



bringing neighbours closer

INVESTMENT ATTRACTION GUIDE FOR LATGALE AND IGNALINA NPP REGIONS

2012

The catalogue was created within the Latvia – Lithuania cross-border cooperation program 2007–2013

project „Fostering Capacity for Business Development in Latgale-Utena Cross Border Region”, REGION INVEST, LLII-119

Client: Latgale planning region

Investment guide has been prepared by: Ltd „Grupa 93” in collaboration with Ignalina NPP Regional Development Agency and JSC „Consultus Magnus“

This document has been prepared with the financial support of the European Union. The contents of this document is responsible Latgale planning region and it can not be considered the official opinion of the European Union.



CONTENTS

PART 1: INVESTMENT ENVIRONMENT ANALYSIS	8
INVESTMENT FLOW ANALYSIS IN LATGALE REGION.....	9
INTRODUCTION.....	10
1. TERRITORY'S DESCRIPTION.....	11
1.1. GEOGRAPHICAL LOCATION	11
1.2. POPULATION	11
1.3. BORDERS	13
1.3.1. Belarus.....	14
1.3.2. Russia.....	14
1.3.3. Lithuania.....	14
1.4. SOCIALLY ECONOMICAL DESCRIPTION	15
1.4.1. Gross domestic product	15
1.4.2. Wages.....	15
1.4.3. Infrastructure.	15
2. ENTREPRENEURSHIP DEVELOPMENT	17
2.1. ASSESSMENT OF ENTREPRENEURSHIP DEVELOPMENT.	17
2.1.1. Competitiveness.....	19
2.1.2. Export capacity	20
2.2. RESOURCES	22
2.2.1. Freshwater resources.	22
2.2.2. Agricultural land.	22
2.2.3. Forest.....	22
2.2.4. Mineral resources.....	22
2.3. TENDENCIES	23
3. FEATURES OF INVESTMENT MARKET	25
3.1. PRODUCTION DEVELOPMENT	25
3.2. FOREIGN TRADE.....	26
3.3. GEOGRAPHICAL LOCATION, FRONTIER AREA	27
3.3.1. Frontier area.....	29
3.4. NEIGHBORING EAST MARKET	30
3.4.1. Russia.....	30
3.4.2. Belarus.....	32
3.5. INFRASTRUCTURE.....	33
3.5.1. Highways	34
3.5.2. Railways.....	36
3.5.3. Air traffic.....	36
3.5.4. Pipelines.	37
3.5.5. Waterways.	37
3.5.6. Bikeways and footways	38
3.6. COMMUNICATIONS AND CONNECTION	38
3.7. LABOR FORCE AND OTHER RESOURCES	38
3.7.1. Population	38
3.7.2. Natural resources	44

3.8.	INVESTMENT IN LATGALE REGION.....	46
3.8.1.	The main investors on the market	46
3.8.2.	Investment distribution by type of investor.....	48
3.8.3.	Investment distribution by sectors	48
3.8.4.	Investment of the European Union.....	48
3.9.	ANALYSIS OF STRENGTHS AND WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT).....	53
3.10.	STATE SUPPORT FOR INVESTMENT ACTIVITY.....	54
3.11.	THE MOST SIGNIFICANT ECONOMICAL SECTORS FOR ATTRACTION OF POTENTIAL INVESTMENT	56
3.12.	TENDENCIES OF INVESTMENT MARKET.....	59
3.12.1.	Tendencies and prospects of direct foreign investment.....	59
3.12.2.	Tendencies of investment policy.....	60
3.12.3.	Tendencies of regional investment.	61
3.12.4.	Non-equity modes of international production and development (NEM)	61
3.12.5.	Investment environment of Latvia	62
3.13.	EXISTING RISKS OF INVESTMENT INFLOW.....	63
3.14.	OTHER ISSUES IMPORTANT FOR INVESTORS	64
4.	SELECTION OF INVESTMENT OBJECTS	68
4.1.	THE MOST VALUABLE OBJECTS FOR INVESTMENT ATTRACTION IN LATGALE REGION.....	70
	LEGISLATION ANALYSIS IN LATGALE REGION.....	71
5.	ANALYSIS OF NORMATIVE ACTS	72
5.1.	STATE ADMINISTRATION STRUCTURE LAW.....	72
5.2.	REGIONAL DEVELOPMENT LAW	72
5.3.	LAW „ON LOCAL GOVERNMENTS”	73
5.4.	LAW “ON PREVENTION OF SQUANDERING OF THE FINANCIAL RESOURCES & PROPERTY OF THE STATE & LOCAL GOVERNMENTS”	74
5.5.	LAW „ON STATE AND LOCAL GOVERNMENT SHARES AND CAPITAL SOCIETIES”	75
5.6.	LAW „ON TAXES AND FEES”	76
5.7.	LAW ON ENTERPRISE INCOME TAX	76
5.8.	FEES.....	77
5.9.	ORDER OF SUBMISSION AND EVALUATION OF AN INVESTMENT PROJECT APPLICATION FOR RECEPTION OF THE SUPPORTED INVESTMENT PROJECT STATUS.....	77
5.10.	LAW ON RĒZEKNE SPECIAL ECONOMIC ZONE.....	78
5.11.	TAXES, THEIR RATES, APPLICATION CONDITIONS	78
5.12.	REGULATIONS REGARDING THE TYPES OF TRADE TO BE AGREED UPON WITH A LOCAL GOVERNMENT AND THE PROCEDURES FOR ORGANISING OF TRADE	81
6.	IMPACT OF THE BORDER-CROSSING PROCEDURE AND CUSTOMS REGULATIONS ON THE INVESTMENT FLOW.....	81
6.1.	THE MOST IMPORTANT CUSTOMS LEGISLATION DOCUMENTS	82
6.2.	CUSTOMS TARIFFS	83
6.3.	GOODS CUSTOMS VALUE	83
6.4.	TARIFF QUOTAS	84
6.5.	BORDER-CROSSING PROCEDURES	84
6.6.	IMMIGRATION LAW AND REGULATIONS OF RESIDENCE PERMITS	85
7.	ANALYSIS OF OWNERSHIP AND RULES OF LAND USE.....	86

7.1.	REGULATIONS ON LEASE OF STATE OR LOCAL GOVERNMENTS LAND	86
7.2.	LAW ON OWNERSHIP OF STATE AND LOCAL GOVERNMENT LAND AND THEIR REGISTRATION IN THE LAND BOOKS	87
7.3.	IMMOVABLE PROPERTY STATE CADASTRE LAW	87
7.4.	LAW ON LAND REFORM IN CITIES OF THE REPUBLIC OF LATVIA	87
7.5.	LAW ON LAND REFORM IN RURAL AREAS OF THE REPUBLIC OF LATVIA	88
7.6.	CHANGES PLANNED IN THE REGULATION	88
8.	MORE EFFICIENT ACQUISITION AND USE OF THE EUROPEAN UNION STRUCTURAL FUNDS	89
9.	SUGGESTIONS FOR FACILITATION OF CONDITIONS ENVISAGED BY NORMATIVE ACTS ON INVESTMENT ATTRACTION	91
9.1.	FREEDOM OF ACTION OF LOCAL GOVERNMENTS FOR ENTREPRENEURSHIP PROMOTION	91
9.2.	TAX ALLOWANCES	92
9.3.	OPPORTUNITIES OF INDUSTRIAL PARK DEVELOPMENT	93
9.4.	DECREASE OF THE ADMINISTRATIVE LOAD	94
9.5.	OTHER TAX AND LEGISLATION IMPROVEMENTS	95
	INVESTMENT ATTRACTION TO IGNALINA NPP REGION	97
	TERMS AND DEFINITIONS	98
10.	IGNALINA NPP REGION REVIEW	99
10.1.	IGNALINA DISTRICT MUNICIPALITY	100
10.2.	VISAGINAS MUNICIPALITY	101
10.3.	ZARASAI DISTRICT MUNICIPALITY	103
11.	ECONOMIC AND SOCIAL IGNALINA NPP REGION SITUATION	105
11.1.	ECONOMY	105
11.2.	IGNALINA NPP REGION DEVELOPMENT AND PERSPECTIVES	108
11.3.	INDUSTRIAL TERRITORIES AND BUSINESS INCUBATORS IN THE IGNALINA NPP REGION	110
12.	LEGAL REGULATION OF INVESTMENT	111
12.1.	CURRENT LEGAL REGULATION	111
12.2.	INVESTMENT PROMOTION	114
12.3.	POTENTIAL FORMS OF ATTRACTING CAPITAL INVESTMENT	124
12.4.	SUGGESTIONS TO IMPROVE THE LEGAL ENVIRONMENT FOR INVESTMENTS IN THE REGION	138
13.	INVESTMENT FLOW ANALYSIS IN THE IGNALINA NPP REGION	141
13.1.	IGNALINA NPP REGION SWOT ANALYSIS	141
13.2.	MAIN INVESTMENT DIRECTIONS	146
13.3.	SELECTION OF INVESTMENT OBJECTS	148
13.4.	THE MOST VALUABLE INVESTMENT OBJECTS IN THE IGNALINA NPP REGION	149
	CONCLUSIONS	157
	ANNEXES	158
	INFORMATION SOURCES:	167
	PART 2: TOP 20 INVESTMENT SITES IN LATGALE REGION	169
	INVESTMENT SITE No 1 placement of production in Viļāni county	170

INVESTMENT SITE No 2 Industrial territories (Greenfield) in the area of Daugavpils city	173
INVESTMENT SITE No 3 Commercial development of territories adjacent to Daugavpils Airport.....	177
INVESTMENT SITE No 4 development of industrial territory and arrangement of new production units in Līvāni county	182
INVESTMENT SITE No 5 Rēzekne Special Economic Area	186
INVESTMENT SITE NO 6 recreation zone at Balvi and the Pērkoni lakes	191
INVESTMENT SITE No 7 establishment of chip and straw briquettes production unit in Baltinava county	195
INVESTMENT SITE No 8 construction of new complex of grain drying and purification	199
INVESTMENT SITE NO 9 sapropel production in Pērkoni lake	203
INVESTMENT SITE NO 10 establishment of fish nursery in Dagda county.....	207
INVESTMENT SITE NO 11 Felicianova manor in Cibla county	211
INVESTMENT SITE NO 12 production arrangement in the building of 1000 square meters in Ludza city	215
INVESTMENT PLACEMENT PROJECT NO 13 Preiļi estate complex and park renovation and development	219
INVESTMENT SITE NO 14 sand – gravel and sand production in the territory of real estate „Butišķi” .	224
INVESTMENT SITE NO 15 arrangement of production unit in Aglona civil parish’s Ezerukini	228
INVESTMENT SITE NO 16 development of Kameņeca manor ensemble and its adjacent territories into tourism site	232
INVESTMENT SITE NO 17 sapropel production in Deņeva lake	236
INVESTMENT SITE NO 18 development of Indras street production area in Krāslava	240
INVESTMENT SITE NO 19 completion and commissioning of construction of charcoal production unit and renewable resources power plant	245
INVESTMENT OPPORTUNITY NO 20 Daugavpils oil tank park	249

PART 3: TOP 20 INVESTMENT SITES IN IGNALINA NPP REGION255

INVESTMENT SITE NO 1 area for an Ice arena	256
INVESTMENT SITE NO 2 area for sanatorium treatment and resort service object construction	259
INVESTMENT SITE NO 3 area for establishment of camping near Baltys lake	263
INVESTMENT SITE NO 4 area near Gavys lake	267
INVESTMENT SITE NO 5 area near Gavys lake for extraction of mineral water and usage development	271
INVESTMENT SITE NO 6 area for construction of multi-storey and high-rise residential building	274
INVESTMENT SITE NO 7 square nr. 1 in Zarasai, reconstruction II stage	278
INVESTMENT SITE NO 8 arrangement of Zarasas lake beach in the Ddzioji island	283
INVESTMENT SITE NO 9 development of a tourism camping “Zarasai”	286
INVESTMENT SITE NO 10 Sport and active leisure during winter and summer infrastructure development near Zarasaitis Lake	289
INVESTMENT SITE NO 11 Department store building.....	293
INVESTMENT SITE NO 12 Commercial building	297
INVESTMENT SITE NO 13 Connection buildings.....	300
INVESTMENT SITE NO 14 School building.....	304
INVESTMENT SITE NO 15 Maternity hospital building.....	308
INVESTMENT SITE NO 16 School building.....	312
INVESTMENT SITE NO 17 Children clinic building.....	316
INVESTMENT SITE NO 18 Household service building	320
INVESTMENT SITE NO 19 School building.....	323
INVESTMENT SITE NO 20 Visaginas industrial zone	327

PART 4: LATGALE – IGNALINA NPP REGIONS CROSS-BORDER COOPERATION STRATEGY AND PLAN OF ACTIVITIES FOR 2012-2014	331
INTRODUCTION.....	332
1. CROSS-BORDER COOPERATION PROGRAM	333
2. CROSS-BORDER COOPERATION STRATEGY'S AIMS, TARGET GROUPS AND PRIORITIES OF IMPLEMENTATION	335
3. METHODOLOGY.....	337
4. STRATEGIC ANALYSIS OF BUSINESS DEVELOPMENT IN THE CROSS-BORDER REGION ...	339
5. STRATEGIC ANALYSIS OF FOREIGN DIRECT INVESTMENT ATTRACTION IN THE CROSS-BORDER REGION.....	343
6. STRATEGIC ANALYSIS OF EXPORT MARKET AND WORLD INVESTMENT PROPOSAL TENDENCY	344
7. INVESTMENT POLICY IN THE REGIONAL AND THE CROSS-BORDER DEVELOPMENT	347
8. SWOT ANALYSIS OF LATGALE-IGNALINA CROSS-BORDER REGION.....	351
9. VISION. STRATEGY'S PRIORITIES. MEASURES. PURPOSES. DIRECTIONS	356
10. PRIOR SECTORS FOR INVESTMENT ATTRACTION	357
11. PRINCIPLES AND CRITERIA OF INVESTMENT ATTRACTION	358
12. FINANCIAL SOURCES OF CROSS-BORDER INVESTMENT PROJECTS	360
13. INVESTMENT IN THE REGIONAL DEVELOPMENT.....	366
14. PLAN OF ACTIVITY. RESPONSIBLE ORGANIZATIONS. VOLUMES. POTENTIAL FINANCIAL RESOURCES. PERIOD.	367
15. THE MOST IMPORTANT INVESTMENT PROJECTS	374
16. SCHEME OF SUPERVISION AND CONTROL OF STRATEGY INTRODUCTION.....	377
RECOMMENDATIONS.....	378
SUMMARY.....	380

PART 1: INVESTMENT ENVIRONMENT ANALYSIS

INVESTMENT FLOW ANALYSIS IN LATGALE REGION

The aim of the prepared document is to provide management of Latgale and Ignalina NPP regions with the information required in the course of investment attraction about the region, to be aware of region's advantages and opportunities in investment attraction; and evaluating the prepared information to focus the resources to a committed and factual investment attraction. Most attention in the document is paid to region's strengths, the most developed branches, regions with the richest resources. Likewise the state policy in investment attraction, the region's branches that are the most significant, competitive and suitable for investment attraction are considered in more details. During the elaboration of the description the opinion of world-scale experts about investment market tendencies, activities, as well as the most successful examples of other countries, which should be applicable to Latgale region as well, have been taken into consideration.

The latest statistical data have been used in the document by their availability and opportunities, however, attention must be paid to the fact that information on availability of the most important factor for investment attraction – the human resources – must be updated after the results of population census '2011 are published, because exactly these data might radically change the advantages of proposals and the overall attractiveness.

INTRODUCTION

Latgale region is located in the southeastern part of Latvia and is the second largest region in Latvia after Pierīga region. 15% of population of the republic lives in the region.

Region's territory	14 549 km ²
Number of counties	19
Regional cities	Daugavpils, Rēzekne
Location	in the southeastern part of Latvia
Internal borders	With Zemgale and Vidzeme regions
External borders	Russian Federation (166.2 km), Republic of Belarus (87 km), Republic of Lithuania (57 km)
EU Border in Latgale region	253.2 km
Border control	5 border posts and 3 points of entry
Population	334 897 (in the beginning of 2011)
People of giving age	222 195 (66,35%)
Population density	23,0 people on 1 km ²
Unemployment rate	21.0%
Number of employed people	131 thousand
Wages level	330 LVL
Ethnical structure of population	44.1% Latvians, 38.7% Russians, 6.9% Poles, 5.2% Byelorussians, 5.1% other nationalities



Image 1. Placement of Latgale region on the map of Latvia

1. TERRITORY'S DESCRIPTION

1.1. Geographical location

Latgale region is located in the southeastern part of Latvia. Region's total area is 14 549km². Since July 1, 2009 the region consists of 19 counties – Aglona, Baltnava, Balvi, Cibla, Dagda, Daugavpils, Ilūkste, Kārsava, Krāslava, Līvāni, Ludza, Preiļi, Rēzekne, Rugāji, Riebiņi, Vārkava, Viļāni, Viļaka and Zilupe and two cities of republic importance – Daugavpils and Rēzekne. Until the abovementioned period Latgale region used to consist of six districts¹ and two cities of republic importance, and 145 local municipalities.

The most important cities of the region are Daugavpils, Rēzekne, Balvi, Krāslava, Līvāni, Ludza and Preiļi. With the aim of attraction of investment one must evaluate small towns as well – Dagda, Ilūkste, Kārsava, Subate, Viļaka, Viļāni, Zilupe and the most important counties' centers – Rugāji, Baltnava, Riebiņi, Aglona, Vecvārkava, Cibla.

1.2. Population

By the data of the Office of Citizenship and Migration Affairs, the total population on January 1, 2011 in Latgale region was 334 897, including counties – 197 805 and republic cities – 137 092. 15,0% of all country's inhabitants live in a region. People are mostly concentrated in two cities of republic significance – Daugavpils and Rēzekne. In comparison with the beginning of 2010, the number of inhabitants in the region has decreased by 1,49%, in counties – by 1,62%, in regional cities – by 1,30%. The average population density in Latgale region's counties (except region's cities) is 13,7 people per km².

Latgale region has the lowest percentage of population of Latvian nationality – only 44.1%, a significant part of the society is formed by people of Russian nationality – 38.7%, Poles – 6.9%, Byelorussians – 5.2%, Ukrainians – 1.4% and other nationalities – 3.7%. Even lower percentage of population of the Latvian nationality is observed in Daugavpils city, where Latvians – 17.7%, Russians – 51.8%, Poles – 14.4% and Byelorussians – 7.6%. This national diversity should be used more completely in attracting the foreign investment.

Prevalence of number of women is seen in general in Latgale region, 155 864 men and 179 149 women, respectively 46.52% and 53.48% were registered in the beginning of 2011.

According to data of 2010 66.35% of population in the region are of working age, 161,1 thousand people are economically active, 131 thousand are employed, and 30,1 thousand are active job seekers.

¹ Balvi district - Balvi county, Baltnava county, Rugāji county, Viļaka county, Daugavpils district - Daugavpils county, Ilūkste county, Krāslava district - Dagda county, Krāslava county, Aglona county's Grāveri civil parish, Kastuljina civil parish and Škeltova civil parish, Ludza district - Cibla county, Kārsava county, Ludza county, Zilupe county, Preiļi district - Aglona county's Aglona civil parish, Līvāni county, Preiļi county, Riebiņi county, Vārkava county, Rēzekne district - Rēzekne county and Viļāni county.

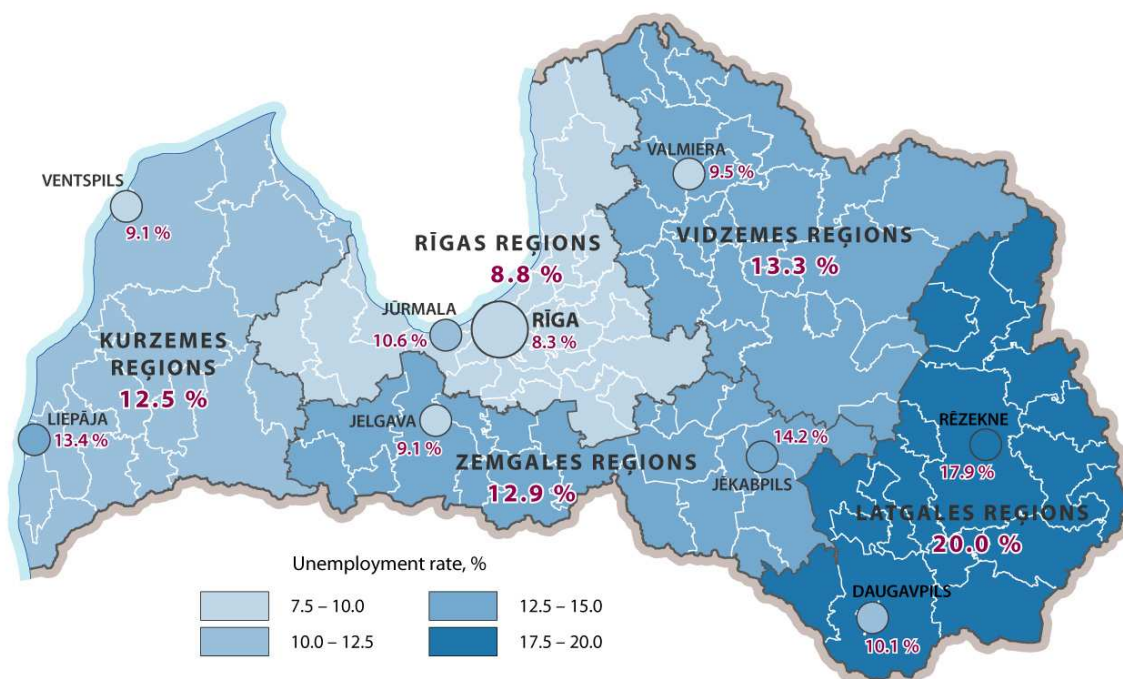


Image 1.2.1. Registered unemployment rate in the country on August 31, 2011, NVA (State Employment Agency) data

Unemployment rate in Latgale region according to the information of the State Employment Agency on August 31, 2011 was 20.0%.

In comparison with the beginning of 2011, the situation has slightly improved. The registered unemployment in regional cities in the beginning of the year in Daugavpils was - 9,8%, and in Rēzekne - 17.3%.

On January 1, 2011 in 10 Latgale region's counties the unemployment rate exceeded 20%, the worst rates are registered in Viļāni county – 29.2% and Zilupe county – 29.3%.

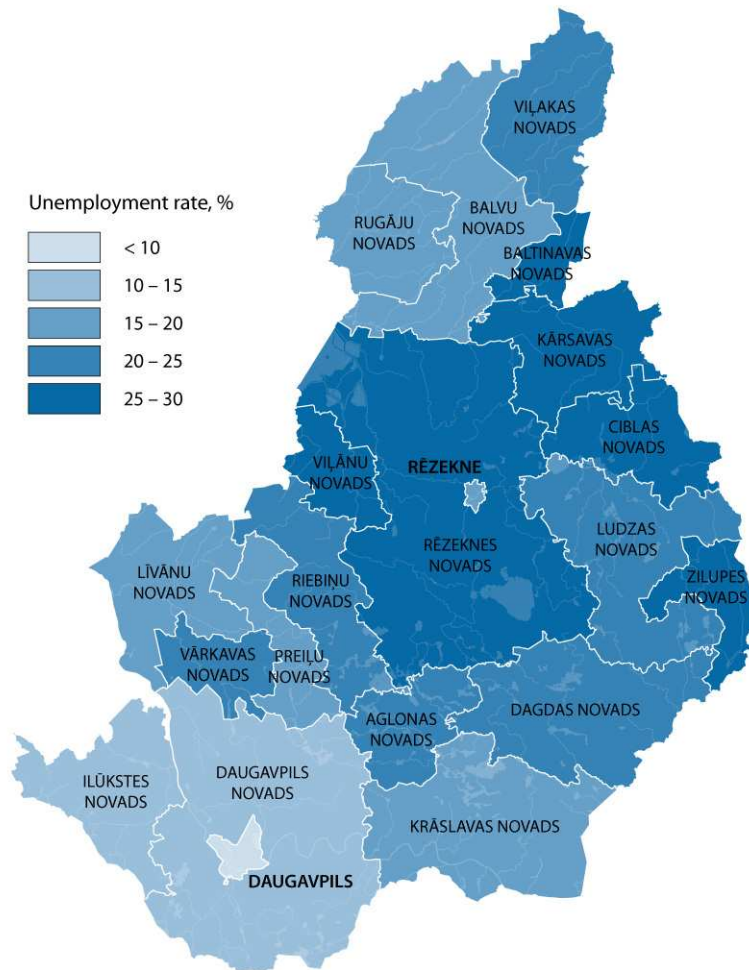


Image 1.2.2. Unemployment rate in Latgale region's counties in the beginning of 2011 and changes of percentage points against the beginning of 2010, CSB's (Central Statistical Bureau) data

1.3. Borders

Latgale region has borders with Zemgale and Vidzeme regions within the country.

Latgale's Eastern border is 253.2 km long and it is also the EU border, including the border with length of 166.2 km with the Russian Federation till Terehova point of entry in Pāternieki, and in the South – border with Belarus with the length of 87 km. There are 5 border control points and 3 points of entry on the Eastern border of Latgale.

The border of Latgale region at Medumi moves to the southwest and matches the northeast border of the Republic of Lithuania with the length of 57 km, where two regions of Lithuania are located - Panevezys and Utena districts.

The borders mean not only the territorial compatibility, but also the economical cooperation. The neighboring countries are both significant rivals, and partners in import and export of goods and services.

1.3.1. Belarus

Foreign trade.

In 2010 Latvia's total turnover of foreign goods and services trade with Belarus reached 459.0 million LVL, with export of goods and services of 232.8 million LVL and import of goods and services of 226.1 million LVL. In 2010 the total balance of foreign goods and services trade with Belarus is positive – 6.7 million LVL.

Investment.

The accumulated direct investment of Belarus in Latvia (million LVL) in the end of the 1st quarter of 2011 was 5.5 million LVL. The accumulated direct investment of Latvia in Belarus in the end of the 1st quarter of 2011 was 16.8 million LVL.

1.3.2. Russia

Foreign trade.

In 2010 Latvia's total turnover of foreign goods and services trade with Russia reached 1.3 billion LVL, with export of goods and services of 644.2 million LVL and import of goods and services of 669.2 million LVL. The total balance of foreign goods and services trade of 2010 with Russia is negative and it constitutes -25 million LVL.

Investment.

According to statistical data of the Bank of Latvia the accumulated direct investment of Russia in Latvia in the end of the 1st quarter of 2011 reached 280.1 million LVL. Latvia's investors in Russia in the end of the 1st quarter of 2011 have accumulated 17.2 million LVL in investment.

1.3.3. Lithuania.

Foreign trade.

Lithuania is the most important partner state of Latvia in goods import and export. In 2010 Latvia's total goods and services foreign trade turnover with Lithuania reached 2011.8 million LVL, with export of goods and services of 896.5 million LVL and import of goods and services of 1115.3 million LVL. The total balance of foreign trade of goods and services in 2010 with Lithuania is negative -218.8 million LVL.

Investment.

According to statistical data of the Bank of Latvia the accumulated direct investment of Lithuania in Latvia in the 1st quarter of 2011 reached 188.1 million LVL. Latvia's businessmen had invested 95.2 million LVL in Lithuania in the end of 2011.

1.4. Socially economical description

1.4.1. Gross domestic product

In 2008 the costs of gross domestic product per 1 inhabitant is 3926 LVL. In comparison with the factors of 2004, GDP per one inhabitant has increased 2.6 times. The most significant growth is observed in 2007, when GDP increased 1.49 times if comparing with the previous year.

1.4.2. Wages

The average monthly wage of working people in 2010 was 309 lats. Since 2008 wage fall is observed, this, if evaluating the situation from the perspectives of investment attraction, is an important advantage in negotiations with investors. A higher wage level is seen in the public sector – 347 LVL, as well as averagely in the region (except large companies) – 335 LVL.

1.4.3. Infrastructure.

Motor highways

Region's territory is crossed by the highways of interstate significance in the following directions:

- E22 – Ventspils – Rīga – Rēzekne – to Velikiye Luki in Russia
- E262 – Medumi – Rēzekne – to Ostrova in Russia.

Transport communication with the capital of the country Riga is important for region's development from the largest cities Daugavpils and Rēzekne, which is ensured using the state highways:

- A6 - Pāternieki – Krāslava – Daugavpils – Riga
- A12 - Terehova – Ludza – Rēzekne – Jēkabpils
- A13 – Grebņeva – Rēzekne – Daugavpils – Medumi
- A14 - Daugavpils by-pass road – Tilti – Kalkūne
- A15 - Rēzekne by-pass road.

Railway

Latgale region is crossed by several railway lines of international significance:

- Maskava – Zilupe – Rēzekne – Krustpils – Jelgava – Ventspils
- Vitebska – Indra – Daugavpils – Krustpils – Riga
- Saint Petersburg – Kārsava – Rēzekne – Daugavpils – Eglaine – Klaipeda/Kurcums – Vilnius.

Air traffic

The closest international airports to Latgale region are located in Riga (about 250 km away from Rēzekne and Daugavpils), as well as in Vilnius and Kaunas in Lithuania (about 200 km away from Daugavpils and more than 300 km away from Rēzekne).

Work has been commenced regarding the regional airport project development in Daugavpils. The airport is located in Naujene civil parish, in Lociki village, at a distance of 1 km from the main highway of the country A13, which is a part of the European road E262 Warsaw–Saint Petersburg, and at a distance of 1 km from the main highway of the country A6. The airport is located not far away from the railway line Riga – Daugavpils – Indra.

Being positioned near important transport corridors makes the location of Daugavpils airport attractive.

2. ENTREPRENEURSHIP DEVELOPMENT

2.1. Assessment of entrepreneurship development.

The structure of gross domestic product produced in Latgale region's companies in general is similar to the state national economy structure, in which the largest part is made up by the services. There is relatively high percentage of services and low percentage of industry in the region.

The highest indicator of GDP has been in 2007 – 8.3% of the total Latvia's GDP. The most rapid growth has been also in 2007 – by 46%, which is mostly connected with the opportunities given by the European Union – both with investment in Latgale, and sale markets outside Latvia.

The most important creators of total added value are the sectors of industry (C and D sectors), transport and communication (I) and trade and rendering of services. The agriculture and forestry sectors also have good results, demonstrating a significant part of production.

According to CSP data 16 500 economically active market sector statistical entities were registered in Latgale region in 2009. 8698 of them are self-employed persons, 1362 - individual merchants, 3905 commercial societies and 2535 farms and fishing farms. Altogether there is a smaller number of economically active entities functioning per 1000 inhabitants than it is in average in Latvia. 43% of the registered economically active entities have specified agriculture as their kind of activity, 47% of the registered entities deal with trade and rendering of services (G, H, I, J, K, L, M, N, O, P, Q, R, S groups according to the NACE classifier in the 2nd wording).

Latgale region has comparatively low indicators of establishment of new companies, which proves that inhabitants of Latgale are not ready to take the risk connected with business-starting due to the social and economical situation. However, the changes and the society's activities in business that were recently registered, to a certain degree, prove the improvement of economical situation.

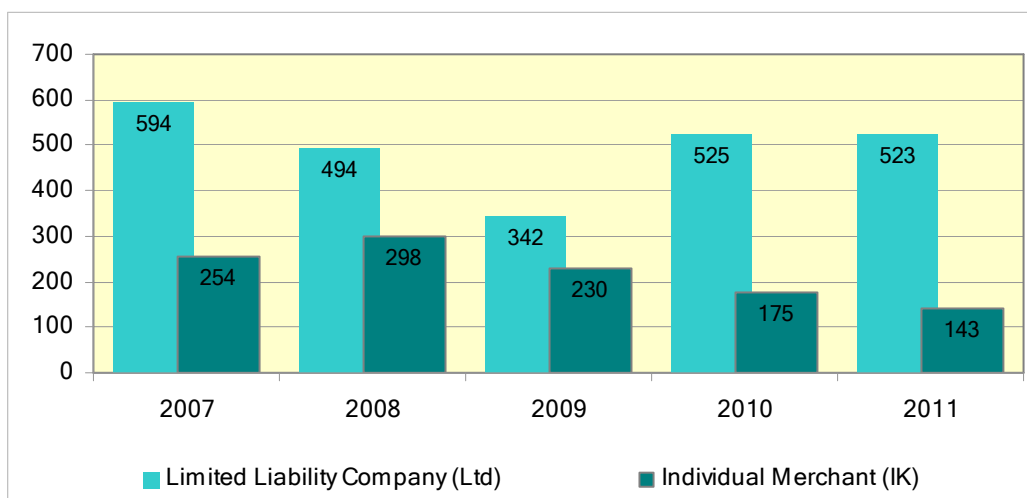


Image 2.1.1. Number of registered companies, Lursoft data as of 16.09.2011.

According to Lursoft data about subjects' registration dynamics on the list of the Register of Enterprises in distribution by their legal forms positive tendencies are observed in Latgale region.

As many companies were registered by September 2011 as during the entire 2010 and it is possible that in this year the number of newly established companies will exceed that of 2007.

The previously mentioned economically active statistical entities are divided by their size as follows: 15490 – micro, 838 – small, 148 – average, 24 – large. The following companies are registered in the regional cities: 19 large companies: in Daugavpils – 17 and in Rēzekne – 2; 86 average-size companies: in Daugavpils – 65, in Rēzekne – 21; 56% of small companies and 33% of self-employed persons.

The diverse number of companies in region's counties is reflected also in data about 5 largest companies' total turnover in the county in 2010. Evidently better indicators are demonstrated by the counties, which are located near the cities. These indicators are much higher in the region cities and exceed the indicators of counties several times.

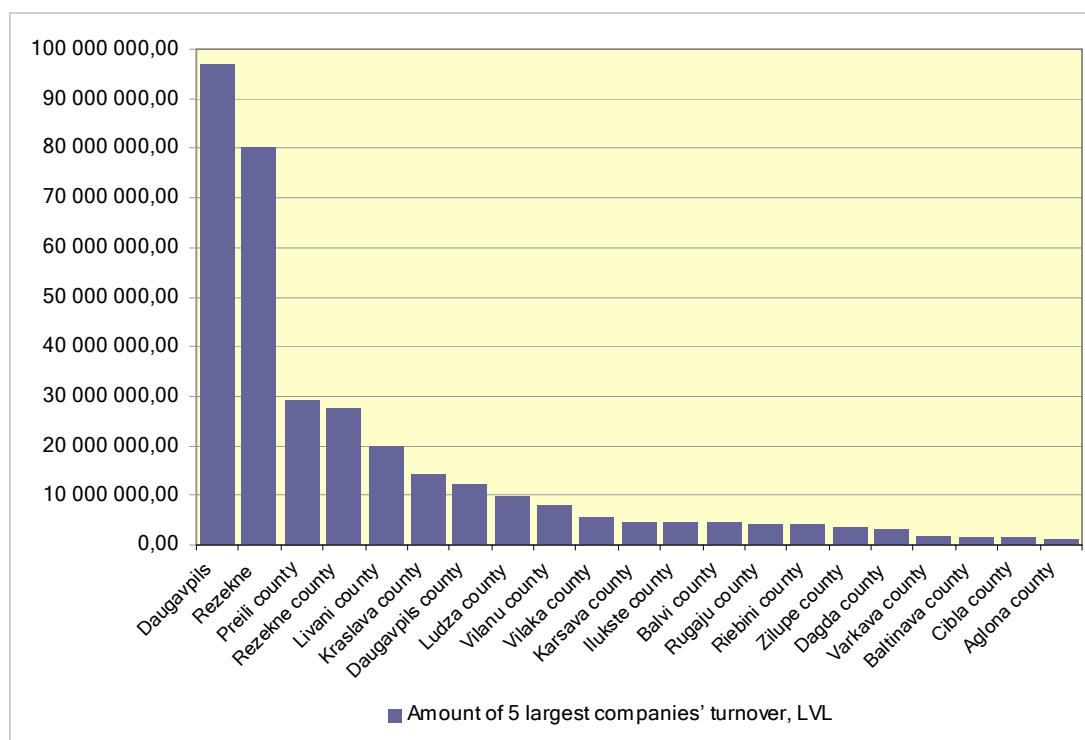


Image 2.1.2. Total amount of 5 largest companies' turnover in Latgale region's counties and cities, LVL, Lursoft data, 2010.

In its turn, if we compare these indicators between both region cities, the differences become evident, when we look at the total turnover of 20 largest (by the turnover) companies in 2010. The total turnover of Daugavpils companies is almost 2 times bigger than in Rēzekne, respectively, 206 895 346 LVL and 108 249 274 LVL.

In Daugavpils the biggest growth in terms of turnover for 2010 has been experienced by the company LTD "Mamas D", the turnover of which had grown 8.59 times

against the previous year - 2009. In its turn, in Rēzekne the largest turnover increase has been registered by LTD „Ventūra” – 10.46 times bigger than in 2009. Full information about the biggest companies' turnover growth is presented in the Appendix No. 1.

2.1.1. Competitiveness

Competitiveness is defined by several factors, and one of the most important is the business efficiency, which can be measured by the added value or the turnover created by one employee.

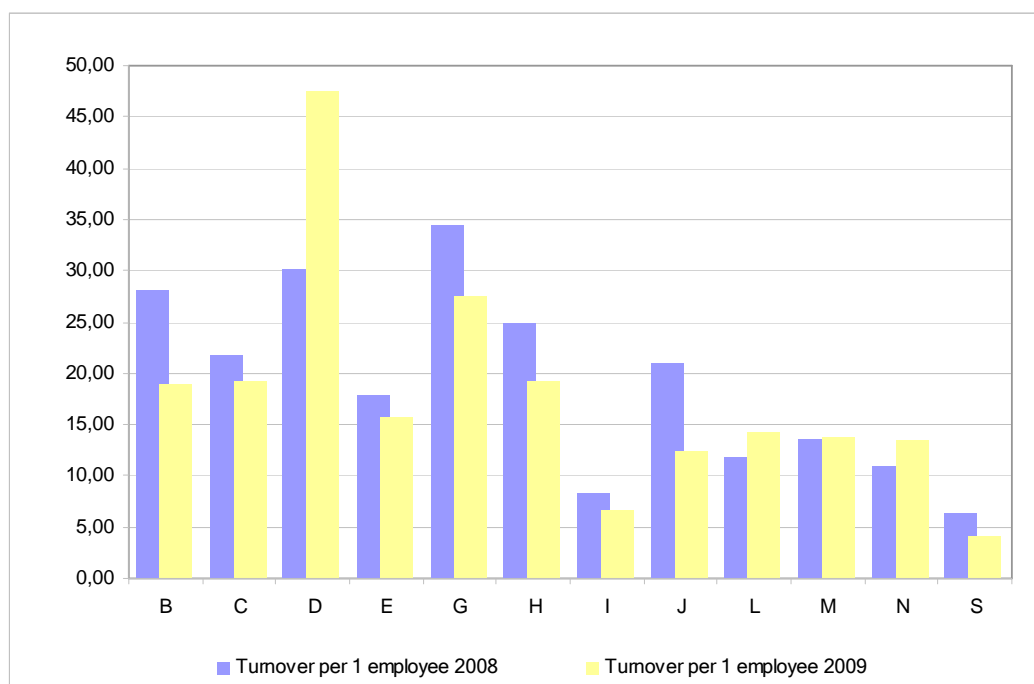


Image 2.1.3. Turnover per 1 employed person, thousand LVL, CSB data²

Despite the turnover fall by approximately 30% in 2009, the turnover per one employee has dropped less than or has even increased. Efficiency raising allows the companies to compete more successfully not only in the markets of Latvia, but also in the world markets. In order to be able to measure the companies' efficiency on the international scale, an indicator of added value is used, which has been created by one employee.

If we compare the average rates in the country and other counties, in general the efficiency in the industry by the added value per one employee falls behind the average indicator of the country by more than 40%, in its turn, in terms of turnover, these rates are even 2 times lower. The best indicators in Latgale region are shown by the mining industry and quarrying, which in 2009 falls behind the average rate of the country only by 31%.

² B – Mining industry and quarrying; C – Manufacturing industry; D – Electric power, gas supply, heat supply and air conditioning; E – Water supply; waste water, waste management and sanitation; G – Wholesale trade and retail trade, automobile and motorcycle repair; H – Transport and storing; I – Accommodation and catering services; J – Information and communication services; L – Operations with real estate; M – Professional, scientific and technical services; N – Activity of administrative and servicing companies; S – Other services

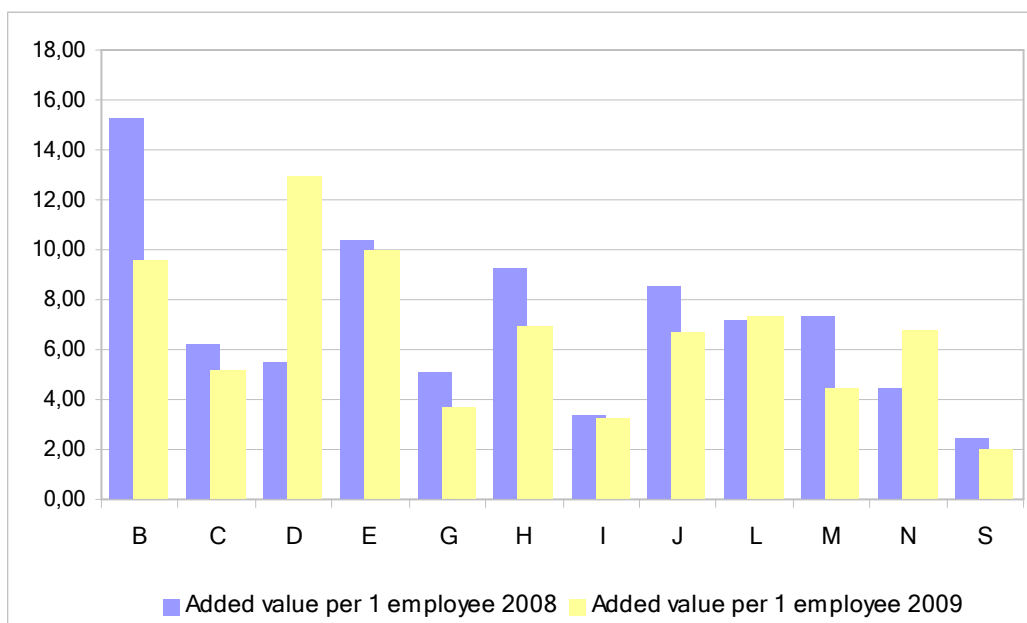


Image 2.1.4. Added value per 1 employed person, thousand LVL, CSB data ³

The trade and service sectors in Latgale region also have the lowest indicators of turnover and added value per one employee. In general, we conclude that Latgale region's companies need additional investment for raising of companies' efficiency.

One must mention the innovations as the next important factor in business development, which are expressed in the form of structural units of research and development in the companies, investment in development and introduction of new products, introduction of licensable technologies and patenting one's own discoveries. Unfortunately, data about such companies in Latgale region are not available, however, basing on the general data about innovative companies in the industry and manufacturing industry growth of number of innovative companies is observed; and in the course of period of 2006-2008 against 2004-2006 number of such companies has even doubled.

2.1.2. Export capacity

Several companies function in Latgale region, which export their production to different countries of the world. In 2010 six companies registered in Latgale region are among the largest Latvia's exporters (118 companies exporting the goods and services of the value of 10 million EUR and more were surveyed) – Nafta Trading LTD, Intergaz LTD, Axon Cable LTD, Zieglera Mašīnbūve LTD, Preiļu siera JSC and Nexis Fibers LTD.

³ B – Mining industry and quarrying; C – Manufacturing industry; D – Electric power, gas supply, heat supply and air conditioning; E – Water supply; waste water, waste management and sanitation; G - Wholesale trade and retail trade, automobile and motorcycle repair; H - Transport and storing; I - Accommodation and catering services; J - Information and communication services; L - Operations with real estate; M – Professional, scientific and technical services; N – Activity of administrative and servicing companies; S – Other services

Table 2.1.2.

20 largest exporters in Latgale region in 2010.
(by the export volume in terms of money, CSP data)

Intervals, EUR	Company's name	Place of location
15 000 001 - 20 000 000 EUR	'AXON CABLE' LTD	Daugavpils
15 000 001 - 20 000 000 EUR	'INTERGAZ' LTD	Daugavpils
15 000 001 - 20 000 000 EUR	'NAFTA TRADING' LTD	Daugavpils
10 000 001 - 15 000 000 EUR	'NEXIS FIBERS' LTD	Daugavpils
10 000 001 - 15 000 000 EUR	'PREIĻU SIERS' JSC	Preiļi county
10 000 001 - 15 000 000 EUR	ZIEGLERA MAŠĪNBŪVE' LTD	Daugavpils
5 000 001 - 10 000 000 EUR	'ADUGS' LTD	Līvāni county
5 000 001 - 10 000 000 EUR	'BELMAST' LTD	Daugavpils
5 000 001 - 10 000 000 EUR	'DAUGAVPILS GAITA' LTD	Daugavpils
5 000 001 - 10 000 000 EUR	'DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA' JSC	Daugavpils
5 000 001 - 10 000 000 EUR	'DITTON PIEVADĶĒŽU RŪPNĪCA' JSC	Daugavpils
5 000 001 - 10 000 000 EUR	'VARPA' LTD	Krāslava county
5 000 001 - 10 000 000 EUR	'Z-LIGHT' LTD	Līvāni county
4 000 001 - 5 000 000 EUR	'DINABURGA TEKS' LTD	Daugavpils
3 000 001 - 4 000 000 EUR	'MAGISTR' LTD	Daugavpils
2 000 001 - 3 000 000 EUR	'REBIR' JSC	Rēzekne
2 000 001 - 3 000 000 EUR	'REGULA BALTIJA' LTD	Daugavpils
2 000 001 - 3 000 000 EUR	'RĒZEKNES GAĻAS KOMBINĀTS' LTD	Rēzekne
2 000 001 - 3 000 000 EUR	'SILAVKRASTI' LTD	Līvāni county
2 000 001 - 3 000 000 EUR	'VS TEKS' LTD	Preiļi county
2 000 001 - 3 000 000 EUR	'ARIOLS' LTD	Ludza county
2 000 001 - 3 000 000 EUR	'BIOLITEC' LTD	Līvāni county
2 000 001 - 3 000 000 EUR	'KALNCEMPJU BĒRZI' LTD	Rēzekne
2 000 001 - 3 000 000 EUR	'LNS DANE' LTD	Daugavpils
2 000 001 - 3 000 000 EUR	'NEMO' LTD	Krāslava county
2 000 001 - 3 000 000 EUR	'ONIORS' LTD	Daugavpils

Evaluating the largest exporters of Latgale region by the value of the exported goods and services in Euro it is observed that the manufacturing companies are dominating. The largest part of goods manufactured in the Latgale region and exported consist of products of metal working, light industry and foodstuffs.

2.2. Resources

2.2.1. Freshwater resources.

Latgale is rich with waters and it is often called the Land of Blue Lakes or the Lake Land. Region has more than 1000 lakes, including the deepest one of Latvia – Drīdzis and one of the cleanest lakes – Riču lake. The largest river of Latvia flows through the region, which has preserved its initial and natural onflow. Latgale's waters are rich with the fish resources used in fishing and angling.

2.2.2. Agricultural land.

The land used in agriculture takes 44% of the total region's territory. The agricultural land resources of Latgale region in the end of 2010 had a total area of 654 thousand ha, 280 thousand ha or 42,8% of it is made up of arable land.

2.2.3. Forest.

The forests of Latgale region form an important dimension in the establishment of advantages of region's economical activity competitiveness in Latgale. During the period from 2004 till 2010 the forest area in the region had increased to 561,8 thousand ha, taking 39% of the region's territory. It has facilitated the forest area increase, on average, per one inhabitant of the region, from 1,3 ha in 2004 to 1,7 ha in 2010. The percentage of leaf-bearing trees is increasing consistently in the forest structure of region. The forests and their offered resources are considered as an important advantage of investment attraction.

2.2.4. Mineral resources.

Latgale region is rich with mineral resources, the most important of them are – peat, dolomite, sand, gravel, clay and sapropel. Uneven geological structure of territory and conditions of formation have caused diversity in the field of mineral resources. Latgale has the largest Devonian clay, dolomite deposits and peat beds – in the even part, significant sand, gravel beds – on elevated plains. Only small part of the earth entrails resources are used intensively. According to the data of the Latvian State Environment, Geology and Meteorology Agency, Ludza and Rēzekne districts have the most mineral deposits.

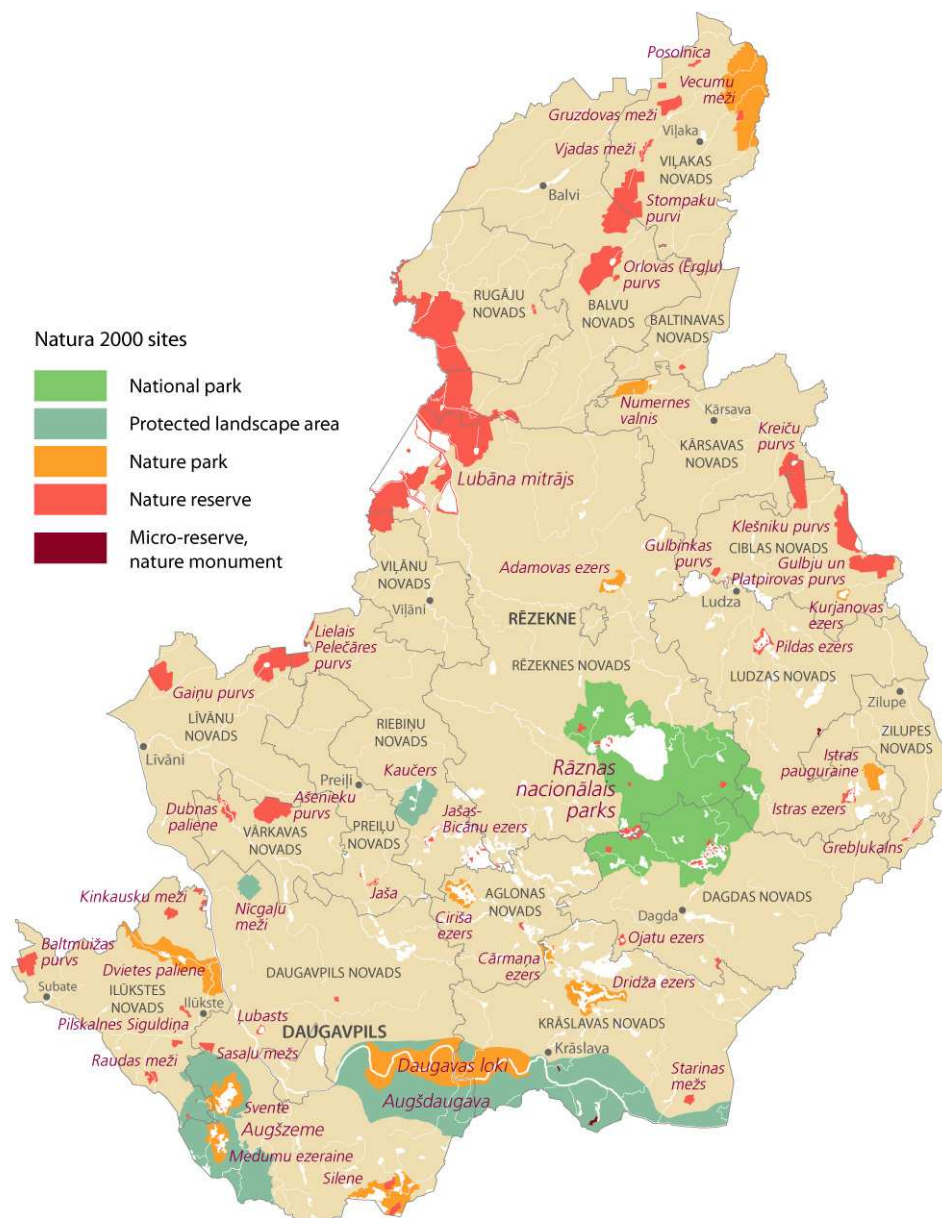


Image 2.2.4. Natura 2000 territories in Latgale region

Region's lakes are rather rich with sapropel, which, depending on its features, is suitable both for soil fertilization, and mud for treatment and fodder additives. The largest sapropel resources are concentrated in Rēzekne, Preiļi and Daugavpils counties.

2.3. Tendencies

The following tendencies can be observed in the Latgale region: decrease of population; higher percentage of women than men; ageing of population (growth of percentage of people past the working age).

In the 4th quarter of 2010 the second largest number of registered unemployed people was in Latgale region – 37 595 or 23.1%, 18 966 or 50.45% of them were women and 18 629 or 49.55% were men.

At the moment a decrease of population is observed, which can cause decrease of qualified labor force and forbid to attract investment due to the lack of qualified labor force.

The economical cooperation with neighboring countries Lithuania, Russia and Belarus has a tendency to strengthen and this cooperation takes an important place in the Latvia's economy and in the economy of Latgale region, as well.

The costs of gross domestic product per 1 inhabitant were 3926 LVL in 2008. In comparison with the indicators of 2004, the GDP per one inhabitant has grown 2.6 times.

The average monthly wage of working people in 2010 was 309 lats. Since 2008, when the highest remuneration was recorded, the wage fall is observed.

525 new limited liability companies were registered in 2010 in Latgale region, which is only 12% less than it was in 2007, which can be considered as the highest economy's point. Almost the same number of companies as during the entire 2010 was registered by September of 2011, thus, there is a chance that in this year the number of newly registered companies will exceed that of 2007. The businessmen' activity shows rapid economic situation recovery in the county.

The capacity of companies capable to export is strengthening, and they master new markets. However, the total percentage of exporting companies among all Latvian exporting companies proves unused potential for the economical growth of the region. Only 4,7% of Latvia's exporting companies represent Latgale region.

The year of 2009 has not been the easy one for the manufacturing industry, still, it has always been export-directed; and faster recovery of other countries' economy after the financial crisis has directly influenced the renewal of manufacturing in Latvia. The industry is the most important field in Latgale region, thus its development and growth in 2010 positively influenced the region's economy.

There were six companies registered in Latgale region among 100 largest Latvia's exporters in 2010 – five from Daugavpils and one from Preiļi. It shows the impact of cities in facilitation of production and economical development.

3. FEATURES OF INVESTMENT MARKET

3.1. Production development

The year of 2009 has not been the easy one for Latvia's manufacturing industry, still, it has always been export-directed; and faster recovery of export market's economy has directly influenced the renewal of manufacturing industry in Latvia. The non-financial investment also proves that the optimal load has been achieved in the industry and an increase of capacity is possible only by making additional investment.

The total turnover of manufacturing industry in 2009 (B-E according to Nace classifier in the 2nd wording) in Latgale region constitutes 289 574 thousand LVL, which is 31% less than in 2008. The total added value constitutes 84 814 thousand LVL, which is, respectively, 33% less than in 2008. The most significant turnover that has been fixed is in the foodstuff production - 106 930 thousand LVL, timber, wood and cork articles production, except furniture; production of straw and wicker articles - 32 162 thousand LVL and electric energy, gas supply, heat supply and air conditioning - 43 728 thousand LVL.

The growth of production manufactured in the companies of sub-fields of the industry has been constantly connected with establishment of new, well-paid working places facilitating the increase of highly qualified labor force demand in the region.



Image 3.1.1. Occupied working places in manufacturing industry in Latgale (thousand) Source: VARAM (Ministry of Environmental Protection and Regional Development)

For successful development of industry innovation is important as well. The innovation environment in the region is stimulated by business incubators and technologic centers, which function in the more economically active cities, as well as the contact points of technologies transfer, which function in the most important higher education institutions of the region. The incubators, technological centers and technology transfer centers functioning in the region:

- 1) Both the incubator and the technological center functions at Līvāni Engineering Technologies and Innovations Center

- 2) Rēzekne High School Innovation Centre's "Idea Hotel"
- 3) Latgale Instrument Engineering Technological Center (LATC) – Rēzekne structural unit in Balvi
- 4) Preiļi Business Incubator
- 5) Business Incubator „Idea Hotel Daugavpils”
- 6) Latgale Instrument Engineering Technological Center (LATC) - laboratory in Rēzekne High School
- 7) Latgale Instrument Engineering Technological Center – a park located in the territory of Rēzekne Special economical area
- 8) Daugavpils University's Technology transfer contact point
- 9) Rēzekne High School Environment Technology transfer contact point.

3.2. Foreign trade.

The development of industry has been increasingly determined by the export capability, thanks to the opportunities given by the world market the companies capable of export experience growth and their financial situation improved already in 2009. Evaluating the indicators of the exporting companies, the leaders, in terms of number, are small exporting companies, the export volumes of which do not exceed 10 thousand EUR, still, one must positively assess the fact that 3 companies export goods and services with the value of more than 10 million Euros and 3 companies export them with the value of more than 15 million Euros.

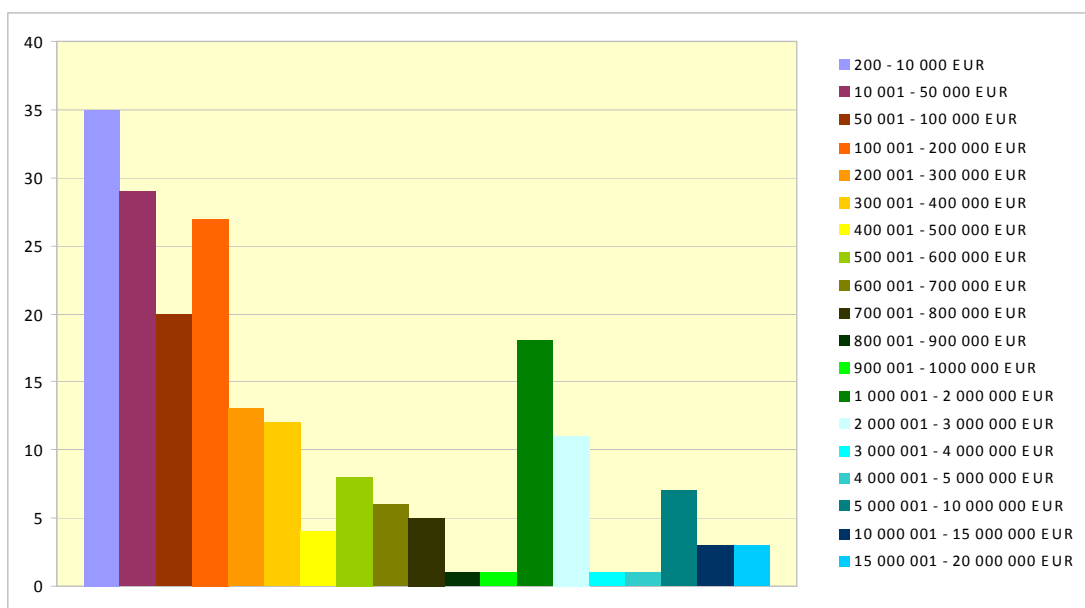


Image 3.2.1. Number and distribution of Latgale region's exporting companies by export volume in EUR, CSB data for 2010.

Latgale region's 205 companies export their production to, at least, one country and, at least, with the value of 200 Euro, altogether there are 4406 such companies in Latvia, and Latgale region's companies constitute only 4.7% of all exporting companies. This indicator leads to a conclusion that Latgale region's companies need more intensive support for commencement and implementation of export.

Region's businessmen export to various countries of the world and the most important international trade partners are France, Norway, Kazakhstan, Poland, Turkey, the United States of America, Moldova and Australia.

The largest manufacturers in Latgale region have the following export markets:

- REGULA BALTIJA, LTD (Daugavpils) – the most widely exporting company of the region, exports to 29 countries: United Arab Emirates, Armenia, Argentina, Australia, Azerbaijan, Brazil, Switzerland, PRC, Egypt, Kenya, Kyrgyzstan, Luxemburg, Morocco, Republic of Moldova, Montenegro, Malta, Malaysia, Nigeria, Portugal, Romania, Saudi Arabia, Singapore, Syria, Thailand, Turkmenistan, Turkey, Taiwan, the USA, Vietnam
- DITTON PIEVADĶĒŽU RŪPNĪCA, JSC (Daugavpils)– Azerbaijan, Canada, Egypt, India, Italy, Republic of Moldova, Russian Federation, Slovakia, Uzbekistan, Vietnam
- AXON CABLE, LTD (Daugavpils) – France, United Kingdom, Hungary, Mexico, Norway, Poland, Singapore
- NEXIS FIBERS, LTD (Daugavpils) – Australia, Canada, Switzerland, Chile, India, Norway, Turkey, the USA, South Africa
- ZIEGLERA MAŠINBŪVE, LTD (Daugavpils) – Bulgaria, PRC, Germany, Spain, the USA
- ZILĀ LAGŪNA, LTD (Daugavpils) – United Arab Emirates, Australia, Azerbaijan, Bulgaria, Georgia, Greece, Israel
- Z-LIGHT, LTD (Līvāni county) – Austria, Canada, Israel, India, Singapore, the USA
- ARIOLS, LTD (Ludza county) – Australia, Greece, Portugal
- BELMAST, LTD (Daugavpils) – Belarus, Russian Federation, Turkmenistan
- DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA, JSC (Daugavpils)– Belarus, Kazakhstan, Lithuania, Uzbekistan
- LATLIGA, LTD (Daugavpils) – Kyrgyzstan, Kazakhstan, Tajikistan
- MAGISTR, LTD (Daugavpils) - United Arab Emirates, Norway, Panama
- PREIĻU SIERS, JSC (Preiļi county) – Bulgaria, Germany, Spain, Poland, Romania.

3.3. Geographical location, frontier area

Latgale's climate and landscapes are determined by the terrain – in the middle and southern parts there are the hilly Augšzeme and Latgale highlands which are rich with lakes, while in the northern and western parts there are the marshy lowlands of the Eastern Latvia and Mudava. The highest point of Latgale is located 289 m above the sea level (Lielais Liepu kalns – the Big Liepu Hill) in Rēzekne county.

Latgale region is situated in Latvia's Eastern part and it has borders with Zemgale and Vidzeme regions inside the country. The Eastern border of Latgale with the length of 253.2 km is also the EU border, 166.2 km of which is with the Russian Federation, and 87 km in the South with Belarus. The region has border in the Southwest with the Republic of Lithuania – its Northeast border with the length of 57 km.



Image 3.2.2. Latgale region's administrative division map

Latgale region has functional connection with the adjacent Vidzeme and Zemgale regions, branchy and traffic-comfortable road network connects it with the largest cities in Vidzeme and Zemgale, including the capital Riga. The international transport corridors ensure for Latgale direct traffic with the largest centers of the neighboring countries – Moscow, Vitebsk, Smolensk, Kaunas, Vilnius, Warsaw, Pskov and Saint Petersburg.

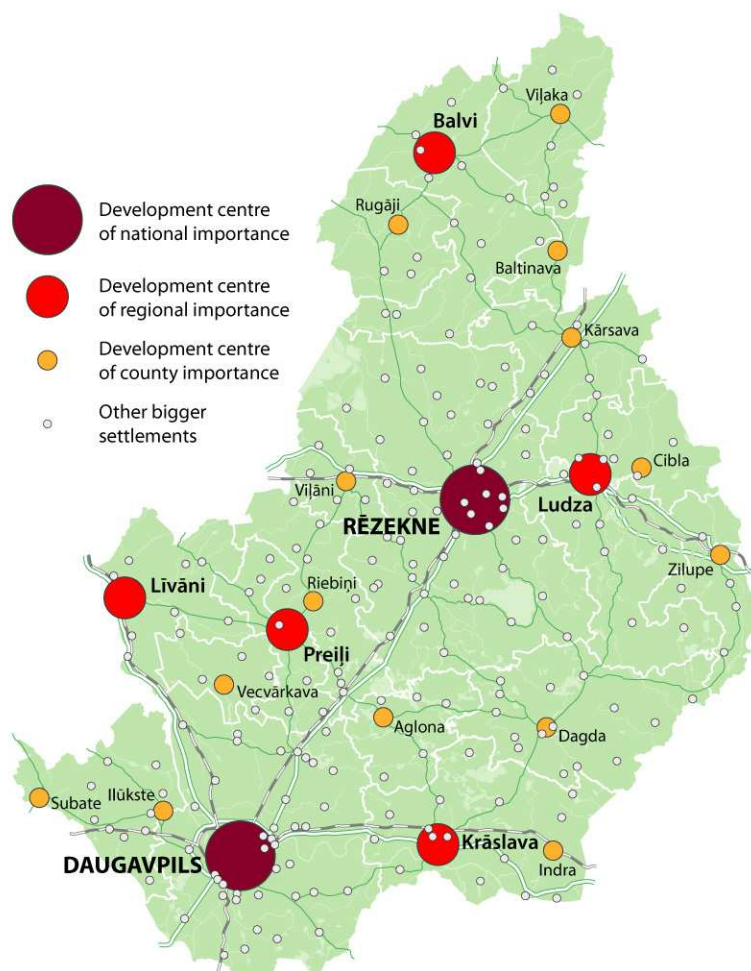


Image 3.2.3. The most important development centers in Latgale region

3.3.1. Frontier area

The regions, which have borders with Latgale, are considered as peripheral territories in the neighboring countries, especially the Russia's frontier area. The borders here function as the barrier with limited number of points of entry and custom control points, strict control of cargos and passengers flow. After entering the EU the region's borders with Russia and Belarus are also the external borders of the EU. Economical and demographical indicators in the frontier area in general are lower than in the counties on average; still, the average indicators in the counties of the Eastern frontier area are even lower than on average in all frontier area. The population density of the counties of the Eastern frontier area is on average one third lower than in the counties on average, and two thirds lower than in Latvia on average. The counties of the Eastern frontier area are the category of territories, where, in comparison with other territories in Latvia, in the period from the beginning of 2006 until the beginning of 2011, the number of inhabitants had decreased the most sharply; besides, they have high percentage of people of retirement age. It describes the situation of suburb effect, in which the territories of this group are.

The personal income tax collected but the municipalities of the East frontier area's counties per one inhabitant in 2010 constituted 63% of the average rate of counties, and only 51% of the average collected in the country. The territories are characterized by expressively small number of jobs and high unemployment – unemployment rate in the counties of the East frontier area is almost two times higher than in Latvia on average, in its turn, the number of economically active individual merchants and commercial societies per 1000 inhabitants – three times smaller than in Latvia on average.

The frontier territories refer to Baltnava, Cibla, Dagda, Ilūkste, Kārsava, Viļaka, Zilupe, Daugavpils, Krāslava and Ludza counties.

The state border as the obstacle has defined the road radial orientation to the inland centers that is why the East frontier area has underdeveloped traffic along the border. The motorway configuration and the bad road condition influences the approachability of remote territories, increases the real distance from the main centers, which is even more worsened by absence or insufficiency of public transport. It isolates even more the routine of people living in the frontier area and often facilitates approximation of these people to the culture and environment of the neighboring countries.

Despite the positive tendencies of land use, region still has the land unused in agriculture, and the biggest percentage of this unused land is in the frontier area: Zilupe county (37%), Ludza county (29%), as well as in hilly Aglona county (24%). It opens opportunities for agriculture development, especially for growing of food and non-food production – renewable resources and natural fiber plants.

3.4. Neighboring East market

3.4.1. Russia

Foreign trade

In 2010 Latvia's total turnover of foreign goods and services trade with Russia reached 1,3 billion LVL.

Table 3.4.1.
Trade of Latvia's goods and services with Russia in
2010 (million LVL), Source: CSB

	Total export	Total import	Balance	Goods' export	Goods' import	Services' export	Services' import
2009	416.1	573.2	-157.1	316.4	505.7	99.7	67.5
2010	644.2	669.2	-25	503.8	497.1	591.8	77.4
Changes, %	55	17	84.1	57	17	48	15
Specific weight, %	9.7	9.5		10.6	10.0	7.5	6.6
Place	3	3		3	3	2	2

In the end of 2010 Russia was the 3rd largest Latvia's goods export partner. The main export goods to Russia are the food industry products (26.5%), machines and mechanisms, electrical devices (16.9%) and the production of chemical industry and its related industries (15.0%).

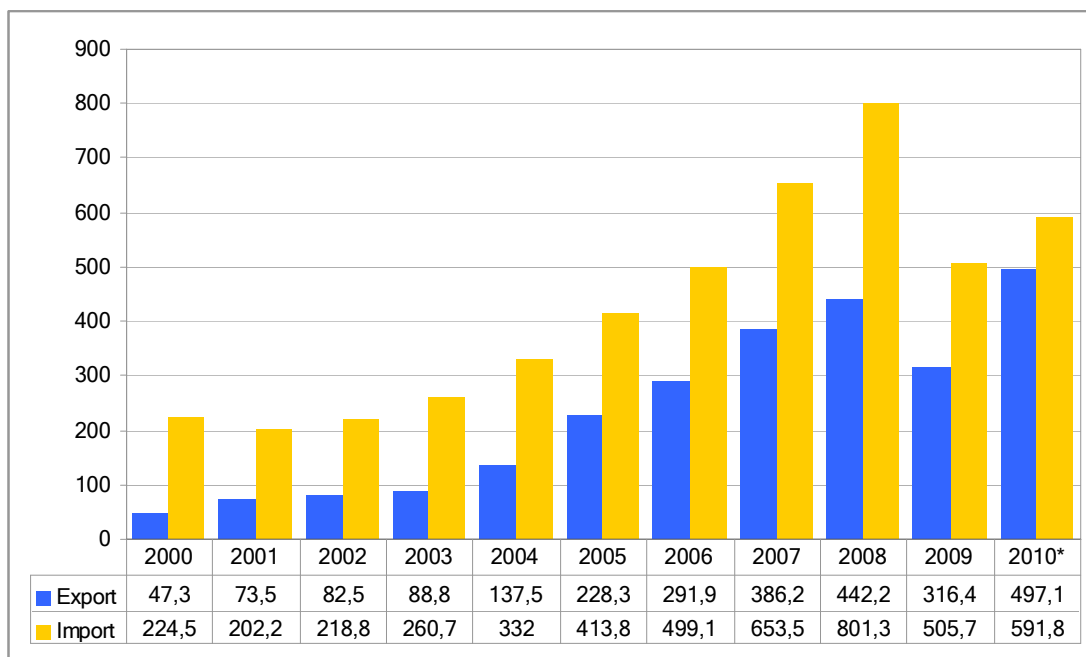


Image 3.4.1. Trade of Latvia's goods and services with Russia in 2000-2010 million LVL, (*-live data), CSB data

3 Latgale region's companies can be found among 50 largest goods exporters to the Russian Federation in 2010 – Belmast LTD, Daugavpils Gaita LTD and Ditton Pievadžēžu rūpnīca JSC.

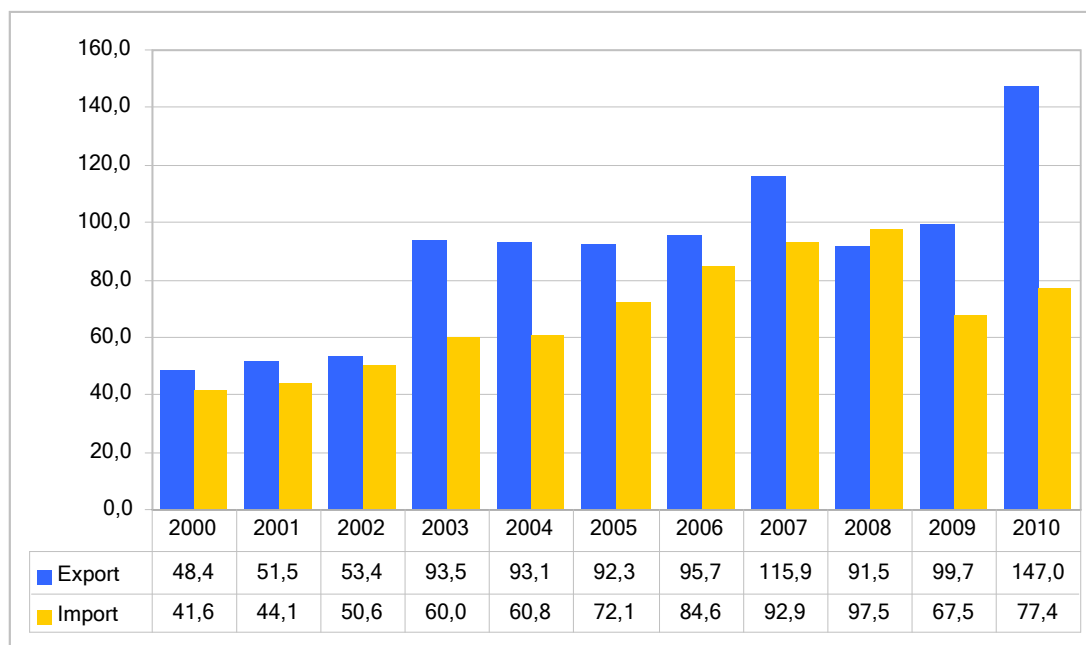


Image 3.4.2. Dynamics of services' export – import by years (million LVL),
Data of the Bank of Latvia

In the end of 2010 Russia was Latvia's 2nd largest service export partner. Latvia's service export to Russia in the end of 2010 made up 147 million LVL. The biggest part of

revenue from Latvia's services export in 2010 is made up of transportation - 60.4% and tourism - 29.2%.

3.4.2. Belarus

Foreign trade

In 2010 Latvia's total turnover of foreign goods and services trade with Belarus reached 459.0 million LVL.

Table 3.4.2.
Trade of Latvia's goods and services with Belarus in 2010 (million LVL), Source: CSB

	Total export	Total import	Balance	Goods' export	Goods' import	Services' export	Services' import
2009	135.4	186.4	-51.0	92.2	163.3	43.2	23.1
2010	232.8	226.1	6.8	99.8	202.4	133.0	23.7
Changes, %	72.0	21.3	-113.3	8.4	23.9	207.9	2.6
Specific weight, %	3.5	3.2		2.1	3.4	6.8	2.0
Place	9	10		12	9	4	12

In the end of the 1st half of 2011, Belarus was the 12nd largest Latvia's goods export partner. The main Latvia's export goods to Belarus are machines and mechanisms, electrical devices (19%), transport vehicles (14%), production of chemical industry and its related industries (12%) and textile materials and textile articles (11%).

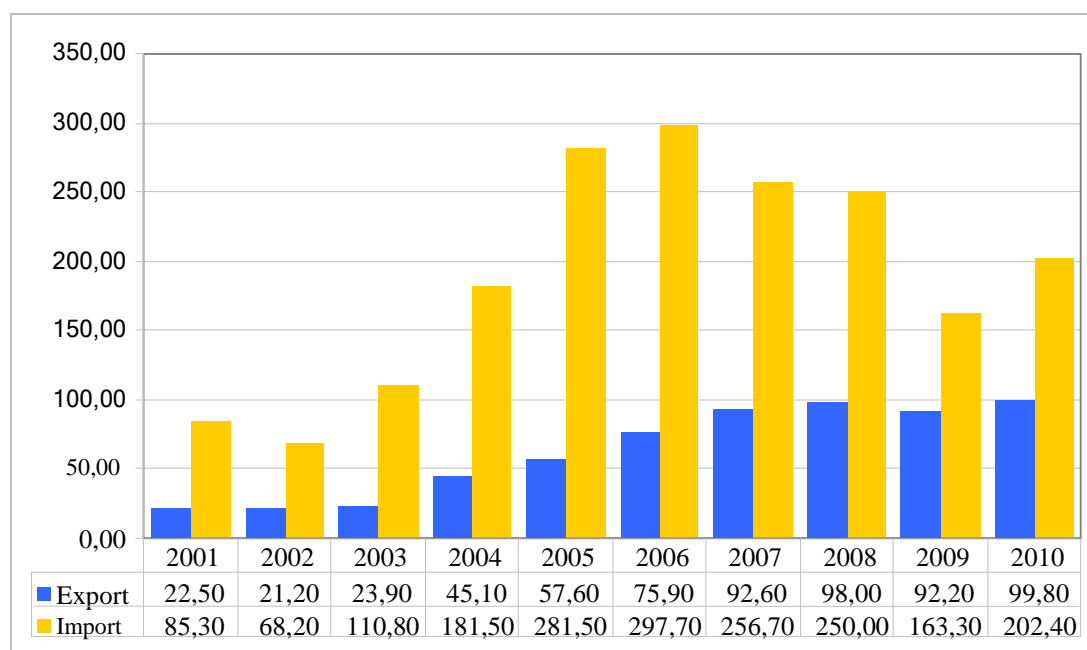


Image 3.4.3. Dynamics of goods' export – import (million LVL), CSB data

There are also Latgale region's companies among 50 largest Latvia's exporters to Belarus – Belmast LTD and Daugavpils Lokomotīvu remonta rūpnīca JSC.

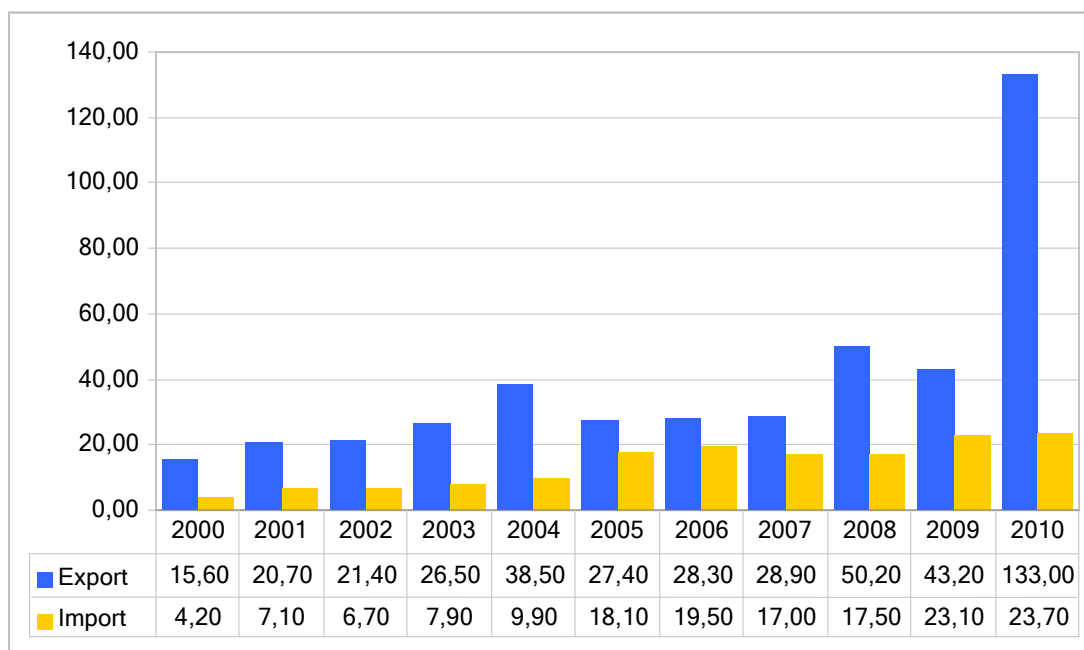


Image 3.4.4. Foreign trade of Latvia's services with Belarus (million LVL), Source: *Latvijas Banka* (Bank of Latvia)

Investment

There are also Latgale region's companies among the largest companies in Latvia with capital of Belarus— company NEONAFTA in general has invested 264 thousand LVL, 136 thousand LVL of them in the company Mamas D LTD, and 128 thousand LVL in Latgales Alus D LTD. In its turn, Rahazhynsky Yury and Shumsky Ivan have each invested 40.8 thousand LVL in the company Regula Baltija LTD.

3.5. Infrastructure

Region is characterized by a balanced and integrated transport infrastructure network, which includes motorways, railway, air transport and bicycle transport.



Image 3.5.1. Latgale region's transport infrastructure. Source: Territory layout of Latgale planning region

3.5.1. Highways

Latgale region's road branchiness and direction of the main highways are determined by the advantages of region's natural competitiveness. Region's territory is

crossed by the highways of interstate importance E22 – Ventspils – Riga – Rēzekne and E262 – Medumi on Lithuania's border – Rēzekne.

Within the context of interstate traffic Rēzekne city is located in a strategically important place, through which the highways go connecting the Republic of Lithuania with the Russian Federation and the ports of the Republic of Latvia with the Russian Federation. The transit highways of international importance are the most important for development of all region, which provide delivery of goods produced both in Latvia and elsewhere in the world to the Russian Federation, Republic of Belarus and the Northeast regions of the Republic of Lithuania.

Transport traffic with the state's capital Riga from the largest cities Daugavpils and Rēzekne is significant for region's development.

The largest specific weight of Latgale region's roads is made up of motorways of local importance or self-government, the total length of which constitutes incomplete 9 thousand kilometers, which takes 65.8% of all region's roads. The roads of local significance form 6.3 km large coating per each square kilometer of territory, but the highways of the state significance – 3.3 km/km².

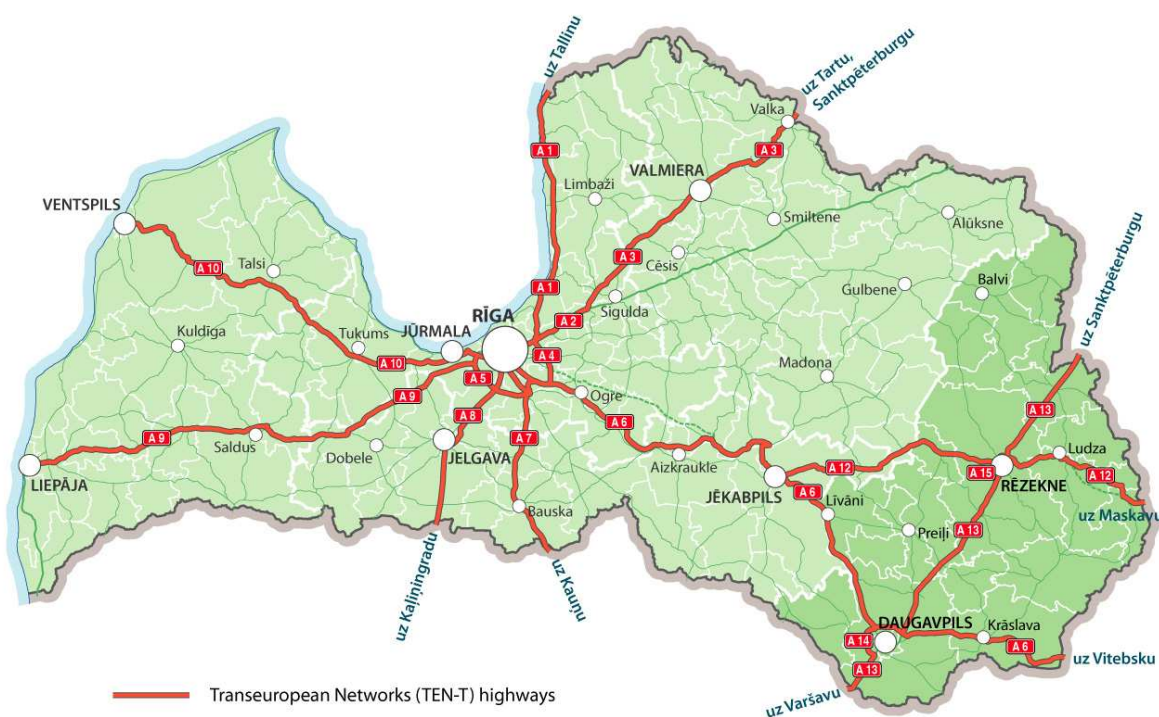


Image 3.5.2. Trans-European road network (TEN) in Latvia.

Latgale region is crossed also by the roads included in the Trans-European road network. Development opportunities of Latgale region will be indirectly influenced also by the new highway Riga – Moscow, the construction of which will be completed in the nearest future.

3.5.2. Railways

Latgale region is crossed by several railway lines of international importance:

- Moscow – Zilupe – Rēzekne - Krustpils – Jelgava - Ventspils
- Vitebsk - Indra – Daugavpils – Krustpils - Riga
- Saint Petersburg – Kārsava – Rēzekne – Daugavpils – Eglaine – Klaipēda or Daugavpils - Kurcums – Vilnius.

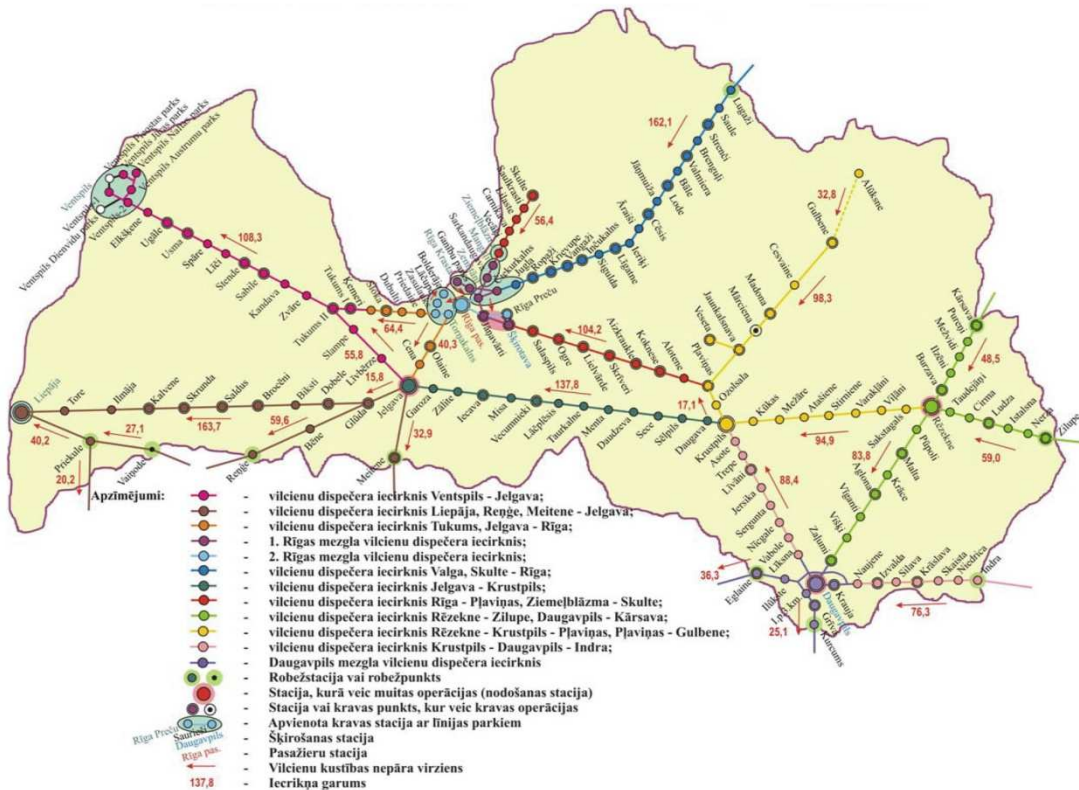


Image 3.5.3. Latvian railway system, Latvijas Dzelzceļš (Latvian Railway) data

The railway corridors are arranged parallel to the three main motorways connecting Jēkabpils, Rēzekne and Daugavpils, thus strengthening the role of Jēkabpils, Rēzekne and Daugavpils as the important region's junction. According to the information given by the „Latvian Railway”, during the period from 2007 till 2013 the following measures are planned in Latgale region's territory for improvement of railway's infrastructure:

- Introduction of traffic automatic control system in sectors Rēzekne - Krustpils and Daugavpils - Krustpils
- Construction of the second railway in the sector Indra - Bigosova
- Daugavpils cargo junction development
- Construction of a new separate railway in the sector Rēzekne – Krustpils.

