached LTL 231 million. Most of the exported meat was poultry and beef.

The export of sugar and sugar confectionary products grew by 48.5%, i.e. from LTL 113.3 million in 2004 to LTL 168.2 million in 2005. The most frequently exported commodity was sugar. Its exports amounted to LTL 49 million (65.8% increase).

In 2005, the export of grain to other countries grew by 65.8% as compared to 2004. Wheat and barley were mostly exported grain. Last year the export of wheat grew by 66%, i.e. LTL 116 million, and the export of barley grew by 80%, i.e. LTL 49 million.

Import

In 2005, the imported agricultural and food products consisted of: 10.2% – fruit and nuts, 7.8% – nonalcoholic and alcoholic drinks, 5.7% – oil, 7.4% – meat, 4.3% – sugar and sugar confectionary products, 4.1% – coffee, tea, and seasonings, 4.7% – tobacco and tobacco products, 2.8% – animal feed. The biggest part of imported

fruit comes from warm climate countries (citrus fruits, bananas, grapes and others).

Main Foreign Trade Partners

Lithuania trades mostly with other EU countries. Trade in agricultural and food products with other EU countries accounts for 73% of all trade in this group of products. Last year, as compared to 2004, exports to the EU increased by 45.6% (LTL 967 million), while imports from the EU increased by 25.1% (LTL 576 million). The largest trading partners among the EU countries are: Germany (14.0% of the total trade volume), Latvia (12.1%), Poland (9.3%), Estonia (5.9%) and the Netherlands (7.5%). The trade volume with the EU countries is increasing.

To the EU Lithuania exports mostly milk and milk products, grain, animal feed (cat and dog feed), fish and meat products, fish, tobacco products, meat (beef and poultry). The most common products to import from the EU are fruit and vegetables, nonalcoholic and alcoholic drinks, oil, meat, fish, coffee, tea, seasonings and other products.

Among the third countries the main trade partners are Russia (8.8% of total trade), Belarus (2.7%), USA (1.9%), Ukraine (1.5%) and others. In 2005, export to the CIS increased by more than 30%. Lithuania exported mostly milk products, grain, animal feed, fish, fish products and meat (cattle) to the third countries.

Main Agricultural Product Production per capita (annually, in kilograms)

Agricultural products	2001	2002	2003	2004	2005
Grain	689	750	776	849	841
Crops	674	732	662	832	823
Potatoes	303	441	418	297	262
Vegetables	92	84	159	110	108
Fruit and berries	48	27	32	13	32
Sugarbeet	253	303	283	263	234
Flaxfiber	1,1	1,8	2,9	1,7	1
Meat (carcass)	43	50	57	64	68
Ham	21	27	30	33	35
Milk	497	510	520	538	545
Eggs	213	230	235	251	253

Source: Department of Statistics under the Government of the Republic of Lithuania

Food Product Consumption per capita (Annually, in kilograms)

Food products	2001	2002	2003	2004
Meat and meat products	44	52	59	70
Without category II subproducts	40	48	54	64
Milk and milk products, in milk value	281	283	287	296
Eggs	204	216	211	212
Fish and fish products	14,4	12	-	-
Sugar	32,4	27,5	26	26,6
Oil	16,8	15,6	-	-
Potatoes	130	119	118	122
Vegetables, watermelons, melons & etc.	86	81	95	97
Fruit & berries (without wine manufacture)	62	62	61	72
Grain products (bread, crop and etc. value)	131	130	124	125

Source: Department of Statistics under the Government of the Republic of Lithuania

Key Indicators of Foreign Trade in Agricultural and Food Products 2002-2005, Millions LTL

Factors	2002	2003	2004	2005
Export	1935	2355	2956	4213
Import	2210	2381	2955	3693
Balance	-275	-26	1,7	520
Turnover	4145	4736	5911	7906
Fish and fish products	14,4	12	-	-

Source: Department of Statistics under the Government of the Republic of Lithuania

Trade in Agricultural and Food Products by Trade Partner in 2004-2005, Millions of LTL

	Export		Import		Balance	
	2004	2005	2004	2005	2004	2005
EU-25	2122	3089	2300	2876	-178	213
CIS	691	903	254	257	437	646
USA	61	32	55	119	6	-87
Other	82	189	346	441	-264	-252
Total	2956	4213	2955	3693	1,7	520

Source: Department of Statistics under the Government of the Republic of Lithuania

SCIENCE & EDUCATION

Information provided by the
Ministry of Education and Science
of the Republic of Lithuania

11 SCIENCE & EDUCATION

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Information provided by the Ministry of Education and Science of the Republic of Lithuania

Development of the system of formal education in Lithuania is said to have started by the end of the 14th century. The first school at Vilnius Cathedral mentioned by the annals of history was opened more than 600 years ago (in 1397).

In 1773, the Educational Commission, a joint Lithuanian and Polish State educational institution, was formed. To use contemporary terminology, it was the first Ministry of Education in Europe. The purpose to form this kind of Commission was to reorganize the educational system of that time, and to stop the downfall of the entire Lithuanian and Polish State. The Commission discontinued its activities in 1795, when the Lithuanian – Polish Union had finally collapsed, and Lithuania had been annexed to the Russian Empire.

During the period of Lithuania as the independent state (1918 – 1940), her education was built up on the foundations of the national culture, taking into consideration the Western European model of educational system and pedagogical thought. The first University of the independent Lithuania was founded in the capital city of Kaunas, in 1922, by the attempts of the best erudite persons in the country. Apart from this University, 10 more

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KLAIPĖDA UNIVERSITY

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**KLAIPĖDA
UNIVERSITY**

Klaipėda University was founded almost two decades ago. It is the only public classical University at the Lithuanian Baltic coastal area, unique in its economical, cultural and geopolitical aspects, located in the single seaport of the country. The city of Klaipėda is famous for its substantial and dynamic industrial and business potential with the well-developed maritime infrastructure and cherished distinctive cultural traditions.

The rapidly growing Klaipėda University presently has about 10,000 students, over 600 professors, assistant professors and lecturers, is divided into 7 faculties (Faculty of Science and Mathematics, Faculty of Humanities, Faculty of Marine Engineering, Faculty of Arts, Faculty of Pedagogics, Faculty of Social Sciences and Faculty of Health Sciences), 2 Institutes (of Maritime and Continuing Studies), and is home for a few science and study centres, a library, botanical gardens, publishing house and career centre. Scientific activities here are developed through 5 institutes of science (Coastal Research and Planning Institute, Institute of Baltic Region History and Archeology, Institute of Marine Landscape, Institute of Mechatronics, Regional Policy and Planning Institute), scientific centres, and academic departments.

The University is on its way towards implementation of its mission of educating human and intellectual society by simultaneous protection of cultural and historical legacy of

western Lithuania, and cherishment of old traditions. The basic principle followed by Klaipėda University is striving for the unity between science and studies, and their high quality integration into the Lithuanian and European scientific area. The University mission is universal and distinctive at the same time, aiming at satisfying the needs of Lithuania as a sea-power nation to prepare highly qualified marine specialists, and implementing fundamental and applicable research.

Klaipėda University over the years has become a well-established link in the chain of Lithuanian universities, and starting from 2005 is also a member of the European University Association.

SCIENCE AND ARTS IN KLAIPĖDA UNIVERSITY

Science development is becoming more and more of priority area at the University within its administration and management, as well as financial and infrastructural aspects. The University has several effectively functioning scientific centres, and highly professional and promising divisions of performing arts, which have become our token.

A priority area for scientific research at the University for 2005-2009 is the Sustainable Development of the Baltic Sea Region and National Identity under Globalization Conditions; the comprehensive research is performed in various University departments.

The scientists of Klaipėda University have been actively participating in the 5th and 6th European Community Common Program projects, receiving support from PHARE, EUREKA, INTERREG, LIFE and Leonardo da Vinci programs for scientific research and development.

STUDIES AT KLAIPĖDA UNIVERSITY

Klaipėda University has a well-developed three-stage study system including 67 curricula for the Bachelor's Degree, 4 for specialized professional studies, 48 for the Master's Degree and 3 for the Doctor's Degree.

Distinctive scientific research, performing arts and academic trends have been gradually taking their dominance at the University, such as Marine Environment Research and Maritime Engineering, Hydrology and Oceanography, Marine Economy, History and Languages of the Lithuania Minor and Baltic Sea Region, Environmental Engineering, Landscape Architecture, Subaquatic Archeology, Port Technology Management, Port Structure Engineering, Recreation and Tourism, Nursing, Social Geography, Jazz Music, Ball Dances and Choreography and Pedagogics of Childhood. 7 international curricula have been prepared and offered by the University to foreign students.



academic institutions were established within the period of the first Lithuanian Independence.

This heyday of education was brutally interrupted by the ongoing Soviet occupation. Lithuanian schools were incorporated into the Soviet educational system, so that afterwards not only the content, but also the form of teaching was changed radically. The entire education system became ruled in a centralized way deriving straight away from Moscow. At that time, a university education developed in isolation from science in other countries, developing outside the USSR borders, and was highly affected by the Soviet ideology. Nevertheless, Lithuania maintained its right to teach in schools and universities in the native language.

• Education

Since 1988, education in Lithuania has been facing different reforms. Such principles of reconstruction of the Lithuanian education system as nationality, democracy, humanity and openness to changes have been proclaimed. By the end of 1992, the reform concept for the entire Lithuanian education system was passed. At present, the reform has been proceeding in compliance with the provisions of the State Education Strategy for 2003-2012, approved by the Seimas (the Parliament) of the Republic of Lithuania in 2003. The education system in Lithuania is foremost orientated towards helping out every child to better perceive the world, and become an independent, active and responsible person; each adult to obtain basic job skills and maintain these throughout the continuous life-long training; the economy of the country to achieve harmonious development; and culture to develop in its continuity and creative renewal. The focus is put on person's general education, development of communication skills, abilities to make independent decisions and critical thinking, as well as managing information and developing social skills. Attempts have been made to create a better differentiated structure of the education system, ensure increased variety of educational institutions in legal (note: private educational institutions are launched alongside with the public ones), ideological and cultural (note: educational institutions representing different religious confessions have been founded as alternatives to the secular ones), as well as national (note: new schools for national minorities have been opened, which never existed in the Soviet times) aspects. At present, alternative educational methods are applied more often.

Recent years have also been significant for reconsideration of educational legal basis, and transition to the twelve-year secondary and two-staged university ed-

ucation (Bachelor and Master Degree studies). Previously standardized Soviet curricula have been replaced by new educational content providing more freedom for student's individual choice. Teacher training system has also faced certain changes including the founding of educational centres established in the regions to organize activities for teacher professional training. Certification system has also been applied to evaluate levels of teachers' professional competence. By this certification process, teacher's category is approved or higher category is granted. There are four basic teacher qualification categories: teacher, senior teacher, teacher - methodologist and expert teacher.

Examination system has been also reformed recently. Before leaving the secondary school, students have to pass four maturity examinations. The examination of the Lithuanian language is compulsory; the other three are selected optionally by students themselves. Students may also take examination type between the secondary school level examination, or more complex, namely, state-level examination. The latter is considered a prerequisite examination to enter the university. The state examinations are organized on the national level, which means that encoded students' final papers are checked by a special commission formed upon the Education and Science Minister's order. The system of this kind guarantees more objective evaluation of students' secondary school achievements. Universities admit students according to the results of this centralized school-leaving examinations; therefore, they do not have to organize preliminary (entrance) examinations to universities, with the exception of those designed for evaluation of students' special skills, such as arts, dance, musical instrument playing, etc.

