CHAPTER ONE
GENERAL PROVISIONS

Article 1. Purpose of the Law

1. This Law shall set forth the terms and conditions of investment in the Republic of Lithuania, the rights of the investors and investment protection measures for all types of investments.

2. The specific features of investment into commercial banks, other credit institutions, insurance companies and other undertakings engaged in financial activities shall be established by the laws of the Republic of Lithuania which regulate the activities of these undertakings and establishments.

Article 2. Definitions

1. “Investments” means the funds and tangible, intangible and financial assets assessed in the manner prescribed by laws and other legal acts, where they are invested in order to obtain from the object of investment profit (income), social result (in the areas of education, culture, science, health and social security as well as other similar areas) or to ensure the implementation of state functions.

2. “Reinvestments” means investments from the profit (income) obtained from investments in the economic entity in which the profit (income) was obtained.

3. “Investment” means the actions performed by an investor in the manner prescribed by this Law whereby the investor acquires the right of ownership of or the right of creditor’s claim against the object of investment or the right to manage and use the object.

4. “Investors” means the Republic of Lithuania and foreign states, international organisations, the legal and natural persons of the Republic of Lithuania and foreign states who invest, according to the procedure set forth in the laws of the Republic of Lithuania, own or
borrowed assets or the assets held and used by the right of trust.

5. “Strategic investor” means the investor with whom the Government of the Republic of Lithuania or an institution authorised by it concludes an investment contract in the manner laid down in this Law.

6. “Object of investment” means own capital of an economic entity, all types of securities, tangible fixed assets and intangible fixed assets.

7. “Economic entities” means the undertakings, establishments and organisations of all types and forms of ownership established in accordance with the procedure laid down by laws of the Republic of Lithuania.

8. “State priorities” means the basic needs of economic development, social and defence needs of the State as determined by the Seimas or the Government of the Republic of Lithuania.

9. “State Investment Programme” means the document defining the investment strategy of the State and providing for the funds necessary for implementing the investment projects of state-supported programmes, also the sources of financing and the time limits for the implementation of the said investment projects.

10. “Investment project” means a document substantiating investment objectives from the financial (economic), technical and social point of view, assessing the return on investment (commercial project) and other efficiency indicators, specifying the funds required for project implementation as well as sources and time limits of financing.

11. “Municipality investor” means an investor with whom the municipality concludes an investment contract in accordance with the procedure established by this Law.

12. “Green field” means a plot of land which is not built on (developed).

13. “Greenfield investments” means a type of investments made into construction for business purposes and equipment of a new facility from the ground up.

14. “Innovation” means creation and commercial application of new technologies, ideas, methods by offering to the market new or improved products and processes.

**Article 2 shall be supplemented with paragraphs 15, 16 and 17 as of 1 January 2010:**

15. “Public-private partnerships” means the ways of co-operation between a state or municipal authority and a private entity as specified by laws, whereby the state or municipal authority transfers to the private entity the activity assigned to its functions, while the private entity invests into this activity and the assets required for carrying it out and receives a remuneration therefor as specified by the laws. The forms of partnerships between the public and private sectors shall be specified by this Law, the Law of the Republic of Lithuania on Concessions and other laws.
16. “General government and private entities’ partnership” means a form of public-private partnerships whereby a private entity, under the terms and conditions specified in a general government and private entities’ partnership agreement, invests in the areas of activities assigned to the functions of a general government entity and the state or municipal assets required for carrying out the activities and pursues in those areas the activity specified by this Law for which the private entity is paid remuneration by the general government entity.

17. “General government entity” means, in compliance with decision of a municipal council, a municipal executive authority when the private entity is transferred the activity assigned to municipal functions; in compliance with decision of the Government of the Republic of Lithuania – an authorised state authority or agency when the private entity is transferred the activity assigned to central government functions.

**Article 3. Types of Investments**

1. Types of investments according to the investor’s influence over an economic entity:

1) direct investments – the investments aimed at establishing an economic entity and acquiring the capital of a registered economic entity or a share therein, also reinvestments, loans to economic entities the capital whereof is owned by the investor or in which the investor has a share in the capital, the subordinated loans where the objective of investment is to establish or to maintain long-term direct links between the investor and the economic entity into which investment is made, and the share in the capital acquired through investment grants the investor the right to either control the economic entity or to exert a considerable influence over it;

2) indirect (portfolio) investments – the investments where the share in the capital acquired through investment does not allow the investor to exert a considerable influence over the economic entity.

