Study Report on Franchising
Attractiveness Of

Lithuanian, Latvian
and Belarusian
Border Regions

Vilnius 2014
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The present Report on the study of attractiveness of Lithuanian, Latvian and Belarusian Border Regions is intended for franchisors and franchisees looking for business development opportunities in Lithuania, Latvia and Belarus.

The aim of the study of attractiveness of border regions of Lithuania, Latvia and Belarus for franchising activities is to provide information to franchisors and potential franchisees about conditions of establishment and development of business in the Lithuanian, Latvian and Belarusian border regions being surveyed; provide quantitative evaluation of attractiveness of Lithuania, Latvia and Belarus border regions for franchising activities and rate the regions being surveyed in that respect.

The ultimate objective of the study is to enhance the awareness of potential investors on business environment conditions in border regions of Lithuania, Latvia and Belarus, and encourage investment into the development of franchise format businesses.

The present Report provides basic information about each region and sector covered by the analysis and is intended to offer preliminary insight into the environment and market of the sector and assess the sector's situation in the context of other regions covered by the present analysis.

The object of the study consists of the following regions:

1. Lithuania: Vilnius region, Kaunas region, Panevėžys region, Alytus region, Utena region.
2. Latvia: Latgala region, Riga region.
3. Belarus: Minsk City region, Minsk region, Grodno region, Mogilev region, Vitebsk region.

Selected UK data have been additionally provided as a benchmark for the purpose of comparison of the regions being analysed in a broader international context.

The analysis covered the following industries (sectors) and their segments:

1. Catering: restaurants, cafes, coffee shops, fast food restaurants.
2. Wellness and beauty services: hairdressers’, beauty parlours, tanning centres, wellness centres with saunas, massage parlours, gyms.
3. Entertainment: casinos, entertainment and theme parks, cinemas, other leisure time and entertainment facilities.
5. Cosmetics: retail trade in cosmetics and toiletries in specialised shops.
6. Food products: retail trade in food products in non-specialised and specialised shops, kiosks and markets.
7. Household goods and interior accessories: retail trade in furniture, household appliances, and interior accessories in specialised shops.
9. Maintenance services to business: segments of cleaning of premises, office administration, premises security and general office maintenance services.
The present study report consists of four main parts:

1. **Country presentation.** This part of the study analyses and discusses the key aspects of geographic, demographic, political, and economic environment of the States concerned. This part also covers the main legislation governing franchising activities in force in Lithuania, Latvia, and Belarus.

2. **Region presentation.** The beginning of this part of the study offers comparative regional statistics summing up the key statistical indicators of the regions. It is followed by a brief introduction of each region: information about the main highlights of the region, its uniqueness, business environment, transport infrastructure followed by additional information on business environment in the region.

3. **Sector presentation.** This part of the study presents the current situation and development trends and the ratios of each sector covered in the analysis in each region. Ranking of the region in terms of its attractiveness for franchising activities is presented at the end of this part.

4. **References.** The study also included references to online sources for more information on the issues covered in the report.

The main objective and the outcome of the study – is the ranking of the region in terms of its attractiveness for the development of business in franchise format in a particular business sector.

For the purpose of the present study the researchers developed a methodology for surveying the attractiveness for franchising activities. Sector-based models for assessing the regions' franchising attractiveness developed in the framework of the methodology were used to rate all the regions from the most attractive to the least attractive with regard to franchising by each individual sector. The rankings are attached to the description of each sector.

**Main outcomes of the study**

1. Qualitative and quantitative assessment criteria defined for the purpose of the methodology were used to establish the attractiveness of each of the regions within the scope of the study for the development of franchising in the business sectors covered by the analysis: Riga and Vilnius regions are the most attractive for catering sector, while Latgala and Vitebsk regions were designated as least attractive in this respect.

2. Riga and Vilnius regions are the most attractive for wellness and beauty services sector; the least attractive are Mogilev and Vitebsk regions.

3. Riga and Vilnius regions are the most attractive for entertainment sector, again Vitebsk and Mogilev regions are rated last in this respect.

4. Riga, Vilnius and Minsk City regions are the most attractive for clothing and footwear sector, Utena and Alytus regions at the end of the rating scale.

5. Riga and Vilnius regions are the most attractive for the sector of trade in cosmetics, last in this respect rated Utena and Mogilev regions.

6. Minsk City and Riga regions are the most attractive for the food product retail sector, as least attractive rated Latgala and Utena regions.

7. Riga and Minsk City regions are the most attractive for household goods and interior accessories sector, while Latgala, Utena and Mogilev regions are the least attractive in this respect.

8. Riga and Vilnius regions are the most attractive for the business consulting sector. Last rated Vitebsk and Mogilev regions.

9. Riga and Vilnius regions are the most attractive for maintenance services to business sector. Last in this respect rated Mogilev and Vitebsk regions.

The survey carried out and the information obtained for the purpose allowed a conclusion that Riga and Vilnius regions are the most attractive for the development of franchising as business model. The score of these regions collected for the purpose of rating exercise was much higher than other regions in Latvia, Lithuania and Belarus. This shows that business establishment and development conditions in these two regions are most favourable for new franchise businesses and their subsequent development. Accordingly, Utena and Latgala, Vitebsk and Mogilev regions were found to be the least attractive for franchise business.

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1.1. LITHUANIA

**General information**

Lithuania is located in the North-Eastern part of Europe, on the Eastern coast of the Baltic Sea.

Lithuania borders with four neighbouring states:

- Latvia,
- Belarus,
- Poland,
- Russia.

Lithuania is a transit state and a logistics centre between the Baltic Sea region, Asia and Europe.

The majority of Lithuanian inhabitants are multi-lingual and highly qualified workers. Workplace maintaining costs are relatively low; the country has a well-developed and cost-effective business infrastructure, and a developed telecommunications system. The political situation in the country is stable. The national economy has been constantly growing since the regaining of independence in 1991 and focused both on the Eastern and the Western markets. Lithuanian economy has already recovered after the 2008-2009 world economic crisis and demonstrates steady growth. The key economic indicators have reached the pre-crisis level.

Lithuania has moderately warm climate of middle latitude, going from oceanic to continental. Summer season: June – August. Winter season: December – February. The average annual temperature in Lithuania is approx. +7°C, in summer – approx. +18°C, in winter – approx. -5°C. The country is in the area of excessive precipitation zone.
Demographic environment

The official State language in Lithuania is Lithuanian. Most frequently used foreign languages in the country are English, Russian, Polish and German. According to the data of 2011, 78.5% of Lithuanian population spoke one or more foreign languages besides their mother tongue. 63% of Lithuanian population speak Russian, 30.4% – English, 8.5% – Polish and 8.3% – German.

77.2% of population attribute themselves to Roman Catholic religious community.

Population structure: Lithuanians – 84.1%, Poles – 6.6%, Russians – 5.8%, Belarusians – 1.2%. Representatives of other nationalities account for 2.3% of the total Lithuanian population.

Economic environment

Lithuania is a small domestic market though open-economy. The World Bank attributes the country to the high income group based on the income level. In 2013 in the Country Nominal GDP Ranking of the International Monetary Fund Lithuania was ranked the 80th out of 187 countries.

The steepest GDP decrease was recorded during the world economic crisis in 2009. That year the national GDP declined by 15.4%. Subsequent years saw economic growth and in 2012 GDP reached the pre-crisis level. The sustainable growth of the GDP facilitated a decline in the unemployment rate, in 2012 recorded at 13.2%, i.e. down by 4.6% as compared to 2010.

The service sector, considered the best developed in Lithuania creates the highest added value, i.e. 71.74% of GDP, and the strong manufacturing sector generates 24.75% of GDP. The agricultural sector creating the highest added value, i.e. 71.74% of GDP, and the strong manufacturing sector generates 24.75% of GDP. The agricultural sector creating the highest added value, i.e. 71.74% of GDP, and the strong manufacturing sector generates 24.75% of GDP.

Inflation, GDP growth, unemployment in Lithuania in 2008-2012

Legal regulation of franchising relations

Franchising in Lithuania is governed by the Civil Code of the Republic of Lithuania (the Civil Code). However, the Civil Code does not provide a detailed definition of the concept of a franchise contract. Article 6.766(1) establishes that, under a franchise contract, a party (franchisor) undertakes to grant the other party (franchisee), at a fee, the right to use in the franchisee’s business, during a certain period or for a period of indefinite duration, a set of exclusive rights of the franchisee. This means that both the franchisor and the franchisee agree on cooperation because franchise is a business model based on partnership.

Certain formal requirements applicable to a franchise contract should be noted. Firstly, a franchise contract must be concluded in a written form, and failure to comply with this requirement will render it null and void. Furthermore, a franchise contract may be invoked against third parties only if it is registered in the Register of Legal Persons, e.g., in order to protect the franchisee’s rights arising from a franchise contract against infringements by a third party, the franchise contract must be registered by the franchisee, otherwise such franchise would not be considered an eligible claimant.

Starting a business and paying taxes in 2014

As distinct from other types of contracts, the Civil Code does not regulate a franchise contract in detail. Only a few of its franchise-related provisions are imperative (obligatory), with everything else left for the discretion of the parties to the contract. Respectively, agreements between franchise parties are predominantly based on international practice and the ability of businessmen to agree on cooperation because franchise is a business model based on partnership.

One of the key provisions of the Civil Code related to obligations of the franchisor is the franchisee’s right to conclude a contract in the light of competition law in order to determine whether the franchise contract does not unacceptably restrict competition.

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A general 15% profit tax rate applies to franchise income in Lithuania.
1.2. LATVIA

General information

Latvia is located between two other Baltic States – Estonia and Lithuania. On the world map Latvia is located in the North-Eastern part of Europe, on the Eastern coast of the Baltic Sea.

The State borders with:
- Estonia,
- Russia,
- Belarus,
- Lithuania

Latvia is located on the crossroad of trade routes and for a long time the country has been a bridge between the Western Europe and Russia.

Similar to Lithuania, population of Latvia are multi-lingual and highly qualified workforce. Costs of workplace are relatively low, and other costs related to business administration are also reasonable. Latvia has a well-developed infrastructure of international transport and communication. An exceptional feature of Latvia is that the population and businesses are predominantly concentrated in Riga, the capital city.

The climate in Latvia climate is very similar to that of Lithuania. Summer lasts from June to August, and winter – from December to February. The average annual temperature in summer is approx. +16°C, in winter – approx. -4.5°C. The warmest month is July, and January – the coldest.