In 2002, the procedure of funding secondary schools was changed, and so-called 'student's basket' was introduced. In other words, the system, where financing was orientated towards matching framework, has been replaced by the system of funding a single student. The 'student's basket' is a fixed state allowance for education of that student. In the 'student's basket', money for teacher salaries, teaching aids, textbooks and continuous teachers' training are included.

Implementing improvement program for educational system in Lithuania, the main focus is put on modernization of teaching, improvement of learning conditions and harmonization of the educational system. The set objectives include contracting proper conditions for schoolchildren, including education-seeking adults, to gain high-quality education. This has been provided in the new wording of the Law on Education of the Re-

public of Lithuania passed in 2003, and the State Strategic Education Guidelines of the Republic of Lithuania for 2003-2012.

The Ministry of Education and Science takes care of buying school vehicles, so-called 'yellow buses', and relocating them for the use of municipalities. The 'yellow buses' are used to commute students from remote rural areas to their schools.

In 2001, the program of rapid computerization of secondary schools was launched. The State budget is not a single source to fund this program. The Education Support Program School to Information Society Lithuania has been developed, with the assistance and contribution of the following business companies as Lietuvos Telekomas, Microsoft, Omnitel, Sonex, IBM, Baltic Amadeus and individual sponsors provided.

Over the period of 2001-2005 the Ministry of Education and Science invested more than 80 million Litas in school computerization and teacher PC literacy training. The remaining amount of 23 million was allocated by business companies.

Implementation of the Program has essentially ensured students ability to receive basics of computer literacy upon leaving the secondary school. Since 2005, the most of attention has been paid to the Internet access and contents; renovation of teacher work places; and preparation for active application of information technologies, and this relates not only to IT lessons, but rather a larger scale of activities.

Since 2001, millions of Litas have been allocated annually for renovation of secondary schools. Almost one third of all secondary schools in Lithuania have been renovated since then.

Over 2003-2006, the School Improvement Program was running in the country. The School Improvement Program is the largest investment project in Lithuanian secondary schools since Lithuania regained its independence. 180 million Litas have been assigned for implementation of the Program. Through implementation of the program, basic schools in the country are provided with modern teaching aids, software and school buses; school renovation projects are launched; different methodologies and curricula are developed; seminars to improve skills and qualification of teachers, school principals and employees of educational departments in municipalities and counties' administrators, and staff of teachers education centres and other interest groups held; as well as analyses of education management and policies, systems

for evaluation of student achievements, internal and external audit systems are developed.

The School Improvement Program aims at improvement of achievements of 5-10 form students through modernization of secondary education and ensuring efficient and coherent use of funds assigned for education. The entire secondary education system has experienced the effect of the Program through improvement of competence of all educational staff; introduction and development of new management, teaching and learning principles; and cooperation of different schools and school community groups. The Program is expected to deliver significant benefit to strengthening and improvement of the entire system of education in Lithuania.

• Achievements

Lithuanian schools seek development of the same competences of their students, as schools in the entire European Community, such as of interaction in their native language, communication in a foreign language, mathematical literacy, basic knowledge in the areas of science, technologies and computers, learning skills; as well as interpersonal, cultural, civic, entrepreneurial and personal development skills.

Lithuania is proud of its brilliant students achieving excellent results. Every year Lithuanian students take part in different International Chemistry, Physics, Mathematics and Computer Science Olympiads and win the highest places. They also participate at the World Debate Tournaments, economic championships and other contests. In 2006 Lithuanian representatives won 1 silver and 3 bronze medals at Students' Chemistry Olympiad in South Korea, 2 silver and 1 bronze medal at Students' Computer Science Olympiad in Mexico, 1 silver and 2 bronze medals at Students' Mathematics Olympiad in Slovenia, 2 bronze medals at Students' Physics Olympiad in Singapore and 3 bronze medals at Students' Geography Olympiad in Australia.

Our country is remarkable for students' high learning motivation and widely-spread education. Over 86 percent of youth, aged 20-24 gain secondary education. According to the results of international IEA TIMSS research, Lithuanian students have made the highest progress in comparison to other countries within the period from 1995-2003.

• University Education

University education in Lithuania is obtained by studies in academic institutions - universities and colleges.

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KAUNAS AS KNOWLEDGE AND TECHNOLOGY CENTER

The city of Kaunas can boast not only of the most beautiful confluence of two largest Lithuanian rivers, the Nemunas and the Neris, but is also famous for knowledge generated there, and its wide application to advanced technologies. Kaunas is widely-known as an academic center, where highly qualified industry and business professionals are educated and trained. Every fourth resident in Kaunas is closely connected to the science: either he/she works in a scientific research and development institution or studies, or is engaged in provision of some science-related services.

Being the second largest city in Lithuania, Kaunas can ensure favorable conditions for investment. This is guaranteed by its convenient geographical location with exclusive background for development of all kinds of transportation and logistic services. Seven universities and academies, a few university affiliates and college-type educational institutions, situated in Kaunas, are constantly engaged in training of high qualification professionals, who are capable of continuous studying and improvement on all levels and profiles. Several scientific research and development institutes and other research institutions orientated towards development of technologies have been functioning in Kaunas with a special infrastructure developed for transition of knowledge and technologies into business and industries. Flexible and effective cohesion between different institutions, as well as productive international cooperation is guaranteed by well-developed information and communication infrastructure.

Quite recently, Kaunas has been acclaimed the city of technology, modern industries and universities. Well-established cooperation between science and industry - business sectors provides opportunities for a rapid development and expansion in high and medi-

um technology industries and science-based services. Kaunas is a center for scientific and technological cooperation in Lithuania, and has been becoming more and more widely known in Europe. Companies receptive to informational technologies and mechatronics, as well as other cores of knowledge-based economy function in the city. Their success has been witnessed by their close cooperation with famous foreign companies. The development of knowledge economy has become a key trend in the economic development of the entire city.

Kaunas has been increasingly becoming a perfect environment for development of modern industries and businesses based on knowledge and technologies.

Universities as an Engine for the Economic Development in the City

Over 55 thousand students study at universities and academies in Kaunas. University education becomes increasingly competitive every year; studies in foreign universities become more and more popular there. University graduates successfully join the labor market not only in our country, but also abroad. They either become employed in the industry or business sector, or create their own businesses and provide jobs for other people (tables 1, 2).

Kaunas University of Technology is the largest technical university in the country and the Baltic States. It has more than 20 thou-

Table 1: Number of Lecturers (Professors, Assistant Professors, etc.), Scientists (academicians), Researchers and Students (including the Doctor, Master and Bachelor's Degrees) employed and/or Studying at Universities and Academies of Kaunas and Affiliates of other university-type academic institutions within the Country (data of 2006).

University-type Educational Institution	Lecturers	Scientists and other Researchers	Students	Total number
Kaunas University of Medicine	448	5	3771	4224
Kaunas University of Technology	1216	729	18209	20154
Lithuanian Academy of Physical Training	199	15	2561	2775
Lithuanian Veterinary Academy	110	66	1355	1531
Lithuanian University of Agriculture	427	25	6048	6500
Vytautas Magnus University	381	92	8143	8616
ISM, University of Management and Economy	32	-	984	1016
Kaunas Department of Police at Mykolas Riomeris University	30	-	903	933
Vilnius University, Kaunas Faculty of Humanities	116	13	2754	2883
Kaunas Institute of Visual Arts at Vilnius Academy of Arts	95	3	378	476
Lithuanian Academy of Music and Theatre, Kaunas Faculty	114	-	194	308
Total:	3168	948	45300	49416



sand students studying at 13 faculties. Scientific research activities are carried out in 10 Institutes of Science and a few science centers functioning at the University. The Institute of Environmental Engineering, Prof. K. Baršauskas Ultrasound Research Institute and the Institute of Biomedical Engineering are best known all over Lithuania, as well as on the international level. University scientists have been successfully participating at different scientific research and technological development programmes supported by the European funds, such as EUREKA, COST, 5th and 6th Framework (EU Common Scientific Research, Technological Development Programmes).

Kaunas University of Medicine is the largest university in Lithuania training specialists for the health care system and carrying out scientific research in the field of medicine. The University Clinics are famous for the works of its cardio-surgeons and cardiologists, as well as implemented telemedicine projects.

The Lithuanian Academy of Physical Education is also renowned in the country for its active participation in activities aimed at introduction of different technologies in healthy lifestyles and sports. Scientific research in the field of muscle biomechanics has made the Academy famous on the international scale, too.

The Lithuanian University of Agriculture and Lithuanian Veterinary Academy are engaged in training of highly qualified specialists of different profiles, ready to work in rural areas and agriculture. The Lithuanian Park of Agricultural Science and Technologies is well-known in the country and abroad as a provider of numerous services to agricultural companies and training courses to farmers.

Vytautas Magnus University trains highly qualified economists, managers, lawyers, IT specialists, professionals in the fields of humanities, social and natural sciences, etc.

This wide range of Universities in Kaunas has been recently complemented by the first private higher school - ISM, the University of Economy and Management known for its largest international academic exchange.

Kaunas as a Rapidly Growing Hi-Tech Business Centre

High concentration of specialists in information technologies and other engineering-related sectors turns Kaunas into a city of industrial and business professionals. About 60 per cent of Lithuanian specialists specializing in technologies and technical sciences live and work in Kaunas.

Technological environment of Kaunas is most favorable for development of the Science and technology parks. Plans for development of high technologies, such as biotechnology, information and nanotechnologies, microelectronics and mechatronics are being made in relation to such Parks.

One of the key projects being implemented in the City of Kaunas in support by the Municipality of the City and Kaunas Chamber of Commerce, Industry and Crafts is the development of the Science and Technology Park Technopolis. Technopolis is a town of technologies within the city having a mission to create favorable conditions for work of technological companies making high added value in cooperation with research centres, scientific laboratories at universities, knowledge and technology communication institutions and other highly advanced technological structures.

Kaunas Regional Innovation Centre, Kaunas Park of High and Information Technologies, Park of Recreation, Tourism and Sports, and other business support infrastructure organizations also function in Kaunas.

The Regional Business Incubator founded at Kaunas University of Technology was nominated as the most rapidly growing incubator in the world at the International Best Science-Based Incubator Conference held in Turin, Italy, on December 1-2, 2005.

Table 2: Number of Lecturers (Professors, Assistant Professors, etc.), Scientists, Researchers and Students employed and/or Studying at College-type Educational Institutions in Kaunas (data of 2006).

Vocational (College-type) School	Lecturers	Scientists and Researchers	Students	Total number
V. A. Graičiūnas High School of Management (former Kaunas College of Management)	56	12	952	1020
Kolpingas College	60	15	412	487
Kaunas College	565	35	7392	7992
Kaunas College of Forestry and Environmental Engineering	93	-	586	679
Kaunas Technical College	96	16	1372	1484
Total:	870	78	10714	11662



Kaunas city municipality
www.kaunas.lt



TECHNOPOLIS
Science and technology park

Public company Technopolis
www.technopolis.lt

Lithuania has 31 public high educational institutions (15 university-type institutions and 16 colleges), 17 private high educational institutions (6 university-type institutions and 11 colleges), 17 state-run scientific institutes, 18 scientific institutes at universities and 8 other state science institutions.