2. Types of investments according to the investor’s registered office (domicile):

1) domestic investments – the investments in the Republic of Lithuania made by the State of Lithuania, natural and legal persons of the Republic of Lithuania;

2) foreign investments – the investments in the Republic of Lithuania made by foreign states, international organisations, foreign natural and legal persons.

3. Types of investments according to the status of the investor:

1) state investments – the investments for meeting the needs of the State made using the national budget resources, state (municipal) fund resources, the loans obtained on behalf of the State of Lithuania (municipalities), funds of state-owned (municipal) enterprises and other state-owned (municipal) assets as well as the loan guarantees extended by the State (municipalities);

2) private investments – the investments made by the subjects of private property law of
the Republic of Lithuania and foreign states;
3) the investments made by foreign states and international organisations.
4. Types of investments according to the object of investment:
1) capital investments – investments in the creation, acquisition or increase of value of tangible and intangible fixed assets;
2) financial investments – all investments other than those specified in subparagraph 1 of this paragraph.

**Article 4. Methods of Investing**
Investors may invest in the Republic of Lithuania according to the procedure established by laws by using the following methods:
1) by setting up an economic entity, acquiring the capital of an economic entity registered in the Republic of Lithuania or a share therein;
2) by acquiring securities of all types;
3) by creating, acquiring fixed assets or increasing the value thereof;
4) by lending funds or other assets to the economic entities wherein the investor holds a share in the capital enabling it to control the economic entity or to exert a considerable influence over the economic entity;

**Version of subparagraph 5 before 1 January 2010:**
5) by implementing concession contracts and contracts of financial lease (leasing).

**Version of subparagraph 5 after 1 January 2010:**
5) by implementing concession contracts, contracts of financial lease (leasing) as well as general government and private entities’ partnership agreements.

**CHAPTER TWO**
**RIGHTS OF INVESTORS AND PROTECTION OF INVESTMENTS**

**Article 5. Rights of Investors**
1. Domestic and foreign investors shall be ensured, under this Law and other laws, a level playing field for operation. The rights and lawful interests of investors shall be protected under the laws of the Republic of Lithuania.
2. The investor shall have the right to manage, use and dispose of the object of investment in the Republic of Lithuania in compliance with the laws and other legal acts of the Republic of Lithuania.
3. The investor shall have the right, upon paying the taxes in the manner prescribed by the laws of the Republic of Lithuania, to convert into foreign currency and/or transfer abroad without any restrictions the profits (income) held by him by ownership right.

4. A foreign investor may make a monetary contribution into the economic entity’s capital under formation both in foreign and in the national currency of Lithuania.

**Article 6. Guarantees of Investors’ Rights**

1. State and municipal institutions and officials shall have no right to interfere with the management and use as well as disposal of by investors of the object of investment according to the procedure established by laws. Damage inflicted upon an investor by unlawful actions of state or municipal institutions and officials thereof shall be compensated according to the procedure established by the laws of the Republic of Lithuania.

2. Disputes over the infringement of the rights and lawful interests of the investor/investors shall be settled according to the procedure established by the laws of the Republic of Lithuania. Disputes between the foreign investor/investors and the Republic of Lithuania over the infringement of their rights and lawful interests (investment disputes) shall be considered, upon agreement between the parties, by the courts of the Republic of Lithuania, international arbitration bodies or other institutions.

3. Investment disputes shall also be settled with due regard to the provisions of treaties. In the case of investment disputes, the foreign investor/investors shall have the right to refer directly to the International Centre for Settlement of Investment Disputes.

**Article 7. Protection of Investment in the Event of Expropriation**

1. Expropriation of the object of investment shall be allowed only in the cases specified and according to the procedure set forth in the laws of the Republic of Lithuania and only for public needs, paying the investor/investors just compensation in the manner prescribed by the Government.