Demographic environment

The official State language of Latvia is Latvian. Most often used foreign languages in the country are Russian, English and German.

22 % of population consider themselves to be members of the Roman Catholic religious community, and 19 % are members of the Lutheran congregation.

Population structure: Latvians - 61.2 %, Russians - 26.3 %, Belarusians - 3.5 %, Ukrainians - 2.3 %, Poles - 2.2 %, Lithuanians - 1.3 %, other - 3 %.

Economic environment

Latvia is a small and open market economy, in terms of income level attributed by the World Bank to the high income group of countries. In 2013, Country Nominal GDP Ranking of the International Monetary Fund out of 187 countries Latvia was ranked Latvia 93th.

In Latvia, like in other Baltic States, the world economic crisis that started in 2008 had a negative effect on the state finances, thus the country was forced to apply to the International Monetary Fund for a loan. However after the greatest dive in 2009, the country’s economy started growing and in 2011 the GDP growth reached 11.7%. In 2012, Latvia GDP indicators reached the pre-crisis level. By modernising production and increasing competition Latvia managed to increase its exports without changing its currency exchange rate. The unemployment level in Latvia slightly decreased compared to the crisis period and currently stands at 15% (2012).

Latvia has a well-developed service sector which creates the highest added value in the country, i.e. 80.5% of GDP. The industry contribution to the national GDP reaches 14.5%. In 2012, industry accounted for 1.2% of the total 5.2% GDP growth. Agriculture creates approximately 5% GDP, and agricultural production is sufficient to satisfy the domestic needs of the country’s population. The past several years have witnessed specifically has development of the information technology segment.

Latvia has a number of well-developed manufacturing sectors, noticeable among them manufacturing of main metals, wood and wooden products, electronic and electrical appliances. Other well-developed sectors include manufacturing of metal products, chemical and pharmaceutical products, and other non-metallic and mineral products. The manufacturing industry in Latvia directly depends on sales growth in export markets, as well as prices of energy and raw materials.

Starting a business and paying taxes in 2014

<table>
<thead>
<tr>
<th>Latvia</th>
<th>OECD average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of procedures for starting a business, units</td>
<td>4</td>
</tr>
<tr>
<td>Time for starting a business, days</td>
<td>12.5</td>
</tr>
<tr>
<td>Costs of starting a business, per cent of income per capita</td>
<td>1.9</td>
</tr>
<tr>
<td>Minimum capital requirement for a business, per cent of income per capita</td>
<td>7</td>
</tr>
<tr>
<td>Tax payments, number per year</td>
<td>7</td>
</tr>
<tr>
<td>Time to administer taxes, hours per year</td>
<td>264</td>
</tr>
<tr>
<td>Tax burden in total, per cent of profit</td>
<td>35.9</td>
</tr>
</tbody>
</table>

Source: http://www.doingbusiness.org
Business environment

In 2014, the World Bank’s “The Ease of Doing Business” table ranked Latvia 24th of the 189 analysed world economies (no change since 2013). The most time consuming and complex operations in Latvia are closing a business or suspending business activities or getting a construction permit, on the other hand getting a credit, property registration, contract enforcement or cross-border trading are most facilitated operations.

Legal regulation of franchising relations

Franchise as a regulatory framework for a special type of commercial transactions has first appeared in the Latvian Commercial Law at the end of 2008, supplementing the law with a separate section on commercial franchise contracts. The section includes articles on the concept and form of a franchise contract, obligations of the parties to a franchise contract, legal effects of a franchise contract, as well as regulations related to restriction of competition and enforcement of the competition law.

In the Latvian law, franchise is defined as the right to use the trademark, other intellectual property rights, know-how of goods sale and distribution or provision of services under a system developed and tested by the franchisor. The law includes a requirement for a written form of contract but it is quite flexible with respect to the applicable law, language of the contract, terms of contract and many other matters related to franchise contract, leaving them for the discretion of the parties.

Furthermore, the Latvian law incorporates requirements for a pre-contractual information disclosure. In general, the franchisor’s obligation to disclose information about the franchise to potential franchisees follows the established practice of foreign, international and European Union regulations. Similarly to the franchisor, the franchisee has the statutory obligation to furnish, prior to concluding the franchise contract, the franchisor with current and truthful information on circumstances that are significant for the conclusion of the contract.

The franchisor has the duty to provide support to the franchisee. Notably, the support is included in the franchisor’s responsibilities rather than in the definition of a franchise contract. The purpose of this was to allow an extension of the franchise contract framework to other types of franchises, not just the business-format franchise. This means that the Latvian law governs all types of franchises without confining itself to some particular types.

It should be mentioned that the franchisor is not only required to grant the franchisee the intellectual property rights to the franchise to the necessary extent. The law also obligates the franchisor to ensure that the franchisee continues the use of the intellectual property rights unimpeded. This provision unambiguously operates in favour of the franchisee, shielding him from possible negative effects of imposing an additional liability on the franchisor to continually look after its own intellectual property rights.

It should be emphasised that the Latvian law establishes that provisions on franchise contracts may not prejudice the legal framework of competition, thus avoiding potential conflicts with the European Union’s competition law.

In Latvia, a general 15% profit tax rate applies to franchise income.

1.3. BELARUS

General information

Belarus is a mainland state, located in the Eastern part of Europe.

Belarus borders with five neighbouring states:
- Russia,
- Ukraine,
- Poland,
- Lithuania,
- Latvia.

Belarus has no access to the sea; though by virtue of its geographic location the country is important for trade and logistics between European, Russian, and Asian States.

The majority of Belarusian inhabitants are higher qualified employees whose predominant language of communication is Russian. 42% of them work for state-owned companies, and the registered unemployment rate is low. The country has a well-developed transport infrastructure. The main economic and political partner of Belarus is Russia. However, in the past several years the rate of economic growth of Belarus has subsided followed by rising inflation rates that in 2012 were recorded at 59.20%. The current president of the country has been in his office since 1994.

The climate of Belarus is similar to that of the Baltic States: it is mild in winter season is December – February. The average temperature in January fluctuates from +4.5°C to -8°C, in July - +17°C to +18.5°C. The country is in the area of excessive precipitation.

Demographic environment

The official State languages in Belarus are Belarusian and Russian. For 53.2% of the population their native tongue is Russian, and 41.5% consider Belarusian as their native language.

78.8% of population consider themselves to be members of the Russian Orthodox religious community, and 11.1% attribute themselves to the Roman Catholic congregation.

Population structure: Belarusians – 83.7%, Russians – 8.3%, Poles – 3.1%, Ukrainians – 1.7%. Other nationalities represent 3.2% of Belarusian population.

Economic environment

Belarus is a mixed (planned and market) type economy of an average...
size, attributed by the World Bank to the higher than average income group based on income level. In 2013 Country nominal GDP Ranking of the International Monetary Fund ranked Belarus as 66th out of 187 countries.

Until 2008 Belarus economy was growing fast; the growth rate being comparable to that of the other states in the Eastern European region. The growth was mostly on the account of the increase of the demand in export commodities, cheap electricity supply from Russia, and growth of prices for the main export raw materials (oil, fertiliser). However, such growth was highly dependent on global macroeconomic factors as in 2007, when Russia shifted to market-prices based electricity supply based on market prices, the economic growth of the country started slowing down.

The outbreak of the global economic crisis diminished the demand in Belarusian export products and impaired the country’s ability to borrow on international market. In response to the outcomes of the crisis, the Government of Belarus implemented measures designed to stabilise the economy, adjusted its currency exchange rate by using the loan granted by the International Monetary Fund. These measures were followed by accommodative fiscal policy which led to further currency devaluation, high inflation rates and growth of the national budget deficit. In 2012, the inflation rate in the country reached 59.2%. At the beginning of 2013 the economic situation started showing signs of recovery alongside with the stabilisation of key economic indicators. The financial crisis unveiled outcomes of the crisis, the Government of Belarus implemented measures designed to stabilise the economy, adjusted its currency exchange rate by using the loan granted by the International Monetary Fund. These measures were followed by accommodative fiscal policy which led to further currency devaluation, high inflation rates and growth of the national budget deficit. In 2012, the inflation rate in the country reached 59.2%. At the beginning of 2013 the economic situation started showing signs of recovery alongside with the stabilisation of key economic indicators. The financial crisis unveiled.

In 2012, nearly 32 % of Belarusian GDP was generated by the timber sector, as the major part of the country territory is covered by forests. The strongest industrial segments are engineering, manufacturing of tractors and machinery, production of chemicals and chemical products, timber and timber products and textile industry, followed by equally well developed metallurgical and food industries.

Business environment

In the World Bank’s “Ease of Doing Business ranking” table for 2014 Belarus is ranked the 63rd out of 189 world economies (up by 1 position compared to 2013). The most time consuming and complex operations in Belarus are connecting to electricity supply, payment of taxes and cross-border trading, while the easiest operations are registering a property, enforcing contracts starting a business.

Legal regulation of franchising relations in Belarus

New regulations on franchise were introduced in the Civil Code of the Republic of Belarus (‘the Civil Code’) in 2004. Additional relevant rules can be found in the intellectual property law, tax law, law on competition and currency regulations. Article 910(1) of the Civil Code contains a definition of the “contract for a complex entrepreneurial license (franchise)”. In accordance with this definition, franchise is a “contract where a party (the holder of rights) undertakes to grant to the other party (user), at a fee, for a period determined in the franchise contract or for a period of indefinite duration, a licence complex, including the right to use in the user’s business the corporate name of the holder of the rights, other intellectual property objects provided by the franchise contract, and undisclosed information”.

A franchise contract must be concluded in written form and state the fee payable by the franchisee. Franchise contracts, amendments thereto and agreements on termination are subject to state registration with the Patent Office. Those franchise contracts which are not registered are considered invalid. To meet the local requirements on registration, the subject matter of the franchise contract must provide for the transfer of the corporate name, objects of intellectual property rights and undisclosed information. As regards contractual obligations, the Civil Code leaves a lot of freedom for the parties to determine them.

The registration of a franchise contract takes 1 (one) month. When registering a franchise, no separate underlying license contract is concluded. The Patent Office automatically registers a sublicense to the transferred intellectual property rights. The legislation provides for the possibility of sublicensing.

The franchisee and the franchisor act as independent contractors. Nevertheless, the Civil Code contains a provision on subsidiary liability of the franchisor for any claims concerning poor quality of goods and services of the franchisee; therefore, in certain cases consumers may have the right to file a claim against the franchisor due to misconduct of the franchisee.