After graduation, the Bachelor and/ or Master's degree and/ or certain professional competence is gained. The studies of the first level last from three and a half to four and a half years, and studies of the second level - from one to two years. After receiving the second qualification level, studies may be continued according to the third (highest) level study program as the Doctor's degree, Postgraduate in arts or Residency studies.

Studies in colleges consist of one level and are orientated towards practical (vocational) activities. Practical training with on-site internships embraces at least one third of the duration of the studies. Usually, studies in colleges last from 3 to 4 years. The Bachelor's Degree and/ or occupational competence are gained through college education.

Colleges functioning in all 10 regions (larger administrative units) of Lithuania guarantee high accessibility of academic education to the entire Lithuanian population.

Within the school-year 2005-2006, Lithuanian universities and colleges counted at over 197 thousand students on all study levels. About 70 percent of youth gaining the secondary education usually continue their studies at different academic institutions in the same year, and 50 percent out of this number are university students.

Since 2002-2003, a new study financing model has been introduced for basic and continuous (full-time) studies in all public academic institutions. According to the model, full-time students have to pay 500 Litas study fee for one term, although the study fees for best students are covered from the State budget. Since 2006 in implementation of Section 3 of Article 67 of the Law on High Education of the Republic of Lithuania, the study fee system has also been introduced to students on the 2nd level. After the introduction of the fee system on the 2nd level, persons agreeing to pay the full price for their studies are able to choose evening or part-time studies.

Academic institutions in Lithuania are also open to foreigners, who have gained at required secondary education recognized in Lithuania. All candidates present their applications to the institution, where they are willing to study. Foreign candidates also need to enclose a document of the validity of the received ed-

ucation in Lithuania issued by the Ministry of Education and Science of the Republic of Lithuania. Candidates must possess a good command of Lithuanian or the language in which the studies are conducted. All colleges and universities apply admission quotas to all study programs. Specific quotas apply to foreigners. Lithuanian academic institutions establish their own admission requirements to related study programs. Foreigners willing to study in Lithuania are advised to apply to the educational institutions for the entrance/ admission requirements, before they submit their applications and required documents. Usually, enrolment to colleges and universities in Lithuania is held from July through August.

Studies in Lithuanian academic institutions are either paid or free, to both Lithuanian and foreign nationals. A right for the State financed studies is reserved for the persons of Lithuanian origin and citizens of other countries having their permanent residence permits in the Republic of Lithuania and/ or nationals of a foreign country, where Lithuanian nationals have been studying on the same study financial conditions.

Lithuania has been participating in the development of common European university education space. Professional qualifications gained in Lithuania are accepted and recognized in a number of foreign countries. Lithuania has signed treaties for academic exchange with 16 foreign countries. Over 1,000 Lithuanian students and teachers annually go abroad for studying and training.

Lithuania has introduced the study quality assurance system based on quality evaluation and certification of study programs. The quality of study programs is assessed by the Lithuanian Centre for Quality Assessment in Higher Education founded in 1995, and study programs are also certified by the Minister of Education and Science.

Lithuanian Scientific Research and Experimental Development program (SREDP)

The program of the Government of the Republic of Lithuania inter alia pursues the following goal:

“To recognize the formation and development of information and knowledge society based on science and innovation technologies as a strategic task and trend of economic development in Lithuania.”

This goal fully corresponds to the goal of Lisbon Strategy to turn Europe into the most competitive region of the world, experiencing the most dynamic development,

progressing with knowledge-based economy to ensure more and better job places and higher social cohesion. The Government has been and still is consistent in making steps to implementation of this task. The Ministry interested in fulfilment of the Governmental program is engaged in preparation of legal acts or draft legal acts, presentation of proposals, development and implementation of programs, namely:

- New Law on Science and Studies has been passed;
- Priority science trends have been approved with additional funding from the State budget allocated;
- The program for development of high technologies has been approved. Funds of the State budget are also granted for its implementation;
- Science and study funding has been increased on the annual basis. Presently, allocations from the State budget to science and studies exceed 600 million Litas;
- Since 2003 higher salary rates have been fixed for university and college teachers, and since 2004 - for all scientists;
- The development and introduction of Lithuanian Information System of Science and Studies is planned before the end of 2008.

Within the framework of programs in progress, the Ministry has allocated funds for acquisition of new equipment in development of priority scientific trends. Since 2003 we have been using four whole-text databases, and from the end of 2006 fourteen whole-text databases will be available for use. The establishment and development of European representative science centres is further encouraged. We are in anticipation of new initiatives of the European Community and especially look ahead to the European Council of Science to finance the best scientific projects in 2006.

According to the data released by the Department of Statistics, in 2004 the total expenses for the SREDP development amounted to 472.7 million Litas (0.76 % GDP), including 254.9 million Litas (0.41 % GDP) in the sector of university-type education, 116.5 million Litas (0.19 % GDP) in public sector, and 101.3 million Litas (0.16 % GDP) in business sector. Lithuania is still struggling to achieve the goal set by the EU member states: to allocate 3 % GDP to the SREDP development in total, 2 % out of which should be in business sector.

The amounts of funds allocated from the State budget to scientific and educational institutions depend on the level and efficiency of scientific research conducted by particular institutions. Besides, the methodol-

ogy of allocation of funds encourages our participation in joint European Community scientific research, experimental development and demonstration activities programs, other international programs, as well as signing contracts for implementation of SREDP with business entities.

The Lithuanian State Science and Studies Foundation provide funding for scientific research on a competition basis. The Foundation promotes complex and interdisciplinary scientific research, provides support to economic entities commissioning research, and scientific research implemented in accordance with international agreements.

Funds from the State budget distributed to the Lithuanian State Science and Studies Foundation to finance research and support researchers have been increasingly growing, and in 2006 reached 23 million Litas.

Since Lithuania's membership in the EU, the following tasks remain critical:

- Development of fundamental and applied scientific research considering the needs of Lithuanian economy and culture;
- Identification and promotion of most prospective scientific trends and encouragement of independent development of science;
- Taking care of improvement of scientists' professional competences, providing support to creative activities of young scientists and ensuring suitable conditions for scientists in taking over the most advanced international experience of science;
- Increasing autonomy of the science and its rising responsibility; creation of favourable public opinion, approval of scientific research methods, and striving for social wellbeing.

All this can explain why the Ministry of Education and Science, expanding its cooperation with the Lithuanian Academy of Sciences, Lithuanian Council of Science and Conferences of Institute Directors and University Rectors, emphasizes its striving for increase of the efficiency of scientific activities and return of the funds invested into science via new technologies, new jobs for highly qualified workforce, rapid GDP growth and continuously advancing lifestyles.

CULTURE, RECREATION & TOURISM IN LITHUANIA

Information provided by the Ministry of Culture of the
Republic of Lithuania and the State Department of
Tourism under the Ministry of Economy

CULTURE, RECREATION & TOURISM IN LITHUANIA

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• Lithuanian Culture

Lithuanian culture over the time has experienced influences by different traditions and numbers of factors that still could be felt at present. This is also considerable when analyzing an interesting merge of elements of pagan mythology and Christianity. Starting from the Renaissance and on to the later epochs, it becomes obvious that Western European cultural tradition has made the greatest influence on professional art in Lithuania. In the 20th century, throughout the period of independent Lithuania, highly productive relations between our country and other European states enriched and encouraged the development of Lithuanian modern culture.

The roots of the rich Lithuanian culture rest in the multicultural legacy of the Grand Duchy of Lithuania (14th – 18th centuries). The boundaries of Lithuanian culture have always been beyond the borders of ethnic Lithuania. Outstanding personalities who lived in the territory of the present-day Poland, Belarus, Russia and Ukraine are often attributed to the Lithuanian culture.

Having survived many influences which came with migrant artists, occupations, coercive or voluntary strate-

gic political alliances, through cultural and scientific exchange, Lithuanians have been persistently protecting the identity of their traditional culture and its formative elements.

The history of contemporary Lithuanian professional art and music started with artist and composer Mikalojus Konstantinas Ciurlionis (1875 – 1911). The works by this talented artist combined Symbolism and Romanticism. Lithuanian literature, arts, theatre and music flourished within the first years of independence of the Lithuanian state. Alas, a part of Lithuanian authors, actors and scientists were forced to emigration by dramatic events of the mid 20th century. The works by Lithuanian emigrant writers and artists created in Western Europe and USA, nowadays have become an integral part of Lithuanian cultural heritage.

The most recent cultural events in Lithuania spring up of the fertile soil of ethnic culture traditions, and also European context. Not only has the Lithuanian theatre been highly appreciated by Lithuanian publics, but by foreign audience and theatre critics as well. The directors with the reputation as of Eimuntas Nekrošius, Oskaras Koršunovas, Rimas Tuminas, Jonas Vaitkus and Ginta-

(continued on page 130)

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ENTERTAINMENT & RECREATION CENTRE

Belmontas

Welcome to one of the most picturesque places in Vilnius vicinities.

In ancient times the river Vilnia was a headspring to human activity. Since Feudalist times, the valley of this river has been a cradle for different crafts and industries. People used to live and work here; first workshops, mills and other industrial manufactories in the city opened and flourished here. First mills in the valley of the Vilnia River were mentioned in the annals of history in the 14th century.

For centuries, up to the World War II, the mill and surrounding territories belonged to the Leoniškes Manor. The first data in the records of history on the Leoniškes Manor date back to the first half of the 16th century, when in 1533 someone called Marina, the widow of Leonas Krylovičius, sold the lands in Pavilnys district with meadows, forests, pinewoods and rivers to the City of Vilnius for 360 Lithuanian kapos (monetary units of that time).

Therefore, the name of the Leoniškes Manor derives from a citizen Leonas Krylovičius' name. On September 16, 1536, by a privilege issued by the King Sigismund I the Old, the boundaries of the Leoniškes Manor were confirmed; and a permit to build a mill on the river Vilnia to satisfy the needs of Vilnius' dwellers was issued.

In the archival documents of the 17 and 18th centuries the Leoniškes Manor is usually called the "Palivarkas" (a separate economic – territorial unit belonging to the land of the manor, usually used for development of specific activities). According to the stock-taking data of 1795, the Leoniškes Manor or Leoniškių Palivarkas was comprised of a wooden mill, an inn, a dwelling house, a stack yard, a barn and brewery. Throughout the 17 and 18th centuries, the Vilnius City Magistrate rented the Leoniškių Palivarkas to different persons, usually burgomasters and counsellors of the Magistrate.

In 1838 a plot of land in Leoniškių Palivarkas near the river of Vilnia was taken on the lease by someone called Karolis de Vimas, a person of French nationality, from the Vilnius City Board. Upon obtaining the permit, Karolis de Vimas built a stone mill and an ancillary building. In 1849 the property of Karolis de Vimas was alienated and sold out due to his outstanding debts and unpaid rentals.

Subsequent owners of the mill developed the water supply system, built a concrete damn, arranged the inlet and outlet channels, installed the water control facilities and constructed three wooden bridges.

The longest ownership of the mill was recorded in the period from 1895 to 1940 by some Kinkulkinai family. The mill never changed its function, and different kinds of industrial activities were continuously developed.

The mill did not cease functioning even during the World War II and within the after-war period. Then it was reorganized into the State-owned mill No. 2. Only during the last decades of the 20th century the mill grounds stood unused and devastated.

ENTERTAINMENT AND RECREATION CENTRE "BELMONTAS"

In 2001-2005 the Entertainment and Recreation Centre "Belmontas" was founded on the site of the French (Belmontas) Mill.