2. The amount of compensation for the object of investment taken shall be determined in accordance with the procedure established by the Law of the Republic of Lithuania on Basics of Property and Business Valuation and other legal acts and must correspond to the market value of the said object prior to the expropriation or prior to public declaration thereof, whichever happens earlier (hereinafter referred to as the “day of valuation”). Compensation must be paid in the national currency of Lithuania not later than within 3 months of the day of expropriation of the object of investment. Included in the sum of compensation shall be the sum of interest amounting to the arithmetical weighted average of the annual interest rate of the last calendar
quarter auctions of Government securities with maturities of up to one year, within the period from the moment of expropriation of the object of investment to the day of payment of the compensation (hereinafter referred to as the “period of delay”).

3. Upon the request of a foreign investor, compensation shall be paid in any currency for which London Inter Bank Offered Rate (LIBOR) is quoted. The sum of compensation shall be converted according to the official exchange rate of the litas against the foreign currency announced by the Bank of Lithuania on the day of valuation. The sum of compensation shall include the sum of interest amounting to the London Inter Bank Offered Rate (LIBOR) quoted for the appropriate currency on the day of receipt of compensation, calculated for the period the duration whereof is the closest to the period of delay. Compensation may be transferred abroad without any restrictions.

CHAPTER THREE
SPECIFIC FEATURES OF INVESTMENT

Article 8. Areas of Investment
1. Investments in the Republic of Lithuania shall be permitted in all lawful commercial and economic activities, subject to the restrictions established by this Law and other laws of the Republic of Lithuania.

2. Foreign investments shall be prohibited in the activities guaranteeing state security and defence (except for investments by the economic entities meeting the criteria of European and trans-Atlantic integration which Lithuania has opted for, provided this is approved of by the State Defence Council).

3. When investing in an economic entity under formation the activities whereof are subject to licensing under the laws regulating the appropriate sphere of activities, the economic entity must acquire a licence for its activities in accordance with the procedure prescribed by laws and other legal acts.

Article 9. Investment in Free Economic Zones
The specific features of investment in free economic zones shall be regulated by the Law of the Republic of Lithuania on the Fundamentals of Free Economic Zones as well as laws on the setting up of individual free economic zones.

Article 10. Investment by Acquiring Immovable Property
1. Investors in the Republic of Lithuania shall be entitled to acquire the right of
ownership of immovable property of all types.

2. The procedure for and terms and conditions of investment by acquiring the right of ownership of land by legal persons of the Republic of Lithuania and foreign legal and natural persons shall be established by the Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions of the Acquisition into Ownership of Land Plots Provided for in Paragraph 2 of Article 47 of the Constitution of the Republic of Lithuania.

3. Investors may take on lease the state-owned land plots according to the procedure set forth in the Civil Code of the Republic of Lithuania.

4. Foreign states shall have the right to acquire the right of ownership of land according to the procedure established by the Law of the Republic of Lithuania on the Procedure and Conditions of Acquisition and Lease of Land Plots by Diplomatic Missions and Consular Posts of Foreign States.

**Article 11. Investment in the Exploitation of Natural Resources**

Investment into the objects related to exploitation of the natural resources belonging to the State by the right of exclusive ownership shall be permitted under the Law of the Republic of Lithuania on the Underground and other laws.

**CHAPTER FOUR**

**STATE INVESTMENT POLICY**

**Article 12. State Investment Policy**

1. The State shall provide favourable conditions for private investments and ensure the efficient use of state funds earmarked for investments, seeking economic and social development of the State.

2. The State shall support investments in the ways specified in Article 13, where:

   1) the minimum amount of capital investments set in subparagraph 6 of paragraph 1 of Article 13 of this Law is invested in the means of updating and modernising technologies of prospective industry enterprises, improving the country’s ecological situation, developing small and medium-sized enterprises;

   2) greenfield investment is made;

   3) investment is made in buildings (structures) under construction which may not be completed due to a lack of funds or which become not needed by state (municipal) institutions due to a prolonged construction process (no longer fit for use according to the purpose for which they were intended);
4) investment is made in problem territories (the parts of the territory of the State with specific social and economic problems which meet the problem territory criteria defined by the Government);

5) investment is made in free economic zones, science and technology parks;

6) investment is made in innovations, the nuclei of knowledge economy – clusters (geographic concentrations of interrelated industries and institutions of a certain field).