3.5.3. Air traffic

The closest international airports to Latgale region are in Riga (about 250 km from Rēzekne and Daugavpils), as well as in Vilnius and Kaunas in Lithuania (about 200 km from Daugavpils and more than 300 km from Rēzekne). Although the distance from Daugavpils

to Vilnius airport is smaller than to Riga airport, at the moment exactly the Riga airport is the leading regional airport with more than 80 different flight points of destination and it had serviced more than 4 million passengers in 2010.

At the moment region has no other certified and functioning airports. The airfield in Rēzekne is used only for training flights. Grīva airfield is located in Daugavpils county's Kalkūne civil parish, which is meant for training flights on powered parachutes/hang gliders and pilot certification, as well as pleasure flights on a special tandem powered parachute or motor hang glider. The airfields could be established also in Balvi, Ludza, Krāslava, Preiļi and Līvāni counties, which would be used for takeoff and landing of private airplanes and other small aircraft.

Regional airport

Work has been started on development of regional airport project in Daugavpils. The once actively used military airport is located in Naujene civil parish, Lociki village, 1 km from the main state highway Russia's border (Grebneva) – Rēzekne – Daugavpils – Lithuania's border (Medumi) (A13), which is a part of the European road E262 Warsaw-Saint Petersburg, and 1 km away from the main state highway Riga – Daugavpils – Krāslava – Belarus's border (Pāternieki) (A6) and 15 km away from Daugavpils city. The airport is also located not far from the railway line Riga – Daugavpils – Indra.

The owner of the land on which the airfield is situated is Daugavpils city council, and together with the private land owners' land pieces the total land area in the territory of the airport is 231.77 ha, and the area of approach roads to the airport - 7200 m². It is planned to establish an international regional airport "Daugavpils", with a passenger terminal with the total area of 1500 - 2000 m² and the traffic capacity of 40-50 passengers per hour, which would give an opportunity to service up to 500 thousand passengers in a year. With the total area of the freight terminal 1000 m² the volume of cargo transportation could reach 12 - 15 thousand tons in a year. Being located near such important transport corridors makes Daugavpils airport's location attractive.

3.5.4. Pipelines.

The territory of Latgale region in the East-West direction is crossed by the oil pipeline and oil product pipelines from Samara (Russia) and Novopolotsk (Belarus) with the length of 57 km. The total length of oil pipeline is 435 km, capacity – 16 million tons a year, but it is nearly closed due to the changes of Russia's oil transit policy. The oil product pipeline with the capacity of 5 million tons a year is constructed along the oil pipeline.

3.5.5. Waterways.

Until the 12th century Daugava used to be the main transport artery, which connected the East with the Baltic Sea. Later on, when the roads were constructed along the river, the waterway was used only for timber floating. After construction of hydroelectric power station cascade this function completely disappeared. The potential of Daugava river and other region's largest rivers as the tourism waterways is not used in full.

3.5.6. Bikeways and footways

At the moment Latgale region's cities and counties, as well as Latvia in general, has weakly developed bikeway infrastructure, and as a result the bicyclists mostly use the footways or motorways. A rather small number of inhabitants of cities uses a bicycle as the means of conveyance in their everyday life, still, people living in the country use bicycles more often in their everyday life to save time and money. At the same time, bicycle tourism gains more and more popularity; European bicycle route *No. 11 Nordkapa-Athenes* will cross Latgale region. Referring to the wish of inhabitants and tourists to travel by bikes, municipalities of Latgale region have established several bicycle routes. A bike tourism guidebook of the Baltic Country of Lakes has been published, which offers 45 bicycle routes. The total length of the routes is 2263 km, 753 km of them in Latgale region.

3.6. Communications and connection

Digital and analogue telephone communication services are available in all populated areas of Latgale region. Large part of the region uses opportunities of optical cable for data transfer, which connects cities of Balvi, Daugavpils, Krāslava, Ludza, Preiļi and Līvāni. Mobile electronic communication services in Latgale are rendered by the following operators - LTD „Latvijas Mobilais telefons”, LTD „Tele2”, LTD „Bite Latvija” and TRIATEL JSC „Telekom Baltija”. It is possible to use the services of the Lithuanian mobile communication operators in the frontier areas. Fixed telephone communications are offered by Lattelecom and IZZI. 414 public Internet access points are available in Latgale, which provide an opportunity for all inhabitants to use the electronic services.

Table 3.6.1.

Internet availability in Latvia's regions in the beginning of the year (%), Source: CSB

	Internet in households					
	2004	2005	2006	2007	2008	2009
LATVIA	14.7	30.5	42.2	50.5	52.8	58.0
Rīga region	21.2	42.3	52.6	60.4	60.4	64.4
Pierīga region	10.0	30.4	47.5	59.5	57.8	64.7
Vidzeme region	18.8	26.7	37.4	...	43.6	47.6
Kurzeme region	13.4	23.8	41.6	48.1	52.8	54.1
Zemgale region	12.3	19.4	33.8	48.4	50.3	60.7
Latgale region	6.0	21.4	24.1	32.3	39.5	43.9

3.7. Labor force and other resources

3.7.1. Population

Dynamics of population

According to the data of the Office of Citizenship and Migration Affairs, the population on January 1, 2011 in Latgale region was 334 897, including in the counties - 197 805 and in the republic cities - 137 092.

Latgale region, during the period from 2006 to 2011 has experienced the biggest decrease of population in republic. The population density has decreased from 23,4 people per 1 km² in the beginning of 2010 to 23.0 people per 1 km² in the beginning of 2011, in its turn, in the territory of counties, with the exception of the republic cities, from 13.9 to

13.7 people per 1 km². The population decreases more expressively in the population groups under the working age and of the working age, in its turn, decrease of number of people of retirement age in comparison with 2010 is tiny, only 0.63%, hence, the social load growth is observed here.

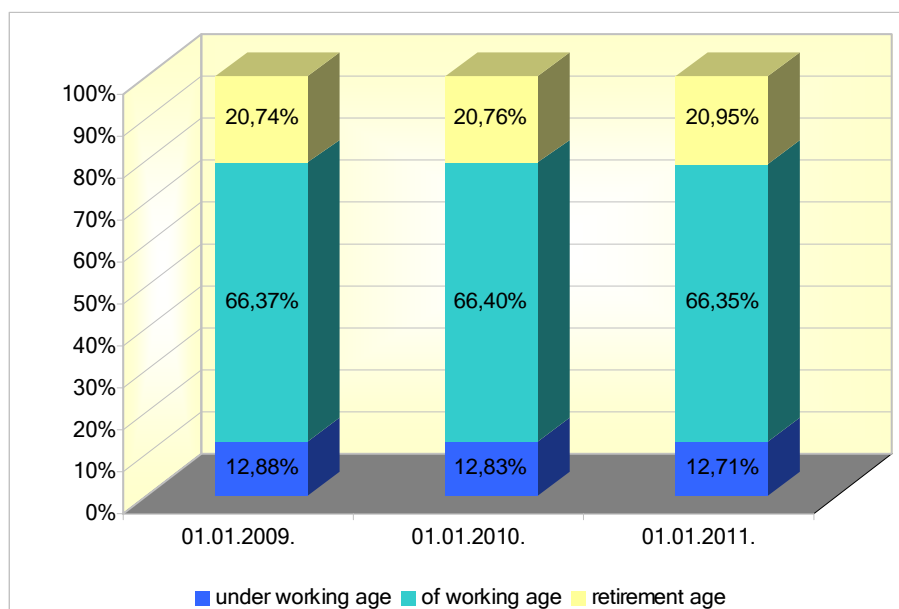


Image 3.7.1. Population distribution by economical activity

Population distribution

41% of the region's population of working age live in the regional cities – Daugavpils and Rēzekne; and 37.03% of the region's population of working age live in 6 counties, these counties are Rēzekne county – 9.42%, Daugavpils county – 8.39%, Krāslava county – 5.82%, Balvi and Ludza counties – 4.61% and Līvāni county – 4.18%. These counties have population density higher than typical, therefore these counties are potentially the most notable for investment attraction, especially in the sectors, where a significant number of qualified labor force is required.

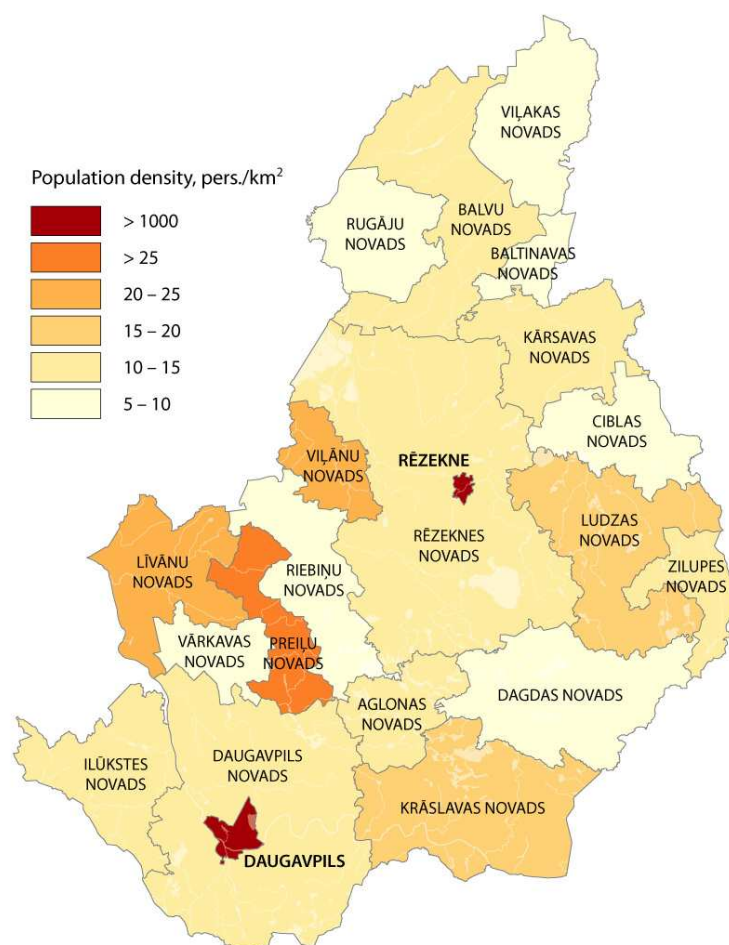


Image 3.7.2. Territorial distribution of population of Latgale region (population number per 1km², data as of 01.01.2011), Source: CSB data

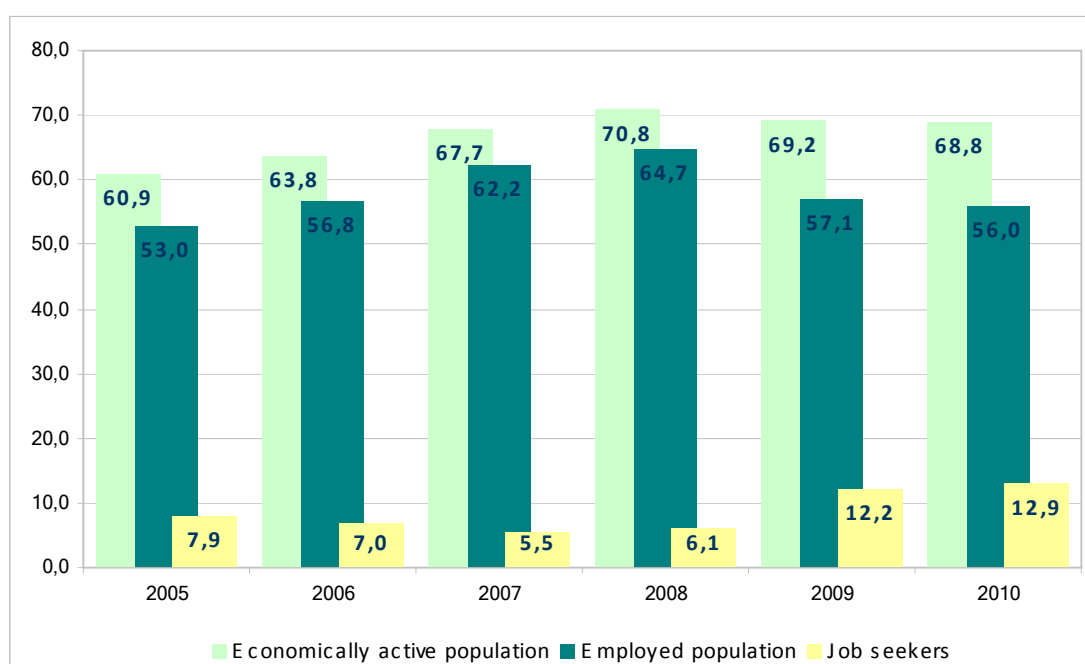


Image 3.7.3. Region's economically active, employed population and job seekers (%), Source: CSB data

Unemployment rates

The second largest number of registered unemployed people in the 4th quarter of 2010 in whole Latvia was registered in Latgale region – 37 595 or 23.1% (in the 1st quarter of 2010 – 39 282 or 20.2%), 18 966 or 50.45% of them are women and 18 629 or 49.55% men.

Considering the situation in the counties, it is seen that the unemployment in the beginning of 2011 has mostly increased if comparing with the beginning of 2010, and the decrease is seen only in Baltnava and Līvāni counties and Daugavpils city.

In January – February 2011 in the entire Latgale region the decrease of percentage of unemployed people is seen, which are registered up to 6 months and from 6 to 12 months; and the increase among those who are registered from one year to 3 years.

According to the education level the highest number of unemployed people in the 4th quarter of 2010 is made up of unemployed people with professional education – 58 902 unemployed people, which is 36.3% of the total number of registered unemployed people.

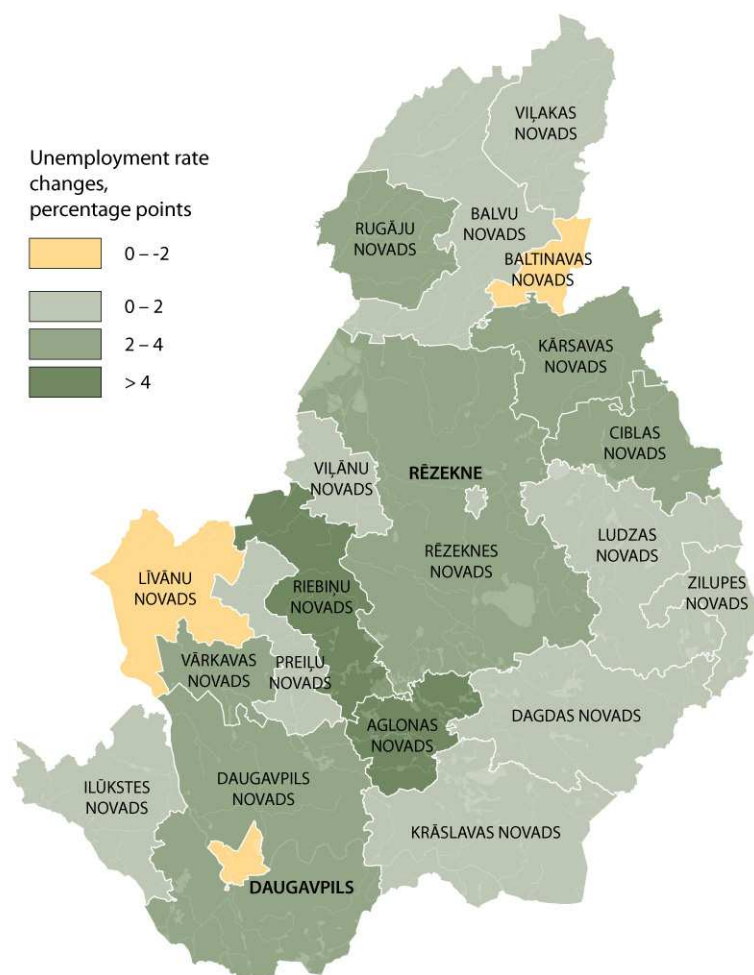


Image 3.7.4. Changes of unemployment rate, in the beginning of 2011 in comparison with the beginning of 2010, percentage points

According to the education level the biggest number of unemployed people in all Latvian regions in the 4th quarter of 2010 is made up of unemployed people with professional education. The highest percentage of unemployed people with professional education – 42.3% of the total number of unemployed people registered in the region is in Latgale region.

In the age groups in the 4th quarter of 2010 the biggest number of registered unemployed people is made up of unemployed people who are from 50 to 54 years of age - 14,1% of the total number of registered unemployed people.

In the end of 2010 the biggest number of registered unemployed people by the profession was the low-qualified labor force: auxiliary workers – 12 968, retail trade shop assistant – 10 100, office-cleaner – 5 681, automobile driver – 2 808, street sweeper – 2 754, cook – 2 429, guard – 2 182, builder – 1 959, tailor – 1 563, tractor driver – 1 537.

In 2010 the professional training, re-qualification and professional skill improvement training was began by 8 297 people, 5 476 or 66% of them are women and 2 821 or 34% men. In division by the education the highest percentage of people who had started training is constituted by people with professional education - 33.6% (61% of them are women and 39% men).

In 2010 the inservice training was started by 1 129 people, 572 or 51% of them were women and 557 or 49% men. In division by the education the highest percentage of people who had started inservice training is constituted by people with professional education – 36.7% (48% of them are women and 52% men).

By beginning of economical recession the wages have decreased during the last 2 years. Decrease of labor force costs creates favorable conditions of economical nature for business widening and investment project implementation in Latgale region.

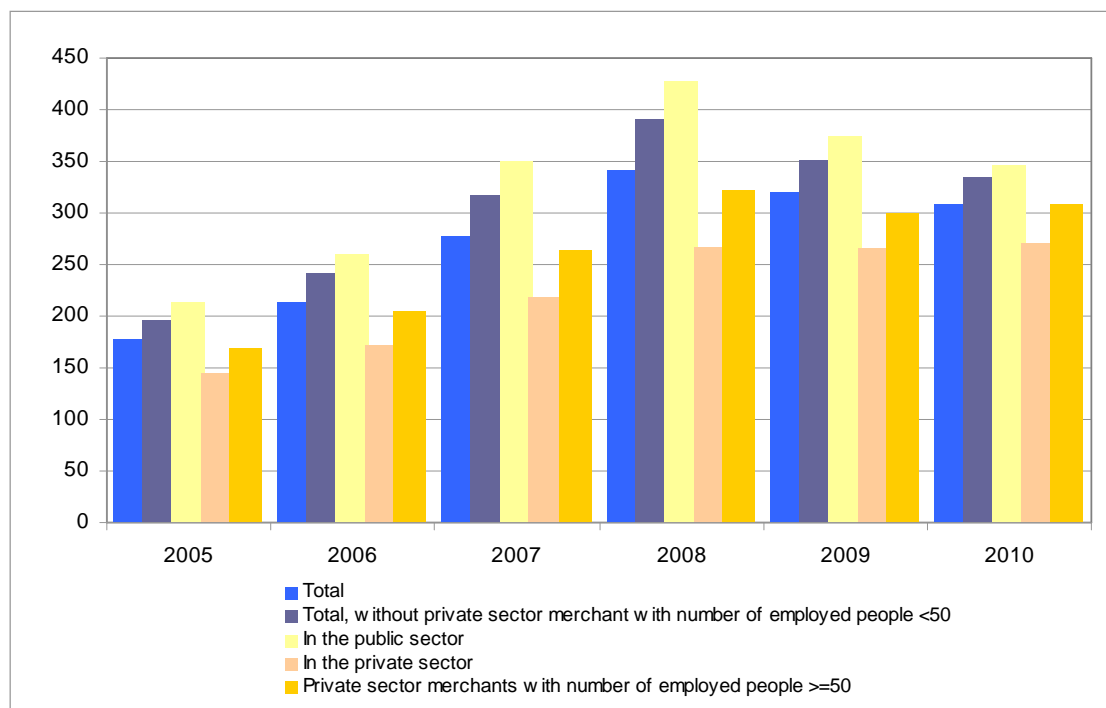


Image 3.7.5. Gross wages in Latgale region (LVL), Source: CSB data

Gender balance.

In general prevalence of number of women is observed in Latgale region, altogether in the beginning of 2011 155 864 men and 179 149 women were registered, which pro ratio constitute 46.52% and 53.48%. Analyzing the changes of population number, no big difference is seen between the decrease of number of women and men, the number of men has decreased by 8.14%, but the number of women – by 7.97%.

The analysis of population age shows that in the age group until 18 years the number of men exceeds the number of women, however, already starting with the age of 40, the number of men decreases and in the age of 70+ it is almost 3 times smaller than the number of women.

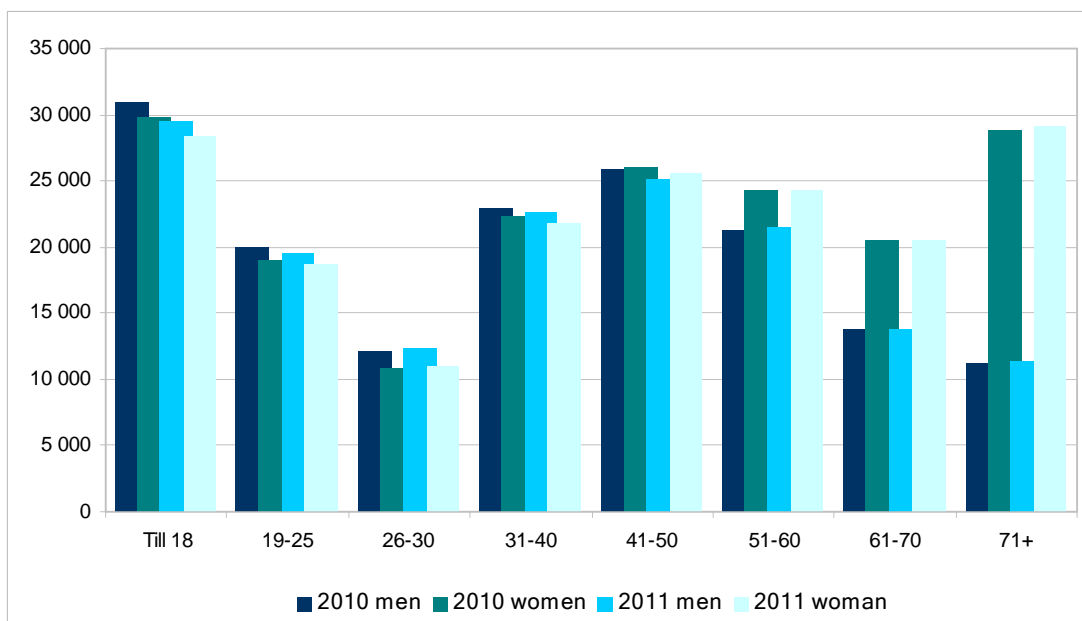


Image 3.7.6. Men and women age structure in the statistical regions in the beginning of corresponding years, CSP

Demographic load.

The demographic load indicator in Latgale region in the beginning of 2011 — 527.2 children and people of retirement age per 1000 people of working age — is higher than the average one in Latvia — 513.8. In 2011 in Latgale the percentage of population of working age was 65.9%, it is very similar with the state indicator- 66.3%. In Latgale region, as well as in other regions, except Riga region, there is a tendency of decrease of percentage of population under the working age.

Table 3.7.1.
Demographic load indices in the planning regions

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Rīga region	576.6	565.4	541.5	533.4	514.9	513.3	504.0	501.2	506.0
Vidzeme region	657.8	644.5	612.8	593.2	565.3	547.5	526.2	530.7	528.4
Kurzeme region	627.2	617.7	593.2	582.4	558.2	549.3	530.7	542.9	546.5
Zemgale region	611.0	598.7	571.7	557.6	533.8	521.7	504.2	512.0	508.9
Latgale region	619.4	604.3	576.4	561.5	534.7	522.4	505.5	534.6	527.2
On average in Latvia	606.9	590.8	565.0	553.4	531.2	524.0	510.1	513.0	513.8

3.7.2. Natural resources

Freshwater resources.

Latgale is rich with waters and is often called the Land of Blue Lakes or the Lake Land. Region has more than 1000 lakes, including the deepest lake of Latvia – Drīdzis and one of the cleanest lakes – Riču lake. The largest river of Latvia – Daugava flows through the region, and has preserved its initial and natural onflow. Latgale waters are rich with fish resources used in fishing and angling.

Latgale region with its lakes forms the largest freshwater reserves in the country. The hilly relief and the deep lowlands have facilitated formation of many lakes in the region, the number of which reaches over thousand. The largest of them are Rāzna lake – one of the largest in the country, Drīdzis – the deepest lake, Ežezers – lake that is the richest with islands. A part of the largest lake of Latvia – Lubāns – is located in Latgale region, too. The biggest concentration of lakes is seen in Rēzekne county and the South of Ludza, as well as in the East of Daugavpils county.

Agricultural land.

The land used in agriculture takes 44% of the total region's territory. The agricultural land resources of Latgale region in the end of 2010 had a total area of 654 thousand ha, 280 thousand ha or 42.8% of it is formed by arable land.

The country farms of the region turn more and more to the biological farming, and thanks to growth of demand for biological products of high quality, the land areas used intensively are increasing during the recent years. The fields in Daugavpils region make up 64% of the total land used in agriculture, and in Rēzekne county – 62%. Relatively high percentage of fields has also been historically formed in Līvāni, Preiļi, Krāslava, Balvi and Baltinava counties. Despite the positive tendency in land use, region still has the agricultural land unused in agriculture. It opens opportunities for agriculture development, especially for growing of food and non-food – renewable resources and natural fiber plants.

Forest.

Forests in Latgale region form an important dimension in formation of competitive advantages of economical activity of the Latgale region. During the period from 2004 to 2010 the forest area in the region had increased up to 561.8 thousand ha, taking 39% of the region's territory. The percentage of leaf-bearing trees is consistently increasing in the region's forest structure. If in the beginning of 2004 the leaf-bearing trees took 265.3 thousand ha or 55.7% of the total forest area, then by the end of 2010 their percentage has increased by one fifth. During this period the wood supplies increased by 20.6 million m³ or 23.6%, reaching volume of 107.6 million m³ in 2010. It means that the volume of raw materials for woodworking industry is increasing for production of different wood decoration materials, furniture and other articles, which can result in a higher added value. Wood availability also gives advantages to the investment projects in the woodworking field or in the fields, where wood is one of the main materials.

Minerals.

The largest volumes of the region's minerals are of sand and gravel deposits, as well as peat and sapropel formations.

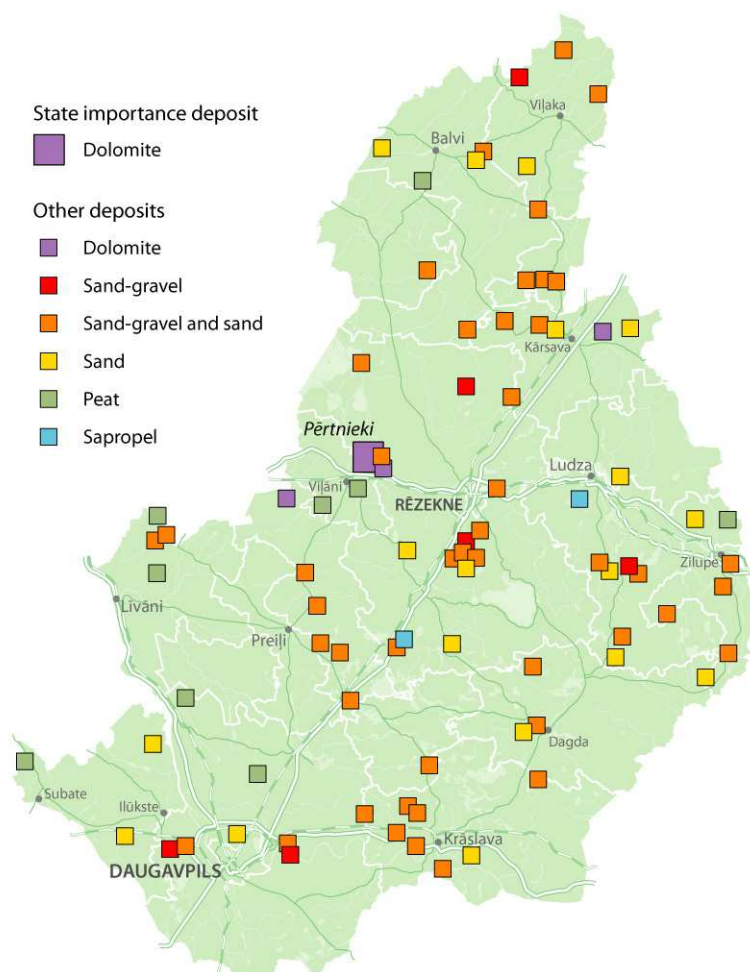


Image 3.7.7. Location of Latgale region's minerals, Source: LVĢMC (Latvian Environment, Geology and Meteorology Center)

Region has two state-importance clay deposits – „Kuprava” and „Nīcgale”, the total volume of which reaches 18.4 million m³, which has been formed in the area of 197.1 ha. Clay's qualitative indicators give an opportunity of using it in production of claydite, bricks and other ceramic articles.

Not only the red clay, which is Latvia's traditional clay, but also the high-quality blue and white clays are found in Kuprava clay bed. Clay of this kind is used in production of cosmetics products and porcelain. These clay deposits can be successfully included in different investment projects, which are intended for production of various goods with a high added value.

Significant dolomite deposits are found in the region. Big dolomite deposits are concentrated in Riebiņi county, where the valuable mineral deposits are estimated at an amount of 6.1 million m³.

3.8. Investment in Latgale region

During rapid economical growth investment projects aimed at modernization of production processes and increase of production output capacity were successfully implemented in many manufacturing industry companies of the region. In the circumstances of recession, as domestic and foreign demand decreased, free production capacity arose in several companies, which is used to increase the employment rate in the region and the volume of manufactured added value.

3.8.1. The main investors on the market

The most successful in attraction of direct foreign investment in Latgale planning region were the largest cities – Daugavpils and Rēzekne, as well as Krāslava county and Līvāni county. However, huge difference is seen between both regional cities – the amount of investment attracted in Daugavpils is 30 million LVL, whereas in Rēzekne it is only 2.6 million LVL. Investment attracted in Daugavpils city exceeds all other investment attracted in the entire region 3 times.

Table 3.8.1.
Volume of direct foreign investment attracted in the counties, Lursoft data⁴

Counties	Investment volume (LVL)
Daugavpils	30 356 146.00
Rēzekne	2 614 911.00
Krāslava county	2 875 085.00
Līvāni county	1 725 364.00
Balvi county	1 050 810.00
Rēzekne county	1 031 243.00
Daugavpils county	596 224.00
Kārsava county	304 500.00
Preiļi county	187 484.00
Viļāni county	146 100.00
Dagda county	90 800.00
Ludza county	43 642.00
Zilupe county	26 531.00
Lubāna county	9 980.00
Ilūkste county	3 580.00
Viļaka county	1 060.00
Vārkava county	1 000.00
Aglona county	999.00
Riebiņi county	700.00
Cibla county	No data
Rugāji county	No data
Baltinava county	No data

Daugavpils company *Nexis Fibers* has managed to attract investment of 13 238 760.00 LVL from the company of the Swiss Confederation – *Industrial Yarns Holding*

⁴ Lursoft statistics about the data summarized in the register of companies for 01.01.1991 - 15.09.2011.

AG. Among the most important investments one can mention also the investment of the Estonia's companies *AS Skinest Rail* and *AS Spacekom* into *AS Daugavpils lokomotīvu remonta rūpnīca* – 6 076 852.00 LVL. This company from Daugavpils has also successfully attracted the financing of the EU Structural funds to introduce a new technology in production of spare parts of the railway rolling stock. Within the framework of the activity "Development of new products and technologies – support for introduction of new products and technologies in the production" *AS Daugavpils lokomotīvu remonta rūpnīca* was approved a project with the total budget of 1 204 740.00 LVL and EU financing of 421 659.00 LVL

The following have implemented successful projects for new products introduction into the production with co-financing of the structural funds of the EU:

- *LIA D, Ltd* attracted financing 69 106,73 LVL, project's total value 197 447 LVL, aim - introduction of new technologies for metal article production process;
- *RSEZ LTD NewFuels* attracted financing 999 929 LVL, project's total value 3 333 097 LVL, besides, the company has managed to attract also 1 056 206.00 LVL investment from the company of the Great Duchess of Luxembourg CLEAR ENERGY HOLDINGS S.A, project's aim – to introduce a patented BioCO2al production;
- *SIA ProMold* - attracted financing 332 500 LVL project's total value 950 000 LVL, aim – introduction into production of own designed light reflector, which is meant for light reflection and diffusion in rooms of natural or/and artificial light sources
- *SIA BalviFlora* - attracted financing 105 000 LVL, project's total value 300 000 LVL, aim – purchase of production lines for peat substrates
- *SIA SM* - attracted financing 195 555LVL, project's total value 558 729 LVL, aim – establishment of a production unit for production and restoration of antifriction bearing linings
- *SIA East Metal* - attracted financing 255943 LVL, project's total value 731 267 LVL, aim – production of a new product – large-size wind generator foundations and support bars – for the largest world wind generator production companies
- *SIA CrossChem Agro* - attracted financing 903 542 LVL, project's total value 3 226 685LVL, aim – purchase and installment of new facilities for carbamide and NPK production.

In its turn, the company *NEDBALTIK* implements a project within the frames of the program „High added value investments”, attracted financing 1 385 860 LVL, project's total value 3 079 689.15 LVL, aim – construction of a plant of ventilation and air conditioning facilities.

Table 3.8.2.

Five largest direct accumulated investment in the fixed capital of companies, Lursoft⁵

Investor	Country	Investment volume (LVL)	Company	City/ county
Industrial Yarns Holding AG	Swiss Confederation	13 238 760,00	Nexis Fibers	Daugavpils
Skinest Rail JSC	Republic of Estonia	3 980 852,00	Daugavpils Lokomotīvu remonta rūpnīca JSC	Daugavpils
Panevežio Keliai, Akcine bendrove	Republic of Lithuania	2 169 500.00	Latgales Ceļdaris LTD	Daugavpils

⁵ Lursoft statistics about the data summarized in the register of companies for 01.01.1991 - 15.09.2011.

Spacecom JSC	Republic of Estonia	2 096 000.00	Daugavpils Lokomotīvu remonta rūpnīca JSC	Daugavpils
CLEAR ENERGY HOLDINGS S.A.	Grand Duchy of Luxemburg	1 056 206.00	NewFuels	Rēzekne

3.8.2. Investment distribution by type of investor

Examining the investment by the country of origin of investors, the most significant investment have arrived to Latgale region from the Swiss Confederation (14 million LVL), the Republic of Estonia (7.6 million LVL), the Federal Republic of Germany (3.8 million LVL), the Kingdom of Denmark (2.9 million LVL), the Republic of Lithuania (2.9 million LVL).

The neighboring countries Russia and Belarus are, respectively, the 6th and the 12th largest investors and in general have invested 2.2 million LVL and 508 thousand LVL. Compared to total accumulated investment, Latgale region has 0.8% of the total investment of the Russian Federation and 9% of the total investment of Belarus.

Detailed information about all investments and their countries of origin can be seen in the Appendix No. 3.

3.8.3. Investment distribution by sectors

The most important field in Latgale region for investment attraction is the synthetic fiber manufacturing field, which in general has attracted 13 238 760.00 LVL, field of production of railway locomotives and rolling stock follows it with attracted investment of 6 994 692.00 LVL, specialized wholesale trade of other kind with attracted investment of 2 404 010.00 LVL, road and railway construction - 2 169 500.00 LVL and wood, cork, straw and wicker articles production - 1 530 486.00 LVL.⁶

3.8.4. Investment of the European Union

EU FUNDS' financing to the regions

This chapter summarizes the information about the payments made by the EU funds in the period from January 1, 2007 until February 1, 2011 in the view of regions and activity programs. In preparation of this chapter, the data from the report prepared by VARAM "On implementation of horizontal priorities „Balanced territory development” and „Riga international competitiveness” in 2007-2010” were used (VARAM, 2011).

The paid EU funds' investment volume in the period from January 1, 2007 until February 1, 2011 reaches 1071.9 million LVL. 119.6 million LVL from this financing have been attracted in the activities with influence of regional or local level in Latgale region. Latgale region has attracted financing of 40.8 million LVL in the activities with influence of national level.

⁶ Lursoft statistics about the data summarized in the register of companies for 01.01.1991 - 15.09.2011.

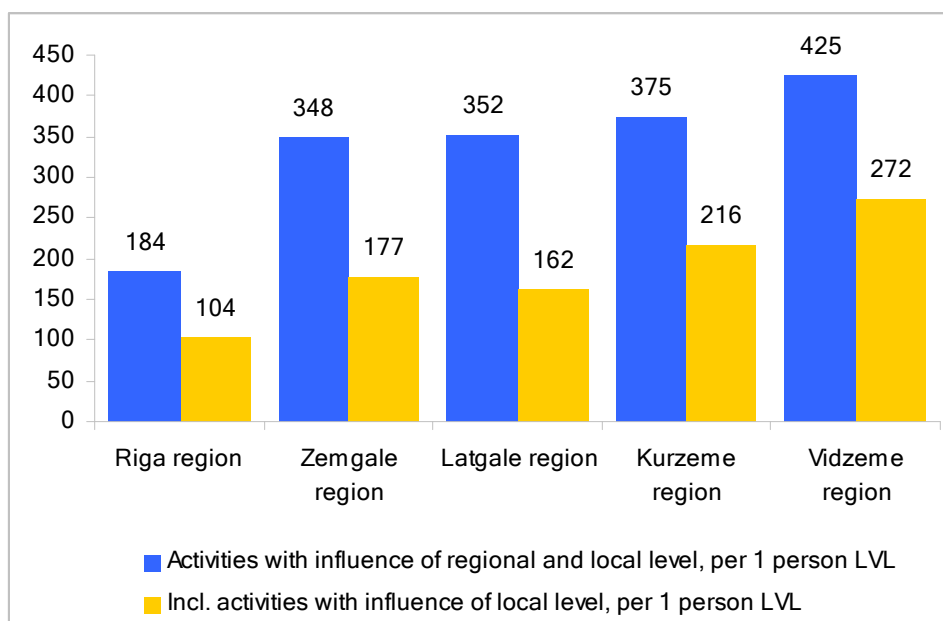


Image 3.8.2. Investment of the EU funds' activities with impact of regional and local level per one inhabitant

Significant percentage (82.6%) of activities with executed payment within the framework of activities with influence of regional and local level is formed by the activity program "Infrastructure and services" (see Image 3.8.3).

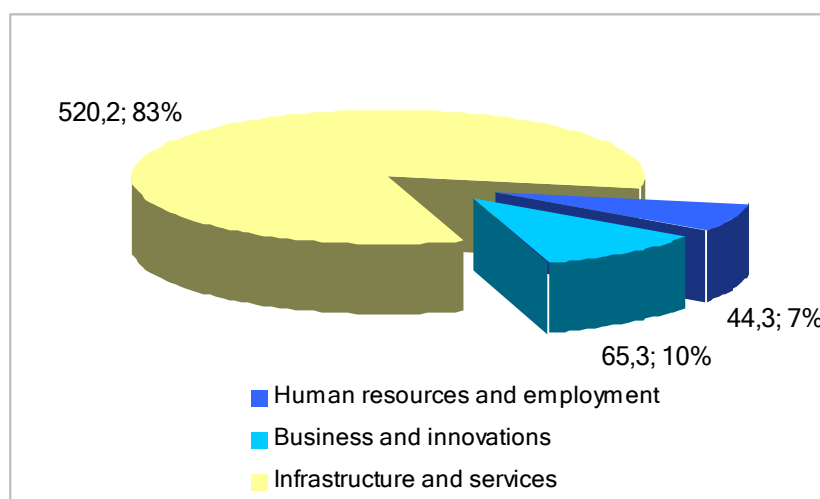


Image 3.8.3. Investment of the EU funds' activities with impact of regional and local level by the activities programs, million LVL and %

The activity program „*Human resources and employment*” with regional influence give support for facilitation of science, higher education, professional education and inclusive education, as well as supports development of social care services in regions. Latgale region, within the framework of this program, has attracted less than 13% of the possible financing.

The activity program „*Business and innovations*” activities with regional influence give support for development of science and research and technology transfer, activities with the local influence – for development of new products and technologies and their introduction in the production, large investment projects for production of products with high added value, marketing activities for mastering of foreign markets, as well as development of business in the specially supported territories. The opportunities in this program, which was partially directed to decrease the differences in development of regions, are used very weakly, Latgale region has attracted only 7.8% of the total attracted investment.

The activities of the activity program „*Infrastructure and services*” with the regional influence give support to development of higher, professional and special education infrastructure, development of emergency medicine, development of in-patient health care infrastructure, development of the 1st class motorways, development of small ports, development of railway transport system in Pierīga, development of national and regional culture infrastructure, development of regional waste management systems, as well as facilitation of competitiveness of national and regional importance development centers.

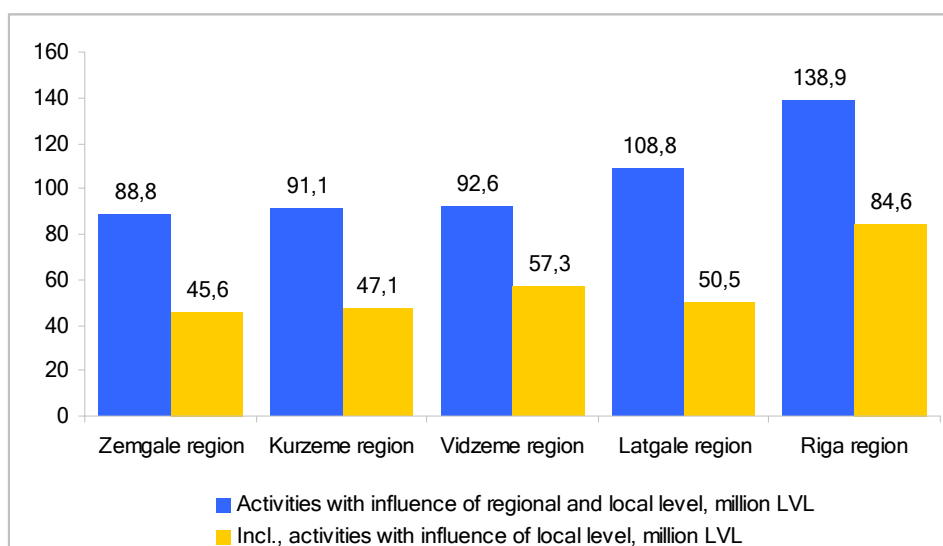


Image 3.8.4. Investment of the EU funds’ of the activity program „Infrastructure and services” with impact of regional and local level in regions

Activity investment in the republic cities proves that Daugavpils and Rēzekne have attracted the least investment.

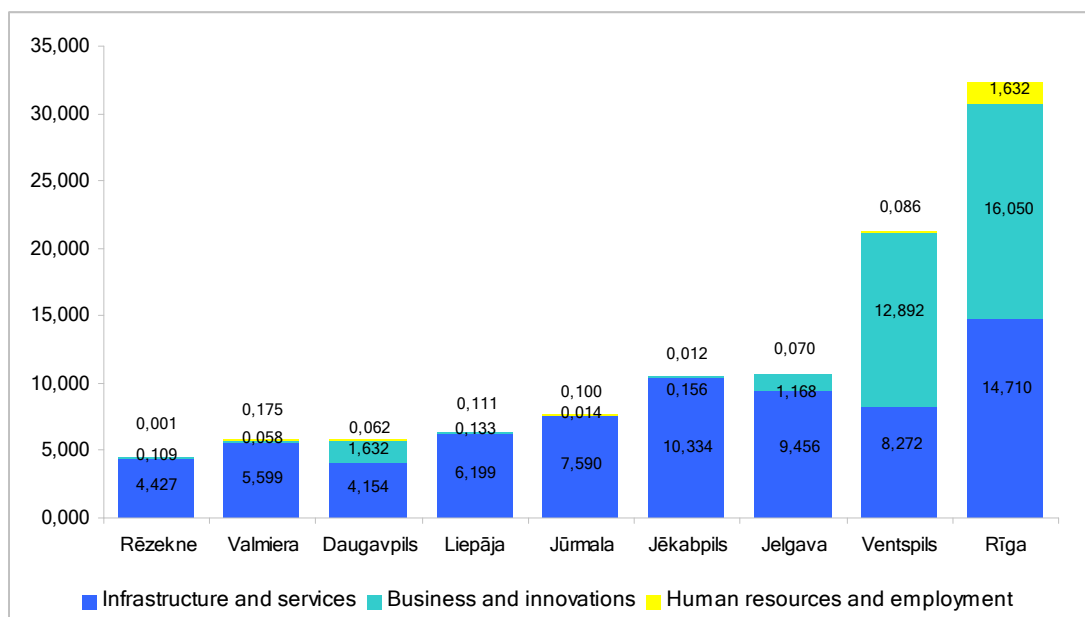


Image 3.8.5. Investment of the EU funds' activities with impact of local level in the cities of the republic, million LVL

Activity investment in counties prove that the biggest investment amount has been received by Krāslava county (14.4 million LVL). The average financing amount to one county is 2.2 million LVL.

European territorial cooperation financing

A significant financing to the region's economy has been given by the European territorial cooperation (ETC) financing. In the planning period 2007–2013 Latvia takes part in ten ETC programs, eight of which are financed from the funds of the European Regional Development Fund (ERDF), and two programs are implemented with the support of the European Neighbourhood and Partnership Instrument (ENPI).

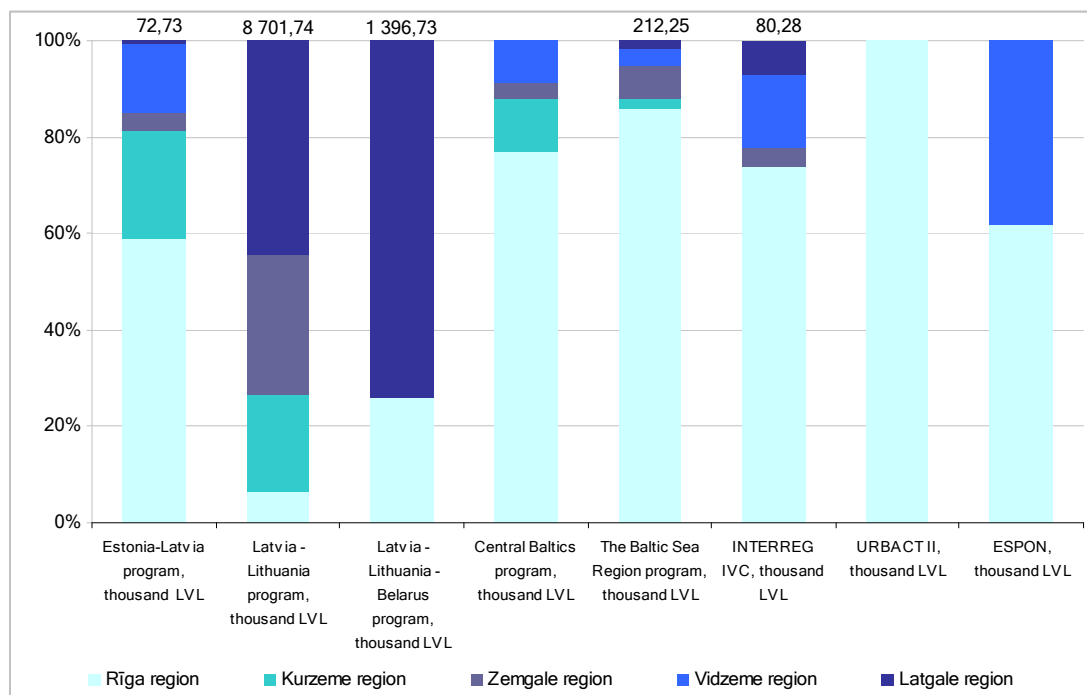


Image 3.8.6. Proportions of financing mastered by the planning regions in the ETS programs until the end of 2009 in the approved projects in distribution by the planning regions

Data in the Image 3.8.6 prove that the highest co-financing of Latvia's partners in ETS programs per 1000 people is in Latgale region.

Unlike the granted financing the percentage of paid-out financing in Latgale region is bigger than the percentage of total budget of projects (Table 3.8.3):

Table 3.8.3.

The percentage of granted and paid-out financing in the regions against the total financing.⁷

	Percentage of granted financing	Percentage of paid-out financing
Rīga region	46.43%	35.08%
Vidzeme region	5.02%	9.21%
Kurzeme region	13.90%	10.08%
Zemgale region	14.05%	15.40%
Latgale region	20.61%	30.23%
Total	100%	100%

These differences might prove not only quicker financing acquisition in Latgale region, but also differences in program reporting periods and rates of co-financing.

⁷ Lursoft statistics about the data summarized in the register of companies for 01.01.1991 - 15.09.2011.

3.9. Analysis of strengths and weaknesses, opportunities and threats (SWOT)

Analyzing the strengths and weaknesses of Latgale region, as well as opportunities and threats, one must take into consideration the general position and situation of Latvia in the perspective of investment attraction, because not only the region for investment placement, but also the state legislation, support and infrastructure is significant within the context of investment attraction. It is important to accentuate the advantages of Latgale in the regions' competition.

Strengths	Weaknesses
<p><i>In the region</i></p> <p>Special economical area in Rēzekne Qualified and available labor force in region's cities and development centers. Relatively low wages level Natural resources Geographical location – border with Russia, Belarus National diversity of population Skills and experience of labor force, engineers and researchers Good infrastructure of data transfer Good connection of motorways and railways with the capital and neighboring countries.</p> <p><i>In Latvia</i></p> <p>International availability Market volume – access to united 500 million consumers market in the European Union Political and military stability and safety Participation in WTO gives the investors sense of surety about invariability of economical principles during a longer time period. Traditions for scientific researches Tax system General growth of Latvia's identity thanks to activities in stabilization of financial situation</p>	<p><i>In the region</i></p> <p>Insufficient freedom of action in municipalities Large distance from capitals and ports Region is hard to identify, low activity in investment attraction. Insufficiency, inefficiency of special economical areas and industrial parks Lack of investment attraction professionals in the state and municipal structures. Deficiencies of business environment – Lack of knowledge and understanding in state administration and society about the positive influence of the direct foreign investment on the economy. Lack of information about offers of municipalities to the investors.</p> <p><i>In Latvia</i></p> <p>Bureaucratic procedures for implementation of construction projects. Difficult discharge of employees Unstable tax system Small domestic market Weak investment stimuli Low level of innovations and knowledge within the context of the EU Insufficient number of engineering technical employees is prepared by the education system. A lot of negative publicity and image of corrupt state administration.</p>

Opportunities	Threats
<p>More purposeful use of support of the EU structural funds for increase of region's competitiveness</p> <p>Improvement of physical infrastructure</p> <p>More intensive popularization of advantages of Latgale and Latvia</p> <p>Advanced training of labor force</p> <p>Use of support of the Council of Large and Strategically Important Investment Projects for quicker and more effective implementation of important investment projects</p> <p>Raising of self-government capacity and skills in investment attraction</p>	<p>Emigration and demographical situation (incl. „brain drain”).</p> <p>Shortage of skilled labor force by sector</p> <p>Uncompetitive labor force taxes remain for a long term</p> <p>Protectionism and possible corruption in development of conditions of investment attraction limits (normative acts)</p> <p>Financial instruments: insufficient availability of finances</p>

3.10. State support for investment activity

To date, attraction of foreign investment in Latvia has been implemented as an active support of foreign investors, which have shown interest or have already made a decision of investing in Latvia. The opportunities of investing in Latvia have been popularized in the international investment forums and business seminars during visits of state officials as well.

To make the investment attraction more active, more regular and to use more effectively the available, restricted financial means, unique methodology for purposeful investment attraction was developed. The corresponding methodology was called the “POLARIS process”.

POLARIS process methodology provides:

1. Determination of investment target fields, in which Latvia already has experience, infrastructure and forerun, as well as those, which will be perspective in the nearest future. At the moment, within the frames of POLARIS process, the following fields are acknowledged as the target fields, in which the investment attraction must be stimulated:
 - Metalworking, mechanical engineering, electronics
 - Woodworking (sub-fields of high added value)
 - Transit and logistics
 - Information technologies
 - Health care
 - Life sciences (pharmacy, bio-technologies in the fields of human health, veterinary science and agrobiotechnologies)
 - Green technologies (Greentech).
2. Summary and actualization of knowledge available in Latvia, that is, the latest discoveries in the science fields connected with target fields, the research, as well as the most progressive products and achievements of commercial societies already working in Latvia.

3. Offer of projects to the foreign investors, which have been prepared using the scientific base, experience and strategic resources available in Latvia (for instance, natural resources, location, labor force etc.). POLARIS process provides also timely formation of database of foreign investors. That is why together with project preparation performed in Latvia those commercial societies and investment funds are purposefully selected abroad, which already work in Latvia's selected target field.
4. Coordination of cooperation between Latvia's state, self-government institutions, private sector representatives (commercial societies and filed associations) and scientific sector representatives (universities and research institutes) to:
 - Facilitate the promotion of new investment projects;
 - Timely eliminate the problems that have arisen, thus proving true interest of Latvia in helping the investor and making project implementation easier in Latvia;
 - Inspect the implemented projects with the aim of clarifying the satisfaction of investors and suggestions for improvement of business environment.

POLARIS process implementation is entrusted to the Investment and Development Agency of Latvia (LIAA) and it does not stop or exclude the activities performed by LIAA before in investment attraction. They are continued as before and, now supplemented by POLARIS process's measures, allow considerable increase of Latvia's competitiveness in attracting direct foreign investment.

Within the framework of POLARIS process a Council for coordination of large and strategically important investment projects (hereinafter referred to as the Investment Council) has been established, the task of which is to coordinate the cooperation among state institutions, municipalities, educational institutions, infrastructure enterprises, administrations of special economical areas and free ports, municipality infrastructure enterprises, ensuring solving of problematic issues in order to facilitate successful implementation of investment projects important for Latvia. POLARIS process specifies the tasks of LIAA, as well as of other public and private sector institutions, which have been executed within the framework of the previous investment attraction process. In order to provide efficient use of limited means and resources, the activities within the framework of POLARIS process are concentrated in the target fields given above.

LIAA ensures that each potential investor would be provided with support during the process of investment placement, starting with providing information about Latvia and the most important socially economical indicators, continuing with detailed information for the needs of the corresponding investors – places of potential investment placement (land, offices, production territories), renderers of outsourcing (legal, financial, personnel selection, accounting, management etc.), addressing companies interested in investment or cooperation – future partners, up to supervision and support during establishment of company, arrangement of different permits and communication with public administration institutions. After project implementation LIAA continues to keep a dialogue with investors and to follow that the businessmen would be satisfied and continue their business in Latvia.

Without the abovementioned activities implemented by LIAA, each investor has the same rights as any of the companies registered in Latvia to use the state support programs for stimulation of business, increasing capacity and training or re-qualification of the employed people.

The Ministry of Environmental Protection and Regional Development also gives support in preparation of environment suitable for investment attraction, which is done with the help of different financial instruments. The most important of them are:

- Earmarked subsidies for preparation of project of municipalities joining;
- Earmarked subsidies for development of counties' infrastructure;
- Earmarked subsidies for use of municipalities' free computer and Internet services;
- Earmarked subsidies for implementation of municipalities' investment projects;
- Earmarked subsidies for municipalities' events;
- Emergency funds for municipalities.

3.11. The most significant economical sectors for attraction of potential investment

It is important in investment attraction that the activities are implemented not only in accordance with the needs and strategy of specific region, but they must comply with the state and even the state regional investment attraction guidelines. Choice of the right field in the world investment tendencies researches is considered as one of the most complicated and difficult decisions, because a correctly chosen field would make the investment attraction process more effective and fruitful.

Basing on the comparative advantages and other criteria of Latvia seven target fields were identified, which have the highest perspectives of attracting the direct foreign investment.

The methodology "CAMPRO", which was used for assessment of potential fields, encompasses involvement of wide scientific research institute (universities and research centers), as well as field experts in analysis of economical and sociological data.

The most essential criteria that were used for field selection:

- fields, in which Latvia has natural resources;
- labor force skills and traditions in a longer period of time;
- competitiveness of educational and research institutes;
- Latvia's geopolitical location;
- field's growth rate;
- EU support for solution of social challenges in separate fields.

Table 3.11.1

List of sectors suitable for attraction of FDI and Latvia's competitive advantages

Competitive advantages	Fields, in which the direct foreign investment must be attracted
Target field – metal processing and mechanical engineering	
<p>The field in Latvia was developed already since the second half of the 19th century.</p> <p>Labor force skills and knowledge allow Latvia's companies successfully compete in the world market.</p> <p>The field (metal products, mechanical engineering, vehicles) is the biggest Latvia's export field (in 2010 – 33% of the total goods export).</p> <p>The growth of number of companies and production capacity is ensured also by lower production costs and access to raw materials in Russia.</p>	<p>Development of production of final products in various segments of mechanical engineering (devices, technological equipment, manufacturing of vehicles, etc.), to use the existing Latvia's sub-suppliers and to orientate themselves to manufacturing of products with high value.</p> <p>Specific technologies of metal surface processing.</p>
Target field – Transport and logistics	
<p>Geographic location, direct border with CIS (Russia and Belarus), availability of non-freezing ports, as well as developed railway infrastructure and point of intersection of air transportation that is important within the frames of region allows ensuring competitive freight and passenger transportation.</p>	<p>Development of new transportation directions, especially in the direction to Central Asia and China, increase of transportation and reloaded cargo volumes by attraction of new freight types.</p> <p>Development of processing services or services connected with logistics in the territories of free ports and special economical areas.</p>
Target field – Information technologies	
<p>Globally potentially growing field, because Latvia and other world countries as well preserve high demand for IT services. Tendency of IT outsourcing is growing and getting stronger. Computer games sub-field is rapidly developing. Change of the society's habits opens the opportunities for introduction of new services (for instance, e-health solutions, distance treatment (tele-medicine), payments through mobile phones).</p> <p>Experience in development of information technologies in implementation of different field projects, available labor force skills and knowledge is the potential of growth of this field. Developed scientific research base and available education programs allow preparing qualified specialists in IT field.</p>	<p>Establishment of development center for new application software (applications), creation of Web site design.</p> <p>Creation of programs for entertainment and training for use in the computer or mobile device environment.</p> <p>Outsourcing centers of large multinational companies for business process servicing, establishment of distant servicing centers.</p>

Competitive advantages	Fields, in which the direct foreign investment must be attracted
<p align="center">Target field – Life sciences</p> <p align="center"><i>(Life sciences – pharmacology, biotechnologies in the fields of human health, veterinary science and agricultural biotechnologies)</i></p>	
<p>Long-lasting traditions and historical work in development and manufacturing of pharmaceutical products.</p> <p>Highly qualified labor force and scientific research base, availability scientific research institutes, as well as accumulated labor force skills substantially increase the opportunities of Latvia's companies to successfully compete in the world market.</p>	<p>Creation of new products, based on the latest researches in the fields of biotechnologies and pharmacy.</p> <p>Development of manufacturing facilities for production of new medical devices and pharmacy products.</p>
<p align="center">Target field - Healthcare</p>	
<p>Availability of qualitative education, highly qualified renderers of health care services, developed scientific research base.</p> <p>The aforementioned conditions give an opportunity to develop export of medical services.</p> <p>Natural curative resources are available.</p> <p>Growth and development is defined also by the EU priority and support for solution of health problems of the ageing EU society.</p>	<p>Health tourism, which includes improvement of general condition of organism and well-being, as well as disease prevention, treatment and rehabilitation.</p> <p>Development of health resorts, rehabilitation services, care of people of older age.</p> <p>Development of new health care methods (for instance, tele-medicine etc.).</p>
<p align="center">Target field – Timber industry</p>	
<p>55% of Latvia's territory is covered by forests, which provide the existing preprocessing with stability in availability of round timber.</p> <p>Approximately 80% of the produced sawn timber (planks) and more than 90% of the produced boards are exported, which opens opportunities for the newly formed further processing companies to conclude stable long-term agreements of raw materials supply with the local producers. Wood is renewable resource, which ensures field's sustainability.</p>	<p>Use of preprocessing products (raw materials) for production of products with higher added value (for instance, furniture).</p> <p>Furniture production, use of glued constructions in building; construction of multi-storied buildings of wood, development of other timber products, various raw materials of timber produced in Latvia.</p> <p>Determination of new ways of use of raw materials of timber.</p>
<p align="center">Target field – Green technologies (<i>Greentech</i>) – renewable energy, management of waste water, as well as solid waste and recyclable materials, production of technologies and equipment in these fields.</p>	
<p>Availability and wide use of renewable natural resources.</p> <p>Globally potentially growing field, because the demand for energy, which is obtained from</p>	<p>Production of energy (electricity, heat energy) or storage devices of the respective energy (for instance, biogas, second generation biofuel, granules etc.), using the local renewable energy resources, instead of</p>

Competitive advantages	Fields, in which the direct foreign investment must be attracted
<p>the renewable energy resources, grows each year in Europe on average by 8%. The European normative acts are directed to stimulation and supporting the use of technologies that are safe to the environment. Rapid growth of demand for the respective energy is seen also in developing countries, which opens wider sale markets.</p> <p>Growth and development is defined by the EU priority and support of introduction of green technologies with the aim of eliminating climate changes.</p>	<p>production of raw materials (for instance, rapeseed, osier, etc.).</p> <p>Introduction of effective technologies.</p> <p>Production of new facilities for acquisition and accumulation of renewable energy, as well as for environment protection.</p>

According to the latest assessments of competitiveness and privileges of regions, development of Latgale region's national economy fields and potential growth is expected in:

- traditional leading fields – food industry; wood working; metal working and mechanical engineering; transport, communication and logistics;
- newest fields, which are evaluated as quickly growing – tourism; curative and health stimulating services; creative industry; as well as renewable energy and energy efficiency, which, to a certain extent, are based on agriculture and forestry.

3.12. Tendencies of investment market

The direct foreign investment (FDI) is more and more identified as an important factor of the economical development.

Attraction of capital stimulates technology transfer from science to business, takeover of the best organizational and management practice and skills and approach to the international market.

More and more countries try to create favorable climate for direct foreign investment attraction, as well as perceive them as one of the political priorities.

Information about the tendencies of investment market is thoroughly summarized in the World Investment Report 2011 made by the United Nations Conference on Trade and Development (UNCTAD), which is widely used also in the description of this chapter.

3.12.1. Tendencies and prospects of direct foreign investment

The world direct foreign investment (DFI) in 2010 have grown up to 1,24 trillion US dollars, but it is still 15 percent less than the average rate during pre-crisis period. It contrasts with the world industry production and trade volumes, which in 2010 had already reached the pre-crisis level. UNCTAD prognosticates that the direct foreign investment will reach the highest level of 2007 again in 2013. However, this is optimistic

prognosis, which will occur only if new financial crises will not follow in the global economy.

The year of 2010 is characterized by the fact that developing countries and transitional economies altogether had attracted more than a half of the world' direct foreign investment funds for the first time in the history. On the contrary, developed economies (Latvia belongs to them as well) experience fall of inflow of direct foreign investment.

However, the fact that the developing countries and transitional economies have become the most significant investors is not of less importance, and this investment is mainly placed directly in the developing countries and transitional economies.

International production is widening with growth of foreign trade, employment and assets in transnational corporations. Added value of production of transnational corporations (TNC) constitutes approximately 16 trillion \$, which is $\frac{1}{4}$ of the world GDP. The foreign branches of these corporations make up about 10% of the world GDP and $\frac{1}{3}$ of the world export.

The TNC belonging to the states is an important resource of direct foreign investment. In 2010 at least 650 TNC belonging to countries were registered with 8 5000 branches in the world. Although their number constitutes only 1 percent of the total number of TNC, their performed investment reaches 11% of the total direct foreign investment in 2010. Brazil, Russian Federation, India and People's Republic of China can be mentioned as an example, which, thanks to rapid economical growth in their domestic markets, have attracted significant investors during the recent years, and at the moment master new markets with good financial means and strong motivation and strengthen their positions in the world market. And the country is among the owners of such companies the most often.

The market of companies' full or partial franchising transactions has fallen by more than 70% in comparison with the highest indicators in 2007.

In general the UNCTAD predicts the growth of direct foreign investment in the next years and the biggest growth in the developed countries is foreseen exactly in 2011.

3.12.2. Tendencies of investment policy

Investment liberalization and stimulation are the dominating elements in the present investment policy. The policy of the direct foreign investment interacts with the policy of production, national and international policy. The main challenge is to make two policies to work together in facilitating the development.

The background of investment policy is more and more influenced by a great number of voluntary standards of corporative social responsibility. The governments can maximize the development effect using these standards with corresponding policies and activity plans, like, for instance, harmonizing the corporation reporting procedures, ensuring capacity strengthening programs.

Liberalization of investment environment and its facilitation is within the focus of political decisions of many states, still, the tendency for adoption of new regulations that has grown during the recent years remains.

Industrialized countries in the Western Europe usually offer more financial stimuli than tax allowances. However, Ireland is an exception, which offers lowered tax rates in order to stimulate production. The transition economy states usually have higher profit taxes and less stimuli choice. In these economies aid is given for investment in specific fields with investment aid or tax credit. Stimuli are available in many liberally special economical areas, through which export is facilitated and partial or full exemption from taxes and fees is given.

In its turn, regulation has affected the representation of rights of investors and strengthening of role of the state in the natural resources fields – agriculture, mining industry. Determination of restrictions exists, too, and it is most often meant for protection of state interests – for instance, in full or partial takeover of companies or structures that are important for the state. However, the regulation is the instrument, by which the states can stimulate the direct foreign investment in specific fields with a specific aim – raising competitiveness, facilitating export, strengthening the field capacity, decreasing export and other.

3.12.3. Tendencies of regional investment.

According to the UNCTAD data, Latvia has been included in the group – developed and transition economy – and according to the data of 2010 has attracted less than one billion USD dollars (\$). Similar indicators among the European countries belong to Slovenia, Lithuania, Slovakia, Denmark, Switzerland and the Netherlands. Estonia has managed to attract the investment within the limits of 1-8 billion \$, together with 14 other European countries.

The investment flow of developed countries has materially influenced the banking field restructuring after the government's investment in Europe and the United States of America, which has caused both partition of foreign assets and income of new direct foreign investment. The state governments have planned to sell the property rights that had been acquired in the course of bank nationalization in the developed countries, thus the flows of direct foreign investment in the banking field will closely depend on the policies of competitiveness management and the strategies of governments for exit of such property rights.

3.12.4. Non-equity modes of international production and development (NEM)

In the world of today the investment policies, which are directed at integration of developing economies in the world value chains, are forced to look further than at the direct foreign investment and trade. Those who establish policy must count with the non-equity investment types of international production like agreement production, rendering outsourcing, agreement farming, franchising, licensing, managerial agreements and other

types of contractual relations, with the help of which SK coordinates its activities in foreign companies, at the same time without participation of company establishers and owners.

NEM can give significant benefit for the economical development, because they employ, in general, 14-16 million people in developing countries, their formed added value in some countries constitute even 15% of the state GDP, and their export can reach 70-80% of the world export in separate fields. In general NEM can facilitate long-term production development by raising productivity, capacity, including technology expansion, development of local companies and access to the world value chains. The countries must be careful regarding focusing too much on such investment, because it can lead to huge dependence on TNC technology and TNC managed value chains.

Growing complication in administration of global value chains and transnational corporations is important also from the aspect of investment attraction. Earlier the network of transnational corporation international production was widened on the basis of direct foreign investment with participation in capital shares, establishing new companies and managing them from the parent company. With time the transnational companies have also strengthened their positions in the global supply chains, by involving all associated companies and the most important partners in them, thus affecting directly the field's activities.



Image 3.12.1. Non-equity investment modes in the value chain

3.12.5. Investment environment of Latvia

According to the opinion given by the Bank of Latvia, in the beginning of 2010 the account of direct foreign investment in Latvia was still showing net outflows, but during the year the situation improved for better; and in December the net inflow reached 89.8 million lats. Although Latvia's position in the assessment of international investment agencies is still rather low, the latest received assessments of rating agencies Fitch IBCA and Standard&Poor's (respectively, rating prognosis improvement and rating increase) prove the investment environment stabilization in Latvia and point to the potential investment inflow in the future.

The investment environment is described also by the stock market activities. NASDAQ OMX functions in Latvia and the companies are quoted in the first and the second list of the Baltic's. Despite the world financial difficulties, according to NASDAQ OMX Baltija data, after the rapid fall in 2009 successful placement of IPO of 2 new companies points to renewal of stock market. Out of Latgale's companies, the second list of Nasdaq

OMX Baltija has also placed the stocks of Ditton pievadķēžu rūpnīca and Daugavpils Lokomotīvu remonta rūpnīca.

3.13. Existing risks of investment inflow

Evaluating the investment attraction statistics, the Investment and Development Agency of Latvia (LIAA) must be mentioned as an important investment attraction player. Each year LIAA services on average about 130 (in 2010 - even 158) demands of foreign investor information, 30 of which, on average, become the potential investment projects (with the total potential investment volume approximately 100 million LVL per year), with which intensive work is continued to successfully implement them. Due to various reasons only 5-10 projects are implemented in a year. In 2010 10 decisions were made about investment placement in Latvia; 6 of these projects are in the field of mechanical engineering and metal working, one – in the field of chemistry, one – in the field of agricultural products preprocessing and two – in the field of outsourcing. The total planned investment is 30.7 million Euro and 518 working places.

The following reasons for non-placement of investment are mentioned as the most substantial:

- 1) Lack of industrial territories and business infrastructure and deficiencies of territorial planning;
- 2) Issues of electricity supply;
- 3) Education system inadequate to field needs and growth and lack of qualified labor force.

Making decisions about investment placement in the specific country, the investor evaluates the following factors: market potential (both in Latvia and in the foreign markets), macro-economical stability and attitude towards businessmen, business environment (simple administrative procedures, low level of corruption, business support), available infrastructure, availability of qualified labor force, investment stimuli, stable tax system and other factors.

Basing on the analysis of the existing situation one can find out several internal and significant problems in attraction of Latvia's direct foreign investment:

- 1) Lack of understanding about importance of direct foreign investment for Latvia's economy;
- 2) Lack of coordinated activity of public institutions and private sector;
- 3) Fragmented activities in identification of potential foreign investment projects and investment attraction.

The World Bank study – Doing Business.

The most widespread instrument in Latvia for assessment of business environment is the World Bank international research *Doing Business*. Latvia has climbed up from the 31st position during the last year to the 21st place in 2012 and to the 7th place among the countries of the European Union in the research of the World Bank *Doing Business 2012*, which examines the business environment in 183 world countries and performs its evaluation on ten different stages of the company's activity. The reforms, for which Latvia

has gained recognition and assessment increase, are connected with starting of a new business, availability of electricity, property registration and termination of a business.

Table 3.13.1.
Assessment of Latvia's entrepreneurship in the study Doing Business 2012,
source: World Bank

Assessment	Place in the assessment of 2012.	Place in the assessment of 2011	Assessment changes, in places
Starting business	51	52	↓ 1
Construction permits	112	103	↑ -9
Electricity connections	84	115	↓ 31
Property registration	32	56	↓ 24
Credit register	4	4	No change
Protection of investors' rights	65	60	↓ -5
Tax administration	67	64	↓ -3
Cross-border trade	15	15	No change
Agreement fulfillment	17	14	↓ -3
Terminating business	32	86	↓ 54

3.14. Other issues important for investors

Why Latvia and Latgale?

Each investment project implementation involves people performing evaluation of the place, studying the advantages and the disadvantages and making a decision. One cannot forget that personal feelings and experience gained during evaluation of potential places are also at the heart of choice. This is exactly why one must be able to position the emotions, which people may receive working and living in Latgale.

Privileges, which have emotional, not economical motivation:

- We have four distinctive seasons – it is beautiful and enriches the personal experience and development;
- Qualitative and tasty food;
- Sufficient and good water;
- Easy accessibility to nature and activities connected with it; you can choose to observe the birds, go fishing or hunting, have a walk or combine it with berry picking and mushroom gathering; in winter you can join our active skiers, in summer – cyclists, you can spend weekends near Latgale's magnificent lakes;
- People with high ethics standards quickly adapt themselves and learn, they work hard and relax sincerely, they are responsible, creative, they respect family values;
- Safety;
- It is easy and quick to reach Latvia on a plane;
- A beautiful capital Riga with excellent architecture, restaurants, opera house, theatres;
- We have talents in music – Vestards Šimkus, Mariss Jansons, in art, design;

- At a distance of only 250 km you can find the beautiful sandy beaches of fine and white sand on the seaside of the Baltic Sea;
- Latvia has been acknowledged as the TOP 20 in the world within the context of world environment situation;
- The atmosphere created by the hockey fans during the hockey games, sense of togetherness created by the singing and dancing Latvians during Song and Dance Festivals;
- More than 12000 rivers and more than 2000 lakes.

Financial system

Lat is the national currency unit of the Republic of Latvia (ISO 4217 code: LVL), which has 100 santims. Lat is the only legal payment means in Latvia. The banknote description, numbering, registration and monetary cover is defined by the Council of the Bank of Latvia. Lat is shortened as "Ls" (this abbreviation is written before the amount, Ls 2,-).

The Bank of Latvia has defined the Lat's pegging rate to Euro on December 30, 2004: 1 EUR = Ls 0.702804. Lat's pegging to Euro is required before introduction of the planned united currency to ensure as little fluctuations of lat's rate as possible in relation to Euro, which is one of the defined compulsory criteria. Thus, Lat's pegging to Euro was the first necessary step on the way to Euro as one's own currency in the future. Latvia is planning to introduce Euro in 2014. The monetary system of Latvia is supervised by the Bank of Latvia.

The financial and capital market is regulated by the Financial and Capital Market Commission (FCTC), the main task of which is to facilitate free competition in the financial market. In the end of 2011 about 334 financial and capital market organizations with the total portfolio of the assets of 22.7 billion LVL were supervised by FCTC. Although the banking sector in terms of assets is accounted for the largest amount of financial capital and market share, ie 92.3%, but the proportion tends to decrease with the other financial and capital market participants' activities.

In the end of 2009 there were 12 non-life insurance companies or their branches, so part (7) are registered here, but part (5) established in other EU countries and acts as a Latvian branch.

The key players of the stock market in Latvia are represented by NASDAQ OMX Riga and Latvian Central Depositary. In the end of 2011 NASDAQ OMX Riga had 32 company shares placed with the total capitalization value of 580.19 million LVL.

Education and science

Latgale has 20 professional secondary education institutions or their branches, including art secondary schools. There is demand for the professional secondary education programs in the region, in which 5,8 thousand students acquire the desired speciality. Over 300 employed people go through advanced training in short-term courses each year in different region's companies. It is possible to receive professional secondary education in

Latgale in 20 different specialities, the most important to the region's development of them are:

- Field of energetics, electronics and automatics;
- Field of engineering science, mechanical engineering and metal working;
- Different construction specialities;
- Field of food products manufacturing;
- Field of textile production;
- Tourism and recreation organization business;
- Field of woodworking and production of wood articles;
- Field of producing agriculture products.

Great importance in the professional education development is paid to the largest region's cities, which have the largest manufacturing companies and provide places for practice and work for the professional education students. After implementation of "Guidelines of professional education institutions' network optimization 2010-2015" it is planned to establish three professional education institutions with specialization in Latgale region, except Malnava college and Bebrene professional secondary school.

23 higher education institutions or their branches, including 5 colleges or their branches with approximately 9 thousand students function in Latgale region.

Daugavpils University is the second largest classical state university in Latvia and the most important center of education and science in Latgale. The university offers studies in 5 faculties: Faculty of Natural Science and Mathematics, Faculty of Humanities, faculty of Education and Management, Faculty of Music and Art and Faculty of Social Sciences. 3,1 thousand students study in 61 study programs and academic staff of 220 people works in the university. Daugavpils University has a branch in Balvi.

Rēzekne High School is a state-established higher education institution of the Republic of Latvia with four faculties and the total number of students - 2,6 thousand. Studies in 43 study programs are available in the fields of Humanities, Social Science, Education and Engineering Science. *The specialities of Environment Engineers, Programming Engineers and Mechatronics* are offered among the engineering sciences.

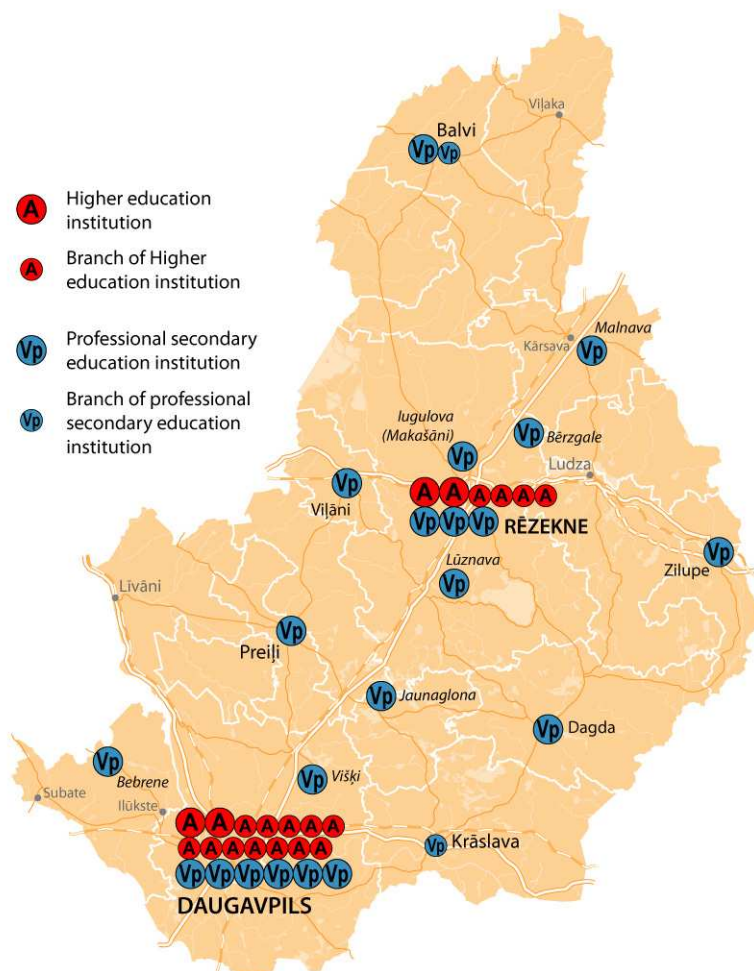


Image 3.14.1. Location of educational institutions in Latgale region

Latgale Branch of Transport and Telecommunication Institute offers suitable higher professional education in study programs *Transport and Business Logistics* and *Business Management in Transport*, as well as Bachelor's Degree of Engineering Science in the study programs *Transport Commercial Exploitation* and in *engineering science* for the specific requirements of the region's labor market. A program *Land transport exploitation* has been especially prepared for Latgale.

JSC „Viļānu selekcijas un izmēģinājumu stacija” (“Vilani Agricultural Selection Station”) performs scientific research in grain cultivation, potato and flax cultivation, milk animal production, renders agroservices, produces biohumus.

LTD „Latgales lauksaimniecības zinātnes centrs” (“Agriculture Science Center of Latgale”) in Viļāni performs scientific research work and provides country businessmen with competitive scientific developments and their introduction into practice.

JSC „Lopkopības izmēģinājumu stacija Latgale” (“Latgale Cattle-Breeding Station”) in Viļāni county deals with research of crop farming and cattle-breeding, increase of efficiency of use of domestic animals in Latgale agro-climatic area, production of agricultural products.

4. SELECTION OF INVESTMENT OBJECTS

The objects appropriate for investment were selected according to the following criteria:

- Object's place of location;
- Proprietorship;
- Strategic documents;
- Traffic with city and other populated areas;
- Infrastructure;
- Possibilities of development.

Table 4.1.
Criteria for projects' assessment

Criteria	Tourism development	Industry development
1. Place	Privilege is given to the objects, which are located in the most valuable places: <ul style="list-style-type: none"> • Places visited by tourists • Public, regional parks, natural preserves • Close to water bodies • Woodlands • City centre 	Privilege is given to the objects, which are located in the strategic places: <ul style="list-style-type: none"> • Close to the city and other populated areas • Close to the main roads • Close to the railway
2. Importance	Privilege is given to the objects, which are appropriate for: <ul style="list-style-type: none"> • Tourism services organization • Servicing, accommodation, catering industry services • Additional services 	Privilege is given to the objects, which are appropriate for: <ul style="list-style-type: none"> • Production, industrial activity • Technical maintenance activity, storehouse economy • Additional premises
3. Proprietorship	Privilege is given to the objects: <ul style="list-style-type: none"> • With arranged proprietorship, without specific encumbrances • Which are sold or leased by the municipality for a long term • Which are sold by the private entities 	Privilege is given to the objects: <ul style="list-style-type: none"> • With arranged proprietorship, without specific encumbrances • Included in the strategic documents; • With a prepared detailed plan, detail design • Aim of industrial use

4. Interest of project's holder	Privilege is given to the objects: <ul style="list-style-type: none"> • Which are promoted by an interested owner, is easily obtainable, replies within short terms and ensures efficient communication; • Works actively in co-financing attraction; • Which are directed to fulfillment of strategic aims of the counties 	Privilege is given to the objects: <ul style="list-style-type: none"> • Which are promoted by an interested owner, is easily obtainable, replies within short terms and ensures efficient communication; • Works actively in co-financing attraction; • Which are directed to fulfillment of strategic aims of the counties
5. Traffic	Privilege is given to the objects with good traffic: <ul style="list-style-type: none"> • With regional and counties' roads • With city and other populated areas • With other tourism objects 	Privilege is given to the objects with good traffic: <ul style="list-style-type: none"> • With main roads • With railway • With regional and counties' roads with asphalt surface
6. Infrastructure	Privilege is given to the objects: <ul style="list-style-type: none"> • With equipped access roads • With car parking • With functioning engineering network • With possibilities to provide power, water 	Privilege is given to the objects: <ul style="list-style-type: none"> • With equipped access roads • Equipped territory • With functioning engineering network • With possibilities to provide high-voltage power, water
7. Possibilities of development	Privilege is given to the objects with preconditions: <ul style="list-style-type: none"> • Expansion in the direction of the neighboring regions • For development of servicing sector, catering industry, accommodation services 	Privilege is given to the objects with preconditions: <ul style="list-style-type: none"> • Expansion in the direction of the neighboring regions • Development of production, servicing sector, storehouse economy

4.1. The most valuable objects for investment attraction in Latgale region

Table 4.1.1.
Investment object evaluation

No.	Offers of investment placement	Criteria, in value scale from 1 to 3							Total
		Place	Importance	Proprietorship	Interest of project's holder	Traffic	Infrastructure	Possibilities of development	
1	PLACEMENT OF PRODUCTION IN VIĻĀNI COUNTY	1	2	2	3	1	1	2	12
2	INDUSTRIAL TERRITORIES (GREENFIELD) IN THE AREA OF DAUGAVPILS CITY	3	3	3	3	3	3	3	21
3	COMMERCIAL DEVELOPMENT OF TERRITORIES ADJACENT TO DAUGAVPILS AIRPORT	3	3	3	3	3	2	3	20
4	DEVELOPMENT OF INDUSTRIAL TERRITORY AND ARRANGEMENT OF NEW PRODUCTION UNITS IN LĪVĀNI COUNTY	3	3	3	3	3	3	3	21
5	RĒZEKNE SPECIAL ECONOMIC AREA	3	3	3	3	3	3	3	21
6	RECREATION ZONE AT BALVI AND THE PĒRKONI LAKES	2	2	2	3	2	1	3	15
7	ESTABLISHMENT OF CHIP AND STRAW BRIQUETTES PRODUCTION UNIT IN BALTINAVA COUNTY	3	3	2	3	1	1	2	15
8	CONSTRUCTION OF NEW COMPLEX OF GRAIN DRYING AND PURIFICATION	3	3	2	3	1	1	2	15
9	SAPROPEL PRODUCTION IN PĒRKONI LAKE	2	2	2	3	2	1	2	14
10	ESTABLISHMENT OF FISH NURSERY IN DAGDA COUNTY	2	2	2	2	2	2	2	14
11	FELICIANOVA MANOR IN CIBLA COUNTY	2	2	2	2	1	1	2	12
12	PRODUCTION ARRANGEMENT IN THE BUILDING OF 1000 SQUARE METERS IN LUDZA CITY	2	3	2	2	3	2	2	16
13	PREIĻI ESTATE COMPLEX AND PARK RENOVATION AND DEVELOPMENT	3	2	2	3	3	3	2	18
14	SAND – GRAVEL AND SAND PRODUCTION IN THE TERRITORY OF REAL ESTATE „BUTIŠĶI”	3	3	2	2	2	2	2	16
15	ARRANGEMENT OF PRODUCTION UNIT IN AGLONA CIVIL PARISH'S EZERUKINI	2	3	2	2	2	1	2	14
16	DEVELOPMENT OF KAMEŅECA MANOR ENSEMBLE AND ITS ADJACENT TERRITORIES INTO TOURISM SITE	2	2	2	2	2	1	2	13
17	SAPROPEL PRODUCTION IN DEŅEVA LAKE	2	2	2	2	1	1	2	12
18	DEVELOPMENT OF INDRAS STREET PRODUCTION AREA IN KRĀSLAVA	3	2	3	3	3	3	3	20
19	COMPLETION AND COMMISSIONING OF CONSTRUCTION OF CHARCOAL PRODUCTION UNIT AND RENEWABLE RESOURCES POWER PLANT	2	3	3	3	3	2	3	19
20	DAUGAVPILS OIL TANK PARK	3	2	3	3	3	3	3	20

LEGISLATION ANALYSIS IN LATGALE REGION

Legislation section pays attention to those legislation issues, which affect rights, obligations and opportunities of local governments in attracting investments; the general normative acts binding in the whole country will be regarded to some extent only.