The centre consists of multi-purpose halls situated in the buildings of the ancient mill complex.

The idea of restoration of the French (Belmontas) Mill was based on deep respect to survived relics in our history and spectacular landscapes of Vilnius vicinities.



All authentic buildings and their remaining parts were carefully preserved and restored. The function of the Centre has been as much as possible adjusted to the layout and spatial structures of the ancient mill buildings. Different hall interiors are decorated in abundant ethnographic and antique showpieces and furniture reflecting the peculiarities of rural as well as urban lifestyles at the beginning of the 19th century; hobbies and tastes of persons who lived here at that time. Visitors in the halls will be regaled with delicious meals, and be able to watch different collections; starting with trophies of the chase and domestic appliances to antique pieces of craftwork and artwork.

The Entertainment and Recreation Centre "Belmontas" has 12 multi-purpose and multi-size halls (accommodating from 50 to 250 persons). Up to 10,000 visitors may be entertained there at a time.

Concerning arrangement of the territory, it was focused mostly on recreation of the former hydro-technical system of the mill (water inlet and outlet channels were fixed; seven bridges were built; waterfalls and a fountain constructed). The system also exhibits one of the largest waterwheels in Lithuania. The central part of the complex boasts a large pond of a peninsular shape and its water falling into the river Vilnelė through an artificial waterfall and wandering stream.

Impressive illumination of the entire complex creates a vision of a fascinating and mysterious night view.

"Belmontas" visitors can taste a variety of grilled meals and admire the adjacent views of the countryside, or just have a few hours of tranquil recreation in contrast to the nearby city uproar.

The territory covering 7 hectares has been formed into separate areas for events and recreation. This includes outdoor cafe near the Vilnia waterfalls, the amphitheatre on the river bend, an outdoor bar, small and large terraces for outdoor festivals and concerts, a playground for children, cosy recreational corners, shows of decorative plants and ancient gadgets and mechanisms, as well as a few sightseeing grounds to admire the landscape and historical buildings. The territory may accommodate up to 1,500 visitors at a time.

For those who like to spend their free time actively, the Belmontas Centre organizes different festivals and events (both indoors and outdoors), concerts, games, performances, fairs, parties or discothèques. In cooperation with administration of the Regional Parks of Pavilniai and Verkiai, the Centre organizes guided tours to Vilnius vicinities and different kinds of ethnographic festivals.

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ras Varnas have earned high rankings among international theatre celebrities.

Our country can also boast of many well-known professional symphonic and chamber orchestras, choirs, opera singers and ballet dancers. Cultural events happening all year round include marvelous annual festivals of classical music, theatre, cinema and poetry readings presented by many eminent Lithuanian and foreign artists. Lithuania has been widely known as a jazz country, famous for its several international jazz festivals organized by highly-professional jazz performers and supported by numerous fans in Kaunas, Birštonas and Vilnius.

• Ethnic Culture

Entering the 21st century Lithuania maintained its interesting and specific ethnic (traditional) culture, the development of which has been shaped by relatively late adoption of Christianity of the country (15th century) and ancient language ascribed to the Indo-European group. Up to the 19th century Lithuania lived according to its traditional lifestyles. Therefore, even today we can observe many survived phenomena of our traditional ethnic culture. Although relatively small by its territory, Lithuania has 5 ethnographic regions with people speaking different dialects, wearing specific national folk costumes and celebrating original seasonal festivals, all marked by exciting customs and crafts. These regions are the following: Žemaitija (Samogitia), Aukštaitija (the Upper Lands), Sūduva (South-West), Dzūkija (South) and Lithuania Minor (Seacoast lands). Apart from rich Lithuanian language and its dialects, our country is proud of its spiritual culture heritage: over 400,000 records of folk songs are kept in folklore archives and manuscript libraries. The most unique among these folk songs are ancient Lithuanian polyphonic songs, so called glee canons (sutartinės). The folklore archive which is one of the largest in Europe, and the collection of which was started at the beginning of the 20th century, is a tremendous national treasure. Folk songs, instrumental music and calendar and family customs are still observed through live tradition, and over one thousand of folk music bands contribute to the revival of the rarities kept in archives. Thanks to countless folk bands; Lithuanian calendar festivals, such as Shrovetide (fasting time), Easter, St. George's Day, Rasos (solstice) (St. John's Day), Assumption Day (celebration of verdure) and others have been revived. The most exciting of all seasonal celebrations are: the Shrovetide, still alive in Žemaitija (distinct for the masks prepared exceptionally for this winter festival) and Rasos (St. John's), which has recently been proclaimed a national holiday, famous for preservation of ancient (pagan) traditions.

Lithuania is widely known for its international folklore festivals, such as Baltica (held every three years) and Skamba Skamba Kankliai. Some other folklore festivals are also held annually in different regions of our country, where traditional culture and national costumes are worn and demonstrated not only by Lithuanians, but also brought by other nations of the world. Lithuania may be particularly proud of its 75 regional versions of its authentic national costumes, restored by experts of the Lithuanian Folk Culture Center in 2003.

The fact that over 30 thousand participants usually gather to the National Song Festivals stands in proof of deep singing tradition in the country. Lithuania deserved to be recognized, in 2003 by UNESCO as a the tradition keeper for song and dance festivals; as Latvia, Estonia and Lithuania have preserved this exceptional phenomenon of the world's spiritual culture. Traditional crafts in Lithuania. Can also be considered outstanding and specific. Our country is also known for its wood carving crafts: crests and sacral arts, wood sculptures, shrines, roadside poles and roof poles (some with shrines), representing an ancient tradition, which in 2002 was recognized a masterpiece of the Humanity's Oral and Intangible Heritage by the UNESCO. Everyone visiting Lithuania may notice some wooden articles with clear regional differences on local and regional roadsides, close to rural homesteads, in memorial places or - in their exciting accumulation in the open air - on the Hill of Crosses (in Šiauliai region, North of Lithuania).

Another specifically Lithuanian craft – Verbos (palms) - is found in Vilnius vicinities. This craft of making traditional compositions of dried flowers and other plants used for the Palm Sunday rituals formed exceptionally within the hilly vicinities around Vilnius. Colorful Verbos of different sizes have been and still are made by the residents of over 50 villages in Vilnius region. The tradition is known from the beginning of the 19th century. Vilnius' Verbos could be seen in the Sauluva specialized shop in Vilnius and in the village of Čekoniskes, Vilnius region, famous for the museum of the Verbos. Up to the present day, Lithuania still has had craftsmen painting Easter eggs called Margučiai (varicoloured), weavers (usually women) and folk potters. The most valuable is considered to be black ceramics, produced in Dzūkija and Žemaitija regions. The works by most gifted folk craftsmen can be not only seen but also purchased during our famous Kaziukas' Fair (in honour of St. Casimir, Lithuania's patron prince), held annually in Vilnius, at the beginning of March. Traditional handicraft fairs are also organized in different regions of Lithuania during seasonal and religious festivals.

(continued on page 132)



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• Cultural Heritage

Protection of Lithuanian cultural heritage is guaranteed by the Constitution of the Republic of Lithuania, and three other laws: on the Protected Territories, on Protection of Movable Cultural Property and on Protection of Immovable Cultural Heritage, that have replaced the former Law on Protection of Immovable Cultural Property. These new laws provide regulation of protection of Lithuanian cultural legacy more accurately. The Ministry of Culture and Department of Cultural Heritage, implementing administration of cultural heritage protection and conservation, foresees fair and sound enforcement of all protective requirements set by the laws.

Urban and architectural treasures form a major part of Lithuanian historical immovable heritage. Persistent wars since the 17th century; occupation by the Czarist Russia; World War I and II, and a relatively late start of the official cultural heritage protection in Lithuania (in 1919), have preconditioned our quite sparse architectural heritage, some of it having been modified substantially. Since 1919, however; it has been and still is being recorded, researched and restored. Lithuanian urban and architectural heritage may be classified into a few groups, such as: historical urban sites, ethnographic villages, defense structures, sacral buildings, multifunctional urban buildings, manor ensembles and landscape architecture (parks and gardens).

Urban sites embrace historical parts of towns of a significant cultural value, such as old towns, ancient towns (villages) and complexes of buildings. The sites, including archeological layers, urban tissue (historical boundaries of possessions, street networks, squares, developments and development density, building volumes, etc.), architectural expression of buildings, along with structures and materials are protected as a system.

Ethnographic villages and homesteads are considered as valuable objects of spiritual and material culture of the nation, and an attribute of ethnical identity of Lithuanian nation. Individual valuable sample homesteads are exhibited at the Open Air Museum of Lithuania in Rumšiškės estate, besides, whole fully-preserved villages in national parks are situated in every ethnographical region of Lithuania. These cultural heritage objects are restored and maintained by the state and co-funded by private funds.

Objects of archeological and mythological heritage in Lithuania are distinct for their great variety, too: mounds, ancient bulwarks and other defense structures, building ruins and remains, and places of religious cult,

etc.. At present Lithuania counts 645 mounds under the state protection. Once having played a defensive role, today mounds play a great scientific, educational and recreation role. They enrich the Lithuanian landscape. Being the witnesses of the history of our nation, they are frequented by tourists, and are home to different festivals.

In 2003 a computerized software “Aero photo Database of Lithuanian Cultural Heritage Sites” was launched. Air views of possible ancient settlements and burial grounds, mounds, towns, churches, manors and other historical and cultural sites are kept within the database.

Great attention has been paid and funds allocated to recently started projects of underwater archeology. Underwater archeology may be a fairly prospective trend in Lithuania: clear-watered lakes and the Baltic Sea coastal area have been hardly explored here. Historical annals describe medieval bridges and poles of indistinguishable purpose at bottoms of the lakes. Many sunken remains of dugouts and boats are found by accident. The custom of the burial into water was also known in Lithuania within the 13th – 14th centuries.

Articles of virtu (rarities) created by professional artists as well as folk craftsmen make an important part of Lithuanian cultural heritage, too. Pieces of art of significant cultural and artistic value, created over 50 years ago, are included into the state cultural value registers. The Department allocates funds to conservation and restoration of articles in virtu on annual basis. Considering the great variety of artistic items, only the most valuable receive the state financing within separate subgroups.

Another absolutely invaluable artistic heritage has been preserved in Lithuanian churches. Church interiors present abundance of samples of monumental and decorative painting (wall painting, stained glasses, mosaic), sculpture décor (stucco modeling, founders’ tombstones), religious items and elements (abundantly decorated altars, pulpits, organ bases, baptisteries, small movable altars), as well as metalwork and jewelry items (picture frames, antependiums, chandeliers, bells, sarcophaguses, grids, decorative crosses, liturgical vessels, monstrances, reliquaries). Baroque style compositions preserved in St. Peter and Paul’s Church in Vilnius and Pažaislis Monastery are considered masterpieces of sculptural church décor.

Starting from 2006 on cultural heritage objects owned by the Lithuanian Catholic Church are managed in accordance with a special implementation program for the Cooperation Agreement in Educational and Cultural Areas (heritage management included), signed by and between the Republic of Lithuania and the Holy See.

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Encouraging a greater part of Lithuanian society to learn, understand and duly appreciate its national identity - cultural heritage - and take an active part in its preservation, since 2006 on the Department has been engaged in implementation of the Program for Knowledge Dissemination and Revitalization of Immovable Cultural Heritage. Various events, conferences, seminars and other projects (including educational) have been being co-financed by this Program funds to disseminate public awareness of immovable cultural heritage and its protection. Possibilities have been created for different budget and public institutions and associations to support related projects. Within the framework of this Program, preparation for printing and publication of heritage-related publication have been financed.