3. Taking into account the parameters set by the Government of the Republic of Lithuania or an institution authorised by it, the State may allocate funds, grant loans and give loan guarantees for investments into the restructuring of sectors of the economy, bridging of economic and social disparities between separate regions of the country, job creation and mitigation of natural disaster effects.

**Article 13. Promotion of Investment**

1. Investment shall be promoted by the following methods:

1) investors shall be granted the tax incentives determined by appropriate tax laws;

2) personnel retraining costs shall be covered in part or fully in accordance with the procedure laid down by the Government of the Republic of Lithuania or an institution authorised by it;

3) the Lithuanian and foreign creditors who have granted loans for the implementation of investment projects shall be given state (municipal) guarantees according to the procedure established by laws of the Republic of Lithuania;

4) the repayment to banks of loans granted to economic entities for financing the implementation of investment projects may be secured by the guarantees offered by the guarantee institutions set up by the Government or the guarantees offered by insurance undertakings or by insurance of the loans;

5) the investment contracts which have a worth of at least LTL 200 million and meet the criteria set by the Government of the Republic of Lithuania, where they are concluded with strategic investors by the Government or an institution authorised by it by 1 September 2001, shall be implemented in accordance with the special terms and conditions of investment and business set in the said contracts;

6) contracts for the investment of not less than LTL 20 million or, in the districts where the unemployment level is above the national average officially announced by the Department of Statistics under the Government of the Republic of Lithuania, of not less than LTL 5 million and stipulating special terms and conditions of investment and business shall be concluded with investors by the Government of the Republic of Lithuania or an institution authorised by it.
according to the procedure established by the Civil Code of the Republic of Lithuania;

7) a municipality shall conclude contracts for investment in municipal infrastructure, production or service area which meet the criteria set by the municipal council. Special terms and conditions of investment, business or choice of a land plot shall be established in such contracts according to the sphere of competence of the municipality;

8) in the cases specified by laws of the Republic of Lithuania, state-owned land shall be leased to an investor without holding an auction;

9) the infrastructure shall be created (up to the boundaries of the land plot allotted to an investor) with the funds of the State (municipality) following the procedure established by the Government of the Republic of Lithuania or an institution authorised by it.

2. The methods of investment promotion shall be applied to the extent that this is not in contradiction of the EU legislation regulating provision of state aid.

Article 14. Regulation of State Investments

1. The state investment policy shall be formulated in the Programme of the Government of the Republic of Lithuania, state-supported programmes, the State Investment Programme and the Government Borrowing Programme, with due regard to the forecasts of the development of the economy and economic and social development of the Republic of Lithuania.

2. The State Investment Programme shall be drawn up for a period of at least 3 years. The Government of the Republic of Lithuania shall submit the State Investment Programme to the Seimas of the Republic of Lithuania for consideration and approval together with the Draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets of the appropriate year according to the procedure established by laws.

3. The Government of the Republic of Lithuania shall establish a procedure for planning, adjusting, using, accounting for and controlling the state funds earmarked for state investments.

Article 15. Treaties

1. Foreign investments in the Republic of Lithuania and investments abroad by the investors of the Republic of Lithuania shall also be regulated by bilateral and multilateral treaties of the Republic of Lithuania on investment promotion and protection as well as other treaties.

2. If a treaty ratified by the Seimas of the Republic of Lithuania establishes other terms and conditions of foreign investment in the Republic of Lithuania than those prescribed by this Law, the provisions of the treaty shall apply.

The Law shall be supplemented with Chapter Four\textsuperscript{1} as of 1 January 2010:
CHAPTER FOUR
INVESTMENTS BY CONCLUDING GENERAL GOVERNMENT AND PRIVATE ENTITIES’ PARTNERSHIP AGREEMENTS

Article 15. Concept of a General Government and Private Entities’ Partnership Agreement

1. Under a general government and private entities’ partnership agreement, a general government entity shall authorise a private entity to carry out the activities specified in paragraph 3 of Article 15 of this Law, to manage and use the state-owned or municipal assets required for carrying out these activities and shall undertake to pay to the private entity remuneration for the activities carried out, whereas the private entity shall undertake to carry out the activity specified in the agreement and ensure investments required for carrying out these activities and creating the assets required for carrying them out or for improving the condition of the assets transferred to it for management and usage.