We would recommend to use the LIAA (Investment and Development Agency of Latvia) booklet „Business Guide” in the future (it is updated once every two years), the annual review of the auditor company KPMG „Investment in the Baltics”, and the annual review of the Foreign Investors’ Council in Latvia as these three documents provide concise insight into legislation changes when looking from the point of view of investors’ interests.

5. ANALYSIS OF NORMATIVE ACTS

When performing the analysis of normative documents, one must conclude that the possibilities of local governments to affect and promote the attraction of investments are mostly related to the initiative of local governments rather than with the rights fixed in the normative acts. Many documents contain sections promoting the involvement of local governments in business activities or their promotion, especially in relation with rendering services important for the local population or provision of such services or products that are not provided by other merchants in the market.

In the following part of the chapter, the most significant legislation acts and the most important clauses of these documents impacting the investment attraction activities of local governments shall be regarded.

5.1. State Administration Structure Law

The aim of the law is to ensure democratic, legal, effective, and open state administration, which is available to the society.

Section XI of the law regulates the activity of a public person in the field of private law and the *Article 87* defines the exact cases. In its turn, the *Article 88* accents that public persons can perform commercial activity 1) if the market is not able to ensure the implementation of society's interests in the corresponding field; 2) in a field where natural monopoly exists, thus ensuring the availability of the respective service to the society; 3) in a strategically important field; 4) in a new field; 5) in a field, which requires large capital investments in the infrastructure development; 6) in a field where, according to the society's interests, it is required to ensure higher quality standard.

Conclusions: Accordingly to the abovementioned clause, the local governments are entitled to establish an association, and, when looking from the point of view of the aspect of the attraction of investments and perspective of the development of new industrial parks, the arguments for establishing such a company could be justified with several clauses of the *Article 88*. The very clauses mentioned in the *Article 88* might be the reason, why the initial development of the field must be undertaken by a local government, gradually passing it into the businessmen's hands.

5.2. Regional Development Law

The *Articles 22-24* of the Regional Development Law state the specially supported territories; explain the status and order of its granting. A specially supported territory is a territory where negative trends of economic and social development or one of such trends persist long-term and to which the status of a specially supported territory has been granted by law.

The purpose of granting the status of specially supported territory is to create opportunities for economic and social development for economically weak or less favourable territories in order to promote the development of equal social and economic

conditions throughout the territory of the State. The status of specially supported territory is granted and terminated by the planning region development councils in accordance with the Cabinet Regulations No. 637 "The Order of Granting and Terminating the Status of a Specially Supported Territory".

In order to facilitate economical activities in the specially supported territories, the merchants registered and operating in the specially supported territories can claim for tax allowances by applying a special procedure of capital assets depreciation write-off and of covering of losses.

According to the Law on Corporate Income Tax, the companies operating in the specially supported territories should use an increased rate (regulations of the Article 13) for the write-off of the depreciation of capital assets and the value of intangible investments, or the losses of the taxation period should be covered over a longer period of time (it is regulated by the Article 14). The Law on Personal Income Tax states that an individual merchant or an individual company belonging to a physical entity covers the losses of the economical activity during the following 6 years.

The specially supported territories for the time period from January 1, 2011, till December 31, 2012, in Latgale planning region are the following: counties of Aglona, Baltnava, Cibla, Dagda, Ilūkste, Kārsava, Riebiņi, Rugāji, Vārkava, Viļaka, Viļāni and Zilupe.

5.3. Law „On Local Governments”

The Law defines the general rules and the economic grounds of activities of local governments of the Republic of Latvia, competence of local governments, rights and obligations of the council and its institutions, as well as those of the council's chairperson, relations of the local governments with the Cabinet of Ministers and ministries, as well as the general rules of interrelations of local governments.

Article 14. In carrying out their functions, local governments are entitled to the following in accordance with the procedures provided by the law:

- 1) to establish institutions of local governments, to found societies and foundations, and capital societies, as well as to invest their own resources in the capital societies;
- 2) to acquire and alienate movable and immovable property, to privatize facilities owned by local governments, to conclude transactions, as well as to perform other activities of private law nature;
- 3) to introduce local fees and determine their volume, to decide on tax rates and exemption from tax payment;

Article 15 regulates the autonomous functions of local governments and Clause 10 defines that local governments are to facilitate economical activity within the relevant administrative territory, and to attend to the unemployment reduction;

Article 43 defines the rights of the council of the local government to issue binding regulations regarding several issues, for instance, some clauses of the Article 43 are the following:

- 1) regarding building in republic city or county territory;
- 2) regarding protection and maintenance of public-use forests and waters, as well as specially protected nature and culture objects of a republic city or county;
- 9) regarding improvement of the territory of republic cities or counties, maintenance and protection of green plantings.

Article 78. Local governments have pre-emptive rights, if immovable property is alienated in the administrative territory of the local government, and it is necessary to perform the local government functions defined by the law, while observing the use of territory permitted by the territory planning (the planned use), legal acts, development planning documents, and other documents proving the need of the particular immovable property for the implementation of local government functions.

Article 79. Local governments are entitled to address the Cabinet of Ministers with a proposal regarding the compulsory alienation of immovable property in favour of the relevant local government, in accordance with procedures prescribed by law, if such property is necessary for public use, namely, for construction of roads, streets, square, sidewalks, scaffold bridges, viaducts, as well as for the construction of harbour berths. The procedures for the alienation of property shall be determined by a separate law.

Conclusions: The regulation of the Article 14 provides local governments with an opportunity to get actively involved in business activities that can definitely serve as a means for the development of local government business activities; to alienate the property and develop binding regulations on granting of allowances for payers of the real estate tax, which include the provisions serving as the means for support of particular types of business activities.

The publicly available information on the determined tax allowances in Daugavpils and Rēzekne cities clearly shows the differences in cities objectives. Rēzekne city is focused on manufacturing industry companies by providing them with a 50% discount for the real estate tax, whereas the highest discount in Daugavpils city that can be received by a manufacturing company is 25%.

5.4. Law “On Prevention of Squandering of the Financial Resources & Property of the State & Local Governments”

The purpose of this Law is to ensure that the financial resources and property of the State and local governments is utilised lawfully and in conformity with the public interest, to prevent the squandering and ineffective utilisation of such financial resources and property, as well as to restrict corruption of State officials.

Article 4 defines the restrictions on granting of credits, issuing of loans, as well as provision of sureties and guarantees. Clause 2 of this article defines that local governments, state and local government institutions, capital societies are prohibited from issuing any kind of loan or providing sureties or guarantees, however, the law defines the following exceptions as well:

Article 5 prohibits transferring state or local government property for use without compensation. However, the *Article 5¹* states that capital societies are entitled to transfer the property for use without compensation.

Article 6¹ defines the maximum lease period for movable and immovable property of the state or local governments – 5 and 12 years respectively, this article does not refer to the contracts, where the lease rights have been acquired by public auction.

Article 7 determines that it is prohibited to alienate State or local government property for an evidently reduced price.

Article 8 prohibits local governments, state and local government institutions, as well as capital societies to acquire a property in ownership or for use, or to order services or work for an evidently increased price.

Conclusions: *Article 4.* Local governments are given an opportunity to develop business activities. *Clause 6¹* prohibits concluding contracts without any public auction, if the investor wants to rent property for more than 12 years in order to receive tax allowances of an investment project. *Article 7.* This prohibition facilitates the elimination of corruption; still, it excludes a possibility to alienate some property for reduced price by transferring it to a company, which, in exchange, could ensure activities for local government development, for instance, infrastructure arrangements in the respective territory, creation of working places, etc. *Article 8* – this norm of the law helps avoiding the possible desires of officials to gain personal benefit from local government transactions, still, at the same time it also restricts the transaction possibilities, for instance, in cases when some property belonging to a private person is required for the project implementation, and this private person does not want to sell it at the market or lower price. Being unable to reach an agreement with the private owner, the local government becomes incapacitated.

5.5. Law „On State and Local Government Shares and Capital Societies”

The law regulates the activity of those state and local government capital societies that are registered in the Commercial Register in compliance with the regulations of the Commercial Law. A capital society is a limited liability company or a joint-stock company. *Article 25* determines that the founder of a local government capital society is the respective local government, and the decision on the founding of a capital society is taken by the local government council. The grounds for the foundation of a state or local government capital society are determined in the State Administration Structure Law (*Articles 87, and 88*).

Article 37. Use of the capital society's profit

Shareholders can define the principles on how to use the profit of the capital society while observing the aims and objectives determined by the laws, Cabinet Regulations, and approved field development concepts, strategies, and other documents regulating the field development.

Conclusions: In general, according to the regulations mentioned in this law, the local government is entitled to operate in the field of private law through the local government capital societies or public private capital societies. It can serve as efficient means for the development of the local government business environment.

5.6. Law „On Taxes and Fees”

The law determines the types of taxes and fees and regulates the procedures for determining taxes and fees, their collection and recovery, the rights, duties and liability of the persons paying taxes and fees and of the taxes and fees administration, order of taxpayer registration, as well as the appeal procedures for the decisions made regarding the tax and fee issues.

Clause 2 of the Article 3 provides that within the framework of the laws the local governments can be granted an opportunity to apply tax allowances to the taxes to be transferred to the budget of local governments. Likewise, there are rights to define an additional immovable property rate.

Conclusions: The immovable property tax allowances might seem especially important for the existing and the potential businessmen. These allowances can be used by the local government as a way of keeping the existing businessmen and attracting new businessmen to the respective region. More favourable entrepreneurial environment is being created. There is insufficient publicly available information on the opportunities of the immovable property tax allowances in counties' local governments; it is possible that local governments even do not want to popularize this discount.

5.7. Law on Enterprise Income Tax

The law defines the objects of the enterprise income tax, the procedure of tax calculation and encashment, as well as tax allowances. The procedure of allocating tax allowances is defined in the Section III of the law.

Article 17². Tax allowance for initial long-term investments made within the framework of supported investment projects, the total amount of which exceeds 5 million lats and the total amount of the initial long-term investments has been invested during three years.

The tax allowance is applied in the amount of 25% from the total initial long-term investment sum up to 35 million lats, and in the amount of 15% for the part exceeding 35 million lats.

The project must be implemented in a supported priority field: 1) food products industry; 2) drinks industry; 3) manufacturing of timber, wood and cork articles; 4) production of chemical substances and chemical products; 5) production of pharmaceutical basic substances and pharmaceutical preparations; 6) production of rubber and plastic articles; 7) metal industry; 8) manufacturing of finished metal articles, except for machines and equipment; 9) production of computers, electronic and optical

appliances; 10) manufacturing of electric appliances; 11) manufacture of appliances, mechanisms and machine tools not classified elsewhere; 12) manufacture of automobiles, trailers and semitrailers; 13) manufacture of other vehicles; 14) telecommunications; 15) computer programming and related activities; 16) storing and transporting auxiliary activities.

Additional conditions define that investments must have provided commencement of new activity profile, long-term rights on immovable property lease (at least 13 years), preparation of the investment project application, as well as the presence of long-term investments in Latvia and in possession of the particular businessman for not less than 5 years for technological equipment, and for 10 years for structures and buildings.

Conclusions: The suggested tax allowances are important for holders of large investment projects; and local governments must position this privilege for every potential investor.

5.8. Fees

Fees can be envisaged by the law, or they are defined by the local government. Fees that can be imposed only in accordance with the laws and that can affect the businessmen are as follows:

- State fee for organization lotteries of goods or services — Law on Lotteries of Goods and Services;
- Fee for the use of motorways — Law on the Toll for the Use of Motorways;
- Financial stability fee — Financial Stability Fee Law.

Objects of local government fees – the council of the local government is entitled to impose local government fees in its administrative territory according to the procedure defined by the Cabinet Regulations on the following:

- 1) reception of official documents developed by the council of local government and their certified copies;
- 10) reception of construction permits;
- 11) maintenance and development of the local government infrastructure.

Conclusions: According to the information in the law, the local government fees are defined by the local governments themselves, and the regulations on the fees are published on their own websites. Such information presented in simple and structured way cannot be found on the websites of the local governments of the largest cities. It would be useful to structure the given information in all local governments so that its summarizing and evaluation would be facilitated for the potential investors.

5.9. Order of Submission and Evaluation of an Investment Project Application for Reception of the Supported Investment Project Status

Cabinet Regulations No.287 have been issued in accordance with the Clause 10 of the Article 27 of the Law on Enterprise Income Tax and the Clause 3 of the first part of the

Article 31 of the Law on the Structure of Cabinet of Ministers. Since 2011, the enterprise income tax allowance has been renewed in Latvia for large investment projects for 5 million lats or more. The regulations define the procedure for submission and evaluation of an investment project application in order to receive the supported investment project status (hereinafter referred to as the project).

Conclusions: The conditions concerning the volume, investment types, fields and support conditions are described in detail by the Law on Enterprise Income Tax. Local governments must present the given privileges to the investors, ensuring also the support for application preparation and submission to the Ministry of Economics and representation of investors' interests in project evaluation.

5.10. Law on Rēzekne Special Economic Zone

There exists a special tax stimuli regime in relation to the enterprise income tax as well as to the immovable property tax in Rēzekne special economical zone. For the time being Latvia has reached an agreement with the EU that such special economic zones in Latvia can function until 2017.

The enterprise income tax allowances for the SEZ enterprises

- The taxable income is decreased by the investments made in objects of infrastructure or social field belonging to the state or local government
- Tax allowance in the amount of 80% of the calculated tax amount
- Allowance in the amount of 80% of the withheld tax when paying dividends to non-residents as well as paying compensation for management and consulting services and payment for intellectual property

The immovable property tax allowance is in the amount of 80% of the calculated tax amount for the property in the SEZ or in the free port territory.

Limitations for the SEZ enterprises:

- The EIT and IPT allowance is applied in case if the amount of accrued direct tax allowances and the discounts calculated in the taxation period together do not exceed 70% of the accrued investment amount
- The calculated allowances cannot exceed 50% of the accrued investment amount if the number of employees of the SEZ or free port enterprise exceeds 250 and the net turnover - 28 million LVL or balance sheet value exceeds 19 million LVL;
- particular allowance limitations for the SEZ or free port companies of agricultural product processing or trade, for which, the calculated allowances cannot exceed 25—50 % from the accrued investment amount (the volume of the allowance limitation depends on the company's size).

5.11. Taxes, Their Rates, Application Conditions

In 2011 the tax load (tax income against GDP) will reach 28.1% of GDP in Latvia, which is one of the lowest indicators in EU. In tax matters Latvia observes the compulsory

directions of the EU. In Latvia the tax system is regulated by the Law "On Taxes and Fees", the taxes and fees are administered by the State Revenue Service. Since January 1, 2011 the tax and informative statements are submitted to the SRS using only the electronic declaration system.

The tax system in Latvia is still changing; several significant tax changes are in place in 2011. The government is considering the possibility to decrease the workforce taxes in the future by increasing the consumption taxes, and it has put forward the fighting the shadow economy as one of the priorities.

At the moment there are 13 taxes and 97 state fees valid in Latvia. The valid taxes are:

1. Personal income tax,
2. Microenterprise tax,
3. Enterprise income tax,
4. the State social insurance mandatory contributions,
5. Immovable property tax,
6. Value added tax,
7. Excise duty,
8. Customs duty,
9. Natural resources tax,
10. Lottery and gambling tax,
11. Motorcar and motorcycle tax,
12. Electricity tax,
13. Company car tax, the rates and application of which are regulated by specific tax laws.

The businessmen must reckon with the fact that in Latvia some business activity fees have been set in addition to the taxes; besides, there are also various local government fees in addition to 97 state fees.

Workforce taxes

- 1) Social tax (the State social insurance mandatory contributions): 35.09% (employer's contributions – 24.09% and employee's contributions 11%)
- 2) Personal income tax: 25%
- 3) The untaxed minimum for the personal income tax is 45 LVL per month, and in addition there exists untaxed amount for each dependent person – 70 LVL per month.
- 4) State fee of the business risk - 0.25 LVL in a month for each employee.

The enterprise income tax

The enterprise income tax: 15% - is one of the lowest in the EU and is one of the cornerstones for investment attraction. It is even more supported by different enterprise income tax allowances.

- the enterprise income tax stimulus - since 2011 Latvia has renewed the enterprise income tax allowances for large – 5 million LVL and more – investment projects.

Microenterprise tax

Latvia has introduced a tax of 9% in 2011 — for small enterprises with the turnover not exceeding 100 000 EUR (70 000 LVL) per year and employing up to 5 employees. The conditions are regulated by the Microenterprise Tax.

Payments for income from capital

Since 1 January 2010 income from capital of individual persons is taxable with personal income tax in Latvia, however these rates are lower than a standard rate: for dividends, interest income (including interest of deposits), income from investment and income from life insurance - 10%, income from sale of immovable property (except from such immovable property, which is 60 months in ownership and which is the declared place of residence for 12 months prior alienation), income from sale of capital shares and income from sale of securities (except income from EU and EFTA member states and local government bonds) – 15%.

Value added tax

The value added tax: 22% (decreased rate of 12%). There exists also the decreased rate of the value added tax (12%), which is referred to the following goods and services: 1) medication supplies; 2) supplies of medical equipment and medicine articles; 3) supplies of academic literature, as well as original literature editions; 4) mass media or their license fees; 5) inland services of public transportation; 6) thermal energy delivery to the population; 7) natural gas delivery to the population; 8) firewood delivery to the population; 9) accommodation services in tourist dwellings; 10) supplies of specialized products for infants.

The threshold prior the compulsory registration in the VAT Payers Register is 35 000 LVL.

Immovable property tax

Immovable property tax rates:

- 1.5% of the cadastral value for land, buildings to be used for the economic activities, engineering structures (not less than 5 LVL for each object),
- 3% of the cadastral value for uncultivated agricultural land, buildings and structures to be used in economic activities (not less than 5 LVL for each object)
- 0,2– 0,6% of the cadastral value for dwelling houses (not less than 5 LVL for each object)

Excise duty

The excise duty refers to alcoholic beverages, tobacco articles, oil products, natural gas, soft drinks and coffee.

Natural resources tax

The natural resources tax is paid both by enterprises and private persons if they obtain in Latvia (or continental shelf) taxable natural resources, release taxable pollution into the environment, produce goods/products that are harmful to the environment or sell goods or products produced inside the country and being harmful to the environment, goods or products in a packing. The tax is paid for:

- any natural resources obtained as a result of economic activity;
- environment pollution - waste, emissions and polluting substances;
- environmentally unfriendly goods and products;
- packing of goods or products imported and produced in the country.

Natural resources tax is differentiated and its rates fluctuate from some santims to even several hundreds of lats.

Other taxes and fees:

A fee for credit institutions – the **financial stability fee** in the amount of 0,036% per year from the total amount of liabilities with deduction of deposits, emitted mortgage bonds and subordinate liabilities.

Law on Companies' Car Tax. Since 2011, all motorcars belonging to or being held by enterprises are taxed with the company car tax, assuming that they are used also for private needs of employees. The company does not pay this tax if it can prove that the auto is not used for private needs.

5.12. Regulations Regarding the Types of Trade to Be Agreed upon with a Local Government and the Procedures for Organising of Trade

Cabinet Regulations No.440. These regulations define the types of trade to be agreed upon with a local government and the procedures for trade organization.

Taking into consideration that the wholesale trade and the retail trade investments coming from the neighbouring countries form a significant part, these regulations are rather important.

Conclusions: The requirements mentioned in this clause shall be considered as rather simple, the procedure to be followed in order to receive a sales permit, is not too complicated. These regulations provide unified requirements for all regions of the country as well as they have simplified the procedures accepted earlier and eased the administrative load imposed on the traders.

6. IMPACT OF THE BORDER-CROSSING PROCEDURE AND CUSTOMS REGULATIONS ON THE INVESTMENT FLOW

When Latvia entered the European Union (hereinafter referred to as the EU), the external borders between Latvia and other EU member states have been cancelled, as well

as free goods movement has been ensured within the framework of the common market. Customs formalities have been cancelled among the EU member countries, namely, customs procedures are not applied to goods deliveries from one EU member state to other one. It means that when importing goods to the Republic of Latvia from other EU member countries, no one requires their declaration at a customs institution. In its turn, the border of Latvia with Russia and Belarus, as well as the airport, port and acceptance – delivery railway stations are the external border of the EU, where the customs formalities and permanent customs control of cargos, vehicles, persons and their luggage are executed.

Goods import and export regarding the EU is understood as goods deliveries to the territory of the European Community from third countries (for instance, Russia, China).

6.1. The Most Important Customs Legislation Documents

The customs issues in the territory of Latvia, like in any other EU member state, are mostly defined by the EU customs legislation acts – regulations. The EU regulations in the customs field function directly and immediately in the whole EU territory. Regulations define the basic legal principles and the limits of operation of legal norms in case of necessity. The national legislation regulates only those fields, which are not being regulated by the regulations.

The main legal acts in the customs field have the status of regulations:

- Regulations No.2913/92 (EEC) of the Council from October 12, 1992 establishing the Community Customs Code (hereinafter referred to as the Customs Code);
- Regulations No. 2454/93 (EEC) of the Committee from July 2, 1993 laying down provisions for the implementation of the Customs Code;
- Regulations No. 918/83 (EEC) of the Council from March 28, 1983 setting up a Community system of reliefs from customs duty;
- Regulations No. 254/2000 (EEC) of the Council from January 31, 2000 amending the Regulation (EEC) from July 23, 1987 on the tariff and statistical nomenclature and the Common Customs Tariff;
- Regulations No. 1789/2003 (EEC) of the Committee from September 11, 2003 amending the Council Regulations No.2658/87 (EEC) on the tariff and statistical nomenclature and the Common Customs Tariff.

The EU customs tax and trade policy measures are applied only to the goods imported from the countries, which are not the EU member states. Since the customs tax rates are unified in all territory of the EU, this tax is paid by the goods importer in compliance with the rates determined in the EU regulations, which are published in the Official Journal of the EU. The rest of the taxes are paid by the goods importers in compliance with the rates defined in the respective EU member state.

The main legal acts include the Customs Law, the Cabinet Regulations No. 1048 “Regulations Regarding a Simplified Declaration and Local Clearance, Status of the

Authorised Consignor and Authorised Consignee, Single Authorisation and Certificate of the Authorised Merchant” from November 16, 2010, the Cabinet Regulations No. 333 “Regulations Regarding a Single European Union Economic Operator Registration and Identification Number” from April 6, 2010, issued in accordance with the third part of the Article 4 of the Customs Law, and define the order of granting and use of the unified European Union merchant registration and identification number (EORI number) and the provisional number (ad hoc number) and their structure, as well as the Cabinet Regulations No.581 “Procedures For Submitting Electronic Customs Declarations When Clearing Goods” from June 17, 2009, which define the procedure for submission of electronic declarations indicated in the normative acts while clearing the goods.

6.2. Customs Tariffs

According to the EU Customs Code the payable customs taxes are based on the European Community Customs Rate. The European Community Customs Rate includes the combined goods nomenclature; any other nomenclature; rates and other payments that are usually applied to the goods included in the combined nomenclature; application of reduced tariff rates; tariff preferences; autonomous measures of reduction or cancellation of imports customs duty for specific goods; other tariff measures defined by other laws of the European Community.

Since in Latvia the unified European Community customs tariffs are applied to the goods imported from the countries, which are not the EU member states, when bringing in the goods from foreign countries for distribution in the territory of the EU, it is advised to get well acquainted with the EU database TARIC, which contains the information on all customs duty tariffs for imported goods and on trade measures.

6.3. Goods Customs Value

When the goods are brought from the third countries into the Republic of Latvia and hereby into the territory of the European Customs Community, the customs duties and payments equivalent to customs duties, as well as the agriculture payments are paid for them. These payments are calculated, mainly taking the customs value of the article for the basis.

For the customs needs, the goods are evaluated by six methods applicable consecutively. These methods are: transaction value method, transaction value method of equal goods, transaction value method of similar goods; one unit value method; calculated value method; special case evaluation method.

6.4. Tariff Quotas

Since May 1, 2004 tariff quotas are available, which provide an opportunity to import a particular amount of goods within a specific period of time from the third countries to release them for free turnover in the European Community customs territory with lowered or zero customs tariff rate.

The European Union has tariff quotas of two types. The tariff quotas of one type are granted and administered by the European Commission's Directorate-General for Agriculture on the grounds of import licenses. The Customs Service's competence comprises the tariff quotas of the second type, which are granted and administered by the European Commission's Directorate-General for Taxation and Customs Union. These tariff quotas are granted on the basis of customs declarations on goods release for free turnover or unified administrative documents in chronological sequence of their acceptance. This means that the granting of these tariff quotas involve operation of the so-called "first-come, first-served" principle.

In order to ensure unified application of the EU normative acts to the goods import and export, since May 1, 2004 there are customs information systems compatible with the EU customs information systems have been introduced in Latvia's customs. The customs declaration procedure uses TARIC (Community's integrated tariff), which provides an opportunity of inspecting and applying import/export tariff and non-tariff measures defined in the EU's normative acts.

6.5. Border-Crossing Procedures

The border-crossing procedures in Latvia are defined by several normative acts. One of them is the **State Border Law of the Republic of Latvia**, which includes sections on the state border's safety provision, regime of state borderland, frontier zone and frontier area, organization of border control in border control places and on the state border, as well as organization of border control in border crossing places and on the state border. The Cabinet Regulations No. 704 from July 27, 2010 on border crossing places and inspections to be performed there, the Cabinet Regulations No. 166 "List of Goods to be Carried by Emergency Procedure at the Border Crossing Points of the External Borders" regulate separate conditions in relation to the border crossing.

Persons crossing the external border in order to enter the Republic of Latvia or exit it, as well as belongings and goods, which are moved over the external border by roads, by aircraft or marine vehicle, to bring them into the Republic of Latvia or out of it, are subject to inspections at border crossing places. Possible border control: border control performed by the State Border Guard officials; Customs Control performed by the customs institution's officials; veterinary, phytosanitary control, control of food harmlessness, non-food goods safety, quality and classification control, which is performed by the officials of the Food and Veterinary Service, as well as radiometric control performed by the officials of the state administration institutions determined in the normative acts.

6.6. Immigration Law and Regulations of Residence Permits

The order of foreigners' entry, residence, transit, exit and detention, as well as implementation of migration policy corresponding to the interests of state of Latvia is defined by the Immigration Law. The purpose of the law is to determine the order of foreigners' entry, residence, transit, exit and detention.

Since July 1 amendments of Immigration Law have come into effect in Latvia, the aim of which is to attract the investment flow to the country. The most important changes in the Immigration Law are connected with sections, which regulate the reception of residence permits (Clauses 28-30 of the Article 23). Investors are entitled to receive a residence permit in Latvia for time that is not longer than five years if the investor:

- 1) for a period of time not exceeding five years, if he or she has invested in the equity capital of the capital company at least LVL 25 000 and during a financial year the capital company pays in total in the budget of the State and local government as taxes at least LVL 20 000;
- 2) if he or she has acquired in the Republic of Latvia and he or she owns : a) one or several immovable properties in Riga, Riga planning region or republic cities, the total amount of transactions of which is at least LVL 100 000; b) one or several immovable properties outside Riga, Riga planning region or republic cities, the total amount of transactions of which is at least LVL 50 000; c) he or she does not have and never has had debts of payments of immovable property tax and the payment of the amount of transactions has been performed by clearing;
- 3) he or she has made financial investments in the credit institution of the Republic of Latvia in the amount of at least LVL 200 000 in the form of subordinated capital (subordinated loan or subordinated bonds) of a credit institution, if the term of such transaction is not less than five years and in accordance with the deposit provisions it may not be terminated prior to the term of repayment of the deposit.

Issuing of residence permits is regulated by the Cabinet Regulations No. 564 "Regulation Regarding Residence Permits" from June 21, 2010.

7. ANALYSIS OF OWNERSHIP AND RULES OF LAND USE

Land is the resource with limited availability, which is not renewable. But this resource is valuable only if it is used. In Latvia, already since the beginning of the land reform, the land is regarded more as the property object, but not as the resource or nature's element that should be used rationally and protected as well. Land management is the body of actions and measures in implementation of land policy and is directed to facilitation of long-term land management, ensuring the balance between the land use and its protection.

In compliance with the Law „On the Completion of Land Reform in Rural Areas” and „On the Completion of Land Reform in Cities” the land reform must be completed until November 30, 2011. After completing the land reform, a part of legal regulation in relation to the land will lose their force. As many issues in relation to the land use are regulated by the normative acts of land reform, it is one more reason for perfection of the legal regulation for the land use.

In Latvia the issues of land use and protection are touched upon in more than 20 legal acts, including the Civil Law. Hereby the legal regulation is fragmented and there is no conjunctive normative act in these matters. For instance, legal norms on the rights and obligations of land owners are mentioned in the Law “On Land Use and Land Survey”, individual norms are provided in the Law on Agriculture and Rural Development, as well as in the Civil Law. Summary of all binding legal acts is attached in the Appendix No.1.

There are several issues in the field of land use and protection, which are not sufficiently regulated in the existing normative acts, but their regulation is necessary to ensure long-term land use, for instance, the land use principles, the state and local government role in land management. At the moment, normative acts define the regulation in a rather fragmented form, or the regulation is insufficiently defined for the land use for the society's needs, the elimination of land degradation, the provision of information about the land, the evaluation of land quality, the development of reserve lands, as well as the compensation of damages done to the land.

7.1. Regulations on Lease of State or Local Governments Land

The Cabinet Regulations No.735. The Regulations define the procedure for lease agreement conclusion and the order of lease payment calculation:

1. for a built-up land piece correlating or belonging to the state or local government and not transferred for privatization or alienation (hereinafter referred to as the state or local government land piece);
2. vacant state or local government land piece;
3. built-up state or local government land piece transferred for privatization or alienation, if the owner of building does not use or cannot use the pre-emptive rights;

What concerns the land pieces in cities granted to the dwelling house owners or orchard users with the right of building-up, the land use rights of which have been terminated in

accordance with the first part of the Article 26 of the Law on the Completion of Use of the State and Local Government Property Privatization and Privatization Vouchers (hereinafter referred to as the unredeemed city land), these regulations define the order, in which the lease agreement shall be concluded, how the lease payment shall be calculated, as well as the substantial lease agreement conditions.

Conclusions:

The Law regulates the lease payment rates, however, they are very strictly defined and do not provide possibilities to offer discounts in cases, when the agreement conclusion would render economic effect to the local government.

7.2. Law on Ownership of State and Local Government Land and Their Registration in the Land Books

This law regulates, according to the land reform and state and local government land property privatization and alienation laws, the land property rights of the state and local governments and their registration in the land books, as well as the use of the land property correlating to the state and the local governments until the registration of property rights in the land books.

7.3. Immovable Property State Cadastre Law

The purpose of the Law is to ensure society with updated cadastre information regarding all real estate in the State's territory, objects thereof, parts of units of land and owners thereof, lawful possessors, users, renters.

The National Immovable Property Cadastre (hereinafter – the Cadastre) is a single registration system which by effecting administrative, organisational and technological processes ensures the obtaining of data regarding real estate in the State's territory, objects thereof, parts of units of land and owners thereof, lawful possessors, users, renters, as well as maintaining and use of the referred to data.

The register of immovable property and land use created and maintained prior this law came into force is replaced by the Cadastre Information System.

Persons who have obtained rights of use or possession during the land reform in accordance with the Law "On Land use and Land Survey", Law "On Land Reform in Cities of the Republic of Latvia", Law "On Land Reform in Rural Area of the Republic of Latvia", Law "On the Completion of Land Reform in Rural Areas" and Law "On Ownership of State and Local Government Land and Their Registration in the Land Books", are entitled to form cadastral according to the procedure defined by this law.

7.4. Law on Land Reform in Cities of the Republic of Latvia

Land reform — systematic, gradual reorganization process regarding land property and land use relations.

This law defines the procedure of the land reform execution in cities of the Republic of Latvia.

The objective of the land reform is to reorganize the legal, social and economical relations of land property and land use in the cities via gradual state property denationalization, conversion, privatization and return of illegally alienated land properties in order to facilitate the formation of city building, land protection and rational use compliant with the society's interests.

7.5. Law on Land Reform in Rural Areas of the Republic of Latvia

The objective of the land reform is to reorganize the legal, social and economical relations of land use and property in rural areas via gradual privatization in order to stimulate the restoration of the traditional Latvian rural way of living, to provide economic use and protection of natural and other resources, preservation and raising of soil fertility, increase of the production of high-quality agricultural products.

The land reform covers all land of rural areas of the republic and its users. The land reform is to be completed until November 30, 2011.

7.6. Changes Planned in the Regulation

A decision has been made to elaborate the Land management law in order to eliminate legislative deficiencies, which would regulate those land management issues, which are not included in normative acts for the time being, or the regulation of such issues is insufficient, or is defined in several other legal acts.

VARAM (Ministry of Environmental Protection and Regional Development) has been assigned a duty to elaborate a draft law of land management; in cooperation with the Ministry of Justice and the Ministry of Agriculture, to elaborate draft normative acts on amendments to the informative part of the concept of the normative acts mentioned, which are required for the implementation of the draft law norms of land management; to submit a draft law of land management to the Cabinet of Ministers according to the defined procedure until December 31, 2011 (Cab. Reg. No. 214, April 19, 2010).

8. MORE EFFICIENT ACQUISITION AND USE OF THE EUROPEAN UNION STRUCTURAL FUNDS

One of the main descriptive elements of the national economy development is the investment volume in the country in general and in every specific local government. In order to describe the economic activities intensity, entrepreneurship activity and material support, a very important indicator used is investments attracted by the local government while implementing the projects financed by the European Union (EU) funds, the European Economical Area (EEA) and Norwegian financial instrument, the Swiss cooperation programme's financial instrument, as well as the Climate change financial instrument (CCFI) and other foreign countries' financial assistance.

The funds of the European Union structural funds are one of the most accessible instruments for improvement and strengthening of the infrastructure in counties. Latgale region in general is one of the most effective regions in financing attraction for infrastructure projects; however, these indicators are comparatively low for programmes like entrepreneurship and innovations, as well as for human resources and employment programmes.

Within the framework of the programme "Activity of Specially Supported Territories", the aim of which is to promote the development of commercial activities in the specially supported territories, to decrease the unfavourable differences between regions and region territories and to promote balanced state development, the financing could be received by tiny, small and average merchants for long-term investment in fixed assets and intangible investments. Contracts for 67 projects and 5.74 million LVL from Latgale region where approved and concluded, which makes 42.88% from the total financing of this program. Only 25% of the projects are completed as of the beginning of the 3rd quarter of 2011, which proves that operating companies for who such financing could have served as support for development, did not submit their projects at all.⁸

When evaluating the financing of the European Union and other funds attracted to the region, we have identified the following activities that should be implemented for more efficient funds acquisition:

- 1) **Education of the interested parties on the available funds**, possible support programs and supported activities. This includes both preparation of full-fledged and encompassing information on the available financing, and additional seminars and open discussions. The information is needed for different target groups; still, in the first place, we recommend focusing on entrepreneurs, local governments and educational institutions. These work groups require not only provision of formal information on the available financial instruments, but also attraction of specialists being able to provide specific consulting. Often such consulting is provided by programme administrators and they willingly consult the target audience.

⁸ Programme has begun in 2009, data is summarized for July 2011. IDAL data.

- 2) **Popularization of the success stories of the region** in investment attraction. Organize meetings of representatives of local governments to discuss the attracted financing and difficulties faced, what nuances in project applications, evaluation and implementation should be realized.
- 3) Taking into consideration the topical programs, **it is necessary to address companies and invite them to use the financing**. For instance, address all exporting companies in the region by inviting to use the support programme “Foreign Market Development – Foreign Marketing” implemented by LIAA (Investment and Development Agency of Latvia) with the aim to support the activities related to the entry in foreign markets – foreign marketing abroad – and measures facilitating aligning of merchants with the international supply chains, to facilitate the participation of Latvian merchants in international exhibitions and trade missions; local governments too can apply for this programme in order to organize events for the benefit of businessmen, for instance, installation of a unified stand of Latgale region enterprises in an exhibition abroad. Similar actions should be taken for programs aimed at the increase of the local government capacity – for instance, “Specialist Recruiting for the Planning Regions, Cities and Amalgamated Local Municipalities”, the aim of which is to increase and strengthen the administrative capacity of local governments by facilitating the attraction of specialists complying with the needs of effective public administration; in such projects it is important to provide support for identification of missing competencies, preparation project applications and their further implementation.

In general one can conclude that local government initiatives and support of businessmen in attraction of different funds financing and preparation of project applications is the success indicator in financing acquisition. here it is necessary to note Ventspils city, which informs and supports all the most important development project owners in project preparation, as the result of this the largest investment projects receive the support from the European Union funds as well as strengthen the capacity and competitiveness of enterprises.

9. SUGGESTIONS FOR FACILITATION OF CONDITIONS ENVISAGED BY NORMATIVE ACTS ON INVESTMENT ATTRACTION

One of the most significant problems that any entrepreneur has to face, is the imperceptibility of the legislative system and lack of linkage among the numerous and different laws that could allow identifying and knowing the whole and most important legislation.

Despite many deficiencies in the legislation, one of the most important problems is the diverse interpretation and application of the legislation by local governments as well as the unwillingness to undertake additional risks that could be related to the development of entrepreneurial environment.

When looking at possibilities of local governments to influence the investment attraction, we have identified the following legislation acts where it would be required to broaden or improve the possibilities of freedom of action for local governments.

9.1. Freedom of Action of Local Governments for Entrepreneurship Promotion

In order the local government were able to attract all kinds of investments and implement projects by promoting effective acquisition of the European Union funds, it is necessary to increase the flexibility of the legislation determining the rights of local governments to deal with property, including the following exceptions in the Law **“On Prevention of Squandering of the Financial Resources & Property of the State and Local Governments”**:

- Local government can purchase property for territory development in accordance with the specific project indicated in the planning documents for the local government territory development;
- Local government can purchase property at higher price than the market value (evaluation + compensation) under condition that the property purchase is substantiated by the specific project planned in the planning documents of the local government territory development (project is economically justified and will create additional working places in the local government);
- Local government can transfer the property for compensation in non-monetary form by determining the compensation order and type (for instance, investments made, working places created, environment cleaning and maintenance, etc.) in the agreement or binding regulations;
- Local government can alienate the property from the lessor by the cadastral value, if this does not contradict the planning documents of the local government territory development and if the lessor has fulfilled the conditions set in the agreement (for instance, he has made investments, employed local inhabitants, he creates a production chain thus ensuring the activity opportunities for the subordinated / relevant companies, etc.).

In addition, it is necessary to review the lease procedure and formulas of lease payment calculation provided in the **Cabinet Regulations No. 515 “Regulations on the Procedure for the Lease of the State and Local Government Property, on Methodology of Calculating the Lease Payment, and Standard Provisions of the Lease Agreement” from June 8, 2010**, as well as the term of lease agreement defined by the Law „On Prevention of Squandering of the Financial Resources & Property of the State and Local Governments” by providing manoeuvring / deviation possibilities depending on the goals for using of the leased property, object and benefits in case of lease (12 years could be too short period of time for significant investment projects, as well as it can facilitate the transfer of production sites when approaching the end of the term).

9.2. Tax Allowances

Enterprises are trying to find more favourable environment, i.e., the environment where the taxes, especially the CIT and PIT, would be as low as possible. Hereby, in order to attract entrepreneurs to local governments, it is necessary to establish tax environment that is more attractive to the entrepreneurship. From all 13 taxes affecting every entrepreneur, the local governments, in accordance with the Law „**On Immovable Property Tax**”, have rights to apply the immovable property tax allowances only, and each local government must pass corresponding regulations. At the moment it was impossible to find such information; the same situation is in the field of investment project offers, where local governments are not able to determine any possible allowances. It is required to adopt such regulations in all local governments so that investors could have clear vision on the possible local government investment.

In addition to this, RAPLM (Ministry of Regional Development and Local Governments) has prepared a report⁹ on increase and diversification of financial sources of local government budget. The objective of the report is to achieve a situation when the growth of economic activity in the particular territory increases the income of the local government. Within the framework of the report, RAPLM will offer short-term and long-term solutions for the increase of financial sources of local government budgets, including:

- Determining of the IPT as the local government tax with rights of local governments to determine the tax rate;
- Providing the preservation of the PIT revenue volume in local government budgets by increasing the part of the PIT entering the budget of local governments;
- Entering of a given part of EIT into the local governments financial cohesion fund and including a criterion in the cohesion criteria in relation to economic activity;
- Widening of possibilities of local governments to introduce new local government fees by allowing the local governments deciding „on-site” on the necessary fees, publicly discussing their introduction.

⁹ Informative notice on 10.08.2010. „On increase and diversification of financial sources of local government budget”

Enterprise Income Tax Allowances

In order to ensure equal rights to all investment projects, it is necessary to introduce amendments in the Law on Enterprise Income Tax. At the moment the sub-clause 5 of the Clause 4 of the Article 17.2 of the Law provides that support can be allocated to the project that corresponds to the following criterion: „the immovable property, where long-term initial investments are made and used, is the taxpayer’s property, or the taxpayer has long-term lease rights thereof (for at least 13 more years after the project take-up), and they are registered in the land book. If the immovable property is being leased from the state or the local government, the long-term lease rights must be in force for at least 13 more years after the project take-up”. Such a condition excludes a possibility of receiving tax allowances for such investment projects, which are implemented on the immovable property leased from the local government since, in accordance with the Article 6¹ of the Law „On Prevention of Squandering of the Financial Resources & Property of the State and Local Governments”, the maximum period of lease of movable and immovable property of state and local governments is defined – 5 and 12 years respectively. The suggestion is to propose amendments in „Law on Enterprise Income Tax” and change the agreement term from 13 to 11 years.

9.3. Opportunities of Industrial Park Development

One of the preconditions for attraction of foreign and local investors is the territories and infrastructure suitable for the entrepreneurship (industrial activity). Latvia lacks land pieces of industrial zoning or the so-called „industrial greenfields” with infrastructure. At the same time local governments have no rights to acquire immovable property (land), which cannot be directly referred to the realization of local government functions; hereby a local government cannot be an initiator for the development of any territory, including for construction of new industrial objects. In its turn, the present legislation does not allow defining the territory or object of state interests.

During the process of territory planning, very frequently local governments lack any motivation to create industrial zoning as the budget of a local government is mostly formed by income from the personal income tax of the inhabitants declared in it irrespective of the place of work of these inhabitants. Hereby the local government has motivation to change the zoning into the dwelling construction and attract developers of dwelling construction. In this matter it is necessary to remind local governments that the lack of working places encourages also the internal migration, which means that irrespective of the present place of residence, people can move away if working places are available in other county or region, for instance, Ventspils city has undertaken to create 3000 new working places and attract employees to these places from all regions of Latvia.

An even more widespread instrument in investment attraction is the industrial land pieces developed by local governments with infrastructure offered for investors to buy or rent. In addition, such land pieces needs not necessarily be under the market value, infrastructure building charges can be included in the sales or lease price. It is substantial that an investor saves his time and chooses the land piece with finished infrastructure and not the land piece with unsuitable zoning / without any infrastructure, which means the procedure of land zoning change and does not exclude technical risks of infrastructure construction.

One of the main conditions for investors' admission to the industrial area is the local population employment and payments from the profit to the local government budget. The main principles for work with investors are "friendliness and speed"; herewith the investor communicates with the local government regarding any issues – starting from negotiations and up to solving of everyday issues.

Local governments must be able to offer the investors business opportunities / ideas in the territory development planning documents by showing the entrepreneurial resources, perspective entrepreneurship directions and planned investment projects for the entrepreneurship promotion. In order to evaluate this approach during the development planning process, it is necessary to actualize the methodological suggestions for creation of the development programmes for regions and local governments, by supplementing them with aspects important for the investment attraction, as well as to provide the methodological management of local governments by explaining the role of local governments in investment attraction.

Taking into consideration the limited financial possibilities of local governments, it is necessary to assess the possibility of creating the state support or EU funds program for the construction of infrastructure of industrial areas.

In additional perspective it is necessary to evaluate the possibility of anticipating a support program for infrastructure development within the framework of Development bank.

The required amendments are related to the local government property, lease agreement terms and conditions, see above.

9.4. Decrease of the Administrative Load

The administrative load for businessmen results from fulfilling the requirements of the normative acts (data aggregation, maintaining and submission requirements; completion and submission of applications for reception of permits, etc.). Thus, in order to decrease the administrative load, amendments have been introduced into the normative acts in force; new normative acts are being developed. So far in Latvia the suggestions for the decrease of the administrative load were based on the improvement of state-level normative acts (laws, Cabinet Regulations), without analysing normative regulations of local governments. The rights of local governments to regulate the entrepreneurship in

their territories by issuing binding regulations arise from the Law “On Local Governments” where the first part of the Article 43 provides that, if it is not envisaged in other laws, the council of the local government can issue binding regulations in relation to the entrepreneurship on:

- construction in the territory of the republic city or county;
- maintenance of houses and their territories and structures, etc.

The suggestion is to propose to the Ministry of Environmental Protection and Regional Development (VARAM) a unified procedure on the state level in the field of advertising for coordination of advertisement placing and exploitation by developing corresponding Cabinet Regulations.

Likewise VARAM must systematically improve the administrative environment of local governments:

1. Perform measurements of the administrative load created by local governments to businessmen in order to create analytical basis for proposition preparation to decrease the load and motivate the local governments to improve the quality of rendered services.
2. Create an action plan for improvement of the entrepreneurial environment of local governments where every year, similarly like in the action plan for the improvement of the entrepreneurial environment developed by the Ministry of Economy (contains proposals on the perfection of the state-level normative acts) the necessary activities would be included for the improvement of normative regulation of local governments.

9.5. Other Tax and Legislation Improvements

The suggestions have been developed by the Foreign Investors’ Council in Latvia, and the most important of them shall be promoted also on behalf of region administrations.

Enterprise Income Tax

Allow transferring of the accumulated tax losses and applying them to the profit obtained during the flowing years for unlimited period of time. Allow transferring the losses within the group for the period of 8 years. Losses transfer is still one of the reasons why the investors are not interested in investing large resources in new production sites, new fixed assets or office premises. Such considerable investments require huge resources, but eight years is too short a period for gaining enough of profit to be able to write off the income.

Value Added Tax

To define special VAT regime for the PPP projects (public and private sector partnership).

Social Insurance Contributions

1. Define allowances for large employers regarding social insurance contributions payable by the employer by decreasing them depending on the number of employed people /

volume of the contributed social insurance fees. Such allowances will facilitate the creation of new working places and will help decreasing the unemployment level in the country.

2. Decrease the social insurance contributions to the average EU level.

Excise Tax

1. Define provision of all required control measures as the priority of the State Revenue Service in order to eliminate the delivery of such cigarettes and alcohol from the CIS countries, for which the customs duty and excise have not been paid. Such measures could be:
 - a. Rotation of customs officials;
 - b. Application of punishment to the persons purchasing products, for which the customs duties have not been paid.

Personal Income Tax

1. Simplify the procedure of declaration and payment of the tax on increase of capital and income from capital, allowing preparation of tax statements once a year, not each month/quarter as it is requested now.
2. Decrease the personal income tax for income from the paid employment until the rate of 20%.

Tax Administration

1. The main attention in the tax revision must be paid to the shadow economy and encashment of the unpaid taxes. Thus, it would be possible to ensure more considerable tax income to the state budget and eliminate further motivation to avoid tax payments.

INVESTMENT ATTRACTION TO IGNALINA NPP REGION

This feasibility study is made to order of Ignalina NPP region development agency.

The purpose of the feasibility study is to analyze and evaluate the investment climate in the Ignalina NPP region, to determine the main investment directions and attraction possibilities.

This feasibility study provides a review of economic activity of Ignalina NPP region municipalities (Zarasai d., Ignalina d. and Visaginas), analysis of investment flows, demand and need of investment locations. It also includes an analysis of legislations, which influence investment in Lithuania and Ignalina NPP region municipalities, at the national, regional, local, municipality levels – exceptions, benefits, taxes, charges, property and other issues, proposals for improvement of legislations.

This study distinguishes the most investment attractive objects, presents their assessments and selection criteria. There are twenty descriptions of most investment attractive objects in the Ignalina NPP region (Zarasai d., Ignalina d. and Visaginas municipality) and detail information about these objects: investment location maps, photos, detail and special plans, contact information (institutions, organizations, individuals and etc.)

Ignalina NPP region and municipality strategic documents, statistical data, researches and studies that have been carried out in the Ignalina NPP region were used in the preparation of this feasibility study.

TERMS AND DEFINITIONS

INPP – Ignalina nuclear power plant;

VNPP – Visaginas nuclear power plant (the planned new nuclear power plant near the currently closing);

NPP – nuclear power plant;

LDS – Lithuanian department of statistics;

DFI – direct foreign investments;

LAG – local action group;

LLE – Lithuania labor exchange;

MMP – municipal master plan;

EU – European Union;

INPPRBI – Ignalina NPP region business incubator.

10.IGNALINA NPP REGION REVIEW

Ignalina NPP region is located in the outskirts of Lithuania, north-eastern part. The northern part of the region is bordered by the Republic of Latvia, the eastern – by Belarus. The region occupies an area of 2839 km² (Visaginas – 58.41 km², Ignalina d. – 1446.54 km², Zarasai d. – 1334 km²), it is 39.2 percent of the Utena district and 4.3 percent of the country.

The region of Ignalina NPP has the most lakes in the county. There are 505 lakes of various sizes in the regions of Ignalina and Visaginas, their total area is 24.9 thousand hectares or 8.8 percent of the whole territory of the region (7.7 percent in Ignalina d. and 10.0 percent in Zarasai d.).

Neither metropolitan nor regional country centers are in the municipalities of Ignalina, Zarasai or Visaginas regions. Only Visaginas has the status of regional economic growth center. The closest metropolitan centers are Vilnius (forming metropolitan center of European significance) and Panevezys (regional rank metropolitan center formed by developing and combining potentials).

The region of Ignalina NPP is economically weakly developed. Low intensity agriculture and forestry dominate in this region. The region is dominated by small industrial enterprises, which generate low-skilled labor force requiring, low-competitive production. What is more, the region is in a very inconvenient location for business development, because it is geographically distant from the largest cities of Lithuania and Klaipeda sea port. The infrastructure of the region is also not very attractive to potential investors. Economic-social development is troubled, because the region is characterized by unfavorable natural conditions for agricultural development.

In the demographical view, Ignalina NPP region also has no unique advantages that could be a fundamental basis for development. Up to now Ignalina NPP activity ensured adequate regional employment and economic activity, therefore did not stimulate to search for other perspective activity fields, entrepreneurship of residents. The largest town of the region and the region center – Visaginas was artificially created and is highly dependent on the activity of Ignalina NPP.



Image 10.1. Ignalina – the land of lakes

10.1. Ignalina district municipality

Administrational center – Ignalina.

Area – 1447 km²



Ignalina district municipality is bordered by Belarus. It stretches across the heights of Svencionys, the plain of Dysnia in the west and the northern part of Southeastern plains. The highest points of Svencionys heights – Nevaisiai hill (288.9 m) and Budakalnis hill (284.8 m) are in the territory of the region. The largest part of Aukstatija national park, Smalavas, Azusile landscape, Nevaisiai geomorphologic, Dysna hydrographic, Pusinis, Milasius and other telmological reservations are in the region. Areas that are used for agriculture occupy 42.3 percent of the region territory, forests – 35.5 % , roads – 2.1 % , buildings – 1.7 % , waters – 9.5 % , other – 8.9 %.

The region of Ignalina is the land of tourism, leisure, winter sports and forests. The future of this region is associated with tourism development. Each year new tourism and sport facilities appear in the region, the implementation of valuable projects that improve local people's living conditions are affecting the entire region and making it more attractive and interesting. The tourists from Lithuania and abroad are mostly attracted by water ways and routes, bicycle sport and, of course, winter activities. There is a reason why Ignalina is called the capital of winter sports. Ignalina district has a resort territory, which includes the town of Ignalina, part of Paluse and Strigailiskiai settlements. This resort area is beloved by Lithuanian holidaymakers and attracts more and more guest from abroad each year.

A railway line Vilnius – Turmano stretches across Ignalina, therefore providing great options for passenger and carriage transport.



Image.10.1.1. Ignalina central Laisve square

In regard to the new needs, which appeared during the development of town Ignalina, these industrial and commercial territory development works are going to be carried out in the general plan of Ignalina:

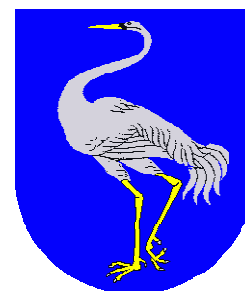
- Forming a peripheral service center in Beciunai development territory;
- Conversion of the industrial territory in the northern part of the town, near Azusile street to public object complex territories, where new municipal and education objects should appear;
- Forming service center in the western part of the town, Strigailiskis development territory;
- Conversion of the garage and storage area alongside the railway to an average intensity of building maintenance and service polyfunctional areas;
- Conversion of the industrial territory in the western part of the town, near the Turistų Street to maintenance and service polyfunctional territories.

Having accomplished these works that are provided in the general plan, additional territories for attraction of investment will be created. In addition, opportunities for the inhabitants of the region will be created to develop the already existing or to start the implementation of new activities.

10.2. Visaginas municipality

Administrational center – Visaginas.

Area – 58 km²



Visaginas municipality is in a hilly, wooded forest land, which is dominated by pine forests with small deciduous impurities.

Convenient connection not only by private, but also by public transport, a great road network connects Visaginas with all regions of Lithuania. One of the most important Lithuanian railway lines Saint Petersburg-Daugpilis-Vilnius-Warszawa-Berlin goes across Visaginas.

The general plan of Lithuania states that Visaginas has to develop as an administrational, nuclear power, industry, logistics, inhabitant and business service center, regional development economic sub center, which has a high potential.

According to the Lithuania's accession to the European Union treaty obligations, the nuclear power plant completely stopped the production of electricity on the 31st of December, in 2009. Various integration into labor market programs are implemented. Support for starting business is provided.

These economic environment goals are provided in the general plan of Visaginas, which was approved in 2008:

- improve business environment by developing town's engineering infrastructure, creating an industrial zone, purifying industrial town's territories;
- establish areas for logistics and storage services;
- use international and national transit routes;
- create new tourism products, in regard to recreational zone arrangement and tourism infrastructure development;
- increase the competitiveness of industry and business by developing high technology industry and informational technologies;
- improve business infrastructure by developing the network of business support institutions.

The general plan states that the GDP, which is created by industry and construction will grow 1.8 times until year 2020 and by services – 1.6 times.

Scenic Visaginas districts are favorable for development of cognitive tourism. Forests and swamps are full of nature's goods – berries and mushrooms. There are 110 lakes of various sizes in the radius of 10 km from Visaginas and picturesque shores have resting places. It is a great place for recreation, fishing, sports both in summer and winter.

Construction of industrial objects and industrial areas in the current territory of the town or expansion areas is not foreseen. Existing industry territories and industry areas are concentrated in the suburban territory. The assimilation of territories is extensive; therefore, there are internal territorial reservations for the development of new industrial objects, including the construction of the new nuclear power plant.

A railway line Saint Petersburg-Daugpilis-Vilnius-Warszawa-Berlin goes across Visaginas. It is an important carriage and passenger transport line, which provides the town attractiveness in the view of connectivity.



Image 10.2.1. Visaginas

The town lacks infrastructure, which is related to active tourism: there is no drive-way approach to the shore of Visaginas lake, the car parking next to the Visaginas municipality is far from the lake, there are no bicycle paths, water activities are provided in an outdated infrastructure. It is possible to claim that the town is not able to supply a tourism service packet, which includes accommodation, nutrition services and entertainments.

10.3. Zarasai district municipality

Administrational center – Zarasai.

Area – 1334 km².



Zarasai district municipality is in the north-eastern outskirts of Lithuania, in the Utena district. It is bordered by Latvia and Belarus. The forest coverage of the region is high, forest are dominated by pines (the largest – Tumiskes, Grazute, Salakas forests). Zarasai district is called the lake land – this area has the most lakes in the district. There are more than 300 lakes. Areas that are used for agriculture occupy 37.7 percent of the region territory, forests – 37.2 %, roads – 1.9 %, buildings – 1.5 %, waters – 12.2 %, other – 9.4 %.

Zarasai was given a resort territory status in 2008. This helped to attract investments, stimulated cultural tourism, active leisure, entertainment and service variety and existing tourism service improvement.

The development of tourism, together with other small businesses, in the region municipality is emphasized as a special direction of Zarasai development.



Image 10.3.1. Zarasai

An important assumption that affects the whole social-economic development of the Zarasai district municipality is the decommissioning of the Ignalina NPP. After the

decommissioning of NPP Zarasai municipal entities (both natural and legal) have no possibility to implement economic activity, therefore a decrease of economic activity in the region is noticeable.

Until 2020 Zarasai district municipality economy development is based on small and middle-size business development. In order to preserve current economic growth elements (work force, existing work subjects, territorial business elements) and to create a favorable environment for development in the future, the general plan provides improvement of current commercial and industrial territory state. Therefore, a vast and extensive growth of business and industry and investments into these sections are not predicted.

The general plan states that tourism is one of the prior activity fields, so great attention is given to the development of this branch. The provisions of recreation and tourism infrastructure development:

- Zarasai district tourism market strengthening as one of the most important service sector branches;
- Securing the most valuable recreation territories from urbanization and short-sighted and short-term economic interests;
- Maintenance of the most valuable recreational territories and reservation of them for the public needs;
- Zarasai district tourism and recreation object integration into regions and national tourism and recreation networks.

Tourism service quality improvement is one of the main opportunities of investment attraction to the Zarasai district. One of the priority fields of municipality activities should be favorable condition creation and investment opportunity publicity to potential investors.

The main road that connects Zarasai with other towns in Lithuania is A6 “Kaunas-Zarasai-Daugpilis”, the second – road 102 “Vilnius-Svencionys-Zarasai”. The first axis is characterized by high transit traffic, because of its international nature; the second axis forms important connections with Visaginas and Ignalina towns. The general plan provides Zarasai district transport system solutions composed of road, railway, public transport and aviation development.

11.ECONOMIC AND SOCIAL IGNALINA NPP REGION SITUATION

11.1. Economy

According to the law of regional development, a region social-economic difference diminishing program, which provides goals and aims of the development, has been arranged, when problematical territories have been determined. Most attention in the problematic territories is given to the improvement of the living environment: roads are constructed, streets are repaired, sidewalks are laid, water is cleaned, houses are renovated (together with the environment around them), schools, hospitals, libraries, culture centers are reconstructed, abandoned territories are being managed etc. Ignalina municipality is recognized as a problematic area due to extremely high levels of unemployment. This problematic region status allowed getting additional investments. The largest aid was given for apartment building renovation. With the help of this support up to 85 percent of the renovation expenditure is funded. The residents only have to cover from 15 percent of the total cost.

The most important direction of development in Ignalina and Zarasai municipalities should be linked with aid for starting a small business and restraint diminishing for service (especially in the tourism sector) company establishing. The most important advantages of the region is large tourism resources, therefore, polluting economy branches should be limited in the region, or their localization should be strongly justified.

In Lithuania, like in the other EU countries, most of the people are employed in small or middle-sized companies. The same situation is in the INPP region, however, in comparison with the statistics of the country, the number of people employed in small or medium-sized companies is quite low. Therefore, we can conclude that there is a potential for small and middle-sized company establishment and development. In order to exploit it, it is essential to stimulate the entrepreneurship, initiative, cooperation skills of the inhabitants of the region, to enable easy access to business development advice and information. Table 11.1.1 displays the number of small and medium-sized enterprises and employees.

Table 11.1.1.

Number of small and medium-sized enterprises and employees in the beginning of the year

Indicator	Number of employees in the beginning of the year	Number of employees for a 1000 inhabitants	Number of small enterprises at the beginning of the year	Number of enterprises for a 1000 inhabitants
Lithuania	630 270	195,4	66534	20,6
Ignalina	1670	88,3	157	8,3
Visaginas	3764	138,8	335	12,4
Zarasai	1792	92,8	186	9,6

Table 11.1.2 displays the numbers, which show the volumes of projects for business development and employment increasing in the INPP region:

Table 11.1.2.

The volumes of EU sponsored projects that were implemented in the INPP region.

	Value of implemented projects, mln. Lt.	The part of them from the EU, mln. Lt.	Business support project value, mln. Lt.	Tourism support project value, mln. Lt.	Employment increasing project value, mln. Lt.
Ignalina ¹⁰	270,76	217,45	38,33	17,06	34,03
Visaginas*	242,29	191,91	57,13	4,20	27,60
Zarasai*	252,92	194,04	35,82	7,24	29,34

In 2003-2001, in the Ignalina NPP region the support for business was supplied from Ignalina NPP decommissioning fund and the distribution of funds and implementation of projects was administrated by Ignalina NPP development agency and the council of Ignalina NPP region development. During 2003-2011 period aid for business development was given for 144 enterprises of the region, project implementation allowed to create 612 new workplaces, not a small part of enterprises was given support for certification, business plan preparation and participation in national and international fairs. However, in 2011 the Ministry of Energy has decided to stop the competition for enterprise support and the aid for business will not be given in 2012.

In addition, support for business establishment and development is carried out by municipalities, funds for creation of new workplaces are given by the Lithuania labor exchange.

In comparison of material investment extents for a 1000 inhabitants with other regions of Lithuania, the numbers in Ignalina and Zarasai in 2010 were 2-3 times smaller than the average.

During the last three years Visaginas attracted quite a lot of material investments in order to diminish the effect to the social and economic situation because of the INPP closure. Also a lot of investments were directed to the INPP closure works. Because of the stated factors, material investments per capita are above the average in Visaginas during the last years (in 2009 the country's average was exceeded more than three times). However, the main point, which allows attracting the investments to Visaginas, is the closure of INPP. Therefore, it is essential to correctly use the funding, which is obtained at the moment, in order to create new workplaces and new investment attraction objects, so as to diminish the effect of the power plant closure to the residents of Visaginas.

¹⁰ The number of projects implemented in the municipality include projects, that are implemented in a few municipalities or in the whole territory of Lithuania, and the gains of the project are directed to the population of the municipality. Given funds show the cost of the project that is covered by the municipality and the funds displayed in the table show the cost of the project that is covered by the municipality and the part of funds that were recognized as declarable.

Table 11.1.3. displays numbers, which deflect the extents of material investments in the INPP region and compare with the national average.

Table 11.1.3.

Material investments in the INPP region and their comparison to the country's average

Indicator	2008 Material investments (thousands Lt)	2008 m. per one inhabitant (Lt)	2009 Material investments (thousands Lt)	2009 m. per one inhabitant (Lt)	2010 Material investments (thousands Lt)	2010 m. per one inhabitant (Lt)
Lithuania	28757611	8564	15581912	4667	11944417	3634
Ignalina	49602	2486	27781	1389	24155	1262
Visaginas	164726	5774	517352	18477	138290	4988
Zarasai	60073	2947	47208	2360	58562	2989

INPP region also does not characterize with a large amount of attracted direct investments from abroad. Table 11.1.4. displays the extents of direct foreign investments. All three INPP region parts are low beneath the national average of attracted direct foreign investments. According to this indicator, these regions are in the end of the list in Lithuania. Assessing the current situation it is possible to claim that the creation of conditions for direct foreign investments in the regions should be one of the priorities of the municipalities.

Table 11.1.4.

Direct foreign investments in the INPP region at the end of the year and their comparison to the country's average

Indicator	2008 DFI (mln. Lt)	2008 m. per one inhabitant (Lt)	2009 DFI (mln. Lt)	2009 m. per one inhabitant (Lt)	2010 DFI (mln. Lt)	2010 m. per one inhabitant (Lt)
Lithuania	31733,3	9473	33010,3	9916	35553,1	10958
Ignalina	7,7	391	5,7	292	8,9	474
Visaginas	8,4	293	12,2	430	16,1	594
Zarasai	5,2	256	5,0	250	4,9	252

INPP region nature conditions are extremely favorable for the development of rural tourism. The region gets a lot of incomes from this activity, but the infrastructure of rural tourism must be improved, additional tourist attraction objects must be created. During the last three years number of tourists, which use the services of rural tourism, decreased more than two times. Such a strong and sudden tourist flow decrease is resulted by the lower economic situation in the country and an increased rural tourism service supply in other regions of Lithuania.

Table 11.1.5. displays INPP region rural tourism statistics. Visaginas town municipality data are not given, because there are no rural tourism objects in this territory.

Table 11.1.5.

Countryside tourism statistics in the INPP region

Indicator	2008	2009	2010
Ignalina d. mun.			
OVERNIGHT STAYS THOUSANDS	33.9	19.7	11.4
Accommodated guests thousands	14.8	9.1	6.3
Number of rural tourism homesteads	45	45	48
The average number of nights a holidaymaker	2.29	2.16	1.82
Zarasai d. mun.			
OVERNIGHT STAYS THOUSANDS	26.0	15.5	15.3
Accommodated guests thousands	12.7	7.9	8.1
Number of rural tourism homesteads	45	37	33
The average number of nights a holidaymaker	2.04	1.96	1.89

11.2. Ignalina NPP region development and perspectives

National political decision to close the Ignalina NPP partly boosted Lithuania's integration into the EU, but at the same time rises many social and economic problems. First of all, Visaginas town development perspectives are bonded with the activity of the nuclear power plant. Ignalina NPP provided stable and quite high salaries and social guarantees to its employees in this region. Only direct employment losing in the region may reach 8-9 thousand people from 2010 to 2015 because of the Ignalina NPP closure. Therefore, it is very important to prepare effective social-economic measures, which would help to at least partly compensate the negative consequences.

These measures should cover such business environment improving aspects:

1. Tax reduction (economic zone, municipal strategy for taking advantage of the provisions of deprived areas);
2. Partial reimbursement of electricity, heating, water taxes (closer cooperation of municipalities and businesses in seek of a solution to this problem);
3. Current asset problem solution (municipality, bank, credit union dialogue with entrepreneurs);
4. Full support of various state agencies and funds for entrepreneurs, which are willing or are engaged in alternative energy production/extraction and activity, associated with the production of energy (waste wood, peat and other local resources).
5. Assessing main rural tourism position reinforcement aspects, strong support for the representatives of rural tourism should be given by the municipalities

(through tourism and culture centers) initiating and organizing mass regional and national events, celebrations and sport competitions.

6. A study of rural tourism resources should be (inventory of accommodation options in the region, leisure and cognitive tourism service variety, tourist and charter routes, their themes, local professional guide ability to provide services, regional tourism service coordinator establishment option. Such tourism centers are active in Zarasai and Ignalina since 1999, however a connection of these information centers would help to coordinate tourism services region-wide and better results would be achievable).
7. National energy strategy states that Lithuania will support investments into a construction of a new block, in order to remain a nuclear energy country. Existing Ignalina NPP infrastructure and Lithuania will be used, because after closure of the plant, it left dependent from imported energy.

Currently a preparation for construction of a new Visaginas nuclear power plant (VNPP) is started; investment conditions are coordinated with the private investor. It is assumed that about 5000 specialists of various levels will be involved in the implementation of the VNPP construction project. There is no such workforce capacity in the Ignalina NPP region, so most of the workers should come from other parts of Lithuania and foreign countries. Only strategic investor Japan's corporation "Hitachi" is going to bring about 2000 specialists for the construction.

In order to create such high additional value workplaces, it is essential to create favorable conditions for respective business field coming to this region. Such conditions could be created by developing industry parks and improving business establishment in them conditions, decreasing the number of procedures for business establishment and management and improving the quality of the public sector services. Also the representatives of municipality administrations should seek to build relationships with potential foreign investors and to give attention for the preparation of concrete offers for investors. The creation of a clear business service scheme would decrease the risks of corruption.

The main programs and funds that influence business development in the region: Ignalina NPP decommissioning program, Ignalina program, Visaginas regional growth center complex development investment program, Neris pool investment program I stage project, regional significance stimulation programs, EU structural funds (the most actual – infrastructure improvement and renewal, support for business development and new enterprise establishment, support for rural tourism development, employee qualification improvement and etc.); labor exchange employment and business development stimulation measures, labor exchange exemptions, benefits and other aid for business development.

11.3. Industrial territories and business incubators in the Ignalina NPP region

Ignalina nuclear power plant region business incubator

Public institution “Ignalina nuclear power plant business incubator” (hereinafter – INPPBI) is a non-profit organization. The main goal of the INPP region business incubator – to decrease risks of already existing or starting company activity, help incubated economy subjects reach such level that they could separately engage in an economy-commercial activities and compete in the market, in addition motivating establishment of new workplaces; provide informational, consultancy and training services for the region’s entrepreneurs, stimulate installation of innovative technologies in the business.

Main functions of the incubator: facility, hardware and office equipment rental and business information, consultancy and training service provision under preferential conditions for incubated economy subjects.

During 2010 employees of the incubator provided 87 hours of consultations by implementing projects, 80 people, which are starting a business, applied for information.

The incubator also implements other projects, which are linked to the improvement of region workforce qualification, professional orientation of the youth and general business environment improvement.

Visaginas industrial zone

Visaginas industrial zone was being established in the territory of Karlai village, in the place of old industrial zone. A railway and a highway are near the industrial zone.

Former Karl rural industrial zone covers a total area of 35 acres. In the beginning, the whole area was devoted for an industrial park, but investments into infrastructure haven’t been made, a clear park’s development strategy hasn’t been created and the whole area of the industrial park is currently privatized.

Currently according to the decision of the Visaginas industrial park project development plans are stopped. Further perspectives of the industrial territory development are unclear. Also no territories are provided for the creation of new industrial parks.

Vidiskes industrial zone

Vidiskes industrial zone in the Ignalina district can be marked as a provided territory for an industrial zone. The planned activity of the area – small production. It is planned to ask for EU structural support funds for the development of the zone. These preparation works have been done in 2007, but the creation of the industrial park has stopped since then and the project of this industrial park is still not implemented. Its perspectives are unclear.

12.LEGAL REGULATION OF INVESTMENT

12.1. Current legal regulation

Favorable conditions for investment are directly linked to a legal environment, which determines the investment decisions – where to invest. The speed of investment project implementation is also very strongly connected to the legal procedure proportion and administrative burden for the investors. Enforcer role can also be marked as very important in the investment decision making. This means opportune attitude of concrete municipality employees to investment attraction to the regions.

Republic of Lithuania (hereinafter – LR) investment legal system consists of more than 50 laws and other legal acts, which regulate investment, next to that are legal acts, which are adopted by regional subjects and all this completes the general investment environment

LR has signed about 38 bilateral treaties on investment promotion and reciprocal protection. Contracts determine favorable investment regime on the basis of reciprocity. It must be marked, that most of the treaties on investment promotion security do not determine LR obligation of the regulated investment treatment, benefit or privilege rising from a common market, customs union, economic union, free trade area or regional economic integration agreement, which the country belongs or may belong to in the future, or current or future double taxation agreement with a third party regulations. Furthermore, LR has signed more than 40 bilateral treaties on income and capital double taxation and prevention of tax evasion. These treaties determine particular benefits for foreign investments in LR.

European Union legislations

Even though direct investment regulation in the base cover is regulated by the national member country legislations, EU legal acts are important because of limitations of national support for investors. Member country support for investors is regulated by the EU treaty and State aid rules. Also an important role is given to the European Union in projecting the financial perspective of each period and approving the national general state strategy. Currently on the EC Committee 2007 April 26th decision Nr. CCI 2007LT16UNS001 2007-2013 Lithuanian EU structural support usage strategy is approved for the convergence goal implementation, on the basis of which EU structural support funds are allocated. According to this strategy such programs have been approved:

- 2007-2013 human resource development activity program;
- 2007-2013 Economic growth activity program;
- 2007-2013 Cohesion promotion activity program;
- 2007-2013 Technical support activity program.

Legislations of the Republic of Lithuania

The main legal act, which regulates the conditions of investment in the Republic of Lithuania, the rights of investors and investment security measures for all types of investments is the 1999 July 7th Investment law of the Republic of Lithuania (fhereinafter – Investment law).

Without this law investments in Lithuania are regulated by:

- 2002 June 20th 43rd article 3rd part implementation constitutional law Nr. IX-960 of the Constitution of the Republic of Lithuania (hereinafter – Constitutional law);
- 1995 June 28th Republic of Lithuania free economic zone law Nr. I-976 (hereinafter – FEZ fundamental law);
- 1996 September 10th Republic of Lithuania concessions law Nr. I-1510 (hereinafter – Concessions law);
- 1998 November 24th Republic of Lithuania small and medium business law Nr. VIII-935 (hereinafter – SMB law) and others.

Listed above laws are detailed and their implementation procedure is regulated by secondary legislations.

The government also has approved a lot of programs, related to Investment in Lithuania promoting. One of the primary programs is Investment promotion in 2008-2013 program, which was approved on the 19th of December, 2007 by a resolution Nr. 1447 (hereinafter – Investment promotion program), which provides investment promotion general politics aims and goals and measures in 2008-2013.

Investment promotion program determines an aim to improve investment environment in Lithuania and create an effective direct local and foreign investment promotion system, first of all oriented to a long-term national economy growth, economic growth and improvement of public welfare by improving the image of Lithuania – an attractive investment country, flexibly regulating work relationships, creating and improving investment promotion measure system, creating a favorable taxation environment for business, quickening territory planning and construction document managing processes, creating and developing industrial park network and promoting development of other industrial territories.

By the LR Government 2005 May 23rd resolution Nr. 575 approved strategy of Lithuanian regional environment until 2013, a priority is given to a territorial economic development of Lithuania, which implementation goals are:

Table 12.1.1.

Territorial economic development goals

Goal	Measure
1. Increase the competitiveness of industrial and business companies of regional centers by installing innovations and new technologies.	1.1. promote industrial, business and science communications; 1.2. establish innovative and technological parks.
2. Create favorable conditions for business development, company cooperation and clustering in regional centers.	2.1. create and develop industrial zones and parks with modern infrastructures; 2.2. develop engineering infrastructure; 2.3. develop transport infrastructure; 2.4. promote company cooperation, increase large, small and medium business company cooperation; 2.5. create conditions for company clustering.
3. Develop the supply of services for business in regional centers.	3.1. establish innovation promotion centers or their subdivisions in regional centers; 3.2. develop business incubator services; 3.3. develop consultancy services for businesses; 3.4. develop financial support for the expenditure of small business.
4. Promote human recourse development.	4.1. modernize professional education institutions, improve professional training; 4.2. promote orientation of university and non-university higher education (colleges) institution education programs to the regional center demand for high qualification specialists; 4.3. rise employee qualification, improve their administrative abilities.
5. Increase regional center and surrounding territory integration.	5.1. create conditions for regional center company economic communication development with surrounding regional center small and medium business companies; 5.2. create conditions for workforce movement to regional centers; 5.3. decrease inner territorial social economic inequalities in the region – develop social expansion territories.
6. Improve administrative procedures and increase administrative institution employee administrative abilities. Measure for the implementation of the goal are:	6.1. introduce simpler land area granting to an investor procedures; 6.2. create assumptions for faster administrative decisions in order to attract more investments; 6.3. increase administrative abilities in the fields of regional development planning, implementation, development planning and project preparation.

A part of aims listed above are directly linked to investment attraction to the regions by providing benefits for investors.

Municipality councils, without overstepping provided values, have a permission to decrease tariffs of taxes such as land, land rent, real estate, part of the personal income tax, local levies. LR small and medium business development law creates assumptions to form special small and medium size business motivation funds from municipal budgets, foreign and international organizations and fond funding, various sponsor target funds and etc.

12.2. Investment promotion

Investments are promoted in these ways:

1. Tax benefits are given to investors according to tax laws;
2. Employee requalification costs are partly or fully covered in accordance with the Government of the Republic of Lithuania or its authorized institution;
3. Lithuanian and foreign creditors, who gave loans to investment projects, are provided by the state (municipal) guarantees;
4. Loan for economic entities of investment projects return can be ensured by State established guarantee institutions or insurance company provided guarantees or loan insurance;
5. For larger than 200 mln. litas and meeting the criteria set out by the Government investments, Government's or its authorized institutions are providing special investment and business conditions by the treaties signed before 1st September, 2001;
6. For larger than 20 mln. litas and in regions, where unemployment level is higher than the national average for larger than 5 mln. litas investments, LR Government or its authorized institution sign an investment treaty, which determines the special investment and business conditions for the investor;
7. Investment treaties that meet the criteria of the municipality council are signed for investments into municipality's. Special investment, business or land choosing conditions are determined by the competence of the municipality;
8. In the cases that are stated in LR legislations state-owned land is leased to the investor without an auction.
9. Infrastructure (to the land area which is given to the investor) is arranged by the funds of the state (municipality) or by the order of an authorized institution.

Not less important are the proactive investment promotion measures and investment security and guarantees. Investment rights and interests are protected by the laws of LR.

Support for small and medium-sized business subjects

The country promotes small and medium-sized business (hereinafter – SMB) subjects, which are defined in the SMB law as medium-sized enterprises, small enterprises (including microenterprises) and natural persons, which according to the law have permission to engage in an independent commercial, production or professional and other similar nature activity, including the one, in which ones are engaged in with an employment certificate. National support for SMB subjects is provided according to Government's, district's or municipality's SMB development programs, with a priority to small enterprises and entrepreneurs, which meet the requirements, stated for very small and small enterprises.

SMB subject can be provided with these support forms:

1. Tax credit (where they are fixed by law), toll concessions;
2. Financial aid in the order of legal acts: provision of soft loans, micro-lending, partial or complete coverage of interest, provision of guarantees, credit insurance, risk capital investment, particular expenditure (establishment, research, guarantee fee, credit insurance payment, certification (registration), conformity assessment and other) compensation, subsidies for creation of new workplaces;
3. Public service for business provision PI "Eksplotuojančioji Lietuva", in business incubators, business information centers, science and technology parks and other entities, which establishment documents state service provision;
4. Other government or municipal set forms of assistance.

According to LR Government resolution Nr.887 on 11th of July, 2001 "For small and medium business development" a guarantee institution UAB „Investicijų ir verslo garantijos" is established and provides guarantees, which secure the return of LR and foreign country credit institution and financial rent (leasing) credit part from small and medium-sized business subject loans, cover partial costs of new (unused) production equipment and (or) new (unused) equipment financial rent (leasing), invest risk capital into small and medium-sized business subjects and (or) states property into collective investment subjects, administrates these investments.

Taxes and tax benefits

Table 12.2.1.

Main taxes

Tax	Tariff
Income tax	15 percent (+ 6 percent health insurance payment) 5 percent applied for individual incomes, except incomes from free profession activities and incomes from stocks. 20 percent tariff for incomes from distributed profit.
Profit tax	15 percent.

Tax	Tariff
	5 percent. ¹¹
Value Added Tax	21 percent 5 percent and 9 percent ¹²
Dividends	15 percent
Real estate tax	0,3 percent – 1 percent
Land tax	1,5 percent
Land rent tax	not less than 1,5 percent, but not more than 4 percent

Profit tax law Nr. IX-675 of the Republic of Lithuania on 20th of December, 2001 states that Lithuanian unit, permanent habitat taxable profit is taxed with 15 percent tariff. Companies, which employee list on average do not exceed 10 people and incomes do not exceed 500 thousand litas are taxed with 5 percent tariff, except particular cases.

A company, which is implementing an investment project, can decrease their taxable profit during a taxation period. Evaluated taxable profit is decreased by the value of outcomes, that were spent on acquisition of assets, if the property is needed for the unit's investment project implementation and: 1) property is included in Profit tax law 1 addition long-term property groups "machinery and equipment", "equipment (buildings, wells and other)", "computer technologies and communication tools (computers, their networks and equipment)", "software", "acquired rights". 2) property is unused and produced more than 2 years ago (counting since the first use of long-term property).

Taxable profit can be decreased not more than 50 percent. If outcomes exceed 50 percent of the taxation period evaluated sum, the 50 percent exceeding outcomes can be moved to decrease the next four evaluated taxation period sums, respectively decreasing the moveable taxable outcome sum. Factual outcome sum must be decreased by the national budget, Governmental social insurance fund budget, Compulsory health insurance fund budget, other nations money fund, municipality fund, European Union and other financial support recourses, if such resources or support was obtained. Taxable profit can be decreased only by outcomes from 2009–2013 taxation periods.

Long-term property, because of which acquisition taxable profit was decreased, must be used in the activity of enterprise at least for three years. An enterprise, which is going to decrease its taxable profit because of an implementing investment project, has to inform a local tax administrator, when the implementation is begun.

Ignalina NPP region investment promotion environment

By the Government resolution Nr. 287 on the 26th of February "For Ignalina nuclear power plant region formation and Ignalina nuclear power plant region development

¹¹ Subjects (except nonprofit), in which average employee lists do not exceed 10 people and tax period incomes do not exceed 1 million litas, profit is taxed with 5 percent tariff, except particular cases

¹² Preferential 9 percent VAT tariff is applied until 2011 December 31 for heating energy and hot water, hotel type and special accommodation services, 5 percent VAT tariff is applied to medications and medical care measures. Unlimited 9 percent tariff is applied to books and non-periodic information journals.

council formation order” an Ignalina nuclear power plant region was formed (hereinafter – Ignalina NPP region) from Ignalina district, Zarasai district and Visaginas municipality.

Ignalina NPP region is provided with national financial support according to LR employment support law. According to LR social security and work minister order Nr.A1-499 on the 123th of August, 2009 approved Active labor market policy measure implementation condition and procedure description from the national budget or Employment fund recourses a subsidy is appointed to local employment initiative project implementation in target territories, which aid conditions are stated in the 2006 December 15th EB regulation Nr. 1998/2006 for Treaty article 87 and 88 implementation *de minimis* support (PL 2006 L 379, p. 5). Maximal local employment initiative provider asked subsidy cannot exceed 345 000 Lt. Local employment initiative project provider must ensure that the obtained *de minimis* support during the last consequent three years will not exceed 690 000 Lt, in the transport sector – 345 000 Lt, fishery sector - 103 500 Lt, agricultural sector – 25800 Lt. The recipient of the subsidy must keep the created (adapted) new workspaces for three years from the date of the workplace creation (adaption).

Ignalina NPP region development council accepted Ignalina NPP region development plan, which evaluates one of the priorities – business, industry and rural expansion. The implementation aims for this project are:

1. Stimulate modern and competitive industrial and business company development by installing innovations and new technologies;
2. Form a favorable business environment in the region, promote investments in the region;
3. Establishment of new business companies, entrepreneurship boosting in the region;
4. Development of region’s tourism infrastructure, tourism services;
5. Development of a balanced rural expansion.

According to the Ignalina NPP region development council decision Nr.3 on the 23rd of January, 2004, a small and medium-sized business development program was approved.

PI Ignalina NPP region business incubator was established in Visaginas. Its purpose – to decrease risks of already existing or starting company activity, help incubated economy subjects reach such level that they could separately engage in an economy-commercial activities and compete in the market, in addition motivating establishment of new workplaces; provide informational, consultancy and training services for the region’s entrepreneurs, stimulate installation of innovative technologies in the business.

Business information center is active in Zarasai. After canceling Ignalina business information center, PI “Versli Lietuva” bureau is present in Ignalina since November, 2011.

Ignalina district municipality

Ignalina district municipality council decision Nr. T-28 on the 31st of March, 2011 approved Ignalina district municipality 2011-2018 year strategic development plan.

The vision of Ignalina in the Plan: **Ignalina district – the pearl of Eastern Lithuania – calm, unique nature resort, comfortable for local inhabitants and attractive for arriving people all year long.**

These priorities for the implementation of the vision are stated in the strategic development plan:

Priority 1. Tourism development

Priority 2. Human resource development

Priority 3. Business development

Priority 4. Development of the environment and rural locations

Council decision Nr. T-220 (4th July, 2007 decision Nr. T- 56 redaction) on the 2nd of April, 2004 approved "Support for small and medium-sized business subject fund regulations", which consolidate the forms of SMB support. Not more than two forms of support can be applied at one time to the same recipient of support.

Furthermore, according to Ignalina district municipality decision 1998-03-17 Nr. 72, benefits are applied to legal and natural persons, which are registered in Ignalina district and are carrying out the tax liability in the legal.

Ignalina district municipality council decision Nr. T-280 (25th November, 2010 decision Nr. T-219 redaction) on the 29th of April, 2004 approved a list of supportable business types:

1. Local resource (peat, clay, wood) usage.
2. Reviving of not working infrastructure objects.
3. Information technology service, publishing.
4. Non-traditional agriculture businesses.
5. Catering services in the municipality, except the town of Ignalina.
6. Pharmacies in the municipality, except the town of Ignalina.
7. Cooperated rural tourism homestead and hotel activity.
8. Fruit, berry, mushroom and agricultural raw materials conversion.
9. Stove, fireplace and chimney construction, repair and cleaning.

Zarasai district municipality

Zarasai district municipality decision on 2008-03-07 approved 2008-2013 strategic development plan and Zarasai district municipality development in 2008-2013 measure plan.

Zarasai district municipality decision Nr. T-188 on the 8th of September, 2010 approved Zarasai district municipality small and medium-sized business development aid program, according to which business subject can be applied forms of financial support from region's municipality budget funds.

Zarasai district municipality general plan was approved on 2011-02-03 by the decision of Zarasai district municipality council decision Nr. T-1.

Visaginas municipality

Visaginas municipality council decision Nr.TS-9 on the 17th of February, 2011 approved Visaginas municipality strategic activity plan for 2011-2013, which integral part is the economic development program in Visaginas municipality. It states these aims and goals:

- Promote establishment and development of small and medium-sized business subjects: create as favorable as possible conditions for establishment and development of business by participating in provision of support for SMB development, consulting entrepreneurs, participating in the activities of PI Ignalina NPP region business incubator, PI Ignalina NPP region development agency and other organizations.
- Create a favorable environment for investments: attract EU and other fund resources for town development project implementation.
- Create a favorable environment for tourism.

Furthermore, Visaginas municipality council approved Visaginas municipality strategic development plan for 2010-2015 by a decision on the 7th of May, 2010. This plan, including other priorities, states these priorities: economic sector diversification; development of a stable and balanced region by investment promotion and infrastructure improvement.