Since 2006, operators of immovable cultural heritage objects (and sites), accessible for visitors, are able to apply to the Department for to cover the costs of maintenance and heritage protection works. Costs of exploration, dealing with emergency threats, conservation and restoration works, as well as planning are subject to financing. In the future compensations are also designed for limitation of activities to operators of immovable cultural heritage objects proclaimed under special protection.

Lithuania annually announces new specific immovable cultural heritage objects; in addition, accounting and making entry records of such cultural heritage objects is performed. In 2006, the Department started implementation of computerized information system of registrar services on cultural heritage, in coordination with the Cultural Values Register. Next year the updated digital information is planned to be used, including the Georeferential base of the Republic of Lithuania, digital database of Lithuanian maps, and the database of vectorial indicators.

After Lithuania had joined the UNESCO and ICROM in November 1991, cooperation with international cultural heritage organizations started and an opportunity appeared to include the most outstanding Lithuanian culture and nature objects for the UNESCO World's Heritage List. The Ministry of Culture has been designing plans to prepare the Law on protection of objects in Lithuania entered on the UNESCO World Heritage List.

Four Lithuanian sites have been entered on the UNESCO World's Heritage List so far. These are: the Old Town of Vilnius, the Curonian Spit (the creation of lagoon and sand), Kernavė Archeological Site, and Struvė Geodesic Bend. A phenomenon of traditional Lithua-

nian spiritual culture, having no analogie in Europe, crests and sacral arts, as well as song festival tradition in Lithuania and other Baltic States, have been entered into the UNESCO List of Humanity Masterpieces of the Oral and Intangible Heritage.

Since 1994 on, Lithuania annually organizes programs of European Heritage Days. The Department has been carrying out the program for eleven years; however; since 2006 the European Heritage Days have been administered by municipalities of Lithuanian towns and regions, and only the Program coordination is carried out by the Department. Each year, usually by the end of September, during the days of European cultural heritage, less known heritage objects are introduced to the public at large, and specific cultural heritage areas are actualized. Different subjects are usually selected for the European Heritage Days, such as historical parks and gardens, wooden architecture, defense structures, manors and mansions, Jewish cultural heritage, and historical cities.

Another important program initiated by the Council of Europe is the European Cultural Routes. Since 2000 the Department has been working in close cooperation with the European Cultural Routes Institute, organizing seminars and international conferences in Lithuania, in the area of preservation of historical parks and cultural landscape. The Department also cooperates with all countries within the Baltic Sea region, focusing on areas of conservation of cultural heritage in sub-aquatic and coastal zones, historical town protection and practical building conservation and protection.

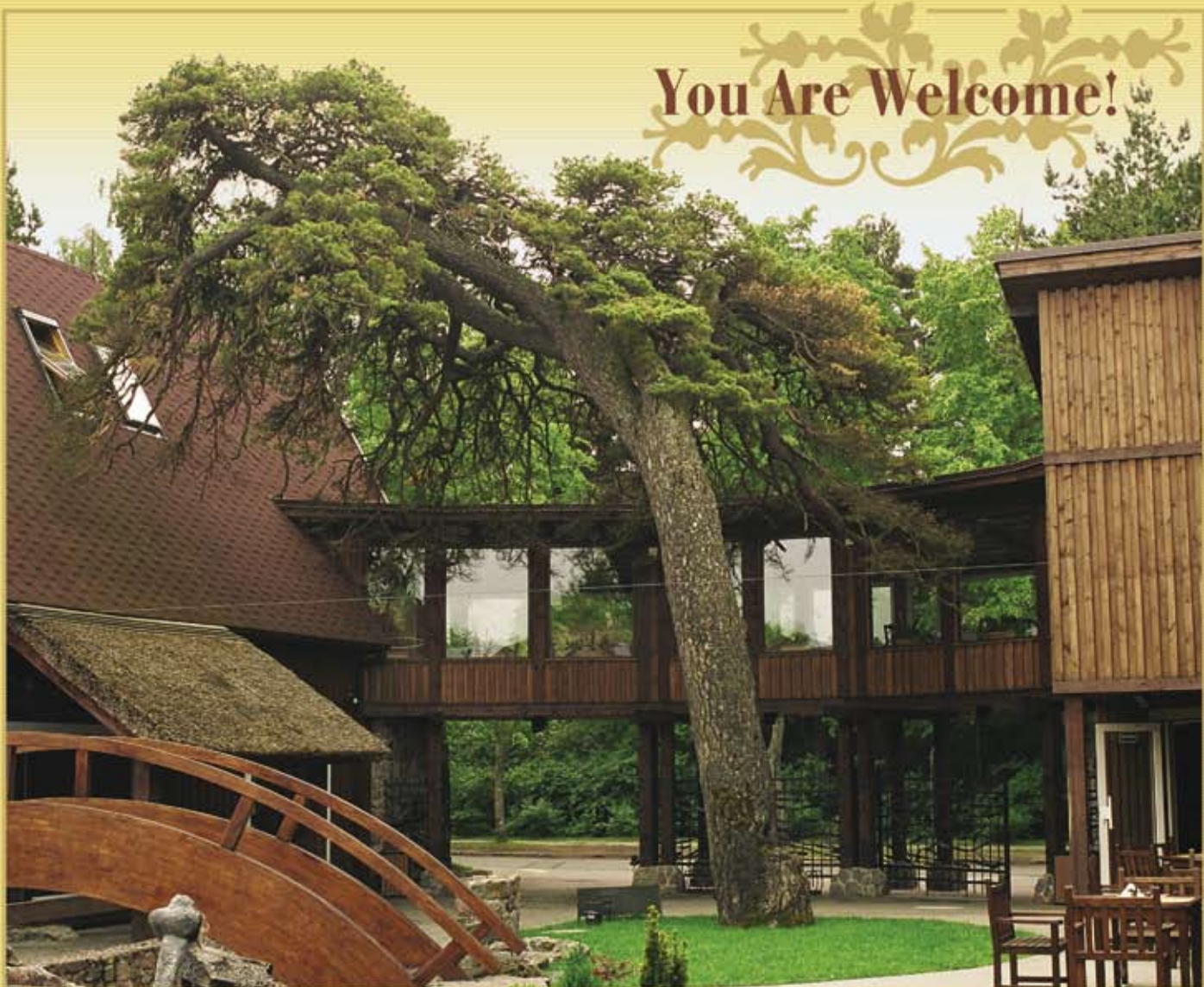
In September 2007 the 3rd Cultural Heritage Forum of the Baltic See Region will be held, called Cultural Heritage Tourism: Partnership, Impact, Management and Responsibility. Working in close cooperation with cultural heritage possessors r and operators, municipalities, museums, libraries and archives, the Ministry of Culture and Department of Cultural Heritage of the Republic of Lithuania will seek for protection and preservation of rich, versatile and continuing European traditions Lithuanian cultural heritage for future generations. Institutions responsible for conservation of cultural heritage have been making every effort to ensure that Lithuanian cultural heritage dully shapes the image of the country and contributes to the development of cultural tourism.

• Cinema in Lithuania

After Lithuania regained its independence, the structure, financing and distribution of cinema have changed dramatically. A single Lithuanian film studio as a monop-

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Arvydas Sabonis, a well-known basketball player, and his wife Ingrida will happy to have an opportunity to welcome you to their hotel Pušų Paunksnėje (in the shade of pines). The hotel is located in a delightful place, very close to Botanical Garden.

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PALANGA, LITHUANIA'S LARGEST SEACOAST RESORT

GENERAL DESCRIPTION

Palanga is an international seacoast resort and home to active recreation and rehabilitation, oriented towards a wide range of entertainment services with a developed modern infrastructure.

The Municipality of the town occupies an area of 79 square kilometres in the territory of the district of Klaipėda, northwestern Lithuania. In the North, the town borders with the Republic of Latvia; whereas in the East it neighbours Kretinga; in the South - the regions of Klaipėda, and in the West – with the Baltic Sea.

In the beginning of 2006, the population of the area of Palanga Municipality amounted to 17.6 thousand people. Palanga is the most densely-inhabited resort in Lithuania: it has 222.9 persons per 1 square metre. Residents in the age of retirement comprise 20.1 per cent; whereas employable people make 62.2 per cent of its population.

Palanga became a famous resort in the early 20th century, and presently is one of the largest resorts and tourism centres of Lithuania. As a recreation area, it has already served for a century and a half. Around 900 thousand tourists visit Palanga annually.

PRIORITIES FOR RESORT DEVELOPMENT

The priorities for development of the Municipality of Palanga have been outlined in the Strategic Development Plan of the town Palanga to the year 2015 and the Town's Master Plan. The priorities include the following:

1. Increase of human resources potential of the resort;
2. Development of harmonious living environment;
3. Creation of a competitive system of recreation, sports, tourism and rehabilitation treatment, as well as improvement of the quality of services.

TOURISM INFRASTRUCTURE

The geographic location of the resort, as well as its infrastructure and natural cultural potential, are favourable for the development of tourism business. The area is rich in natural recreational resources: the water area, beaches, original natural non-urbanized zone of the seacoast, recreational forests, clean ionized air and resources of mineral water and healing mud.

Tourism and recreation-oriented service and commercial sectors are the most developed areas in the town of Palanga. 40 percent of economic entities operate in the catering and lodging sector. There were 34 hotels, 66 rest-houses, over 100 recreational institutions, 6 convalescent homes and rehabilitation centres in the area of the Municipality of Palanga as of the beginning of 2006. In 2005 the employment ratio in hospitality sector reached 32.2 %. Hotels in Palanga resort have excellent conditions for conference services. Conference halls can receive up to 700 visitors at a time.

A range of cultural and entertainment events are held in Palanga all year round. The botanical gardens and the Amber Museum complex, unique by their history, along with exhibits and cultural events, are popular among the visitors, and is a good promotion to Palanga.

INVESTMENT IN THE TOWN OF PALANGA

The growth of physical investment in Palanga is a sign that Palanga is not only an important town in the district of Klaipėda but also the most attractive resort of Lithuania investor-wise.

In 2004 tangible investment to the Municipality of Palanga Town reached 68.9 million Litas. In the first half of 2006 direct foreign investment amounted to 23.7 million Litas. Investment was the most active in the areas of construction, real estate, and tenement. 4 modern SPA centres, sports and entertainment centre, and holiday camp are planned in the Municipality of Palanga in the nearest future.



For more information please contact the Department of Economic Development of the Administration of the Municipality of Palanga town
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websites: www.palanga.lt
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ly that used to keep all creative and production resources together has been replaced by a system of private studios. At present financing of the cinema sector depends on the Lithuanian State budget and investments by private foreign, as well as native investors. Before 2004 the possibilities of local distribution were limited by a relatively low number of newly produced films and strict economic conditions established by key demonstrators of films, i.e. cinema theatres in Lithuania. However, opportunities for international distribution have opened for the Lithuanian cinema, and have now been used successfully by Lithuanian studios, producing films throughout the entire period of independence. Lithuanian movies have been widely screened or rather have been selected for screening in different and the most outstanding international film festivals by professional experts. Geographical borders for Lithuanian film screening areas have expanded and now can reach the most remotely points in the West and East. This has been determined by particularly high quality of Lithuanian feature films and documentaries, including producers' interests to strive for widest film possible audience.