One of the main requirements for payments under a franchise contract is that the franchisee must ensure compliance with the export and import regulations of Belarus.

There are no specific rules on taxation of business conducted under franchise contracts in Belarus. Foreign companies may need to pay a tax on income of a foreign company that does not operate through a permanent establishment in Belarus (withholding tax).
2 PRESENTATION OF REGIONS

REGIONs’ COMPARATIVE INDICATORS:

- Development level of the regions
- Size of the regions in terms of population

Sources: Statistics Lithuania, Central Statistical Bureau of Latvia, Belarus Department of Statistics
2.1 RIGA REGION

Regions in brief

Uniqueness of the region
The centre of the region is Riga (population – 643,500).

Riga region is the central region in Latvia, with the capital city Riga, and the place where most of the business, science, education, culture, finance, investment and politics are developed. Nearly 50 % of the country population live in Riga region, and Riga is the largest city of the Baltic States.

The main sightseeing places in Riga region are Riga Old Town included into UNESCO World Heritage List, Jurmala resort towns.

Sectors developed and business environment in the region
Riga region generates two thirds of the national GDP, and approximately half of Latvian businesses are registered in Riga city.

The following are the main economic sectors in the region: transport, food products, pharmaceutical products, timber products, furniture, textile, manufacturing of communications equipment, publishing and printing.

Educational establishments
There are 26 higher educational establishments in Riga (out of 32 in Latvia) attended by 80 % of all students of the country. The University of Latvia is the largest university in the Baltic States.

Transport infrastructure
The largest international airport in the Baltic States is located in Riga region.

One of the three Latvian seaports is located in Riga, in the economic zone free of customs taxes. Riga is the main railway infrastructure node.

European highway E22 crosses Riga from East to West, and Via Baltica highway going from South to North.

Business costs for premises lease and average salary
According to the total area of shopping, catering and office premises Riga region is second among the regions of Lithuania, Latvia and Belarus covered by the analysis. To compare the capital cities of the countries, the supply of shopping and catering areas in Riga is 1.7 times higher than in Vilnius and 1.3 times lower than in Minsk, but Minsk city is more than twice larger by population. The total area of office premises is very similar in all the three capital cities. In Riga the prices for shopping and catering premises are the highest and may be even up to 1.7 times higher than in Vilnius or Minsk. In Riga region the average salary is slightly higher than in Vilnius region and approximately 1.7 times higher than in Minsk.

2.2 LATGALA REGION

Region in brief

Uniqueness of the region
The centre of the region is Daugavpils (population – 99,180).

Daugavpils, the second largest city in Latvia is situated in Latgala region. The region features the most intense international traffic in Latvia, i.e., the main gate to Russia. The region is known for its numerous lakes and rivers.

Sectors developed and business environment in the region
The following sectors are developed in Latgala region: maintenance (repair) services for trains and railway infrastructure, timber processing, metal and metal products, food, equipment production, chemical and lighting industry.

A free economic zone (FEZ) operates in Rezekne.

Educational establishments
The third largest national university is located in Daugavpils. The university is attended by more than 4,000 students and implements biology, computer, economics, history, political science, philology, physics, psychology, sociology study programmes.

Transport infrastructure
Latgala region is crossed by three national and several international motorways.

The region has the best developed transport network. The region is highly accessible and crossed by many important train routes – transit corridors: South - North corridor connecting it with Estonia, Lithuania and Poland, and East - West corridor connecting Russia and Belarus.

Business costs for premises lease and average salary
The supply of shopping and catering areas in Daugavpils is 7 times lower than in Riga, but higher than in Lithuanian cities of a similar size. The supply of office premises is lower than in Lithuanian and Belarusian cities of a similar size. The costs for premises lease and average salary are no higher than in Lithuanian regions and lower than in Belarus regions of a similar size. In Latgala region average salary is approximately 1.6 times lower than in the capital city of the country.

Source: NEW&SEC real estate market study, 2014
2.3 VILNIUS REGION

Region in brief

Unique characteristics of the region

The centre of the region is Vilnius (population – 537,139).

Vilnius region is the largest in terms of its population, area and added value it generates. It is Lithuanian centre of culture, business, education and science. Vilnius is the capital city of the country, and the business place for the largest foreign companies.

People living in Vilnius region speak many languages. Approximately half of its population are Lithuanians, one third - Poles and one tenth - Russians.

Vilnius region has many places of interest and objects of cultural value: Vilnius Old Town and Kernavė archaeological site included on the UNESCO World Heritage List, the geographical centre of Europe, Trakai castle, etc.

Sectors developed and business environment in the region

The economic structure of Vilnius region is dominated by service, retail and wholesale trade sectors, and the most developed segments are financial intermediation, information and telecommunication technologies, construction and real estate management.

Educational establishments

There are 7 public universities, 6 private universities, 6 public and private colleges, 9 public research institutes in Vilnius. Vilnius University is the oldest and largest university in Lithuania. Vilnius University is the leading centre of research and education in the region.

Transport infrastructure

The largest international airport in Lithuania is located in Vilnius. The city has a well-developed freight and passenger train infrastructure. Two highways start in Vilnius: the highway Via Baltica going to Klaipėda via Kaunas, and the highway Via Baltica going to Panevėžys via Panevėžys, and also five more motorways: Vilnius – Minsk (to Medininkai), Vilnius – Grodno (to Druskintai), Vilnius – Utena (to Šalčininkai), Vilnius – Lida (to Šalčininkai) and Vilnius – Marijampolė (to Marijampolė).

Business costs for premises lease and average salary

Vilnius is the capital city of Lithuania, accordingly, having the largest supply of shopping, catering and office areas, as well as the highest lease prices and employee salaries. The main shopping streets are wide, featuring many cafes, restaurants, clothing and footwear shops, etc. Vilnius attracts the highest investment into real estate development, and has the highest concentration of the most qualified labour.

The average salary in Vilnius region is approximately 1.4 times higher than in other regions of the country and reaches EUR 703.80 per month.

Gross average employee remuneration in Vilnius region, EUR per Month

Source: Statistics Lithuania

Premises supply and average lease prices in Vilnius City

<table>
<thead>
<tr>
<th>Shopping and catering premises</th>
<th>In shopping centres</th>
<th>In shopping streets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises supply, sq. m.</td>
<td>311,700</td>
<td>60,000</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>&lt; 3%</td>
<td>&lt; 3%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m /month</td>
<td>7.48</td>
<td>8.72</td>
</tr>
<tr>
<td>Office premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A and B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
<td>387,400</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>7%</td>
<td>~25%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m /month</td>
<td>9.5-14.3</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: NEWSEC real estate market study, 2014

2.4 KAUNAS REGION

Region in brief

Unique characteristics of the region

The centre of the region is Kaunas (population – 306,000).

Kaunas is the second largest city in Lithuania, located nearly in the centre of Lithuania on the confluence of the Nemunas and Neris rivers. During the interwar period it was the provisional capital city of Lithuania. Kaunas is a venue for transit of major trade flows in South-North and West-East directions.

The region has also many sightseeing places and tourist objects: Laisvės Aleja, Kaunas Old Town, the ethnographic Open Air Museum of Lithuania in Kaniūkai, Pazaislis monastery complex, etc. Kaunas is proud of its exceptional basketball history. It was Kaunas city where the first Lithuanian basketball match took place in 1922.

Sectors developed and business environment in the region

Like throughout Lithuania, the best developed sectors in Kaunas region are industry and wholesale and retail trade, furthermore, have been steadily growing. Kaunas region is also known for the well-developed production of chemicals and pharmaceutical products.

Educational establishments

There are 5 public universities, 5 public and private colleges, 1 public research institute. Kaunas is proud of its Lithuanian University of Health Sciences, the largest medical sciences university in the country.

Transport infrastructure

Kaunas region has an international airport and a major railway node. Kaunas is crossed by the motorway E67 Via Baltica and Vilnius – Klaipėda highway.

Business costs for premises lease and average salary

The supply of shopping and catering areas in Kaunas region is 1.6 times lower, and the supply of Class A and B office premises - 6.6 times lower than in Vilnius. The prices for shopping and catering premises are comparable to those in Vilnius, but the average lease costs for office premises may be up to 1.5 times lower than in the capital city of Lithuania. The average salary in the region is slightly lower than in Vilnius and reaches EUR 589.4 per month.

Gross average employee remuneration in Kaunas region, EUR per Month

Source: Statistics Lithuania

Premises supply and average lease prices in Kaunas City

<table>
<thead>
<tr>
<th>Shopping and catering premises</th>
<th>In shopping centres</th>
<th>In shopping streets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises supply, sq. m.</td>
<td>182,000</td>
<td>44,000</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>&lt; 5%</td>
<td>&lt; 15%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m /month</td>
<td>7.48</td>
<td>5.8-19</td>
</tr>
<tr>
<td>Office premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A and B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
<td>58,700</td>
<td>1,050,000</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>4.6%</td>
<td>~15%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m /month</td>
<td>7.7-9.2</td>
<td>3.5-6</td>
</tr>
</tbody>
</table>

Source: NEWSEC real estate market study, 2014
2.5 PANEVĖŽYS REGION

Region in brief

The centre of the region is Panevėžys (population – 97,200)

Panevėžys region occupies an important place in the Lithuanian road system. The region is crossed by the motorway Via Baltica connecting Tallinn – Riga – Panevėžys – Kaunas – Warsaw.

Panevėžys region is crossed by the narrow-gauge railway Siaurukas (the gauge width is 750 mm) included into the Register of Immovable Cultural Property of the Republic of Lithuania. Currently Siaurukas is used for sightseeing trips.

The soil in Panevėžys region is predominantly rich fertile and suitable for many crops. Among them are potatoes, sugar beet, rye and barley. Among the fruit species are cherries, plums, apricots, peaches and peaches. The region also has the operating Panevėžys Free Economic Zone (FEZ, related to the largest future investment projects).

The centre of the region is Panevėžys (population – 97,200)

Panevėžys is the largest regional industrial centre affecting the development of the entire region. The best developed industry segments in Panevėžys region: food industry, textile (flax) industry, electronics, production of plastic, metal processing, also the well-developed logistics and warehousing business.

The region also has the operating Panevėžys Free Economic Zone (FEZ, related to the largest future investment projects).

Sectors developed and business environment in the region

Panevėžys is the largest regional industrial centre affecting the development of the entire region. The best developed industry segments in Panevėžys region: food industry, textile (flax) industry, electronics, production of plastic, metal processing, also the well-developed logistics and warehousing business.