Visaginas town municipality council has approved Land tax and national land rent benefit and providing in the Visaginas municipality description and a Real estate tax benefit consideration and provision in Visaginas municipality procedure description, by which benefits for land, national land rent and real estate tax are applied.

Visaginas town general plan was established on 2009-07-15 and revised on 2011-02-02.

Table 12.2.2.
Forms of support for SMB subjects

Support	Ignalina d. mun.	Zarasai d. mun.	Visaginas mun.
Exhibition cost coating	up to 100 percent of outcomes for the exposition place in the exhibition, but not more than 2000 LT	<i>No information</i>	<i>No information</i>

Support	Iğnalina d. mun.	Zarasai d. mun.	Visaginas mun.
Exhibition cost coating	up to 100 percent of outcomes for the exposition place in the exhibition, but not more than 2000 LT	<i>No information</i>	<i>No information</i>
Loan interest coating	100 percent of interest rate, but not more than 12000 LT	1. is provided for business subjects, which have obtained a long-term credit for investments from a credit institution, for at least 3 year period; maximal credit interest rate part, which is coated, is 200thousand litas. 1.1. 1 st year – 50 percent of interest rate; 1.2. 2 nd year – 25 percent; 2.3. 3 rd year – 10 percent.	1. Interest free loan is provided if personal property is pledged and not for a longer period than 2 years. The obtained loan must not exceed 50 percent of the pledged property market value. 2. Partly coated loan interest rates for banks, which provide credits to SMB development subjects.
Advertising cost coating		Advertising leaflet publishing cost compensation – up to 700 LT, but not more than 50 percent of the sum.	<i>No information</i>
Business plan, application for financial support obtaining from EU and other funds cost coating	up to 100 percent of expenditure, but not more than 2000 LT each	1. Preparation of business plans for credit obtaining costs coating is provided with a compensation, but not more than 700 LT; 2. preparation of business plans (applications) and documents for support from EU structural funds, Iğnalina NPP region small and medium-sized business development program and other business support funds cost coating is supplied with a compensation of up to 50 percent, but not more than 3000 LT;	<i>No information</i>
Business establishment	up to 100 percent of business	100 percent compensation of notary payment for	<i>No information</i>

Support	Ignalina d. mun.	Zarasai d. mun.	Visaginas mun.
Exhibition cost coating	up to 100 percent of outcomes for the exposition place in the exhibition, but not more than 2000 LT	<i>No information</i>	<i>No information</i>
	establishment or expansion are coated, but not more than 15000 Lt.	establishing document conformity clearance, payment to a PI Register center for registering a legal entity, but not more than 500 Lt.	

Table 12.2.3.

Tax incentives

Tax	Ignalina d. mun.	Zarasai d. mun.	Visaginas mun.
Land rent tax	3 percent for other purpose land 1.5 percent for agricultural land	1.5 percent 3 percent, if the land is not registered in the RE register and if the habitat of the legal entity is not Zarasai d.	1.5 percent for natural persons 3 percent for legal entities
Real estate tax	1 percent	0.8 percent	1 percent. 0.3 percent - in 2012 ¹³
An incentive for land and land rent tax	1. 50 percent (except uncultivated land) land and land rent tax is applied to those, who use land for agricultural output production and keeps a good agricultural condition		1. 100 percent for newly established companies, if 5-10 new workplaces are established for the residents of the municipality, if work treaties are prepared for a full-day job (workplaces are going to be kept at least for a year);

¹³ <http://www.vmi.lt/lt/?itemId=10823091>

Tax	Ignalina d. mun.	Zarasai d. mun.	Visaginas mun.
	2. Dismiss legal entities and neutral persons from land rent tax for three years, if the land is rented from a national land fund for the first time and if social taxes security insurance payments are paid		<p>2. Decreased by 100 percent for companies, which employ at least 10 residents of the municipality, active for more than one year, if work treaties are prepared for a full-day job (workplaces are going to be kept at least for a year);</p> <p>3. 50 percent – for companies, which have invested into management and/or infrastructure of the municipality territory, according to in advance coordinated projects, when the managed territory and/or infrastructure is not a part of company's used or leased area. The sum of investments must be at least 20 percent larger than the value of tax relief.</p>
Real estate tax relief	Decrease property tax by 1000 Lt for every additional workplace, when employing Ignalina district residents, which are searching for work with the help of labor exchange, to individual (personal) companies without legal personality rights, partnerships, legal persons.	SMB subjects can be applied tax reliefs (if they are fixed by law), i.e. exemption from real estate tax for directly created property by the implemented project (during the implementation period), if a business subject is implementing a project, linked with hotel activity (code 55.1 by the Economic activity classificatory, not only provides a temporary accommodation, but also provides foods and leisure activities) in the region with the resources of 2007-2013 European Union structural support funds	<p>1. Decrease by 75 percent for business subjects, which are established by the unemployed, graduates of vocational training and / or by the unemployed younger than 25 years;</p> <p>2. Decrease by 75 percent if companies purchased unused (more than for 5 years) and/or constructions and invested into their reconstruction, renewed company's public and/or industrial real estate;</p>

Tax	Ignalina d. mun.	Zarasai d. mun.	Visaginas mun.
			3. 50 percent – for companies, which real estate purpose meets with the priorities stated by the documents of municipality's strategic and territory planning documents, engaged in activities, which are promoted by municipal council;
			4. 50 percent, if companies purchased unused (from 3 to 5 years) buildings and/or constructions and invested into their reconstruction, renewed company's public and/or industrial real estate;
			5. 50 percent during the current year, if newly established companies created 5-10 workplaces for residents, registered in the municipality (if a full-time employment contract is signed);
Enterprise tax	1. Exempt legal persons and individual enterprises, which all founders are unemployed, for the first year of activity from all taxes, which are paid to the budget of the municipality.		
	2.Exempt agricultural cooperatives		

Lithuanian legal basis, which regulates investment, business development, complies with European Union legislations and is constantly improved. Lithuania has prepared and is implementing a General National strategy, Investment promotion program, Economic growth action program and other programs, which are related to investment promotion, business development, applies various forms of support for business and investments. However, legislations, strategic and program aims and goals are not implemented properly

due to insufficient or improper regulation of secondary legislation. Inaccurately regulated legislations create assumptions for their improper interpretation. Investment is difficult due to various testing, inspection, audit procedures. Furthermore, Ignalina NPP region municipalities do not use the given advantages in providing support to investors and business subjects in order to increase attractiveness of the region for investors, in comparison with other municipalities.

12.3. Potential forms of attracting capital investment

General principles of investment in Lithuania

According to the Investment law, investments are monetary resources and tangible, intangible and financial property, which is assessed in accordance with laws and other regulations and is invested to gain profit (incomes), social result (in the fields of education, culture, science, health and social security and other) or to ensure the implementation of state functions. A foreign investor is allowed to contribute in a formed entity's capital either in foreign or in Lithuanian national currency.

Investors in Lithuania can be the Republic of Lithuania itself, national, international organizations, legal persons and individuals from the Republic of Lithuania, which invest personal, leased or a trust managed and used property. International bilateral investment promotional and protection treaties determine an obligation for the contracting parties not to discriminate the other party's investors, not to interfere with the management of capital investment, its usage and disposal. Lithuania, according to these treaties, is obliged to ensure equally favorable conditions for investors from Lithuania and third countries.

Investments are allowed in all legal commercial and economic activities, except national security and defense assurance activities. When investing into an economic subject, which activity is licensed, a license must be obtained.

Constitutional law determines particular restraints for acquisition of ownership of land. Foreign subjects, established in EU member states or states, which have signed European treaty (Association treaty) with European communities and their member states, as well as in the member states of Economic cooperation and development organization, North Atlantic Treaty Organization and participants of European economic space, citizens and permanent residents of these states are allowed to purchase ownership rights of non-agricultural purpose land, which are determined in the establishment documentation, for existing building and equipment exploitation, for such building and equipment construction and exploitation, except lands, which are stated in the 9th article of the constitutional law. These persons, except those foreigners, who have lived in Lithuania and have been engaged in agricultural activity at least for 3 years, and foreign legal persons and other foreign organizations, which have established representative offices or branches, cannot purchase ownership rights to agricultural purpose land until 30th April, 2014.

Investment methods

Investment law approves these methods of investment:

1. Establishing an entity or acquiring the capital of an entity or its part, which is registered in the Republic of Lithuania;
2. Acquiring all kinds of stocks;
3. Creating or acquiring a long-term property or increasing its value;
4. Leasing funds or other property for entities, in which a part of capital belongs to the investor, providing rights to control or influence the activity of an entity;
5. Executing concessions, leasing (leasing) as well as government and private partnership contracts.

If there are legal assumptions for the first four method execution and development in the Ignalina NPP, and their promotion measures are described above, then a stronger promotion and support is needed for the fifth form of investment in the implementation of public service development projects. A respective comment is given about this method. As well as exceptional investment promotion forms such as industrial parks and free economic zones.

Industrial park

Industrial park – a territory, which is described in territory planning documentation, for more than one investment project implementation, has a status of a nationally important economic project and which minimal boundaries are determined by the LR Government or its authorized institution. The purpose of industrial parks is to attract private investments and to create workplaces by installing engineering infrastructure.

Currently, there are 4 industrial park projects in Lithuania: Alytus, Kedainiai, Panevezys, Siauliai¹⁴.

PHARE program financed project “Support for greenfield investment promotion in Lithuania” in 2004–2006 distinguished five main municipal industrial park development models, depending on the level of commitment by the municipality, private sector inclusion and institutional structure complexity, providing the advantages and weaknesses of each model.

¹⁴ Internet source: www.investlithuania.lt

Table 12.3.1.

Industrial park development models

Model	Model description	Advantages	Weaknesses
Municipality administration (personnel of the municipality)	Typical model, which is applied in the cases of smaller industrial zones (i.e. less than 40 hectares without a perspective to expand or create additional zones. Zone expansion and advertising will be carried out by the personnel of the municipality (where needed combining with simple equipment, for example, physical infrastructural works).	Does not create additional expenditure and requires less funding than establishment of an zone management agency	1. It might be difficult to accumulate a required combination of skills and competence in the municipality, because there is a risk that the quality of investor services may be lower than in the other case. The municipality is also more dependent from national and regional investment agencies, which would concentrate most (if not all) investment promotion activities in their hands.
Independent public zone management agency	Independent public agencies are created as a separate legal subject, which main shareholders are the municipality or other public government institutions.	<ol style="list-style-type: none"> 1. Appropriate, if the development of the zone requires large-scale (more than 40 ha) management and therefore in order to accomplish all works, it will last longer; 2. In the next stage the portfolio of the agency may add new areas; 3. Particular scale autonomy and initiative is provided, combining with the option to determine the mission, describe aims and other criteria of the activity; 4. A clear image is created for the establishment of contacts with investors; 5. Dynamical marketing, organizational culture oriented to the client is stimulated; 6. An opportunity to attract specialists; 7. A legal subject is created, because of which particular risks and obligations are separated from the 	<ol style="list-style-type: none"> 1. Increased costs of additional overhead expenditure (personnel, administration, offices); 2. Because of the autonomy, a risk of inactivity or even illegal actions arises 3. Conflict risk arises, when there are several partners.

Model	Model description	Advantages	Weaknesses
		municipality; 8. Conditions for more flexible treaties and negotiations with third countries are formed.	
Contract public-private partnership	A mixed form, in which the contribution of the municipality is some kind of property and resources (for example, land itself), but a contract is signed with a selected party from the public sector on the main activity, such as infrastructure development, zone advertising, implementation.	Professional experience and the resources of a private partner, as well as avoiding of confusion and risk, which is possible when establishing a cooperation company with a private partner.	Weaker control of strategic orientation and zone management processes
Cooperative public-private partnership	Cooperative (joint activity) – third model equivalent, in which public and private partner (-s) decide to establish a joint venture for the development and management of the zone.	Appropriate in large-scale development project cases.	1. Complex, therefore, more expensive method, which requires more legal preparation (especially impartial and transparent selection procedures for State support); 2. Conflict risks; 3. Long open partner selection procedure; 4. Risks of private partner inactivity.
Fully private development	The implementation of the industrial zone is exceptionally entrusted to the participants of the private sector, often for companies, which specialize in the development of concentrated industrial zones.	1. The municipality has a simplified role, if not providing financial support, then providing support during the special planning. 2. Possible because of a favorable location of the zone next to a densely populated center or transport hub; 3. Opportunity to increase the value of the development of the zone by creating integrated real estate concept, including multifunctional warehouses	Lower control of the process of zone development by the public sector, especially when talking about the investor attracting activities and possibility to offer an attractive pricing system

Model	Model description	Advantages	Weaknesses
		and production areas, special purpose buildings, office areas and etc.; 4. Opportunity to create synergetic additional price by decreasing costs or increasing incomes.	

It is obvious that in the cases of every special zone, the selected model will depend on the resources, which exist and will be given by the municipality. In our opinion, a model, in which the municipality establishes a special, conditionally independent zone management agency (2nd model) or in which the land would be offered to a private participant in attractive conditions by signing a contract (3rd model), would fit in Lithuania. Establishment of a special public agency, of course, would increase the possibility of success, but it would only be justified in the case of a large zone (currently or in the future). For smaller zones, or where local resources are limited, the municipality could decide to administrate the development and promotion of the zone with the help of its personnel (1st model).¹⁵

Free economic zone

In order to create favorable business conditions, free economic zones (hereinafter – FEZ) are established. Their goals are favorable tax, duty, currency and financial, legal and other preferential economic-commercial activity conditions for foreign and local business subject, company or organization establishment, which would engage in international trades, production and export, finances, science-technic innovation creation and installation, promote foreign investments, create new workplaces.

FEZ, in coordination with the Customs Department near the Ministry of Finance, can be established in parts of the zone's territory, which meet the requirements of unoccupied zones, which have been stated on the 12th October, 1992 by the Council regulation (EEB) Nr.2913/92 determining the Community customs codex, 2nd June, 1993 Committee regulation (EEB) Nr. 2454/93, which sets out the provisions of implementation of regulation Nr. 2913/92, customs of the Republic of Lithuania law and other legislations.

FEZ establishment initiators can be municipality councils and the Lithuanian Ministry of Economy, which provide an offering to establish a zone.

Companies, which are registered in the FEZ, and their employees according to European Union legislations and their application in the Republic of Lithuania order regulation legislations, have to pay import duties, which are described on the 12th October, 1992 Council regulation (EEB), determining the Community customs codex, 4th article 10th point.

¹⁵ General method recommendation document – Greenfield industry zone development and marketing in Lithuania

FEZ management company pays a preferential – decreased by 50 percent land rent tax for the leased state land.

FEZ company, which obtained capital investments of not less than 1 million euros, for the next 6 taxation periods, beginning from the taxation period, when the investment was obtained, is exempted from profit tax and for the next 10 taxation periods it is exempted from 50 percent of the profit tax. This benefit can be applied only in that case, if not less than 75 percent of the respective taxation period the incomes of the zone company consist of production, processing, recycling, storing, wholesales and (or) services, linked with the mentioned activities, in the zone. This benefit in no ways can be applied for credit institutions and insurance companies.

Dividends, which were obtained by foreign investors in the FEZ, are not taxed, if not less than 10 percent of voting shares are managed by foreign investors for at least 12 months continuously, including the period of dividend distribution moment.

Table 12.3.2.
Tax reliefs in FEZ

Tax	Relief
Profit tax	FEZ company, which obtained capital investments of not less than 1 million euros, is exempted from profit tax for 6 years and the tax is decreased by 50 percent for the next 10 years.
VAT	0 percent tariff between EU countries
Dividend taxation	Dividends, which were obtained by foreign investors in the FEZ, are not taxed, if not less than 10 percent of voting shares are managed by foreign investors for at least 12 months continuously, including the period of dividend distribution moment.
Real estate tax	Tax-free.
State land rent tax	50 percent of the tariff.

Partnership of the public and the private sectors

Investment law 2nd article 15th part describes partnership of public and private sectors (hereinafter – PPPS) as state or municipality institution's and private sector subject's cooperation forms, which are determined by the laws and by which state or municipality institution hands over their functions in a particular activity to a private subject, which invests into this activity and the property that is needed to carry out this activity, in return for a statutory wage.

In order to develop infrastructure, these are the possible ways of municipality's project implementation:

1. Directly, on the strength of inner organizational resources, i.e. administration (particular real estate management through specialists of municipality administration);
2. Through an institution or a company established and fully controlled by a public subject (for example, kindergartens, clinics);

3. By handing over full responsibility to the private sector (for example, privatization and management of municipality's or state's property).

When a public function or infrastructure cannot be fully refused because of various reasons and the public sector alone lacks of resources (for example, financial, organizational, experience) to implement projects, a need to seek for cooperation with the private sector arises, therefore, 2 alternative forms of PPPS appear:

1. On the basis of a contract (directly or through a subject controlled by a public subject) gain needed resources from the private sector (for example, sign a concession or other contract);
2. Establish a joint company with a private investor (institutional PPPS).

Models of PPPS that can be distinguished in Lithuania:

- special, regulated by a separate law (privatization, procurements, concessions);
- partnership models regulated by general legislations (joint activity);
- non-regulated models (institutional partnership, other).

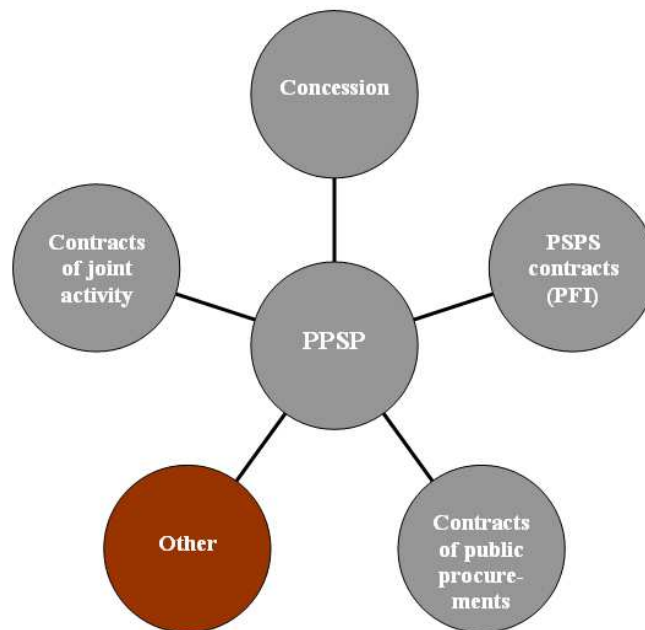


Image 12.3.1. Public and private sector partnership models

Traditional procurements

Procurement is understood as a purchase of goods, services or works, which are regulated by the LR procurement law, by signing a public sale and purchase agreement.

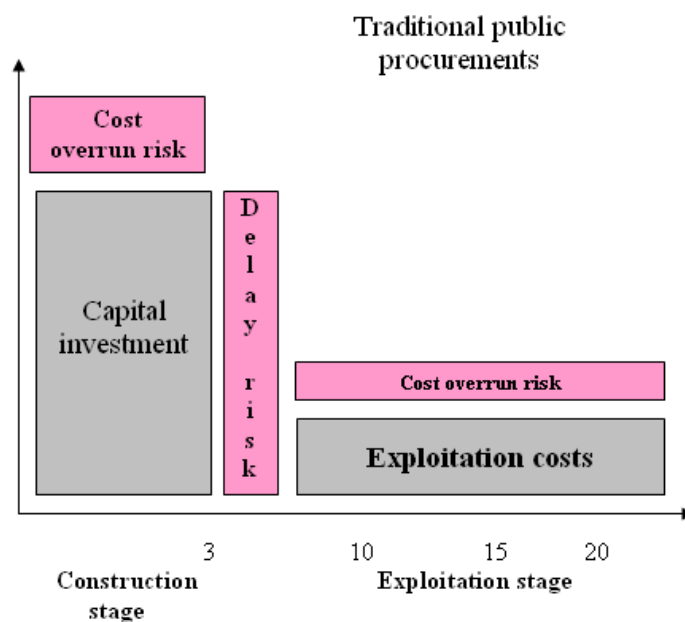


Image 12.3.2. Traditional procurement (contract tender) funding scheme

According to this cooperation model a respective Ignalina NPP municipality administration would purchase services of a private subject operator or a creation of required infrastructure (contract work) by a long-term agreement with a prevision to hand over a part of the risks to the private subject. Of course, it is important to ensure that the transfer of risk is not an end in itself, because it can affect the final price of the service offer. However, it was already mentioned that one of the PPPS aims is to find the best risk distribution between the parties so that the risk would be managed by the party, which would control it in the most appropriate way.

For example, in order to solve a problem of funding lack for a creation of a tourism/sport infrastructure a municipality is able to carry out a public work contract with a condition that payments to the private partner would be made by parts over a longer period of time (for example, 15 years) after the construction of the infrastructure. In the case of such “delayed” payments, it is appropriate to foresee a responsibility for the contractor to provide some of the services, which are related to the infrastructure (test maintenance/infrastructure economy maintenance), during the period of contract.

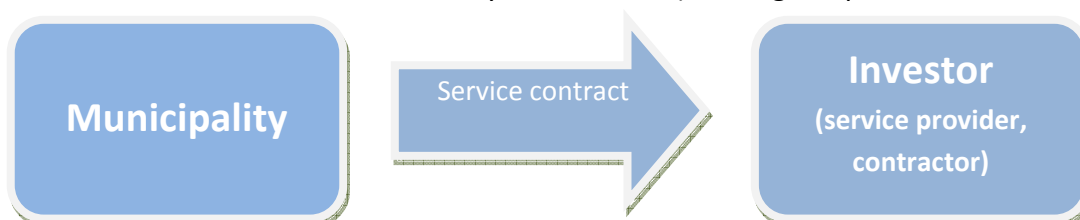


Image 12.3.3. Traditional procurement scheme

Partnership of the government and the private sector

According to the investment law 2nd article 18p. provisions, a partnership of the government and public sector subjects is a form of public and private sector partnership, when a private subject, in the order of a private and public sector partnership agreement, invests into functional activities, which have been assigned to the private sector subject, or required state's or municipality's property and engages in activities, which are determined in this law and are paid for by a governmental subject.

In such type agreements a private sector subject invests into design, construction, installation and other goods and services, according to the stated conditions. The wage to the private subject is paid by the governmental subject.

This model would create assumptions for the municipality to implement a project, which implementation in the traditional procurement model lacks foundation. Private sector subject would receive payments for up to 25 years from the municipality for the provided services. These payments would cover the costs of object's (for example, sport, tourism, social infrastructure or other) management investments. The main difference from the traditional procurement in this case is that the municipality does not experience any expenditure in the investment stage of the project.

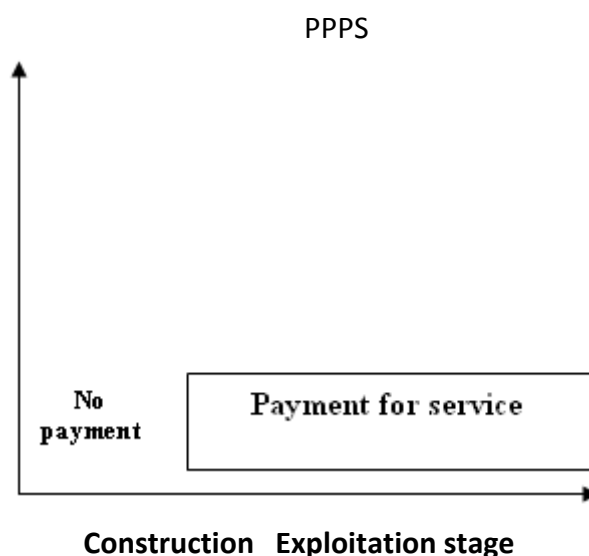


Image 12.3.4. PPPS funding scheme

This PPPS model may be applied in that case if the largest part of the project services is bought by the municipality, i.e. the public sector becomes the main payer. According to such model agreements, the investor may be obliged to design, construct and operate (manage) the object for up to 25 years and, after the contract period ends, the object is handed over to the public subject (municipality). There may be a different type of activity distribution, i.e. not all mentioned activities are handed over to private subject, only a part, for example, only the operation (management).

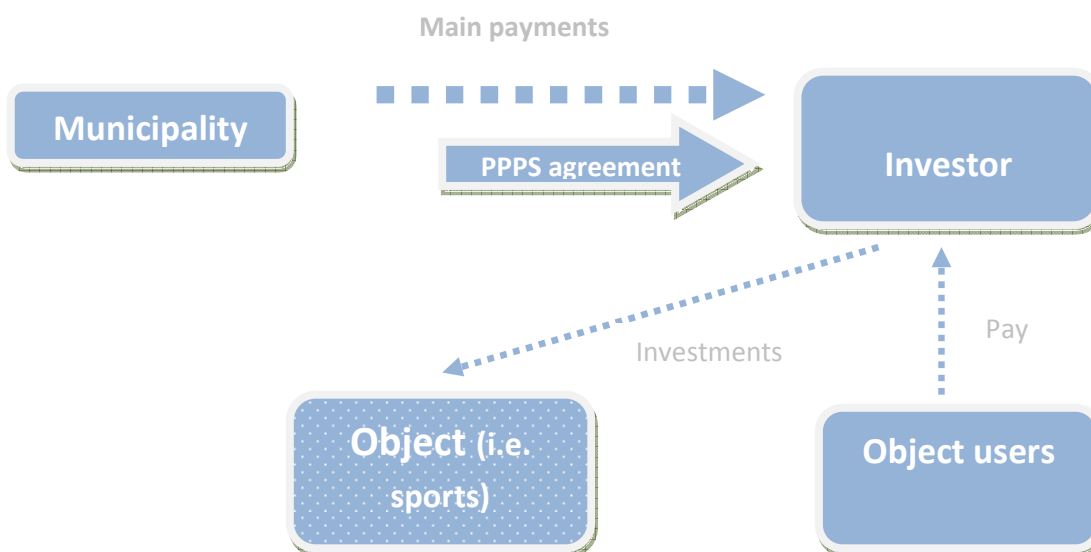


Image 12.3.5. Government and private subject cooperation scheme

Concession

According to the LR concession law 2nd article 1st p., a concession – is a permission to engage in economic-commercial activity, which is related to the infrastructure object design, construction, expansion, development, repair, renewal, management, usage and (or) maintenance, provide public services, manage and (or) use state's, municipality's property (including the exploitation of natural resources), according to a concession agreement and the conditions described in it, when the concessioner assumes all or a larger part of the risks, which are linked to that activity, rights and duties and the concessioner wage for that activity consists of the provision of the right to engage in such activity and the incomes that are gained by implementing, together with the salary, which is paid to the concessioner according to the accepted risks.

According to the concession agreement and its conditions, permission may be given to the private sector to engage in economic activity, related to building design, construction and other works and services, and to take the larger part of the risks that are related to it. According to the concession law, the salary of the concessioner may consist of: (1) only the right to engage in the respective activity or (2) a permission to engage in a respective activity and the incomes, which are gained together with the salary of the concessioner, which is paid by the providing institution.

It must be emphasized that the description of the concession in the European Committee interpretation communication for concession by the European Community law 2000/C121/02 allows the country to pay for the completed works in that case, if it does not cancel a significant risk element, which is inseparable from the exploitation. In regard, it is taken that in the case of concession payment by the providing institution, which compensates the main risk are not available. This means that according to concession payments, which exceed the risk accepted by the investor, are not available, because

larger payments than the taken risk would presuppose that the risk is accepted by the providing institution and that it is implementing procurement procedures by paying for the risk, therefore, the concession would not even be possible and Procurement law provisions would be applied.

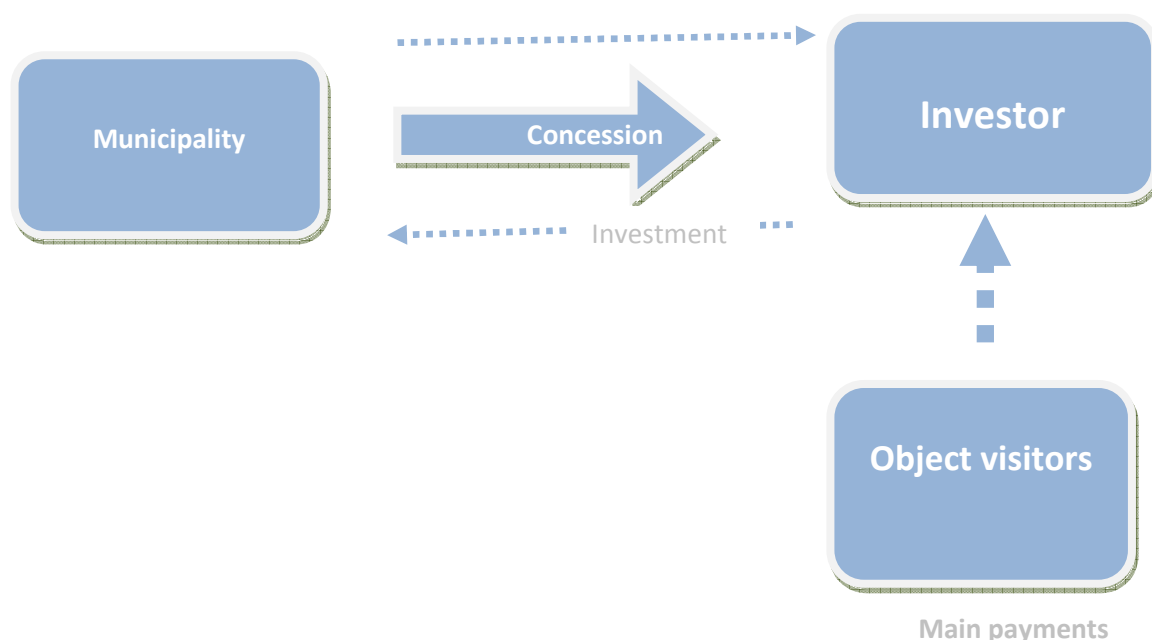


Image 12.3.6. Concession scheme

Table 12.3.3.

Main possible PPPS model comparison

Advantages	Weaknesses	Suitability for the project
PPPS Model - Traditional procurements		
<ul style="list-style-type: none"> - Known procedures - Easier partner changing - Stronger control 	<ul style="list-style-type: none"> -Particular legal constraints, when trying to hand over more risk or property (influences partner's financial obligations) -Funding need for investments in the primary stage of the project -Lacking budget earnings and implementing the project from loan money, these loans will get into the national debt. 	Project implementation with this model is not possible because of the resource lack in the municipality budget

Continuation of the table 12.3.3.		
Advantages	Weaknesses	Suitability for the project
PPPS Model - Government and private sector partnership		
<ul style="list-style-type: none"> - Possibility to ensure additional funding - Long-term obligation creation and risk transfer to the private subject - Increased benefits of investments into the infrastructure because of the competitiveness of the private sector, decreasing expenditures and reaching a higher quality - Private sector can be handed agricultural and other real estate management rights and opportunities of changing these rights, which creates more favorable investment project foundation conditions - Improved project implementation - Relatively strong control 	<ul style="list-style-type: none"> -Relatively new, untested procedures -Payments are only one-directional – from the municipality (influences municipality's risk level) -It may be difficult to agree and describe the quality of service -Requires procedural alignments with the Ministry of Finances -Contract period is limited to 25 years; -When having transferred the main investment project implementation risks, the debt will be accounted in the balance of the private subject 	<p>This model, when third-party person payments are larger than the foreseen payments of the municipality, would not be the most appropriate.</p> <p>It is applied in projects, which do not include third-party person payments or incomes from third-parties are small.</p> <p>The model would be favorable in that case, if the private investor would be able to loan some funds for a longer than usual term and the municipality would be the main service buyer and payer.</p> <p>It would allow identifying the project as financially viable and attractive for investors.</p>
PPPS Model - Concession		
<ul style="list-style-type: none"> - Opportunity to involve municipalities in order to reach higher stability - Diversificated income sources – more possibilities to optimally coordinate risks. - Relatively flexible procedures and agreement possibilities - Increased benefits of investments into the infrastructure because of the competitiveness of the private sector, decreasing expenditures and reaching a higher quality 	<ul style="list-style-type: none"> -Requires procedural alignments with the Ministry of Finances -Relatively harder partner changing possibilities 	<p>When the project is generating third-party person (final consumer) incomes and in those cases, when investor's incomes from third-party person (user) payments are larger than the payments of the municipality, the model is the most appropriate. The private subject takes the risk of construction, suitability risk and the larger part of demand risk. Generally, conditions presuppose the possibility to apply concession model.</p>

Continuation of the table 12.3.3.		
Advantages	Weaknesses	Suitability for the project
<ul style="list-style-type: none"> - More flexible private sector selection procedure, which is determined by the Procurement law (not formalized contest organization terms) - Created real estate may belong to a private investor 		<p>The model is appropriate because of the provision in the law that concessioners wage for its activities consists of only the permission to engage in such activity or the permission to engage in the activity and incomes from such activity together with the concessioners wage, for the taken risk, paid by the permission providing i.e. the law allows to carry out payments to the private sector, if they do not cover the larger part of construction and service cost (in that case, the procurement regime should be applied. Payments from third-parties in this project would become the main part, because the main payments will come from the sales to them, if, because of project infrastructure's insufficient demand from the point of final consumers), the main buyer is the public sector – the municipality, the more appropriate model is the government and private sector partnership model.</p>

In order to assess PPPS as a form of investment project implementation, advantage and benefit assumptions and to help state's institutions to decide which projects have to be included into long-term public and private sector investment project sectoral plans, on the 16th June, 2010 LR Minister of Economy decision Nr.4-538 " For public and private sector partnership expedience criteria determination and methodical recommendation for public and private sector partnership appliance expedience criteria approval" determined the expedience criteria for the public and private sector investment projects:

- investment project implementation is reasoned;
- investment project implementation is relevant;
- value of investments for the investment project implementation;
- public services, which are invested in, is an activity, which requires diverse resources;
- public sector requirements for the public services, which providing is handed over to the private sector on the basis of a long-term agreement;
- financial possibilities of the public sector to implement the project are sufficient.

It is emphasized that state's land is leased without an auction, if it is needed for the implementation of the public and private sector partnership agreement.

Table 12.3.4.

Advantages and weaknesses of public and private sector partnership.¹⁶

Advantages	Weaknesses
Guaranteed required investments to the public sector and more efficient management of state's funds;	Created infrastructure or services may cost more;
Guaranteed on-time and provision of better quality service;	Delaying payments, which are related to the partnership project, may negatively affect fiscal indexes of the public sector during the upcoming periods;
In most of the cases investment projects are implemented on time and do not require unsuspected additional public sector funding;	Service purchasing, when applying partnership, takes longer and cost more in comparison to the traditional procurements;
Private sector subject is given an opportunity to guarantee itself long-term incomes;	Partnership project contracts are long-term, complex and relatively inflexible, because it is difficult to foresee and assess all factors, which may influence the implementation of the planned activities in the future
Skills and experience of the private sector is used when implementing partnership projects;	
Decreased risk management costs if the risks are properly distributed;	
In most of the cases, the property, which is created by partnership contracts, can be accounted not in the balance of the public sector	

It is appropriate to apply PPPS when:

¹⁶ <http://www.ppplietuva.lt/partneryste/apie/partneryste-lietuvoje/puslapis-4.html>

- the planned project is of great value. According to international practice, because PPPS agreement formation and related costs are high, it is hardly possible that projects, which current planned turnover from the project is low, are implemented in the PPPS method so that that they would guarantee the value for money;
- aims of the project can be clearly defined. It is essential that the aims of the project, which is implemented by the PPPS method, could be clearly defined and valued, on the basis of them a mechanism of PPPS payments should be formed;
- it is possible to transfer risk to a partner. Risk transfer to a private partner is the main tool, which helps to reach the desired results, which value meets the principle of value for money. If the possibilities to transfer risks to a private partner are limited, it is le that such project implemented by PPPS method would guarantee value for money principle consistent results even if the respective property would be managed and services related to it would be provided by the private sector subject;
- market abilities and the desire to participate in analogous projects. Offered PPPS project should be potentially implementable business plan, which ensures turnover for the private sector. There should be interest in the project and skilled and motivated persons in the market. For example, if there is none in the market, who would want/be able to accept obligations for 25 years, it would be inappropriate to implement such investment project by the method of partnership;
- certainty of the public sector requirements for the infrastructure and services and their need in the long-term perspective. If a public sector subject precisely knows the need for the infrastructure, detail requirements for the services, which are related with that infrastructure, and is certain that in the long-run it will not change, then one of the PPPS methods should be discussed as an alternative for the implementation of the investment project.

If at least one of the above mentioned conditions is not present in the planned project, then it is not recommended to implement the project by one of the PPPS methods.¹⁷

12.4. Suggestions to improve the legal environment for investments in the region

7th July, 1994 LR local self-government law Nr.I-533 sets quite a lot of independent municipality functions, which empower municipalities to promote investments in their region. In regard to the requirements, obligations and given rights to the municipalities

¹⁷ Methodology of public and private sector partnership projects. Vilnius, 2009

that are stated in the legislations, adopted legislations, it is recommended to the municipalities, which belong to Ignalina NPP region, to:

1. In order to increase the attractiveness of the region, it is suggested to the municipalities of Ignalina d., Zarasai d. and Visaginas to consider the possibility of:
 - decreasing real estate tax tariff by 0,3 percent;
 - decreasing land tax tariff by 0,5 percent;
 - initiate public and private subject partnership projects in order to implement projects of region's important objects, which lack funding from the state's budget or other financial sources and which implementation would be managed more effectively by private subjects;
 - it is essential to assess less effectively managed property of municipalities and consider its privatization possibility;
 - suggest to LR Ministry of Economy to determine separate flexible mechanisms, which allow municipalities to fund initial investments together with private subjects, in the 2014-2020 European Union structural support priority formation.
2. Visaginas municipality, as the only industrial municipality in the region, by increasing the attractiveness of industrial investments, reviving the development of the industrial park and attracting new manufacturers, must consider the possibility to seek for FEZ status for the industrial park, with regard to the fact that Lithuania has not yet fulfilled the commitment to the European Union to have a determined area of free economic zones. In that case, Visaginas municipality would have the opportunity to not only use the advantages of the problematic territory status, but also to offer considerable exemptions to the FEZ investors.
3. It is important to mark that it is appropriate for the Visaginas municipality to communicate with the LR Ministry of Economy during the priority list of European Union 2014-2020 structural support formation, determine separate flexible mechanisms, which are for problematic territories, because the previous financial mechanisms (except separate public sector regional measures) for business development or creation only partly promoted investments in the problematic territories (because additional scores were given for that in the preparation stage), however in order to attract investments to regions from cities, it is appropriate to devote part of financial support exceptionally to the problematic territory business projects, so that they would not compete with the projects in the largest industrial cities in Lithuania.
4. It is appropriate for the Ignalina district municipality to prepare SMB development program, which determines its aims, priorities, goals, measures and implementation description.
5. With reference to SMB programs, with regard to SMB development law, review council decisions for exemptions to small businesses:

- compensation for legal persons, which create new workplaces, determination and subsidy giving;
 - reduced fee for the newly established legal persons determination or exemption from them;
 - reduced fee for permissions, which are related to SMB subject activity, investments (for example, permission to sell and provide services in public places, permission to install an external advertisement, permission to organize commercial events and etc.) determination;
 - compensation to legal persons for science research works, lab measurements, research cost coverage determination;
 - Income tax exemption determination for natural persons, which engage in an activity, which is promoted in the territory of the municipality.
6. Ignalina and Zarasai district municipalities are recommended to consider more cases, when an exemption for real estate tax for investors, small and medium-sized business subjects, newly established legal persons, specific business fields can be applied. For example, with regard to INPP region priorities, promote tourism development, decrease real estate tax for persons, who engage in tourism promoting activities in the territory of the municipality.
7. Approve investment initiation and planning order, determine requirements for the investment projects, their funding, project providing order, investment plan preparation, approval and control.
8. Prepare detail plans for potential investors.

13. INVESTMENT FLOW ANALYSIS IN THE IGNALINA NPP REGION

13.1. Ignalina NPP region SWOT analysis

STRENGTHS	WEAKNESSES
<u>Government</u>	
In the Ignalina NPP region municipality strategies investment attraction is one of the priority fields. Therefore, investors can expect favorable municipality representative attention and full support.	Limited municipality project funding. Insufficient employee knowledge in the field of strategic planning. Insufficiently clearly described relations between municipalities and investors in legislations.
<u>Geography</u>	
Region is located in the northeastern part of the country, in one of the most beautiful places in Lithuania, rich in forests and lakes.	Region is in an unfavorable situation – geographically far from the largest cities, industrial and cultural centers in Lithuania, from the seaport of Klaipeda, far from highways.
<u>Economy</u>	
Closure of Ignalina NPP and construction of VNPP guarantees sufficient region employment and economic activeness. Small and medium-sized business is developed in the region (farinaceous products, food and industrial goods trade, automotive repair, construction, wood processing companies). Information and help in the region is provided by PI Ignalina NPP region business incubator, PI “Zarasai business information center”, Business Lithuania representative in Ignalina.	Ignalina NPP region is weakly developed in the economic view: <ul style="list-style-type: none"> • Small intensity agriculture and forestry economies dominate; • Small industry companies which create low qualification workforce needing, low competitiveness production; • Unfavorable nature conditions for agriculture development; • Business development partly depends on the continuity of Ignalina NPP activity.

STRENGTHS	WEAKNESSES
<u>Infrastructure</u>	
National roads are paved, good communication with the largest cities of Lithuania – Vilnius, Kaunas, Klaipeda.	Insufficiently arranged town infrastructure. Lack of parking lots in towns, road elements that regulate and secure traffic. Most of the region local roads are not paved. Namely gravel roads are the only access to most of the tourism attractive places of the region.
<u>Industry</u>	
High supply of industrial buildings and unoccupied non-agricultural purpose plot in the Ignalina NPP industrial zones.	Unfavorable industrial zone geographic location in the view of national, transit roads, sea port. Unsolved land ownership problems.
<u>Tourism</u>	
<p>Region is rich in tourism resources:</p> <ul style="list-style-type: none"> • national and regional level water tourism routes; • bicycle, automobile tourism routes, cognitive courses; • vast cultural heritage resources (archeological, urban, architectural, historic); • forests; • valuable protected natural territories: unique East Highland landscape, forests, large part of the region is occupied by a hydrographic region (Ignalina national, Grazute and Sartai regional parks, reservations); 	<p>Insufficiently developed recreational infrastructure:</p> <ul style="list-style-type: none"> • tourism is developed in the small business level (rural tourism homesteads, boat, kayak rent and etc.); • lack of unanimous regional tourism information center, guides, tour guides; • lack of public nourishment institutions, fast food points, campings, hotels, motels, resorts for many-day stays, informational links, parking; • no bicycle repair services; • insufficient amount of information about tourism services, events in the cyberspace, and the one, which exists, is outdated and rarely renewed; • lack of internet access points; • cooperation absence between local self-government organizations and culture, sport and tourism organizers.

STRENGTHS	WEAKNESSES
<u>Inhabitants</u>	
Region inhabitants have experience in tourism service and recreation organizing provision, production and construction. Visaginas inhabitants are highly qualified specialists, which have a perennial experience in the fields of energetics, electronics and informational technologies.	Unemployment level in the region is higher than the states average, intensive specialist migration from the region to larger cities of Lithuania and abroad, decreasing number of town residents, aging town's residential fund.
<u>Culture</u>	
Traditional international music festivals, dance festivals, winter rally championship, 300 lake rally are organized.	Without traditional events, cultural life in the region is quite poor: concerts are not organized, no theater, modern cinema theater.
<u>Sports</u>	
Winter sports center is active in Ignalina, Rowing base is installed in Visaginas, frisbees is developed in Zarasai district, national sport contests and events are organized in the region.	Existing sports infrastructure is insufficient for international and republican sport competition and sport camp organization.
OPPORTUNITIES:	THREATS:
<u>Government</u>	

It would be possible to attract more national and foreign by applying active informational and marketing tools. Invest municipality's resources to the most attractive object infrastructure. Promote local community and business representative initiatives by creating more favorable conditions for new and existing business development. Fix regional objects and places of interest by adapting them to tourism.	In comparison with other regions of Lithuania, the region will lose its investment competitiveness, if investment environment improvement measures are not taken on time. Because of insufficient investments to public infrastructure, municipality's object investment attractiveness decreases.
<u>Economy</u>	
Many opportunities to attract foreign investments are provided by the construction of new VNPP. New power plant construction will create conditions for region's economic growth, EU and states support assimilation will positively influence business support, employment promotion, workplace quality and work relation development, engineering infrastructure development.	EU member crisis, energy price instability, economic situation of Lithuania, not promoted small and middle-sized business development may slow down investments in the Ignalina NPP region. Decreasing demographic potential in The Ignalina NPP region decreases possibilities to attract investors and stops the growth of region's economics.
STRENGTHS	WEAKNESSES
<u>Industry</u>	
Started, but not finished to implement industry park projects provide great potential, which must be used, to the region. In order to attract potential local and foreign investors, modernize industrial infrastructure. Prepare detail plans, solve land ownership problems. INPP region investment competitiveness would be greatly increased if started industrial park projects would be finished and new territory appliance for industrial parks projects were started.	Insufficient business company activeness and company investing potential, little interest in investment opportunities in IT development and high qualifications requiring business establishment, alternative energy and renewable energy source usage promotion.
<u>Tourism</u>	

<p>Increasing tourism, entertainment, active leisure service demand creates conditions for recreation zone, attraction center establishment, sport base, culture institution, and public infrastructure modernization.</p> <p>Decrease tourism seasonality by organizing more winter entertainments, installing recreation, healing and sport centers, which are open all year long.</p>	<p>Seasonality and considerably high tourism service prices by provided service quality decrease foreign tourist interest in Iğnalina NPP region. There is no subject, which would unite, join and coordinate cultural, tourism and recreation, healing and rehabilitation service institutions.</p> <p>Insufficiently developed recreational infrastructure, entertainment lack does not promote tourist flow growth.</p> <p>Developed resort towns of Lithuania (Druskininkai, Birštonas and others) because of great tourism conditions have created themselves a good name amongst foreign tourists. Therefore, if tourism infrastructure improvement measures are not taken, INPP region tourism objects will find it more and more difficult to compete with these resort towns in foreign tourist attraction.</p>
STRENGTHS	WEAKNESSES
<u>Inhabitants</u>	
<p>Thanks to construction of new NPP:</p> <ul style="list-style-type: none"> • high qualification specialist attraction center will be created; • high demand of high qualification construction workers is foreseen; • with growing industry, the need of trade, service, education specialists will increase. <p>With growing tourist flows, a demand to create workplace in tourism, service, accommodation and culture fields will appear.</p>	<p>Youth and qualified workforce migration abroad, Social isolation and risk group person number increase. Number of crimes growth, number of uses of psychotropic substances growth.</p> <p>If measures are not taken for improving the mentioned aspects, social situation will continue becoming worse and that would worsen life quality in the region and stimulate further emigration growth.</p>
<u>Culture</u>	
<p>Opportunities to develop cultural-cognitive tourism:</p> <ul style="list-style-type: none"> • arrange town culture center infrastructure; • install more libraries, cinemas; 	<p>Unarranged town public infrastructure, too little nutrition, accommodation location, no public transport.</p>

<ul style="list-style-type: none"> • organize international exhibitions, concerts; • organize cognitive trips through historic and cultural sights of the. 	
Information distribution	
<p>Develop informational technologies, develop internet access.</p> <p>Organize as much as possible events about the opportunities of investment in the Iğnalina NPP region for potential investors.</p> <p>Form municipality image, participate in exhibitions and other events, which may have influence on investment extents.</p>	<p>Lack of local habitant interest in informational technologies, low business company activeness in the events.</p>

13.2. Main investment directions

From the SWOT analysis in the previous chapter, it is possible to see that there are favorable investment conditions in Iğnalina NPP region. Further, region's evaluation in investment terms is provided.

Table 13.2.1.

Region's evaluation in investment terms

Indicator	Advantages
Government	<p>Lithuanian government and municipality's institutions promote investments in the Iğnalina NPP region:</p> <ul style="list-style-type: none"> • EU structural funds are used for the development of the region, • possible investment analysis is carried out, • strategic documentation is being prepared.
Geography	<p>Geographical location and landscape of the region are suitable for development of tourism and recreation:</p> <ul style="list-style-type: none"> • massive arrays of forests; • many surface water bodies (lakes, rivers); • vast cultural heritage resources (archeological, urban, architectural, historic). • valuable protected nature territories and landscape complexes (national, regional parks, reservations).
Natural resources	<p>The region is full of natural resources:</p> <ul style="list-style-type: none"> • sand, gravel deposits, peat bogs, • underground fresh water and mineralized water bodies • timber.
Tourism	<p>Tourism is traditionally developed in the region, tourism infrastructure is expanded:</p>

	<ul style="list-style-type: none"> • national and regional level water tourism routes, • bicycle, automobile tourism routes, cognitive courses, • boat, kayak, bicycle rent points, • resorts, campings, rural tourism homesteads; • recreational zones near water bodies, beaches.
Industry	<p>Visaginas industrial zone infrastructure requires investments, however it is suitable for industry development:</p> <ul style="list-style-type: none"> • good communication, railway; • remaining industrial buildings, equipment; • working engineering networks.
Inhabitants	<p>Inhabitants of the region have great potential:</p> <ul style="list-style-type: none"> • inhabitants of the region have experience in sport, tourism business, leisure entertainment organization; • there are high qualification energetics specialists in Visaginas, large number of qualified industry and IT specialists; • inhabitants are interested in small and medium-sized business development.
Culture	<p>There are conditions for culture development in the region:</p> <ul style="list-style-type: none"> • traditions of international music festivals; • many historical-cultural attractions; • culture centers in towns can be adapted for event organization.

From the SWOT analysis and evaluation, we can see that there are two main investment directions – tourism development and industry development.

Geographical location and landscape of the region are suitable for development of tourism and recreation:

- massive arrays of forests;
- many surface water bodies (lakes, rivers);
- vast cultural heritage resources (archeological, urban, architectural, historic);
- valuable protected nature territories and landscape complexes (national, regional parks, reservations);
- great potential of the locals, who have experience in tourism business.

Economic situation of the region is favorable to the development of industry:

- construction of new NPP in the region;
- remaining infrastructure of Visaginas industrial zone. It is suitable for industrial companies (buildings, engineering networks, access roads);
- high qualification specialists, who specialize in energetics and production, work in Visaginas.

Investments in the field of tourism will stimulate other sector growth – service, accommodation, trade, entertainment development, Industry growth will stimulate

transport, accommodation, trade development. If economic figures of the region grow, more investments to town infrastructure, residential sector, education, culture and health care institution expansion, living conditions will improve.

13.3. Selection of investment objects

Objects, suitable for investments, were selected according these criteria:

- objects location;
- ownership;
- strategic documents;
- communication with a city/town;
- infrastructure;
- development possibilities.

Table 13.3.1.

Selection of investment objects

Criteria	Tourism development	Industry development
1. Location	Priority is given to objects that are in a valuable location: <ul style="list-style-type: none"> • tourist attraction; • national, regional parks, reservation; • near water; • forest; • city center. 	Priority is given to objects that are in strategic locations: <ul style="list-style-type: none"> • Ignalina NPP territory; • industrial zones; • next to highways; • next to railways; • near a town, settlement.
2. Purpose	Priority is given to objects that are suitable for: <ul style="list-style-type: none"> • tourism service organization; • providing service, accommodation, nutrition; • ancillary services. 	Priority is given to objects that are suitable for: <ul style="list-style-type: none"> • production-industrial activity; • technical service, storage activities; • ancillary services.
3. Ownership	Priority is given to objects that: <ul style="list-style-type: none"> • are managed and confiscated by the municipality; • are sold by the municipality; • are let out for a long time; • are sold by private owners. 	Priority is given to objects that: <ul style="list-style-type: none"> • are sold by the municipality; • are let out for a long time; • are sold by private owners.

4. Strategic documentation	Priority is given to objects that: <ul style="list-style-type: none"> • are in strategic documents and investment plans of the municipality; • have prepared detail plans, technical plans; • are suitable for tourism. 	Priority is given to objects that: <ul style="list-style-type: none"> • are in strategic documents of the municipality; • have prepared detail plans, technical plans; • are suitable for industrial activities.
5. Connection	Priority is given to objects that have a good connection with: <ul style="list-style-type: none"> • national and regional roads; • a town, settlement; • other tourism objects. 	Priority is given to objects that have a good connection with: <ul style="list-style-type: none"> • a highway; • a railway; • an asphalt surface regional or national road.
6. Infrastructure	Priority is given to objects that have: <ul style="list-style-type: none"> • installed access by roads; • parking slots; • working engineering networks; • possibility to provide electricity, water. 	Priority is given to objects that have: <ul style="list-style-type: none"> • installed access by roads; • arranged area; • working engineering networks; • possibility to provide high voltage and water.
Continuation of table 13.3.1.		
Criteria	Tourism development	Industry development
7. Development opportunities	Priority is given to objects that have conditions for: <ul style="list-style-type: none"> • expanding to neighboring areas; • development of providing assistance nutrition, accommodation and other services. 	Priority is given to objects that have conditions for: <ul style="list-style-type: none"> • expanding to neighboring areas; • development of production, assistance, storage services.

Investment attraction to Iğnalina NPP region feasibility study in Iğnalina, Zarasai and Visaginas municipalities and NPP business companies provided a lot of objects, which are suitable for investments. These objects were selected according to the criteria mentioned above.

Detail description, plans, photos and investment directions are provided in the next chapter.

13.4. The most valuable investment objects in the Iğnalina NPP region

Every investment suitable object was evaluated according to a grading system based on the selection criteria. Objects, suitable for investments, were selected:

- Iğnalina d. municipality – 6 objects;

- Visaginas municipality – 8 objects;
- Zarasai municipality – 6 objects.

In total were selected 20 investment suitable objects in Ignalina NPP region.

Assessment methodology

1. Location:

- strategically good and valuable – 3 points;
- average – 2 points;
- doubtful value – 1 point;
- inappropriate – 0 points.

2. Purpose:

- suitable for direct (tourism or industry) activity – 3 points;
- appropriate for indirect (serving, accommodation, office) activity – 2 points;
- appropriate for assistant (storage, trade) activity – 1 point;
- inappropriate – 0 points.

3. Ownership:

- municipality's and co-financed – 3 points;
- for sale (municipality's or private) – 2 points;
- long-term lease – 1 point;
- short-term rent – 0 points.

4. Strategic documents:

- the object is included in strategic documents of the municipality – 3 points;
- prepared detail plan/ technic project – 2 points;
- appropriate purpose or it can be changed – 1 point;
- incorrect appropriate – 0 points.

5. Connection:

- good connection in national and regional roads – 3 points;
- good connection to a settlement or other objects – 2 points;
- possible access through gravel, forest road – 1 ;
- bad/uninstalled access – 0 points.

6. Infrastructure:

- installed access roads, working engineering networks – 3 points;
- is a possibility to connect to working engineering networks – 2 points;
- doubtful possibility to provide electricity and water – 1 point;
- no possibility to provide electricity, water – 0 points.

7. Development possibilities:

- opportunity to expand to the neighboring areas, develop infrastructure – 3 points;
- possibility to develop serving service 2 points;
- doubtful/unclear development possibility – 1 point;
- no development opportunities – 0 points.

Table 13.4.1.
Object assessment in grades.

Nr.	Object	Criteria	Grade	Total
Ignalina d. municipality				
1.	Area for sanatorium treatment and resort service object construction, (Aukštaičių St. 39A)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	3 3 3 2 3 3 3	20
2.	Area near Gavio Lake (Turistų St. 30A)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	3 3 3 3 3 3 2	20
Continuation of table 13.4.1.				
Nr.	Object	Criteria	Grade	Total
3.	Area near Gavio Lake for mineral water extraction and usage development (Turistų St. 30B)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 2 3 3 2 2 3	18
4.	Area for camping establishment near Baltys Lake	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	3 3 3 2 2 3 3	19
5.	Area in Turistų St. 49A for multi-storey and high-rise residential building construction	1. LOCATION 2. Purpose 3. Ownership	3 2 2	

		4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	2 3 2 1	15
6.	Area for an ice arena (Vasario 16-osios St. 35)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 3 3 3 3	21
	Visaginas municipality			
7.	Visaginas industrial park in Karlai village	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 3 3 3 3	21
8.	School building (Draugystes St. 10)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	2 3 2 1 3 3 2	16
Continuation of table 13.4.1.				
Nr.	Object	Criteria	Grade	Total
9.	Maternity hospital building (Taikos av. 15D)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	2 3 2 1 3 2	16
10.	CHILDREN CLINIC BUILDING	1. LOCATION	2	

	(TAIKOS AV. 15)	2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	2 2 1 3 3 2	15
11.	Connection building (Veteranu St. 11)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	3 2 2 1 3 2 1	14
12.	School building (Taikos av. 20A)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. Development possibilities	2 2 1 1 3 3 2	14
13.	Household service building (Festivalio St. 8A)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	2 2 2 1 3 2 2	14
14.	School building (Vilties St. 3)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	2 2 2 1 3 3 2	14
Continuation of table 13.4.1.				
Nr.	Object	Criteria	Grade	Total

	Zarasai d. municipality			
15.	Square Nr. 1 in Zarasai, reconstruction II stage	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 3 3 2 3	20
16.	Arrangement of Zaraso lake beach in the Didzioji Island	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 3 3 2 3	20
17.	Area for sports and active leisure near to the Zarasaitis Lake	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 3 3 2 3	20
18.	Department store building (Bukonto St. 11)	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 2 3 3 2	19
19.	Tourist camping "Zarasai" near the lake development	1. LOCATION 2. Purpose 3. Ownership	3 3 3 2	18

		4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	2 2 3	
20.	Commercial building Seliu St. 8A	1. LOCATION 2. Purpose 3. Ownership 4. Strategic documents 5. Connection 6. Infrastructure 7. DEVELOPMENT POSSIBILITIES	3 3 2 1 3 3 2	17

The next table presents the top ten of the most attractive investment objects in the Ignalina NPP region.

Table 13.4.2.

The most attractive investment objects.

Seq. Nr.	Object	Investment sort	Grades
	Ignalina d. mun.	Tourism development	
1.	Area for an ice arena (Vasario 16-osios St. 35, Ignalina)	Sports and active leisure object – Ice arena construction next to Ignalina sports and tourism center.	21
2.	Area for sanatorium treatment and resort service object construction, (Aukštaičių St. 39A and 39B, Ignalina)	Wellness and recreation complex construction – sanatorium, resort (hotel, motel, recreation home) building construction.	20
3.	Area near Gavio Lake (Turistų St. 30A, Ignalina)	Recreational territory installation, commercial purpose object construction trade, service, and entertainment object construction.	20
4.	Area for camping establishment near Baltys Lake, Ignalina	Recreational territory installation and long-term (stationary) recreation (building) construction – camping and resort establishment.	19
	Zarasai d. mun.	Tourism development	
5.	Zarasai town square near Zaraso Lake	Commercial purpose object (tourism center, conference center, restaurant) construction, other trade service and entertainment object construction.	20

6.	Zaraso lake beach in the Didzioji Island	Recreational territory installation, commercial purpose object construction, trade, service and entertainment object construction.	20
7.	Tourism camping "Zarasai" near Zarasaitis Lake development	Recreational territory installation and long-term (stationary) recreation building construction – camping establishment.	20
8.	Area for sports and active leisure near Zarasaitis lake	Sports and active leisure object (mountain skiing route, stadium, court, rollerblade route) construction, nutrition and service object construction.	20
9.	Department store building (Bukonto St. 11, Zarasai)	Commercial purpose object (tourism center, conference center, SPA center, restaurant) installation.	19
	Visaginas mun.	Industry development	
10.	Visaginas industrial zone in Karlai village	Production and industry, storage, administrative purpose object construction and installation.	21

Objects, which are the most investment attractive on the basis of selected tourism and industry development directions, are displayed in the table above.

Development of these objects will also attract investments to other objects. Increased tourist flows will stimulate development of other services – accommodation, nutrition, maintenance. A need to install more tourism information centers, agencies, organize more culture events will arise. This will cause other investment objects that are in the Ignalina and Zarasai district assimilation.

New Ignalina NPP construction will promote industry development and will require large construction, skilled workforce, transport resources; therefore a need to expand accommodation and maintenance infrastructure will appear. For these purposes, investment objects in Visaginas town will be applied – school, clinic and other purpose buildings.

CONCLUSIONS

Ignalina NPP region is attractive for investments. This is caused by the geographic location of the region, NPP development, economic-agricultural activity of the region and available tourism and industry infrastructure. The most appropriate investments are to tourism development in the whole Ignalina NPP region and to industrial development in the territory of Ignalina NPP and Visaginas industrial zone.

Geographic location and nature resources are suitable for tourism and recreation development, because large forest arrays stretch in the region, a variety of indescribable beauty lakes, vast culture heritage resources, valuable secured natural territories and landscape complexes cover the whole region. The region has traditional tourism routes – national and regional level water routes, bicycle, automobile tourism routes, cognitive paths, installed resorts, campings, farmsteads, recreational zones near water bodies. Visaginas industrial zone infrastructure is appropriate for development of industry: good connections, installed access roads, car parks, railway, suitable for reconstruction producing buildings, equipment, and the territory can be easily supplied by engineering networks. Construction of the new NPP will require large construction, production, provision, skilled workforce potential.

Legal environment of Ignalina NPP region would be favorable for investment, if the municipality would review its legislations and would find a way to decrease real estate taxes, promote creation of new workplaces, change benefits for economy object registration, support for tourism service development. Investment climate would be more attractive if the municipality would organize programs for small or medium sized business development in the region, would create privatized object lists, would cover special and detail plans for the most attractive investment objects and would finance or subsidize such object preparation. Municipality investments to tourism, region town and industrial zone infrastructure would also increase the value and attractiveness of investment projects. Investments would be stimulated by a more flexible EU structural fund resource assimilation mechanism, which promotes tourism and business development.

Favorable investment environment creation causes a faster tourism and industry sector development ratio in the Ignalina NPP region. This would ensure economic stability of the region, increase attractiveness, because local inhabitant life condition improvement.

ANNEXES

Annex No.1

Five largest companies in Latgale region's counties and cities by the turnover in 2010

No.	County	Company	Turnover (LVL)	against 2009	against 2008	against 2007
1	Aglona county	Limited Liability Company "KLINTS 99"	416 121.00	-6%	-8%	-5%
2	Aglona county	Agricultural household "ILZAS"	215960	8%	-3%	No data
3	Aglona county	Limited Liability Company "SPERO SK"	172817	2.94 times	41%	No data
4	Aglona county	Limited Liability Company "AJ Investments"	166004	13.17 times	No data	No data
5	Aglona county	Agricultural household "PAKALNI"	160989	21%	0%	39%
1	Baltinava county	Agricultural household "RIEKSTIŅI"	529 809	18%	51%	No data
2	Baltinava county	Limited Liability Company "PIE IEVIŅAS"	414270	7%	-14%	21%
3	Baltinava county	Agricultural household "AMATNIEKI"	292425	64%	45%	46%
4	Baltinava county	Agricultural household "OZOLIŅI"	96459	No data	No data	No data
5	Baltinava county	Limited Liability Company "AUTO LARS"	46819	5%	17%	31%
1	Balvi county	Joint Stock Company "BALVU MAIZNIEKS"	945 133	-25%	-33%	No data
2	Balvi county	Joint Stock Company "BALVU ENERĢIJA"	923495	8%	21%	51%
3	Balvi county	Limited Liability Company "BALVI-HOLM"	914141	37%	12%	No data
4	Balvi county	Limited Liability Company "BERMUDI"	812037	-8%	-23%	-2%
5	Balvi county	Limited Liability Company "BALVU APTIEKA"	810353	6%	-6%	6%
1	Cibla county	Agricultural household "LAPEGLES 2"	607 701	2.05 times	59%	9%
2	Cibla county	Limited Liability Company "RIKO-RI"	320328	2.16 times	3.32 times	2.57 times
3	Cibla county	Limited Liability Company "SOLO & CO"	126347	-37%	-49%	-46%
4	Cibla county	Limited Liability Company "SoLo & Partneri"	116783	No data	No data	No data
5	Cibla county	Limited Liability Company "ADAB"	102756	31%	8%	-6%
1	Dagda county	Limited Liability Company "Jaunpūpoli"	1 252 497	-6%	-21%	0%
2	Dagda county	Limited Liability Company "Šķaunes bekons"	716221	-18%	-25%	-22%
3	Dagda county	Limited Liability Company "VALMEKS"	463661	32%	-53%	-50%
4	Dagda county	Dairy farm cooperative "AVOTS"	442916	73%	0%	nav datu
5	Dagda county	Limited Liability Company "Dagdas komunālā saimniecība"	304812	1%	6%	54%

No.	County	Company	Turnover (LVL)	against 2009	against 2008	against 2007
1	Daugavpils	JSC "Daugavpils Lokomotīvu Remonta Rūpnīca"	22 250 900	65%	-6%	1%
2	Daugavpils	Limited Liability Company firma "ANTARIS"	21712204	22%	16%	45%
3	Daugavpils	Limited Liability Company "INTERGAZ"	21043111	72%	24%	4%
4	Daugavpils	Municipality Joint Stock Company "Daugavpils siltumtīkli"	17889393	-2%	2%	44%
5	Daugavpils	Limited Liability Company "RusLatNafta"	14014725	6%	-29%	-4%
1	Daugavpils county	Joint Stock Company "DAUGAVPILS DZIRNAVNIKS"	5 210 374	9%	-19%	-18%
2	Daugavpils county	Limited Liability Company "MAINSTREAM"	2199238	20%	No data	No data
3	Daugavpils county	Limited Liability Company "Dilar trans"	1744292	33%	3%	8%
4	Daugavpils county	Limited Liability Company "LIA D"	1506919	20%	-48%	-48%
5	Daugavpils county	Limited Liability Company "DAUGAVPILS PUTNI"	1378452	-9%	-6%	3%
1	Ilūkste county	Limited Liability Company "ILTA D"	2 341 048	0%	-15%	-5%
2	Ilūkste county	Agricultural Cooperative "Sēlijas āres"	704272	-9%	-32%	-27%
3	Ilūkste county	Limited Liability Company "BEBRA SERVISS"	505488	5%	-16%	No data
4	Ilūkste county	Limited Liability Company "GABOTEH"	467996	2.37 times	3.07 times	14.97 times
5	Ilūkste county	Limited Liability Company "OSIS SE"	393481	38%	8%	No data
1	Kārsava county	Agricultural household "LŪSĒNI"	1 226 162	2.06 reizes	30%	No data
2	Kārsava county	Agricultural household "BĒRZIŅI"	973828	49%	37%	No data
3	Kārsava county	Limited Liability Company "DAIVAS"	922898	-78%	-79%	-46%
4	Kārsava county	Agricultural household "GLĀŽNIEKI"	721774	45%	-30%	-37%
5	Kārsava county	Limited Liability Company "Salenieku dolomīts"	681196	38%	-70%	-58%
1	Krāslava county	Limited Liability Company "Varpa"	4 657 980	33%	27%	25%
2	Krāslava county	Joint Stock Company "Krāslavas piens"	3232275	-17%	-7%	-17%
3	Krāslava county	Agricultural household "SAPNIS"	3094811	6%	-15%	-10%
4	Krāslava county	"Krāslavas ūdens" Ltd.	1759800	57%	40%	2.07 times
5	Krāslava county	Limited Liability Company "Krāslavas slimnīca"	1574040	-22%	-37%	-28%
1	Līvāni county	Limited Liability Company "RNS-D"	9 241 932	0%	-34%	-22%
2	Līvāni county	Limited Liability Company "Z-Light"	4215867	22%	47%	2.21 times
3	Līvāni county	Limited Liability Company "Līvānu kūdras fabrika"	2440198	35%	42%	22%
4	Līvāni county	Limited Liability Company "Sīlavkrasti"	2270264	44%	29%	15.27 times
5	Līvāni county	"BALTIK SISTĒM" Ltd.	1849203	19%	-17%	27%

No.	County	Company	Turnover (LVL)	against 2009	against 2008	against 2007
1	Ludza county	Limited Liability Company "ARIOLS"	3 177 469	13%	-3%	9%
2	Ludza county	Limited Liability Company "JUNIONS"	1943619	4.69 times	3.60 times	6.52 times
3	Ludza county	Limited Liability Company "LUDZAS APSAIMNIEKOTĀJS"	1769399	-33%	-20%	-7%
4	Ludza county	Limited Liability Company "LUDZAS MAIZNĪCA"	1665965	18%	-1%	2%
5	Ludza county	Limited Liability Company "Ludzas rajona slimnīca"	1255770	-25%	-51%	-45%
1	Preiļi county	Joint Stock Company "Preiļu siers"	21 691 952	8%	-32%	-29%
2	Preiļi county	Limited Liability Company "Zolva"	2541418	-10%	-29%	-17%
3	Preiļi county	Limited Liability Company "PREIĻU SAIMNIEKS"	1988793	3%	-11%	15%
4	Preiļi county	"VEGA P" Ltd.	1680393	3%	0%	22%
5	Preiļi county	Limited Liability Company "Preiļu slimnīca"	1472595	-34%	-47%	-38%
1	Rēzekne	Limited Liability Company "GP 2011"	46 404 289	18%	-8%	-6%
2	Rēzekne	Limited Liability Company "RĒZEKNES GAĻAS KOMBINĀTS"	18515715	14%	21%	35%
3	Rēzekne	Joint Stock Company "RĒZEKNES SILTUMTĪKLI"	5667725	-1%	3.28 times	No data
4	Rēzekne	"REBIR", Joint Stock Company	5049371	-1%	-60%	-71%
5	Rēzekne	Limited Liability Company "RĒZEKNES SLIMNĪCA"	4506995	-2%	-14%	-5%
1	Rēzekne county	"VEREMS", Limited Liability Company	12 553 703	88%	-25%	0%
2	Rēzekne county	Limited Liability Company būvfirma "CEĻI UN TILTI"	5330327	-20%	-53%	-54%
3	Rēzekne county	Joint Stock Company "Ludzas mežrūpniecības saimniecība"	3487635	96%	16%	-17%
4	Rēzekne county	Limited Liability Company "UNIK"	3127591	52%	15%	23%
5	Rēzekne county	Limited Liability Company "LIXER"	2858964	25%	2.11 times	2.88 times
1	Riebiņi county	Limited Liability Company "DAUGAVIEŠI"	1 741 709	4%	-9%	4%
2	Riebiņi county	"Agrofirma "Turība"" Ltd.	717116	11%	-48%	No data
3	Riebiņi county	"Kalni B" Ltd.	599006	52%	11%	-8%
4	Riebiņi county	Limited Liability Company "ALBERTS GS"	498169	2%	1%	-13%
5	Riebiņi county	Limited Liability Company "AGLONAS SERVISS"	493282	5.40 times	No data	No data
1	Rugāji county	Limited Liability Company "SILMAČI"	2 577 239	67%	17%	15%
2	Rugāji county	Dairy farm cooperative "LINDA"	922488	24%	-9%	1%
3	Rugāji county	Agricultural household "PODI"	224734	No data	No data	No data
4	Rugāji county	Agricultural household "VĪTOLI"	185105	54%	-17%	-43%
5	Rugāji county	Limited Liability Company "MEŽSĒTAS 97"	142787	-19%	-58%	-63%

No.	County	Company	Turnover (LVL)	against 2009	against 2008	against 2007
1	Vārkava county	Agricultural household "ŠĶEPSTU JAUNĀRES"	1 421 411	92%	76%	57%
2	Vārkava county	Limited Liability Company "PIE VECĀ JĒKABA"	207341	-19%	-31%	-15%
3	Vārkava county	"Asklēpijs Z" Ltd.	50167	57%	2.27 times	No data
4	Vārkava county	Agricultural cooperative "Latgales ekoproducti"	9276	22%	-39%	No data
5	Vārkava county	Limited Liability Company "Refresh"	6366	13.99 times	3.93 times	No data
1	Viļaka county	Limited Liability Company "ŽĪGURU MEŽRŪPNIECĪBAS SABIEDRĪBA"	2 194 075	2.32 times	7%	9%
2	Viļaka county	Limited Liability Company "DOLO"	1938145	63%	2%	-30%
3	Viļaka county	Agricultural household "KOTIŅI"	738453	34%	-3%	16%
4	Viļaka county	Limited Liability Company "KIRA"	437468	11%	-13%	-34%
5	Viļaka county	Limited Liability Company "VIĻAKAS APTIEKA"	117476	3%	4%	20%
1	Viļāni county	Limited Liability Company "AĻŅI AS"	4 065 515	17%	-1%	-22%
2	Viļāni county	Limited Liability Company "VLAKON"	1330144	57%	-36%	65%
3	Viļāni county	Limited Liability Company "LAUMIŅA 1"	1079154	-3%	-25%	-20%
4	Viļāni county	Joint Stock Company "Stružānu kūdras fabrika"	749111	-37%	-48%	-20%
5	Viļāni county	Joint Stock Company "LOPKOPĪBAS IZMĒGINĀJUMU STACIJA LATGALE"	637235	27%	-20%	-24%
1	Zīlupe county	Agricultural household "MEŽĀRES A"	984 669	46%	30%	36%
2	Zīlupe county	Limited Liability Company "OVVE-BALT"	860291	5%	-4%	2%
3	Zīlupe county	Agricultural household "KRISTINKI"	644175	3.25 times	2.31 times	No data
4	Zīlupe county	Limited Liability Company "A3 PROJEKTS"	476264	14.50 times	68.86 times	279.17 times
5	Zīlupe county	Limited Liability Company "EXPORT TRADE"	466385	77%	3.50 times	2.13 times

Annex No.2.

The largest exporting companies of Latgale region.

Intervals, EUR	Taxpayer's code	Name	Address
1 000 001 - 2 000 000 EUR	42403018968	'ATITA' LTD.	"Upmala", Dagda parish, Dagda county, LV-5674
1 000 001 - 2 000 000 EUR	42401012689	'BAIBINA' LTD.	"Madolesija", Stojerova parish, Rēzekne county, LV-4642
1 000 001 - 2 000 000 EUR	42402000437	'BALTIKS EAST' LTD.	Zilupes street 111, Rēzekne, LV-4601
1 000 001 - 2 000 000 EUR	41502010818	'DAERS' LTD.	Jelgavas street 1R, Daugavpils, LV-5404
1 000 001 - 2 000 000 EUR	41503021611	'DUGLĀZIJA' LTD.	Vasarnieku street 5, Krāslava, Krāslava county, LV-5601
1 000 001 - 2 000 000 EUR	41503005000	'EURO ENERGO COMPANY' LTD.	Jelgavas street 2A, Daugavpils, LV-5404
1 000 001 - 2 000 000 EUR	40003406193	'LATLIGA' LTD.	Višķu street 21Ž, Daugavpils, LV-5410
1 000 001 - 2 000 000 EUR	40003017973	'LĪVĀNU KŪDRAS FABRIKA' LTD.	Fabrikas street 2B, Līvāni, Līvāni county, LV-5316
1 000 001 - 2 000 000 EUR	42403013903	MAGISTR-FISKEVEGN GROUP.MFG' SEZ LTD.	Atbrīvošanas alley 155B, Rēzekne, LV-4604
1 000 001 - 2 000 000 EUR	40003821586	'NEDBALTIK' LTD.	Atbrīvošanas alley 167, Rēzekne, LV-4604
1 000 001 - 2 000 000 EUR	42403000148	'NOOK Ltd' komercfirma, LTD.	Ratņiki, Vērēmi parish, Rēzekne county, LV-4647
1 000 001 - 2 000 000 EUR	41503021984	'PETER WILLEMSSEN' LTD.	Rēzeknes street 38, Krāslava, Krāslava county, LV-5601
1 000 001 - 2 000 000 EUR	41503029085	'SPECIĀLĀ METINĀŠANA' LTD.	Andreja Pumpura street 3, Daugavpils, LV-5404
1 000 001 - 2 000 000 EUR	41503019763	'SW KOVER' LTD.	Daugavas street 114, Daugavpils, LV-5401
1 000 001 - 2 000 000 EUR	41503016502	'UPESLĪČI L' piensaimnieku koop.sabiedrība	"Grāveri", Grāveri, Jersika parish, Līvāni county, LV-5316
1 000 001 - 2 000 000 EUR	42403011758	'VENTŪRA' LTD.	Meža street 17/2, Rēzekne, LV-4601
1 000 001 - 2 000 000 EUR	40103176052	'ZELTA ZEME' LTD.	Skrebelji, Rožupe parish, Līvāni county, LV-5316
1 000 001 - 2 000 000 EUR	41503017442	'ZILĀ LAGŪNA' LTD.	Kalkūnes street 2A, Kalkūni, Kalkūni parish, Daugavpils county, LV-5449
2 000 001 - 3 000 000 EUR	40002013387	'ARIOLS' LTD.	Rūpniecības street 14A, Ludza, Ludza county, LV-5701
2 000 001 - 3 000 000 EUR	40003790375	'BIOLITEC' LTD.	Domes street 1A, Līvāni, Līvāni county, LV-5316
2 000 001 - 3 000 000 EUR	43203000638	'KALNCEMPJU BĒRZI' LTD.	Ventspils street 22-2, Rēzekne, LV-4601
2 000 001 - 3 000 000 EUR	41503002470	'LNS DANE' LTD.	Klusā street 4, Daugavpils, LV-5417
2 000 001 - 3 000 000 EUR	41503009657	'NEMO' LTD.	Sporta street 8, Krāslava, Krāslava county, LV-5601
2 000 001 - 3 000 000 EUR	41503018518	'ONIORS' LTD.	Zelīnska street 20, Daugavpils, LV-5410
2 000 001 - 3 000 000 EUR	40003028394	'REBIR' AS	Vīļakas street 4, Rēzekne, LV-4604

Intervals, EUR	Taxpayer's	Name	Address
2 000 001 - 3 000 000 EUR	41503036161	'REGULA BALTIJA' LTD.	Andreja Pumpura street 97, Daugavpils, LV-5404
2 000 001 - 3 000 000 EUR	42403012397	'RĒZEKNES GAĻAS KOMBINĀTS' LTD.	Rīgas street 22, Rēzekne, LV-4601
2 000 001 - 3 000 000 EUR	41503035128	'SILAVKRASTI' LTD.	Krustpils street 58, Līvāni, Līvānu county, LV-5316
2 000 001 - 3 000 000 EUR	40003306135	'VS TEKS' LTD.	Daugavpils street 71A, Preiļi, Preiļi county, LV-5301
3 000 001 - 4 000 000 EUR	41503002466	'MAGISTR' LTD.	Višķu street 15, Daugavpils, LV-5404
4 000 001 - 5 000 000 EUR	41503024976	'DINABURGA TEKS' LTD.	Višķu street 17B, Daugavpils, LV-5410
5 000 001 - 10 000 000 EUR	40003356367	'ADUGS' LTD.	Celtniecības street 2, Līvāni, Līvāni county, LV-5316
5 000 001 - 10 000 000 EUR	40003490550	'BELMAST' LTD.	Višķu street 21Z, Daugavpils, LV-5410
5 000 001 - 10 000 000 EUR	41503004289	'DAUGAVPILS GAITA' LTD.	18. novembra street 380, Daugavpils, LV-5413
5 000 001 - 10 000 000 EUR	40003030219	'DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA' AS	Marijas street 1, Daugavpils, LV-5404
5 000 001 - 10 000 000 EUR	40003030187	'DITTON PIEVADĶĒŽU RŪPNĪCA' AS	Višķu street 17, Daugavpils, LV-5410
5 000 001 - 10 000 000 EUR	55903001411	'VARPA' LTD.	Indras street 15, Krāslava, Krāslava county, LV-5601
5 000 001 - 10 000 000 EUR	41503034724	'Z-LIGHT' LTD.	Celtniecības street 8, Līvāni, Līvāni county, LV-5316
10 000 001 - 15 000 000 EUR	41503040523	'NEXIS FIBERS' LTD.	Višķu street 21, Daugavpils, LV-5410
10 000 001 - 15 000 000 EUR	50003026431	'PREIĻU SIERS' AS	Daugavpils street 75, Preiļi, Preiļi county, LV-5301
10 000 001 - 15 000 000 EUR	40003369111	'ZIEGLERA MAŠĪNBŪVE' LTD.	Spaļu street 3, Daugavpils, LV-5404
15 000 001 - 20 000 000 EUR	41503025401	'AXON CABLE' LTD.	Višķu street 21C, Daugavpils, LV-5410
15 000 001 - 20 000 000 EUR	51503023031	'INTERGAZ' LTD.	Vaļņu street 30, Daugavpils, LV-5401
15 000 001 - 20 000 000 EUR	40003533614	'NAFTA TRADING' LTD.	Jelgavas street 2A, Daugavpils, LV-5404

Annex No.3.

Investment in fixed capital of Latgale region companies by the country of origin of investment holder,
Lursoft data

No.	Country	Investment volume (LVL)
1	Switzerland Confederation	13 397 180.00
2	Republic of Estonia	7 591 623.00
3	Federal Republic of Germany	3 855 921.00
4	Kingdom of Denmark	2 914 440.00
5	Republic of Lithuania	2 880 924.00
6	Russian Federation	2 225 235.00
7	Republic of Cyprus	1 405 280.00
8	Grand Duchy of Luxemburg	1 056 206.00
9	Belize	796 740.00
10	Kingdom of Sweden	755 569.00
11	United States of America	557 600.00
12	Republic of Belarus	508 441.00
13	British Virgin Islands	503 020.00
14	Kingdom of Norway	433 654.00
15	Ukraine	261 510.00
16	New Zealand	202 000.00
17	Republic of Italy	170 533.00
18	United Kingdom of Great Britain and Ireland	164 904.00
19	Republic of France	113 792.00
20	Republic of Poland	79 760.00
21	Republic of Kyrgyzstan	27 000.00
22	Jersey	26 010.00
23	Kingdom of the Netherlands	18 976.00
24	Republic of Moldova	16 500.00
25	Republic of Uzbekistan	10 000.00
26	Republic of Marshall Islands	9 400.00
27	Republic of Kazakhstan	7 300.00
28	State of Israel	6 600.00
29	Republic of Finland	6 020.00
30	Republic of Tajikistan	6 000.00
31	Kingdom of Spain	3 150.00
32	Kingdom of Belgium	3 000.00
33	Ireland	2 420.00
34	Republic of Armenia	2 000.00
35	Republic of the Seychelles	2 000.00
36	Kingdom of Thailand	1 320.00
37	Republic of Austria	1 250.00
38	Republic of Turkey	1 000.00

Lursoft statistics about the information batched in the Register of Enterprises from 01.01.1991 until 15.09.2011.

Appendix No. 4**Other relevant legal acts and policy planning documents, which might affect the investment attraction in any specific field****Policy planning documents:**

1. National Development Plan 2007-2013 (approved by the Cabinet Regulations "Regulations on the Latvian National Development Plan for 2007-2013" from July 4, 2006);
2. Regional Policy Guidelines (approved by the CM Order No. 198 "On Regional Policy Guidelines" from April 2, 2004);
3. Sustainable Development Strategy of Latvia until 2030 (supported during the session of the CM from March 9, 2010, Minutes No.12, 45§)
4. Environmental Policy Guidelines 2009-2015 (approved by the CM Order No. 517 "On Environmental Policy Guidelines for 2009-2015" from July 31, 2009);
5. Environment Monitoring Program Statements for 2009-2012 (approved by the CM Order No. 187 "On Environment Monitoring Program Statements for 2009-2012" from March 11, 2009);

Legal acts:

1. Law on Agriculture and Rural Development;
2. Spatial Planning Law;
3. Law „On Land Privatization in Rural Area”;
4. Land Survey Law;
5. Law „On Privatization of State and Local Government Property Objects”;
6. Law „On Subterranean Depths”;
7. Law on Forests;
8. The Civil Law of the Republic of Latvia;
9. Environmental Protection Law;
10. Law „On Specially Protected Nature Territories”;
11. **Law On the Rights of Landowners to Compensation for Restrictions on Economic Activities in Specially Protected Nature Territories and Microreserves;**
12. Law „On Pollution”;
13. Protective Zone Law;
14. Construction Law;
15. Geospatial Information Law.

Cabinet Regulations:

1. Regulations No. 689 "Regulations On National Importance Territories of Agricultural Land" from June 30, 2009";
2. Regulations No. 806 "Regulations for Forest Land Transformation" from September 28, 2004";
3. Regulations No. 496 "Classification of the Objectives for Use of Immovable Property and the Procedures of Determination and Change of the Objectives for Use of Immovable Property" from June 20, 2006;
4. Regulations No. 1148 "Regulations on Local Government Territory Planning" from October 6, 2009;

5. Regulations No. 562 "Regulations on Procedures of Land Use Classification and Criteria of Their Determination" from August 21, 2007;
6. Regulations No. "Regulations on Land Survey Project Development" from December 11, 2007;
7. Regulations No.483 "Registration Procedures on Exploration of Polluted and Potentially Polluted Areas" from November 20, 2001;
8. Regulations No. 281 "Regulations on Preventive and Recovery measures and Procedures of Evaluation of Damage done to the Environment and Calculation of Costs of Preventive, Emergency and Recovery Measures" from April 24, 2007;
9. Regulations No. 448 "Regulations Regarding Deposits of Mineral Resources of National Significance and the Procedures for the Use thereof, the Procedures for the Use of Mineral Resources of National Significance, as well as the Procedures for Competition or Tendering of Issuance of Authorisations or Licences for the Use of Subterranean Depths" from June 21, 2005.

INFORMATION SOURCES:

Sources have been used in Ignalina NPP survey:

- 1) Network page: www.esparama.lt.
- 2) The Lithuanian Department of Statistics <http://www.stat.gov.lt/lt/>.
- 3) Ignalina municipality homepage: www.ignalina.lt.
- 4) Visaginas municipality homepage www.visaginas.lt.
- 5) Zarasai municipality homepage www.zarasai.lt.
- 6) Ignalina NPP region development agency homepage <http://www.inppregion.lt/>.
- 7) Ignalina NPP region development plan, approved on 2004.
- 8) Ignalina town general plan, II part, preparation stage. Concept. Prepared and approved 2011.
- 9) Zarasai town general plan, Solutions. Prepared and approved 2009.
- 10) Visaginas municipality general plan, II part, preparation stage. Solutions. Prepared and approved 2008.