The State official policy in the area of cinema is implemented and coordinated by the Ministry of Culture. The Ministry is engaged in preparation of drafts of the laws and other legal acts in the cinema; distribution of subsidies allocated out of the State budget for film production projects, cinema programs and implementation of control over the use of such subsidies; seeking to ensure that at least one full-length feature film is produced annually; taking care of preparation and continuous training of cinema experts; coordination of preparation and realization of film production projects and cinema programs; coordination of participation in international cinema organizations and programs by respective Lithuanian cinema organizations; initiation and coordination of different cinema events in Lithuania, as well as participation by relevant Lithuanian organizations in international cinema events; and initiation and coordination of programs in relation to copyright protection in the area of film distribution and public screening.

On March 5, 2002, the Law on Cinema was passed, providing public management grounds for cinema, concept of a national film, procedure for production, distribution, public screening and financing of national films, as well as procedure for distribution and public screening of foreign films in Lithuania.

Pursuant to the Law, mentioned earlier, the Cinema Council was established in the end of 2002. The Cinema Council is a collegial, consultancy institution functioning under the Ministry of Culture. The Cinema Council

is engaged in analyzing the issues of Lithuanian cinema development and dissemination, cinema programming and film production projects that are financed from the state budget. The Council submits its proposals on the issues described above to the Ministry of Culture, which respectively is in charge of the State policy in the area of cinema.

In March 2003 the Ministry of Culture founded the European MEDIA Program Office to coordinate Lithuania's participation in the European Community's programs within the audiovisual sector.

Recent two years were successful, as they marked some increase in both the number of Lithuanian films and the interest figures in Lithuanian movies; both nationally and internationally. In the year 2005 the feature film *Forest of the Gods* (by Director Algimantas Puipa) was at the very top of the domestic box-office and reached a number of approximately 650,000 cinema audience. It is noteworthy mentioning that apart from being successful at home, all movies produced by Lithuanian filmmakers, and also made in co-production with foreign partners, were welcomed by large audiences at international film festivals, retrospective screenings and forums. From the point of view of the national film policy, this fact is, of course, of fundamental importance, as Lithuanian language and culture has been steadily reaching wider audiences, as a result of the international cinema screen. DVDs with *Forest of the Gods* (by Director Algimantas Puipa) and *You am I* (by Director Kristijonas Vildžiūnas) have recently been launched, and hopefully, will find their way to the World's audience.

The year 2005-2006 saw 5 feature films, 24 documentaries, 16 animations and nearly 13 short films released in Lithuania. Only one feature film *Diring*, produced by a young filmmaker Ignas Miškinis, was made as an entirely Lithuanian production, whereas the others, such as *You am I*, *Forest of the Gods*, the *Ghetto* (by Director Audrius Juzėnas), *Seven Invisible Men* (by Director Šarūnas Bartas), were made in larger or smaller scale co-productions (mainly with France, Germany, the Netherlands, and Portugal), financed by Lithuanian funds and private sponsors.

Despite of the small number of newly issued films in 2005, Lithuanian cinematography is proud of having received several prestigious cinema awards: the Silver Wolf at the greatest and most prestigious documentary film festival in Europe IDFA; the Golden Dove at the International Documentary Film Competition; the 48th DOK Festival in Leipzig; and the best European documentary nomination for *Before Flying Back to the Earth*, direct-

ed by Arūnas Matelis. In addition, in 2005 two Lithuanian films were invited to participate at the 58th Film Festival in Cannes: these were a feature film *Seven Invisible Men* (by Šarūnas Bartas) and a documentary *Ten Minutes before the Flight of Icarus* (by Arūnas Matelis). Šarūnas Bartas' movie was included into the 37th Directors Fortnight Program, while Arūnas Matelis' documentary was introduced at the International Critics' Week among the most influential movie produced in Eastern Europe within the last 15 years.

The year 2006 started successfully with *You are I* presentation at the 59th Cannes Film Festival in the category: *Un Certain Regard*. The movie continues its travel around the world, and hopefully it will make a good representation of Lithuanian cinematography, diverse in styles, genres and ideas.

• Music

All Lithuanian music, including the folk and professional, has had a strong influence on local composers and came close to the contexts of other countries in different and sometimes unexpected ways. It is hard to explain the peripeteia in the history of the national music in isolation, within the Lithuanian context only. This is related not only to the internal features of musical expression, which have always been rather "cosmopolitan", but also our composers' attempts to create in accordance with musical tendencies in other countries. This process has been continuously undergoing since the appearance of the Lithuanian national symbolist music on the scene off the late 19th century.

Professional music culture in Lithuania is rich with a lot of cultural phenomena related to music, including professional musical composers, performers, music institutions, music education and the media in music performance.

Continuous public support provided to this area of non-commercial musical culture and the system of music education, developed and cherished over the years, have originated the birth of professional music institutions in Lithuania, including musical theatres and different music performance groups.

Lithuania has three public musical theatres, such as Lithuanian National Opera and Ballet Theatre with a professional classical ballet troupe, highly appreciated by national and foreign audiences; Kaunas State Music Theatre, famous for its historical State Theatre traditions, enriched by the operetta and musical genres; and Klaipėda Music Theatre, experimenting with different

genres and forms and their blends, seen in its new performances, alongside with the traditional classical music theatre repertoire.

The function of distribution of professional musical culture in the country and abroad has been performed by six national concert performers and agencies, such as: the National Philharmonic Society of Lithuania, putting together musical performance groups well-known on the international scale; the Lithuanian National Symphony Orchestra, directed by Gintaras Rinkevicius; the State Philharmonic Society in Kaunas, including internationally renowned Kaunas State Choir; the Lithuanian State Wind Instrument Orchestra Trimitas, directed by Algirdas Budrys; the National Folk Song and Dance Ensemble Lietuva, and the State Chamber Choir Polifonija in Šiauliai. Besides their direct performer activities, these institutions, as well as the other non-governmental organizations are engaged in organization of international professional art festivals and different contests in Lithuania.

When solving arising issues of professional music, as well as classical and modern dance on the state-level, special expert commissions provide consultancy and assistance, serving as experts and consultants within different fields of art.

High professionalism of music and dance culture in our country has given birth to a tradition of organization different international festivals and contests, which have become significant music and dance culture events, and this is not only in Lithuania, but also in the entire Baltic Sea region or Europe. Among these, it is worth mentioning the Thomas Mann Festival in Nida; Vilnius Festival; international jazz festivals in the cities of Vilnius, Kaunas, Birštonas and Klaipėda; these are: Classical Music Festival in Pažaislis; Musical August on the Seaside; Young Musicians' Festival in Kaunas; Contemporary Dance Festival *Naujasis Baltijos Šokis* and many others. Taking into consideration the impact of these events on cultural processes, their major budgetary part comes from the State.

The State provides support not only to the projects of professional artists and performers, but is also dedicated to young talented musicians, going to prestigious international contests, master classes, seminars, and starting their international studies in higher art schools.

• Theatre

The art of theatre is one of the most influential areas in Lithuanian art and culture. It has been doing a tremen-

dous impact on cultural and artistic life and society in Lithuania. The State is committed to promotion and support of the distribution of professional theatre and artists, contributing to the image of the Lithuanian theatre.

The organizational theatre system in Lithuania is divided into the State-supported, municipal, private or non-governmental, and amateur theatres. Lithuania has 13 State theatres, including 8 drama, 2 puppet and 3 music theatres. Two theaters have been given a National Theatre status, i.e. the Lithuanian National Opera and Ballet Theatre, and Lithuanian National Drama Theatre.

The State-run, as well as municipal theatres are functioning in all larger Lithuanian towns (Kaunas, Klaipėda, Panevėžys, Šiauliai, Marijampolė and Alytus). All State theatres are provided with the premises (buildings) of their own.

Every State-run theatre stages 3 to 6 new performances during a season. All in all about 60 new plays appear on stages of the State theatres in Lithuania within a season. The annual audience number in the State theatres is about half a million.

After Lithuania has regained its independence, alternative legal entities (not only private theatres, but also NGOs) emerged on the theatre scene. Some of the Lithuanian non-governmental theatres are well-known and popular not only in Lithuania, but also abroad. It is worth mentioning such companies as Meno Fortas founded by one of the most famous Lithuanian theatre directors Eimuntas Nekrošius, and Oskaro Koršunovo Teatras founded by director Oskaras Koršunovas, probably the most talented director of the young generation in the country. The State provides its support to the private and non-governmental theatres by allocating funds through separate support schemes to allow the ones to implement specific creative projects and stage new performances.

The Lithuanian theatrical art has been widely represented abroad. Performances staged by prominent Lithuanian directors, such as Eimuntas Nekrošius, Rimas Tuminas, Jonas Vaitkus, Oskaras Koršunovas, and Gintaras Varnas (this list can be added), are invited to different prestigious international theatre festivals and often win the highest prizes there, whereas these directors receive proposals to direct plays on the stages of foreign theatres.

The Board of experts formed of theatre, music and dance critics make a selection of the best performers of professional theatre within each theatrical season. The win-

ners of this nomination receive monetary prizes and the Golden Cross of the Stage. The nominees are announced and awarded on the International Theatre Day, March 27.

To encourage the processes of development of new national drama, the Ministry of Culture has established the annual prize for the best national theatrical play staging.

• Visual Arts and Photography

A structure of visual arts and photography galleries and centers has received a clearer shape in Lithuania in the recent years. The structure includes: galleries founded and maintained by the State and municipalities; non-governmental organizations (including creative artists' unions and newly founded public institutions, NGOs); state-run higher education institutions (Vilnius Academy of Visual Arts, and Vilnius Art Gymnasium by M.K.Čiurlionis), as well as private initiatives. Such galleries are functioning in all largest Lithuanian towns and district centers. Lithuania has over 50 private art galleries, along with the galleries founded by different artists' unions (such as the Lithuanian Artists' Union and Lithuanian Photography Artists' Union). In 1996 the Association of Lithuanian Art Gallery Owners was founded.

The key institution representing contemporary arts in Lithuania is the Contemporary Art Center (CAC) in Vilnius founded by the Ministry of Culture. The CAC presents different styles and art forms of Lithuanian including foreign art in its exhibitions and also arranges exhibitions of young artists. Within the last decade the CAC has become one of the most outstanding exhibition institutions in the Baltic countries. The educational activities implemented by the Center are aimed at ensuring the access of information on contemporary art to all culture consumers in Lithuania. In 1999 the Center introduced the library of publications on contemporary art and mini-internet center Infolabas to its visitors.

The State-provided financial support to contemporary art and photography is administered in several stages. The State allocates funds for presentation of artworks of various kinds of art and photography to the public. Since 1999 this type of support has been granted to events of different art galleries and centers by the Lithuanian Culture and Sports Foundation. Art and photography projects, retrospective exhibitions by artists, thematic exhibitions, actions, festivals, theoretical conferences and round-table discussions on art and photography issues are subject for such funding. From 1997 on a part of the State budget annually channels financial support

(continued on page 142)



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to the creative programs developed by different artists' organizations. The Media Support Foundation contributes to implementation of various publishing programs by the Lithuanian Artists' Union and Lithuanian Photography Artists Union (such series as the Contemporary Lithuanian Artists, or periodicals Arts and Lithuanian Photography could be mentioned on this occasion). The Ministry of Culture on the annual basis provides the State grants to culture and art personalities, about 8 percent of which go to artists and art critics, and about 3 percent - to photographers. Such grants are aimed at ensuring proper conditions for artists and photographers to create new works, present such works to different exhibitions in Lithuania and abroad, perform research on art works and improve professional skills.