2. The following may be parties to a general government and private entities’ partnership agreement:

2) a general government entity – the entities indicated in paragraph 17 of Article 2 of this Law;

2) a private entity – a legal person of any juridical form, a public legal person, with the exception of the public and private legal persons which, in accordance with the procedure laid down by the Law of the Republic of Lithuania on State Debt, are attributed to the general government sector, or a group of such persons which, whenever a general government entity takes a decision to conclude a general government and private entities’ partnership agreement, may be requested to take a certain juridical form. A private entity may also be a foreign legal person or another economic entity established in accordance with the law of a foreign state and not having the status of a legal entity, also the branches of the undertakings established in the Republic of Lithuania if these undertakings are established in the EU Member States and other states of the European Economic Area.

3. A general government and private entities’ partnership agreement must be executed in writing and concluded for a period of at least three years, but not exceeding 25 years in compliance with the Civil Code of the Republic of Lithuania, the Law of the Republic of Lithuania on Public Procurement, the provisions of this Chapter and other legal acts. Other provisions of this Law shall apply to general government and private entities’ partnership in so far as they do not contravene this Chapter.
Article 15. Principles and Peculiarities of Conclusion of a General Government and Private Entities’ Partnership Agreement

1. General government and private entities’ partnership shall apply when it ensures an efficient performance of state and municipal functions, meeting of public interest and is consistent with public needs.

2. Prior to taking a decision to enter into general government and private entities’ partnership for the purpose of carrying out of the activities specified in this Law, a general government entity must perform an analysis of these activities and justify by calculations the efficiency and possible shortcomings of such partnership. A general government entity must assess:

1) any risks related to activity transfer under general government and private entities’ partnership;

2) economic and financial aspects of general government and private entities’ partnership, by comparing the costs of general government and private entities’ partnership to the costs incurred when the activity are carried out in other available ways;

3) the benefit of general government and private entities’ partnership, by comparing it to the benefit obtained when the activities are carried out in other available ways, also possible damage and/or threats and their impact on public interest;

4) the legal status of the assets required for the carrying out of the activity stipulated in a general government and private entities’ partnership agreement, including a plot of land attributed to these assets.

3. Under a general government and private entities’ partnership agreement, the private entity may be granted the right to carry out the activities related to design, construction, reconstruction, repairs, renovation, management, usage and maintenance of infrastructure, newly created assets or the state-owned or municipal assets transferred thereto for management and usage, as well as provision of public services in the following areas: transport, education, health care and social security, culture, tourism, public order and public protection and other areas stipulated by laws and covering the activities and functions of a general government entity.

4. Within the period of validity of a general government and private entities’ partnership agreement, a general government entity may transfer to a private entity for management and usage by the right of trust under a property trust agreement or by the right of use under a loan-for-use contract the state-owned or municipal immovable property and other assets required for the carrying out of the activity stipulated in the general government and private entities’ partnership agreement, with the exception of land. The right of ownership to the state-owned or municipal assets transferred to the private entity for management and usage may not be
transferred. The private entity also may not use these assets for carrying out of the activity not stipulated in the general government and private entities’ partnership agreement.

5. Where a private entity undertakes to create new assets under a general government and private entities’ partnership agreement, these assets shall, upon the expiry of the agreement, be transferred by the right of ownership to the State or a municipality with the participation of a general government entity. When for carrying out the activity stipulated in the general government and private entities’ partnership agreement it is necessary to transfer to the private entity a plot of land attributed to state-owned or municipal immovable property or a state-owned or municipal plot of land required for creation of new assets, this land shall be leased to the private entity for the period of validity of the general government and private entities’ partnership agreement without an auction. The state-owned or municipal plot of land which is necessary, in accordance with the requirements of the general government and private entities’ partnership agreement, for the creation of the new assets or is occupied, under this agreement, by the newly created assets may not be sold or otherwise transferred to the private entity within the period of validity of the partnership agreement.

6. A private entity must, for the lifetime of an agreement, cover by insurance for the maximum property replacement value against all possible risks the state-owned or municipal assets newly created or transferred to it for management and usage under a general government and private entities’ partnership agreement.