Internet sites have been used in Latgale survey:

- 1) Data of Register of Enterprises www.lursoft.lv
- 2) Central Statistical Bureau - www.csb.gov.lv
- 3) Latvian Environment, Geology and Meteorology Centre - www.lvgma.gov.lv
- 4) Investment and Development Agency of Latvia - www.liaa.gov.lv; www.polarisprocess.com; www.een.lv
- 5) Ministry of Economics of the Republic of Latvia - www.em.gov.lv
- 6) Ministry of Environmental Protection and Regional Development - www.varam.gov.lv
- 7) State Regional Development Agency – www.vraa.gov.lv
- 8) State Employment Agency – www.nva.gov.lv
- 9) State JSC Latvian Railway – www.ldz.lv
- 10) State JSC Electronic Communications – www.vases.lv
- 11) State JSC Latvian State Roads – www.lvceli.lv
- 12) JSC Latvian State Forests – www.lvm.lv
- 13) Ministry of Transport of the Republic of Latvia – www.sm.gov.lv
- 14) Ministry of Education and Science of the Republic of Latvia – www.izm.gov.lv
- 15) State Revenue Service – www.vid.gov.lv
- 16) „Latvijas Vēstnesis” legal act portal – www.likumi.lv
- 17) Ministry of Agriculture of the Republic of Latvia – www.zm.gov.lv
- 18) Foreign Investors' Council– www.ficil.lv
- 19) Financial and Capital Market Commission– www.fktk.lv
- 20) Latgale Planning Region – www.latgale.lv
- 21) Bank of Latvia – www.bank.lv; www.makroekonomika.lv
- 22) United Nations Conference on Trade and Development - www.unctad.org
- 23) World Bank – www.doingbusiness.org

Other sources:

- 1) United Nations Conference on Trade and Development - World Investment report 2011
- 2) Latgale's strategy for 2030
- 3) Latgale's program for 2010-2017
- 4) Reviews created by the Bank of Latvia on trade with Russia, Belarus, Lithuania (available at LIAA upon request).
- 5) CSB summary on the TOP exporting companies (available at LIAA upon request).
- 6) Report „On implementation of horizontal priorities „Territories' Balanced Development" and „Riga's International Competitiveness" in 2007-2010" (VARAM, 2011)
- 7) KPMG study „Investment in the Baltic States 2011"
- 8) LIAA informative material „Latvian Business Guide 2010"

PART 2: TOP 20 INVESTMENT SITES IN LATGALE REGION

INVESTMENT SITE No 1**placement of production in Viļāni county*****THE BUSINESS SECTOR***

Woodworking, metal working

THE AIM

Development of entrepreneurship in the district

THE OWNER

Viļāni County's Local Authority

SITE LOCATION

Skudnovka Vilage, Sokolki Civil Parish, Viļāni County. Access to the site: road Viļāni - Skudnovka – Zvīdreņi. The distance to Viļāni City center is 8 km.

Area of territory: united land – 2.27 ha, land under the buildings and yards 1.12 ha, land's cadastral designation 78900040218.

Allowed (planned) use: according to the rules of territory use and construction – public and commercial development

DESIRABLE TERM OF IMPLEMENTATION

Until 2015

POTENTIAL COLLABORATION PARTNERS AND INVESTORS

Manufacturers wishing to widen their activity in the Eastern Europe with direct access to the EU and close location to the borders of Russia and Belarus

SITE DESCRIPTION

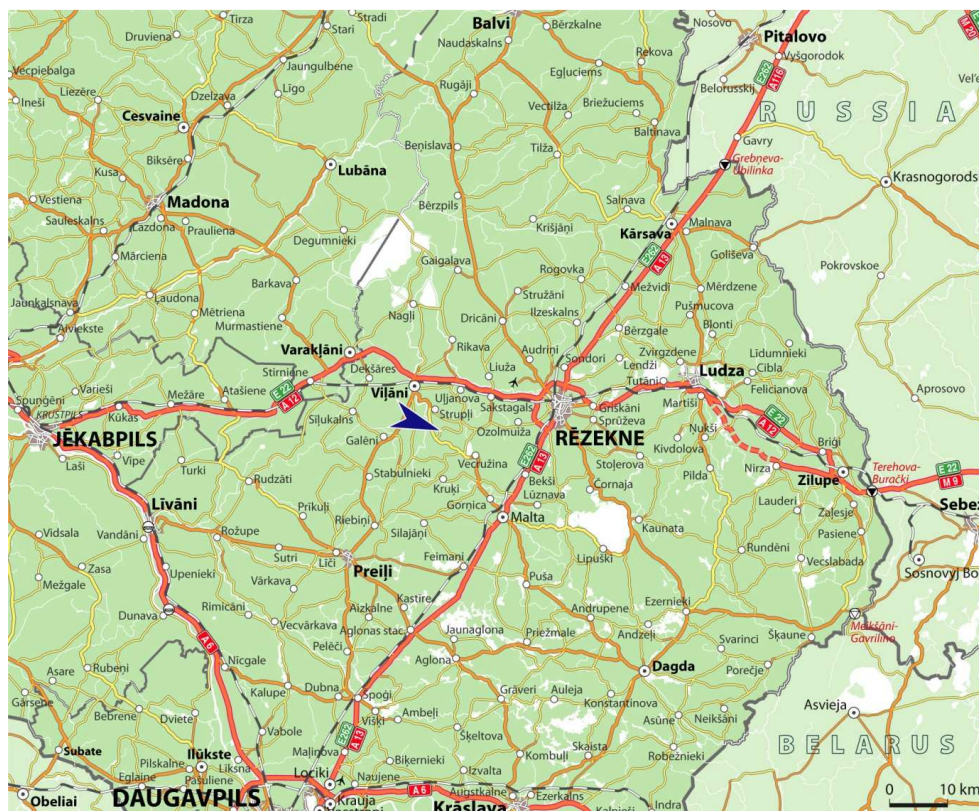
The local authority wants to sell the territory and the real estate property located on it. The market value can be determined during the auction (it is regulated by the legislation). The local authority wants to attract an investor for territory's development.

The local authority is ready to ensure additional support for infrastructure provision and collaboration with other state administration authorities. The local authority has a person responsible for investment attraction.

ADVANTAGES

- ✓ The distance to the railway station/motor highway is 10km/10km
- ✓ Territory planning, regulations of territory use and construction and the aim of use have been worked out.
- ✓ Available power supply
- ✓ Connection to the local water-pipe and sewerage lead.
- ✓ Tax allowances are possible.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)



CONTACT PERSON:

Viļāni County's Local Authority

Real Estate Expert

Irina Klimanova

Phone: +371 64662424

E-mail: Irina.Klimanova@vilani.lv

INVESTMENT SITE No 2**Industrial territories (Greenfield) in the area of Daugavpils city*****THE BUSINESS SECTOR***

Industry

THE AIM

To raise the industrial diversity of the city and to develop new industrial territories.

THE HOLDER AND THE LAND OWNER

Daugavpils City Municipality

SITE LOCATION

Municipality is offering space for development of a new industrial park close to former industrial territory with total area of 27 ha (it is combined by land plots of 3 ha, 12 ha and 12 ha, respectively all 3 territories are marked on the outline plan).

Territory is located in Daugavpils City behind the former chemical yarn industry, territory historically planned for industrial purposes.

The place is accessible by public transport and it is located close to residential areas of the city. It is 5 km far from the center.

Nearby there are 34 ha of municipal land - forest, that in the future will be used for development of active recreation projects.

DESIRABLE TERM OF IMPLEMENTATION

Till the year 2015

POTENTIAL COOPERATION PARTNERS OR INVESTORS

There is a need for strategic partner who has initiative for investment project, municipal land can be sold as well as rented on long-term basis.

Possible directions:

1. Manufacturing company that wishes to expand its activities and establish new plants or storage facilities. Main branches in Daugavpils are metalworking and engineering, food industry, chemical yarns, plastic and its products, sewing industry, knitwear production, component production for electronic industry needs. Raising the capacity and development of these industries is important for the city and surrounding territories.
2. Industrial park developers who would be interested in developing a new park.
3. Transport and logistic companies. Territory has strategically advantageous location because of its vicinity to the railway, it has easy accessibility to the highways and it is close to the city center.

SITE DESCRIPTION

Land use is defined by Daugavpils territory land use and building regulation article 6.1. „Manufacturing and storage territories”.

Protection belts: in the territory there is a forest protection belt, protection belt along the high pressure gas-pipe, protection belt along the power network, protection belt along the oil, oil product and chemical substance and its product pipes, protection belts of storehouses, repository and recycling companies, protection belt along the railway.

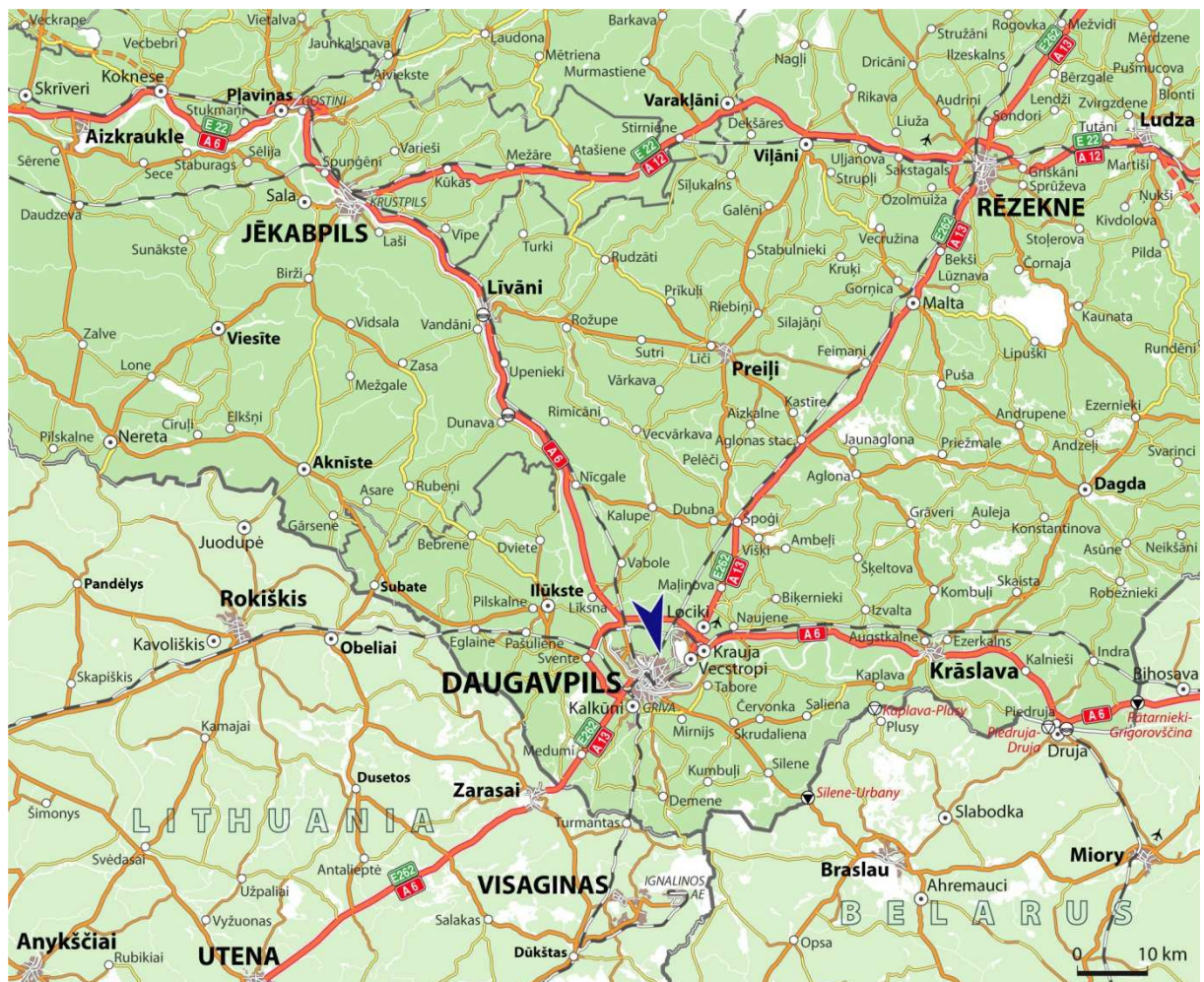
Municipality will participate in development of necessary infrastructure.

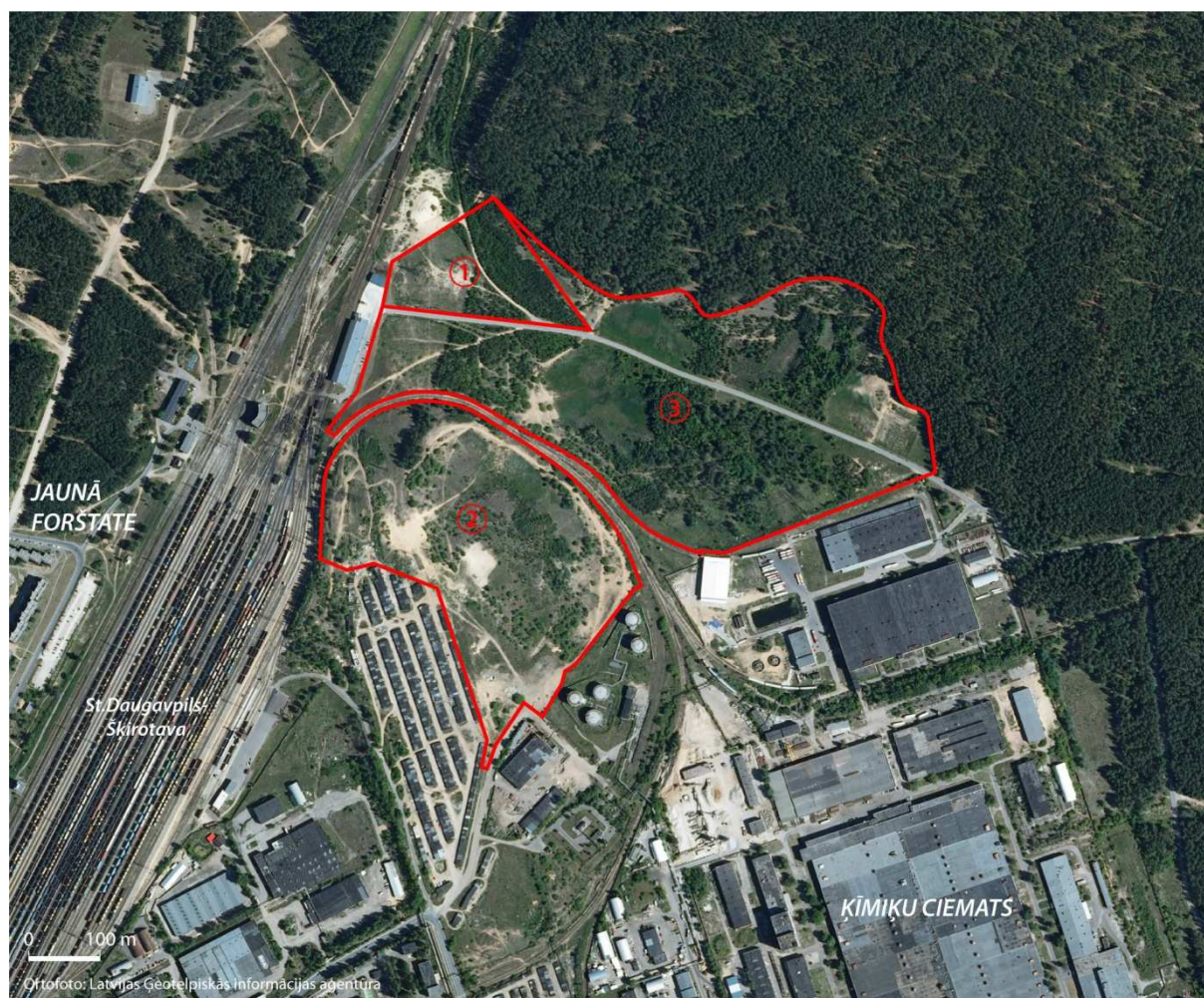
ADVANTAGES

- ✓ Land plots of 27 ha in within the city;

- ✓ In the territory there is an accommodation road for the railway and the access road to the customs.
- ✓ 15 km distance from the regional international airport that is planned to be built between 2012 and 2016 and which is to be certified for use by commercial aviation.
- ✓ Distance from transit roads – 10 km.
- ✓ To the territory there are two accessibility routes – from the Riga' s side by Vidzemes, Višķu and Spāļu streets (though newly built viaduct) or from A13 transit road by Valkas, Jātnieku and Višķu and Smilškalna streets.
- ✓ Near the territory there are motorways and the railway of good quality, it is appropriate for cargo traffic.
- ✓ There are possibilities for tax allowance for the investments according the MC regulations Nr. 287 from 2.04.2011. „Order in which investment project has to be submitted and evaluated to receive the status of supported investment project”

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSONS**

Contact in Daugavpils Municipality

Development department's executive of Business development office

Vladimirs Nadeždins

Phone: +371 65476801, +371 29131876,

E-mail: vladimirs.nadezdins@daugavpils.lv

Estate department's executive of Estate and land registration office

Aleksejs Nikolajevs

Phone: +371 65404353

E-mail: aleksejs.nikolajevs@daugavpils.lv

INVESTMENT SITE No 3

Commercial development of territories adjacent to Daugavpils Airport



THE BUSINESS SECTOR

Aviation and logistics

THE AIM

Development of airport's territory and its adjacent areas as international centre of passengers, cargo and transit, as well as industrially developed territory, in which high value added production takes place. The project will facilitate the region's competitiveness.

THE SITE HOLDER

Daugavpils City's Capital Society – Limited Liability Company „Daugavpils lidosta”

LAND OWNERS

Daugavpils City's Capital Society – Limited Liability Company „Daugavpils lidosta” – land with the area of 56.25 ha.

Pieces of land of the private owners 45 ha (cadastral numbers 4474001 0692, 4474001 0694, 4474001 0008, 4474001 0651, 4474001 0523), 37.3 ha (cadastral

number 4474002 0403), 14.36 ha (cadastral number 4474002 0292), 8.29 ha (cadastral number 4474002 0386) and 8.06 ha (cadastral number 4474002 0337) with the total area of 113.01 ha.

SITE LOCATION

The project is implemented in Daugavpils Country, Naujene Civil Parish, Lociki Village, at a distance of 15 km from Daugavpils. The distance to Riga is 260 km. The airport is located closely to the borders of Lithuania and Belarus.

68 km (Pātarnieki) to the border of Belarus in the direction to Verhnedvinsk, 43 km (Medumi) to the border of Lithuania.

At the moment there is no other operating airport in the neighborhood; the services could be used also by businessmen and inhabitants of the neighboring countries.

DESIRABLE TERM OF IMPLEMENTATION

2014 – 2016

POTENTIAL COLLABORATION PARTNERS AND INVESTORS

The companies wishing to expand their business in the Eastern Europe, with the purpose of distributing their production in the states of CIS and Europe

The financial investors interested in investing in the development of industrial territory.

SITE DESCRIPTION

Daugavpils City Council approved the concept of establishment of the International Regional Airport "Daugavpils" on 25.01.2007. A general aviation airfield "Daugavpils" (Certificate LVA-9, 1000 m – 23 m) was certified on 03.12.2007. The flights are performed by the sports, medical aid, military and dusting services airplanes.

Reconstruction of runway and access roads, arrangement of airplane turning zones and construction of surrounding infrastructure will be performed from 2012 to 2016, as well as airport certification for commercial aviation flights is planned for 2014-2016.

The main aims of use of adjacent territories are the development of cargo transportation, placement and storage services, as well as provision of services supporting the airport's activity, including the technical maintenance centers.

THE MOST SUBSTANTIAL FINANCIAL DATA

The planned flight number is foreseen starting with 1300 flights and 50 thousand passengers in 2016, up to 2650 flights and almost 200 thousand passengers in 2020, and up to 6760 flights and slightly more than half a million passengers in 2031.

The following ratios were used in calculations of passenger and cargo flow – geographical location, population number, unemployment rate, transport cargo flow, volumes of production, trade and tourism etc.

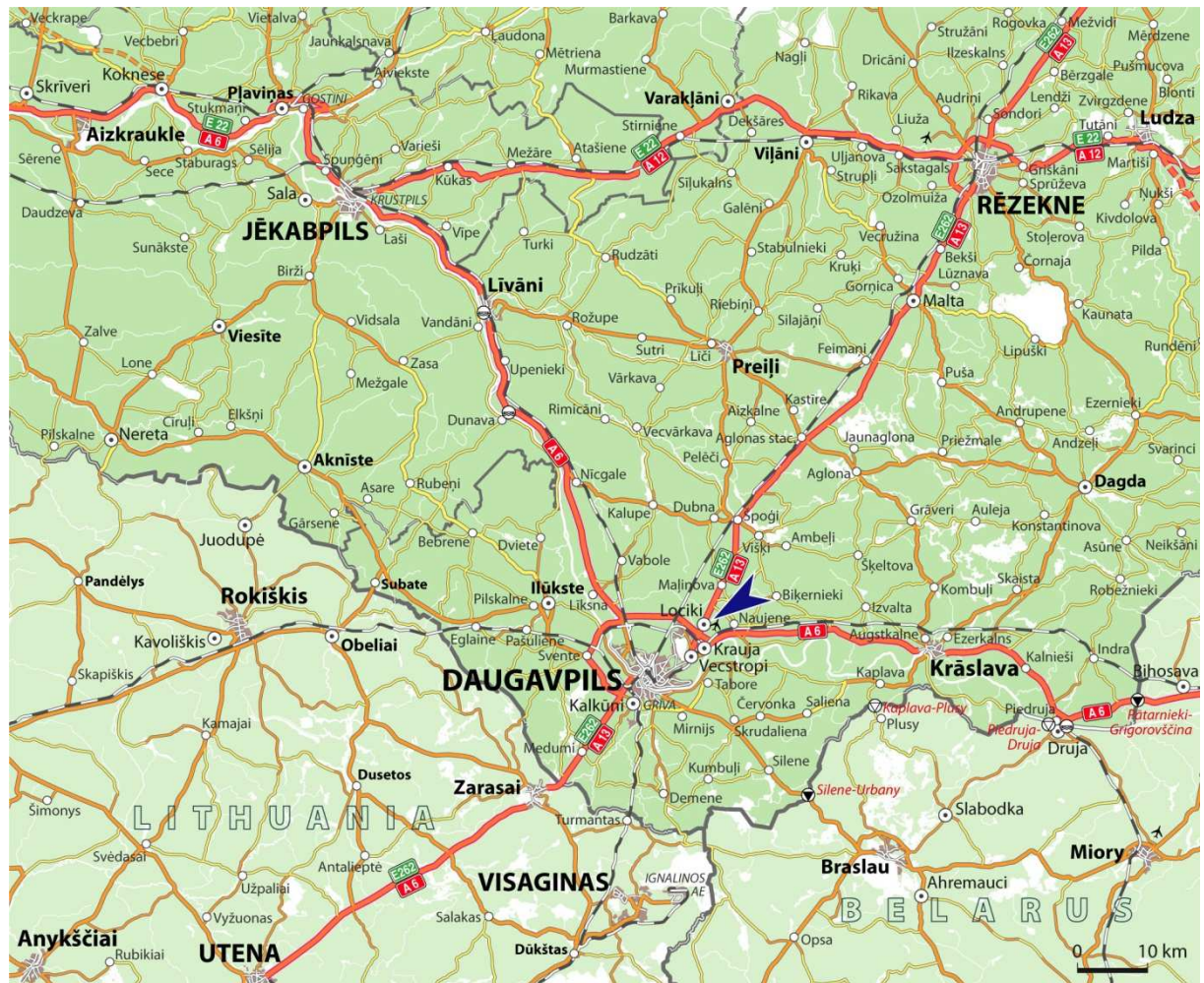
2 independent projects of technical and economic substantiation have been developed; the developers are the companies „RAMBOL” and „Airport Partner International” S.A.

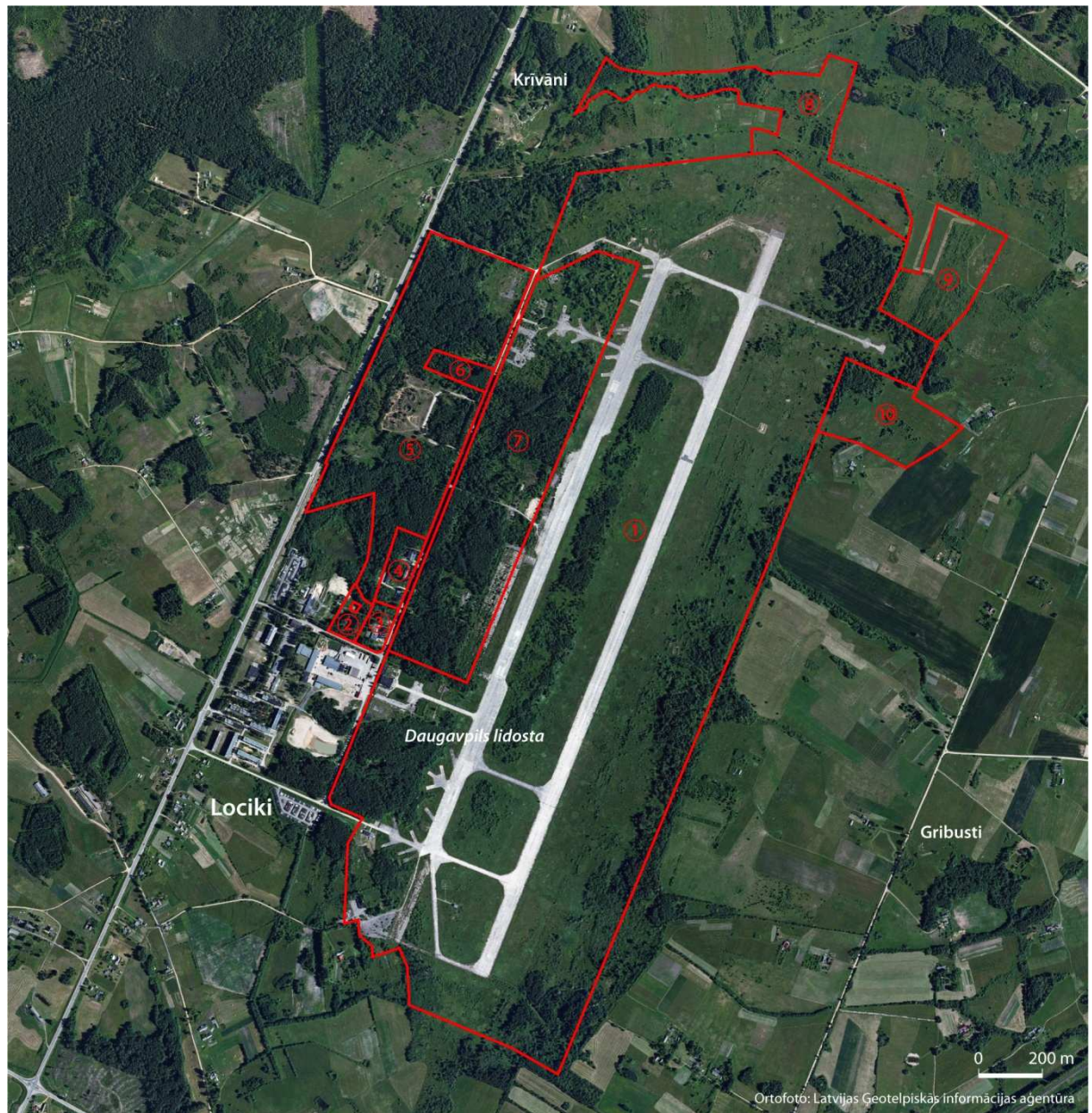
For implementation of the 1st stage of the project the financing of Latvia-Lithuania-Belarus Cross-border Cooperation Program of the European Union for development of the airport's access roads and infrastructure has been attracted.

The local authority plans to start the reconstruction works of Daugavpils airport's access roads already in 2012, providing performance of pipelines and networks reconstruction and construction of required communications to ensure the airport's activity. The potential developers of the airport's adjacent territories will have the opportunity to make connections after project's implementation.

ADVANTAGES

- ✓ The large area of territory of the airport and its adjacent territory is more than 150 ha together.
- ✓ The territories provided for the purposes of entrepreneurship are right next to the airport.
- ✓ Tax allowances are possible – the corporate income tax allowance is available for projects, which have long-term investments in the amount of 5 and ore million lats (7,11 million EUR)
- ✓ Wide availability of qualified labor force
- ✓ City proximity – distance to the city is only 15km.
- ✓ The distance to the railway station is 2 km.
- ✓ The territory is located at the motor highways A13 and A7, on which the transit cargos are already moved. An opportunity to attract and service transit cargo carriers.
- ✓ Territory planning and regulations of territory use and construction have been worked out.
- ✓ Power supply, water, sewerage system is available in Naujene Civil Parish, Lociki Village. After implementation of airport's access roads reconstruction project 20kV electric power transmission line and 2 sub-stations with the total power of 4 mW will be available in the airport's territory.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Viktors Puzāns, Member of the Board

LTD „Daugavpils lidosta”

Phone: +371 65476802

E-mail: lidosta@daugavpils.lv;

INVESTMENT SITE No 4

development of industrial territory and arrangement of new production units in Līvāni county

***THE BUSINESS SECTOR***

Manufacturing

SHORT DESCRIPTION OF THE SITE

Further development of territory fit for production, which functionally fits close to the southeastern part of Līvāni City, into industrial area.

The total area of territory exceeds 102 ha.

THE AIM

Developing arrangement of new production companies on the site the local authorities want to facilitate region's identification as the center of manufacturing the production with high value-added.

The future role of Līvāni in the city network: industrial city and Latgale business accelerator as a combination of traditional heritage and technologies of the 21st century.

HOLDER/OWNER

Part of the territory belongs to the local authority, as well as to several private owners.

SITE LOCATION

The territory consists of several parts – both Greenfield and old production real estate objects, which need renovation.

The allowed (planned) use: production unit construction. Territory has statutory protective zones around the utilities.

The industrial territory has several operating exporting companies, which focus on manufacture of high value-added production.

DESIRABLE TERM OF PROJECT IMPLEMENTATION

The planned time of investment made by the local authority 2015-2016

POTENTIAL COLLABORATION PARTNERS OR INVESTORS

Manufacturers wanting to secure their positions in the Eastern Europe and looking for investment opportunities, which are characterized by manufacturing of production with high value-added

SITE DESCRIPTION

Līvāni industrial territory is represented as qualitative, reachable place having companies producing production with high value-added. Vacant land is available in the territory, as well as production, storehouse and office premises. The local authority promotes territory identification and will ensure infrastructure and public transport development. The owners of specific construction land and premises offer land and premises purchase or long-term lease.

ADVANTAGES

- ✓ Availability of utilities (gas main, power supply, telecommunications and Internet). 110 kV sub-station is located in the eastern part of Līvāni City - Celtniecības Street. Two 110/20/6kV transformers are installed there with power of 16 mV each.
- ✓ Active work of other businessmen in the industrial area.
- ✓ Comparatively comfortable location of industrial area (direct city proximity, railway proximity, connection with the 1st class road Līvāni – Preiļi (P63), for land areas for the needs of companies' expansion).
- ✓ Local authority support for arrangement of the basic infrastructure of industrial area.
- ✓ Līvāni County's territory is crossed by a one-track non-electrified railway line Riga – Daugavpils. Station, which ensures transit traffic of freight trains and passenger trains, passenger traffic, services the industrial companies of Līvāni County and neighboring counties, it is located in the city's central part. Station has 5 railway tracks, including one main track and 20 railway points.
- ✓ Līvāni County and Līvāni City is crossed by the state's main highway Riga – Daugavpils – Krāslava – Belarus border (Pāternieki) (A6).
- ✓ The local authority will consider an opportunity of granting real estate property tax relief if the project implementation will create new working places in the county.

- ✓ An opportunity to receive corporate income tax relief if the investment volume for long-term investing exceeds 5 million LVL.

OTHER SPECIFIC INFORMATION ABOUT THE SITE

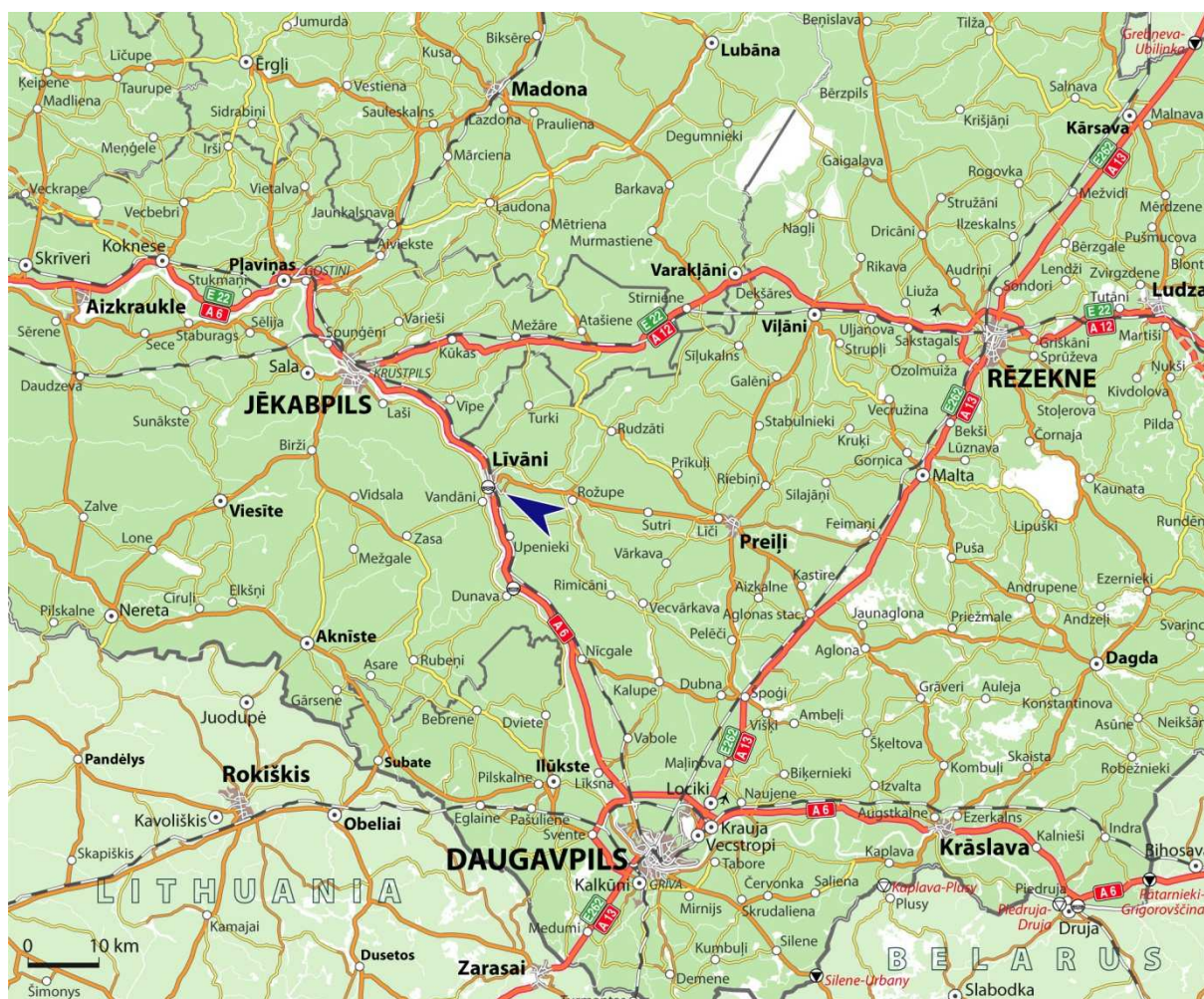
Līvāni County includes Līvāni City and five civil parishes – Rožupe, Turki, Sutri, Rudzāti and Jersika. 13906 people live in the county, and it is the 25th biggest county of 109 counties in Latvia if we speak about the population. Līvāni City is a development center of regional importance with significant culture, production, social infrastructure, services and public institutions.

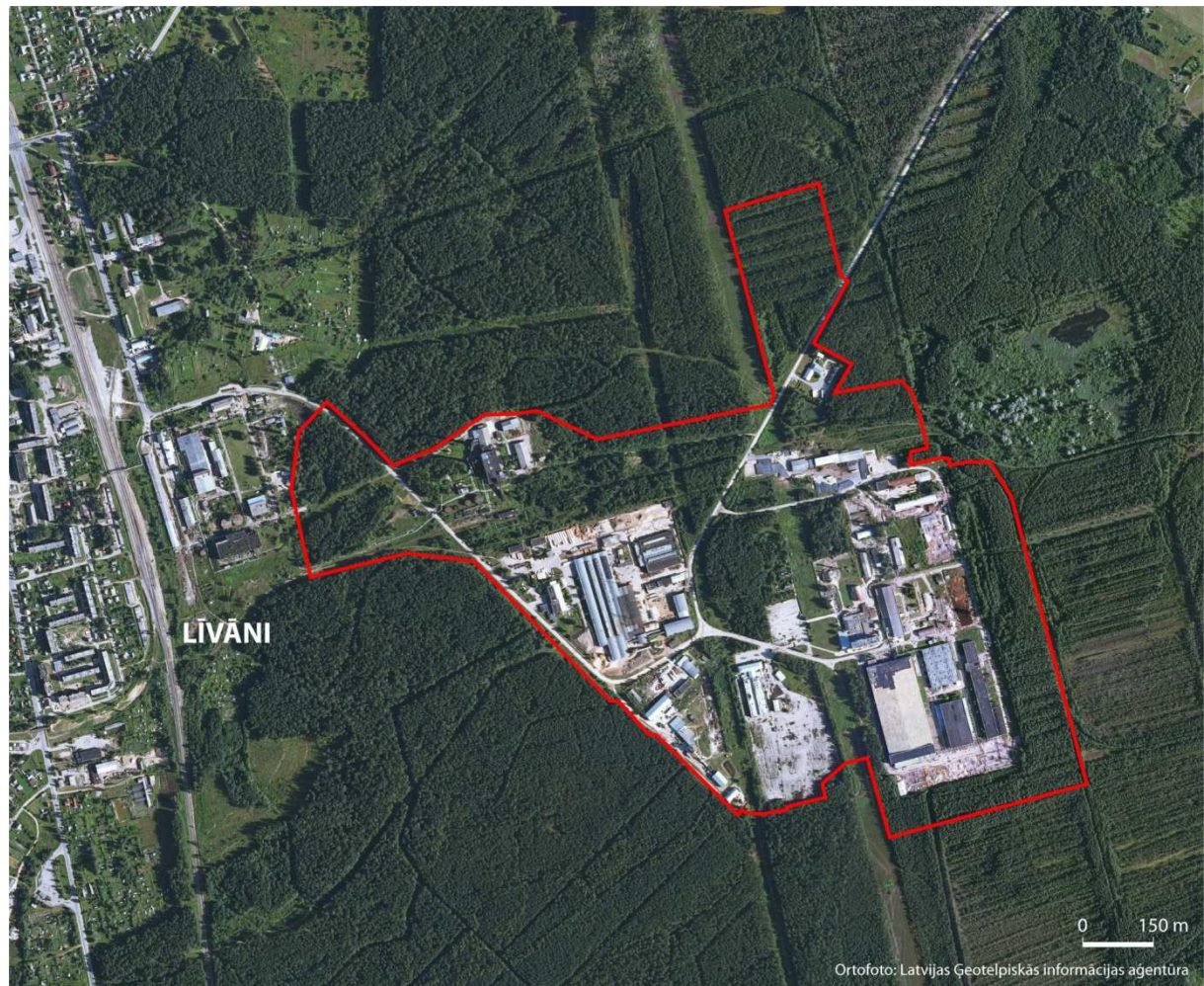
Distance from Līvāni to Riga is 167 km, to Preiļi 36 km, to Jēkabpils 25 km, to Daugavpils 65 km, to Rēzekne 100 km.

67% of the population registered in the county is at giving age.

The unemployment rate continues to decrease since the beginning of 2010 and has reached 17.3%.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Līvāni County's Local Authority

Head of Planning and Development Department

Gunta Ozoliņa

Phone: +371 65 307 812

E-mail: gunta.ozolina@livani.lv

INVESTMENT SITE No 5**Rēzekne Special Economic Area*****THE BUSINESS SECTOR***

Industry

THE AIM

Support and facilitation of business, as well as development of production environment

BRIEF SUMMARY OF SPECIAL ECONOMIC AREA

Rēzekne special economic area was established in 1997 with the purpose of facilitation of trade, developing industry and traffic, as well as goods export and import through Latvia by attraction of investment for development of production and infrastructure and establishment of new working places.

Rēzekne is a city full of sector traditions successfully combining the production potential, benefits of Latvia and European Union Eastern border town, human resources, and permanent and stable collaboration traditions with neighboring countries and rich heritage value.

HOLDER/OWNER

"Rēzekne Special Economic Area Administration" is a joint local authority institution under supervision of Rēzekne City Council and Rēzekne County Council.

SITE LOCATION

The total area of RSEA is 1155.28 ha, incl.: 1st territory - 203, 95 ha, 2nd territory 873.37 ha, 3rd territory – 20.46 ha, 4th territory- 57.50 ha. The total area, which is vacant at the moment and available for development is ~645 ha.

DESIRABLE TERM OF IMPLEMENTATION

RSEA status is valid to 2017, but at the moment an issue is considered about prolongation of term of validity until 2035.

POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

Producers wanting to widen their activity in the Eastern Europe with direct access to the EU, small distance to the borders of Russia and Belarus and qualified labor force.

SITE DESCRIPTION

Rēzekne special economic area provides direct access to the international market with more than 500 million consumers. Rēzekne, as one of the most important points of intersection of international transport main roads and railway lines in Latvia, is connected with the most significant raw materials resources and market of the European Union, Russia, countries of CIS and the Far East. The orderly road and railway infrastructure connects the eastern border of Latvia with Russia and countries of CIS, thus giving a strategic opportunity to Rēzekne of being a beneficial middleman between different transport flows with an opportunity to perform the required customs and other procedures.

Rēzekne special economic area offers the businessmen an opportunity to gain material profit, which is based on favorable tax environment, competitive costs, labor force that is capable of adapting itself and other excellent benefits.

Rēzekne special economic area received the 6th place in the world in the category of cost efficiency according to the poll "Global economic areas in the future 2010/11", publication "Foreign Direct Investment" of the British newspaper „Financial Times", within the frames of which independent experts analyzed the special economic areas in 8 categories.

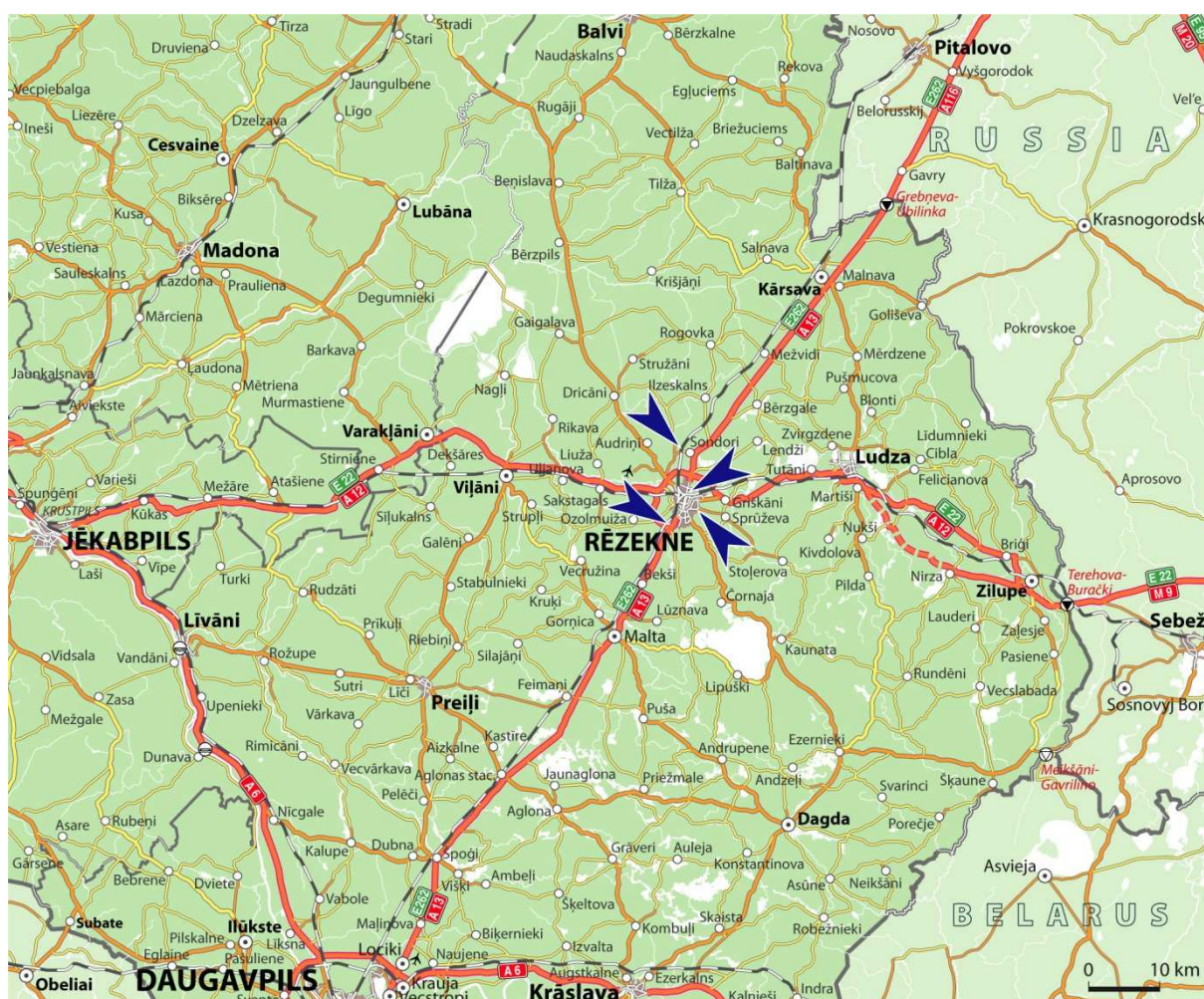
Operating in the favorable tax relief environment of Rēzekne special economic area, the investors are able to facilitate dynamic growth of their company. Commercial entities with RSEA status are granted 5% corporate income tax rate, 80 – 100% real

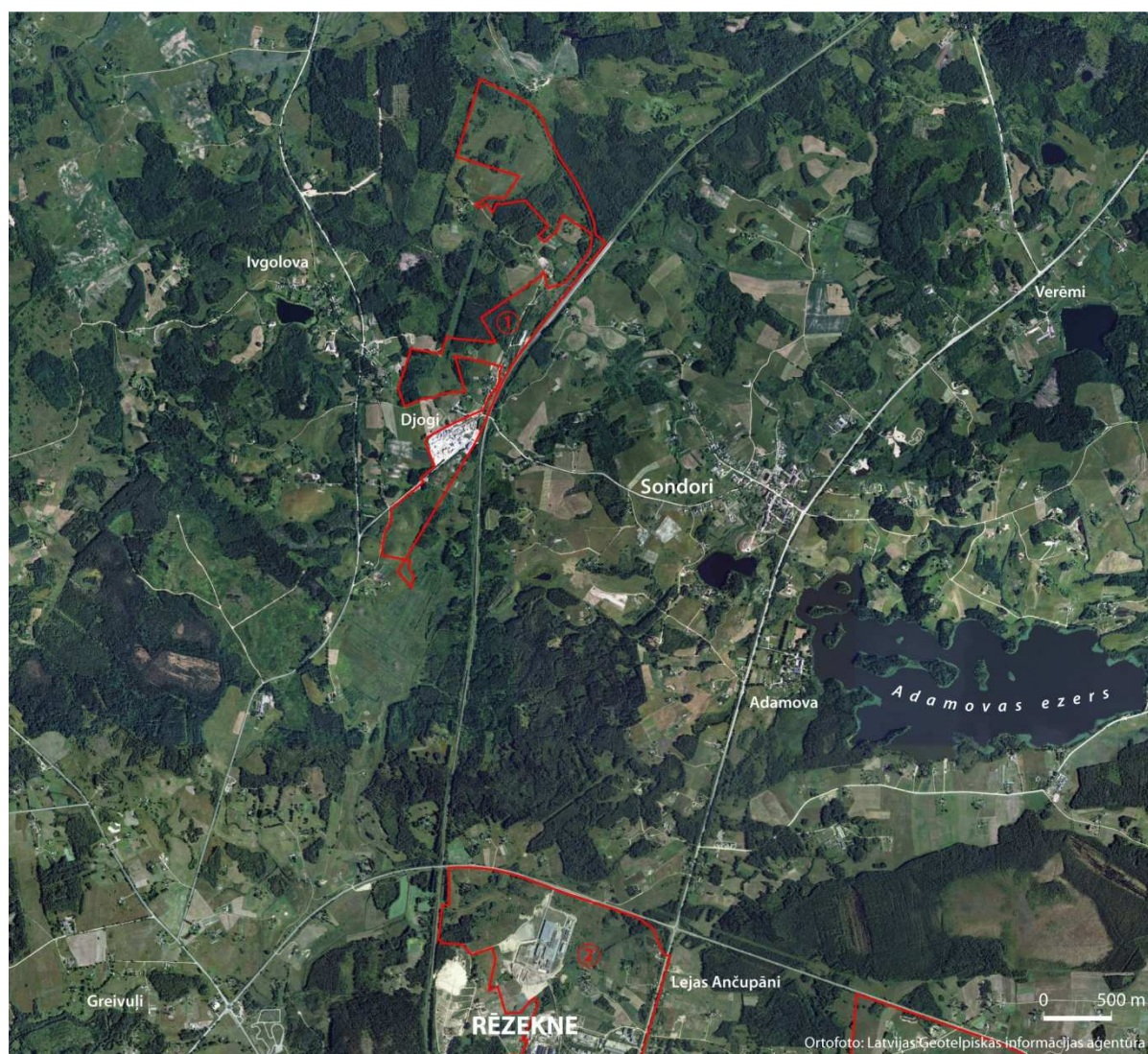
estate property tax relief, 80 % tax relief for dividends of the non-residents, 0% VAT for exported goods and services, which are connected with export in the RSEA's Free Trade Zone.

OTHER RELEVANT INFORMATION

Latgale Region has 15 professional education establishments and two colleges. Specialists in the sectors of mechanical engineering and metal working, construction, power industry, electronics and automatics, food production, textile manufacture, tourism and services, woodworking and other sectors. Higher education is ensured by Daugavpils University and Rēzekne High School, as well as branches of different Latvia's institutions of higher education.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**1st TERRITORY**

2ND, 3RD AND 4TH TERRITORIES**CONTACT INFORMATION**

Joint institution of local authorities „RĒZEKNE SPECIAL ECONOMIC AREA ADMINISTRATION”

93 Atbrīvošanas aleja, Room 230-232, Rēzekne, LV-4601

Phone/Fax +371 64625941

Mobile Phone +371 28633550

E-mail address: info@rsez.lv

INVESTMENT SITE NO 6

recreation zone at Balvi and the Pērkoni lakes



THE BUSINESS SECTOR

Tourism, water tourism, preservation of cultural and historical heritage

THE AIM

Create a tourism project through renewal and arrangement of the environment, which would facilitate city's attractiveness and recognizability and availability of qualitative recreation. It is planned to develop the opportunities of active recreation on the shore of the lake within the frames of the project.

OWNER

Balvi County's Local Authority

SITE LOCATION

Several land pieces with the total area of 9487 m² are offered for project's development:

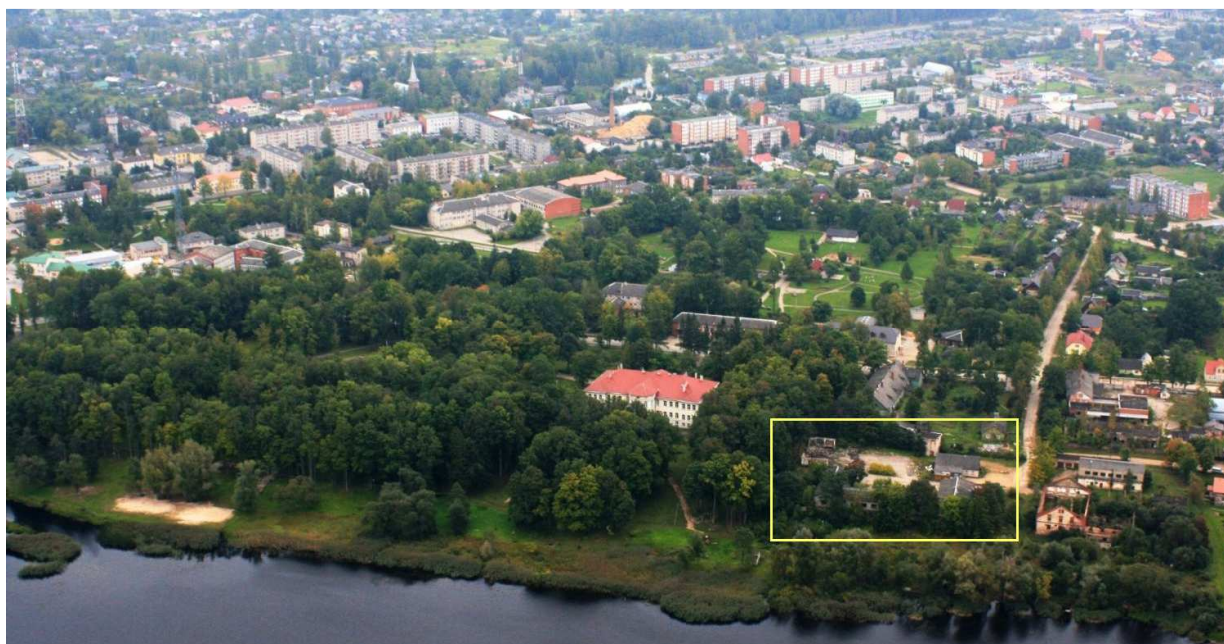
- ✓ Object No. 1 – cadastral No.38010030546, 8 Alejas Street, area - 1500m²;
- ✓ Object No. 2 – cadastral No.38010030677, 1G Dzirnavu Street, area - 2115m²;
- ✓ Object No. 3 – cadastral No.38010030502, 1F Dzirnavu Street, area - 2540m²;
- ✓ Object No. 4 – cadastral No.38010030501, 1 Dzirnavu Street, area - 3332m².

The objects at Dzirnavu Street are adjacent to each other. The object at 8 Alejas Stret is located at a distance of 300m from 1 Dzirnavu Street. There are no protective zones in the given territories. Long-term lease or selling of the territory is possible.

The building at 1 Dzirnavu Street (see the next image) is located at the Balvi Lake with access from Brīvības Street to Dzirnavu Street with a slope down to the lake. The building is located near Balvi estate and it is desirable to create it as a recreation center at the lake, with water and bicycle transport stands and training premises.

The estate was built in the II half of the 18th century and its construction complex includes - estate, estate barn (museum), farmhand house, household buildings, Lāčadārzs (*Bear Garden*) and park, which is located on the shore of the Balvi Lake.

The local authority will facilitate and support the activities, which will promote sustainable development of the county, as well as will provide support of a competent expert of local authority in the process of investment placement and further development.



SHORT DESCRIPTION OF SURROUNDING AREA

Balvi is the culture and administrative center of the district in the northeastern part of Latvia. The city is located at Bolupe between two lakes – the Balvi Lake and the Pērkonī Lake, in one of the most beautiful places of North Latgale. The highest point of the city is 122.9 m above sea level, but the level of the Balvi Lake is 100 m above sea level.

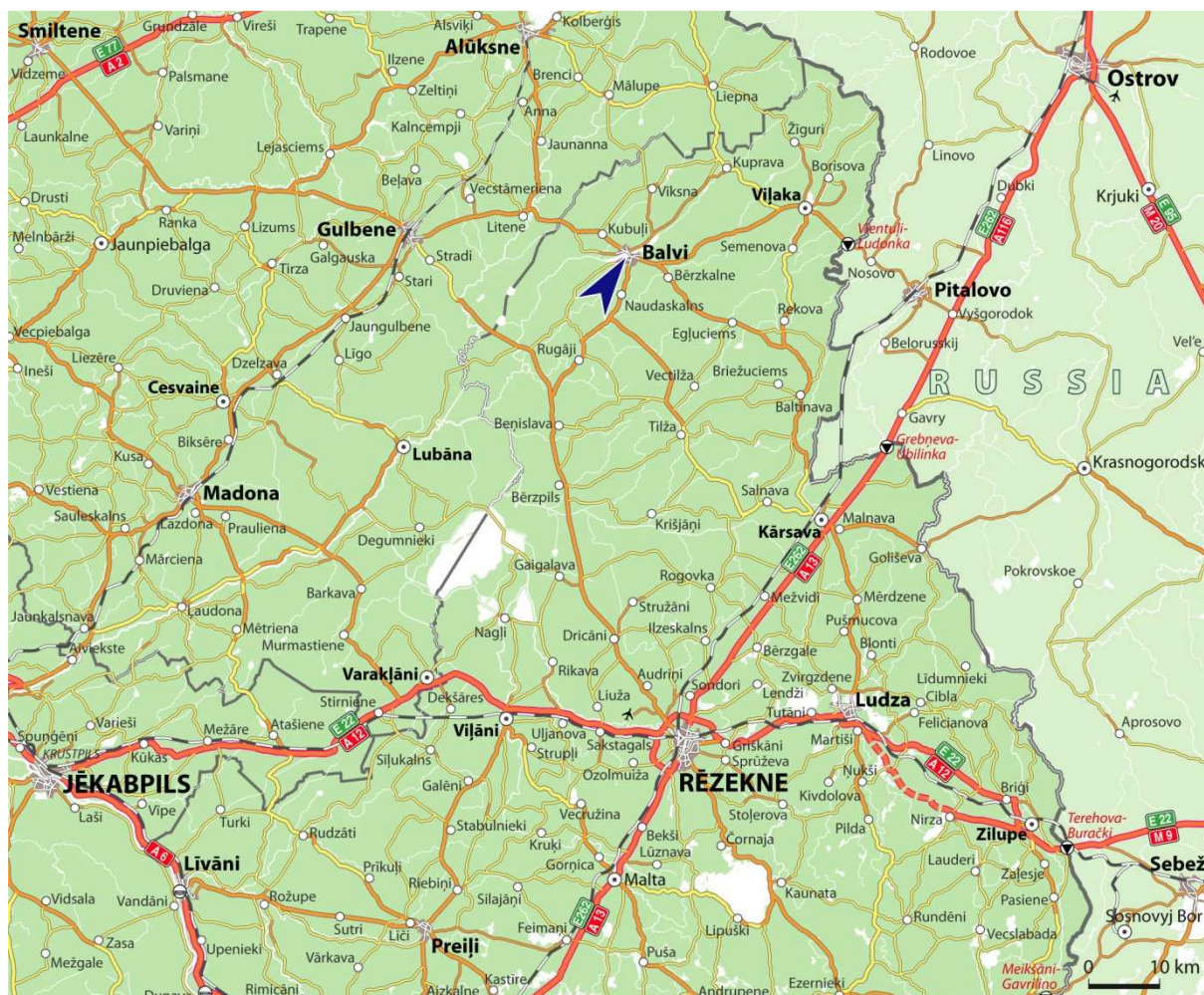
The main national economy sectors in Balvi are - trade, consumer services, woodworking and food production.

15 674 inhabitants lived in the county in the beginning of 2010, 7 948 of them – in Balvi City.

PROJECT'S BENEFITS

- ✓ Territory planning and regulations of territory use and construction, as well as the aims of use have been developed – territory of mixed business and public objects construction.
- ✓ No restrictions for property joining and land transformation have been defined for the territory given in the territory planning and the adjacent territory.
- ✓ Power supply, water and sewerage lead is available.
- ✓ Tax allowances are available – real estate property tax allowances secured with binding regulations, if it is invested in the local authority's infrastructure or new working places are created.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)***CONTACT INFORMATION OF PROJECT'S HOLDER***

Balvi County's Local Authority

Head of Finance and Development Department

Valda Vancāne

Phone +371 64522634

Mobile phone +371 26354030

E-mail: Valda.Vancane@balvi.lv

INVESTMENT SITE No 7**establishment of chip and straw briquettes production unit in Baltnava county*****THE BUSINESS SECTOR***

Power industry of renewable resources

THE AIM

Establishment of new chip and straw briquettes production unit to provide the most effective use of raw materials. Within the frames of the project it is planned to build a hangar, install the facilities required for briquette production and conclude long-term raw materials supply agreements with farmers of the county.

THE HOLDER OF THE SITE AND THE LAND OWNER

The territory belongs to Baltnava County Council

ORGANIZATIONAL STRUCTURE

A new farm will be established within the frames of the project, the chief project promoter is one of the owners of the future farm Ilgvars Keišs.

SITE LOCATION

The object is located in Silagaiļi hamlet closely to the road Viļaka – Kārsava P45 up to the road 0,4 km (distance to Balvi is 36 km, to Rēzekne 90km), distance to the railway (Malnava Station) – 21 km.

The buildings are located on a united land with the total area of 2ha, cadastral number 3844 003 0209. According to the territory planning the place of project implementation is determined as production area. Territory has a protective zone of electric power transmission links. Infrastructure construction is not required because the site is located on the very roadside of the road Viļaka – Kārsava.

The local authority is ready to give support for project implementation and document coordination.

DESIRABLE TERM OF IMPLEMENTATION

It is planned to start the work of production unit until 2014 at the latest

POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

The border with the Russian Federation is a factor of benefit, and it is planned to deliver raw materials from it to the front-line territories. The potential collaboration partners are the farmers of Baltnava County and neighboring counties, forest owners, owners of overgrown land areas - about 120 ha.

SITE DESCRIPTION

The project is planned in Baltnava County, Silagaiļi village's former cattle-breeding complex, only its asphalted area has remained. The local market and the necessary volume provision of raw materials has been studied for chip and straw briquette production, the county has sufficient human resources (unemployment is about 24% at the moment), the historical activity of the local population is farming.

Project implementation is planned in the territory of the former LTD „Baltinavas” milking cow complex, where a hangar will be built and facilities will be installed. The project corresponds to the conditions of EU's financing attraction in the program „Support of new agriculturists”, which is under supervision of the Rural Support Service; an application is prepared for attraction of additional financing.

The planned production capacity by the finished production volumes is approximately 2500 tons a year (chip and straw briquettes).

The owner plans to conclude a long-term lease agreement and is ready to invest in improvement works, including territory arrangement. Territory has a road and electric power transmission line. Power supply - 110 and 330 kV, current power of connection 330 kV. A sewerage pipe and water pipe lead to the object.

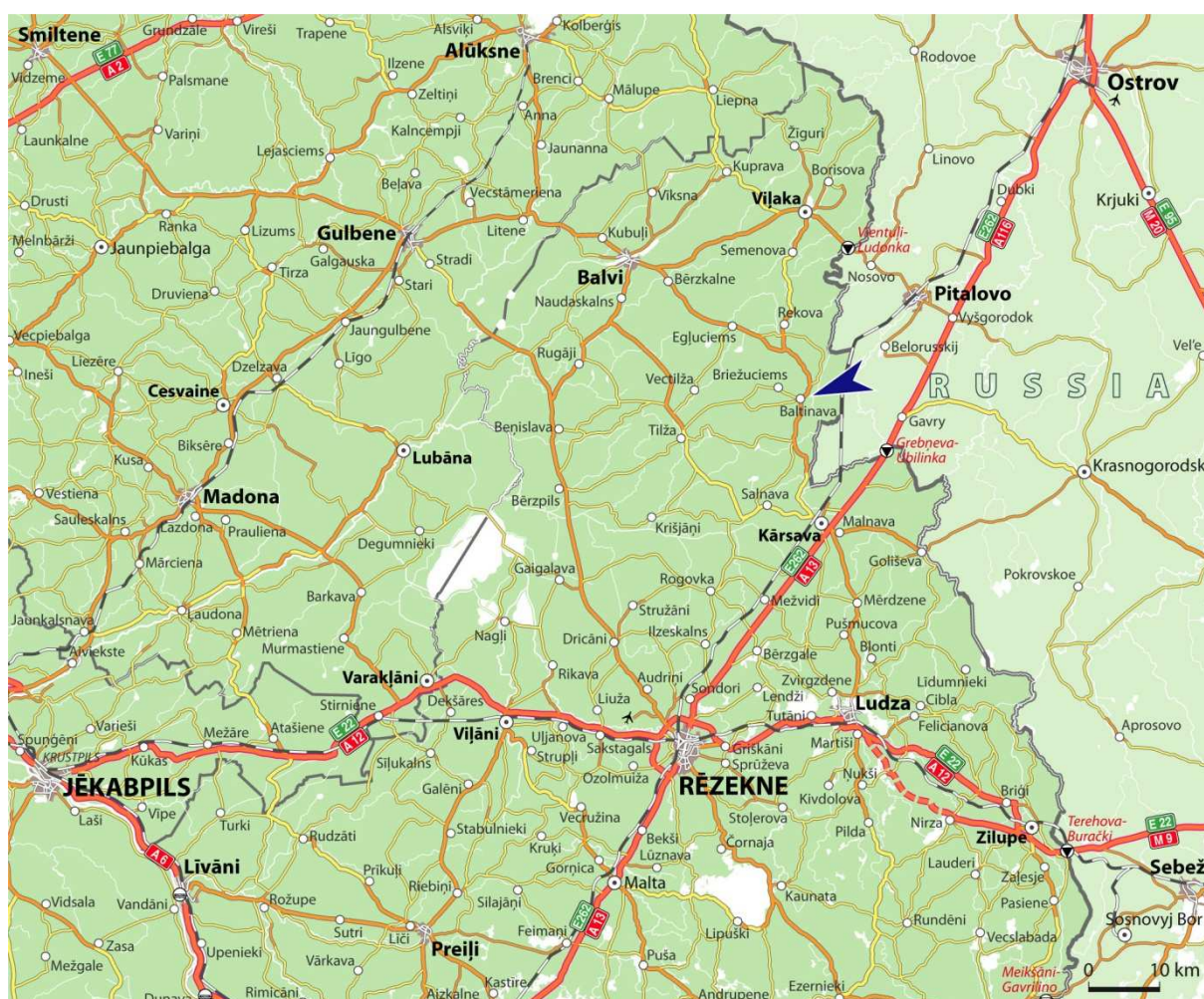
The adjacent territories are both land used in agriculture of about 5 ha and land, which used to be under the complex buildings, but right now about 1 ha is not used.

Baltinava County is listed among especially supported territories, and developing a new county development program for 2011-2018 it is planned to determine free economic area with reduced corporate tax in Baltinava County.

REQUIRED INVESTMENT

Construction costs are about 25 000 EUR, facilities costs are about 31 000 EUR, improvement 15 000 EUR.

SITE 'S LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT INFORMATION OF PROJECT'S HOLDER**

Project promoter Ilgvars Keišs

Mobile Phone +371 26486676

E-mail: grafix69@inbox.lv ,

Baltinava County's Local Authority

Chairwoman of Baltinava County Council

Lidija Siliņa

Specialist of overall planning and development of county's rural territory

Sarmīte Tabore

Mobile Phone +371 28399183,

Phone +317 64563581,

E-mail: planosana@baltinava.lv

INVESTMENT SITE No 8**construction of new complex of grain drying and purification*****THE BUSINESS SECTOR***

Agriculture, support services

THE AIM

Providing services of grain drying and purification, preliminary processing of grains from one's own farms and neighboring farmers

PROJECT'S HOLDER/OWNER

The owner of workshop is a physical person Aigars Keišs. At the moment he is arranging the territory lease rights with the farm „Robežmala” (current owner), territory lessee will be the farm „Papardes”, which will be the project implementer as well.

ORGANIZATIONAL STRUCTURE

Project is implemented by: farm „Papardes”, owner Jānis Boldāns, collaboration partners - farm „Robežmala” and farm „Krustceļi” (guarantee of shipping grain with transport)

DESIRABLE TERM OF IMPLEMENTATION

Until the harvest season of 2014

SITE LOCATION

The object is located in Baltinava village close to the road Viļaka – Kārsava P45 (36 km to Balvi, 90km to Rēzekne).

The buildings are located on one land with the total territory of 1 ha, cadastral number 3844 003 0673. According to territory planning the project's implementation place is determined as production area.

The territory has a federal road protective zone, protective zone of culture monuments, Baltinava Estate Park; it is possible to change it into individual protective zone. Infrastructure development is not required because the site is on the very roadside of the road Viļaka – Kārsava.

The local authority is ready to give support for project implementation and document coordination.

POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

It is planned to attract consumers from the region, as well as from the Russian Federation.

SITE DESCRIPTION

Within the frame of the project it is planned to construct a complex of grain drying and purification in the territory of the former machine-shops in Baltinava County, Baltinava village. The main service recipients are the local farm households and small holdings, which cannot access to such services at the moment. Agriculture is the dominating sector, which provides the basic working places and the general county's development.

Within the frame of the project it is planned to reconstruct the former machine-shop buildings and auxiliary buildings and hangar of LTD “Baltinavas” and equip them with technological equipment. The project corresponds to the conditions of EU's financing attraction in the program „Rural farms' modernization”, which is under supervision of the Rural Support Service; and an application is prepared for attraction of additional investment.

ADVANTAGES

- ### REQUIRED INVESTMENT

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSONS**

Owner of farm „Papardes”

Jānis Boldāns

Mobile Phone +371 26177942

E-mail: zspapardes@inbox.lv

Baltinava County's Local Authority

Chairwoman of Baltinava County Council

Lidija Siliņa

Specialist of Overall Planning and Development of County's Rural Territory

Sarmīte Tabore

Mobile Phone +371 28399183

Phone +317 64563581

E-mail: planosana@baltinava.lv

INVESTMENT SITE NO 9

sapropel production in Pērkoni lake

SAPROPEL is organogenetic sediment in the fresh water reservoirs, which is formed of remains of water-plants and animal organisms mixed together with mineral particles. The organic substances in sapropel can reach even 95%. One can find many biologically active substances in sapropel, for instance, vitamins, hormones, and they are used in different sectors like agriculture, medicine, chemistry, production of construction materials, industry and elsewhere.



THE BUSINESS SECTOR

Sapropel production

THE AIM

Elimination of lake bogging-up, sapropel production in Pērkoni Lake

HOLDER/OWNER

Balvi County's Local Authority

SITE DESCRIPTION AND LOCATION

A land territory on the shore of the Pērkoni Lake is offered for provision of project's technological process. The following land belonging to the local authority can be used within the frames of the project – object No.1 – cadastral No.38010020146, 2.2ha,

object No.2 – cadastral No. 38460050452, 0.6 ha, object No. 3 – cadastral No. 38480020138, 0.3 ha, object No. 4 – cadastral No. 38480020139, 0.8 ha. The infrastructure is more available in the object No. 1, but the objects No.2, No.3 and No.4 are the closest to sapropel production places.

The real estate property offered by the local authority can be purchased or leased for along term from the local authority. The local authority will facilitate and support business activities, which will promote sustainable development of the county, as well as will provide support of a competent expert of local authority in the process of investment placement and further development.

The studies of lake's depths regarding sapropel amount and its quality were performed in the 80's, however, taking into consideration the past period of time; such a study should be repeated. The regulations of lake's depth use in the local authority are defined by the Law on Earth Interior and the binding regulations of the Cabinet of Ministers.

DESIRABLE TERM OF IMPLEMENTATION

Until 2015

BRIEF DESCRIPTION OF SURROUNDING AREA

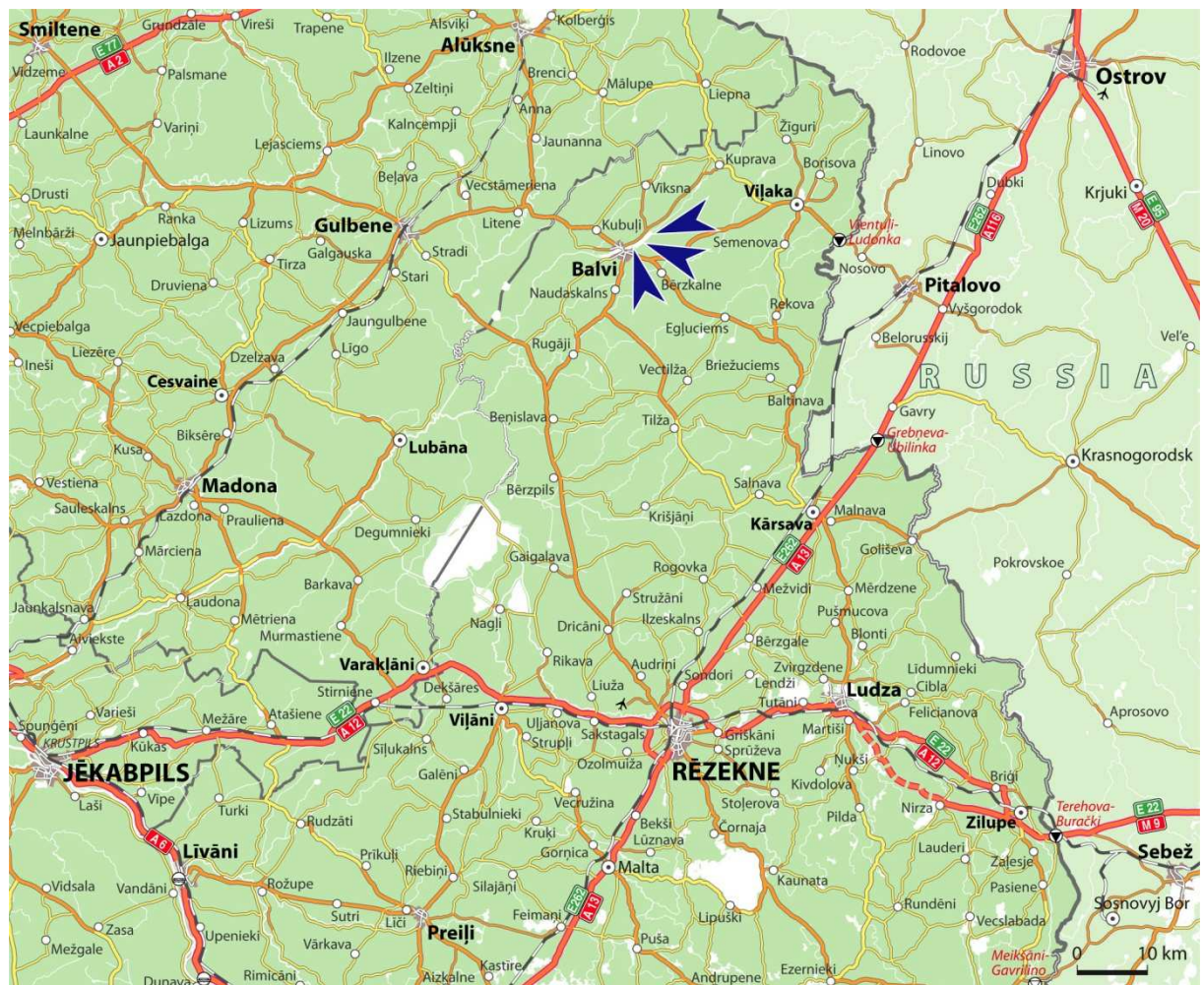
Balvi is the culture and administrative center of the district in the northeastern part of Latvia. The city is located at Bolupe between two lakes – Balvi Lake and Pērkone Lake, in one of the most beautiful places of North Latgale. The highest point of the city is 122.9 m above sea level, but the level of Balvi Lake is 100 m above sea level.

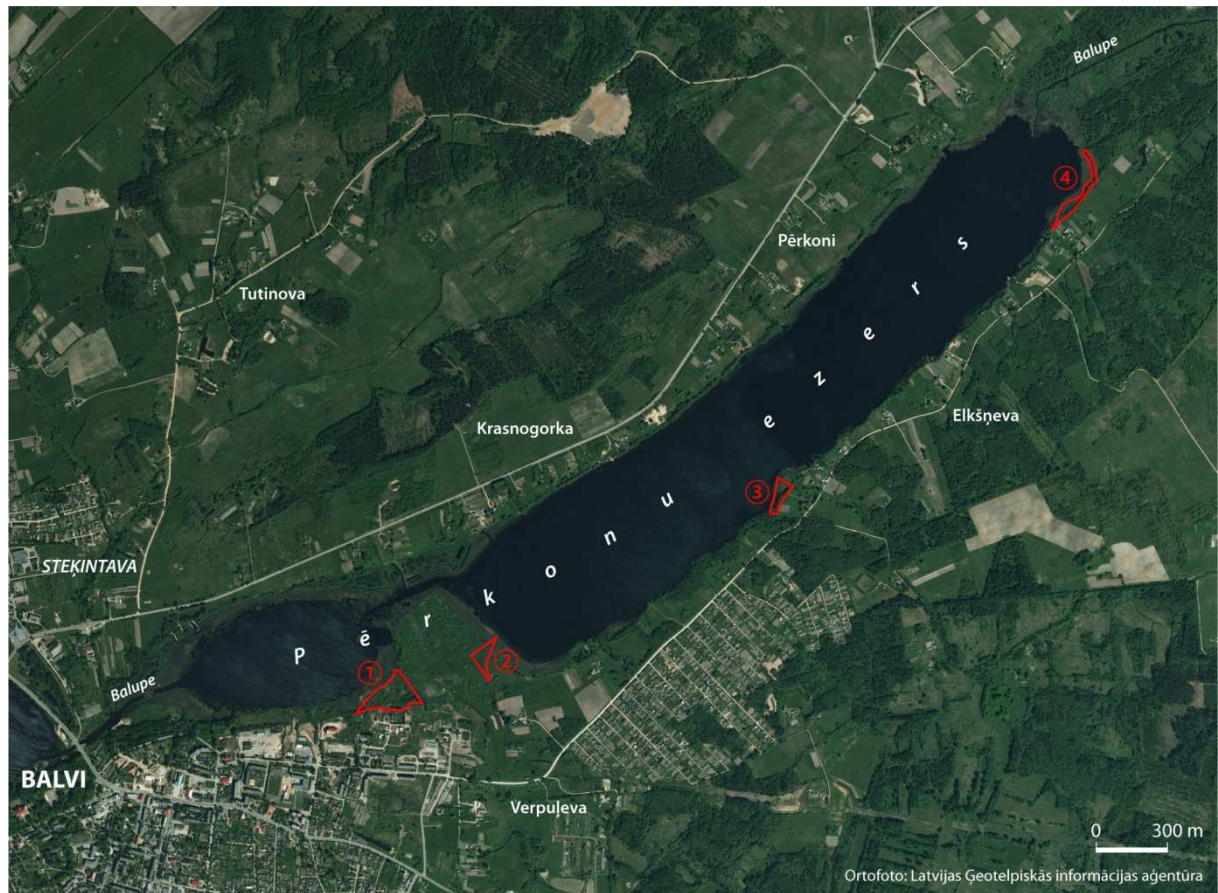
The main national economy fields in Balvi are - trade, consumer services, woodworking and food production.

15 674 inhabitants lived in the county in the beginning of 2010, 7 948 of them – in Balvi City.

ADVANTAGES

- ✓ Territory planning and regulations of territory use and construction, as well as the aims of use have been developed – territory of mixed business and public objects construction. No restrictions for property joining and land transformation have been defined for the territory given in the territory planning and the adjacent territory.
- ✓ Power supply, water and sewerage lead is available.
- ✓ Tax allowances are available – real estate property tax allowances secured with binding regulations, if it is invested in the local authority's infrastructure or new working places are created.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Balvi County's Local Authorities

Head of Finance and Development Department

Valda Vancāne

Phone +371 64522634

Mobile phone +371 26354030

E-mail: Valda.Vancane@balvi.lv

INVESTMENT SITE NO 10**establishment of fish nursery in Dagda county****THE BUSINESS SECTOR**

Fisheries (fish breeding, processing)

THE AIM

Construction of shore-based infrastructure for fishing development in the Dagda Lake, thus moving to breeding of aquaculture animals and incubation workshop. Development of industrial fishing by establishing shore-based infrastructure.

HOLDER/OWNER

Dagda County's Local Authority

PROPERTY RIGHTS

Land with cadastral No. 6054 004 0258 belongs to the local authority's Limited Liability Company „Dagdas komunālā saimniecība”; the county's local authority has a lease agreement until February 28, 2026 with opportunities of transferring the land use rights to the third person by coordinating it with the lessor.

POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

Strategic investor with experience in fisheries interested in establishment of new fish hatcheries in the Eastern Europe, for which it is important to be in the European Union and closely to the Russian Federation and Republic of Belarus, which are an important product market.

SITE DESCRIPTION AND LOCATION

Several partially built and unused buildings, which were provided as treatment facilities, are located on the shore of the Dagda Lake. The territory in Dagda County, Asūne Civil Parish, Alženova, belonging to LTD "Dagdas komunālā saimniecība" is offered for project development.

The following buildings and territories are offered for project development:

- 1) administrative room 28 m²
- 2) place for fishing equipment storage - 30 m²;
- 3) boat stand- 520 m²;
- 4) territory improvement- 470m².

The total area of the territory is 3,19ha.

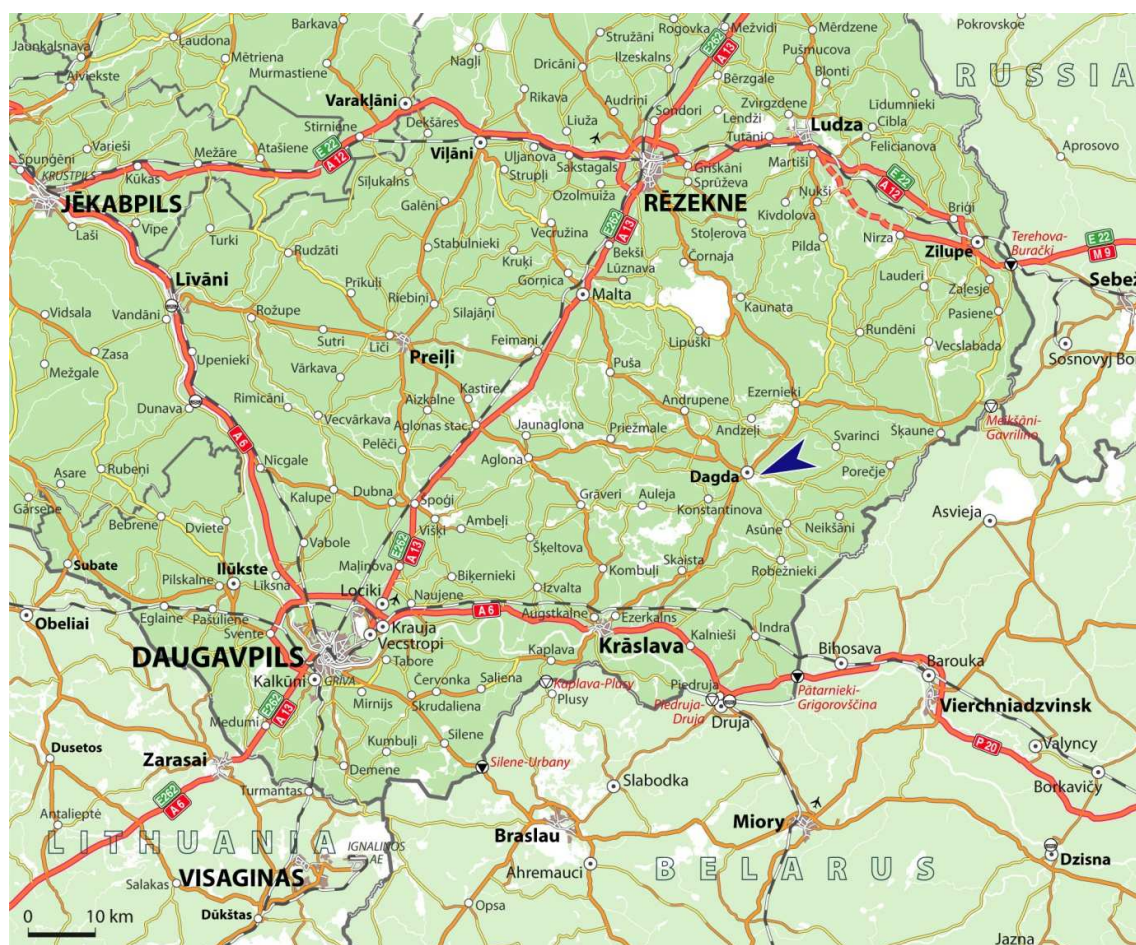
The buildings are provided with centralized heat supply.

At the moment Dagda County has licensed fishing and underwater fishing. Establishing of this place is important for further fish resources reproduction not only for Dagda County's lakes, but for fish breeding for trade purposes, providing fresh fish production of wider assortment for Latvia's trading places, as well as creation of products of higher added value form fish production. Approximate total area of Dagda County's waters is 3500 ha.

The road is covered with asphalt, but improvements are required, because it is 30 years old. There is no electricity at all, but the closest connection is located at a distance of about 1 km. No gas connection.

OTHER RELEVANT INFORMATION

The average depth of the lake is 5.2 meters, but the maximum depth - 19.2 meters. The lake has 11 islands. The following fish species live naturally in the lake: roach, chub, rudd, bream, pike, perch, bleak, pike perch, eel, silver bream, tench, sheatfish, as well as ruff.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Dagda County's Local Authority

Head of Development and Planning Department

Ligita Nagļa

Phone: +371 65681437,

Mobile phone: +371 29366163

E-mail: ligita.nagla@dagda.lv

INVESTMENT SITE NO 11**Felicianova manor in Cibla county*****BRIEF SUMMARY***

The old estate building is located in a picturesque place, not far away from Cibla's historical centre, close to the road. The dwelling house of Felicianova manor was built in the beginning of the 20th century. It was built by the German landlord Plen, whose family owned lands in the present village surrounding. The dwelling house has been rebuilt several times. The last building owners – Michael Plen and his foster-son Boris owned the household from 1915 to 1940.

THE BUSINESS SECTOR

Tourism, education

THE AIM

Within the frames of the project it is planned to reconstruct the old manor building, make it attractive for tourism and recreation (include it in Latgale travel routes), as well as make it suitable for organization of conferences and seminars, children camps and creative workshops, and also for placement and running of culture events.

HOLDER/OWNER

Cibla County's Local Authority

DESIRABLE TERM OF IMPLEMENTATION

The desirable time for commencing the project's renovation is 2013, completion of renovation – 2015.

SITE LOCATION

A building and its adjacent territory with the area of 1,62ha under cadastre No. 68480040212 is offered for investment opportunities. The total area of a three-storey building is 910 square meters, and a cellar with the area of 127 square meters.

The building and the territory is located at a distance of 10 km away from Ludza and at a distance of 30 km away from Zilupe, on the roadside of the road V 511. The distance to Ludza railway station is 10 km. Public institutions' territory is allowed for use. The territory is affected by the motorway protective zone and protective zone of the small Felicianova hydropower station.

The local authority is ready to ensure additional support in collaboration with other public administration institutions during project coordination, and employees knowing English and Russian are at the disposal of the local authority.

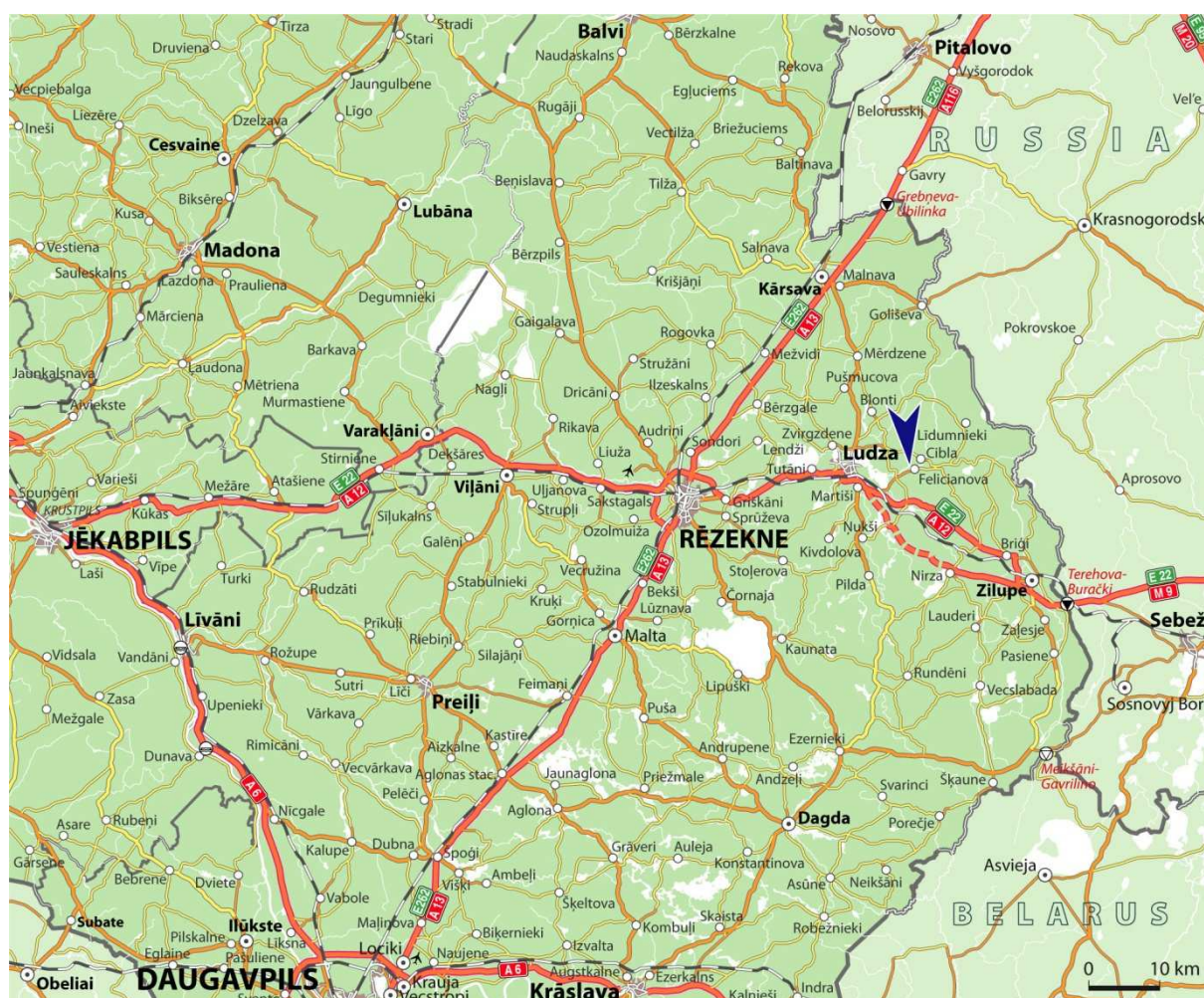
POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

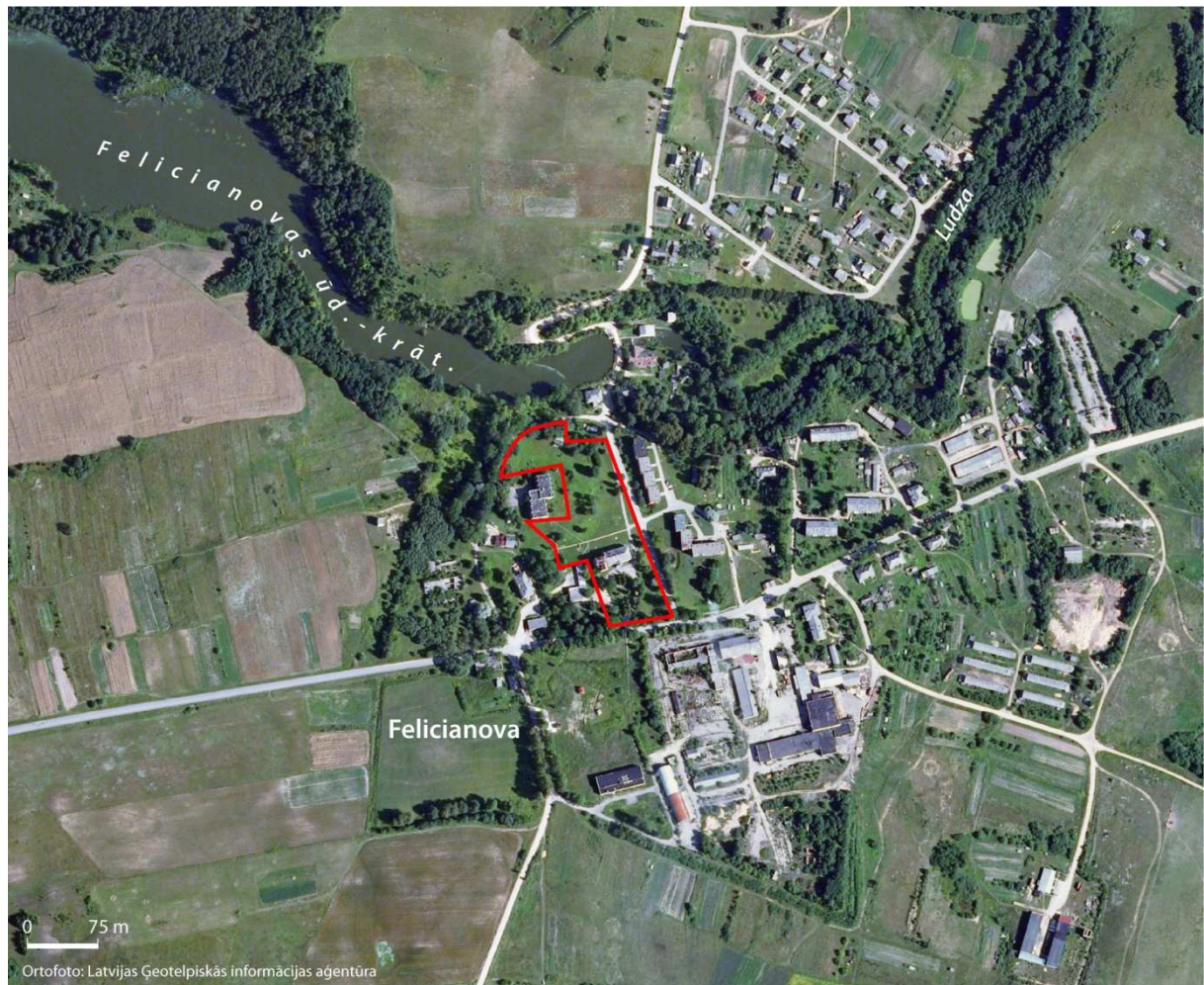
The site would be suitable both as a place for events connected with facilitation and strengthening of cross border collaboration, because the territory is close to the borders of Russia and Belarus.

REQUIRED INVESTMENT

The potential (initial) sales amount is 300 000 LVL. The potential investment volume for renovation is 1 000 000 LVL. The local authority awaits interest pronouncement from the potential investors or buyers. Negotiations with potential investors or buyers are conducted by the head of the local authority.

The local authority plans to sell the territory and the building. At the moment planning of county's territory and construction conditions are being developed. There is an opportunity to renew the site's connection to the common water main and sewerage system, as well as the power supply of the village.

SITE PHOTOS**SITE LOCATION IN THE REGION**

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Cibla County's Council

Council Chairman Juris Dombrovskis

Phone +371 29206199

E-mail: ciblasnovads@ciblasnovads.lv

INVESTMENT SITE NO 12

production arrangement in the building of 1000 square meters in Ludza city

***THE BUSINESS SECTOR***

Processing and storing of agriculture products

THE AIM

Creation of agriculture products' processing with high value-added and storing to provide production distribution at the most economically effective price. The new object is planned as a supporting structural unit near the complex of greenhouses placed in the territory.

OWNER

Ludza County's Local Authority

SITE DESCRIPTION AND LOCATION

Site location is in the territory of Ludza City, 242B Latgales Street. The site is in enclosed territory, the total construction area of which is 1252,8 m², of them garage – 159,6 m², shed – 66,7 m², buildings – 1026.5m². The cadastral value of the building is LVL 14335. The building has electricity and water supply (it is disconnected at the

moment; however, it can be renewed). Local heating. Railway is not far away from here; route Jēkabpils – Ludza – Zilupe is located near to the road A12.

The building is located in the outskirts; city's border goes along the border of Martiši hamlet. The availability of labor force is positively influenced by the opportunities of inhabitants of both the city and the neighboring hamlets of reaching Ludza City.

DESIRABLE TERM OF IMPLEMENTATION

Development of greenhouse complex is planned from 2012 to 2021; herewith the desirable term of site's development is until 2015. Vegetables will be cultivated in the greenhouse complex – tomatoes, cucumbers, salad.

POTENTIAL CUSTOMERS AND COLLABORATION PARTNERS

Development of investment is planned in direct connection with the new project, within the frames of which the company Agro Food Holding will implement construction of greenhouse complex. Experience in processing and storing of agriculture products is preferable for the potential investor.

INVESTMENT OFFER

The local authority offers long-term object lease or its full redemption. The local authority is ready to provide support for investment opportunity, in collaboration with different institutions, in solving of construction and business issues.

The local authority will consider an opportunity of granting real estate property tax relief if the project implementation will create new working places.

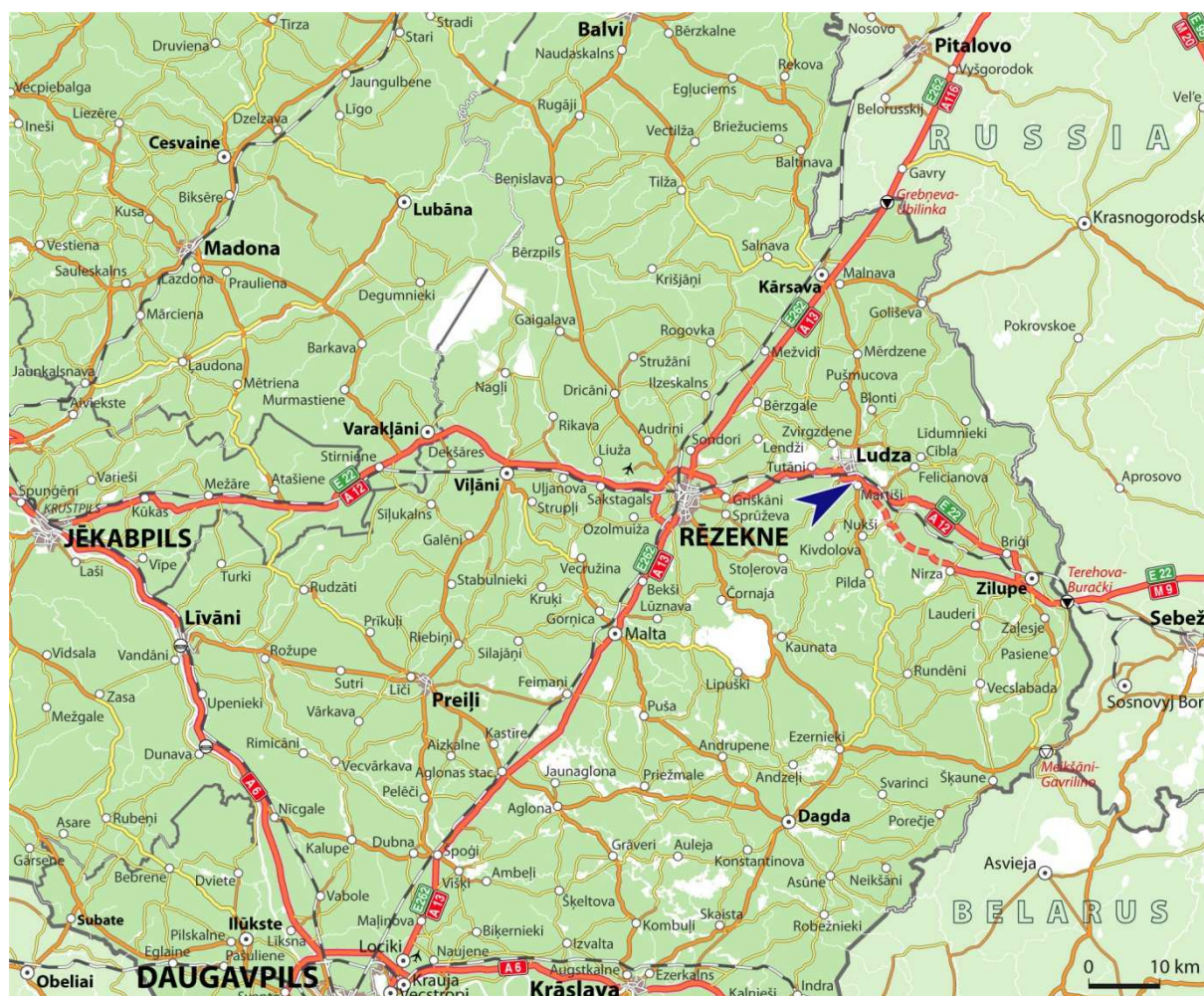
It is possible to receive corporate income tax relief if the investment volume for long-term investing within 3 years from the moment of commencement of project implementation exceeds 5 million LVL.

TERRITORIAL PLANNING OF LUDZA CITY AROUND THE SITE

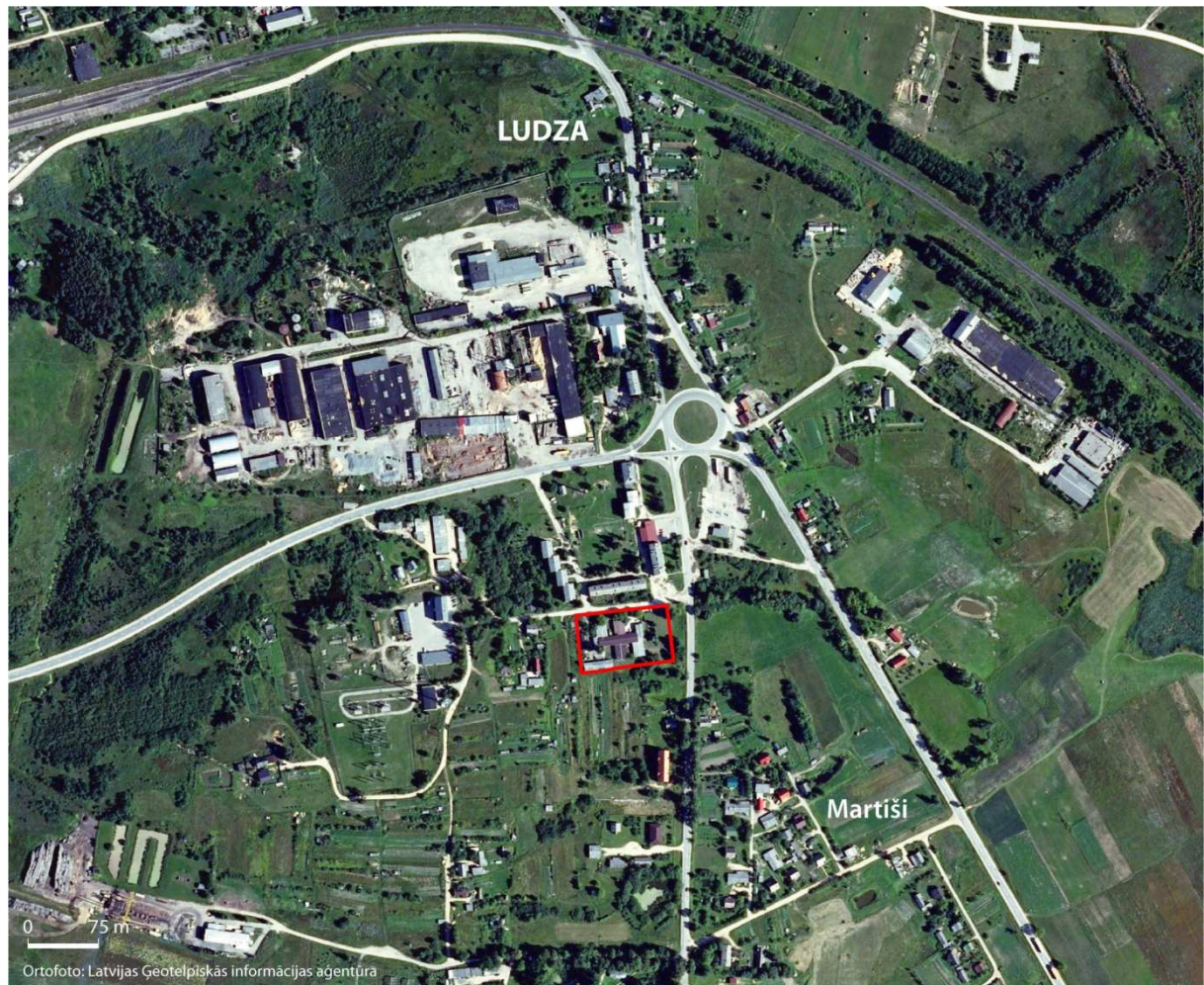
Territory with designation „V” – investment opportunity; territory „D” – filling station „Latvijas nafta”; territory „MDz” – planned greenhouse complex, territory „RN” (to the left from the site) – Latvenargo territory, power supply sub-station is located in it as well; territory „RN” (above the by-pass highway) – production territory, mostly woodworking companies; territory „DDz” – apartment houses.



SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)



CONTACT PERSON

Ludza County's Council

Head of Development and Real Estate Department

Aivars Meikšāns

Phone: +371 65707496;

E-mail: aivars.meiksans@ludzaspils.lv

INVESTMENT PLACEMENT PROJECT NO 13**Preiļi estate complex and park renovation and development*****BRIEF SUMMARY***

The site is located in Preiļi city, in the southeast of Latvia, at a distance of 200 kilometers from Riga. Beautiful Neo-Gothic castle, which was initially a residence of the German earls' Borh family, is located in the antique and romantic park. Preiļi Estate complex and a park are the most important tourism sites in Preiļi and its surrounding today.

THE BUSINESS SECTOR

Tourism, hospitality

THE AIM

Renovation of Preiļi Estate complex and park and development of it into a centre of recreation, relaxation and business, which is capable of hosting up to 200 visitors together

HOLDER/OWNER

The owner of Preiļi park and the castle is Preiļi County's Council

SITE DESCRIPTION

The whole estate complex is being offered for development, the total land and water areas in the park constitutes 41,2 ha. For further complex development the following is offered:

- ✓ Castle, its total area – 1500 m²;
- ✓ Estate park – 43 ha,
- ✓ Estate's stable building – 564 m²;
- ✓ Estate's farmhand house (25 Raiņa Blvd. 25, Preiļi) - 247.4 m², populated at the moment, still, available for other purposes.

The following objects are additionally included in the complex, however, cannot be used for further development:

- ✓ Park's gate guard maisonnette - 68 m² - a museum is located there today;
- ✓ Gardener's house (multistory dwelling house);
- ✓ Estate's chapel - 177.8 m².

The park is crossed by channels and brooklets of different size, which were dug out during the time of earl Borh. All bridges were built during Borh and islets and a "Hill of Love" were formed using the channel ground dug out.

10 ha of the adjacent and included park territory can be used for construction of infrastructure of various tourism sites (parking places, sports and recreation objects - tennis courts, golf-courses, boat quays at park's ponds).

The park consists of five land units; however, its development is possible only in a form of a united, inseparable site.

Site's allowed use, restrictions and other related information is available on the local authority's home page¹⁸.

According to previously performed studies and development of concept, the development of Preiļi Estate and park complex is implemented in 2 directions:

- Preiļi Estate and park complex is developed into a popular international tourism site.
- Preiļi Estate and park complex is developed into a marketable and popular business centre (hotel, conference rooms and exhibition halls) for international, national and regional conferences and other events.

The territory's owner plans to conclude a short-term lease agreement and is ready to ensure additional support for infrastructure development and collaboration with

¹⁸ http://www.preili.lv/image/upload/dokumenti1/20110725_teritorijas_izmantosana.pdf

other public administration institutions during project coordination. An employee knowing English and Russian is available for the local authority.

ADVANTAGES

- ✓ A preliminary design has been developed for project's development.
- ✓ The locality is described by ecological environment and great architecture
- ✓ Aglona Basilica is located at a distance of 20 minutes ride, which is the most visited tourism site in Latgale Region
- ✓ The local authority is ready to ensure support for project's implementation

REQUIRED INVESTMENT

Approximate renovation costs - 3 million EUR.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)

SITE PHOTOS



CONTACT PERSON

Preiļi County's Council
 Head of Development Department
 Zigmārs Erts
 Phone: +371 65322766
 Mobile Phone: +371 29433146
 E-mail: zigmars.erts@preili.lv

INVESTMENT SITE NO 14

sand – gravel and sand production in the territory of real estate „Butišķi”

***THE BUSINESS SECTOR***

Minerals (sand-gravel) production

THE AIM

Extraction of sand – gravel mix and sand, which can be used and realize for satisfaction of needs of construction sector.

HOLDER/OWNER

The property under the cadastral designation number 4474 007 0347 and the area of 8.43 ha belongs to Daugavpils County's Council. The property has been transferred into possession and management of Naujene Civil Parish Administration.

SITE LOCATION

The mineral mine is located in unpopulated place, mostly in forest soils. The nearest populated area is located at a distance of 600 meters. The closest largest motorway Daugavpils – Krāslava highway is located at a distance of 5.1 km. The sand-gravel deposit can be reached from the road A6 driving on the asphalted road in the

direction of Butiški and then driving on the gravel road. The gravel road section is 0.6 km.

According to the valid territory planning, the property is included in the category „Territories of mineral deposit extraction”. The land transformation is planned in the deposit (for the area of 5.3 ha). 1.1 ha of the territory runs far into Daugava protective zone, where extraction of mineral deposits is impossible. Naujene Civil Parish Administration is ready to give all information at its disposal about the present territory and the documents worked out before.

The owner plans to organize the auction for rights to extraction of sand-gravel and sand deposit in the sand-gravel and sand deposit „Butiški”. The owner will perform the forest land transformation before it.

DESIRABLE TERM OF IMPLEMENTATION

2012 - 2020 (8-year production program has been developed)

POTENTIAL INVESTOR

Companies of construction sector wanting to expand their activity in the region

SHORT DESCRIPTION OF MARKET SITUATION

The property “Butiški” with the total area of 8,43ha belonging to Daugavpils County’s Council is offered for investment attraction. Forest takes the most part of the property and about 2 ha are suitable for gravel and sand extraction. According to the passport of minerals production, production of A-category sand-gravel (203 thousand m³) and sand (15 thousand m³) is accepted in the area of 8,43 ha. The site is located near the asphalt-covered road and not far from Daugavpils City (17 km), which are the benefits of site’s geographic location and labor force resources’ availability. It is possible to use the gravel roads of the local authority to reach the site.

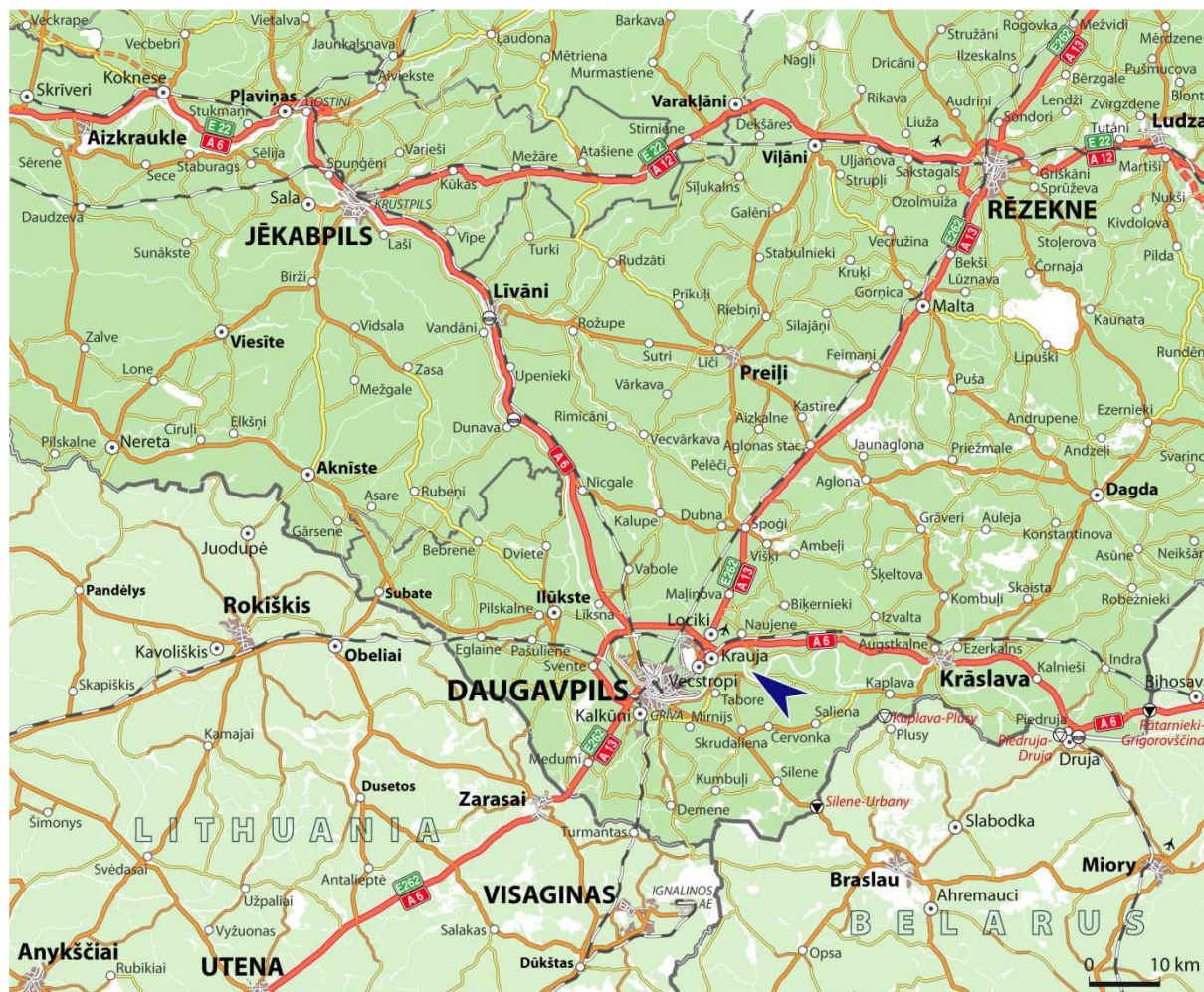
Geologic study and resources’ calculations have been made for the site. The initial studied resources have been accepted:

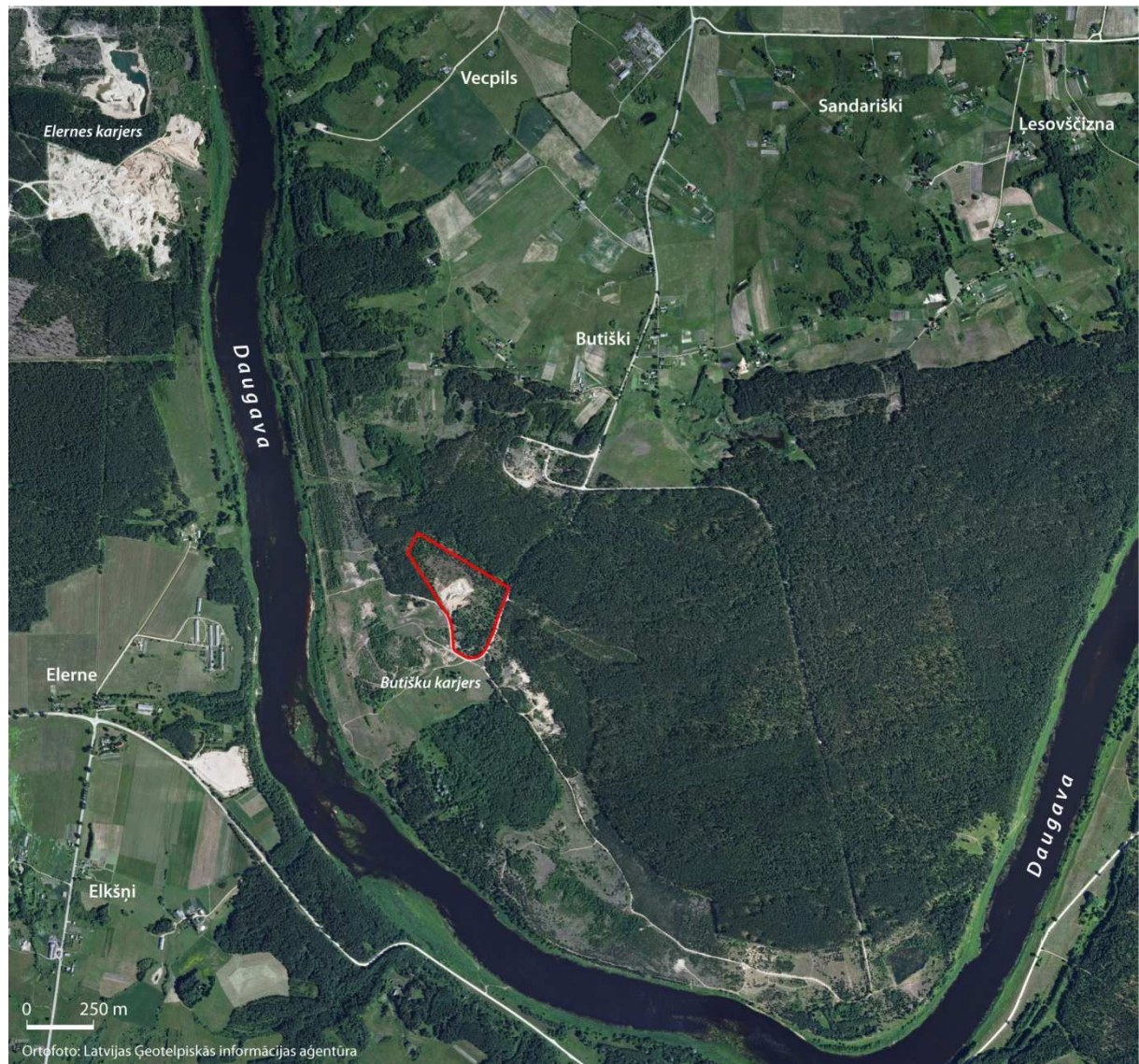
- ✓ A category -185 thousand m³ of sand - gravel and 219 thousand m³ of sand;
- ✓ N category – 4 thousand m³ sand – gravel and 15 thousand m³ of sand.

The obtained resources can be used for further development in road construction (for construction of drainage layer), concrete, selected asphalt concrete, mortars, embankments, road pouring in winter, as well as other construction needs. There are no equivalent sites of production in the closest locality.

INVESTMENT ATTRACTION PROCEDURE

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT INFORMATION OF PROJECT'S HOLDER**

Head of Naujene Civil Parish Administration

Ināra Miglāne

Phone: +371 6 5476841

E-mail: inara@naujene.lv

INVESTMENT SITE NO 15**arrangement of production unit in Aglona civil parish's Ezerukini****THE BUSINESS SECTOR**

It is possible to use different companies on the site, the most suitable of them are: woodworking, industry, agriculture (breeding of light beasts, birds) and tourism.

THE AIM

Development of business in the county's territory creating competitive environment and complementary company establishment in the industrial territories

OWNER

LTD "Zoti"

SITE LOCATION

3 land units are offered for investment opportunities: 1) cadastral number 76420010003, total area 9,6 ha, 2) cadastral number 76420010307, total area 6,0 ha, 3) cadastral number 76420010308, total area 10,48 ha, land fits close to Rušona Lake.

According to detailed planning these are industrial territories, they have close access from the road Jaunaglona - Kapiņi, which, in its turn, crosses the federal roads Daugavpils – Rēzekne and Aglona - Dagda.

3-phase power connection is provided for the territory and the local water supply from the boring well.

SITE DESCRIPTION

The land No. 3 is fit for tourism development, because it is located closely to Rušona Lake.

Distances from the offered sites to the business and economical importance centers:

- ✓ Aglona Basilica – the most important tourism center of the region, up to 200 thousand visitors each year - 6 km;
- ✓ Ezerukini village – 1km
- ✓ Jaunaglona and Kapiņi hamlet – 3 km,
- ✓ Aglona – 6 km,
- ✓ Priežmale hamlet – 13 km
- ✓ Preiļi - 30 km, Daugavpils - 50 km, Riga – 230 km.

Labor force – number of population registered in the centers of populated areas: in Aglona - 1040 people, Jaunaglona - 240, Priežmala - 301, the indices do not include the population of adjacent rural territories.

POTENTIAL COLLABORATION PARTNERS

Strategic investors are being looked for, which are interested in development of business in the sectors of woodworking, breeding of light beasts and birds, industry or tourism.

INVESTMENT OFFER

6 buildings are located on the land No.2 and were used before for poultry farming; 5 buildings are offered within the frames of the project for business opportunities, the area of each building is 900 m². The buildings are offered for long-term lease for, at least, 5 years for 0,50 LVL/m² (including VAT).

Those who work on the site are offered also dwelling rooms; the planned rent charges are 2,00 LVL/m² plus public services.

The owner is ready to invest in infrastructure development. At the moment a textile production unit is the one of the buildings functioning (Rimako import - export).

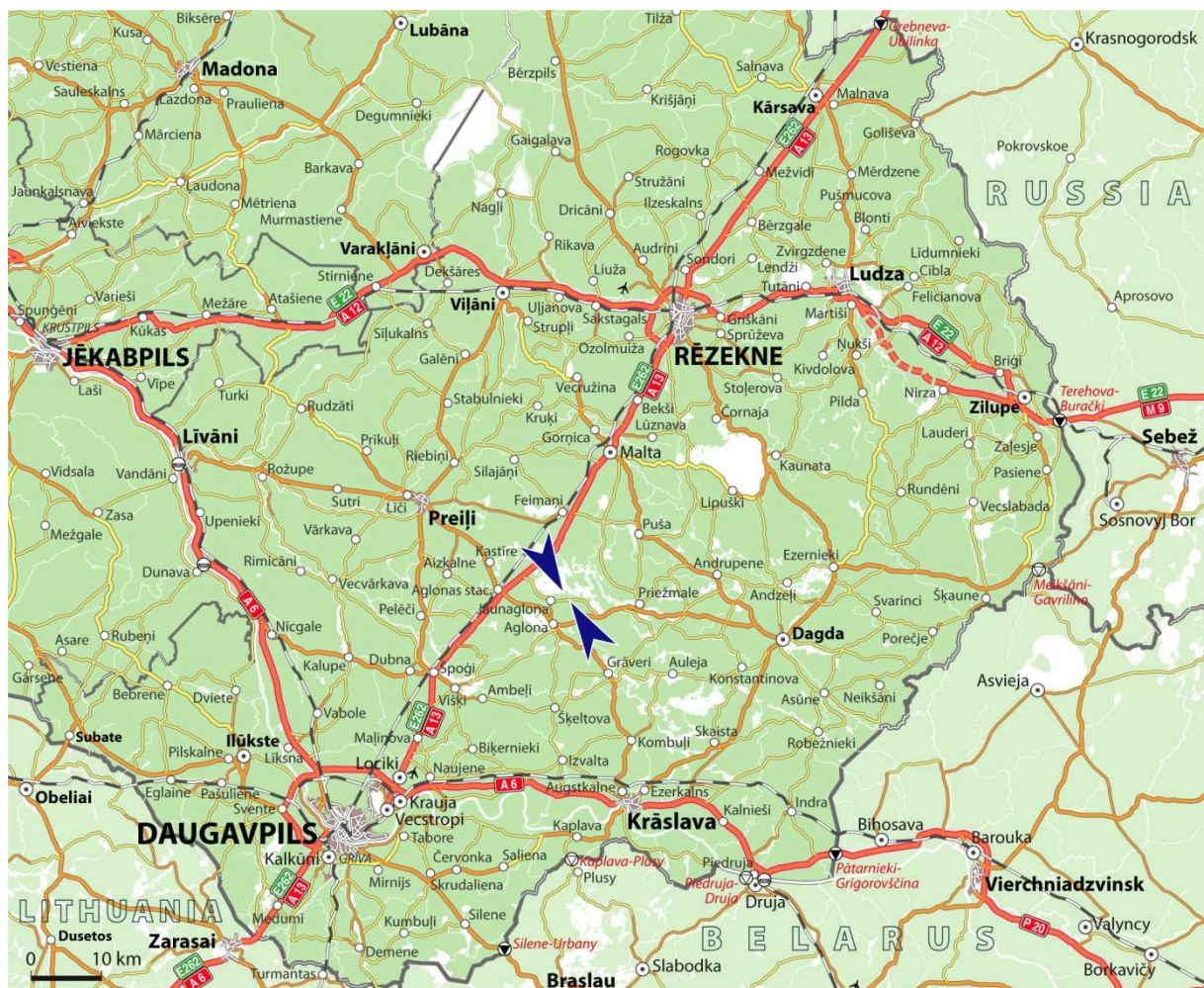
The local authority is ready to provide support for investment opportunities, in collaboration with different institutions, in solving of construction and business issues, as well as will give support for infrastructure development within the limits of its capability, if as a result of investment arrangement the unemployment rate in Aglona County will be decreased.

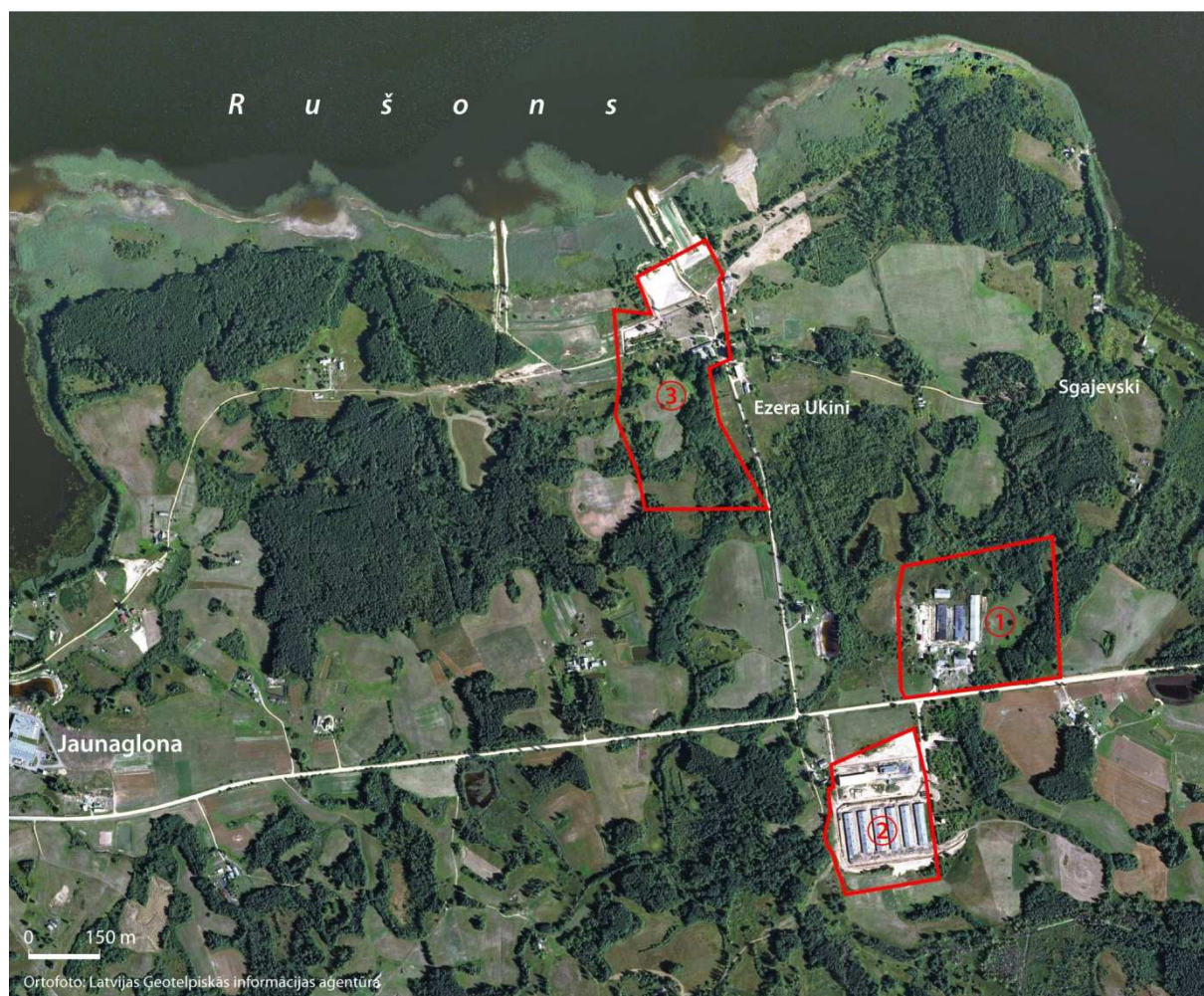
The local authority will consider an opportunity of granting real estate tax relief if the project implementation will create new working places in the county.

Aglona County is a territory of special support defined by Latgale Planning Region, which allows receiving tax reliefs.

In the same way there is an opportunity to receive the corporate income tax relief if the investment volume of the long-term investing within 3 years from the moment of commencement of project implementation exceeds 5 million LVL.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSONS**

Head of Business Development Centre of Aglona County

Ināra Gražule

Phone: +371 29118597;

E-mail: inara.grazule@aglona.lv

„ZOTI” LTD representative

Golovko Ludmila

Phone: +371 27704951; +371 27704953

INVESTMENT SITE NO 16**development of Kameņeca manor ensemble and its adjacent territories into tourism site**

Kameņeca manor is the 18th century's Neo-Gothic architecture monument (reconstructed in the 20th century). Foelkersam, then Pavlovichi and Reute families lived here.

THE BUSINESS SECTOR

Tourism, active recreation

THE AIM

Development of tourism infrastructure and renovation of estate complex

OWNER

Aglona Basilica Parish

SITE DESCRIPTION AND LOCATION

The potential investors are offered a territory in Jaunaglona hamlet of Aglona County, which consists of 4 separate land units:

- 1) Cadastral number 76420010014, land area 9.73 ha; Kameņeca Estate ensemble (built around 1875, with typical Neo-Gothic style) and a park adjacent to the ensemble is located on this land. The whole complex is located on the shore of the Rušona Lake.
- 2) Cadastral number 76420010303, land area 1.69 ha, a barn is located on this land unit.

- 3) Cadastral number 76420010304, land area 1.0 ha.
- 4) Cadastral number 76420010012 – a vacant land unit with the area of 9.89 ha.

The owner offers to lease the property and land in order to develop the tourism infrastructure (hotel, active recreation, entertainment).

The distance to the most important centers Preiļi - 30 km, Daugavpils - 50 km, Riga – 230 km. The estate is located only 5 km from the international highway Petersburg – Vilnius - Warsaw.

The estate complex has a provided power supply, local water main and sewerage system; a good access road leads to the territory.

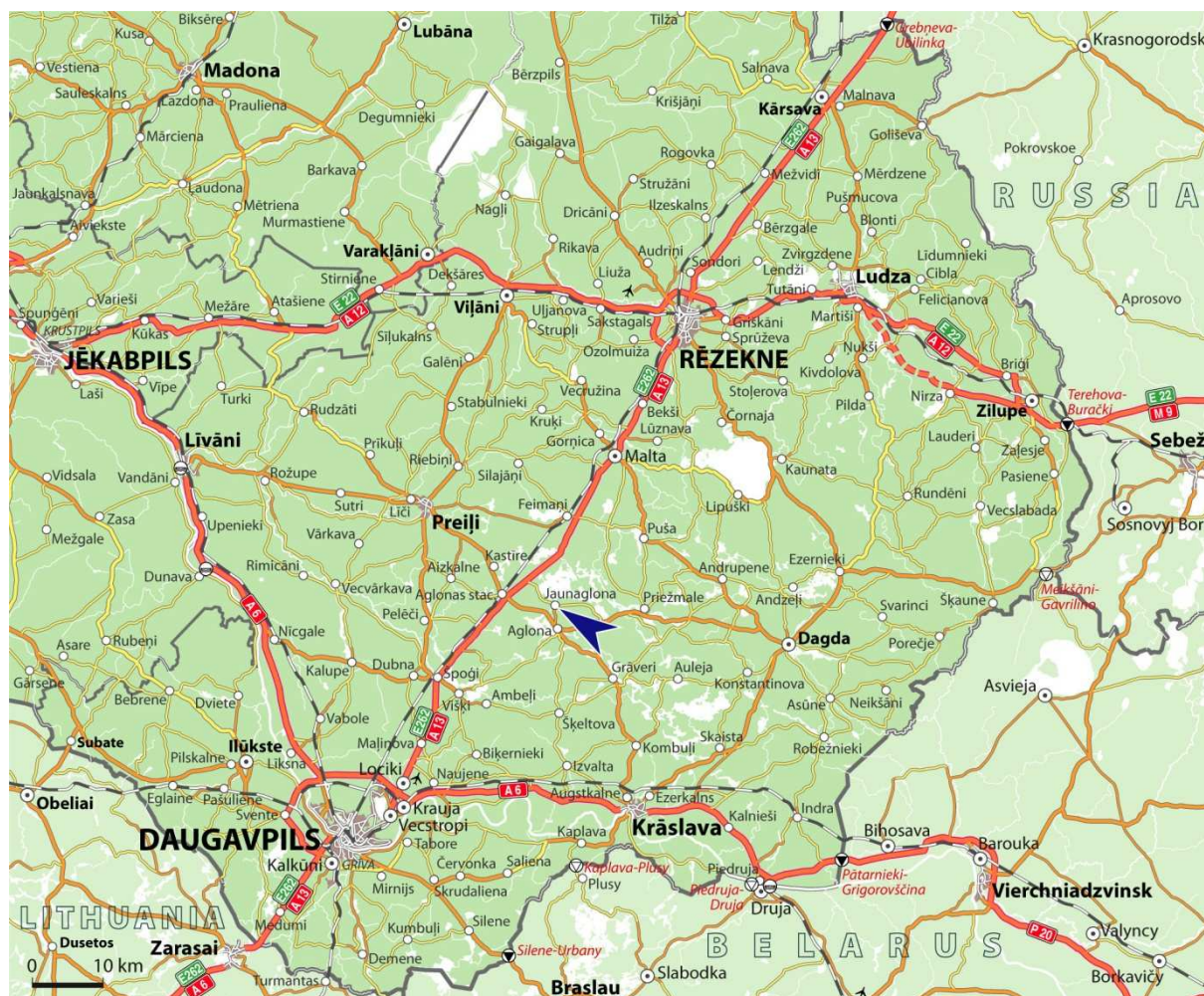
The estate complex needs renovation.

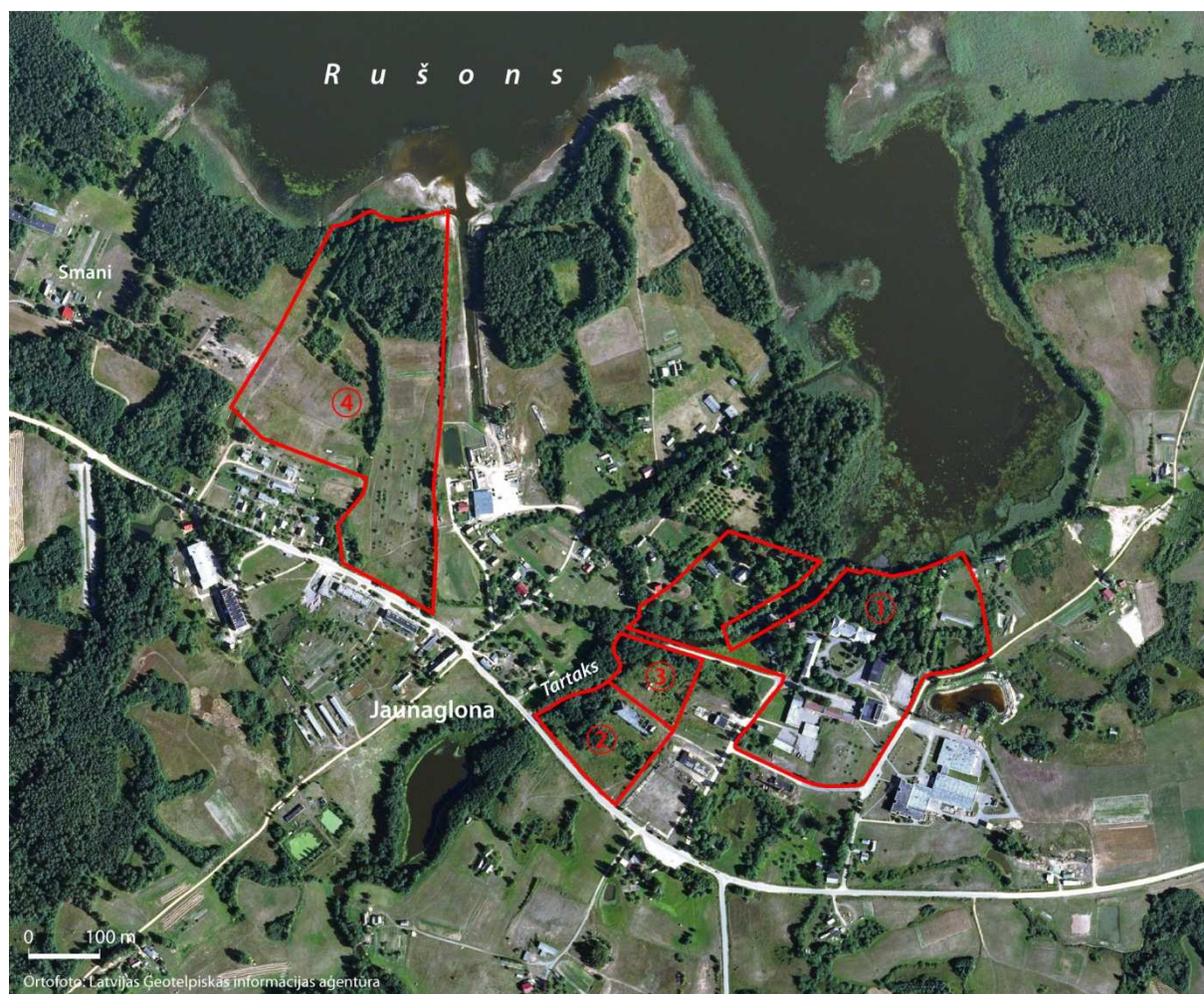
POTENTIAL COLLABORATION PARTNERS

Strategic investors are looked for, which are interested in development of tourism infrastructure and renewal of the estate complex.

ADVANTAGES

- ✓ The site's benefits are picturesque nature, direct lake proximity, wide adjacent territories for development.
- ✓ Viduslatgale Vocational Secondary School is located in Jaunaglona, which qualifies rural tourism experts and attracts new people to the county.
- ✓ Sacred place of international significance – Aglona Basilica – is located only 3 km from here, and is visited by about 200 000 tourists and pilgrims each year.
- ✓ Labor force – number of population registered in the centers of populated areas: in Aglona - 1040 people, Jaunaglona - 240, Priežmala - 301, indices do not include the population of adjacent rural territories.
- ✓ Aglona County is a territory of special support determined by Latgale Planning Region, which allows receiving tax reliefs.
- ✓ Likewise there is an opportunity to receive the corporate income tax relief if the investment volume for long-term investing within 3 years from the moment of project implementation exceeds 5 million LVL.
- ✓ The local authority is ready to provide support for investment opportunities, in collaboration with different institutions, in solving of construction and business issues, consider an opportunity of granting the real estate property tax relief, as well as will give support for infrastructure development within the limits of its capability if as a result of investment arrangement new working places will be created in Aglona County.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Head of Business Development Center of Aglona County

Ināra Gražule

Phone: +371 29118597;

E-mail: inara.grazule@aglona.lv

Aglona Basilica Parish

Business Manager

Viktors Kokorišs

Phone: +371 29205302

INVESTMENT SITE NO 17**sapropel production in Deņeva lake**

SAPROPEL is organogenetic sediment in the fresh water reservoirs, which is formed of remains of water-plants and animal organisms mixed together with mineral particles. Sapropel is rich with biologically active substances, which gives an opportunity of using it in agriculture, medicine, chemistry, and production of construction materials, industry and elsewhere.

**THE BUSINESS SECTOR**

Sapropel production

THE AIM

Commence sapropel extraction, preparation for use, pre-packing and trade.

OWNER

Farm „Ilzas”

SITE DESCRIPTION AND LOCATION

The lake owner offers the investors to make investments in Deņeva Lake belonging to him (16 ha) to establish there sapropel extraction and pre-packing production unit. Analysis of chemical structure of Deņeva Lake's bed has been performed in a certified laboratory. An acknowledgment has been received that lake contains about 1 million tons of sapropel.

Distances to the centers of economic importance:

- ✓ Aglona – 20 km, Preiļi - 45 km, Daugavpils - 75 km, Riga – 250 km.

Labor force – number of population registered in the centers of populated areas: in Aglona - 1040 people, Jaunaglona - 240, Priežmala - 301, indices do not include the population of adjacent rural territories.

DESIRABLE TERM OF IMPLEMENTATION

The owner is interested in immediate commencement of extraction.

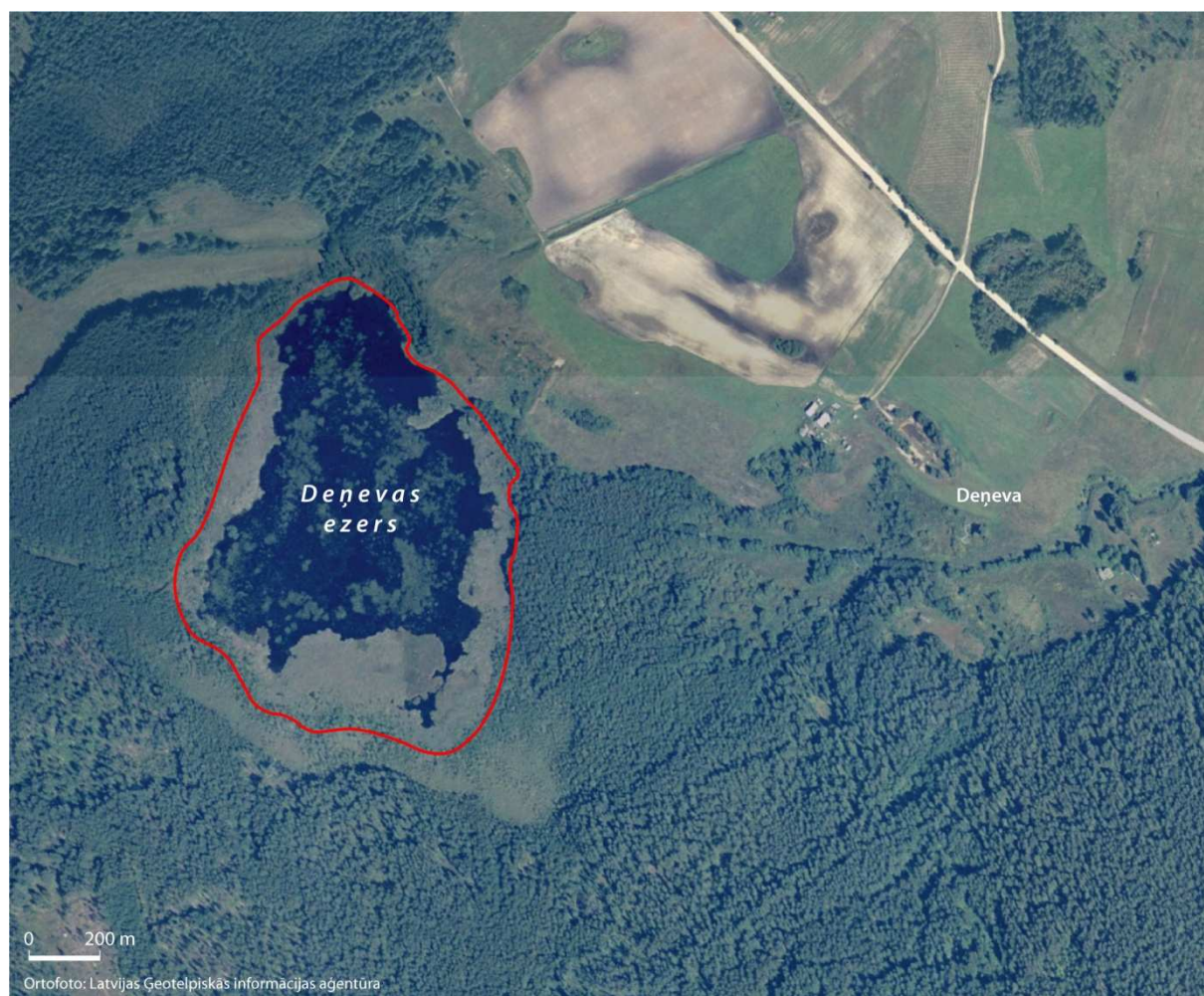
POTENTIAL COLLABORATION PARTNERS

Owner is looking for strategic investor.

ADVANTAGES

- ✓ The lake is located on the roadside of the road Malta – Priežmala, there is an access road even to the lake. It is possible to build a pre-packing building at the lake.
- ✓ The owner is ready to co-finance the project development.
- ✓ The local authority is ready to provide support for investment arrangement, in collaboration with different institutions, for solving of construction and business issues, consider an opportunity of giving real estate property tax relief, as well as will give support for infrastructure development within the limits of its capability, if as a result of investment arrangement new working places will be created in Aglona County.
- ✓ Aglona County is a territory of special support, which determines that investment in fixed assets depreciates 2 times quicker.
- ✓ Likewise there is an opportunity to receive the corporate income tax relief if the investment volume for long-term investing within 3 years from the moment of project implementation exceeds 5 million LVL.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

Head of Business Development Center of Aglona County

Ināra Gražule

Phone: +371 29118597;

E-mail: inara.grazule@aglona.lv

Aglona County, Kastuļina Civil Parish

Farm „Ilzas”

Owner Jevgēnijs Gorjačko

Phone: +371 26321406

INVESTMENT SITE NO 18**development of Indras street production area in Krāslava****BRIEF SUMMARY**

Territory „Production Area at Indras Street” is located in Krāslava City of Krāslava County and is the most developed industrial city part with many functioning companies and several territories, where there is potential of business development (access road, communications etc.).

THE BUSINESS SECTOR

Production, woodworking

THE AIM

Within the frame of the project it is planned to find the investors for 2 production territories at Indras Street in Krāslava to facilitate the development of production area.

SITE LOCATION

Krāslava County is located in Latgale, the southeastern part of Latvia, close to the border with Belarus, at a distance of 40 km from the second largest Latvia's city – Daugavpils, and at a distance of 275 km from the capital Riga. At the moment territories with the total area of 3.1772 ha are offered for further development of production area at Indras Street in Krāslava. If necessary, it is possible to attract additional territories.

HOLDER/OWNER

1st territory – 30 Indras Street – owner LTD "Dazzling",

2nd territory – 37 Indras Street 37 – belongs to LTD „Platons”.

Territories' total area: 3.1772 ha (2.9348 + 0.2324 = 3.1772 ha)

DESIRABLE TERM OF IMPLEMENTATION

Project commencement - 2012

SITE DESCRIPTION

1. Krāslava, 30 Indras Street. The owner plans to conclude a long-term lease agreement, but is not ready to invest in the territory's improvement. The plant (former woodworking company „Krebsar”) is equipped with modern facilities – machines with programmable control system, lines etc. It is possible to organize production of other kind in the existing workshops (not all workshops are used), there are vacant areas for plant's development.

2. Krāslava, 37 Indras Street. The owner who has dealt with melioration before plans to sell the territories, the constructed price of the site is 30 000 LVL.

Allowed (planned) use of the suggested territories is "Area of production and storehouse construction" (general industry company, light industry company, wholesale establishment, freight station, storehouse, public garage, technical maintenance station, auto trade establishment, access road of railway, household building, open storage, retail trade and service site for extra use, dwelling house for extra use.

Protective zones: protective zone of environment and natural resources protection (protective zone around the water objects) 10m protective zone around Mandeļu Lake, exploitation protection zones along the cables 2m, along 110 kV EPL 4m, 330 kV EPL 8m.

Land prices – (cadastral value)

1. 30 Indras Street - 0,67 Ls/m² ;
2. 37 Indras Street - 0,80 Ls/m²

Construction intensity:

- 1) Maximum construction density of land – 50 to 65%.
- 2) Minimum free (green) territory of the land not less than 15%.

The local authority performed complex reconstruction of Indras Street in 2003. The local authority is ready to provide consultative support during project coordination within the limits of its capability.

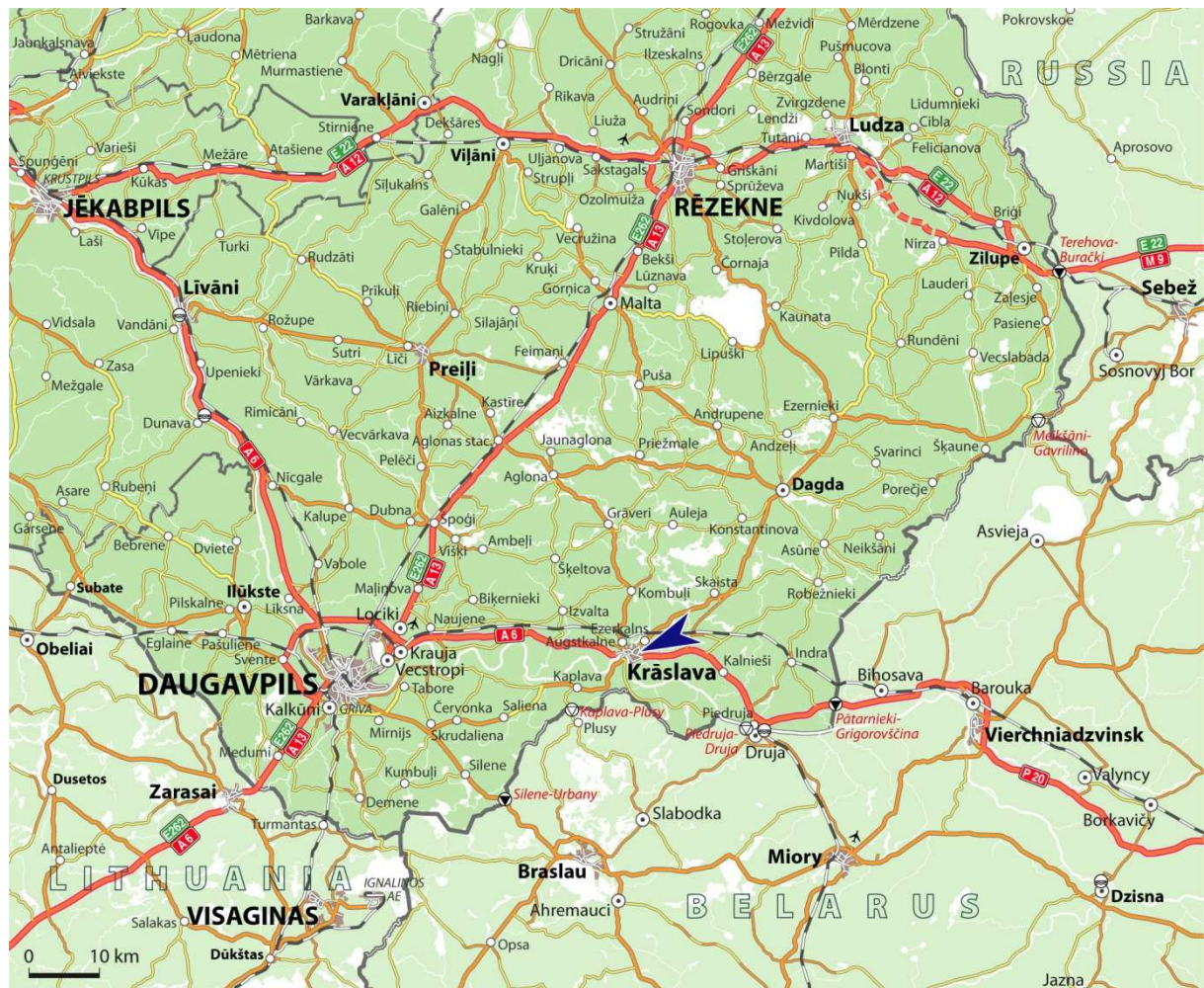
The production area of Indras Street in Krāslava is competitive to attract new investments, which would facilitate the development of production and service sectors and creation of new working places in Krāslava. The offered objects are lands with buildings belonging as private property. In the territory planning of Krāslava County these territories are marked as production area with respective land use and construction conditions.

POTENTIAL COLLABORATION PARTNERS OR INVESTORS

Manufacturers wanting to widen their activity in the Eastern Europe with direct access to the EU and proximity to the borders of Russia and Belarus.

ADVANTAGES

- ✓ Russia and Belarus is close, where it is possible to purchase raw materials at the relatively low prices;
- ✓ Good highway and railway quality that corresponds to the freight nature and volume, the production territory is crossed by Indras Street, reconstruction of which was performed in 2003. Indras Street is the only transit street for heavy transport in the direction of Rēzekne – Dagda – Daugavpils;
- ✓ Territory planning and territory's use and construction conditions have been worked out where the territory is defined as production area with use of respective permits. At the moment new territory planning is under development, and it is possible to work the required changes in;
- ✓ No restrictions for property joining and land transformation have been determined for the given and the adjacent territory in the territory planning (it is possible to widen the territory and/or consolidate it);
- ✓ Power supply, local water supply is available, as well as heating in LTD „Dazzling”;
- ✓ Gas supply is possible;
- ✓ Sewerage pump station is available and it is possible to use centralized city sewerage;
- ✓ Territory has already several production objects, which successfully implement their business activity;
- ✓ An opportunity to receive the corporate income tax relief if the investment volume in long-term investing exceeds 5 million LVL.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSONS**

Krāslava County's Local Authority
Head of Development Department
Ināra Dzalbe

Phone: +371 29185871

E-mail: inara.dzalbe@kraslava.lv

Site 1 at 30 Indras Street

Owner of LTD „Dazzling”

Andrejs Pahomovs

Phone: +371 20070307

Site 2 at 37 Indras Street

Board Chairman of LTD „Platons”

Leonīds Andrejevs

Phone: +371 29459340

INVESTMENT SITE NO 19

completion and commissioning of construction of charcoal production unit and renewable resources power plant

***THE BUSINESS SECTOR***

The fuel production using renewable resources and renewable resources power industry

PROJECT HOLDER/OWNER

Project holder is LTD „Līvānu Karbons”.

DESIRABLE TERM OF IMPLEMENTATION

It is planned to commence valuable production unit operation, at latest, until the middle of 2012.

THE AIM

Completion of charcoal production unit's construction, in which production of charcoal of the highest quality is planned according to LAMBIOTTE CISR technology, simultaneously using pyrolysis gases for production of heat energy and power supply.

Within the frame of the project it is planned to expand the existing charcoal production unit and create a new chip and straw briquettes production unit, in order to provide more efficient use of raw materials. The financing is necessary for final arrangement of the plant's power component – thermal power station, for reconstruction of storehouse building, works of territory improvement, as well as provision of initial current assets.

SITE LOCATION

The object is located in Līvāni County, Rožupe Civil Parish, Rožupe village at the road Rožupe – Rudzāti. Distance to Līvāni – 14 km, Preiļi - 24km. The property (cadastral number 7666 006 0035) includes two land lots and several buildings with the area of more than 6000 m².

SITE DESCRIPTION

At the moment the charcoal production unit with the production capacity 5000 t of charcoal in a year is actually built: two Lambiotte CISR retorts have been installed, a timber harvesting site has been prepared (woodcutters and dryers), as well as packing area. The previous investments are secured by equity capital and credit institution capital; however, supplementary capital is required.

It is planned to produce charcoal of the highest quality that complies with the "DIN pluss" standard in the charcoal plant. The production will take place according to the Lambiotte CISR technology, the main character traits of which are: high producing capacity, high finished production (charcoal) yield from the raw material (timber) unit and high quality, which provides high production price. Besides, LTD „Līvānu Karbons" has developed the technology further and widened also the pyrolysis gas utilization for heat production for personal needs and electrical power production for the market.

It is planned to realize the finished production - charcoal – mostly in the export markets (Ziemeļeiropā and Rietumeiropā), according to several already concluded agreements.

Besides, within the frames of Latvenergo compulsory procurement it is planned to realize the produced electrical power for higher tariff, which has been produced during cogeneration using the renewable energy resources.

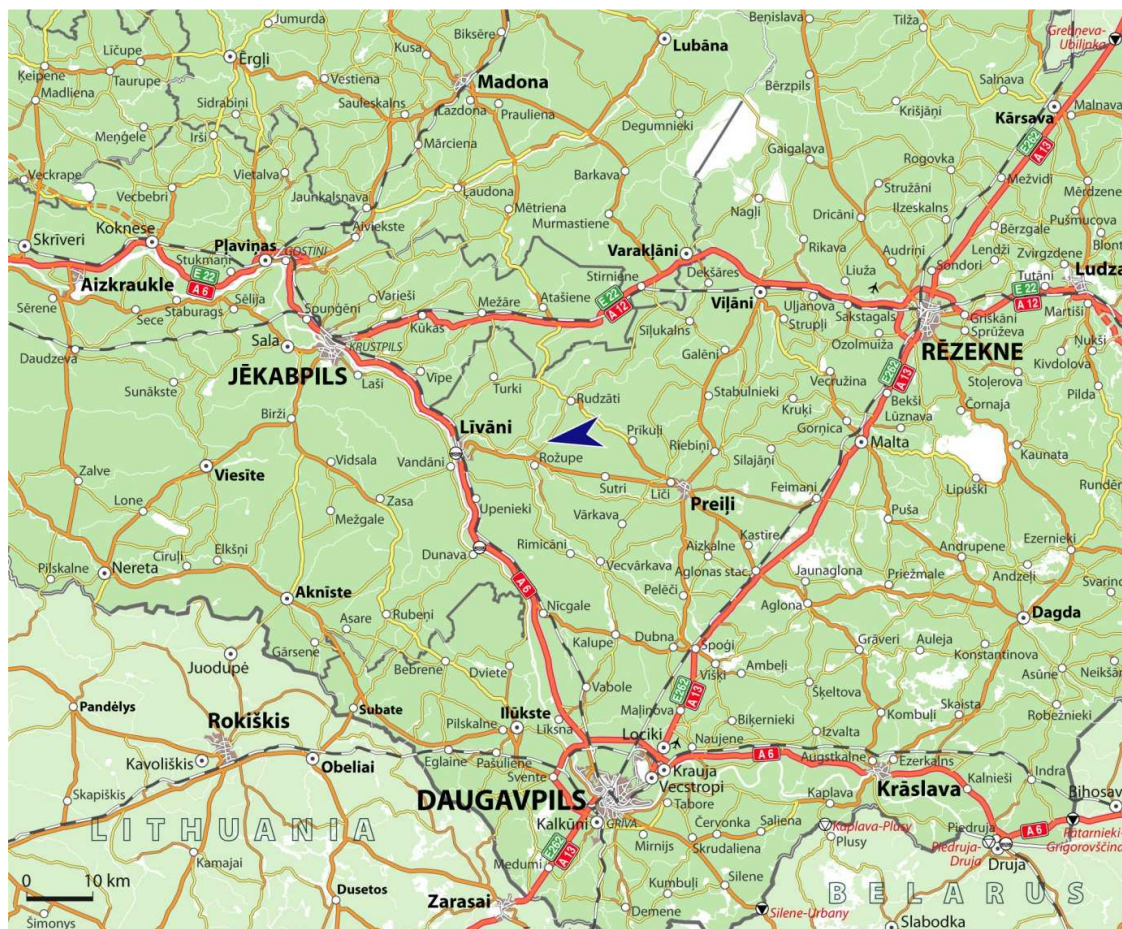
The initial start of the production unit has already happened within the frames of launch and adjustment works. For full functioning of the plant it is necessary to reconstruct the storehouse, build the electrical power site – thermal power station - and invest the current assets for purchase of raw materials.

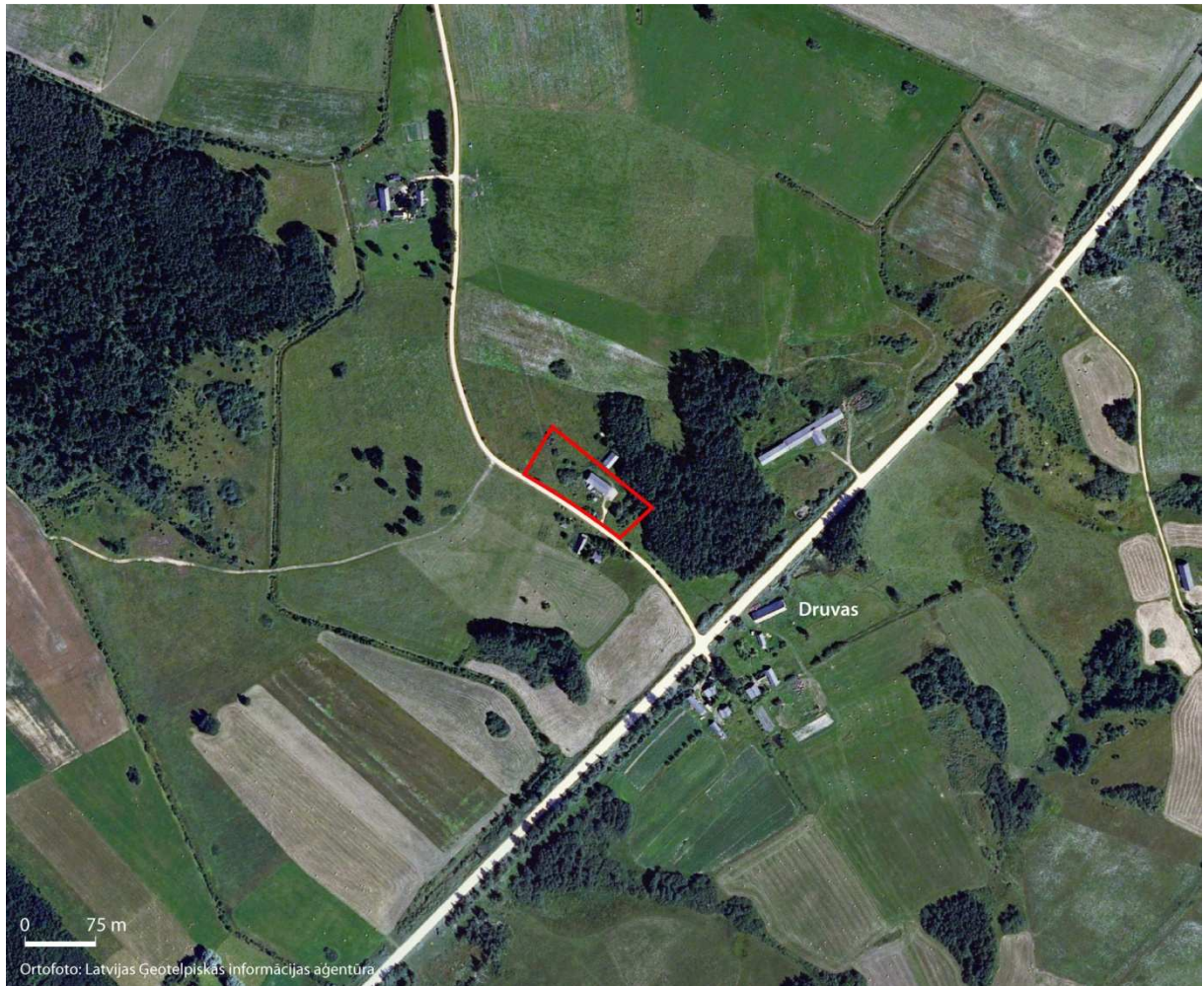
REQUIRED INVESTMENT

The total required capital is 1.5 million LVL, which is planned to be attracted in the form of loan or equity capital. In case of equity capital investment the investor is offered the company shares and the anticipatory yearly yield is around 15% of the invested funds.

The required capital will be used: 1 million LVL for completion of reconstruction of production buildings, purchase of technological facilities and improvement, and 0.5 million LVL – for current assets.

SITE LOCATION IN THE REGION



APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON**

LTD „Līvānu Karbons”

Artūrs Sarkisjans

Office Number

+371 67138408

Mobile Phone

+371 29708919

E-mail:

livanu.karbons@inbox.lv

INVESTMENT OPPORTUNITY NO 20**Daugavpils oil tank park*****THE BUSINESS SECTOR***

Storing and processing of oil products

THE AIM

Renewal of operation of oil storing tanks in order to ensure the oil products' storing services

HOLDER AND LAND OWNER

LTD „Ekoimpeks”

DESIRABLE TERM OF IMPLEMENTATION

It is desirable to commence the tank and infrastructure renovation works in 2013.

POTENTIAL COOPERATION PARTNERS OR INVESTORS

Potential cooperation partners are oil product distributors from the non-EU countries.

Potential investors are producers and distributors of specialized oil products.

SITE LOCATION

Daugavpils oil depot is located in Daugavpils, 12 Spalū Street (cadastral number for object territory – 05005070506, cadastral number for structures - object – 05005070502). The object was built within the time period from 1983 to 1996; it is not operated at the moment, still, is maintained in good order. The total property makes up 27 108 m².

Oil storage is located in the industrial territory of Daugavpils City, Ķīmiķi settlement, with good infrastructure – railway, streets, and electricity.

The site is easily accessible by the public transport, and is located closely to the city's residential areas. The distance to the city centre is 5 km.

OBJECT DESCRIPTION

The object has 5 tanks with the total capacity or 27,5 thousand m³ (5 x 5,25), with access to the infrastructure of the internal pipelines, direct access to the railway infrastructure (private branch up to the tanks), loading and unloading infrastructure, asphalted road to the object, access to the water and sewerage network, connection to the electrical power network. In addition the territory has a pump station and an office building.

The object owners are looking for the strategic investor and cooperation partners right now. Renovation works are needed on the site - 200 m railway improvement, tank control, certification, renovation of engineering and utility services rooms.

Geographically Daugavpils Tank Park is located parks in a very favorable place, because it would be suitable for storing of larger amounts from the CIS countries and for further distribution in the market of the European Union. Further distribution of production to the southern direction would be implemented through the railway network, which has good access (station Šķīrotava is located closely to the site); and the same to the western direction to the oil ports Ventspils and Būtiņģe through Polotsk-Būtiņģe pipeline system.

Protective zones: territory has forest protective zone, protective zone along the high-pressure gas mains, protective zone along the electricity network, protective zone around the mains of oil, oil products and chemical substances and product mains, storehouses, reservoirs and processors, protective zone along the railway. The corresponding territory has unchangeable zoning also in the future – production, storing and oil product distribution.

ADDITIONAL DEVELOPMENT OPPORTUNITIES

Taking into consideration the varied opportunities of oil product processing, there is an opportunity to develop new production lines near the tank park. For placement of new production units one can use the land pieces that are available in the unused local authority's property, which are offered by the local authority for industrial needs. The total area of additional territories is 27 ha (consists of land pieces 3 ha, 12 ha and 12 ha, respectively all 3 territories are designated with numbers 1, 2 and 3 on a site map). The territory No.2 with the total area of 12 ha closely adjoins the site.

These territories will be available basing on the long-term lease agreement with Daugavpils City Council.

ADVANTAGES

- ✓ Big total capacity of Tank Park, which is suitable for servicing of wider markets; Opportunities of accumulating large production volumes to provide quickly transportation of big volumes to the ports.
- ✓ For the needs of additional development of closely located 27 ha green-field territory;
- ✓ The territory has railway access road and approach road; the station Šķīrotava ensures both passenger and freight transportation.
- ✓ The distance to the auto transit roads is 10 km.
- ✓ The tax allowance for company income tax is possible for investment according to the Regulations No. 287 of the Cabinet of Ministers from 2.04.2011 „Order, by which the investment project application must be submitted and evaluated for acquisition of status of supportable investment project”.
- ✓ The distance to the airport under establishment is 15 km. Within the time period from 2012 – 2016 the international regional airport construction is planned, as well as its commissioning and certification for commercial aviation flights.
- ✓ Project holders are experienced in the sector of oil storing and processing services.

REQUIRED INVESTMENT

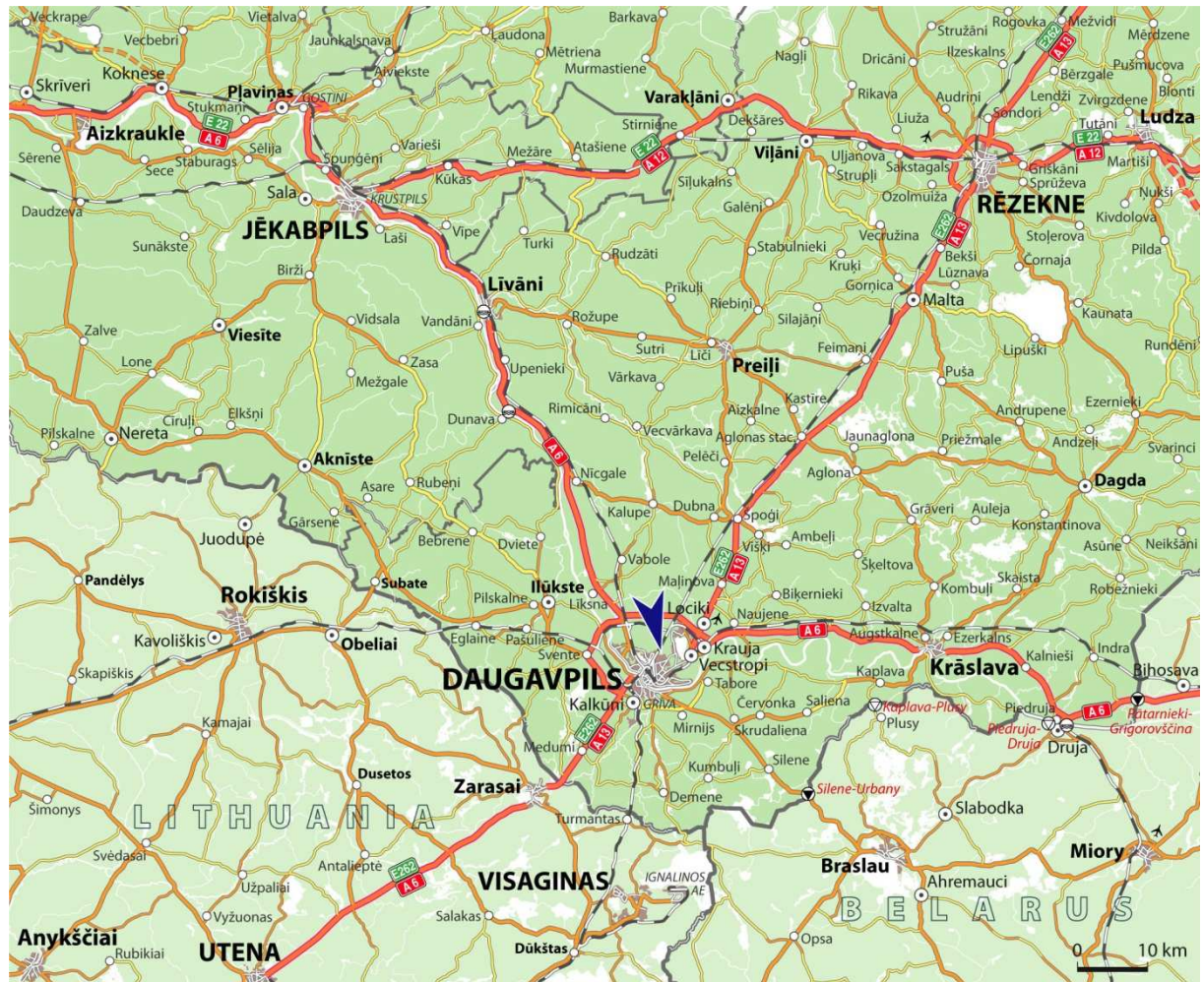
Object holder is looking for strategic investor to renew the operation of Tank Park to its maximum capacity.

Renewal of the site activity is planned by stages, the total volume of the investment to be attracted for renovation works is 3 million EUR.

It is planned during the 1st stage to partially renew the railway infrastructure and start to industrially use the first tank – the required investment is 0.8 million EUR.

It is planned during the 2nd stage to renew the activity and certification of the rest tanks, to complete the renovation of the railway infrastructure and engineering and utility services rooms – the required investment is 2,2 million EUR.

More detailed information - project presentation, business plan and cash flow indicators – is provided upon your request.

SITE LOCATION IN THE REGION

APPROVED PLAN OF THE SITE BORDERS (AERIAL PHOTO)

ADDITIONAL TERRITORIES FOR DEVELOPMENT**CONTACT PERSONS:**

Representative of LTD "EKOIMPEKS"

Normunds Kupcis

Mobile Phone: +371 29154499

E-mail: nkupcis@gmail.com

Head of Logistics Department of LTD "EKOIMPEKS"

Guntis Vedigs

Phone: +371 67976999

Fax: +371 67976992

Mobile Phone: +371 29234318

E-mail: vedigs@ekoimpeks.lv

PART 3: TOP 20 INVESTMENT SITES IN IGNALINA NPP REGION

INVESTMENT SITE NO 1**area for an Ice arena****PURPOSE**

Main target purpose of the land area – other purpose land (method of use – commercial purpose object territory, use patterns – service object construction).