The function of collection of art and photography works and their presentation to the public at large is performed by the Lithuanian Museum of Visual Arts, Lithuanian National Museum, and National Art Museum by Mikalojus Konstantinas Čiurlionis. The Ministry of Culture allocates some funds for acquisition of contemporary art and photography works. In 2002 the Government of the Republic of Lithuania approved the concept of the Lithuanian National Gallery, designed to provide possibilities for permanent exposition, representing the development of visual arts in the 20th century Lithuania (28, Ukmergės St., Vilnius) is foreseen.

The updated version (approved in 2003) of the Law on Movable Cultural Property of the Republic of Lithuania (2002) and the procedure for application of the Obligation by the Lithuanian Republic Government Regarding Movable Cultural Properties of Foreign Countries Taken Temporarily to the Republic of Lithuania ensures a proper legal basis for purchasing of foreign high quality art and photography collections, exhibitions and particular artifacts of exclusive artistic value to the Republic of Lithuania; as well as autonomous and consistent exhibition policy making for Lithuanian national and state museums.

In compliance with international cultural cooperation treaties, Lithuanian visual arts and photography have been continuously promoted in foreign countries. Since 1999 on Lithuania participates at the International Biennial in Venice, held every two years. The works by young Lithuanian artists, such as Eglė Rakauskaitė, Mindaugas Navakas, Deimantas Narkevičius, Svajone and Paulius Stanikas and others were presented in the recent Biennial.

- **Book Publishing Industry**

Lithuanian language and literature have always been an im-

portant integral part of Lithuanian cultural identity. When in the 19th century the Czar of Russia prohibited the distribution of written Lithuanian, the oldest live Indo-European language, the unique phenomenon of book contraband, so-called "book-carrying", emerged in Lithuania. Poetry and prose written in the Lithuanian native tongue during these years of suppression was one of the resistance forms against the soviet regime by the Lithuanian society.

Lithuanians traditionally love and highly appreciate books and literature. At present the publishing industry in Lithuania is one of the most developed areas of cultural industry. The State provides support to publishing books significant for Lithuanian culture and distribution of Lithuanian literature in foreign languages. The International Vilnius Book Fair, annually held in Lithuanian capital, is the largest and most important event of the kind in the Baltic States. The number of Fair visitors and invited international guests has been growing every year, and this trend shows that Vilnius Book Fair has become one of the largest and most frequented cultural events in the capital of Lithuania. The most beautiful book contest introduced in the Fair provides a chance to evaluate top works by book illustrators and designers.

The art of book publishing and literature contributes to representation of Lithuanian culture abroad. Up to the present, Lithuanian, German and Swedish cultural communities have preserved good memories about successful and interesting presentations of Lithuanian literature and culture at the International Book Fair in Frankfurt, 2002, and International Geteeborg Book Fair, 2005. Each year Lithuanian publishers participate in this most significant of the book fairs held all around Europe. Lithuania has been invited as a main guest country to the International Book Fair 2007 in Turin, which is one of the largest and most significant book fairs in Italy.

Literature presentations in foreign countries require a good command of foreign languages and cultures, so a successful program must include presentations of translated and original books, literature readings, seminars held on history, culture, geopolitics and other relevant issues, art exhibitions and other events. The set of complex measures contribute to better understanding of common historic and cultural contexts, strengthening of the dialogue between countries, trust in and willingness to better understand each other. Each fair is also an excellent place to develop international publishing business relations, discover the unknown through extremely rich and interesting world of culture and literature and present this all to the readers. For the same reasons Lithuanian literature has already been considered or soon will be a discovery to many readers in Germany, France, Russia, Sweden and other countries.

• Museums

According to the data published by the Ministry of Culture, in 2005 Lithuania had 106 museums (20 State museums, including 3 national, 15 public and 2 county museums; 61 museum belonging to different municipalities; 19 museums are mixed in their scope, structure or legal status and 6 of them belong to other types - private, etc.). Over 5.5 million items of cultural property – exhibits, valuable in archeological, historic, artistic, ethnic, religious, scientific, memorial and other aspects - are kept in the collections of Lithuanian museums. Each year, museum collections are added by new exhibits. According to statistics, the number of permanent and movable exhibitions in Lithuanian museums has been continuously growing. So is the number of museum visitors (in 2005 - 2.7 million visitors attended museums in Lithuania, and this was by 156 thousand visitors more than in 2004.).

The administration of Lithuanian museums is performed by the Ministry of Culture. The Museum Council has been established in Lithuania to perform expertise and consultancy services creating policies and their implementation for Lithuanian museums. Lithuania has also founded the Lithuanian Museum Association and Lithuanian National Committee of the International Council of Museums (ICOM).

The provisions of the Lithuanian Culture Policy have introduced a new approach to museum as an institution, i.e. activities of a contemporary museum are linked to the functions of culture, education and information. Cultural and artistic values collected in Lithuanian museums are committed to expansion and improvement of the services provided to museum visitors. Therefore, museums need to match the functions of property collection and preservation, to education of society and information dissemination to the public. Lithuanian museums are actively engaged in development of educational programs and implementation of different educational events.

The Ministry of Culture provides funding for different programs in relation to the following: museum development, restoration of museum items and scientific research related to Lithuanian culture. Since 2003, the Ministry has been allocating approximately 380 thousand Litas on the annual basis to support exhibits of great Lithuanian language and culture, artistic, historical and memorial value for national and public museums. About 25 per cent of this amount goes to supplement the collections kept at the National Art Gallery, the structural unit of the Lithuanian Museum of Visual Arts. A special attention is paid to works by Lithuanian artists of the last decade of the 20th century. Plans are made to

complete the reconstruction works of the National Art Gallery in 2007. Safety, i.e. fire and security alarm systems, have also been enhanced and improved continuously in national and republican museums of Lithuania. 700 thousand Litas is annually allocated to museum security systems renovation. The Ministry of Culture is a co-financer of the Lithuanian Integrated Museum Information System (LIMIS) designed for the registry and public presentation of collections kept in museums and prepared by the Lithuanian Museum of Visual Arts in cooperation with the company Alna AB, as well as the Internet Web pages on Lithuanian museums.

At present the Lithuanian museum modernization program is a work in progress. The program will create conditions for renewal and empowerment of museum infrastructure. The program is aimed at development of historical self-awareness of the society; quality renewal of museum activities; and creation of proper conditions for museums to collect, keep and promote objects of historical, literary, cultural, artistic, natural, scientific and technical heritage; as well as expanding possibilities for development of the knowledge and creativity society. The program foresees modernization of the present museum material resources, adding new exhibits to museum collections, restoration of museum items (treasures), modernizing the cultural heritage of the country, using updated tools and technologies and ensuring public access to digitalized cultural heritage and information.

Lithuanian museums take active part in the cultural life of the country by organizing different festivals, concerts and special events called 'Live History', attracting a large number of visitors and participants. 'Live Days of Archeology', held in the Museum of Kernavė, 'Medieval Feast' organized by Trakai Historical Museum, 'Napoleon's March across the Nemunas', initiated by the Vytautas Magnus Museum of Warfare in Kaunas, and 'Days of Crafts', held in the Open Air Museum of Lithuania in Rumšiškės; Alytus Regional Studies Museum, and Aušra Museum in Šiauliai are just a few examples to mention. Lithuanian museums also take part at international events. One of the events of the kind is European Night of the Museums 2006. Lithuanian museums also plan to take an active part in the program "Vilnius, the European Cultural Capital 2009".

2009 is the year of the Millennium. It marks the anniversary of the name of Lithuania first mentioned in historical annals. Reconstruction of the Monarchs' Palace is a step towards the program to commemorate the Millennium Anniversary of Lithuania. The Lithuanian Monarchs' Palace in Vilnius Lower Castle was a political, administration and cultural center of the time. Its history

dates back to the 13th century. Within its ruins, archaeologists discovered the specimen of oldest brickwork in Lithuania. Once, the Lithuanian Monarchs' Palace was famous for its rich library, well-known in all Europe; besides, art collections and jewelry treasury. Opera was performed here for the first time in the country's history. The reconstruction works of the Monarchs' Palace will be finished by 2009 – right before the Millennium Anniversary of Lithuania. The reconstructed Palace will be a center representing Lithuanian statehood, culture and education.

Working in close cooperation with the Polish Institute and cultural institutes of other European countries and diplomatic missions functioning in Lithuania, the Lithuanian National Museum of Visual Arts has prepared and has been implementing the program for presentation of Monarchs' Palaces in other European countries, which includes meetings and scientific discussions with heads of museums and other cultural heritage protection institutions, situated in historical residences of other states in Europe, as well as researchers and experts. The implementation of the program commenced in October 2003, in a meeting with Hellmut Lorenz, the Expert of the Restoration Project of the Royal Palace in Berlin and Professor of History of Architecture, the University of Vienna (Austria). The implementation of the program will be finished in 2008, on the eve of the restoration of the Lithuanian Monarchs' Palace. The program is of educational and scientific character. On one hand, it will present a description of activities of museums and other cultural heritage institutions situated in other historical residences of European monarchs. It will also explain to the Lithuanian public at large the sense and significance of the activities of the institutions of the kind functioning in modern societies. The program also aims at presentation of the European practices of historical evolution, restoration, full or partial reconstruction of royal, ducal and other representative residences, preparation of thematic permanent expositions and temporary exhibitions, implementation of educational programs and contemporary ways of work with visitors, organization of representative events on the State level, as well as cultural and music projects and information programs to persons taking part in preparation of the Lithuanian Monarchs' Palace Reconstruction Project; researchers interior and exposition designers. This program provides an opportunity to get oneself familiarized with the European practice and experience of implementation of similar projects, i.e. of tailored programming of historical residences; ways to include modern cultural heritage promotion and up-to-dating functions mainly in the neighboring countries and countries traditionally maintaining close relations with Lithuania). Moreover, it will ensure

the most advantageous solutions to a gamut of issues related to the reconstruction of the Lithuanian Monarchs' Palace a deeper insight into new methodological provisions, and will be given highly qualified consultancy and expertise.

Museums, galleries and exhibition halls are introduced in more detail in English, German and French on the Internet Website www.muziejai.lt.

- **Vilnius, the European Culture Capital 2009**

In 1985 the program of the European Culture Capitals was approved by the Council of EU Ministers upon the initiative of Melinda Mercouri, the Greek Minister of Culture of the time. A nominee city is usually announced a Capital of the European Culture for one year and is provided with an opportunity to promote its own culture to nationals of other European Community countries. Over twenty years of the program existence, over 30 European cities have received a prestigious status of European Culture Capital. It has been probably the most successful European Community's program in the field of culture.

Lithuania is the first among the new European Community member states, to become the successor of the honorable status of the European Culture Capital to be nominated in 2009 in Vilnius. 2009 will also be exceptional to our State, as we are going to celebrate the Millennium Anniversary of Lithuanian name. Therefore, the Program "Vilnius - the European Culture Capital 2009" will aim at encouraging communication among members of society on cultural level, ensuring that the project on European level would become important to national and European identity of our fellow citizens, and that on the occasion of the Millennium Anniversary of the name of Lithuania it would be perceived as a sign of honor of our state and self-respect.

