



LIETUVOS RESPUBLIKOS ŽEMĖS ŪKIO MINISTERIJA
MINISTRY OF AGRICULTURE OF THE REPUBLIC OF LITHUANIA

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CONCERNING PRIVATIZATION IN THE REPUBLIC OF LITHUANIA

Dear Mr Kldiashvili,

After nearly half of a century long dependence on the Soviet Union and its planned economy, Lithuania regained its independence in 1990 and immediately started a process of reforming its economy. During the shortest possible time, the state made all the efforts to transfer government property to private business and transit its economy to a Western-oriented free market economy model. To reach the goal a certain type of government property privatization was chosen, and during a rather short period mass privatization allowed creating a private sector which was actively functioning and was guiding to the principles of free market economy. In comparison with Western European countries the Lithuanian path is different in pace, degree, methods and other indicators. Actually, the reason behind choosing such a type of privatization was the need to safeguard irreversibility of reforms. In terms of the main features, privatization usually consists of two stages in Lithuania. According to the means of dominant payment for privatized objects they are divided into privatization for investment checks (in 1991–1995) or the first privatization stage, and privatization for cash (starting from 1996).

In Lithuania privatization process was regulated by several laws and a large number of Government resolutions and other legal document, such as Law on Primary Privatization of State Property; Law on Privatization of Property of Agricultural Enterprises and others. A significant part of the mass privatization took place in the agricultural sector. About 1,160 state companies,

formerly known as "kolchozes", were privatized under the Law on Privatization of Agricultural Enterprises. The second phase of privatization started in July 1995, when the Parliament adopted the Law on the Privatization of State-Owned and Municipal Property. The second phase was different from the first one in that state-owned and municipal property was sold for cash to natural and legal persons under market conditions and in that local and foreign investors had equal rights in the privatization of state-owned and municipal property. The sale of land began in 2001. After privatization around 20% of Lithuania's agricultural enterprises remained largely unchanged; they were now Agricultural Companies or Joint Stock Companies but they were little different in terms of corporate governance. Certainly agricultural structures and relations did not undergo serious changes. In the process of privatization and land reform 6,000 new enterprises were registered in rural areas. These enterprises merged rather than split into smaller ones, mainly because they could not survive alone.

The State of Lithuania is an important shareholder or owner of various enterprises, controlling the largest share of commercial assets in the country (with a market value of 13.5 billion LTL as of 2011). State-owned enterprises (SOEs) create a large economic value and significantly contribute to the economic development of the whole country, as well as to the implementation of important strategic projects. Moreover, it is the property of the State, which means it is the property of all the Lithuanian taxpayers. In 2010, the SOE reform commenced with the goal of making the State a professional and responsible owner of these enterprises, actively seeking a more efficient performance of SOEs. In July 2010, the Government approved the Transparency Guidelines, which set higher accountability standards for all state-owned enterprises. The Ministry of Economy was set responsible for supervising the implementation of the Transparency Guidelines, as well as for preparing the reports summarizing the SOEs performance results. In 2011, a new team was established in the Ministry of Economy with the tasks of supervising the Transparency Guidelines, preparing aggregated interim and annual reports, as well as contributing to the formulation of the SOE reform.

In June 2012, the Government approved the Guidelines for Implementation of Right of Ownership (Ownership Guidelines), which described the establishment of the SOE monitoring and governance coordination unit – Governance Coordination Center. The Guidelines also described the criteria for competence and independency of SOEs' boards, as well as setting and achieving the SOE goals of highest levels. In 2012, Governance Coordination Department was established in the State Property Fund.

Nowadays the government manages some of the agricultural enterprises. The Ministry of Agriculture of the Republic of Lithuania manages 19 SOEs, for example ministry is the founder of State enterprise Pieno Tyrimai which is an accredited central laboratory of milk testing in Lithuania.

It performs all the compulsory composition and quality testing of purchased cow milk for payment purposes as well as all the necessary testing of raw milk for dairy herd improvement. State Enterprise Lithuanian Agricultural and Food Market Regulation Agency (or the Market Regulation Agency) was established in 1998 to administer Lithuanian agricultural and food market regulation and export promotion measures. In 2001, a separate structural unit of the Agency was established to promote exports of Lithuanian agricultural and food products. Since the accession to the European Union in 2004, the scope of activity of the Market Regulation Agency has become broader. The Agency is responsible for payment authorization of European Agricultural Guarantee Fund expenditures for agricultural market intervention and aid schemes.

Yours sincerely,

Andrius Burlėga
Director of the Law Department acting as Chancellor of the Ministry