The region also has the operating Panevėžys Free Economic Zone (FEZ, related to the largest future investment projects).

Educational establishments

The Panevėžys Faculty of Kaunas University of Technology currently has 1,500 students. The Faculty offers the study programmes in electrical, mechanical engineering, construction, transport engineering, management and business administration.

Via Baltica is the European road network Corridor 1 that is among the most important routes of cargo traffic movement from the Western to the Eastern Europe (Russia, Belarus).

Transport infrastructure

Panevėžys region is crossed by the railway line Klajpeda – Panevėžys – Daugavpils – Moscow. The freight flow is routed to the trans-European West-East corridor XDB. Freight transportation from Kaliningrad, Klajpeda, Siauliai is routed through Vilnius.

The supply of trade and catering premises in Panevėžys region is low compared to other similar size cities in Lithuania, Latvia and Belarus. The supply of Class A and B office premises is scarce. Available space of Class C office premises amounts to 10 - 20% of the total supply of office premises. The lease prices for office, trade and catering premises and the average costs per job are similar to those in Utena, Alytus regions of Lithuania or Latgala region in Latvia. The average costs for employee remuneration are similar to those in Utena, Alytus regions of Lithuania, but higher than in similar regions in Latvia and Belarus.

Business costs for premises lease and average salary

The supply of shopping and catering areas in Utena is higher than in other Lithuanian cities of a similar size, however the greatest share of such areas is owned by larger shopping chains. Class A and B office premises are virtually absent. The occupancy of Class C office premises is approximately 80 – 90 %. The average salary in this region is the lowest among all other regions covered by the study and accounts for EUR 521.00 per month.

The centre of the region is Utena (population – 32,600)

Utena region is famous as one of Lithuanian territories featuring the highest density of lakes and forests. Forests cover around 32.7% of the region’s territory, it has 1,002 lakes and 24 ponds covering 8% of the total area (lakes in Lithuania covers 1.5 % of the country’s territory).

Utena region features a well-developed industrial sector. In the past Ignalina Nuclear Power Plant was very significant for the regional economy. At the end of 2009 the plant was decommissioned based on the EU accession terms. Nevertheless, the energy sector remains important to this region due to other operating power plants.

Other industrial sectors are also well developed in Utena region, namely production of beverages, textile, food products, metal processing, and production of plastic articles.

Educational establishments

Utena College is the largest education establishment in the region offering study programmes in the areas of social, biotechnological, engineering sciences.

Transport infrastructure

The region borders the Republics of Belarus and Latvia. The county territory is crossed by the international transit road to Poland and Latvia, and the Russia: Warsaw – Kaunas – Daugavpils – St. Petersburg.

Business costs for premises lease and average salary

The supply of shopping and catering areas in Utena is higher than in other Lithuanian cities of a similar size, however the greatest share of such areas is owned by larger shopping chains. Class A and B office premises are virtually absent. The occupancy of Class C office premises is approximately 80 – 90 %. The average salary in this region is the lowest among all other regions covered by the study and accounts for EUR 521.00 per month.

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Transport infrastructure

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Business costs for premises lease and average salary

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Transport infrastructure

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Educational establishments

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Transport infrastructure

The region borders the Republics of Belarus and Latvia. The county territory is crossed by the international transit road to Poland and Latvia, and the Russia: Warsaw – Kaunas – Daugavpils – St. Petersburg.

Business costs for premises lease and average salary

The supply of shopping and catering areas in Utena is higher than in other Lithuanian cities of a similar size, however the greatest share of such areas is owned by larger shopping chains. Class A and B office premises are virtually absent. The occupancy of Class C office premises is approximately 80 – 90 %. The average salary in this region is the lowest among all other regions covered by the study and accounts for EUR 521.00 per month.
2.7 ALYTUS REGION

Region in brief

Uniqueness of the region

The centre of the region is Alytus (population – 57,280).

Alytus region is located in Southern part of Lithuania. It is among the most wooded regions in Lithuania, exclusive for its abundance of state-protected territories, the uniqueness of nature, cultural traditions, organic balance, and development of traditional businesses. The landscape here is especially favourable for recreational purposes. The region has excellent conditions for recreational tourism, short or longer-term relaxation.

Section developed and business environment in the region

Due to the well-developed tourism sector in the region, most economic entities operating in the region are engaged in trade and customer service activities. There are several production entities operating in the region engaged in vodka and liquor, sparkling grape wine, mineral water production, manufacturing of refrigerators and freezers, wooden doors and windows, prefabricated structural components, furniture, plastic products. The largest industrial companies operating in the region are concentrated in Alytus.

Educational establishments

The main public higher educational establishment is Alytus College, where students may choose studies in three faculties: Management, Technologies, Information and Communication Technologies.

Transport infrastructure

Alytus region benefits from the well-developed transport infrastructure, with specifically important Sėtokių – Mockava railway node also offering the international freight reloading facilities. This European gauge railway connects Lithuania with European railway network. The railway line from Belarus via Marijampolė and Varėna connects the County with Viniūnus.

Business costs for premises lease and average salary

The supply of shopping and catering premises in Alytus City is the lowest among the regions of Lithuania, Latvia and Belarus covered by the analysis. Class A and B office premises or larger shopping centres are absent in the region. The occupancy of Class C office premises is approximately 80 – 90 %. The average salary is 1.4 times lower than in the capital city region, but higher than in capital cities of other countries, and office lease costs are higher, though the areas of vacant offices are approximately 80 – 90 %. The average salary is 1.4 times lower than in the capital city region, but higher than in capital cities of other countries, and office lease costs are higher, though the areas of vacant offices are approximately 80 – 90 %.

Gross average employee remuneration in Alytus region, EUR per Month

Source: Statistics Lithuania

<table>
<thead>
<tr>
<th>Premises supply and average lease prices in Alytus City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shopping and catering premises</strong></td>
</tr>
<tr>
<td><strong>In shopping centres</strong></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
</tr>
<tr>
<td>Available areas, %</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m. / month</td>
</tr>
<tr>
<td><strong>Office premises</strong></td>
</tr>
<tr>
<td><strong>Class C</strong></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
</tr>
<tr>
<td>Available areas, %</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m. / month</td>
</tr>
</tbody>
</table>

Source: NEW&SEC real estate market study, 2014


2.8 MINSK CITY REGION

Region in brief

Uniqueness of the region

The centre of the region is Minsk (population – 1,900,000).

Minsk is the capital city of Belarus and also its political, economic, scientific and cultural centre as well as the largest city in the country. The city is crossed by two rivers both belonging to the Black Sea basin and is located on a hilly and wooded area. There are numerous museums and sport centres in the city that is famous for the culture known for Belarus ballet tradition.

Section developed and business environment in the region

Minsk city is the best economically developed region in Belarus. Manufacturing industry is the most important economic sector in the region producing approximately 20 % of the total national industrial output including food products, alcohol and tobacco, lighting products, tractors and engines, metal products, tools, radio engineering and electronic devices. Other important economic sectors are transportation services and wholesale and retail trade.

Minsk operates under a free economic zone (FEZ) terms.

Educational establishments

Minsk is the most important centre of research institutions and education in the country. There are 7 public universities open in the city, offering study programmes in the areas of medicine, economics, technologies, arts, communications and education in the country. There are 7 public universities open in the city, offering study programmes in the areas of medicine, economics, technologies, arts, communications and education in the country. There are 7 public universities open in the city, offering study programmes in the areas of medicine, economics, technologies, arts, communications and education in the country. There are 7 public universities open in the city, offering study programmes in the areas of medicine, economics, technologies, arts, communications and education in the country.

Transport infrastructure

Minsk has an operating international airport. The city is crossed by main transport roads connecting states of the Western and Eastern Europe and countries of the Black Sea region with the Baltic States. Highways connect Minsk with the main cities of the country, and a railway node connecting Brest, Moscow, Viniūnus and Grodno.

Business costs for premises lease and average salary

In terms of the total area of shopping, catering and office premises Minsk City is leading among all the analysed Lithuanian, Latvian and Belarus regions. The prices for shopping and catering premises are slightly lower than in capital cities of other countries, and office lease costs are higher, though the areas of vacant offices are similar. The average salary in Minsk City region is the highest compared to other Belarus regions, but lower than in the respective regions of Lithuania and Latvia.

Gross average employee remuneration in Minsk City region, EUR per Month

Source: Belarus Department of Statistics

<table>
<thead>
<tr>
<th>Premises supply and average lease prices in Minsk City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shopping and catering premises</strong></td>
</tr>
<tr>
<td><strong>In shopping centres</strong></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
</tr>
<tr>
<td>Available areas, %</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m. / month</td>
</tr>
<tr>
<td><strong>Office premises</strong></td>
</tr>
<tr>
<td><strong>Class A, B and C</strong></td>
</tr>
<tr>
<td>Premises supply, sq. m.</td>
</tr>
<tr>
<td>Available areas, %</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m. / month</td>
</tr>
</tbody>
</table>
## 2.9 Minsk Region

### Region in brief

**Uniqueness of the region**

Minsk region is located in the middle of the country, therefore does not border any states. However, it is the most important economic region of Belarus where the capital city of the country is located. The region is the largest by area and population. The hilly locations are full of lakes, rivers, and forests cover approximately 56% of the region’s area.

### Sectors developed and business environment in the region

The region has well-developed machinery and car manufacturing, and other important sectors are chemical, timber processing, furniture manufacturing and light industry. Like in other regions of the country, an important place is held by animal husbandry and agriculture (cattle rearing, pig rearing, poultry farms, horticulture, principal products cultivated potatoes, flax, sugar beets).

### Educational establishments

All the main education establishments of Belarus are located in Minsk.

### Transport infrastructure

Minsk region is crossed by main transport roads connecting the states of the Western and Eastern Europe and counties of the Black Sea region with the Baltic States. The road network is well developed both on the national and international level. The region is crossed by a railway connecting Russia with Europe and the Baltic States with Eastern European states located in the South.

### Business costs for premises lease and average salary

Business costs for premises lease and average salary in Minsk region are slightly lower than in the region of the capital city of Minsk. Compared to Minsk City region, average salary varies by sectors but may be by up to 2 times lower, but similar to that in the other regions of Belarus being analysed.

---

## 2.10 Grodno City

### Region in brief

**Uniqueness of the region**

The region is located in the Western part of Belarus and borders Poland in the West and Lithuania in the East. The region trades with both the European States and Russia. The region has many cultural and historical monuments, especially various religious prayer houses. Grodno City is referred to as one of the most beautiful cities in Belarus.