7. Upon the expiry of the period of validity of a general government and private entities’ partnership agreement, the state-owned or municipal assets newly created and/or managed and used by a private entity under this agreement shall be returned to the State or a municipality with the participation of a general government entity. The quantitative and qualitative requirements for the condition of the assets to be returned must be stipulated in the general government and private entities’ partnership agreement.

8. The rules for public-private partnership projects’ development and implementation shall be approved by the Government of the Republic of Lithuania.

9. A decision with regard to general government and private entities’ partnership under which the State assumes liabilities exceeding LTL 200 million (including the potential civil liability arising under a general government and private entities’ partnership agreement) shall be taken by the Seimas of the Republic of Lithuania on the recommendation of the Government of the Republic of Lithuania.

10. The funds required for implementation of general government and private entities’ partnership investment projects shall be budgeted in compliance with the legal acts regulating
drafting, approval and implementation of the State and municipal budgets upon receipt of conclusions of the authorities responsible for drafting the State and municipal budgets.

11. The usage of the state-owned or municipal funds and the assets required for implementation of a general government and private entities’ partnership agreement, as well as transactions of conclusion of general government and private entities’ partnership agreements and implementation thereof shall be audited by state and municipal control institutions in accordance with the procedure laid down by legal acts.

12. Methodological and consultancy assistance in developing and implementing general government and private entities’ partnership projects shall be provided by a public legal person authorised by the Government of the Republic of Lithuania whose functions shall be specified by the Government of the Republic of Lithuania.

13. The services and works which are the subject of a general government and private entities’ partnership agreement shall be procured in compliance with the Law of the Republic of Lithuania on Public Procurement.

Article 15. Content of a General Government and Private Entities’ Partnership Agreement

A general government and private entities’ partnership agreement must specify:

1) the activity carried out by the private entity for the benefit of the public sector, the nature and scope of works performed and/or services provided;

2) sources of investments and the estimated amount of investments;

3) the period of validity of the agreement and a mechanism of its extension, if agreed upon;

4) the time limits within which the works indicated in the agreement must be completed, the mechanism of extension thereof, the time limit within which the provision of services must be commenced and the mechanism of extension thereof, if agreed upon;

5) the circumstances and conditions under which the general government entity may, for the purpose of ensuring a continuous supply of services and/or performance of works, temporarily take over and/or transfer to third parties the fulfilment of any obligation of the private entity (in case the agreement is implemented by a group of persons), where any person of the group implementing the agreement is temporarily unable to carry out this obligation under the agreement;

6) the right of the parties to the agreement to exercise their rights for the purpose of fulfilling the obligations under the general government and private entities’ partnership agreement and the terms and conditions of such exercise;
7) ways of securing the fulfilment of the private entity’s obligations;

8) the requirement for the private entity to conclude insurance contracts in respect of the state-owned or municipal assets transferred thereto for management and usage or newly created assets;

9) the private entity’s liability for fulfilment of third legal entities’ obligations, when third parties are engaged by the private entity in fulfilment of obligations under the agreement;

10) the rights of the parties to the agreement to assets, i.e., the terms and conditions of management and usage of the state-owned or municipal assets transferred to the private entity for management and usage, as well as the terms and conditions of transferring the private entity’s newly created assets into ownership of the State or a municipality;

11) qualitative and quantitative (suitability) requirements for the assets indicated in the general government and private entities’ partnership agreement and for the services provided;

12) risk sharing among parties related to their obligations stipulated in the general government and private entities’ partnership agreement;

13) the procedures for and terms and conditions of performance of settlements and payments among the parties to the agreement;

14) the civil liability of the parties to the agreement for a failure to comply with the binding terms and conditions of the agreement;

15) the right of the general government entity to control the carrying out of the private entity’s obligations, the agreement on the assessment of carrying out of the obligations and the information submission procedure;

16) provisions on the extraordinary events arising within the period of validity of the agreement;

17) the terms and conditions of amendment of the agreement, if the terms of tender provide for such a possibility, and its termination.

18) the procedure for settling disputes.

CHAPTER FIVE

FINAL PROVISIONS

Article 16. Recognition of the Law Regulating Foreign Capital Investment as Invalid

I promulgate this Law passed by the Seimas of the Republic of Lithuania.

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS