**Privatization process in Lithuania**

HISTORIC OVERVIEW OF PRIVATISATION PROCESS IN LITHUANIAprocess was launched in Lithuania in September 1991 and since then it has constituted an integral part of Lithuania's economic reforms. The entire privatization process may be divided into three major stages:

. The first stage covers the privatization that took place from September

1991 until July 1995. This phase may be called a mass privatization for vouchers with some elements of cash sales. The voucher method was chosen as the most effective way of transferring the ownership of the state- owned enterprises. The privatization of state assets in Lithuania during that phase has been based on the Law on Initial Privatization of State

Property passed in late 1991 and amended in 1993. As a result of that phase, Lithuania has become a country with a majority of the GNP generated in the private sector.

. The second phase of privatization started in July 1995 with the introduction of a new Law on Privatization of State and Municipal

Property. A State Privatization Agency and a State Privatization

Commission were established in late 1995 to administer the process.

According to the Law, the second phase will call for cash privatization of remaining state and municipal property at market prices. Local and foreign investors will have equal rights in purchasing the companies offered for the privatization in Lithuania. During the second phase of privatization the government will have to decrease its control in the sectors of economy generally recognized as the state monopoly through the cash sales. According to the Law on Privatization all bidders have equal rights in the privatization process. Previously existing concessions for the employees and management have been eliminated from the new Law.

During the second phase of privatization the amount of investment into

Lithuania was comparatively small. Investors had to lodge documents with many different institutions, and therefore the privatization procedure took some time. Individual ministries were not interested in preparation of objects for privatization. Besides, legally the former privatization institutions had no right to transfer obligations of enterprises to the purchasers because they were not real managers of enterprises.

. New laws of privatization and State Property Fund (SPF) were passed in

November 1997. According to the aforementioned Law restructuring

Lithuanian Privatization Agency established the SPF and other related to privatization and property management institutions. SPF holds in trust, uses, disposes and privatizes securities and other state-owned property transferred to it by the Government of the Republic of Lithuania.

There are several possible methods of privatization:

. public subscription for shares; . public auction; . public tender; . direct negotiations; . lease with an option to purchase; . transfer of the state or municipal control of an enterprise controlled by the state or municipality.PHASE OF PRIVATISATION, 1998 TO DATE

A new, amended privatisation law has been approved in the Seimas recently, November 1997. The law amends the current privatisation law. The proposed changes into the law are following: i) to establish the State Property Fund (SPF) as the successor to the enterprise founder found in the current law; ii) to bring certain procedures of the current law into line with operation of proposed SPF and; iii) to do technical changes (but not substantial) to the current law.

The key policy change, proposed by the new law, is the replacement of the role of enterprise founder and many of responsibilities of the Privatisation Agency by the SPF. SPF holds in trust, uses, disposes and privatises state-owned property. As time showed, the branch ministries had too many conflicting policy objectives and wished to keep enterprises that the Government has decided to sell, so, in brief, privatisation process by new law is made less bureaucratic. The SPF co-ordinates the privatisation process in Lithuania and directly organizes privatisation of largest state- controlled entities in industry and infrastructure. Privatisation of these enterprises is carried out through transparent competitive procedure of international tenders prepared and executed by internationally renowned advisors and arrangers. First of all, public tender is announced to prepare the privatisation program for the company by retaining a leading adviser. During the tender, consultants having an extensive experience of privatisation in the relevant sector are selected to prepare an attractive privatisation program and provide financial, technical and legal advice for the Government of Lithuania concerning the enterprise to be privatised. When the program is to be approved by the Privatisation Commission and the Cabinet of Ministers a tender is to be announced for the privatisation of the company where the object shall be sold.

Recently Public Limited Companies Lithuanian Telecom ("Lietuvos Telekomas") and Hotel Lietuva (Vie?butis "Lietuva") have been privatised. Privatisation of these enterprises is carried out through transparent competitive procedure of international tenders prepared and executed by internationally renowned advisors and arrangers. For the enterprises which have a strategic importance to the Lithuanian economy, the Government has devised a special procedure of two stages for their privatisation and some of them are already privatised. Public Limited Companies Lithuanian Telecom (Lietuvos Telekomas) has been purchased by the strategic investor - Consortium "Amber Teleholding" of Sweden "Telia" and Finnish "Sonera". The Government accepted sale option of 60 per cent shares. In the energy sector, the oil refinery AB "Ma?eikiu Nafta" is also being prepared to privatisation. Using the International tender, a consortium of financial and other advisors, led by Banque Paribas, has been selected as the winner of tender. At the moment it is under the negotiations with potential investors. The Government of Lithuania is also privatising two airlines: "Lietuvos avialinijos" and "Aviakompanija Lietuva". Recently, the companies have been consolidated so that "Aviakompanija Lietuva" became a subsidiary of a major airline. The privatisation of the company is foreseen in 1999.

Privatisation of these entities is expected to achieve the following goals:

) to increase the efficiency of management and operation by introducing new technologies, investing additional funds and exploiting the experience of investors in the relevant area; 2) to promote the development of enterprises and markets; 3) to liberalize monopolistic markets.

Institutions taking part in the privatisation of strategic objects are as follows:

) the Property Fund, the role of coordinator; prepares companies for privatisation and carries out the technical work, 2) the Privatisation Commission is responsible for the approval of final decisions and control of the privatisation process. 3) International tenders for privatisation of strategic objects are carried out by specially appointed Public Tender Commissions for the sectors of energy, transport and telecommunications.

Public Tender Commissions determine the criteria for the preparation of privatisation programs based on the Government policy as well as practice and experience of other countries. The main priorities of privatisation include not just maximising the revenue from the privatised objects, but also attracting potential investors and their contribution to Lithuania. Privatisation of the largest objects in Lithuania is carried out in an open, transparent, efficient and rapid manner.:

I. Lithuanian Development Agency. Website: http:\\www.lda.lt II. ''Lietuvos Rytas" Nr. 8 (360)/ 1999 m. sausio 30 d; " Valstyb?s turto fondo veiklos ap?valga". p.16; III. Republic Of Lithuania Law On The State Property Fund.

Website:http:\\www.lrs.lt