### Sectors developed and business environment in the region

The most important sector in the region chemical industry, with the highest production output in Grodno and Lida cities. Other important segments are food, machine production, metal processing and construction industries. Other important economic activities in the region are crop cultivation and cattle farming.

Grodno operates under a free economic zone (FEZ) terms.

### Educational establishments

Janka Kupala Grodno State University operates in Grodno that is the second best in the country by study quality ratings. The study programmes offered by the University are recognised nationally and internationally. Currently it has more than 17,000 students.

### Transport infrastructure

Transport infrastructure is very well developed in the region. The region is crossed by the main northern highways connecting it with the Western and Eastern European states. The main roads lead to Minsk, Vilnius, Brest and Baranovichi. The region has a developed river transport and railway communication with Poland and Lithuania.

### Business costs for premises lease and average salary

The supply of shopping and catering premises in Grodno City is the lowest compared to the other Belarusian regions analysed. There is no supply of Class A and B offices. The supply of Class C office premises is 4.5 times lower than in Belarus capital city, but similar to that in other smaller regions of the country, however, showing the highest vacancy rates. The average salary is lower than in the capital city of the country, but not much different from similar size regions of Mogilev and Vitebsk.
2.11 MOGILEV REGION

Region in brief

The centre of the region is Mogilev (population – 1,070,000). Mogilev region is located in the eastern part of Belarus and borders Russia. The region is situated on plains. Over half of its territory is covered by agricultural land and more than a third by forests. A large part of this region suffered from the nuclear disaster in Chernobyl.

Sectors developed and business environment in the region

Agricultural sector is highly important to the region, namely crop production and animal husbandry. The greater part of agricultural area is used to grow cereals, potatoes, forage crops. The main industry sectors here are manufacturing of tyres, elevators, electronic devices and machines, lace and rubber footwear. Mogilev and Bobruisk are the largest industrial centres in the region.

Mogilev operates under a free economic zone (FEZ) terms. The city also has its technology park.

Educational establishments


Vitebsk State University of Economics and Business and Vitebsk State University “Mathematical” operates in Mogilev.

Transport infrastructure

Mogilev region is an important transit territory between Russia and Europe. The region has a well-developed road infrastructure. The main railway lines connect the region with Russia, Ukraine and Poland. The Dnieper river is actively used for navigation.

Business costs for premises lease and average salary

The supply of shopping and catering areas in Mogilev city is 3.5 times lower than in the capital city, and the lease price is approximately twice lower. Compared to other cities of a similar size, the supply of and prices for areas of this category differ insignificantly in Belarus. There is nearly no supply of Class A and B office premises and the supply of Class C premises exceed the demand. In this region the lease prices for shopping, catering and office premises are higher than in Lithuanian and Latvian cities of a similar size. The average salary differs slightly compared to other Belarus regions of a similar size, but are more than twice lower than in the analysed regions in Lithuania and Latvia.

2.12 VITEBSK REGION

Region in brief

The centre of the region is Vitebsk (population – 1,200,000). Vitebsk region is located in the north-east of Belarus and borders three states: Russia, Latvia and Lithuania. The region features the highest number of lakes in Belarus with more than 2,800 lakes and 500 rivers. Forests cover more than a third of the region. The region has a rich cultural heritage including more than 3,900 cultural monuments, being a place of origin of a number of internationally renowned painters and writers.

Sectors developed and business environment in the region

The region is one of Belarus industrial centres, with approximately 30% of the workforce employed in industry. The most important economic sectors are food processing, lighting, electricity generation, production of chemicals and mechanical engineering. The region is rich in natural resources: dolomite, clay, sand, mineral water, peat. Animal husbandry and fisheries are the dominating agricultural activities in the region.

Educational establishments

Vitebsk region has three important state universities: Vitebsk State Technological University, Vitebsk State Medical University and Vitebsk State University named after P.M. Masherov.

Transport infrastructure

The region has a well-developed road transport infrastructure connecting Belarus with the neighbouring states, as well as a well-developed railway network. International railway lines connect Russia and Ukraine, Lithuania, Poland. The Dvina and Dnieper rivers are used for navigation. There is an airport operating in Vitebsk.

Business costs for premises lease and average salary

The supply of shopping, catering and office areas in Vitebsk is very similar to that in Mogilev city, though the occupancy of and lease prices for shopping and catering areas are higher. The area of shopping and catering premises in Vitebsk is approximately 3.5 times lower than in the capital city, the supply of office premises is lower more than 6 times, and the premises lease costs are approximately twice lower. The average salary is similar to those in Grodno and Mogilev regions, but lower than in Minsk city and the relevant regions of Lithuania and Latvia.

### Table: Premises supply and average lease prices in Vitebsk City

<table>
<thead>
<tr>
<th>Premises supply and average lease prices in Vitebsk City</th>
<th>Shopping and catering premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>In shopping centres</td>
<td>270,000 Eur/ sq. m/ month</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>&lt;15%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m/ month</td>
<td>8-27</td>
</tr>
<tr>
<td>Office premises</td>
<td></td>
</tr>
<tr>
<td>Class C</td>
<td></td>
</tr>
<tr>
<td>Premises supply, sq. m</td>
<td>95,000</td>
</tr>
<tr>
<td>Available areas, %</td>
<td>~ 20%</td>
</tr>
<tr>
<td>Average lease price in Eur/ sq. m/ month</td>
<td>4-20</td>
</tr>
</tbody>
</table>

Source: NEW&SEC real estate market study, 2014
3 PRESENTATION OF SECTORS

3.1 CATERING

Short overview of the sector in Lithuania, Latvia and Belarus

In recent years Lithuanian, Latvian and Belarus catering sectors observe a fast development of take-away coffee, fast food chains, bakeries and small restaurants that aim to attract their customers by a different food consumption culture, matching it with interaction and ways of spending leisure. In the States covered by the analysis the majority of caterers are established in central city locations and shopping centres. Fewer catering companies operate in residential areas of the cities, however the trend changing in the recent years with businesses more actively investing in suburban areas of the cities.

International fast food brands are largely maintaining their popularity, and new one are entering the market. In recent years pizzas and Japanese food sold in take-away cafes have also gained popularity in this segment.

In the analysed countries the cafe and restaurant segment is dominated by caterers offering local or traditional food of international cuisine. Further, caterers offering exotic cuisine are growing both in popularity and demand: restaurants may be found in major cities offering meals prepared according to the Far East, Mexican, Indian, etc., cooking traditions. The number of individual bakeries is also growing, offering fresh baked products in addition to a cosy environment for their customers for both enjoying the meal and communication.

During 2011, as compared to 2010, the turnover of catering sector in in the regions covered by the survey grew in Lithuania on average by approximately 15% and in Latvia - by 3 - 5%. In Minsk and Vitebsk regions of Belarus the sector turnover decreased by 13%, in Mogilev region it remained stable, and in Minsk city and Grodno regions it grew by approximately 17%. Both in terms of turnover value and the number of companies the fastest development of catering sector was observed in Kaunas and Grodno regions out of 12 regions analysed in the study.

Regional rating results

Vilnius, Kaunas and Minsk regions are the three most attractive regions for the development of catering business. These are the regions where the largest Lithuanian, Latvian and Belarusian cities are located, they have the highest income population, and the people living in the cities are leaders in terms of the percentage of their total consumption expenditures for catering services.

Other analysed Lithuanian regions (Panevėžys, Alytus and Utena) are of a very similar development level. In 2012, inhabitants of Panevėžys region spent 1.4 times more on catering services than inhabitants of Alytus and Utena regions, but Panevėžys region has higher total population. Inhabitants of Latgala region in Latvia spend approximately 3.8 times less money on cafes and restaurants than inhabitants of the capital city. The number of businesses here is also several times lower.

Other analysed Belarus regions (Minsk, Grodno, Mogilev and Vitebsk) are developed similarly to Latgala region in Latvia. Inhabitants in these regions spend more than 3 times less money on catering services than in the capital city; however the density of population here is also several times lower. Belarus regions are competitive due to low average salary in the sector.

Brand study results

<table>
<thead>
<tr>
<th>Lithuania</th>
<th>Čili pica</th>
<th>Charlie pizza</th>
<th>McDonald’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Cafe-pizza house</td>
<td>Cafe-pizza house</td>
<td>Fast food restaurant</td>
</tr>
<tr>
<td>Brand origin</td>
<td>Lithuania</td>
<td>Lithuania</td>
<td>USA</td>
</tr>
<tr>
<td>Number of outlets in Lithuania</td>
<td>42</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
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<td>Yes</td>
</tr>
<tr>
<td>Presence in other target markets</td>
<td>Latvia</td>
<td>None</td>
<td>Latvia, Belarus</td>
</tr>
</tbody>
</table>
3.2 WELLNESS AND BEAUTY SERVICES

Short overview of the sector in Lithuania, Latvia and Belarus

In recent years the usage and popularity of SPA and health clinics services have been growing fast in Lithuania, Latvia and Belarus. In Lithuania and Latvia the main and major cities of health clinics and SPA centres are Druskininkai (Alytus region) and Jurmala (Riga region). These two cities are actively visited both by local residents and foreign tourists. In Lithuania a range of wellness procedures are offered in Palanga (Klaipėda region) and Birštonas (Kaunas region). Belarus has as many as 72 health clinics in resorts for adults and 10 for children. The main wellness tourism centre in Belarus is established at the largest lake of the country Narach (Minsk region).

In the analysed states small beauty parlours providing package services are considered traditional. Latvian and Belarusian segment of hairdressers and beauty parlours is different from the Lithuanian sector the latter having a very high number of small businesses. Further, Lithuania has more international beauty industry brands developing their chains in the country.

During 2011 wellness and beauty services was a fast growing sector in Lithuania – by more than 40% per year in Panevėžys and Utena regions, more than 20% per year in Kaunas and Utena regions, and Vilnius region it remained stable. In Lithuanian regions the sector’s turnover decreased: in Riga region - by 11%, in Latgala region - by approximately 1%. The turnover of the sector in Riga region exceeded the one in Vilnius region by several million EUR and reached EUR 24 million.

The turnover of the sector in Belarus declined in the regions of Minsk City by 11% and in Mogilev by 15%. The fastest turnover growth among the 12 analysed regions was observed in Minsk region – 75% and reached EUR 18 million, which is 1.5 times less than in Minsk City. The turnover of the sector in Grodno and Vitebsk regions grew by 30% and 5%, respectively.