In 2005, the European Parliament has adopted a decision to include the new EU member states to this Program, alongside to the old ones, starting from 2009. Thus, even two European cities will be nominated for European Culture Capitals: in 2009 Vilnius will enjoy this honorable status together with the Austrian town Linz.

In September 2006, the Municipality of Vilnius City and the Ministry of Culture founded a public institution "Vilnius, the European Culture Capital 2009" to prepare, coordinate and implement the Program. Upon the competition, Giedrė Kabašinskienė, the professional art critic, has been nominated the director of this institution. Its advisory body, the Program Council, con-

sisting of 9 members, will contribute to implementation of tasks of the institution. The Council will be run by Artūras Zuokas, Vilnius City Mayor, having aboard well-known artistic personalities, representatives of different artistic organizations, as well as marketing and communication specialists.

The motto of the Program “Vilnius, the European Culture Capital 2009” is VILNIUS CV. The two initials in abbreviation reveal the main focus of the Program. Creativity and Vitality, these are the essential features characterizing Vilnius as a rapidly developing city.

Campaign the Idea Bank for the Program Vilnius, the European Culture Capital 2009 announced by the public institution Vilnius, the European Culture Capital 2009, ended in autumn 2006, has gained a great interest among the society. Within two campaign months over 250 various projects and ideas have been received from well-known artistic organizations, independent artists, different Vilnius communities, public and youth organizations, as well as private citizens. The ideas have come not only from Vilnius and other Lithuanian towns; many interesting proposals have been sent from different European countries and even other continents (such as Austria, Netherlands, Israel, Australia and the USA). The collected ideas will greatly help to understand people’s expectations and their vision of what Vilnius is to look like by 2009.

Vilnius have been preparing intensively for the events in 2009. Since 2006, trolleybuses and buses have been driving across the city streets accompanied by music records by the world’s most famous composers: Beethoven, Wagner, Čiurlionis, Haydn, Chopin, Mozart and other. The music is playing inside such “musical” vehicles. From 2006 to 2008, special stands with reproductions of most famous art works, portraits of artists, musicians, writers and other outstanding personalities, containing short descriptions about each of them, will be erected in public spaces of Vilnius. Cultural information of all kinds will be announced to Vilnius’ residents and city visitors on plasma screens installed in municipal transport.

Lithuania is becoming more and more popular to both incoming, and local tourists. The present tourist flow dynamics is a basis to expect the growth of tourist flows in the future. 2 million tourists visited Lithuania in 2005, and this is by 11 per cent more than in 2004. Of course, large flows of incoming tourists is a solid input in the country’s economy, but is also a great challenge to the tourism sector.

Since Lithuania joined the European Community, more new opportunities have emerged. It has become easi-

er to ensure access to information about Lithuania for tourists, and, moreover, services provided by our tourism sector have become an integral part of the European tourism system, able to contribute to the competitive advantage of EU tourism business entities on the international market.

Besides, as Lithuania is a new EU member state, the contribution of the tourism sector to Lithuania’s economy has been increasing gradually. For several years already, the income Lithuania receives from the incoming tourism have been exceeding the costs for outgoing tourism (the travelling balance in 2005 was 735 million Litas). Within recent three years the incoming tourism revenues have increased by 61 per cent and amounted to almost 2.8 billion Litas in 2005.

The period of 2007-2013 also promises many changes in Lithuania, which, as expected, may greatly contribute to tourism development in the country. To promote the incoming and local tourism by appropriate use of natural resources, cultural heritage and creating more favourable conditions for active recreation, 3.9 per cent or about 912 million Litas subsidies are planned from the European Community’s structural funds in 2007-2013.

The State Tourism Department at the Ministry of Economy has commenced the preparation of the 4th National Tourism Program for 2007-2010, where the essential goals and tasks for tourism development are foreseen.

In 2006 the State Tourism Department started the implementation of the project the Development and Improvement of Human Resources Tourist Capacities of Counties and Municipalities financed by the EU structural funds. The national project aims at reaching effective and well-balanced planning and development of tourist activities on the regional level, adjusting local tourism development tasks according to the national tourism policy by raising qualification of staff members responsible for tourism planning in particular regions and improving their skills. To attain this goal, three new training modules, adjusted to the needs of regional and local tourism planning specialists, have been developed. Topical issues have been selected for their training, including tourism planning, tourism marketing and image formation, consumer right protection in tourism, quality assessment and control of tourism services, etc. Project funds have been also used for publication Methodology Recommendations. Tourism Planning, designed as a manual in preparation of different tourism planning documents, programs, feasibility studies and monitoring their implementation.

Through implementation of this project, almost 150 tourism administration specialists have been trained, including 15 representatives of county administrations, 80 of municipal administrations and 55 working in tourism information centres. The implementation of the project will continue in 2007.

2006 is the year of completion of the PHARE investment project Development of the Bicycle Circle in Western Lithuania, covering the municipalities of Neringa, Klaipėda Town and Region, Palanga Town and Šilutė Region. The total value of the project amounts to 10.5 million Litas (3.045 million EUR). 590,428 Litas were allocated to marketing of development of the Bicycle Route in Western Lithuania; 856,294 Litas will go to preparation of Special Layout of the National Bicycle Routes and 9,317,116.12 Litas were spent on construction works.

The project funds have been used for construction of 200 km long bicycle route including newly developed and existing bicycle paths and roads of low intensity starting in Būtingė and reaching Nida in the South, as well as along the coastal area from Klaipėda to Rusnė, the Manual to the Bicycle Circle in Western Lithuania and other educational material has been published, in addition, the Special Layout of the National Bicycle Routes has been prepared. The newly developed bicycle routes make 24.33 km. Marking works have been performed on the entire bicycle route. 533 signs have been erected in total. The bicycle route at the seaside is a pilot bicycle route of this kind in Lithuania: it is fully protected from the automobile caused danger. This route is popular among the tourists and local cyclists.

The Department has been further engaged in implementation of PHARE investment project the Pilot Development of Infrastructure on the Nemunas Tourist Route. The project funds have been used for construction of 19 piers (7 stationary and 12 mobile) alongside the river Nemunas, starting from Druskininkai and reaching Rusnė. The project covers 12 municipalities in five counties those of Alytus, Kaunas, Marijampolė, Tauragė and Klaipėda. In 2005 all technical documentation required for construction of piers was prepared.

Alongside the pier construction, the following other infrastructure development works will be carried out: construction of parking lots and camping grounds, arranging outdoor furniture, arbors, benches, etc. Plans are being made to publish a guide for the Nemunas Tourist Route in Lithuanian and foreign languages; prepare maps; advertising booklets, leaflets and a video film.

To encourage municipalities and counties to carry out activities in the area of tourism, in 2003–2006 the Tourism Department prepared feasibility studies for tourism development. About 30 per cent of recommendations presented in the feasibility studies have been implemented already. Tourism development on a municipality level started from the development of rural tourism sector. At present this sector is one of the most intensely developing.

Recently the Department of Tourism has been paying a lot of attention to Lithuanian tourism image formation. The Lithuanian Tourism Marketing Plan for 2006 has been successfully completed. Co-financing from the state budget, municipalities and business community has been applied to implement this Plan.

To encourage the incoming tourism and form the image of Lithuania as a country attractive for tourists, Lithuania took part in 23 international tourism exhibitions held in 12 countries. Tourism possibilities in the Baltic Sea region were introduced in three exhibitions. A special success was the 11th International Tourism, Leisure and Sports Exhibition Vivattur.

Several dozens of information and promotion publications on tourism have been published in 600 thousand copies run and 9 foreign languages. A few tourism business missions were organized in 2006, including in Saint Petersburg (Russia), Kiyiv and Lviv (Ukraine) and London (United Kingdom). Working in cooperation with the Lithuanian Tourism Association, the Department has also organized business missions in Germany and France.

Apart from attempts for more efficient use of marketing funds and holding more effective common marketing measures on the remote markets, continuous cooperation with neighbouring countries has been carried out, including Latvia, Poland and Estonia. The Memorandum of Cooperation has been signed between four countries: Lithuania, Latvia, Estonia and Poland; and common marketing projects designed for 2007, including business missions, exhibitions, journalist visits and publications. International tourism marketing cooperation has been further continued with countries of the Baltic Sea region: common business mission of the Baltic States and Poland has been presented to the USA market; common Baltic States business missions have been held in France and Spain.

Intensive work has been performed by introducing tourism possibilities to foreign travel operators in Lithuania. In September 2006 a business mission by Spanish travel operators was carried out in Lithuania. Working in

cooperation with the Lithuanian Association of Hotels and Restaurants, the third tourism business mission Buy Lithuania has been organized in Lithuania with participation of tourism business and mass media representatives from over 60 countries.

A possibility to get acquainted with tourism business opportunities in Lithuania has been present to a number of foreign journalists and travel operators working in cooperation with associated structures of tourism business. By using this effective marketing vehicle, tourism opportunities in Lithuania have been introduced to 117 press and TV journalists from 9 countries.

Activities of Lithuanian tourism centres abroad are a significant part of the country's image formation. Presently six centres in different countries are functioning to complete this task. This year a tourism centre will also be opened in Paris. Next year the plans have been made for opening the centres of this kind in Italy, Saint Petersburg and one Asian country.

Tourism information centres not only provide information on tourism opportunities in Lithuania, but are also engaged in implementation of different marketing measures, such as dissemination of informational booklets, participation in key and regional tourism exhibitions, presentations and other events; they work with the mass media in the country, in addition, they organize press releases and sightseeing tours across Lithuania. Tourism information centres continuously co-operate with Lithuanian and foreign tourism business representatives, and are in continuous search for new business contacts; besides, they hold introductory sightseeing tours across Lithuania to foreign travel operators.

The year 2006 was rich of different events to commemorate the International Day of Tourism. A tradition has developed already to organize Open Door days in museums, introduce new tourist routes and present discounts to accommodation and catering services; hold concerts and performances on the Day of Tourism. This year a lot of attention has been paid on active tourism that has been increasingly becoming more popular in Lithuania. Bicycle and canoe tours, swimming and orienteering championships, excursions on electromobiles and other events have been organised. Municipalities of resort towns arrange conferences, drawing exhibitions, etc.

This year, on the International Day of Tourism, the Lithuanian Tourism Forum was held for the first time. It was aimed at evaluation of the existing situation in the tourism sector and conducting discussions on 2007-2013 Cohesion Promotion Action Program, considering sug-

gestions of the state, municipal institutions and the public at large.

The Forum discussed the topical issues of tourism development in Lithuania and awarded persons, most worthy for development of Lithuanian tourism. Over 300 representatives of the state, counties and municipal authorities, scientific and educational institutions, associated business structures and tourism business associations took part at the Forum.

In 2006 the competition the Tourism Project of the Year was held for the third time already.

A tremendous job was carried out working in cooperation with international organizations, including the International Tourism Organization, European Tourism Commission and the Tourism Commission of the Baltic States. Lithuania's active participation in activities of different international tourism organizations ensured excellent conditions for introducing the country as an active member of international cooperation in the tourism sector. In cooperation with the World Tourism Organization, Lithuania organized an international conference the Influence of European Community Enlargement on Tourism Development in Europe. Representatives of national tourism administrations from 25 European countries took part in this international conference; representatives of the European Commission, World Tourism Organization, and the long-standing and new EU member states gave their presentations at the Conference. The issues related to the new tourism tendencies in the enlarged European Community; new EU Directives; European Commission's support to tourism development were discussed, and new projects in relation to the Website of Europe, social, aquatic and rural tourism and alike were introduced.

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