ADDRESS

Vasario 16-osios St. 35, Ignalina

LOCATION

The territory is on the edge of the town, in the northeastern direction, near a forest, in the Palauknis and Paplovinis Lake neighboring, next to Ignalina sports and leisure center (Vasario 16-osios St. 35).

In order to develop winter sports and ensure the quality of sport and entertainment development, it is determined to build an ice arena in the territory. The territory is suitable for construction of such object, because Ignalina sports and leisure center is located next to it. The ice arena building would be an auxiliary building of Ignalina sports and leisure center. The ice arena can be easily adjusted for leisure and entertainment events. Estimated area of the building - 3096.96 m². Ignalina district municipality administration has already prepared a detail plan, an investment project and a technical plan of the ice arena.

COMMUNICATION SYSTEM

The territory is next to Ignalina town center, has a great connection with the out-of town. Vasario 16-osios Street has a comfortable connection with the town center and

Turistu street, which becomes a regional road, leading to Paluse, Moletai. Even though the territory is easily reached from any part of the town, the traffic there is not intensive.

ENGINEERING NETWORKS

All needed engineering communications are next to the territory: faecal sewage pipes, rainwater sewage networks, water networks, centralized heat supply networks, underground high and low voltage power lines, gas pipeline networks. Territory's engineering supply will be possible when connected to Ignalina sports and leisure center engineering communication networks.

DEVELOPMENT AND PROSPECTS

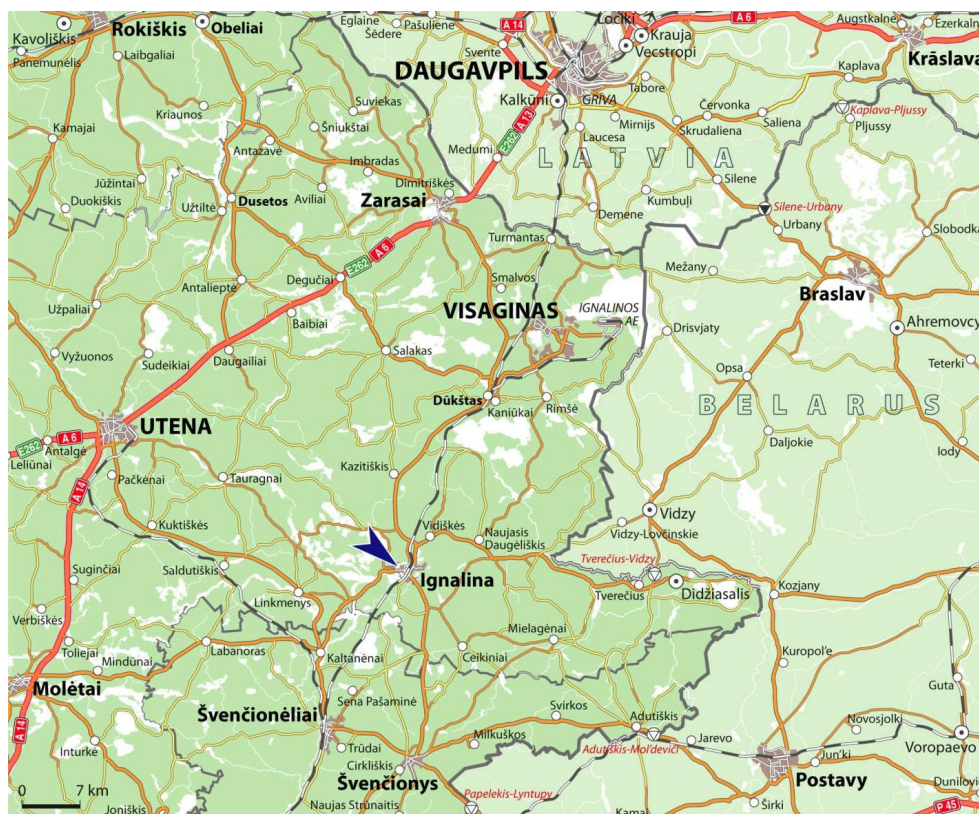
The territory is particularly significant, developing active tourism infrastructure in the town of Ignalina, it can attract investments.

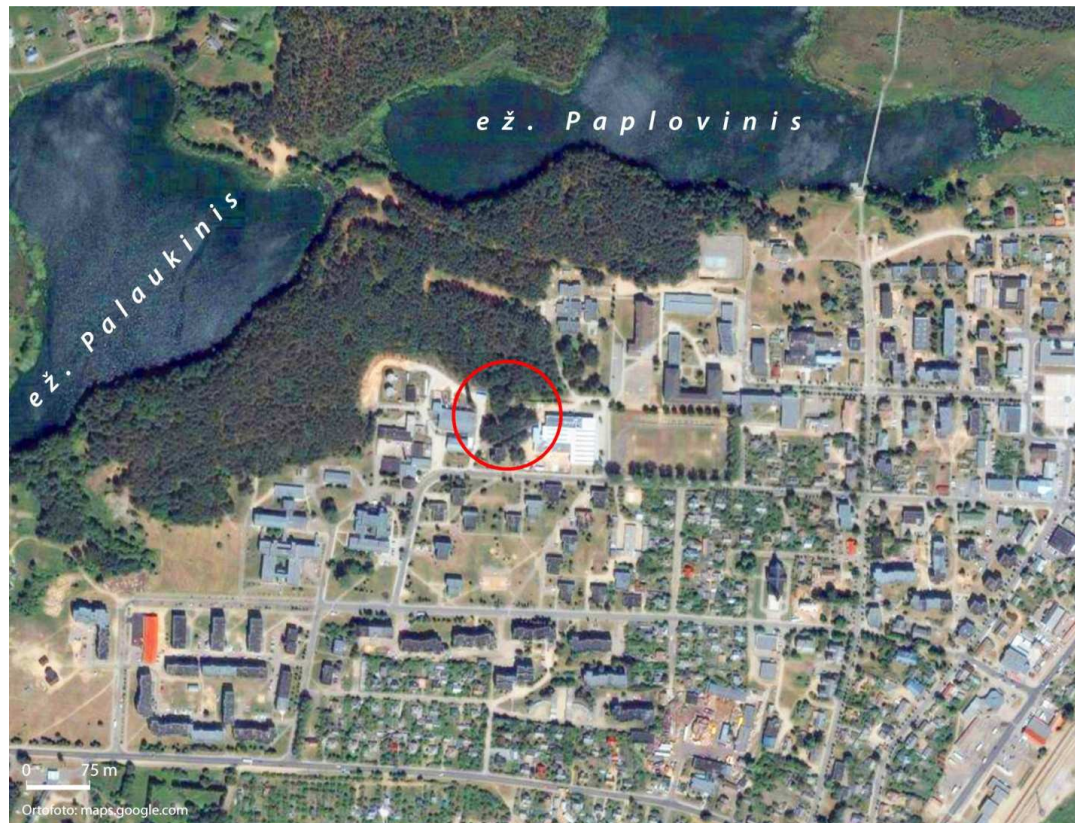
Indoor type, all year long open ice arena will increase the diversity of wellness, sports and leisure objects and become an integral part of Ignalina, as a tourism attraction center.

The ice arena will be easily adapted for sport competitions and entertaining events, the complex of accommodation and rehabilitation next to it, will become a wonderful place for training camps.

Planned ice arena is next to a modern sport and leisure center, which has an installed pool, bath complex, fitness, sports, bowling halls, therefore visitors will be provided with integrated services.

SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district
Investment and strategic planning department
Vidmantas Čepulėnas
Phone: +370 8 386 32700
Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 2**area for sanatorium treatment and resort service object construction****PURPOSE**

Main target purpose of the land area – other purpose land (method of use – commercial purpose object territory, use patterns – service object construction). Area of land – 10504 m², in which a wellness and recreation complex – sanatorium, recreation (hotel, motel, holiday house) building construction is estimated. In northwestern direction opens up a wonderful view to the lake and Strigailiskis farmsteads.

ADDRESS

Aukštaičių St. 39A, Ignalina

LOCATION

The territory is in the western part of the town, next to Aukštaičių Street, on the edge of the town. Surrounding territories are built around with low-rise and multi-storey (up to stories) buildings. The territory is on the edge of the town, surrounded by forests, neighboring Palaukinis Lake, quiet populated areas, Ignalina district hospital and clinic. A commercial purpose store – a grocery store is located next to it. The eastern part of the area is bordered by an area, which belong to PI “Ignalinos rajono ligoninė”. The southern part of the territory is bordered by Aukštaičių street, western – forest park.

COMMUNICATION SYSTEM

The territory has a great connection with Ignalina town center and out-of-town. Aukštaičių Street is the main axis, which connects the center of the town to its periphery. Turistų Street, which becomes a national road, leading to Paluse, Moletai

and etc., is located nearby. Even though the territory is easily reached from any part of the town, the traffic there is not intensive.

ENGINEERING NETWORKS

Next to the territory, under the surface of Aukštaičių Street, are engineering connections: faecal sewage pipe, rainwater sewage networks, water networks, centralized heat supply networks, underground high and low voltage power lines, gas pipeline networks. In the eastern part, in the area, which belongs to PI "Ignalinos rajono ligoninė", and next to it, stretches an oxygen pipeline. Territory's engineering supply will be possible when connected to the engineering communication networks that are located in the Aukštaičių street.

DEVELOPMENT AND PROSPECTS

The territory is particularly significant, developing active tourism infrastructure in the town of Ignalina, it can attract investments.

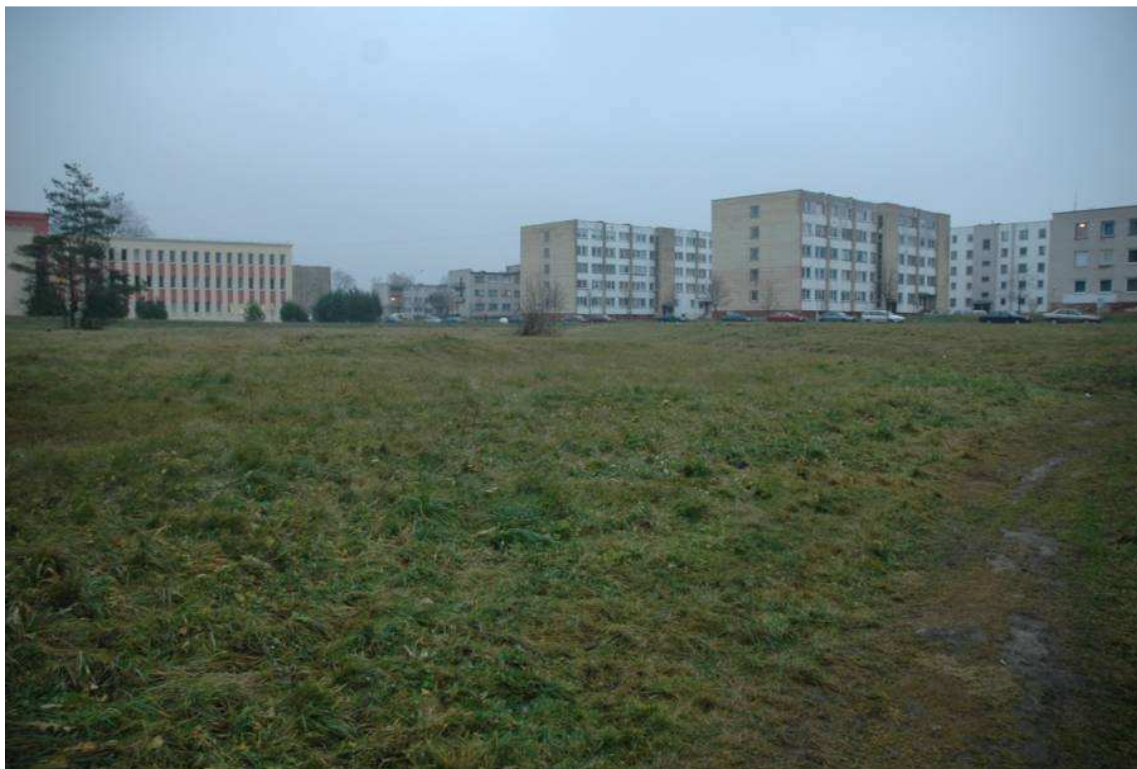
The territory is suitable for wellness and leisure object construction, because it is located in the surroundings of Ignalina district clinic and hospital, next to a lake.

Great communication, formed pedestrian path network, arranged lake shores will attract town's inhabitants and guests.

Wellness and recreation complex creation will provide assumptions for development of tourism, trade and maintenance service growth in the town of Ignalina.

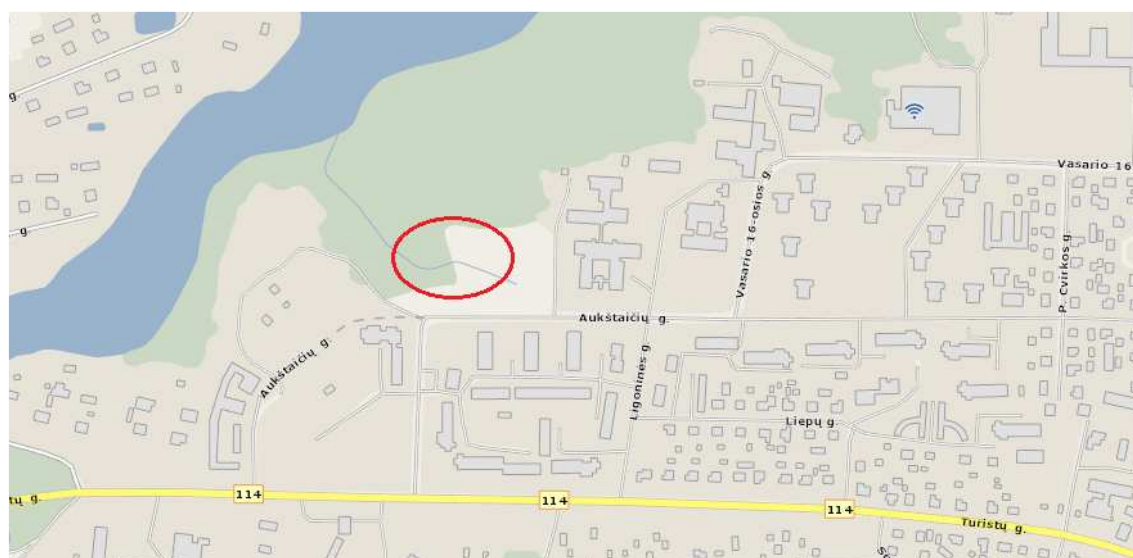
SITE PHOTOS





SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district
 Investment and strategic planning department
 Vidmantas Čepulėnas
 Phone: +370 8 386 32700
 Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 3

area for establishment of camping near Baltys lake



PURPOSE

Recreational territory for camping construction is 24316 m². Recreational and commercial activities can be carried out in this territory.

LOCATION

The territory is the municipality of Vidiskes, in the southeastern shore of Baltys lake.

The territory belongs to Baltys lake recreational zone. It is permitted to form recreational infrastructure while preserving natural environment and natural landscape. Assessing water protection zone and band requirements, it is encouraged to reconstruct one of the campsites to a camping by creating needed infrastructure, in the future. It is permitted to change the purpose of land. Permitted construction - 1 storey high buildings with a garret: recreation houses up to 7m. height, camping administration building – 9 m. height. Suggested paramount recreational activities – cognitive and recreational, secondary – sport and entertainment. Forests grow there at the moment

Northern part of the territory is bordered by national forests, eastern – national forests. The southern part of the territory is bordered by national forests and the western – by the Baltys lake.

The national forests, swamps, roads, creek between Ilgis and Baltys lakes. Currently the territory is used as a campsite, a few fireplaces, a beach, places for tents are there.

However, it does not meet with the requirements for a tourism camp service provider.

COMMUNICATION SYSTEM

The main access to the territory is through an existing gravel road Ignalina – Azusile.

ENGINEERING NETWORKS

The areas are not electrified. An engineering corridor for electricity cables to the area is estimated along the road Ignalina – Azusile. There are no water networks and the territory is far from town, therefore a local artesian well is estimated. There is no domestic sewage or rainwater sewage, or heating. Everything is planned to be installed locally.

DEVELOPMENT AND PROSPECTS

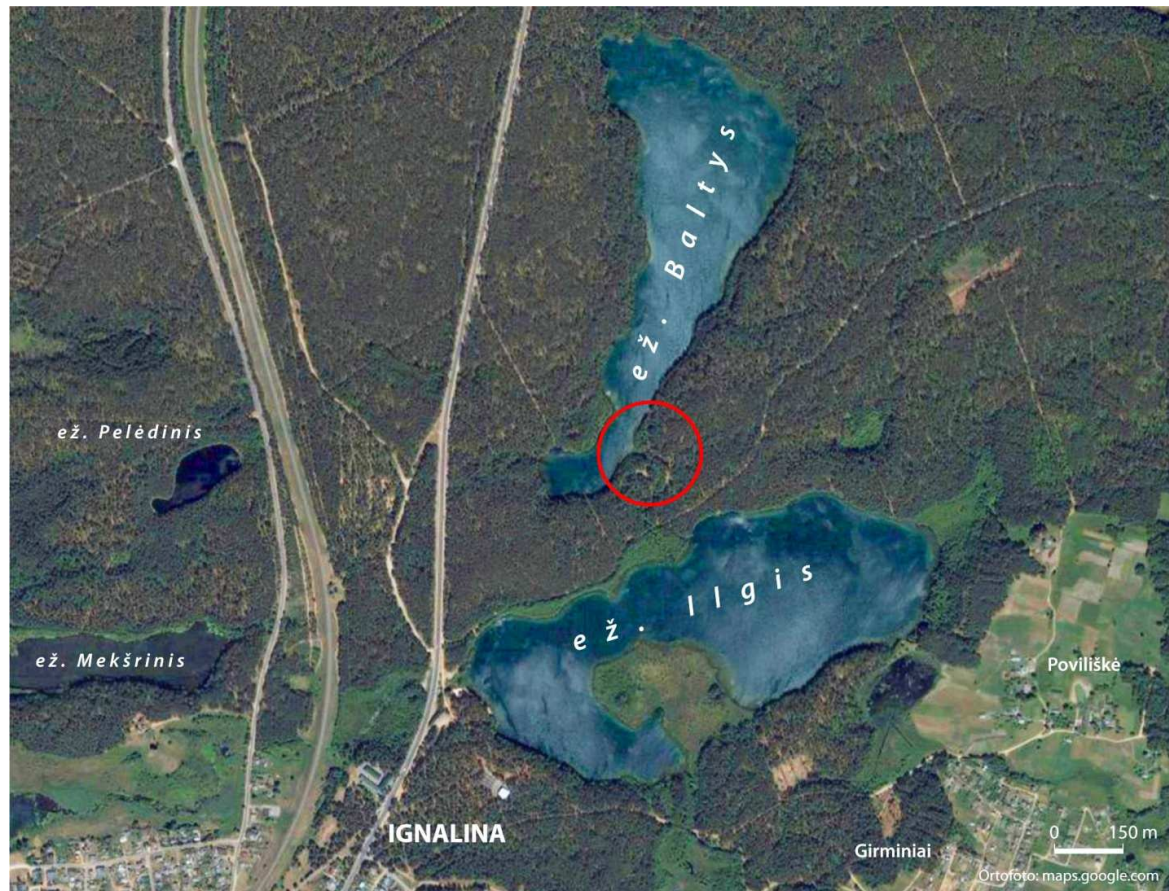
Developing recreation and cognitive tourism infrastructure in Ignalina town surroundings, the territory is significant, it can attract investments.

Having arranged communication system, engineering infrastructure, the territory may become an intensively visited location by Lithuanian and foreign tourists and town visitors or inhabitants,

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district
 Investment and strategic planning department
 Vidmantas Čepulėnas
 Phone: +370 8 386 32700
 Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 4**area near Gavys lake****PURPOSE**

Area of 16852 m² is in the recreational zone Ignalina town. The area is of commercial purpose – for service and entertainment object construction, tourist accommodation object (motel, camping and etc.).

An accurately arranged town's main beach with its surroundings is next to the area. The main access to the town's beach is from Turistų Street, which stretches alongside the northern part of the territory. An asphalt path, which is suitable for pedestrians and automobiles, leads to the beach from the street. A parking lot is located in the end of the path. The further way to the beach is suitable only for pedestrians.

ADDRESS

Turistų St. 30A. Ignalina

LOCATION

Recreational territory is in the southwestern part of Ignalina, it borders with Gavys and Gavaitis lakes. Turistų Street stretches near the territory, it becomes a national road, when out of town's territory.

The western part of the territory is bordered by Ignalina town border, by a land, which belongs to PI "Utenos regiono keliai". A large part of the territory is occupied by swamps that are overgrown with green plantations: overgrowth, bushes, trees. This part of the territory includes forests that belong to Ignalina municipality.

Southern part of the territory is bordered by the beach. Here a large footbridge to the lake is built, a sand beach, seasonal water slide, volleyball, basketball courts, changing

cabins, toilets, small architecture elements are installed. A significant part of the southern territory is swamped. The remaining part of the shores is covered with trees and bushes, which block the view and access to the lake.

Eastern part of the territory is a swamp, covered with overgrowth and trees. A small bridge, which connects town's beach with residential houses in the other side, is located in this part.

Northeastern part of the territory is bordered by a swamp, which is densely covered with overgrowth and alder. This array of trees belongs to the Ignalina town municipality.

COMMUNICATION SYSTEM

The access to the area is from Turistų Street. The area must be arranged remaining the planned pedestrian path system in the whole territory. Access to the beach and other areas will be provided by the help of pedestrian and bicycle path network.

ENGINEERING NETWORKS

Electricity inputs to separate areas have to be installed in the territories of engineering infrastructure and general use.

Distributional electricity networks are next to the territory. Disassembly and installation of a new 10 kV cable line through general use and engineering infrastructure areas is estimated.

Planned user water supply is estimated from town's distributional water networks, located nearby.

According to the Ignalina town general plan and seeking to minimize the effect to the environment it is estimated to stretch domestic sewage from the planned buildings.

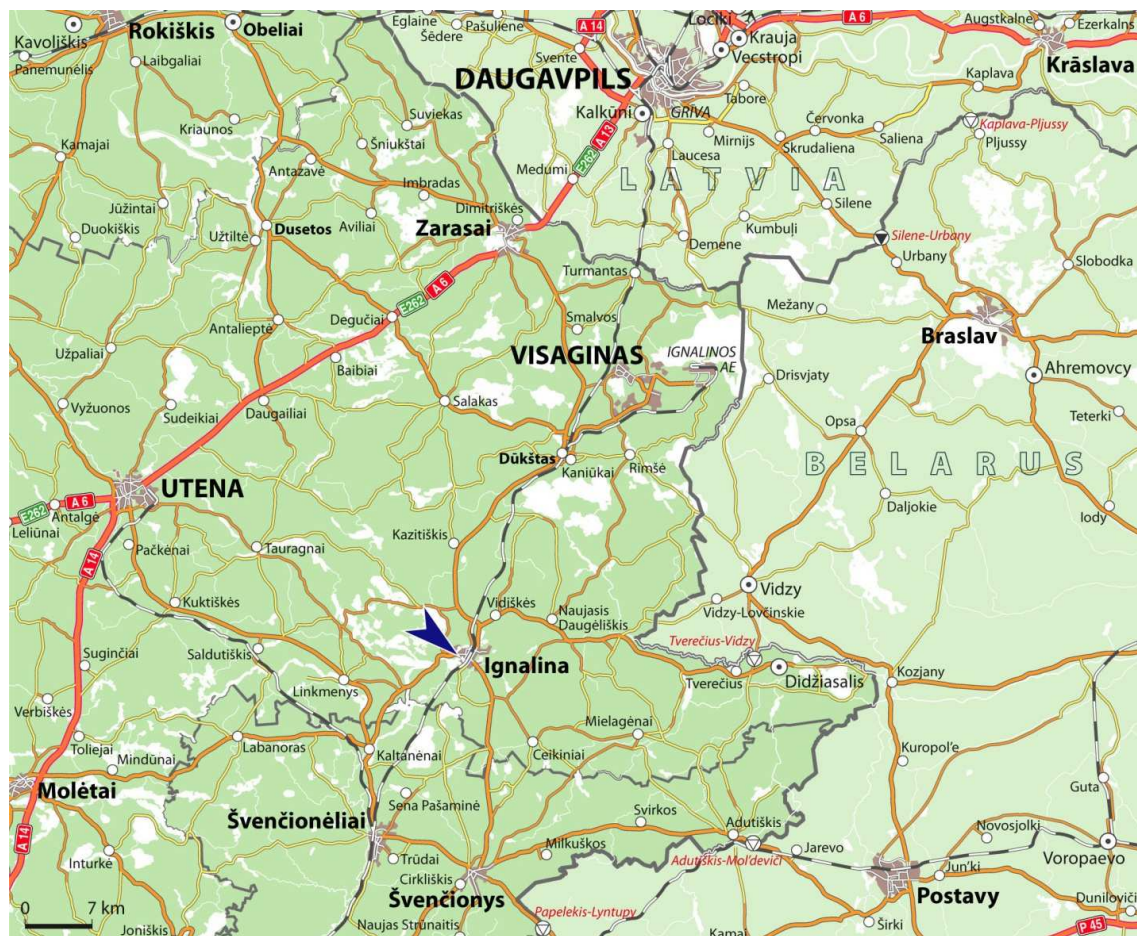
DEVELOPMENT AND PROSPECTS

Developing recreation and cognitive tourism infrastructure in Ignalina town surroundings, the territory is significant, it can attract investments.

Beach territory can expand to the north, west and east directions, along Gavys and Gavaitis lake shores.

Recreational and commercial activity can be developed in the territory by forming multifunctional land areas, which management and usage can be handed over to separate legal or natural persons.

The territory can become intensively visited by local inhabitants and town guests.

SITE PHOTOS**SITE LOCATION IN THE REGION**

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district
 Investment and strategic planning department
 Vidmantas Čepulėnas
 Phone: +370 8 386 32700
 Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 5

area near Gavys lake for extraction of mineral water and usage development

**PURPOSE**

0.9 ha area land target purpose of usage – other purpose land, usage pattern – mineral water extraction and use.

Currently the first mineral water well is being made. It is estimated to extract mineral water, which should be used for mineral baths and preparation of drinkable mineral water, after water quality tests. Mineral water lines to town's hospital and SPA center are planned.

ADDRESS

Turistų St. 30B, Ignalina

LOCATION

The territory is in the southwestern part of Ignalina, near Gavys Lake. The main beach of Ignalina is not far from the territory, Turistų Street, which becomes a national road, when leaving the town, stretches near the territory. An asphalt road leads from the territory to the Turistų Street. The area can be accessed by an asphalt road, which leads from Turistų Street to UAB "Ignalinos vanduo" buildings, which are next to the described area.

COMMUNICATION SYSTEM

Access to the area is from Turistų Street. The area has to be arranged remaining a planned pedestrian path system in the whole territory. The access to the water well will be provided by the planned pedestrian and bicycle path network.

ENGINEERING NETWORKS

Electricity inputs to separate areas have to be installed in the territories of engineering infrastructure and general use.

Drinkable water supply is estimated from town's distributional water networks, located nearby, sewage can be directed to the existing town's domestic sewage collection networks.

DEVELOPMENT AND PROSPECTS

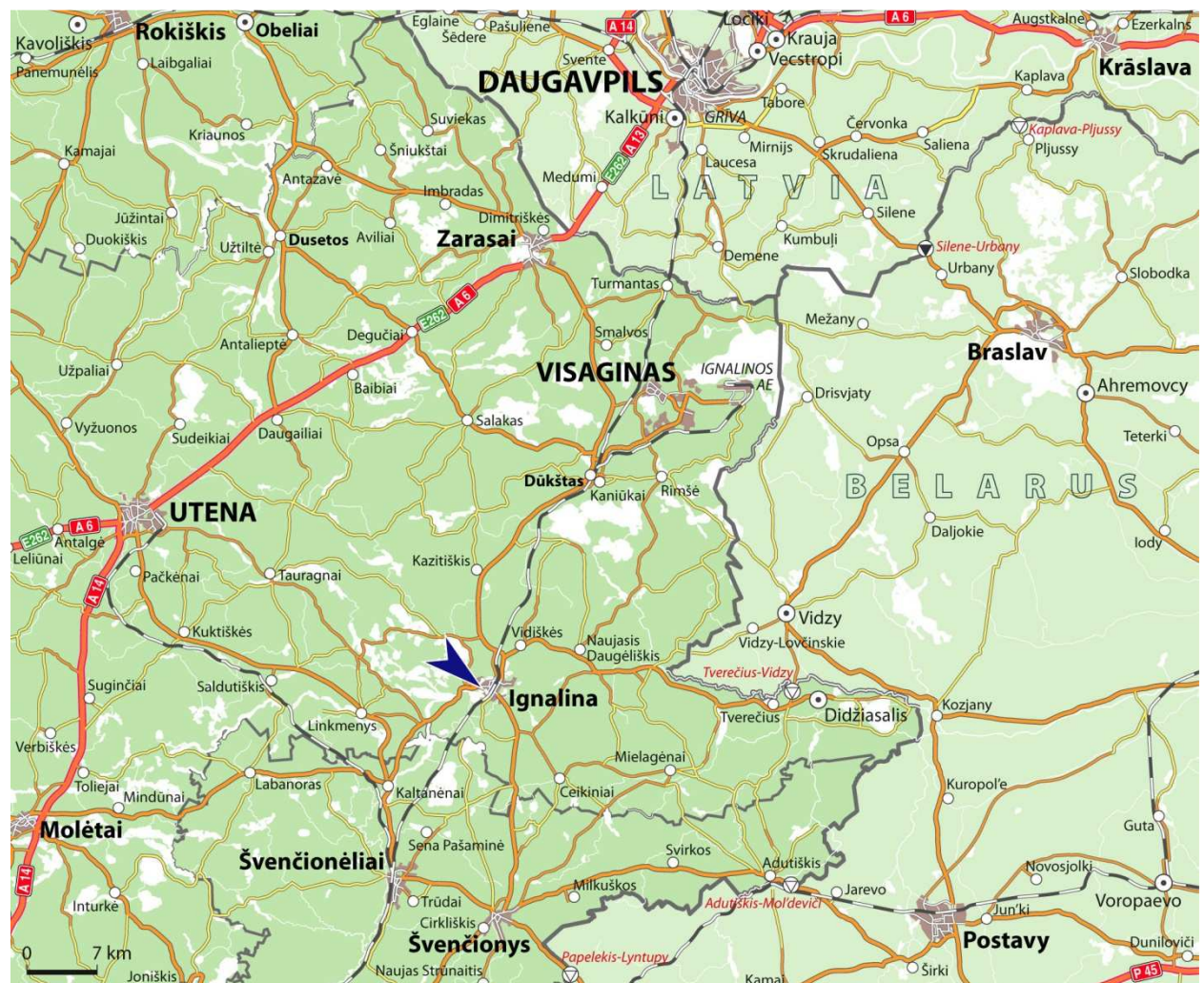
This territory will complement town's beach infrastructure by a new attraction object.

Estimated supply of mineral water to the town's hospital and SPA center.

Mineral water extraction and accessibility will supplement Iğnalina wellness and recreation services.

Mineral water well will be intensively visited not only by the local inhabitants but also town guests.

SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district

Investment and strategic planning department

Vidmantas Čepulėnas

Phone: +370 8 386 32700

Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 6**area for construction of multi-storey and high-rise residential building****PURPOSE**

The general target purpose of the land – other purpose land (method of use – residential territories, use patterns – multi-storey and high-rise residential building construction).

The area of the territory - 0,1414 ha. Variable height multi-segment or block building construction is estimated, residential buildings with an attic and underground garages. Possible commercial trade and service premises in the first floor

ADDRESS

Turistų St. 49A, Iğnalina

LOCATION

The territory is in the western part of Iğnalina town, near Turistų Street, on the edge of the town. The territory has a great connection with town's center and out-of-town. The western and northern parts of the territory are girdled by the unfinished Aukštaičių Street. The Southern part of the territory is bordered by Turistų Street, eastern – by M.Petrausko Street. Neighboring territories are covered with few storey and multi-storey (up to 5 storey high) residential buildings. Public purpose buildings – Iğnalina town clinic and hospital and commercial purpose building – grocery store, are nearby. In the northeastern direction, behind residential buildings, is a forest park and Palaukinis Lake

COMMUNICATION SYSTEM

The territory has great connection with Ignalina town center and out-of-town. Aukštaičių and Turistų streets provide comfortable communication with town center. Turistų Street becomes a national road, when leaving the town. It leads to Paluse, Moletai and etc. Even though the territory is easily reachable from any part of the town, traffic flows here are not intensive.

ENGINEERING NETWORKS

Near the territory, under Aukštaičių Street surface, are these engineering communications: faecal sewage pipes, rainwater sewage networks, water networks, centralized heat supply networks, underground high and low voltage power lines, gas pipeline networks. Engineering supply of the territory will be possible, when connected to engineering networks that are in Aukštaičių Street.

DEVELOPMENT AND PROSPECTS

The territory is attractive for residential building construction, because is on the edge of the town, in a quiet place.

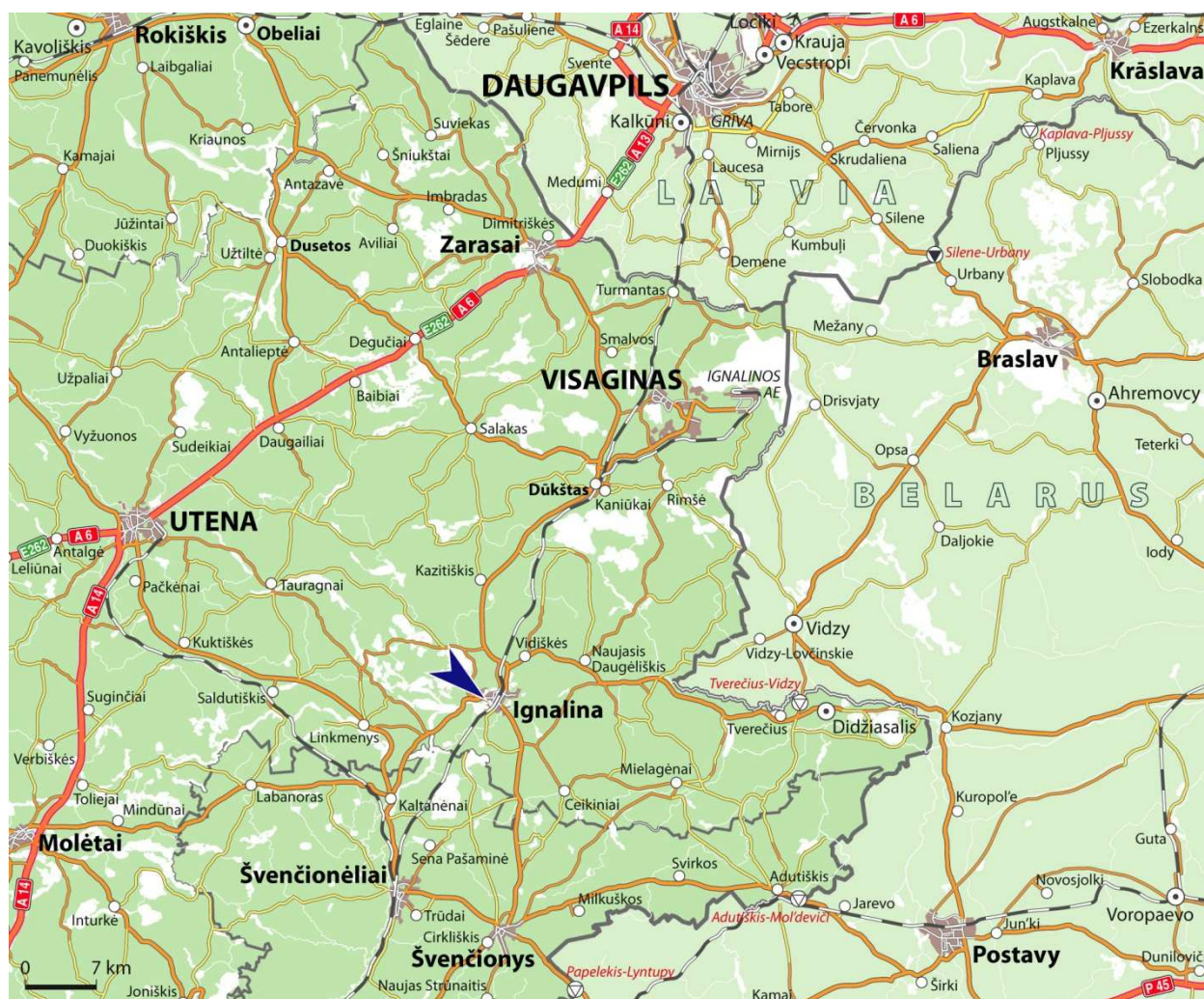
Great connection with town center and recreational zones, as well as with the out-of-town – road to Paluse, Moletai.

A lake, forest park is not far away, wellness and recreation complex establishment is planned.

Residential neighborhood development will create conditions for trade and service company business.

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Municipality of Ignalina district
Investment and strategic planning department
Vidmantas Čepulėnas
Phone: +370 8 386 32700
Email: vidmantas.cepulenas@ignalina.lt

INVESTMENT SITE NO 7**square nr. 1 in Zarasai, reconstruction II stage****PURPOSE**

The target purpose of the land area – other purpose land (method of use – commercial purpose object territories, use patterns – trade service and entertainment object construction).

Square reconstruction and Ferris wheel construction works are finished at the moment.

LOCATION

Square is in Zarasai, near Zarasas Lake.

INFRASTRUCTURE

Built bus and automobile parking lot, public toilets. Planned construction of café-restaurant premises, a conference hall for 100 people.

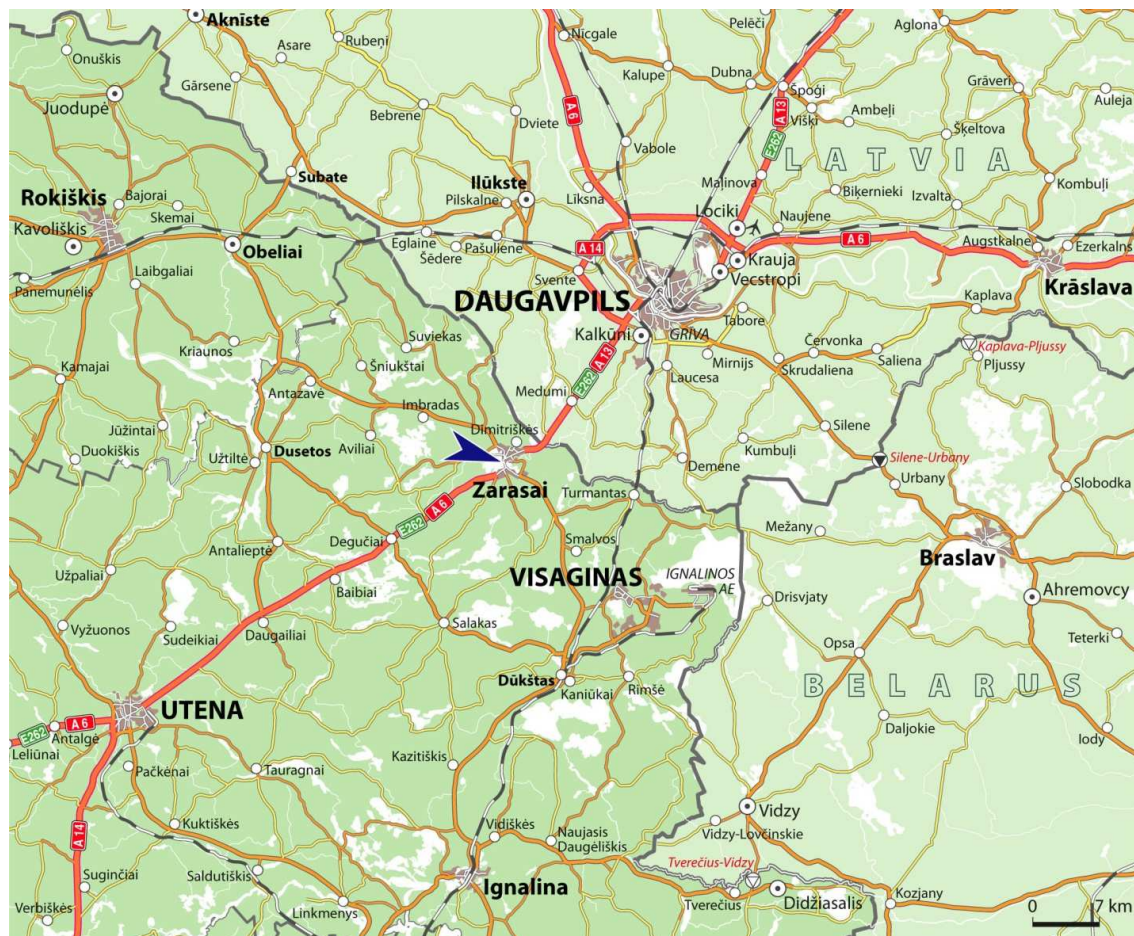
DEVELOPMENT AND PROSPECTS

It is planned to create a tourist attraction center, which can serve larger visitor flows, in the square. Investment by the municipality – 3 535 503 Lt, input of an investor – 1 292 851 Lt (cafe, conference equipment, furniture).

SITE PHOTOS





SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Zarasai district municipality
Head of Investment and development department
Ingrida Tatarūnė,
Phone: +370 8 385 37140
Email: ingrida.tatarune@zarasai.lt.

INVESTMENT SITE NO 8**arrangement of Zarasas lake beach in the Ddzioji island****PURPOSE**

The main target purpose of the land – other purpose land (method of use – commercial purpose object territory; use patterns – trade service and entertainment construction). Detail plan of the territory (area – around 4 ha) is prepared, technical project is being prepared. Estimated beginning of construction – 2012.

LOCATION

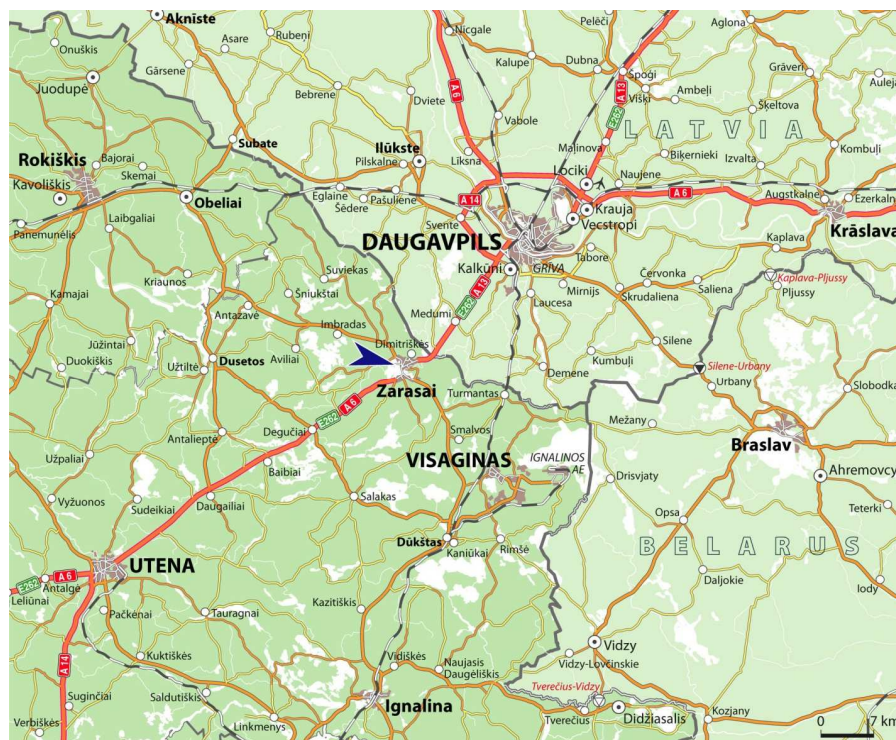
The beach is on the Zarasas lake shore, Didzioji Island. Communication with the town is possible through a road, which leads from the island to the town.

INFRASTRUCTURE

It is planned to arrange Zarasas Lake shore, mark water routes, expand beach zone and install infrastructure that is appropriate for an up-to-date beach – elements of small architecture – footbridges, boat docks, area lighting, changing cabins, sports courts, pedestrian paths, lifeguard station, facilities for cafes, boat rental and other services, related to the activities in the beach.

DEVELOPMENT AND PROSPECTS

It is planned to arrange the beach in Zarasas lake Didzioji Island. Investment by the municipality – 1 584 000 Lt, input of an investor – from 100 000 to 300 000 Lt (café, bar, icehouse, restaurant, water sport inventor rent point equipment, other).

SITE PHOTOS**SITE LOCATION IN THE REGION**

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Zarasai district municipality
Head of Investment and development department
Ingrida Tatarūnė,
Phone: +370 8 385 37140,
Email: ingrida.tatarune@zarasai.lt.

INVESTMENT SITE NO 9**development of a tourism camping "Zarasai"****PURPOSE**

The main target purpose of the land – other purpose land (method of use – commercial purpose object territory; use patterns – trade service and entertainment object construction).

Administration of the camping building is built, a detailed plan is being prepared. Estimated beginning of the project – March, 2012.

LOCATION

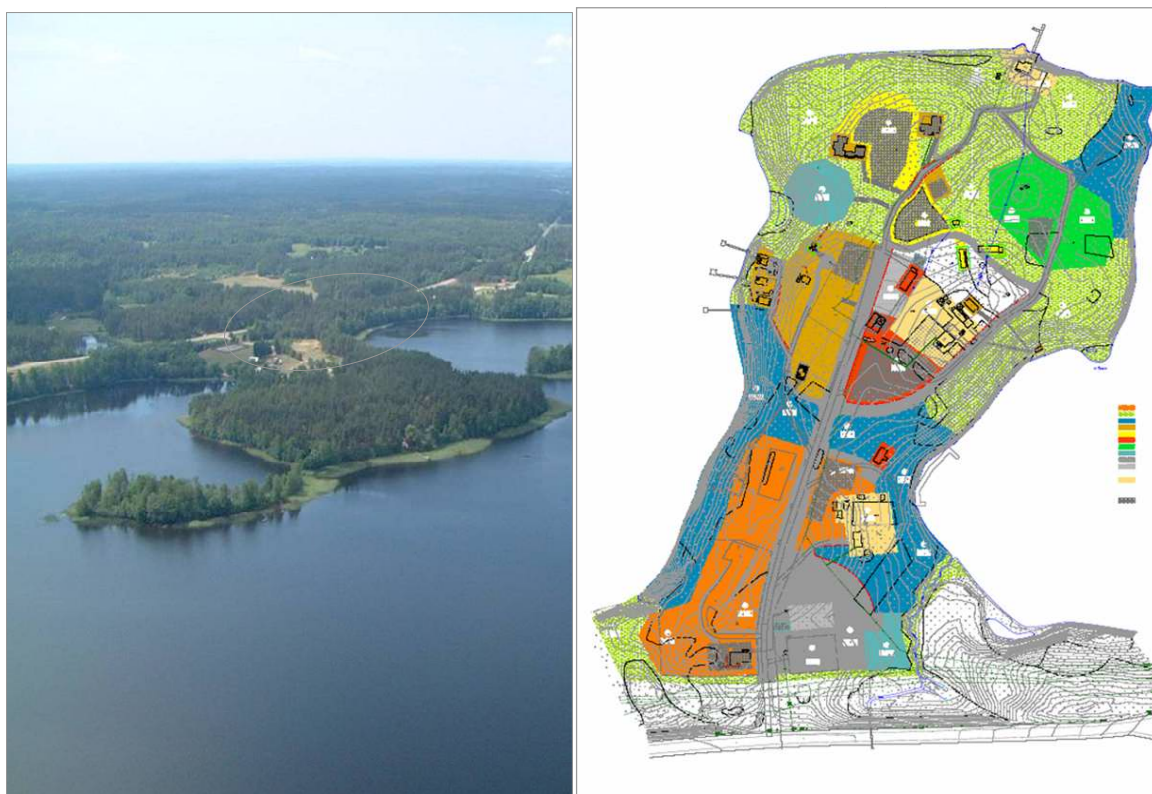
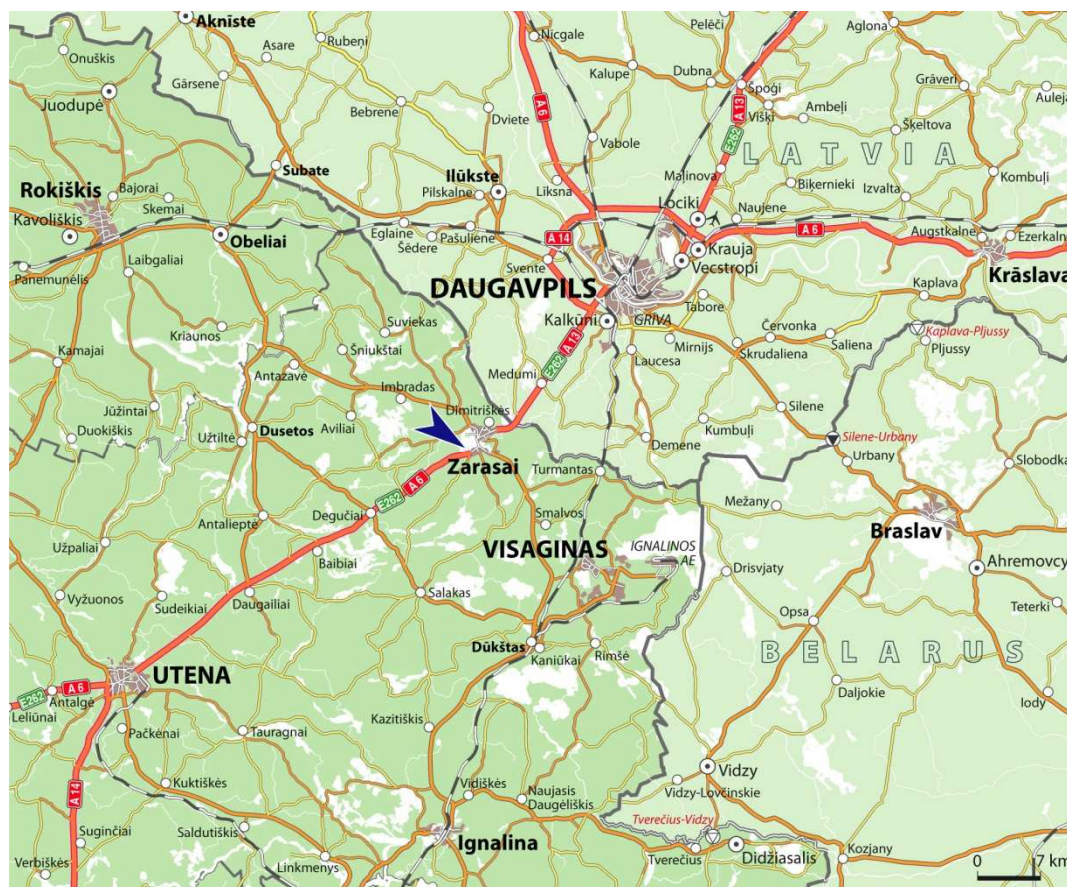
Tourism camping is situated on the shore of Zarasas Lake.

INFRASTRUCTURE

There is no infrastructure, creation is planned.

DEVELOPMENT AND PROSPECTS

It is planned to create a modern camping infrastructure in the Zarasas Lake peninsula. Investment by the municipality – 400 000 Lt (an earlier investment of around 1 000 000 Lt), input of an investor – 3 500 000 Lt (additional installment of houses on wheels (campers), resort fields (for tents), construction of holiday cottage).

SITE PHOTOS**SITE LOCATION IN THE REGION**

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Zarasai district municipality
Head of Investment and development department
Ingrida Tatarūnė,
Phone: +370 8 385 37140,
Email: ingrida.tatarune@zarasai.lt.

INVESTMENT SITE NO 10**Sport and active leisure during winter and summer infrastructure development near Zarasaitis Lake****PURPOSE**

The main target purpose of the land – other purpose land (method of use – commercial purpose object territory; use patterns – trade service and entertainment construction). The area of the territory – 100 ha. Detail plan is being prepared, planned construction beginning - 2012.

LOCATION

The project covers 100 ha territory, which is on the shore of Zarasaitis Lake.

INFRASTRUCTURE

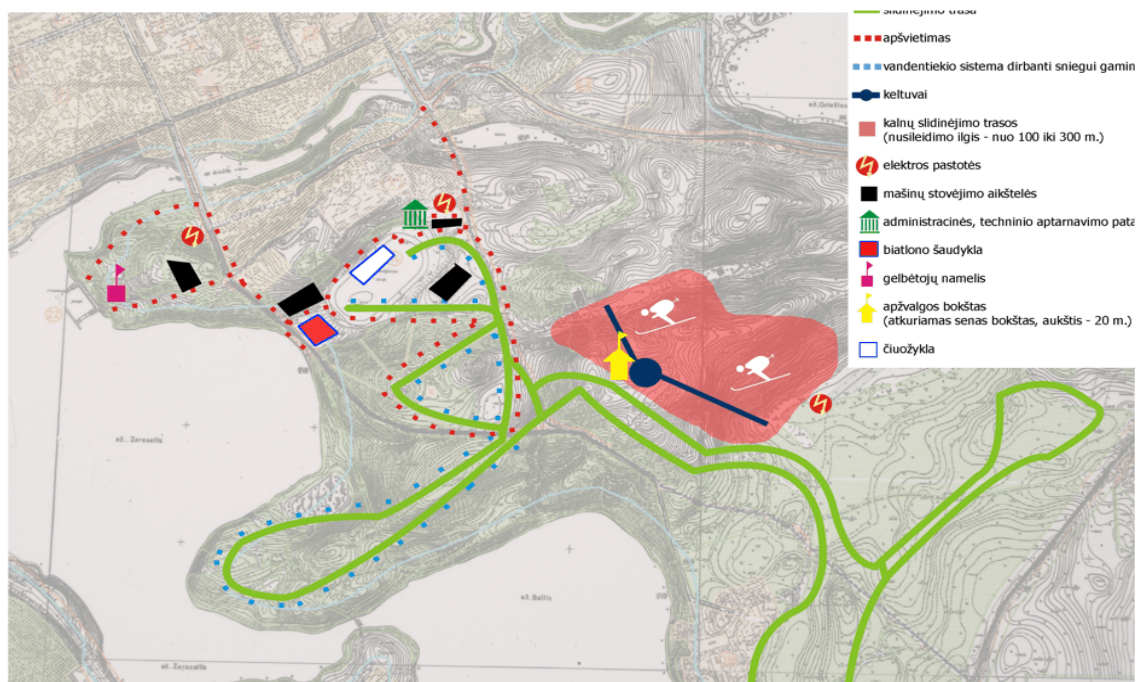
Territory is planned to be suitable for team sports and active leisure – arrange the beach, reconstruct the football stadium, install rollerblade-bicycle paths, basketball, tennis, volleyball, handball courts, mountain and plain skiing infrastructure, construct the infrastructure that is required for these objects – buildings for accommodation, nutrition, recreation and other service provision.

First stage of project implementation – mountain skiing route near Zarasaitis Lake establishment.

DEVELOPMENT AND PROSPECTS

Development of sport and active leisure during winter and summer infrastructure near Zarasaitis Lake is planned. Investment by the municipality – 400 000 Lt, input of the investor – 1 000 000 Lt (mountain skiing route, skiing inventor rent point establishment).

SITE PHOTOS



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Zarasai district municipality
Head of Investment and development department
Ingrida Tatarūnė,
Phone: +370 8 385 37140,
Email: ingrida.tatarune@zarasai.lt.

INVESTMENT SITE NO 11**Department store building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – commercial purpose object territory; use patterns – trade service and entertainment construction). It is a former department store and a four-storey restaurant with an open terrace to the side of Zaraso Lake. Total area – 3480, 89 sq. m. The building is suitable for trade, tourism and similar activities.

ADDRESS

Bukonto St. 11, Zarasai

LOCATION

It is a brick building, 4 storeys high. Currently, a construction industry product shop is open in one part of the building, the other is not equipped. Shopping center “Maxima” is located nearby. Distance from Zarasas Lake – 30 meters.

INFRASTRUCTURE

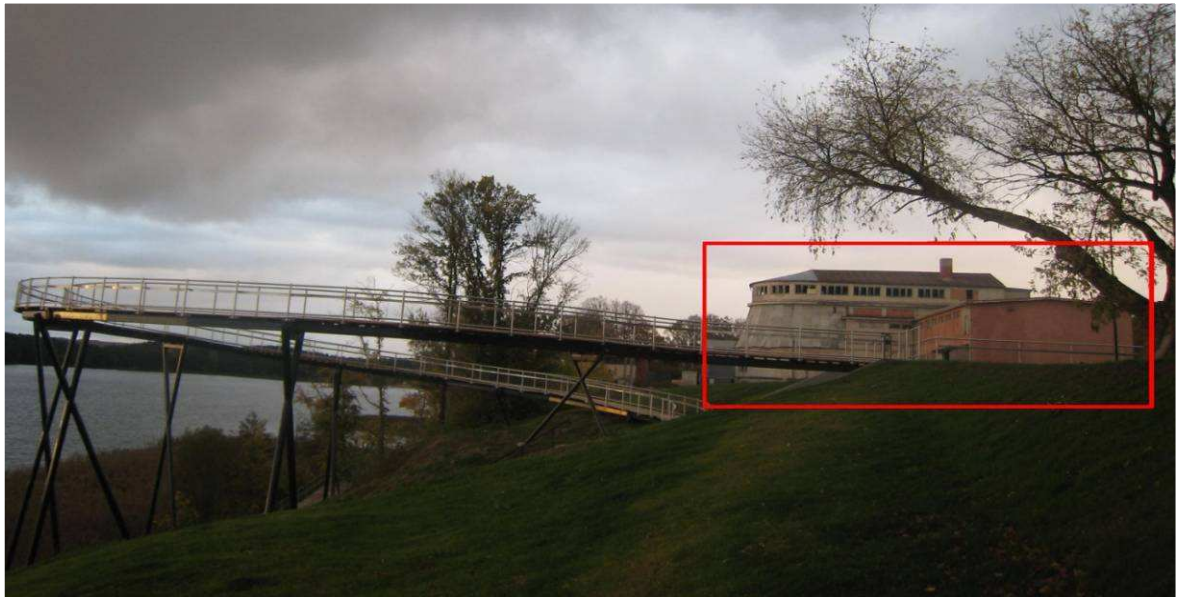
Square reconstruction is being made near the building, pedestrian path on the shore of the lake and viewing circle on the lake are installed.

The building is on the edge of main town street (Bukonto St.), on the road Zarasai – Vilnius. The access by car is good, there are 200 sq. m. of garages. Power supply – 80 kW, water pipeline, sewage, possibility to connect to the heating network or install an autonomic heating system.

DEVELOPMENT AND PROSPECTS

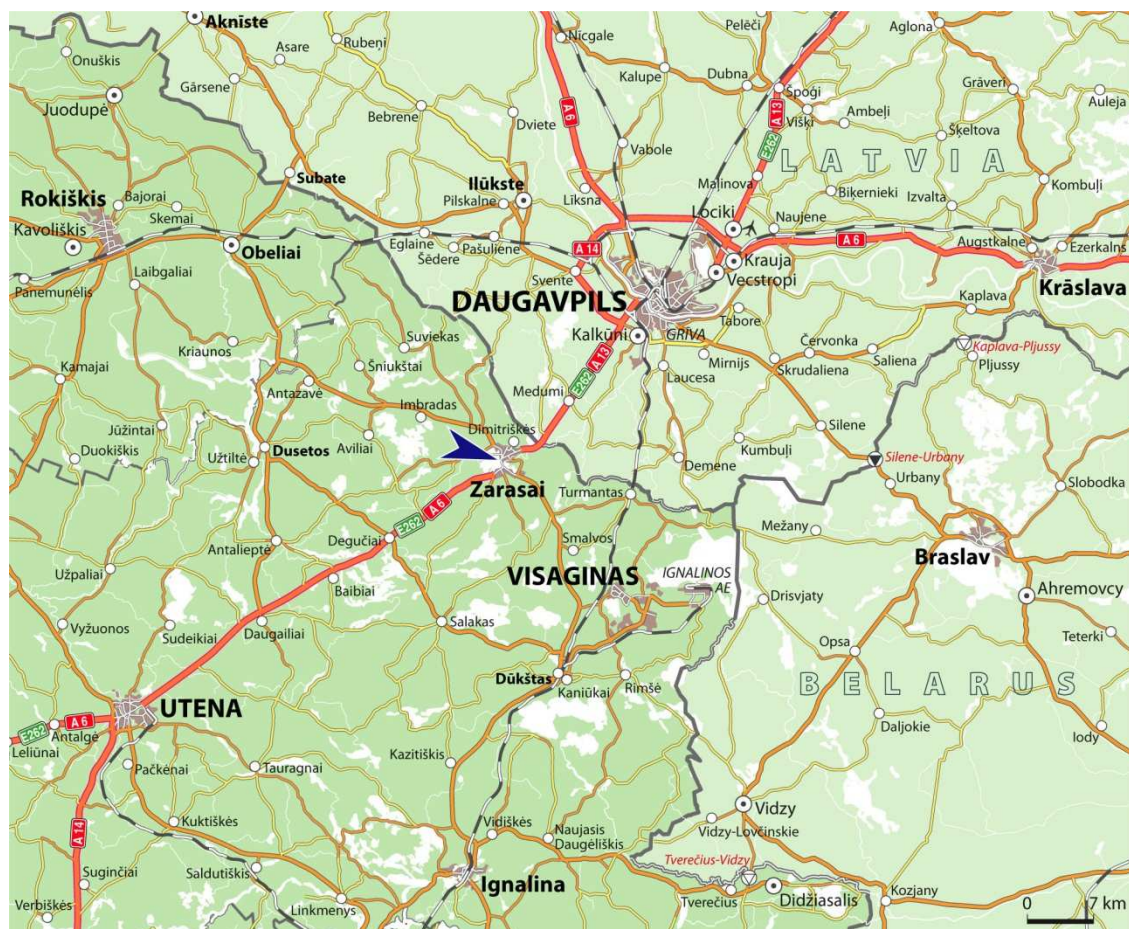
The building is suitable for tourism, trade and any other purpose. It is sellable, rentable, possible joint investment projects.

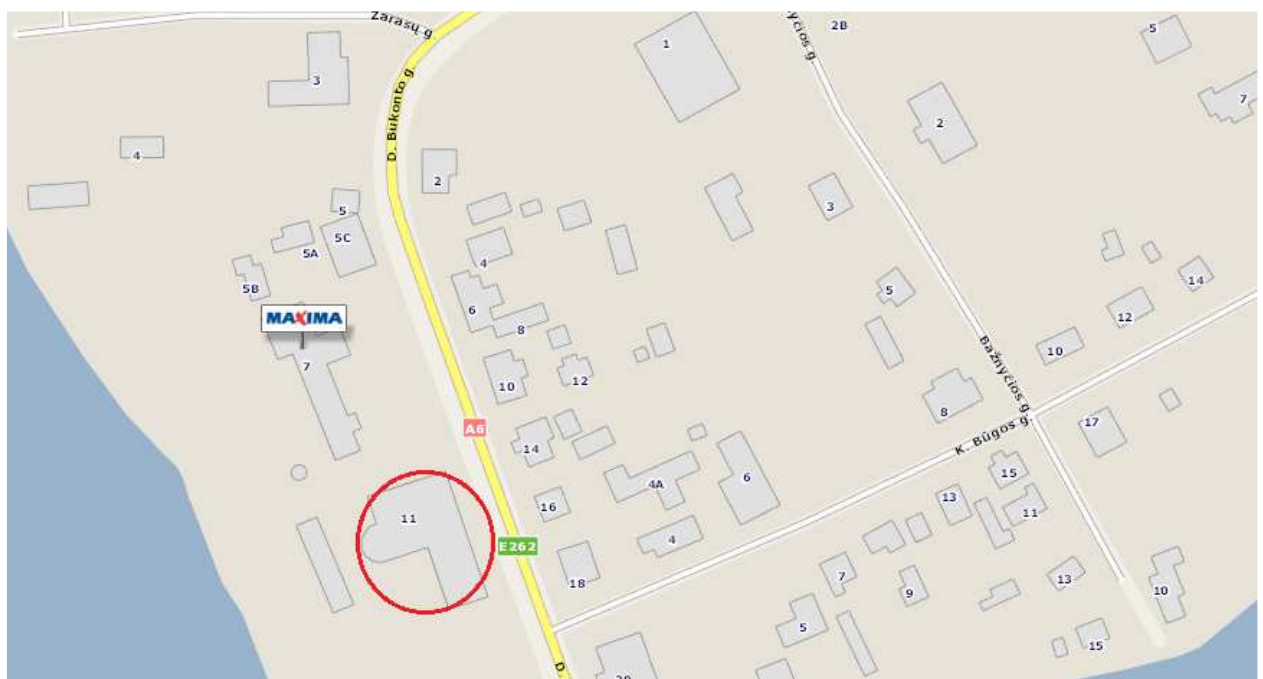
SITE PHOTOS





SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

UAB "Lēdis"

Palazdines village, Zarasai district

Phone: +370 8 385 30300

Email: ledis@ledis.lt

INVESTMENT SITE NO 12

Commercial building



PURPOSE

The main target purpose of the land – other purpose land (method of use – commercial purpose object territory; use patterns – trade service and entertainment construction). It is a commercial purpose building, which total area – 572,07 sq. m. The building is suitable for nutrition, accommodation, Spa and other service provision.

ADDRESS

Seliu St. 8A, Zarasai

LOCATION

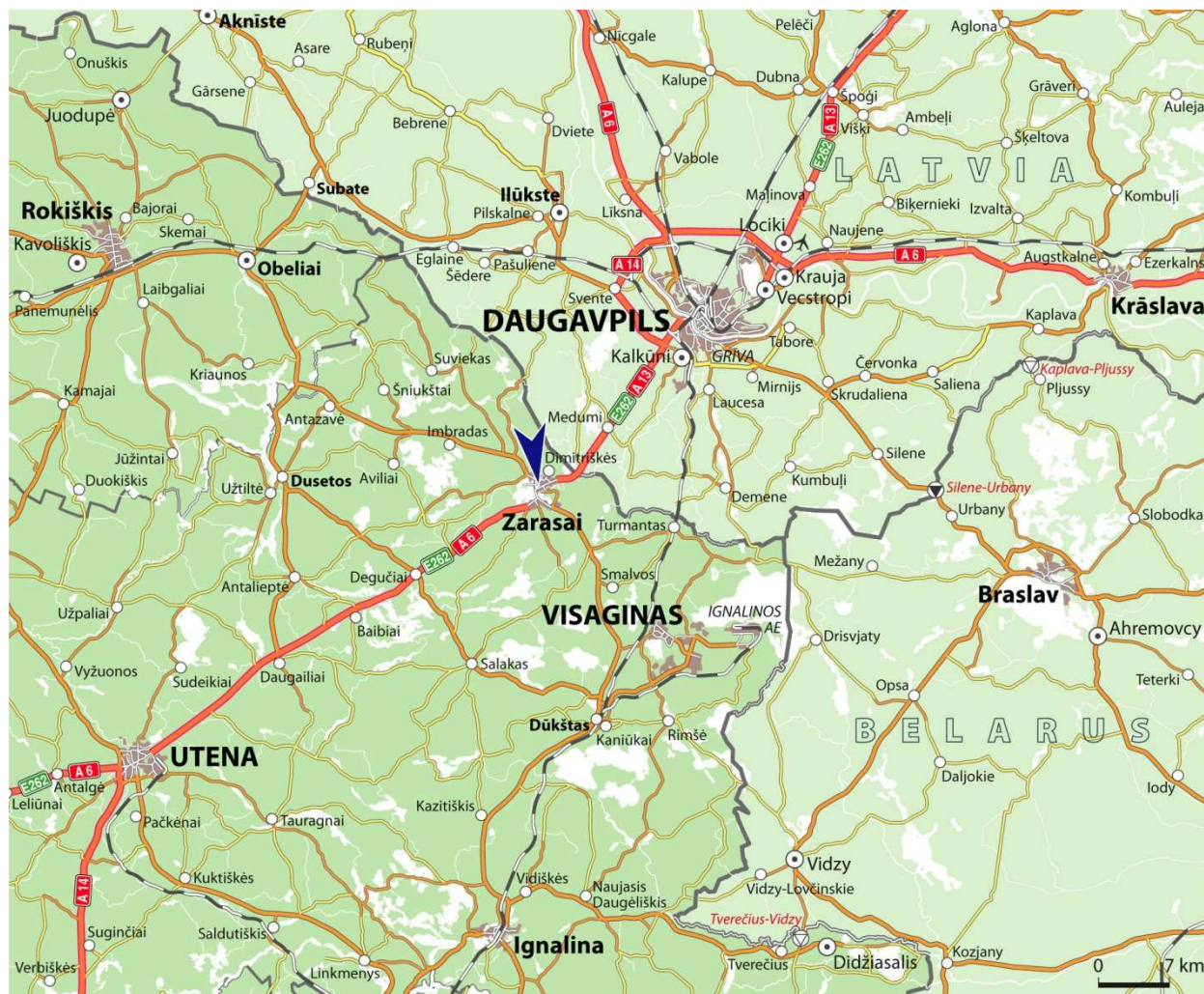
A brick building, 2 storey high. The building is in the central town square. It is fully equipped, the condition of premises is good, ceiling height is adapted for trade activity (3,3m.). Storage premises are available. The first floor is leased.

INFRASTRUCTURE

Access to the building is good, there is a parking lot, inner yard, garages. Electricity power supply – 30 kW (possibility to increase). Water pipelines, sewage is installed, premises are heated by electricity, there is a possibility to install an autonomic heating system.

DEVELOPMENT AND PROSPECTS

SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**PERSON:**

UAB "Lėdis"

Palazdines village., Zarasai district

Phone: +370 8 385 30300

Email: ledis@ledis.lt

INVESTMENT SITE NO 13**Connection buildings*****PURPOSE***

The main target purpose of land – other purpose land (method of use – engineering infrastructure territories; use patterns – connectivity and engineering communication serving object construction).

It is a not finished connection (nonresidential) building. The building is enlisted in the privatized object list. Total area – 5128.45 sq. m. The building, if usage purpose changed, is suitable for commercial activities.

ADDRESS

Veteranu St. 11, Visagina

LOCATION

It is a brick building, 4 storeys high, 60 percent of construction is finished. Total land area of 0.7658 ha is assigned to this building.

The building is in the center of town, not far away from a park, apartment houses, police commissariat, shopping center, hotel is nearby.

COMMUNICATION SYSTEM

The building is next to a main street, access is good – asphalt road, available parking places. Intensive pedestrian flow.

Direct connectivity to Taikos avenue. Taikos avenue is a national significance road (Dukstas – Visaginas, nr. 113), which creates favorable conditions for communication with surrounding settlements, towns and their centers.

ENGINEERING NETWORKS

Engineering equipment, communications, electricity, gas, water, sewage, heating is not available.

DEVELOPMENT AND PROSPECTS

The building is in a strategically comfortable location. Having the purpose of the building changed, it is possible adapt the building for commercial activity.

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration
Territory planning and architecture department
Phone: +370 386 60698
E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 14**School building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – public purpose territories; use patterns – science and education, culture and sport, health care building construction).

These are former school premises. Total area of the building – 8630.52 sq. m. The building, having changed the building purpose, may be suitable for commercial activity.

ADDRESS

Draugystes St. 10, Visagina

LOCATION

Brick building, 4 storeys high. Apartment houses, school, kindergarten, stadium is nearby the building.

COMMUNICATION SYSTEM

Access to the building is good – through an asphalt road, available parking lots. Connectivity with Taikos avenue possible through Statybininku or Energetiku Streets.

ENGINEERING NETWORKS

Available communications: electricity, water, sewage, central heating systems.

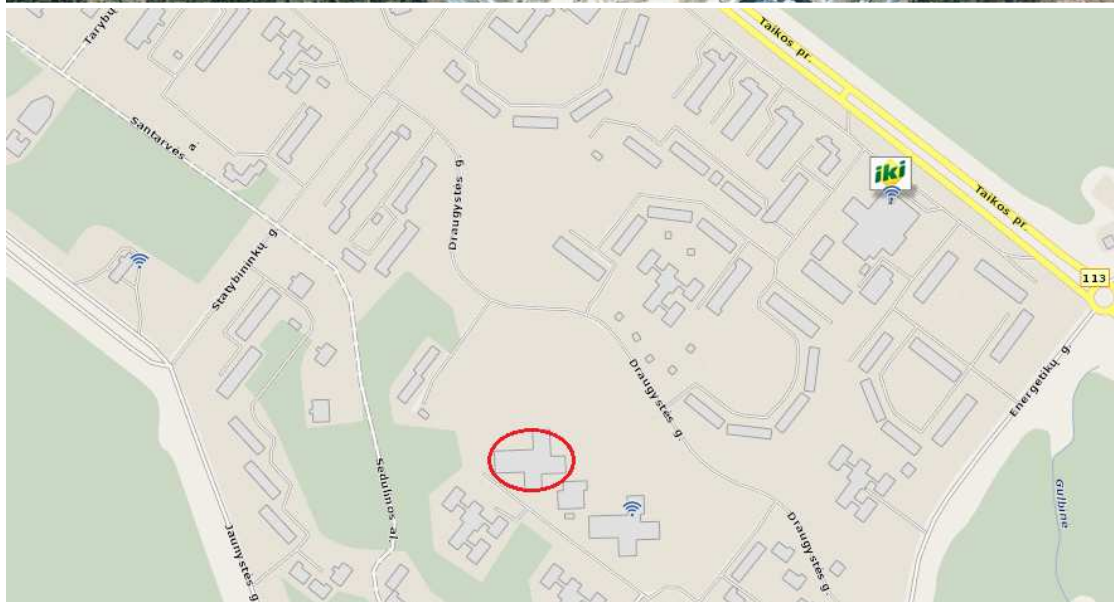
DEVELOPMENT AND PROSPECTS

The building is in strategically comfortable location. Having the purpose of the building changed, it is possible to adapt the building for accommodation service activity.

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration

Territory planning and architecture department

Phone: +370 386 60698

E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 15

Maternity hospital building

PURPOSE

The main target purpose of the land – other purpose land (method of use – public purpose territories; use patterns – science and education, culture and sport, health care building construction).

It is a former maternity hospital building, total area of the building – 4291.53 sq. m. The building is enlisted in the list of privatized object. Having the purpose of the building changed, it will be suitable for commercial activity.

ADDRESS

Taikos av. 15D, Visagina

LOCATION

It is a brick building, 3 storeys high; a part of the premises is presently leased; other premises require cosmetic repair. A national forest, Visaginas hospital and primary health care center, business incubator is next to the building.

COMMUNICATION SYSTEM

Access to the building is available through an asphalt road, available parking places. Direct connectivity to Taikos avenue.

ENGINEERING NETWORKS

Available communications: electricity, water, sewage, central heating systems.

DEVELOPMENT AND PROSPECTS

The building is in a quiet place of the town. Having the purpose of the building changed, it is suitable for sanatorium treatment, Spa service activity.

SITE PHOTOS





SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration
Territory planning and architecture department
Phone: +370 386 60698
E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 16**School building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – public purpose territories; use patterns – science and education, culture and sport, health care building construction).

These are former school premises, total area – 1977.3 sq. m. The building is enlisted in the list of privatized object. Having the purpose of the building changed, it will be suitable for commercial activity.

ADDRESS

Taikos av. 20A, Visagina

LOCATION

The building is made from reinforced concrete plates, 2 storey high, apartment houses, shopping center, kindergarten is nearby. A yard is present

COMMUNICATION SYSTEM

Access to the building is available through an asphalt road, available parking places. Direct connectivity to Taikos avenue.

ENGINEERING NETWORKS

Available communications: electricity, water, sewage, central heating systems.

DEVELOPMENT AND PROSPECTS

The building is in a quiet place of the town. Having the purpose of the building changed, it is suitable commercial activity.

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration

Territory planning and architecture department

Phone: +370 386 60698

E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 17**Children clinic building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – public purpose territories; use patterns – science and education, culture and sport, health care building construction).

These are former children clinic premises, total area – 1407.29 sq. m. Having the purpose of the building changed, it is suitable for commercial activity.

ADDRESS

Taikos av. 15, Visagina

LOCATION

It is a two-storey building, which has not been used since 2008. Cosmetic repairs are required. A separate entrance to the building is present. Visaginas hospital and primary health care center, business incubator is nearby.

COMMUNICATION SYSTEM

Access to the building is available through an asphalt road, parking places are available nearby. Direct connectivity to Taikos avenue.

ENGINEERING NETWORKS

Available communications: electricity, water, sewage, central heating systems.

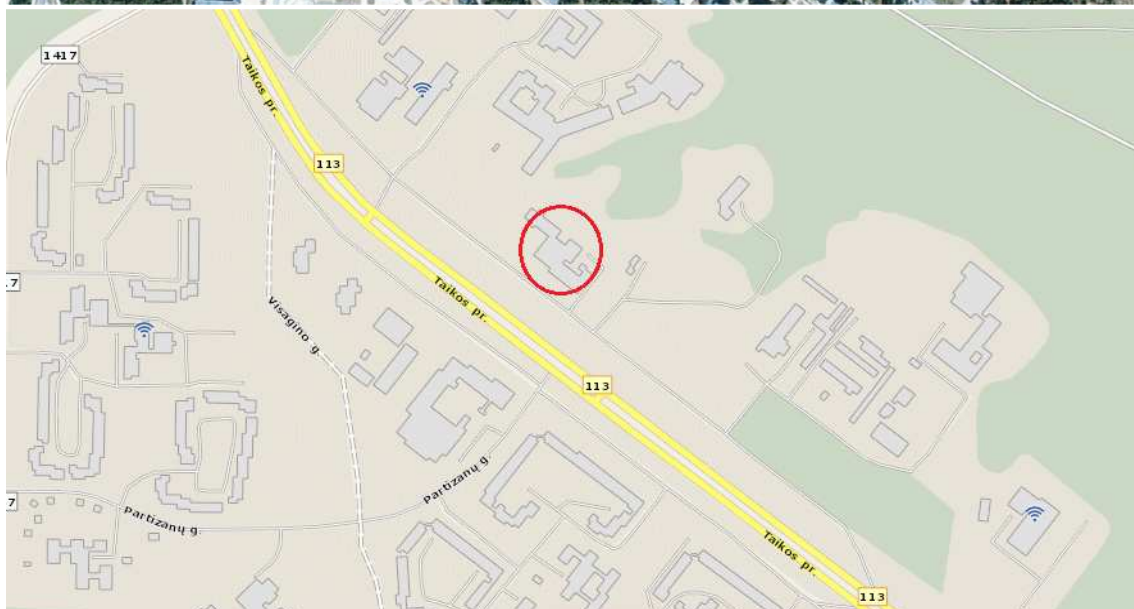
DEVELOPMENT AND PROSPECTS

The building is in a strategically comfortable location. It neighbors Visaginas hospital and primary health care center. Having the purpose of the building changed, it is suitable for Spa service, healing activities commercial activity.

SITE PHOTOS



The map shows the Ignalina nuclear power plant (marked with a blue star and labeled 'IGNALINOS AE') located near Visaginas. Other significant locations include Zarasai, Utena, and Molėtai in Lithuania, and Daugavpils in Latvia. The border with Belarus is also visible. Major roads like A14, A16, and A6 are highlighted in red. A scale bar indicates 0 to 7 km.

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration

Territory planning and architecture department

Phone: +370 386 60698

E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 18**Household service building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – other purpose land; use patterns – service object construction).

It is a household service building. The building is enlisted in the privatized object list.

The premises may be rent for commercial activity.

ADDRESS

Festivalio St. 8A, Visagina

LOCATION

It is a brick building, two-storey high, a main and a backup entrance. The premises require repairs. The building is not far from the park, apartment houses are nearby.

COMMUNICATION SYSTEM

Access to the building is good – asphalt road. A parking lot is present. Connectivity with Taikos av. is possible through Kosmoso St.

ENGINEERING NETWORKS

Engineering systems (electricity, water, sewage, heating) are dismantled.

DEVELOPMENT AND PROSPECTS

The building is in a strategically comfortable location. Having the purpose of the building changed, it is suitable for Spa service, healing activities commercial activity

SITE PHOTOS



SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration

Territory planning and architecture department

Phone: +370 386 60698

E-mail: investiciju.skyrius@visaginas.lt.

INVESTMENT SITE NO 19**School building****PURPOSE**

The main target purpose of the land – other purpose land (method of use – public purpose territories; use patterns – science and education, culture and sport, health care building construction).

It used to be a school. The general town plan states its area is 2831.04 sq. m. Having the purpose of the building changed, it will be suitable for commercial activities.

ADDRESS

Vilties St. 3, Visagina

LOCATION

The building is from reinforced concrete plants, two-storey high. Apartment houses, schools are near the building.

COMMUNICATION SYSTEM

Access to the building is good – asphalt road. A parking lot is present. Connectivity with Taikos av. is possible through Kosmoso St or Veteranu St.

ENGINEERING NETWORKS

Available communications: electricity, water, sewage, centralized heating systems,

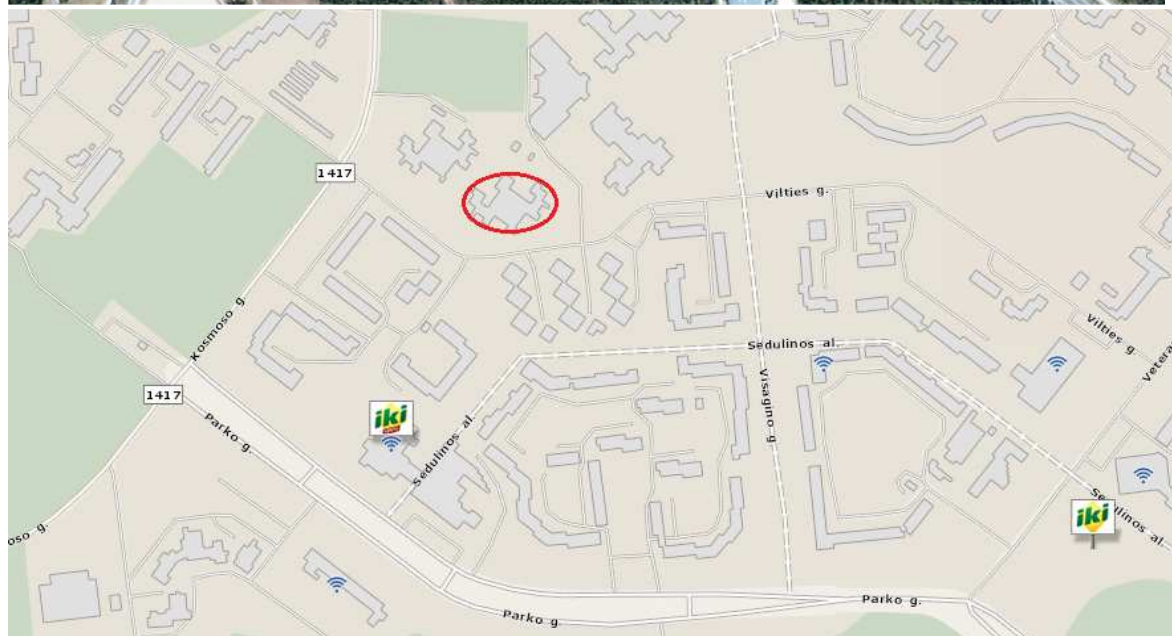
DEVELOPMENT AND PROSPECTS

The building is in a strategically comfortable location. Having the purpose of the building changed, it will be suitable for commercial activity.

SITE PHOTOS



SITE LOCATION IN THE REGION

SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

Visaginas municipality administration

Territory planning and architecture department

Phone: +370 386 60698

E-mail: investiciju.skyrius@visaginas.lt

INVESTMENT SITE NO 20

Visaginas industrial zone

INVESTMENT PROPOSAL

These areas are being sold in Visaginas industrial zone:

- 90-1 (1.92 ha.), 101-1, 102-1, purpose – industrial and storage object;
- 85-2 (0.21 ha) agricultural purpose land;
- 41 (2.92 ha) agricultural purpose land;
- 6 (0.43 ha) - forestry purpose land;
- 42-1 (5.60 ha) - forestry purpose land.

CURRENT SITUATION ANALYSIS

The main target purpose of the block – forestry purpose land, method of use – productive forest lands (use of territory or use pattern content – other productive forest purpose land areas).

The territory is bordered by an auto road Nr. 51 on the southern part, western - by auto road Nr. 2 (Dukstas – Visaginas). On the northern part the territory is bordered by PI “Visagino energija” and UAB “Pasmalvė” areas and on the eastern part it is limited by national land fund territories.

Visaginas industrial zone was planned to be installed in an area of 7.9 ha, in the Karlai village, on the territory of former Ignalina NPP construction and repair organization head base. Currently there are active companies in the zone, but a lot of areas are unused, a part of which are sold.

About 3.6 ha of the territory are covered with a forest. The area is dominated by an undermature mixed birch and other soft deciduous trees.

The western part of the territory, near to the national significance road Dukstas – Visaginas Nr. 113, is covered with a swamp.

Area soils are fertile – normal atmospheric and temporarily excess irrigation, sand and loam mixtures.

The closest inhabitants are in the northeastern direction, In Karlai village, about 1,1 km away from the territory of the zone. The distance to the closest gardens – more than 600 meters.

Visaginas industrial zone belongs to INPP 30 km monitoring zone. The territory does not belong to Visaginas town watering place security zones.

The closest lake – Pasamane is about 1,5 km away in the southeastern direction. In the southwestern direction, Gulbinis Lake is also around 1,5 km away. 2,5 km away in the western direction is the lake Visaginas. Gulbinis Lake is 1,6 km in the northwestern direction, a small lake is 2,4 km away to north and 3,5 km away is the Druksiai Lake.

The territory of the industrial zone now is used as forest production purpose and in the terms of civil protection it does not raise a threat. The territory has taken prevention measures, the forest is observed.

CONNECTION SYSTEM

In terms of connection, the territory is in a favorable location: it is bordered by asphalt roads on the west and east (auto road Nr. 51 and auto road Nr. 2) Auto road Nr. 2 is of national significance (Dukstas – Visaginas Nr. 113). That creates great conditions for the territory to connect with surrounding settlements, towns and their industrial centers. Local significance auto road Nr 51 may be used, trying to create main entrances to the territory of the industrial park.

A railway lies next to the territory.

ENGINEERING NETWORKS

Water supply is possible either from Visaginas town watering place, which is about 2 km. from the territory, either using the already mentioned water pipe, industrial water, rain sewage and domestic drainage lines.

In the case of water supply connection, the area is located very favorably for input creation. It can be provided from auto road Nr 2. (Dukstas – Visaginas Nr. 113) and from networks that are located on the road Nr. 51. For industrial water well connection, well BKT-8 (along the road) would be the most appropriate, however this 400mm diameter steel pipe is critically worn out (50% of the diameter is blocked). Industrial water pipelines are recommended to be fixed with their pumps. Domestic sewage input is suitable for the well Nr. 131 near the road Nr. 51 (diameter 500mm). It is recommended to rise or reconstruct the 300mm diameter sewage line (around 400m.). Rain sewage input can be also projected from the line in the road Nr. 51.

No communal services are available in the territory in the present.

120 m from the territory edge is a distributional station, which can be used to establish an electricity connection. A gas pipe line is on the other side of the territory – near the national road Nr. 113 Dukstas – Visaginas. Connection network inputs can be made in the southern part, near the road Nr. 51.

DEVELOPMENT AND PROSPECTS

Construction and repair organization basis was established in Karlai village during the construction and exploitation of the Ignalina NPP. Part of the companies were built and are active, but not all territories were assimilated. A created engineering infrastructure remains and it creates favorable conditions to create or supplement planned industry territories.

With regard to that in Ignalina district, especially around Visaginas, high forest densities are present. An unintended forest, which is growing in the territory, does not perform the recreational and sanitary protective function.

INDUSTRY TERRITORY DEVELOPMENT

Visaginas industrial zone territory is a logical continuation of the industrial development of the region. It fundamentals were provided during the construction of Ignalina NPP. According to Visaginas town development plan, priority industry companies are those, which do not require high energy resources, but their employees are skilled. Four main activity directions are stated:

- energetic equipment repair and service;

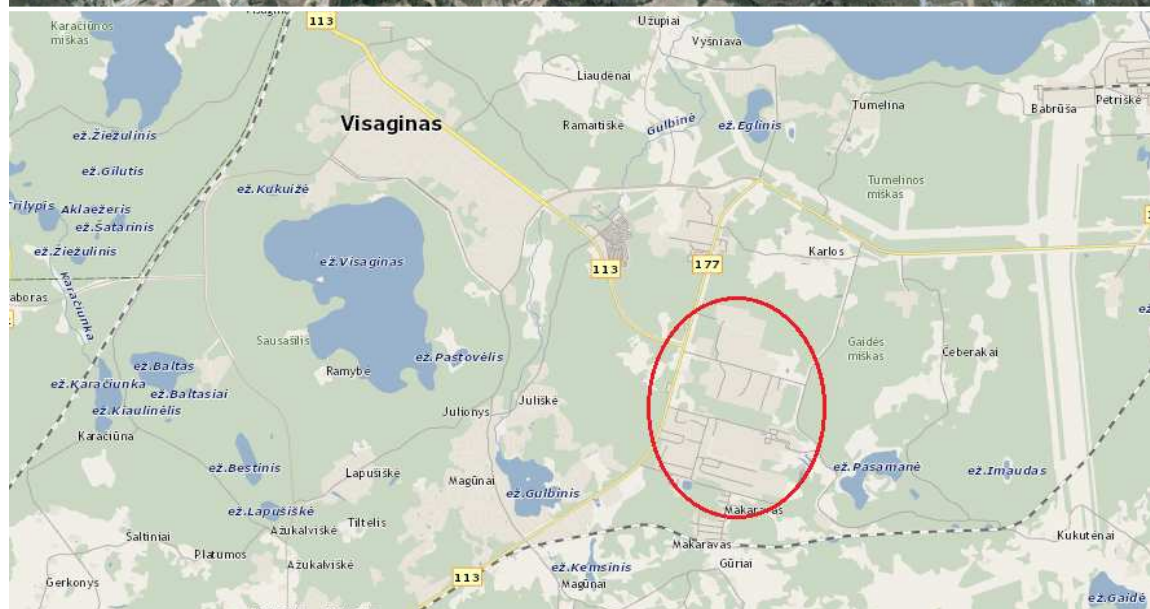
- energy saving technologies;
- woodworking;
- metal processing.

Evaluating the chosen Visaginas industrial zone creation advantages, engineering infrastructure, which makes that place attractive for business, must be mentioned first of all.

100 meter width zone stretches along the road Nr. 51 eastward from the industrial zone territory, where smaller companies and public purpose objects could settle down, but the relief of that area is very difficult. Therefore, investments in the territory preparation may not pay back quickly. Another thing – selective highway network renovation and modernization must be planned. These works have to be planned in advance and capital investments have to be estimated.

SITE LOCATION IN THE REGION



SITE BORDERS (AERIAL PHOTO)**CONTACT PERSON:**

IĮ IRMUSTA,
 Basanaviciaus St. 119-3, Utena,
 E-mail: info@irmusta.lt,
 Phone: +370 683 34 355

PART 4: LATGALE – IGNALINA NPP REGIONS CROSS-BORDER COOPERATION STRATEGY AND PLAN OF ACTIVITIES FOR 2012-2014

INTRODUCTION

The main objective of this document is to tell about the plan of activity for strengthening of cooperation of Latgale and Ignalina NPP regions, facilitation of common entrepreneurship and investment attraction, as well as reaching more rapid growth of regions' competitiveness and economic development.

In order to develop cooperation strategy and a plan of activity for its introduction, evaluation of investment environment, analysis of compulsory legislation, as well as identification and description of the best investment projects was performed Latgale and Ignalina NPP regions. Likewise development strategies of counties and regions were studied so that the future documents and strategy would be in line with other long-term development documents, and double actions for implementation of one and the same activities would be avoided.

One fact has been especially emphasized in the summarized World Investment Report 2011 of the United Nations Conference on Trade and Development (UNCTAD), that in investment attraction it is important to implement activities both according to the needs and strategy of the specific region and the regional investment attraction guidelines of the state and even more states. Choice of the right sector in the studies of world investment tendencies is considered one of the most difficult and serious decisions, because a correctly selected sector makes the investment attraction procedure more effective and resultant.

Basing on Latvia's comparative privileges and other criteria affecting the development of economics, seven target sectors were identified in 2010: metal working and mechanical engineering, transport and logistics, information technologies, life sciences, healthcare, wood industry and green technologies, which give higher perspectives for attracting the foreign direct investment, herewith developing entrepreneurship as well. The Lithuanian strategic documents do not define specific sectors for investment attraction, and review of region's investment environment is evidence of very similar investment attraction and entrepreneurship development sectors.

1. CROSS-BORDER COOPERATION PROGRAM

Program/project

Latgale planning region cooperating with Daugavpils University (Latvia) and Ignalina nuclear power plant region's development agency (Lithuania) implements the project "Fostering capacity of business development in Latgale - Utena cross-border region, acronym REGION INVEST; LIII-119, of the Latvia – Lithuania cross-border cooperation program 2007–2013. The project's total budget is 418727,00 EUR. 85% - 355917,95 EUR (250140,56 LVL) of this amount is support of Latvia – Lithuania cross-border cooperation program 2007-2013 of the European Regional Development Fund.

Project's planned duration: 24 months.

The general project aim is to facilitate business stabilization and development in the territories of local authorities of Latgale and Utena frontier region through a united cross-border region approach of facilitation of export and production, as well as cooperation between sector of business activity and academic sector in the economic development space of the Baltic Country of Lakes.

Specific project targets:

1. To improve skills and knowledge of the current businessmen and the business beginners in business management, its commencement and export planning, providing 3 training modules for businessmen, as well as to supplement 3 study programs – academic Bachelor's study program „Eastern Europe's Culture and Business Relations”, Master's program „Business Management”, as well as „Project Management” courses in Latvia – Lithuania cross-border region.
2. To establish the research and technology network of the Baltic Country of Lakes, involving in development of business, academic and public sector innovations and higher technologies in business activity in Latvia – Lithuania cross-border region, organizing technology seminars and contact exchanges, which will be administered by researchers of Daugavpils University.
3. To develop a united strategic approach in the frontier territory of Latvia – Lithuania for united export, investment attraction and business activities, establishing potential object investment portfolios and ensuring direct marketing events.
4. To improve infrastructure connected with business and science, renovating 69,10 m² large Daugavpils University lecture-room – research centre with videoconference equipment.

Project's target groups:

- business information centre, business association, local authority representatives;
- companies with potential of innovations and high-tech;
- representatives of entrepreneurship sector;
- region's population receiving benefit through cross-border research and technology strategies in the sectors of business activities, research and information distribution;

- institutions of project partners, which increase their experience and perfect professional development and capacity in improvement and facilitation of business development, export, investment, business incubation equipment, basing on the united cross-border approach;
- Daugavpils University students attending project management courses, receiving Bachelor's degree and Master's degree in business administration of Latvia – Lithuania cross-border region (not only) and who are innovative and competitive in business activities (in average term).

Activities

Within the bounds of the project different activities will be implemented for business promotion in Latgale – Ignalina frontier region: 3 study program preparation; a united investment object feasibility study will be organized with establishment of united database; a study "Perspectives of Business Activity and Science Collaboration" will be performed; trainings will be guided, 3 modules LV-LT „Business Management”, „Business for Beginners”, „Export Planning”; a handbook and evaluation methodology will be developed for business newcomers; a part will be taken in 2 exhibitions, investment objects will be popularized; consulting will be rendered on business starting and export planning, 2 experience exchange trips will be organized, a business forum will be organized, as well as Daugavpils University's lecture-room will be renovated (69,10 m²) and video equipment will be purchased.

Project's specific target

To develop a united strategic approach in the frontier territory of Latvia – Lithuania for united export, investment attraction and business activities, establishing potential object investment portfolios and ensuring direct marketing events. To develop a plan of activities, distribute responsibilities in compliance with the competence and identify the required financing and its attraction possibilities for successful achievement of the target.

2. CROSS-BORDER COOPERATION STRATEGY'S AIMS, TARGET GROUPS AND PRIORITIES OF IMPLEMENTATION

Vision

Intense cooperation between Latgale and Ignalina regions in the field of entrepreneurship and investment attraction

Aim of Strategy

To develop Latgale and Ignalina cross-border cooperation strategy for facilitation of entrepreneurship and investment attraction, as well as prepare a plan of activities for achievement of the set targets.

Territorial and Administrative Division

The strategy covers Latgale region with 19 counties' local authorities - Aglona, Balinava, Balvi, Cibla, Dagda, Daugavpils, Ilūkste, Kārsava, Krāslava, Līvāni, Ludza, Preiļi, Rēzekne, Rugāji, Riebiņi, Vārkava, Viļāni, Viļaka and Zilupe and two republican cities - Daugavpils and Rēzekne in Latvia, and Ignalina nuclear power plant region, which includes Ignalina and Zarasai district local authorities and Visaginas local authority in Lithuania.

Strategy implementation target groups

Strategy exercisers:

- ✓ Region and county local authorities; societies of local authorities; public institution branches; Latgale planning region, Latgale region's development agency, Ignalina nuclear power plant region's development agency;
- ✓ Business activity support institutions, incl., non-governmental organizations and employers' organizations;
- ✓ Educational institutions and non-governmental organizations providing with education services.

Other involved parties:

- ✓ Potential and current companies, foreign investors;
- ✓ Financial support introducers: private companies, banks, funds' managers;
- ✓ Public administration institutions — LIAA (Investment and Development Agency of Latvia, Ministry of Finance (FM), Ministry of Transport (SM), Ministry of Environmental Protection and Regional Development (VARAM), State Regional Development Agency (VRAA), Ministry of Education and Science (IZM), Mortgage and Land Bank of Latvia (LHVB), Latvian Guarantee Agency (LGA), Rural Development Foundation, Environmental Investment Fund;

- ✓ Strategically important, leading infrastructure and resource providers: Latvenergo, Lattelecom, Latvijas Dzelzceļš (Latvian Railway), Latvijas Valsts meži (Latvia's State Forests), Latvijas Gāze (Latvia's Gas) etc.;
- ✓ Other national-scale institutions and companies and non-governmental organizations.

Strategy's priorities

Investment attraction is a complicated procedure; decision-making sometimes lasts several years and making of these decisions is influenced by different aspects; that is why strategy and plan of activity is focused for 4 most important directions, impact of which is within the limits of capabilities of regions' development agency and associated administration institutions:

- ✓ Labor force – qualified and available – the most urgent issue, which causes interest to investors before they go to look at the specific investment place, region. Simultaneously this factor is significant for every future businessman marking the third – competence and motivation for business activity.
- ✓ Competitive companies – there are some changes in investment placing, mostly the investors choose long-term, large-volume order placing in some company investing only in human resources, company leadership restructuring and separate facilities, in contrast to previously spread new production unit establishment, when investment started in the *greenfield* territories, establishing production units from zero. Formation and development of new competitive companies is an important factor of regions' competitiveness and exactly in establishment of new companies better synergy is possible between both regions.
- ✓ Business activity environment – state and regional policy, socially economical situation, tax reliefs and investor support – the main factors, which cause interest to the investors, however, no less important factors are the local authorities' competence to attract investment, readiness to act, fast reaction, clear and transparent decision-making, non-politicized decisions and timely preparation for investment attraction are the main factors, positive execution of which motivates investor to evaluate investing possibilities.
- ✓ Innovation infrastructure – it becomes more and more important, because each investor/businessman faces the moment in business development, when the produced production must be improved, supplemented or even the assortment must be fully changed. In such cases it is important that research and industrial design competences are available in the region and/or country in general.

3. METHODOLOGY

Strategy preparation, first of all, is based on the situation analysis, evaluation and respectively after that – identification of new possibilities.

Document analysis – for general data summary, comparison and situation evaluation. The given method is not full-fledged, because:

- ✓ many statistical indicators are not summarized and are unavailable in the required cross-sections, as well as data are available too late – in some sections the latest data are given only for 2009;
- ✓ legislative acts, which have been developed, but not approved, they are not available in the urgent versions in the Cabinet of Ministers, herewith the planned initiatives cannot be evaluated;
- ✓ qualitative evaluation of state support programs and their efficiency, adopted legislation acts, as well as planned, real activities for facilitation of region's development lack here.

In general data analysis gave a possibility to evaluate the general economical situation of regions and unused possibilities, dominating legal acts, general support programs for business activity facilitation.

Learning and evaluation of the current strategies – situation evaluation on the level of regions and local authorities.

For evaluation the documents of documents of region and local authority development and their compliance with the needs of business activity facilitation were learned. Only some local authority development strategies have clear vision and understanding about the possibilities of business activity development and economical growth.

The document Latgale program 2010-2017 provides for very specific activities facilitating the entrepreneurship, which can be linked with Latgale – Ignalina cooperation strategy.

The issues of investment attraction have not been considered qualitatively in any of the documents.

The strategy of Latvia's investment attraction is still under development, the Lithuania's investment attraction policy provides for many activities, which are integrated also in the common cooperation strategy.

Expert consulting – to be sure that strategy complies with the regions' needs and will facilitate their development, consulting has been performed with experts of entrepreneurship, investment environment, state administration and other experts, region development strategies were learned in order to coordinate the cooperation strategy with other long-term development documents, as well as so that specific activities would not be duplicated.

Strategic sectors – in investment attraction and entrepreneurship development the current competences and skills are important, as well as competitive sectors. After learning all obtained data and evaluation of regions' development tendencies, available resources, number of working companies and investments already made the sectors have been selected, in which it would be useful to facilitate investment attraction and entrepreneurship development.

For successful strategy implementation further additional methods must be included:

Polls – during this strategy development no polls and questionnaires were performed, still, they must become an important part in strategy introduction, because only qualitative and correct data allow implementing united, long-term and growth-facilitating cooperation strategy. Interviews and questionnaires are the most optimum way for identification of possibilities of entrepreneurship development.

Within the frames of strategy implementation polling of the leading businessmen must be implemented, because exactly these companies are the main support for entrepreneurship growth in the regions. Businessmen must be motivated to responsibly give data during polling, because more precise data allow faster solving the most important issues and with most suitable instruments.

Pilot projects – pilot projects of evaluation of activities will be included in the plan of activity of strategy implementation, which will allow the strategy implementers to get actively involved in and in real activity to evaluate the achieved results, as well as to evaluate the required changes of implementation of specific activities.

4. STRATEGIC ANALYSIS OF BUSINESS DEVELOPMENT IN THE CROSS-BORDER REGION

Considering development possibilities of Latgale and Iğnalina regions, they cannot be considered separately from the general level of states and the Baltic Sea region, because this region is an important trade and investment partner for economics of Sweden, Estonia, the region covers almost 40% of export and more than a half of import. Foreign trade of the Baltic States with the countries of the Baltic Sea region is 60% of export and 75% of import. Cross-border trade is facilitated both by geographic, historic and cultural closeness, and specialization, labor division, and use of outsourcing. The significance of regionalization in circumstances of globalization also becomes much bigger, here an important aspect is the Baltic Sea region strategy implemented by the European Union, which is aimed at increase of region's competitiveness and attractiveness.

Growth

GDP of the Baltic Sea region this year will grow by 3,6%, but with slower world economy development we await growth of 2,6% next year and 2,9% in 2013. Despite the speed decrease, rapider growth is still awaited than in other parts of Europe.

Table 4.1

Economical indicators of the Baltic Sea Region

October 2011

	Growth of GDP* (%)				Inflation (CPI, %)				Current account balance (% of GDP)				Fiscal balance (% of GDP)			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Estonia	2,1	7,6	3,2	3,8	3,0	4,8	2,7	2,5	3,6	3,2	2,4	1,5	0,1	0,1	-1,0	0,0
Latvia	-0,3	4,2	3,0	3,9	-1,1	4,5	2,4	2,5	3,0	-0,2	-0,7	-2,3	-8,3	-5,0	-2,8	-1,7
Lithuania	1,4	6,3	4,2	4,2	1,3	4,0	2,5	3,0	1,5	-2,0	-2,5	-2,7	-7,1	-5,2	-3,0	-2,0
Russia	4,0	4,5	4,2	4,5	6,9	8,7	7,5	6,9	4,0	4,0	3,0	3,5	-6,5	-3,0	-2,5	-2,5
Poland	3,8	3,7	3,0	3,4	2,6	4,0	3,0	2,8	-4,5	-5,0	-5,1	-4,5	-7,9	-5,5	-4,2	-2,9

*not evened by seasons

Source: Review of the Baltic Sea Region by National Statistical Agency and Swedbank, No.28, October 19, 2011

Estonia shows the highest growth tempo in the region, Lithuania follows. It is expected that economical recovery in the Baltic States will go on – tempo of GDP growth will reach 3-4% in a year. Although these countries still depend on the export growth, previous imbalance is decreased and persistence to global shocks is higher. However, slowdown of economical growth will encumber the reform process – the main short-term aims of Latvia and Lithuania are decrease of budgeted deficit and inflation, in order to join EMS in 2014.

Latgale's economical activities are proved by the following table with companies registered in the region, and according to these factors, 1000 residents in Latgale have less number of economically active units than on the average in Latvia. However, compare Latgale region to the Iğnalina NPP, we observe a relatively higher intensity of the business, which even many times higher than the rates in the respective region of Lithuania. However, the big difference is also affected by

the inclusion of two regional towns of Latgale region in the figures for the economically active parts of the region.

43% of the registered economically active units in Latgale have given agriculture as their activity, 47% of the registered units deal with trade and service rendering.

Table 4.2.

Number of economically active units by their size in regions of Ignalina NPP and Latgale

		2010	2011	2012
Ignalina Local Authority	micro	195	209	183
	small	54	52	50
	average	22	20	19
	large	0	0	1
Total companies		271	281	253
Population number*		19133	18680	n/a
Number of companies per 1000 inhabitants		14	15	n/a
Visagina Local Authority	micro	346	386	343
	small	74	60	59
	average	37	38	35
	large	6	5	4
Total companies		463	489	441
Population number*		27724	26751	n/a
Number of companies per 1000 inhabitants		17	18	n/a
Zarasai Local Authority	micro	215	252	240
	small	55	50	43
	average	28	28	25
	large	2	3	4
Total companies		300	333	312
Population number*		19591	19105	n/a

Number of companies per 1000 inhabitants		15	17	n/a
Total companies in region of Ignalina Nuclear Power Plant		1034	1103	1006
Latgale region	micro	15517	16136	n/a
	small	842	772	n/a
	average	149	144	n/a
	large	24	20	n/a
Total companies		16532	17072	n/a
Population number*		34364 6	33978 3	n/a
Number of companies per 1000 inhabitants		48	50	n/a

Source: Statistical Bureaus of the Republic of Latvia and the Republic of Lithuania

Evaluating the economical development of regions, establishment of new companies is an important factor. Latgale region has relatively low factors of establishment of new companies, which certify that in Latgale due to social and economical situation people are not ready to take the risk connected with business activity start, because the total number of Latgale's merchants at the average is only 6% of the total number of companies considering the last five years in Latvia. Still, in 2010 and 2011 there were positive changes proving that the society has become more active.

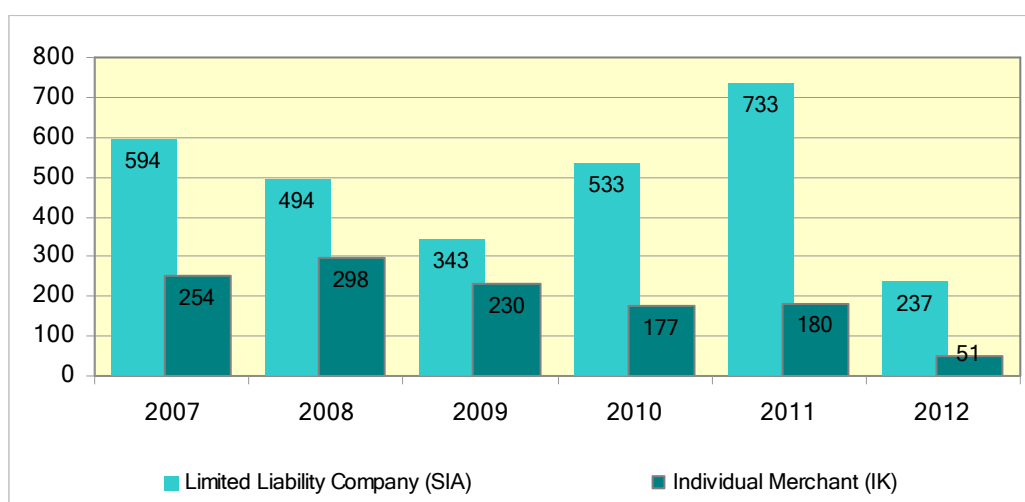


Image 4.1. Number of companies registered in the Commercial Register in Latgale.

Source: Lursoft, Statistics as of 26.04.2012

According to the Lithuanian statistical bureau data, Ignalina region demonstrates relatively low business activity factors and throughout all Utena region there are only ~3% of companies functioning in Lithuania, and Zarasai, Visaginas and Ignalina districts have only 1002 companies in total functioning in 2012, which is 1,2% of the total number of companies of Lithuania. The low factors prove that more full-fledged activities for entrepreneurship facilitation are required both in Latgale and in Ignalina region.

Table 4.3.

Registered companies number and share against Lithuania overall

	2010			2011			2012		
	Number	% against Lithuania overall	% against Utena Region	Number	% against Lithuania overall	% against Utena Region	Number	% against Lithuania overall	% against Utena Region
Lithuania	83202			86987			83624		
Utena Region	2811	3,38%		2941	3,38%		2703	3,23%	
Ignalina Local Authority	271	0,33%	9,6%	281	0,32%	9,6%	253	0,30%	9,4%
Visaginas Local Authority	463	0,56%	16,5%	489	0,56%	16,6%	441	0,53%	16,3%
Zarasai Local Authority	298	0,36%	10,6%	330	0,38%	11,2%	308	0,37%	11,4%

5. STRATEGIC ANALYSIS OF FOREIGN DIRECT INVESTMENT ATTRACTION IN THE CROSS-BORDER REGION

During rapid economic growth, which was experienced both by Lithuania and Latvia within the period till 2007, in many manufacturing industry companies in the regions investment projects oriented to modernization of production process and increase of production output capacity were successfully implemented. In recession circumstances, with decrease of the internal and the external demand, many companies had free production capacities being formed, which are used to increase the employment level in the region and the volume of produced added value.

According to the Lursoft data, in 2011 the largest cities were the most successful in foreign direct investment attraction in Latgale planning region: Daugavpils and Rēzekne, as well as Krāslava and Līvāni counties. There are significant differences between both regional cities if considering the volume of attracted investment – in Daugavpils the volume of attracted investment is 30 million LVL, whereas in Rēzekne it is only 2,6 million LVL. Investment attracted in Daugavpils City exceeds all other investment attracted in the region 3 times.

Considering the investment contributions by the investors' country of origin, the most significant investment in Latgale region has entered from the Swiss Confederation (14 million LVL), Republic of Estonia (7,6 million LVL), Federative Republic of Germany (3,8 million LVL), Kingdom of Denmark (2,9 million LVL), Republic of Lithuania (2,9 million LVL). In its turn, according to the data of the Statistical Bureau of Lithuania, in Lithuania, Utena region in 2010 the largest investment has entered from Kingdom of Sweden (216,6 million LTL), Federative Republic of Germany (12,9 million LTL) and Kingdom of Denmark (42,3 million LTL).

The most important sector in attracting investment to Latgale region is the sector of producing synthetic fibers, which in general has attracted 13,2 million LVL, it is followed by the sector of railway locomotive and rolling-stock production with the attracted investment of 7 million LVL, specialized wholesale trade of other type with the attracted investment of 2,4 million LVL, road and railway construction – 2,2 million LVL and wood, cork, straw and wickerwork production – 1,5 million LVL.

Evaluating the statistics of attraction of foreign direct investment, the Investment and Development Agency of Latvia should be mentioned as an important investment attraction player. Every year LIAA services on the average around 130 (in 2010 even 158) of foreign investor information requests, of them on the average around 30 become the potential investment projects (with the total potential investment volume around 100 million LVL in a year), by which intensive work is continued to implement them successfully. Due to various reasons only 5-10 projects are implemented in a year. In 2010 10 decisions were made on investment placement in Latvia and 6 of these projects are in the sector of mechanical engineering and metal working, one in chemistry sector, one – agricultural product pretreatment and two – in sectors of outsourcing. The total planned investment - 30,7 million EUR and 518 workplaces.

In its turn, in the Republic of Lithuania Invest in Lithuania agency works actively in investment attraction, which, like LIAA, ensures support to the potential investors during investment placement, communicates with the involved parties and provides support till the moment of investment placement.

The following reasons are mentioned as the most significant for failure to place investment:

- 4) Lack of industrial territories and entrepreneurship infrastructure and deficiencies in territorial planning;
- 5) Issues of electric power supply;
- 6) Education system inadequate for sectors' needs and growth and lack of qualified labor force.

Basing on the analysis of the current situation, several internal and material difficulties may be found out in Latvia's foreign direct investment (ĀTI) attraction:

- 4) Lack of understanding about importance of ĀTI in Latvia's economy;
- 5) Lack of coordinated activity of public institutions and private sector;
- 6) Fragmented activities in identification of potential foreign investment projects and investment attraction.

Important investments in companies' fixed capital are obtained by the help of the European Union's structural funds financing, however, Latgale region is relatively very passive and has attracted insignificant volume of the most suitable programs for entrepreneurship development. Only 10% of the EU financing attracted in the region has been for facilitation of entrepreneurship and innovations, which shall be evaluated also as investment in companies' development with introduction of new technologies and solutions.

In its turn, considering Latgale and Ignalina regions, it is clearly seen that there is a lack of ambitions in attraction of investment and strategic, internally coordinated actions for achievement of definite aims; as a result of this the capital directed for economy development is fragmented in small units and causes insignificant effect in the economy. As an example one can mention support of small-scale and average companies, for start of new business activity, which is observed in both regions, however, implementing such activities one should take into account the historical heritage and society's experience in entrepreneurship development, because if these elements lack, establishment of new business activity is a long-lasting procedure and gives positive effect if speaking about tax revenue and new places of work only in a longer period. Much more important effect on the economy is created by growth development of larger companies, because under the wing of such companies new companies are established acting as suppliers, service providers, etc.

6. STRATEGIC ANALYSIS OF EXPORT MARKET AND WORLD INVESTMENT PROPOSAL TENDENCY

Growth

Foreign direct investment (ĀTI) is more and more recognized as an important factor of economic development. Capital attraction facilitates technology transfer from science to entrepreneurship, takeover of better organizational and management practice and skills and

access to the international market. More and more countries are attempting to create favorable ĀTI attraction climate, as well as perceive the ĀTI as one of the political priorities. In this aspect not only the state activities are important for improvement of investment environment, but also the ambitions of countries' regions to attract investment and establish for them a suitable and economically balanced place for work.

General evaluation of the situation

The world foreign direct investment (ĀTI) in 2010 increased up to 1,24 trillion USD dollars, but it is still 15 percent less than in factors on the average before the crisis. It contrasts with the volumes of the world industry production and trade, which already in 2010 reached the pre-crisis level. UNCTAD projects that ĀTI will reach the highest level of 2007 again in 2013. Still, these are the optimistic forecasts, which will take place only if there will be no new financial crisis in the global economy. At the moment growth of the local economy is evidence of possibility of implementation of such forecasts and companies of the Baltic region start experiencing resource lack and reach of the highest capacity level. It is evidence of the necessity of new investment and possibilities to develop in new scales.

2010 is characterized by the fact that countries and transitory economy have together attracted more than a half of the world ĀTI funds for the first time. Opposite to this, in the developing economies (Latvia is among them, as well) ĀTI inflow decrease is observed.

Still, no less important a fact that developed countries and transitory economies have become the most significant parties placing investment, and this investment is mostly placed exactly in the developing countries and transitory economies.

Factors of Latvia and Lithuania

According to the UNCTAD data, Latvia and Lithuania are included in the group – developed and transitory economy - and by the data for 2010 have attracted less than one billion USD dollars (\$). Similar factors of the European countries belong to Slovenia, Slovakia, Denmark, Switzerland and the Netherlands. Estonia has managed to attract investment within the limits of 1-8 million USD together with 14 other European countries.

Strategic activities for facilitation of investment attraction

In the modern world the politics, the aim of which is to improve integration of developing countries in the global value chains, one must look farther ahead than the ĀTI and global trade. The politicians must also think about non-capital investment (NKI) in the international production, for instance, agreement production, services, outsourcing, agreement agriculture, franchise, and licensing and management agreements.

NKI causes risk also for the developing countries. Employment according to the agreement production may be very cyclic and can be easily moved. Added value investment in NKI can look relatively low if comparing with the total world value chain. The countries choosing this strategy must be alert to decrease risk of remaining under burden of low added-value creation.

Political issues

To increase development benefits from NKI action is required in four fields. First of all, NKI policy has been worked into the total state development strategy. Second of all, the governments support attempts to establish the local production capacities. Third of all, for NKI facilitation strong legal and institutional system is needed, as well as involvement of investment facilitation agencies to allure international corporations. Finally, politics, in order to solve negative consequences and threat caused by NKI, strengthen the local partners' ability to influence the progress of negotiations, ensure fair competition and protect labor law and environment.

Extensive information

Balanced and extensive information on the tendencies of the investment market has been exhaustively summarized in the World Investment Report 2011 of the United Nations Conference on Trade and Development (UNCTAD).

7. INVESTMENT POLICY IN THE REGIONAL AND THE CROSS-BORDER DEVELOPMENT

Lithuania:

The main legal act, which regulates the investment conditions, investors' rights and protection instruments of all kinds of investment in the Republic of Lithuania, is:

- Investment Law of the Republic of Lithuania, which was approved on July 7, 1999 (hereinafter referred to as the Investment Law).

The main legal acts regulating investments in Lithuania;

- Constitutional Law No. IX-960 from the Part 3 of the Article 43 of the Constitution of the Republic of Lithuania of June 20, 2002 (hereinafter referred to as the Constitution Law);
- Law of the Republic of Lithuania on free economical zone fundamentals No. I-976 of June 28, 1995 (hereinafter referred to as the Law WITHOUT fundamentals)
- Law of the Republic of Lithuania on concessions No. I-1510 of September 10, 1996 (hereinafter referred to as the Law on concessions);
- Law of the Republic of Lithuania on small-scale and average business activity No. VIII-935 of November 24, 1998 (Law on MVU) etc.

Latvia:

A united investment law has not yet been adopted in Latvia, which would protect the investors' interests and conditions of investment attraction. The entrepreneurship is regulated by the Commercial Law. Strategy of investment attraction is still under construction.

Other binding legal base:

Normative act analysis

- Law of State Administration System
- Law „On Local Authorities”
- Law „On Elimination of Public and Local Authority Financial Means Embezzlement”
- Law „On Public and Local Authority Capital Shares and Capital Societies”
- Law „On Taxes and Fees”
- Law on Corporate Income Tax
- The order, in which the application of investment project must be submitted and evaluated for acquisition of supported investment project status
- Law of Rēzekne Special Economical Zone
- Regulations on trading kinds, which must be coordinated with the local authority, and the order of trade organization

The most important customs legislation documents

The main legal acts in the customs sector have a status of regulations:

- Regulations (EEC) No. 2913/92 on the establishment of the Customs Code of communities of the Council, dated October 12, 1992 (hereinafter referred to as the Customs Code);
- Regulations (EEC) No. 2454/93 of the Commission, dated July 2, 1993, determining the order of fulfillment of the Customs Code;
- Regulations (EEC) No. 918/83 of the Council, dated March 28, 1983, which create a Community System for customs tax reliefs;
- Regulations (EC) No.254/2000 of the Council, dated January 31, 2000, on amendments in the Regulations (EEC) on tariff and statistics nomenclature and on United customs tariff of the Council, dated July 23, 1987;
- Regulations (EC) No. 1789/2003 of the Commission, dated September 11, 2003, on amendment in the Regulations (EEC) No. 2658/87 of the Council on tariff and statistics nomenclature and on United customs tariff.

Analysis of property rights and land use regulations

- Regulations on the state or local authority land lease
- Law on state and local authority land property rights and their registration in a Land Book
- Law on Real Estate Property State Cadastre
- Law on Land Reform in Cities of the Republic of Latvia
- Law on Land Reform in the Rural Area of the Republic of Latvia.

More detailed information is available in the sections of legislation reports.

Lithuania:

The government has approved a number of programs, which are connected with investment stimulation in Lithuania. One of the most important is the Investment Stimulation Program 2008-2013, which was approved by the government's Resolution No.1447 of December 19, 2007 (hereinafter referred to as the Investment Stimulation Program). The program provides for the aims, objectives and instruments of the general policy of investment stimulation for 2008-2013.

The Investment Stimulation Program defines the goal to improve the Lithuania's investment climate and create effective system for stimulation of the internal and the foreign investment, oriented to the state long-term development, economical growth and society's welfare increase, accelerating the territory planning processes and arranging the construction documentation, forming and expanding the industrial park network, as well as stimulating development of other industrial territories.

In the strategy of the Lithuanian regional climate approved by the government of the Republic of Lithuania till 2013, No. 575 of May 23, 2005, the priority is given to Lithuania's territorial economical development. For its implementation the following objectives have been defined:

- a. To increase competitiveness of industry and regional centers' companies, introducing new technologies and innovations;
- b. To create favorable conditions for business development, company cooperation and clustering in the regional centers;
- c. To develop service providing to businessmen in the regional centers;
- d. To stimulate human resource development;
- e. To increase integration of regional centers and surrounding territories;

- f. To perfect administrative procedures and to increase administrative possibilities of state administration employees.

Latvia:

To make the investment attraction more active, systematic and to more efficiently use the available limited financial means, methodology was developed for purposeful investment attraction. The respective methodology was named the „POLARIS process”. The methodology of POLARIS process provides for:

1. Determination of target sectors of investment, in which Latvia already has experience, infrastructure and work, as well as those, which will be perspective in the near future. Target sectors at the moment:
 - Metal working, mechanical engineering, electronics;
 - Wood working (high value added subsectors);
 - Transit and logistics;
 - Information technologies;
 - Healthcare;
 - Life sciences (pharmacology, biotechnologies in sectors of human health, veterinary and agro-biotechnologies);
 - Green tech.
2. Summary and actualization of knowledge available in Latvia, namely, the latest discoveries in the science fields connected with target sectors, research, as well as the most progressive products and achievements of commercial societies already working in Latvia.
3. Offering projects to the foreign investors, which have been prepared using scientific base, experience and strategic resources available in Latvia (for instance, natural resources, location, labor force etc.). The POLARIS process provides also for timely establishment of foreign investor database. That is why at the same time with project preparation performed in Latvia, in foreign countries those commercial societies and investment funds are purposefully selected, which already work in the selected Latvia's target sector.
4. Coordination of cooperation between Latvia's public, local authority institutions, private sector representatives (commercial societies and sector associations) and representatives of scientific sectors (universities and research institutes), in order to"
 - Facilitate progress of the new investment projects;
 - Timely eliminate problems being caused, thus proving Latvia's true interest in helping investors and easing project implementation in Latvia;
 - Study the implemented projects with a purpose of clarifying investors' satisfaction and suggestions for improvement of business environment.

The general political positions and tendencies in investment facilitation are:

- 1) Tax relief for investors;
- 2) Employee re-qualification corresponding to the investors' needs;
- 3) Support and facilitation of large investment projects;
- 4) Infrastructure arrangement and availability facilitation;
- 5) Simplification of bureaucratic burden and procedures.

In its turn, in the focus of entrepreneurship facilitation there is support of small-scale and average entrepreneurship growth, tax relief for companies, which creates new workplaces, and in knowledge and technologies transfer facilitation, creating small, technologically competent and knowledge-saturated enterprises.

8. SWOT ANALYSIS OF LATGALE-IGNALINA CROSS-BORDER REGION

STRENGTHS	WEAKNESSES
In general in region	
<p>International accessibility</p> <p>Market volume – access to a united 500 million consumer market in the European Union</p> <p>Political and military stability and safety</p> <p>Participation in WTO gives the investors feeling of certainty about invariability of economical principles for a long period of time.</p> <p>Economically effective tax systems</p> <p>Economical growth of Latvia and Lithuania during the post-crisis period</p>	<p>Small domestic market</p> <p>Insufficient and non-effective investment stimuli for development of regions</p> <p>Lack of purposeful entrepreneurship development activities</p> <p>Support programs have been directed to infrastructure development, by paying less attention to creation of working places for residents and development of entrepreneurship</p> <p>During the last 10 years significant decrease of population number was observed</p> <p>Belief of region's residents and specialists of administration institutions in their abilities and purposeful activity for situation improvement</p>
Administration	
<p>Local authorities of both regions are purposefully minded to investment attraction.</p> <p>The most important investment objects have been prepared in regions, local authorities have begun study of their properties, arrangement of property rights and more efficient management.</p>	<p>Insufficient internal resources for investment attraction.</p> <p>Limitedness of financial resources for immediate support provision.</p> <p>Insufficient capability and power of decision-making</p> <p>Lack of investment attraction professionals in the public and local authority structures.</p> <p>Lack of knowledge and understanding in the public administration and society on the positive effect of ATI on the economy.</p>
Geography	
<p>Both regions are characterized by beautiful environment, rich with lakes and forest, mineral deposits.</p>	<p>Located far away from the countries' basic economical centers, ports, main roads.</p>

Infrastructure	
The most important roads are covered with asphalt, the largest cities have available gas connection and electricity connection of larger power	Many local roads have gravel surfacing that delays development of these counties and their cooperation with the economical centers. Such roads trouble access also to important and attractive tourism objects.
STRENGTHS	WEAKNESSES
Economy	
Small-scale and average entrepreneurship is developing, dynamics of growth of number of new companies in Latgale is observed Several incubators and entrepreneurship facilitation agencies function. Special economic zone in Rēzekne	Low value added business activity dominates in the counties, with low-qualification labor force and globally less competitive production. Iğnalina region's development is too much connected with activity of Iğnalina nuclear power plant. Region's unrecognizable nature and low activity volume in investment attraction. Insufficiency of special economical zones and industrial parks, non-efficiency of the current activity.
Population	
Qualified and available labor force in region's cities and development centers. Relatively low pay level.	Education system does not prepare sufficient number of engineering technical employees. Unemployment in regions exceeds the average factors in the countries, intensive specialist migration from the regions to the largest cities of the country and/or abroad, population number decrease.
Industry	
Developed; and growth continues in the largest regions' cities and in their direct neighborhood. Many territories are available for industrial production	Practically does not exist outside cities. Insufficient, out-of-date infrastructure in the industrial territories, low demand for them, herewith minimal investment from industrial park managers.

Tourism	
Regions are characterized by various resources for tourism development – both cultural and historical heritage, and nature territories, restricted areas and reserves.	<p>Insufficiently developed tourism infrastructure;</p> <p>Insufficiently structured and effectively used information available together and booking systems</p> <p>Cross-region tourism routes are insufficiently facilitated</p> <p>Less entertaining events in tourism objects and their surroundings.</p> <p>Insufficient culture, entertainment and sports events diversity and possibilities. Less international or, at least, regionally important competitions.</p>
OPPORTUNITIES	THREATS
In general in region	
<p>Facilitate export growth</p> <p>Legislation improvements to strengthen the business activity environment suitability for investment placement and allow local authorities economically managing the properties</p> <p>Economically effective tax systems</p> <p>Strategic and result-oriented use of financing of the European Union funds, stimulating development of entrepreneurship</p> <p>More intense raising of identification of regions as place that is suitable for business activity</p>	<p>Too slow activities in economy facilitation will create a situation, when there will be no suitable labor force.</p> <p>Emigration and demographic situation (incl. „brain drain“).</p> <p>Lack of qualified labor force in the section of sectors</p> <p>Uncompetitive labor force taxes remain for a long-term period</p>
Administration	
Raise specialists' capacity and knowledge on investment attraction, as well as increase specialists' qualification, so that they could understand and evaluate the potential of investment projects executing short feasibility study having minimal means and with their own	<p>Insufficient internal resources for development, facilitation, capital attraction of investment projects.</p> <p>Insufficient state support in improvement of important documents and involvement of structural units of local authorities in</p>

<p>hands</p> <p>Structured and coordinated activities of various administration institutions for facilitation of entrepreneurship and investment attraction.</p> <p>Change of local authority duties – making ensuring facilitation of entrepreneurship</p>	<p>investment attraction and facilitation of entrepreneurship</p>
Economy	
<p>Act more intensively and aggressively in development of important investment projects – Daugavpils airport, Visaginas nuclear power plant.</p> <p>Evaluate places of location of the most suitable industrial parks and facilitate their development, simultaneously implementing ĀTI attraction to the new objects</p>	<p>Internal disagreements and global competitiveness may trouble achievement of planned aims.</p> <p>Decrease of economical growth, investment flow decline</p> <p>Insufficient population interest about entrepreneurship</p>
OPPORTUNITIES	THREATS
Population	
<p>New ĀTI projects facilitate establishment of working places and herewith inflow of labor force to the region.</p> <p>Development of tourism sector will facilitate new working places, as well as wider entertainment and recreation opportunities in the region.</p>	<p>Social differences and increase of number of persons from risk groups.</p> <p>Further migration of qualified labor force</p>
Tourism	
<p>Increasing demand for tourism, entertainment, active recreation services creates conditions for establishment of health recovery and strengthening centers, stimulates improvement of sports bases, culture institutions and public infrastructure.</p> <p>Decrease of tourism seasonality, equipping recreation, health and sports centers, which function all year.</p> <p>Development of services of health recovery</p>	<p>Seasonality and rather high prices for tourism services in relation to the quality decrease interest of foreign tourists about the region.</p> <p>No subject, which could combine, establish strategy and coordinate activity of institutions providing culture, tourism, recreation, recovery and rehabilitation services.</p> <p>Insufficiently developed recreation infrastructure, lack of entertaining does not stimulate increase of tourist flow. Bad distant</p>

<p>resorts – equip sanatoriums, reconstruct recreation houses, rehabilitation and beauty salons.</p> <p>Perform feasibility study about the potential development directions.</p> <p>Develop entertainment, sports and culture events diversity.</p>	<p>booking systems.</p> <p>More successful and more developed recreation and health recovery resorts in other close regions.</p>
--	--

9. VISION. STRATEGY'S PRIORITIES. MEASURES. PURPOSES. DIRECTIONS

Vision

Intense regional cooperation in entrepreneurship and its facilitation, as well as investment attraction for region's economical growth

Strategy's priorities and purposes

1. To lobby for regions' interests in infrastructure development and region's accessibility facilitation;
2. To strengthen and develop entrepreneurship in the region;
3. To facilitate region's general identification in the European economy;
4. To raise capacity and competence of management of state and local authorities in the sectors of the international marketing, investment attraction and entrepreneurship development.

Measures

The measures worked in the strategy's plan of activities are directed to practical actions, giving relatively lower role to research and formal activities. The developed plan of activities is based on the following fundamental principles:

- 1) Work with selected target audience – suitable, interested and development-oriented;
- 2) Support is practical and less theoretical, effect of activities is evaluated and only economically justified actions are performed
- 3) State and local authority specialists actively get involved in the project implementation to get adequate experience, motivation and could be able to evaluate results of their work regularly;
- 4) The activities are aimed at creation of global competitiveness in companies;
- 5) Effective communication with involved parties is established;
- 6) Those implementing the strategy actively get involved in facilitation of the international cooperation;
- 7) Developers of entrepreneurship create new project flow, facilitating knowledge transfer to entrepreneurship;
- 8) Strategy's activity is regularly evaluated and it is improved, supplemented and perfected corresponding to the definite socially economical situation.

Direction

Strategy has been worked out focusing on 3 main activity directions:

- Region's capacity strengthening and preparation for investment attraction and industrial development facilitation;
- Evaluation of the most competitive sectors and intensification of entrepreneurship's activities in them;
- Lobbying for interests of Latgale region and Ignalina region in the leading administrative institutions of both countries with a purpose of facilitating the availability of regions from the centers of countries.

10. PRIOR SECTORS FOR INVESTMENT ATTRACTION

According to the information obtained within the frames of research development and potential growth of sectors of both regions' national economy is planned in the fundamental directions:

- In traditional leading sectors – food industry; woodworking; metal working and mechanical engineering; transport, communication and logistics; as well as renewable energy and energy efficiency, which in this case is based on the agriculture and forest management.
- And in fast-growing service sectors – tourism, healing and health-stimulating services, creative industries.

Industry – focusing on 4 strongest sectors – woodworking (region that is the richest with resources), in which it would be important to raise production's added value preparing for export more processed product with a higher added value; metal working and mechanical engineering – raising efficiency of production, expanding sales market, making investment in product optimization; transport, communication and logistics; food industry – which mostly must increase the production capacities and acquire new markets and transport/logistics sectors, in which it is necessary to specialize, expand the range of offers; development of the last sector is also very influenced by the export of production produced by the local companies, because at the moment volume of Latvia's imported goods exceeds export and herewith goods transportation not always is the most optimal.

Tourism – both Latgale and Ignalina regions are characterized by attractive nature, they are rich with beautiful lakes, virgin land, cultural and historical heritage and they have even more unknown potential for diversification of recreation opportunities.

Renewable energy and efficiency of energy based on agriculture and forest management. Agriculture and forest management belong to region's traditional sectors, where the local land, labor force and other resources are used. This is the grounds for development of food industry, which is the most important for region's economical development, that is why agricultural companies successfully acquire new competitiveness privileges and obtain biologically high-quality food products, using agricultural products cultivated in the region's biological farms. At the same time the areas of uncultivated land in the region, especially in the frontier area, open new and untraditional possibilities for agricultural development, especially for growing of food and non-food – renewable resources and natural fiber plants, as well as forest management. Within the frames of entrepreneurship development one cannot but evaluate the possibilities of new sectors' development, because in these sectors competitiveness of companies from Latvia and Lithuania is equal.

11. PRINCIPLES AND CRITERIA OF INVESTMENT ATTRACTION

In investment attraction one must take into account that every this transaction is unique and there is no universal formula in investment attraction. However, in every such transaction the human factor is important, because every decision is made by people, who, in case of a positive decision, most probably will stay at this place, that is why their feelings, satisfaction about what they have seen and the opportunity evaluation is as important as anything described further. Herewith planning a visit of foreign investors in your region think of how this person will live, rest and work here.

In this chapter no ways of investment attraction of public and private partnership are considered, because their implementation is complicated within the frames of one country, and the current region resources do not ensure the required capacity for implementation of such difficult projects. That is why cooperation is aimed at the ways of investment attraction facilitation, which are possible in the cross-border section.

Ways of investment attraction:

Considering the principles and criteria of investment attraction, one must take into account the different investment types. The foreign direct investment can be divided into two important groups at the moment:

Direct investment in production, which is manifested as production placement or service providing in a specific place. Such investments are described by object placement in greenfield or *brownfield* territories; buildings are constructed, infrastructure is facilitated and production facilities are arranged, management and knowledge transfer is ensured. The company invests in establishment of a new institution of production/service providing and reckons with long-term activity here.

Such an investor primarily is interested in:

- Location of investment placement, which is located close to the road infrastructure, gas and power connection, in some cases railway is also important;
- Human resources – available, professional, with possibilities to implement the required re-qualification, preparation of corresponding specialists in vocational schools for company's needs in the future, adjustment and improvement of education programs in compliance with the companies' needs;
- Business activity environment – economical activity of other companies in this region, successful examples, total experience of region in investment attraction and investor's support.

Important factors that may be influenced by the local authorities:

- Environment suitable for construction;
- Corresponding zoning with implemented public discussion;
- Facilitation of industrial park establishment – search for suitable territories, zoning, attraction of persons for development of industrial parks, state support attraction;
- General local authority policy for directions of entrepreneurship development.

Factors in charge of the state:

- Development of environment suitable for industrial parks and entrepreneurship in counties and regions, where it is necessary to facilitate and support entrepreneurship, where economical activity of businessmen is not high enough, however, region has a significant population number and the county's economical activity is important for the state safety, economical development and growth;
- Legislation arrangement giving bigger capability to the local authorities for investment attraction;
- Investment placement stimuli – tax discounts or reliefs, special support schemes. Infrastructure improvement. Airport development.

Non-capital investment (NKI) in the international production or service providing, for instance, agreement production, services, outsourcing, agreement agriculture, franchise, licensing and management agreements. In 2010 it was fixed as an important tendency, which should be taken into account for sure, still, here its caused risks cannot be forgotten.

Things important for the investor:

- Experienced companies functioning in the definite sector, with potential and place for growth, arrangement of new facilities, for ensuring extra processes, good experience, reputation, free capacity;
- Place for implementation if we speak about outsourcing providing;
- Fast and stable Internet, qualitative IT services;
- Educated labor force with foreign language skills.

Important factors, which may be affected by the local authorities:

- Evaluate companies, which correspond to this investment type and for which these economical activities would be binding;
- Adjustment of neighboring territories to the industrial production, facilitation of infrastructure development;
- Facilitation of companies' identification within the frames of various projects, visits and other measures facilitating cooperation;
- Facilitate population education, consolidation of foreign language skills.

Important factors, which may be affected by the public administration:

- Facilitate establishment of working places with special labor force tax reliefs;
- Airport development or road infrastructure development;
- Facilitation of identification of state, cities, companies in the international field.

12. FINANCIAL SOURCES OF CROSS-BORDER INVESTMENT PROJECTS

For cross-border investment project development different financial instruments are available, for their correct choice it is required to evaluate in details to compliance of each of them with the specific need.

The most important financial sources are:

- Public financing, which is ensured through the financial instruments of the state, the Baltic region or the European Union;
- Private capital, which inflows in a form of companies' direct investment, risk capital (venture) and bank loans.

Public financing, paying attention mostly to the financial instruments created for facilitation of cooperation of cross-border, Baltic Sea region, European Union or separate countries. Possible support programs, in implementation and financing acquisition of which participants of both regions can take part:

- **Eco-innovation program** – support innovative, long-term viable projects of different sectors, which give contribution in the innovation field, create economical benefit and offer solutions how to effectively use the resources. Environment-friendly products, services or processes are created.

Sectors to be supported:

- Recycling and use of materials;
- sustainable construction materials;
- food and drink sector;
- water;
- „green”/ecological business.

The projects, which are implemented in consortium of several partners, are especially supported.

Allocable costs– 50% as grants. Type of costs– materials, processes, technologies, methods, auxiliary equipment, infrastructure.

Detailed information about the program:

http://ec.europa.eu/environment/eco-innovation/index_en.htm

- **Intelligent energy for Europe** – support program in the energy sector. Supports projects, which facilitate rational energy consumption, wider use of renewable energy and new energy sources, offering progressive technologies and solutions that can be used every day.

Sectors to be supported:

- energy efficiency
- new and renewable energy sources
- energy in transport sector
- integrated projects.

Consortiums must take part in the project, which contain, at least, 3 partners from 3 different countries. Analysis of supported projects shows that there must be, at least, 10 partners.

Support intensity – up to 75% of the total allocable costs. In separate cases – up to 90%. The average budget of one project is from 0,5-2,5 million EUR. Does not support technical researches, pilot projects, construction works, facility purchase.

Detailed information about the program:

<http://ec.europa.eu/energy/intelligent>

- **Life+** - European environment project support program. Suitable for development of tourism sector projects, which are connected with nature and biological diversity protection, observation, society education, biotope and species demonstration. Support intensity – up to 50% of the total allocable costs. In separate cases – up to 75%.

Detailed information about the program:

<http://ec.europa.eu/environment/life/index.htm>

- **ERASMUS for new businessmen** – is directed to experience exchange, allowing developers of new companies taking over the experience from the more experienced businessmen in the EU states.

The target audience is both the new businessmen looking for opportunities to get new experience for their business development and also the experienced businessmen wishing to share experience and get a new source of inspiration and contacts in other countries.

Participation lasts 1-6 months. New businessmen are covered accommodation costs and traveling to/from the specific country (from 560-1100 EUR in a month depending on the country).

Detailed information about the program:

<http://www.erasmus-entrepreneurs.eu>

- **Marco Polo II** – for projects in the transport sector. Gives support for transport diversification, decrease of cargos shipment on the European roads.
 - Gives support to the public or private companies
 - Both for individual and consortium projects
 - The project must be viable after the end of financing granted by the European Commission.

Support sectors:

- Measures for cargo diversion to other transport kinds
- Innovative catalyser measures
- Traffic load decrease measures
- Joint training measures

Detailed information about the program:

http://ec.europa.eu/transport/marcopolo/index_en.htm

- **Program “Culture” of the European Union (EU) (2007-2013)** – for implementation of cultural projects with the purpose of facilitating cross-cultural dialogue, turnover of culture and art works and products, international mobility of people working in the sector of culture.

Support:

- For projects that are meant for development of cross-border cooperation and creation and implementation of culture and art events
- For the European level culture organizations
- For analysis and information gathering and distribution, and increase of culture sector project influence

Detailed information about program activities in 2012

http://eacea.ec.europa.eu/culture/funding/2012/index_en.php

Detailed information about the program:

http://eacea.ec.europa.eu/culture/index_en.php

Local scale support programs, financing of which could be useful for competence raising, attraction of new financing, facilitation of strategy introduction:

- **Innovative business activity motivation program**

Aim of the program

Informing and encouraging as wide society part as possible to start business activity.

Target audience

Potential beginners of business activity, non-governmental organizations, local authorities, public institutions, as well as the society in general

Detailed information about the program

http://www.liaa.gov.lv/lv/biznesa_abc/motivacijas_programma/

On June 27 this year, the Investment and Development Agency of Latvia (LIAA) cooperating with an executive person – Student Parliament of Riga Technical University opens the sixth innovative business plan competition "Ideju kauss 2012".

To receive support for business idea implementation, this year business ideas for LIAA competitions shall be submitted till August 31. Detailed information is available here:

www.idejukauss.lv/node/4454

- **Acquisition of external market – consolidation of international competitiveness of the sectors**

Aim of the program

Support businessmen in participation in the national stand, exhibition or trade mission, as well as consult on the foreign market in accordance with the project of the Regional Development Fund of Europe - „National Stands and Export Consultations”.

Offered services

- Foreign market consultations;
- Looking for international partners;
- Marketing campaigns;
- Direct visits;
- Trade missions and contact exchanges;
- Export seminars;
- National stands.

Detailed information about the program

Export services

http://www.liaa.gov.lv/lv/eksportetajiem/musu_pakalpojumi/

You can view the national stands of the Latvian companies organized by LIAA in the international sector exhibitions abroad in 2011 here:

http://www.liaa.gov.lv/lv/eksportetajiem/eksporta_pasakumi/nacionalie_stendi/

- **Acquisition of foreign market – external marketing**

Support is given for the activities, which are connected with entry of the Latvian merchants in the foreign markets. In order to qualify for support, the project submitted must clearly define his product or service, by which he plans to take part in the foreign marketing activities, because within the frames of the program, promotion of project submitter's goods or services produced in Latvia in the foreign markets, is supported.

The following can qualify for the support

- merchants,
- unions, joining, at least, 5 merchants, foundations, the founders of which or their members are, at least, 5 merchants,
- cooperative societies having, at least, 5 merchants,
- public or local authority institutions, if the project is implemented in partnership and other partners are merchants, societies, cooperative societies, local authorities and port authorities, between which all the received support is divided, because the public or local authority institutions cannot be the support recipients,
- local authorities, if the activity facilitates Latvia's development as tourism main destination,
- port authorities.

Support is meant for:

- Participation in international exhibitions abroad (using exposition area),*
- Participation in conferences (seminars) abroad, where presentation on the project submitter's goods and services produced in Latvia is made,*
- Merchants' participation in trade missions, contact exchanges abroad organized by unions** or LIAA.

- Conferences (seminars) on export issues organized by unions**.

*The local authority can receive financing for participation in exhibitions and conferences (seminars) abroad, if participation in the events facilitates Latvia's – as the tourism main destination – international competitiveness.

** union, where its total turnover of the previous year of members (merchants) registered in Latvia has reached 50 million lats and which was founded not later than within three years before project application submission

The returnable funds of the total allocable costs are:

- 50% for participation in the international exhibitions, conferences (seminars), trade missions and contact exchanges abroad;
- 75% for the conferences (seminars) on export issues.

Detailed information about the program:

<http://www.liaa.gov.lv/lv/es-fondi/pienem/arejo-tirgu-apgusana-arejais-marketings-6-un-turpmakas-kartas>

- **Agencies abroad**

Latvia's foreign economical representations ensure availability of LIAA services for every businessman and local authority, and serves as the bridge to the most important foreign markets and for the foreign businessmen to Latvia.

At the moment Latvia's foreign economical representations (agencies) function in – United Kingdom, Germany, Sweden, France, the Netherlands, Norway, Denmark, Poland, Japan, Russia, Lithuania, Ukraine, China. An agency is planned also in Belarus.

Detailed information about the program

www.liaa.gov.lv/lv/sakumlapa/parstavniecibas/parstavniecibas/

LIAA planned programs:

- **Support for creating new working places**

Aim of the program - Facilitate creation of new working places. The reachable supervision factor – 250 new working places have been created.

Financing recipient – merchants registered in Latvia, which create, at least, 50 new working places, and:

- which invest not less than 3,5 million LVL (5 million EUR) or
- the total balance value of whose connected persons groups is, at least, 250 million LVL (355 million EUR) and which invest not less than 1000 LVL (1422 EUR) for each newly established working place.

The support can be received by the projects, which are implemented in the following sectors (classification by NACE 2nd wording):

- processing industries (C), except non-supportable sectors given in the program
- transport and logistics (H49-53)
- information and communication technologies (J58; J61-63)

- healthcare (Q86-88)
- office administrative services, central office activities, professional, scientific and technical services (M69-74).

Detailed information about the program

http://www.liaa.gov.lv/lv/es_fondi/es_fondi/atbalsts_darba_vietu_radisanai

- **Development program of new products and technologies of micro, small and average merchants**

Aim of the program - facilitate development of petite (micro), small and average merchants' innovations and new products or technologies, technology transfer and facilitation of competitiveness.

Financing recipient – petite (micro), small or average merchants registered in Latvia

Supportable activities:

- industrial studies, which are required for development of new products or technology;
- experimental output, including preparation of prototypes;
- development of product's industrial design;
- registration of industrial property rights for the following objects of property rights:
 - inventions;
 - design sample;
 - topography of semiconductor articles;
- services of certification of a new product or technology.

Detailed information about the program

http://www.liaa.gov.lv/lv/es_fondi/es_fondi/mikro/

UNCONFIRMED INFORMATION

In the end of 2012 – the beginning of 2013, probably, development of the next stage of the activity program "Entrepreneurship and Innovations", activities of 2.1.2.2 "Development of new products and technologies", sub-activity of 2.1.2.2.2 "Development of new products and technologies – support of introduction of new products and technologies in the production" will be executed, still, at the moment no detailed information is available.

13. INVESTMENT IN THE REGIONAL DEVELOPMENT

To facilitate regional development it is important to decrease or even eliminate the most influential elements troubling development. These elements can be grouped into 3 main groups:

1. Lack of competence, experience and confidence in people, public and local authority administration and businessmen.
2. Too wide field of activity and lack of supportable sectors and activity focus.
3. Too less activity amount for creation of region's identification and positive image and one's own interest lobbying.

The most important is the first group, because both in Latgale and Iğnalina region conciliation with the present situation is observed. Most often the named arguments for region's development are: disadvantageous place of location, difficult and time-consuming to the economical centers. However, one must note that the most part of production produced in Latvia is exported to the countries, which can be reached by road, and taking into consideration the average produced amounts, transport by road is the most advantageous transportation way, as a result of this distance to Riga becomes important only for goods and production delivery to the region of Scandinavia or large-volume cargos, which are transported by sea. That is why these distances are unimportant, if you compare them with countries of larger scale, or countries, which are fully isolated from the sea, where no possibility exists to use the country's ports.

However, the regions' road condition and alternative transport possibilities is the most important obstacle for region's development outside the republican cities and largest cities.

Regions have several highly technological and developed companies, which prove that lack of experience and competence is not typical to the whole region, still, region's weakness is too often emphasized, and not the strength. Such an attitude is absolute contrast to the image how the region should look like and sound, to attract the investment. It is required to more actively position the intensive companies for knowledge (for instance, Axon Cable, Regula Baltija, Magistr, Nexis Fiber), the stories of success of the new generation labor force attraction (Z-Light), the newest objects of investment placement ("Axon Cable" (France), "Zieglers mařinbūve" (Germany), "Nexis Fibers" (Switzerland)) and the stories of success of knowledge and technology transfer (for example, Regula Baltija).

Relatively large investment volumes in the local infrastructures, heat insulation of buildings and renovation are typical both in the situation of Latvia and Lithuania, however leaving a more important issue on entrepreneurship to itself, which directly impacts:

- workplaces
- income source for population
- emigration decrease population number preservation
- region's sustainability.

A plan of activities will be dedicated to these three most important elements, and actions to change regions' development and ambitious nature of reaching good results.

14. PLAN OF ACTIVITY. RESPONSIBLE ORGANIZATIONS. VOLUMES. POTENTIAL FINANCIAL RESOURCES. PERIOD.

A plan of activity provides for actions, which are required to start changes, however, the plan of activity must be analyzed each quarter to actualize and ensure real changes. To bear responsibility not only the institutions, but also concrete people, specialists, region's patriots are important; that is why primarily people should be identified, whose main job responsibility will be facilitation of region's growth and only then solving of the issue on formally responsible institution.

Plan of activity

Direction and actions:

COMPETENCE, EXPERIENCE, CONFIDENCE AND RESPONSIBILITY

Sub-direction:

1. Public and local authorities

Period of implementation:

Must be started not later than in the 3rd quarter of 2012; specialists start active work not later than in the 4th quarter of 2012.

Actions:

1.1. Specialist selection and preparation for work in the sector of entrepreneurship facilitation and investment attraction

1.1.1. Potential specialist selection for the following positions:

- 1.1.1.1. Facilitator of business activity – at least, 4 specialists in each region, together, at least, 8 specialists, main duties: consultant and mentor in issues of business activity development, raising efficiency, export, investment. Specialization is desirable.
- 1.1.1.2. Strategy implementer – at least, 2 specialists in each region, together, at least, 4 specialists. Main duties: detailed planning of strategy introduction, delegation of work tasks, and supervision of project execution. Implementation of strategic activities (for example, feasibility study of potentially important directions).

1.1.2. Potential specialists' training:

- 1.1.2.1. Main training subjects – entrepreneurship development (focusing on global business development); investment attraction (real estate, infrastructure, strategic decisions, personnel selection, logistics, legal regulation, taxes); contact establishment (practical participation in important events, contact establishment with significant specialists, who become own mentors).
- 1.1.2.2. The following are additionally involved in training:

- 1.1.2.2.1. From Latvia: Trade and Industry Chamber of Latvia, Ministry of Environmental Protection and Regional Development, Ministry of Economics, Agency of Investment and Development of Latvia (export facilitation, investment attraction and structural funds planning departments); Rural Support Service; Council of Foreign Investors, VRAA.
- 1.1.2.2.2. From Lithuania: - Ministry of Economics, Agency of Business Support of Lithuania, Confederation of Employers of Lithuania, Association of Industry, Trade and Craft of Lithuania, Development Agency of Lithuania, Lithuania Exports, Investment in Lithuania.
- 1.1.2.2.3. Companies, which represent infrastructure issues: gas, electricity, roads, railway, local infrastructure, telecommunications, data communication.
- 1.1.2.2.4. Service providers: personnel selection, real estate, logistics, law, tax optimization, educational institutions, which provide MBA level studies.
- 1.1.3. **Potential specialists' practical participation** in activities for business development and investor attraction cooperating with LIAA, *Invest Lithuania*, Ministry of Economics of the Republic of Lithuania.
- 1.1.4. **Introduction of and cooperation establishment for new specialists with competent, experienced counties' businessmen, public and local authority structures' employees and socially active residents**, to ensure information heritage and knowledge about the ongoing activities and achieved results.
- 1.2. **Responsibility division and coordination among the involved parties:**
 - 1.2.1. Information distribution for the involved parties with an offer to take the initiative for one's own competence and resources possibilities.
 - 1.2.2. Latgale planning region and Ignalina development agency undertakes the leading coordination role and divides responsibilities and duties, for which voluntary application has not received.
 - 1.2.3. The involved parties agree on the resource attraction/division.
- 1.3. **Agreement on the term possibility and order of implementation.**

Sub-direction:

2. Businessmen – emerging, new, experienced

Period of implementation:

Must be started not later I the 4th quarter of 2012, implemented during a year.

Actions:

- 2.1. Motivation of the current businessmen to start business, support for establishment of new companies, raising competitiveness of functioning companies by facilitation of export, higher added value.
 - 2.1.1. Consolidation of educational institutions so that their educated students could be ready for life, ready to become businessmen - raise business activity prestige, tell the stories of success, encourage to start business activity and multiply initiative and skill confidence.
 - 2.1.1.1. Responsible – entrepreneurship facilitators and educational institutions.
 - 2.1.2. Cooperation facilitation among businessmen and educational institutions to develop transfer of knowledge and experience, increase of the local resources use, innovation facilitation.

- 2.1.2.1. Responsible – entrepreneurship facilitators and educational and research institutions, companies and sector associations.
- 2.1.3. Training on entrepreneurship start, basic course in entrepreneurship education.
- 2.1.3.1. Responsible – entrepreneurship facilitators, LIAA (within the frames of innovative entrepreneurship motivation program) and educational and research institutions, companies and sector associations, incubators.
- 2.1.4. Training and contact expansion activities, in which the specialists of companies and support renderers get involved, in order to facilitate mutual cooperation of businessmen, to join the international professional networks, receive the latest and the most topical business information, learn about new cooperation and business partners, study together with more experienced colleagues and take over their obtained diverse knowledge and contacts, develop the necessary initiative skills.
- 2.1.4.1. Responsible – entrepreneurship facilitators, LIAA (within the frames of innovative entrepreneurship motivation program) and educational and research institutions, companies and sector associations, incubators.
- 2.1.5. Highly qualified specialists' consultations, which ensure development and knowledge support to companies: Incubators; Mentors; Specialists and R&D resources; specialist attraction from other regions creating information and knowledge diversity, contact expansion.
- 2.1.5.1. Responsible – entrepreneurship facilitators, LIAA (within the frames of innovative entrepreneurship motivation program) and educational and research institutions, companies and sector associations, incubators.
- 2.1.6. Raising export capacity:
 - 2.1.6.1. Training of non-exporting companies about exporting basics.
 - 2.1.6.2. Support in the first target market selection, first proposal preparation, contact addressing, and organization of the first foreign cooperation visit.
 - 2.1.6.3. Facilitate companies' participation in the foreign market acquisition events organized by LIAA, LTRK, LT EM and other organization of export facilitation.
 - 2.1.6.4. Support of preparation of project applications for financing attraction for the foreign market acquisition activities.

Direction and activities:

FIELDS OF ACTIVITY AND SUPPORTABLE SECTORS

Sub-direction:

3. For change of purposeful activity's economical situation

Period of implementation:

Must be started not later than in the 4th quarter of 2012, implementation lasts all period.

Actions:

- 3.1. Determination of priorities for selection of supportable sectors and activities.**
- 3.1.1. Intensification of region's entrepreneurship**

3.1.1.1. Measurable factors: number of new companies; number of new companies able to export; increase of number of producing companies.

3.1.1.2. Activities to be implemented: educating about business activity, about knowledge-saturated product creation, about significance of the international trade and global economy.

3.1.1.3. Financing types – EU's structural funds– EM, IZM, VARAM.

3.1.2. Growth of ability to export of region's companies.

3.1.2.1. Measurable factors: increase of turnover and export volumes of the existing companies; growth of region's total export share; change of number of working places.

3.1.2.2. Activities to be implemented: educating about ability to export, seminars on specific export issues.

3.1.2.3. Strategic public support needs: export guarantees, activities of acquisition of external markets.

3.1.2.4. Financing types – EU's structural funds – EM, IZM, VARAM, and Latvian Guarantee Agency.

3.1.3. Growth of added value of region's companies

3.1.3.1. Measurable factors: added value created by one employee against turnover and profit.

3.1.3.2. Activities to be implemented: cooperation facilitation between sectors' and inter-branch companies, and research and education institutions. Training on effective entrepreneurship.

3.1.3.3. Financing types – own labor force, EM – for training.

3.1.4. Increase of capital attraction in region:

3.1.4.1. Measurable factors: changes of added value; investment in development, research, development and introduction of new products.

3.1.4.2. Activities to be implemented: addressing the potential investors, attending events of investment attraction, facilitation of region's identification, support of companies in financing attraction from various financial instruments, cooperation facilitation with players important in investment and capital attraction, and training for market participants on possibilities of capital attraction.

3.1.4.3. Financing types – funds, private investment, banks.

3.1.5. Facilitation of development of new sub-sectors:

3.1.5.1. Measurable factors: new companies, new working places, growth of companies' turnover and export.

3.1.5.2. Activities to be implemented: feasibility study (using one's own resources and only in separate specific issues using expert services) in the sector of tourism services – for healthcare, tourism offer, culture and sport events services diversification, offer expansion on the cross-regional level. For agricultural development start implementation of the Pilot program: Healthy food, involving partners of the respective competences of Igalina region.

3.1.5.3. Financing types – public support programs, financing of the European Union.

3.1.6. Development of sector growth:

3.1.6.1. Measurable factors: increase of companies' turnover and export, increase of number of working places.

3.1.6.2. Activities to be implemented: Study of cluster establishment opportunities in the most important sectors in regions, facilitation of companies' cooperation, events of experience takeover from the best examples in Latvia and Lithuania, for diversification of research production. For growth of non-capital investment attraction summarize the information on the companies suitable for such investment, their capacities, interests, and address the respective international corporations.

3.1.7. Popularization and improvement of investment projects:

3.1.7.1. Measurable factors: implemented projects, addressed investors, executed visits.

3.1.7.2. Activities to be implemented: participation in conferences, information distribution, visit organization.

Direction and activities:

IDENTIFICATION AND LOBBY

Sub-direction:

4. Regions' publicity and identification. Facilitate identification of the common region as the place suitable for entrepreneurship

Period of implementation:

Must be started not later than in the 4th quarter of 2012, implementation lasts all period.

Actions:

- 4.1. Ensure that every year, at least, in 3 international mass media there is information published on the investment opportunities in the region.
- 4.2. Ensure every year, at least, 5 qualitative interviews and articles on businessmen, who have already invested in the region, publish interviews /articles in the Latvian/Lithuanian and the international mass media. Responsible: planning regions' agencies, local authorities.
- 4.3. Work out a presentation on the investment environment in the region (economy, population, offer), as well as an offer on all most important cities of the region. Present region's possibilities to the Investment attraction agencies in both countries, in order to facilitate acquaintance of the potential investors. Responsible: planning regions' agencies, local authorities.
- 4.4. Prepare 5 min. video on entrepreneurship and investment possibilities in the region. Responsible: planning regions' agencies, local authorities.
- 4.5. Summarize local authority properties (land pieces, infrastructure, communications, planned construction, plans), arrange their property rights, publish information on the possibilities of management of these properties, as well as other investment possibilities in the region. Ensure information availability centralized in English and Russian – on the website of region's management or LIAA. Responsible: planning regions' agencies, local authorities.
- 4.6. Organize, at least, 1 international forum in a year on the issues important for economy. Every year it is desirable to select a new subject in order to facilitate availability of information required for the sectors. Responsible: VARAM, Latgale planning region, Agencies, LIAA, EM,

FM from the part of Latvia; Ministry of Economics, Lithuania Exports, Investment in Lithuania, Confederation of Employers of Lithuania.

- 4.7.** Publish centralized information on the investment projects – in Latgale planning region and Ignalina nuclear power plant's region. Responsible: planning regions' agencies.
- 4.8.** Regularly actualize information on the investment projects, create new project descriptions, and develop more detailed project documentation. Responsible – local authorities, project holders.
- 4.9.** Send information on the offer of investment placement to, at least, 10 adequate international corporations in a year. Responsible – entrepreneurship developers and strategy introducers.
- 4.10.** Facilitate arrangement of unconstructed and constructed territories, including, industrial territories, with cooperation of the local authorities with investors (development and internationalization of industrial, entrepreneurship and technology parks) – construction of engineering supply networks, construction of slip roads, preparation of access infrastructure. Responsible – region development agencies.
- 4.11.** Publish information on tax reliefs and opportunities in the region. Responsible – region development agencies.
- 4.12.** Participate every year in, at least, one event of potential investor attraction. Responsible – entrepreneurship developers and strategy introducers.

Leading organizers:

- IQPC (www.iqpc.com)
- Red Hot Locations (www.redhotlocations.com)
- PennWell (www.pennwell.com), mostly, issues of power industry
- WAIPA [/www2.waipa.org/](http://www2.waipa.org/)

Table 14.1. Schedule of activity implementation

	2012		2013				2014			
	Q-er 3	Q-er 4	Q-er 1	Q-er 2	Q-er 3	Q-er 4	Q-er 1	Q-er 2	Q-er 3	Q-er 4
COMPETENCE, EXPERIENCE, CONFIDENCE AND RESPONSIBILITY										
1.Public and local authority institutions										
1.1.Specialist selection and preparation for work in the sector of entrepreneurship facilitation and investment attraction										
1.1.1.Selection of potential specialists										
1.1.2.Training of potential specialists										
1.1.3.Practical training of specialists in investment attraction										
1.1.4.Networking measures										
1.2.Responsibility division and coordination among the involved parties										
1.3.Agreement on terms possibility and the order of implementation										
2.Businessmen – emerging, new, experienced										
2.1.Motivation to start business activity										
2.1.1.Consolidation of education institutions										
2.1.2.Cooperation facilitation among businessmen and education institutions										
2.1.3.training on entrepreneurship start-up										
2.1.4.Training and contact expansion activities										
2.1.5.Highly qualified specialist consultations (mentoring)										
2.1.6.Raising export capability										
FIELDS OF ACTIVITY AND SUPPORTABLE SECTORS										
3.Purposeful activities for situation change										
3.1.Prioritization of fields of activity and activities in the supportable sectors										
3.1.1.Intensification of region's entrepreneurship										
3.1.2.Growth of capability of export of region's companies										
3.1.3.Growth of added value of region's companies										
3.1.4.Growth of capital attraction in the region										
3.1.5.Facilitation of new sub-sector development										
3.1.6.Development of sector growth										
3.1.7.Popularization and improvement of investment projects										
IDENTIFICATION AND LOBBY										
4.Publicity and identification of regions										
4.1.Publications in 3 international mass media										
4.2. 5 qualitative interviews and articles with businessmen on investment in the region										
4.3.Preparation of a presentation on investment environment in the region										
4.4.Prepare a 5 min. video on entrepreneurship and investment possibilities in the region										
4.5.Summarize properties of local authorities, arrange property rights, publish information										
4.6.Organize, at least, 1 international forum in a year on issues important for economy										
4.7.Publish information on investment projects										
4.8.Actualize information on investment projects, identify new ones										
4.9.Offer sending to the potential investors										
4.10.Facilitate unconstructed and constructed territory, including, arrangement of industrial territories										
4.11.Publish information on tax reliefs and possibilities in the region										
4.12.Participate in the events of potential investor attraction										

15. THE MOST IMPORTANT INVESTMENT PROJECTS

As a result of selection projects were selected, which for development of both regions, are the most important and improvement and facilitation of which is important for business activity development in several sectors. The selected projects are grouped by their field and economical significance.

INFRASTRUCTURE – region's development is influenced by their availability and the local infrastructure. Daugavpils airport is an important object, because it solves fast access to the region, facilitates economical growth and investment placement. Project of airport development is at the moment in the horizon of the local authority and the private investors; however, no less important is to develop extra services, which are connected with full-fledged value chain.

Project under development:

COMMERCIAL DEVELOPMENT OF TERRITORIES ADJACENT TO DAUGAVPILS AIRPORT

Sector:

Logistics, support services for aviation.

Potential investor's profile:

1. Logistics park developers.
2. Industrial park developers.
3. Companies servicing aviation industries.

The following is required for project improvement:

1. Extensive information on the Airport's development plans, results to be achieved and terms.
2. Planned infrastructure's detailed elaboration.

INDUSTRY – one of the most effective ways of raising employment, region's competitiveness and facilitating establishment of technologically saturated companies. Project's most important privileges are: historical heritage in the industry, global producing companies able to compete and territories suitable for common development, their accessibility and possibilities of growth.

Project to be developed:

LĪVĀNI INDUSTRIAL PARK

Sector:

Industry

Potential investor's profile:

1. Industrial park developers.
2. Producing companies.

The following is required for project improvement:

1. Planned infrastructure's detailed elaboration.

2. Support of local authority/state in infrastructure arrangement.

Project to be developed:

VISAGINAS INDUSTRIAL CENTER IN KARLI VILLAGE

Sector:

Industry

Potential investor's profile:

1. Industrial park developers.
2. Producing companies.

The following is required for project improvement:

1. Planned infrastructure's detailed elaboration.
2. Support of local authority/state in infrastructure arrangement.

TOURISM – region's rich natural resources and cultural and historical heritage is an important small-scale entrepreneurship facilitator, however, development of larger projects is the grounds for possibilities of growth of small-scale and average entrepreneurship. Offer of projects of Ignalina region investments is aimed at development of tourism and entertainment infrastructure and the local authority involvement is observed in them as well. The next offered investment attraction objects are aimed at the diversification of the local population's culture and recreation possibilities, which is an important tissue for keeping people in the region, and is as much important object for tourism facilitation, organizing sports, culture, entertainment and business events of the state scale or the international scale.

Project to be developed:

PREIĻI ESTATE COMPLEX AND PARK RENOVATION AND DEVELOPMENT

Sector:

Tourism, hospitality business, event organization,

Potential investor's profile:

1. Tourism development companies.
2. Hotel chains.
3. Exclusive tourism operators.

The following is required for project improvement:

1. Planned infrastructure's detailed elaboration.
2. Local authority plan and vision on the territory's development, possible involvement for establishment and/or renovation of the basic infrastructure.

Project to be developed:

AREA FOR AN ICE ARENA

Sector:

Tourism, hospitality business, sports and entertainment events

Potential investor's profile:

1. Entertainment event organizers,
2. Representatives of important sports clubs.

The following is required for project improvement:

1. For project development contribution and support of local authority is significant, especially information and plan of activities for attraction of potential hall services.

Project to be developed:

SQUARE NR. 1 IN ZARASAI, RECONSTRUCTION II STAGE

Construction of objects of commercial significance (tourism centre, conference center, and restaurant), other trade services and construction of entertainment objects.

Sector:

Tourism, hospitality business, sports and entertainment events

Potential investor's profile:

1. Companies working in the entertainment industry;
2. Restaurant chains
3. Business event organizers.

16. SCHEME OF SUPERVISION AND CONTROL OF STRATEGY INTRODUCTION

For measurement of strategy introduction results the main assessment of activity factors is required, and they are divided into 3 main groups:

- Process influence factors;
- Efficiency factors;
- Cost factors.

The factors must be real and measurable, the set goals – obtainable, resources – planned, and the financing – sufficient. That is why introduction of activities at the initial stages bases on the human resources and small additional financing, gradually increasing the financing attraction as well.

The factors are evaluated in the annual section, the parties agree on the volumes of the factors to be achieved by planning annual activities and evaluating the results of strategy implementation.

Table 16.1.

Performance indicators and results for 2012

	2012
<i>Process factors:</i>	
Number of organized events for entrepreneurship facilitation;	4
Number of involved new businessmen	6
Number of involved existing businessmen	4
Number of prepared new specialists	4
Number of working facilitators of entrepreneurship	2
Number of working managers for implementation of strategy	2
Number of organized trainings	2
Number of newly established contacts for entrepreneurship specialists/each	10
New projects in incubators	0
Performed feasibility studies for development of new projects	0
Involved education institutions	4
<i>Efficiency factors (results):</i>	
Developed new business plans	0
Established new companies (start-up and spin-off)	0

Established new working places		0
Factors of population vital capacity	the base factors are determined	
Supported MVU		20
Cost efficiency factors:		
Budget costs against each established working place/company	the base factors are determined	
Costs of specialist's position against each established working place/company/export growth	the base factors are determined	
Attracted additional financing for development of entrepreneurship/cooperation activities (networking)		0

Recommendations

General

1. Decrease bureaucracy – eliminate excessive reporting and document presenting, decrease at maximum communication chain between the doer and the decision-maker.
2. Evaluate the qualitative, not the quantitative achieved factors.
3. Set possible goals, evaluate the activity of the public administration institutions from the aspect of entrepreneurship – whether the economical contribution of specialists covers their existence costs.
4. Constantly communicate with all involved parties.

Facilitation of entrepreneurship

1. Ensure experience transfer.
 - Representatives of Finland's business and science parks point that in stimulation of innovations and entrepreneurship the most successful and resulting support in establishment of new companies or raising capacity of the existing companies is ensured by long-term consultations and mentoring of the experienced specialists. The financial part is more insignificant, because without right experience the financing is used inexpediently.
2. Sales promotion.
 - The weakest stage for the most part of companies is sales. Contribution of regions' leadership in export facilitation and cross-border cooperation forms new sales possibilities and raises selling capacity of the businessmen.
 - Basing on the experience and knowledge of the new specialists of entrepreneurship, at least, one specialist's deep sales facilitation would be very desirable.

Facilitation of investment attraction

1. Paying high attention to preparation of good offers and effective communication with the potential investors.
2. Active distribution of information on the region's adequacy for investment placement.
3. Lobbying interests important for region's development – infrastructure development, support of entrepreneurship and attraction of human resources – in the leading public institutions.

SUMMARY

“The Manual on Investment Attraction in Latgale and Ignalina Regions” overviews activities, which has been performed for strengthening of cooperation of Latgale and Ignalina regions, facilitation of common entrepreneurship and investment attraction, as well as for achievement of more rapid growth of regions’ competitiveness and economical development. The manual includes specific investment objects.

In the process of manual’s development both regions were inspected in order to evaluate the regions’ readiness for investment attraction and current activities for reaching successful results, as well as inspect the potential investment objects.

These regions show a typical situation of borderland region with a weaker infrastructure, a sharp decrease in population number and a lower economical activity than in interior or close to cities. However, both regions have an attractive environment with more than 1500 lakes, wide forests and large historical and cultural heritage.

Possibilities of regions’ future growth and development will be defined by the capability of regions’ management structures to change the society’s attitude to entrepreneurship by showing it as an attractive employment; to facilitate establishment and development of new entrepreneurship; to raise the existing export capability of entrepreneurs and added value of produced articles.

The developed strategy of regions’ cooperation is based on the results of analysis of situation and planning documents, expert consulting and assessment of possibilities. In future it is necessary to supplement these possibilities with qualitative surveys, interviewing and pilot projects.

For successful implementation of strategy the main activity priorities have been defined as well: *labor force* – qualified and available; *competitive companies* – a magnet for new companies; *supportive entrepreneurship environment* – clear and structured support on all levels of public administration; *innovation infrastructure* – basic criterion of companies’ growth.

The common political positions and tendencies in investment facilitating in both regions are: tax allowances for investors; employees’ re-qualification in compliance with the investors’ needs; support and facilitation of large investment projects; infrastructure arrangement and facilitation of accessibility; lessening the bureaucratic burden and simplification of procedures. In its turn, in focus of entrepreneurship facilitation there is support for growth of small and average businesses, tax allowances for companies, which create new workplaces and encourage knowledge and technology transfer, creating small, technologically competent companies rich with knowledge.

The manual contains information about the TOP40 investment objects in the cross-border region of Latgale – Ignalina. When analyzing alternatives of investment attraction in the regions, attention was paid to the projects location, importance in economy, ownership, project administrators’ interest in project implementation, infrastructure and project development possibilities. The selected investment attraction projects show varied possibilities for business activity in sectors of tourism, industry, agriculture and services in regions, as well as allow the project holders to compare privileges and lacks of their investment attraction. In general, regions have wide and

varied possibilities for cooperation both in economical, and culture and education sector, still, exactly the new economical possibilities will facilitate the total growth of regions and other associated sectors.