### Latvia

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Latvia</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Čili pica</td>
<td>Café-pizza house</td>
<td>Lithuania</td>
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<td>Yes</td>
<td>Lithuania, Latvia</td>
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<tr>
<td>McDonald's</td>
<td>Fast food restaurant</td>
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<td>Latvia</td>
</tr>
<tr>
<td>LIDO</td>
<td>Restaurant</td>
<td>Latvia</td>
<td>9</td>
<td>No</td>
<td>None</td>
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</tbody>
</table>

### Belarus

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Belarus</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Čili pica</td>
<td>Pizza house</td>
<td>Lithuania</td>
<td>24</td>
<td>Yes</td>
<td>Lithuania, Latvia</td>
</tr>
<tr>
<td>McDonald's</td>
<td>Fast food restaurant</td>
<td>USA</td>
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<tr>
<td>Pizza Smile</td>
<td>Pizza house</td>
<td>Belarus</td>
<td>10</td>
<td>Yes</td>
<td>None</td>
</tr>
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</table>

Regional rating results

Among the 12 analysed regions, Riga, Vilnius and Kaunas regions are the most attractive for the development of wellness and beauty services. These regions are the most developed, their inhabitants have the highest income, their consumption of cosmetic products is higher than in other regions. These regions also have larger markets (larger population and larger total expenses for beauty and wellness services).

Panevėžys, Alytus and Latgala regions are rated second by their smaller GDP and population. Irrespective of this the average annual expenditures of inhabitant in these regions for beauty and wellness services are very similar to those of the region rated as first. Utena and Minsk City regions are slightly less attractive for the development of beauty and wellness services.

The other regions of Belarus (Minsk, Grodno, Mogilev and Vitebsk) have relatively low markets for wellness and beauty services due to smaller population and lower income levels of local inhabitants. Therefore in order to develop the business of beauty and wellness services in these regions it should be based not only on the local market: other factors to be considered are the size and stability of incoming tourism flows, and the capacities of tourists to buy the services.
3.3 ENTERTAINMENT

Short overview of the sector in Lithuania, Latvia and Belarus

The most popular entertainment activities in Lithuania, Latvia and Belarus are cinema, theatre, and concert going and attending other events. The most popular active entertainment is visiting water amusement parks, bowling, skating, water tourism, cycling. The major water amusement parks are Livu Aqua Park (Jurmala, Riga region), Druskininkai Aqua Park (Druskininkai, Alytus region), Vichy Aqua Park (Vilnius, Vilnius region), the fifth largest water amusement park in Europe is under construction in Minsk (to be opened in 2014). Active winter entertainment/sport is also popular in the analysed countries: skiing, bobsleigh, bobsleigh, curling. An all-year-round indoor skiing arena operates in Alytus region (Druskininkai).

Further, a number of other different services are offered, such as increasing in popularity in Lithuania, Latvia and Belarus are adventure parks (tree climbing), water bubbles, carting, quad driving, tank driving, tea drinking classes, chocolate, wine tasting, etc.

In the countries surveyed the entertainment sector is highly seasonal: indoor area activities or more passive entertainment is offered in winter time, and active leisure and entertainment in the natural environment in summer.

In 2011 compared to 2010, the turnover of the Lithuanian entertainment sector grew quite fast, on average by approximately 23%. In Vilnius region the sector turnover reached EUR 25 million. In Riga region the sector turnover was similar, but it decreased by 11% in 2011 compared to 2010, and in Latgala region it remained stable. In two Belarus regions (Grodno and Vitebsk) the sector turnover decreased by 30% and 38% respectively, and in the remaining regions it grew by approximately 7%. In 2011, the sector’s turnover in Minsk city region reached EUR 30 million.

Regional rating results

Riga region is the ideal location for entertainment business development. Inhabitants of this region spend the highest average yearly amounts on entertainment (twice as much as in Vilnius and 40 times more than in Minsk). It should be noted that due to a well-developed infrastructure (the seaport and the international airport with many regular flights) Riga has many foreign entertainment tourists coming predominantly from Scandinavia, Germany, Russia, Estonia, and Lithuania.

In terms of their attractiveness for the development of entertainment business Kaunas, Panevėžys, Alytus, Utena and Minsk City Regions are similar. Minsk City region is the largest in terms of population, however by average expenditure for entertainment it significantly lags behind Lithuanian and Latvian regions. Alytus and Utena regions are smaller in area and population, but hold a relatively high position in terms of expenditure on entertainment. These regions also have low employee and leased premises costs, thus they are advantageous compared to the large regions. Utena region has a suitable natural environment for active entertainment, being surrounded by lakes, rivers, forests, hills (for winter sports) etc., frequented by Lithuanian and foreign tourists for entertainment. It is a suitable region for developing seasonal entertainment business.

The remaining regions of Latgala, Minsk, Grodno, Mogilev, and Vitebsk are rated the lowest by population, buying power and the sector's market size.
### Regional rankings for the entertainment sector

![Graph showing regional rankings for the entertainment sector](image)

### Brand study results

#### Lithuania

<table>
<thead>
<tr>
<th>Name</th>
<th>Forum Cinemas</th>
<th>Apollo Boulingas</th>
<th>Vichy*Aqua Park</th>
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</thead>
<tbody>
<tr>
<td>Category</td>
<td>Cinema</td>
<td>Bowling</td>
<td>Water amusement park</td>
</tr>
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<td>Lithuania</td>
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</table>

#### Latvia

<table>
<thead>
<tr>
<th>Name</th>
<th>Go Planet</th>
<th>Līvu Akvaparks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Cinema</td>
<td>Water amusement park</td>
</tr>
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<td>Latvia</td>
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<td>Number of outlets in Latvia</td>
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<td>1</td>
</tr>
<tr>
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<td>No</td>
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<td>Presence in other target markets</td>
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<td>None</td>
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</tbody>
</table>

#### Belarus

<table>
<thead>
<tr>
<th>Name</th>
<th>Атум Интертеймент</th>
<th>Аквапарк „Алвий“</th>
<th>Алиса Стар</th>
</tr>
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<tbody>
<tr>
<td>Category</td>
<td>Events organising</td>
<td>Water amusement park</td>
<td>Fitness club</td>
</tr>
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<td>Belarus</td>
<td>Belarus</td>
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<td>1</td>
<td>8</td>
</tr>
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<td>No</td>
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<tr>
<td>Presence in other target markets</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

### 3.4 CLOTHING AND FOOTWEAR

#### Short overview of the sector in Lithuania, Latvia and Belarus

In Lithuania, Latvia and Belarus inhabitants buy clothing and footwear in shops and markets and in market-style outlets. In larger cities and in the higher-income group the main goods distribution channel represented are located in the major shopping centres, while in smaller towns and the lower-income group markets and fairs prevail as the most often visited places to buy clothing and footwear. Internet shopping for clothes is still slowly developing.

During the past 3 - 5 years the number of low price, low quality, youth-focused foreign brands has significantly increased in the clothing and footwear sector. In September 2012 the first outlet of Hennes & Mauritz (H&M), a Swedish retail clothing chain, was opened.

H&M is considered to be one of the biggest competing leaders in retail clothing sector worldwide. Currently 12 H&M shops are already opened in the three Baltic States, and their trading area represents 41% of the trading area of the market leaders. Due to the strong competition in the youth clothing segment the market leaders start focusing on the segments of luxury and business apparel, as these segments have potentially less competition and higher margins on goods.

2011 compared to 2010 the turnover of Lithuanian clothing and footwear sector grew by approximately 10-13% in Vilnius and Kaunas regions, and in Utena region - by as much as 33%. However the turnover of the sector in Panevėžys and Alytus regions decreased by 16% and 9% respectively. In Latvian regions the sector turnover grew insignificantly and in Riga it reached EUR 222 million (0.5 times less than in Vilnius region and almost twice as much as in Minsk City region). During the period the turnover of the sector in Belarus regions increased, on average, by 25%. In Minsk city region the sector turnover was by 4 to 12 times higher than in smaller regions of the country.

#### Regional rating results

Having the largest populations and the highest generated GDP, Riga, Vilnius, Kaunas, Minsk City regions are top rated by attractiveness for business development in clothing and footwear trade sector. These are the regions with the most active life in their centres: the capital cities are visited by shoppers from smaller cities and towns and foreign tourists. These cities have the highest concentration of large shopping centres featuring a variety of clothing and footwear of various styles and brands: they attract inhabitants for shopping and entertainment from the area in the radius of 50 - 100 km.

Panevėžys and Alytus regions in Lithuania, Latgala region in Latvia, Minsk, Grodno, Mogilev and Vitebsk regions in Belarus show a similar level of attractiveness for business development in clothing and footwear trade. In these regions household expenditure for goods of this sector is similar, and business administration costs have miniscule differences. Utena region is the least attractive for business development in the clothes and footwear trade sector.
Short overview of the sector in Lithuania, Latvia and Belarus

Like in many areas of consumer goods selling, the two main trends have lately been the most striking in cosmetics distribution sector: the growing number of e-shops and the increasing demand for and consumption of natural, organic products. Most often consumers buy in e-shops not for one, but for an entire line of products they had tested at shops. Not only companies distribute products of various brands, but also local cosmetics producers open e-shops as an alternative distribution channel thus largely increasing their consumer outreach.

As the consumption of organic products increase so does the number of their producers: some of them have only several lines of cosmetics, while other keep expanding their product range and see entering international markets. A few years ago an entertaining service of classes on making natural cosmetics oneself, at home, was quite popular, and triggered opening of shops offering raw materials for making natural cosmetics at home.

Buyers of cosmetic products are known for valuing quality, thus they increasingly buy cosmetics and perfumes from official suppliers. Such preferences are also observed in smaller towns. Lithuanian cosmetics market is unique as it is dominated by Lithuanian products and brands. In Lithuania a number of foreign brands are distributed through different marketing channels.

In 2011, in the Lithuanian and Latvian regions the turnover of cosmetics trade sector increased on average by 7%. The turnover in Belarus sector grew fastest in Minsk City region - by 21%, and in Grodno region - by 11%. However in Minsk region the turnover of the sector decreased by 12%, and in Mogilev region - by 5%. In Vitebsk region the sector turnover remained stable.

Sources: Statistics Lithuania, Central Statistical Bureau of Latvia, Belarus Department of Statistics

Regional rating results

Having the largest population and respectively the greatest markets, Riga, Vilnius, Kaunas, Minsk City regions are the most attractive for developing cosmetics trade business. As in clothing and footwear trade sector, these cities are the main trendsetters and shopping centres.

Due to low buying power of its inhabitants and a small market, Utena region is the least attractive for the business development in the analysed sector. Among the analysed Lithuanian regions Utena region inhabitants spend the least on personal care products and services (approximately twice less than Vilnius inhabitants and almost thrice less than Riga inhabitants). Inhabitants of Belarus regions spend an even smaller share of their income on cosmetics products, though business conditions here are slightly more attractive due to lower prices for premises lease and lower employee remuneration.
## Regional rankings for the cosmetics sector

<table>
<thead>
<tr>
<th>Region</th>
<th>Turnover, EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riga region</td>
<td>2,98</td>
</tr>
<tr>
<td>Vilnius region</td>
<td>2,96</td>
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<td>Kaunas region</td>
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<td>Panevėžys region</td>
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<td>Mikro region</td>
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<tr>
<td>Anykščiai region</td>
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</tr>
<tr>
<td>groove</td>
<td>1,83</td>
</tr>
<tr>
<td>Monasty region</td>
<td>1,70</td>
</tr>
<tr>
<td>Utena region</td>
<td>1,60</td>
</tr>
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### BRAND STUDY RESULTS

#### Lithuania

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Lithuania</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
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</thead>
<tbody>
<tr>
<td>Drogas</td>
<td>Cosmetics</td>
<td>Hong Kong</td>
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<td>Latvia</td>
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<td>Sarma by Douglas</td>
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#### Latvia

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Latvia</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
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<tr>
<td>Drogas</td>
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<tr>
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<td>Cosmetics</td>
<td>Latvia</td>
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</table>

#### Belarus

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Belarus</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
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</thead>
<tbody>
<tr>
<td>Мила</td>
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</tr>
</tbody>
</table>

### 3.6 FOOD PRODUCTS

#### Short overview of the sector in Lithuania, Latvia and Belarus

Several main food retail chains operate in Lithuania and Latvia: MAXIMA (country of origin - Lithuania), IKI (country of origin - Lithuania), RIMI (country of origin - Sweden), NORFA (country of origin - Lithuania). The expansion of these chains changed the buying habits of inhabitants in these countries: now they shop in large shopping centres, offering a wide range of daily consumer goods next to food products. In recent years several new food shopping centres from abroad opened their outlets in Lithuania and Latvia: PRISMA (country of origin - Finland), FRESH MARKET (country of origin - Belarus). Strong positions in Belarus food products sector are maintained by state-controlled entities, such as БЕЛКООПСОЮЗ.

Small specialised shops selling meat or dairy, confectionery products, vegetables and fruit, alcoholic beverages, snacks, also find their own niches. Lithuania has several well-known retail chains selling coffee and tea, chocolate products and wine. In Latvia inhabitants like shopping in shops specialised in selling alcoholic beverage and other products from local producers. Increasingly popular is becoming buying food in local farmers markets selling fresh produce. There are also several shop chains offering exclusively organic, natural food products.

During the past 3 years in Lithuania and Latvia the number of small kiosks selling food and press increased fast due to major funds invested into the Baltic countries by NARVIKEN brand of a Norwegian capital company. E-shopping for food products is another piece of news. Though so far used by a small number of consumers, the popularity of this sales channel is likely to grow in the future.

In 2011 compared to 2010 in the analysed Lithuanian regions the turnover of food products trade sector grew on average by approximately 6%, and in Latvian regions - by a bit more than 5%. In Belarus the sector turnover grew fastest in Mogilev and Vitebsk regions (by 15 %) and in Minsk City region (nearly by 10%). In Grodno and Minsk regions the turnover grew similarly to that in Lithuanian and Latvian regions - by 6% and 7% respectively.

#### Regional rating results

The regions of the capital cities Minsk, Vilnius and Riga are the most attractive for the development of trade in food products. These regions have the largest market of the highest income consumers in Lithuania, Latvia and Belarus. The turnover of businesses registered in these regions is several times higher than of businesses operating in other regions surveyed. This may be caused by the fact that part of the turnover of shops of major shopping chains is accounted for...
in the financial statements of their headquarters, which are mainly established in the capital cities of the countries. Due to this reason regional data on food products trade in non-specialised shops may be not quite accurate.

Utena region in Lithuania, Latgala region in Latvia and Grodno region in Belarus have the lowest ratings. The markets and population densities are small in these regions, and inhabitants spend the least on food products, thus the regions are more favourable for the development of small or movable shops.

### Regional rankings for the food products sector

<table>
<thead>
<tr>
<th>Region</th>
<th>IKI</th>
<th>MAXIMA</th>
<th>Vynoteka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
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</tr>
<tr>
<td>Belarus</td>
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#### Brand study results

**Lithuania**

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Lithuania</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
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**Latvia**

<table>
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<tr>
<th>Name</th>
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<th>Presence in other target markets</th>
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<tr>
<td>Riimi</td>
<td>Food shop</td>
<td>Sweden</td>
<td>112</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>Latvia Balzams</td>
<td>Alcoholic beverages and food</td>
<td>Latvia</td>
<td>50</td>
<td>No</td>
<td>None</td>
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</table>

**Belarus**

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Belarus</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Евроопт</td>
<td>Food shop</td>
<td>Belarus</td>
<td>204</td>
<td>No</td>
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<tr>
<td>ГИППО</td>
<td>Food shop</td>
<td>Belarus</td>
<td>10</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>Рублёвский</td>
<td>Food shop</td>
<td>Belarus</td>
<td>56</td>
<td>No</td>
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</table>

### 3.7 HOUSEHOLD GOODS AND INTERIOR ACCESSORIES

**Short overview of the sector in Lithuania, Latvia and Belarus**

With economies and consumption recovering after the crisis, consumers increasingly want renovation and renewal of their home interiors. Eclectic or minimalistic home interiors remain popular. Accessories creating cosiness, modern stylish accessories are important in interior solutions, and much attention is given to textures and patterns. Together with the rising costs of energy sources and the increasing trend to protect natural resources the demand for energy efficient, environmentally friendly devices is growing.

In Lithuania, Latvia and Belarus the segment of household appliances and goods and computer hardware is dominated by major local trade chains. E-shopping for computer hardware, household appliances and small electronic articles is growing fast.

In the second half of 2013 the international retail chain of furniture and interior accessories IKEA opened a shop of 26,500 sq. m. in Vilnius. It is the first such shop in the Baltic States, open after more than two years of preparatory works. The opening of IKEA may be qualified as the biggest change in the sector of household goods and interior accessories, as before that the market was dominated by local furniture producers having single shops or small shops offering interior solutions.

In 2011 compared to 2010, the turnover of household goods sector in the analysed Lithuanian regions grew on average by approximately 20%, in Latvia - by 9%, and in Belarus - by 28%. Among 12 analysed regions the fastest development of household goods sector was in Kaunas, Minsk City and Grodno regions. In 2011 in these regions the sector turnover reached EUR 0.4 million, EUR 0.7 million and EUR 0.15 million respectively, and the turnover growth was 66%, 38% and 35%.

### Turnover of the sector of household appliances and interior decoration articles, EUR million

(Source: Statistics Lithuania, Central Statistical Bureau of Latvia, Belarus Department of Statistics)
Regional rating results

The sector of trade in household goods and interior accessories is best developed in the regions of capital cities of the analysed countries: Riga, Vilnius and Minsk. These regions have the highest turnover of the sector of household goods and interior accessories. The distinct concentration of this sector in major regions of the countries may indicate that inhabitants of smaller regions go to capital cities to shop for household goods.

The highest household expenditure for consumer durables is in Riga, Vilnius and Kaunas regions. The major cities of these regions are inhabited by the highest income population affording expensive household goods.

In Belarus the sector of trade in household goods and interior accessories is the most segmented compared to other analysed states. The number of companies in Belarus regions per 10,000 inhabitants is approximately 3 times higher than in Lithuanian or Latvian regions.

### Regional rankings for the sector of household goods and interior decoration articles

<table>
<thead>
<tr>
<th>Region</th>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riga region</td>
<td>TOPO CENTRAS</td>
<td>Household goods and interior</td>
<td>Lithuania</td>
<td>26</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>accessories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minsk City</td>
<td>Senukai</td>
<td>Construction materials</td>
<td>Lithuania</td>
<td>77</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Vilnius</td>
<td>IKEA</td>
<td>Household appliances and</td>
<td>Sweden</td>
<td>1</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>computer hardware</td>
<td></td>
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<td></td>
<td></td>
</tr>
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</table>

Brand study results

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania</td>
<td>SenuKai</td>
<td>Construction materials</td>
<td>Lithuania</td>
<td>77</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>TOPO CENTRAS</td>
<td>Household appliances and computer hardware</td>
<td></td>
<td>26</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>IKEA</td>
<td>Household goods and interior accessories</td>
<td>Sweden</td>
<td>1</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>Latvia</td>
<td>JYSK</td>
<td>Household and garden goods</td>
<td>Denmark</td>
<td>9</td>
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<td>None</td>
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<tr>
<td></td>
<td>DEPO</td>
<td>Household articles and interior accessories</td>
<td>Latvia</td>
<td>9</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>CENUKLABS.LV</td>
<td>Construction materials</td>
<td>Latvia</td>
<td>8</td>
<td>No</td>
<td>None</td>
</tr>
</tbody>
</table>

3.8 BUSINESS CONSULTING SERVICES

Short overview of the sector in Lithuania, Latvia and Belarus

Legal, accounting, book-keeping and audit, business management consulting is among the biggest segments of business consulting services in the analysed countries. Individual businesses dominate the segment of legal services; however it also has quite many brands operating in all the three countries.

The so called big four firms of audit and business management consulting operate in Lithuania, Latvia and Belarus: KPMG, Deloitte, Ernst & Young, and PricewaterhouseCoopers. Due to small markets in the analysed countries these companies serve the territories of Lithuania, Latvia and Belarus from their headquarters in Vilnius, Riga and Minsk and have no branches in other cities. In Latvia this segment is relatively big as there is a greater trend to outsource company accounting and book-keeping services. In Lithuania this segment is dominated by very small companies and consultants providing individual professional services.

In 2011, the best growth of the sector was observed in Minsk region: here the turnover of the sector grew by 83% and reached EUR 32 million, but irrespective of the dynamic growth it was by approximately 1.6 times lower than in the capital city of the country and 12 times lower than in the major regions of Lithuania and Latvia. In Minsk City region the sector turnover reached EUR 55 million and grew by 11% per year. The turnover of the sector in Vilnius and Riga grew by 20% and 8% respectively. Among analysed Lithuanian regions the turnover of consulting service companies grew fastest in Utena and Kaunas regions - by 37% and 27% respectively. In 2011 compared to 2010 the turnover decreased in Latgala region in Latvia and the remaining of Belarus regions.

Turnover of business consulting services sector, EUR million

Source: Statistics Lithuania, Central Statistical Bureau of Latvia, Belarus Department of Statistics
Regional rating results

Different from all the other analysed sectors, Vilnius and Riga regions lead the sector of business consulting services, and the results of the regions differ significantly from that of capital city of Belarus, Minsk city region. From 2010 to 2011 the turnover in Riga region grew by 37%, in Vilnius region – by 20%, and in Minsk City region - 11%. The turnover of the sector of business consulting services in Vilnius and Riga regions was more than 7 times higher than that of Minsk City region.

In terms of attractiveness for the development of consulting services Kaunas and Minsk city regions rate the second best after Vilnius and Riga regions. Panevėžys, Alytus and Utena regions are similar in the number of SMEs, average business income, GDP, number of operating consulting businesses per 10,000 inhabitants. In the remaining regions (Latgala region in Latvia and smaller Belarus regions) the sector of business consulting services is the smallest, and the target customer segment (SMEs) is small compared to the main Lithuanian and Latvian regions. SMEs operating in the area have the lowest income.

Brand study results

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Belarus</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIURO</td>
<td>Temporary employment and staff recruitment</td>
<td>Lithuania, UK, UK</td>
<td>1</td>
<td>No</td>
<td>Latvia, Latvia, Belarus</td>
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</table>

Lithuania

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Latvia</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernst &amp; Young Baltic</td>
<td>Business consulting</td>
<td>UK</td>
<td>1</td>
<td>No</td>
<td>Lithuania, Belarus</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Business consulting</td>
<td>UK</td>
<td>1</td>
<td>No</td>
<td>Lithuania, Belarus</td>
</tr>
</tbody>
</table>

Latvia

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Latvia</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deloitte</td>
<td>Business consulting</td>
<td>USA</td>
<td>1</td>
<td>No</td>
<td>Lithuania, Belarus</td>
</tr>
<tr>
<td>Ernst &amp; Young Baltic</td>
<td>Business consulting</td>
<td>UK</td>
<td>1</td>
<td>No</td>
<td>Lithuania, Belarus</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Business consulting</td>
<td>UK</td>
<td>1</td>
<td>No</td>
<td>Lithuania, Belarus</td>
</tr>
</tbody>
</table>

3.9 MAINTENANCE SERVICES TO BUSINESS

Short overview of the sector in Lithuania, Latvia and Belarus

The most popular types of business services in this sector are cleaning of premises, office administration services, security and general office maintenance services. Security services generate the highest turnover in the analysed sector in Lithuania and Latvia, but in Belarus this segment is fully controlled by the Government. Cleaning and office administration services are the second biggest segments.

Compared to Latvia, the office maintenance sector in Lithuania is distinguished by a larger number of companies with several subdivisions, operating in such areas as administration, cleaning of premises, security and courier services. In Latvia there is an operating network of companies providing security and mail delivery services. However there are no large or brand name companies in the office maintenance and cleaning segment. In Belarus most of the services that businesses need are provided by State-controlled companies, thus this sector is not well-developed.

In 2011, the maintenance services to business sector grew on average by 3% per year, and especially in Panevėžys region, where the sector turnover increased by 11% and reached EUR 10 million. In Riga region the sector turnover grew by 11%, and in Latgala region it remained nearly unchanged. In Belarus, the sector was most rapidly developing in Minsk city region. Here in 2011 compared to 2010, the turnover of the sector increased by 15% and reached EUR 491 million. In other analysed Belarus regions the turnover increased on average by 4% each.

Turnover of the sector of maintenance services to business, EUR million

Sources: Statistics Lithuania, Central Statistical Bureau of Latvia, Belarus Department of Statistics
Regional rating results

The major Lithuanian, Latvian and Belarusian regions are rated as highly attractive for the development of maintenance services to business. In Kaunas region, the second largest in Lithuania by population, the turnover of SMEs is nearly twice lower than in the capital city. In Latgala region the turnover of SMEs is nearly 10 times lower than in the capital city; as in Latvia businesses are concentrated in Riga region.

The remaining Lithuanian and Belarusian regions (Alytus, Utena and Minsk, Grodno, Mogilev and Vitebsk) are even less attractive for the development of the sector. The number of companies is comparatively low in these regions, the company turnovers compared to the major regions differ from several to several dozen times, and business maintenance costs (average salary and premises lease prices) are not really significantly lower. Belarus Mogilev region is the least attractive for business development in the sector of maintenance services to business.

### Regional ranking for business maintenance services sector

![Bar chart showing regional rankings for business maintenance services sector]

#### Brand study results

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Lithuania</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekskomisarų biuras</td>
<td>Security solutions</td>
<td>Lithuania</td>
<td>22</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>G4S</td>
<td>Security solutions</td>
<td>Denmark</td>
<td>15</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>SVAROS MISIJA</td>
<td>Cleaning services</td>
<td>Lithuania</td>
<td>5</td>
<td>No</td>
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</tbody>
</table>

### Latvia

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Latvia</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOL</td>
<td>Cleaning services</td>
<td>Finland</td>
<td>5</td>
<td>No</td>
<td>Lithuania</td>
</tr>
<tr>
<td>G4S</td>
<td>Security solutions</td>
<td>Denmark</td>
<td>1</td>
<td>No</td>
<td>Latvia</td>
</tr>
<tr>
<td>Dussmann</td>
<td>Cleaning services</td>
<td>Germany</td>
<td>1</td>
<td>No</td>
<td>None</td>
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</tbody>
</table>

### Belarus

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Brand origin</th>
<th>Number of outlets in Belarus</th>
<th>Franchise</th>
<th>Presence in other target markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remondis</td>
<td>Waste recycling</td>
<td>Germany</td>
<td>1</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>Чистый свет</td>
<td>Waste recycling</td>
<td>Ukraine</td>
<td>75</td>
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<td>None</td>
</tr>
<tr>
<td>TDI GROUP</td>
<td>Advertising</td>
<td>Belarus</td>
<td>5</td>
<td>No</td>
<td>None</td>
</tr>
</tbody>
</table>
About Lithuanian Business Employers’ Confederation

Lithuanian Business Employers’ Confederation (LBEC) is a non-governmental, not-for-profit organisation. LBEC was founded on 24 April 1999, after the merger of two largest confederations representing small and medium enterprises (SMEs): Lithuanian Businessmen Employers’ Confederation and the National Businessmen Confederation.

Currently LBEC unites more than 1,800 companies and regional and sector business associations. It is the biggest organisation representing small and medium business in Lithuania. LBEC members are companies of various sizes, from sole proprietorships employing 1 or 2 employees to concerns having 3,000 employees. The Confederation unites companies engaged in various activity types, including foreign capital and State-owned companies and public institutions.

The goal of the Confederation is to strive for the creation of a favourable economic, legal, social, ethical environment to develop business in the country. By its activities LBEC aims at creating a democratic environment favourable for business development in the country that would encourage creating new jobs, pro-activeness and creativity in business, investment into Lithuanian economy, and guarantee investment safety. LBEC represents the interests of its members at Government agencies, organises trainings, and maintains contacts with organisations providing support to SMEs and with embassies of the Republic of Lithuania in foreign states.

About Belarus Republican Confederation of Entrepreneurship

Belarus Republican Confederation of Entrepreneurship (RCE) is the largest business confederation in Belarus. RCE was founded in 2007. The main founders of RCE were Minsk Capital Association of Entrepreneurs and Employers, regional business associations of Brest, Vitsebsk, Grodno and Mogilev and the Republican Trade Union.

Since the very beginning of its activities RCE is the largest business confederation in Belarus. Currently RCE unites the total of 143 national organisations: 92 companies of various sizes, 28 regional business and industrial associations, several education establishments, investment funds and other organisations.

The goal of the Confederation is to enhance business environment in Belarus for small, medium and big companies, promote citizens’ activity in entrepreneurship and economic development. RCE provide legal and business administration advice and training services to Belarus companies and organisations.

About the University of Latvia

The University of Latvia is one of the oldest and biggest science, vocational training and research institutions in Latvia and the entire region of the Baltic States. The University of Latvia was established in 1919, and currently operates in Riga, the capital city of the country.

Currently more than 15,000 students study there. The University consists of 13 faculties of different areas: Biology, Chemistry, Physics and Mathematics, Economics, Edurology and Psychology, Geography and Geology, History and Philosophy, Law, Medicine, Philosophy, Philology and Arts, Social Sciences, Theology. Students may choose from more than 130 state-accredited academic and professional study programmes.

The mission of the University of Latvia is to strive for further development of Latvia and its citizens. The University aims to provide higher education compliant with European standards through creative integration of various study fields, as well as promote international cooperation and foster the Latvian Language and culture.
The report has been prepared in the framework of project LLB-2-168 “Creation of franchising co-operation network in Latvia-Lithuania-Belarus cross-border region” (“F.A.R. Network”) funded by Latvia, Lithuania and Belarus Cross-border Cooperation Programme within the European Neighbourhood and Partnership Instrument. The project is implemented by Lithuanian Business Employers’ Confederation together with partners University of Latvia and Belarus Republican Confederation of Entrepreneurship. The aim of the project - to create conditions for greater involvement of franchising, as a business model, also application and establishment of a working network of organization, that cooperate on the development of franchising, while also promoting faster economic growth in these regions.

The Latvia, Lithuania and Belarus Cross-border Cooperation Programme within the European Neighbourhood and Partnership Instrument succeeds the Baltic Sea Region INTERREG IIIB Neighbourhood Programme Priority South IIIA Programme for the period of 2007-2013. The overall strategic goal of the programme is to enhance the cohesion of the Latvian, Lithuanian and Belarusian border region, to secure a high level of environmental protection and to provide for economic and social welfare as well as to promote intercultural dialogue and cultural diversity. Latgale region in Latvia, Panevėžys, Utena, Vilnius, Alytus and Kaunas counties in Lithuania, as well as Vitebsk, Mogilev, Minsk and Grodno oblasts take part in the Programme.

The Joint Managing Authority of the programme is the Ministry of the Interior of the Republic of Lithuania. The web site of the programme is www.enpi-cbc.eu.

The European Union is made up of 28 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

The contents of this publication are the sole responsibility of Lithuanian Business Employers’ Confederation and can in no way be taken to reflect the views of the European Union.