. LITHIUANIA

This compilation was prepared on the basis of the OLIS Document CCNM/BALT (2000) 6
Abstract :« Baltic Regional Programme- Privatisation, Governance and Restructuring of Enterprices in the Baltics by Niels Mygand «

TABLE OF CONTENTS

(Original arrengement)

Boxes

PRIVATISATION, GOVERNANCE AND RESTRUCTURING OF ENTERPRISES IN THE BALTICS

by Niels Mygind[1]

1. Introduction

1. The experience in Eastern Europe shows that there is a clear connection between the different methods of privatisation and resulting ownership structures in privatised enterprises. Ownership structure here refers to the distribution of ownership rights held by different groups of owners / stakeholders in relation to the enterprise. Different stakeholders - including managers, other employees, domestic persons, domestic non-financial enterprises, domestic financial enterprises and foreign enterprises - often have quite different objectives. In addition they possess different resources, such as capital, technological knowledge, management knowledge, and access to networks.

2. In this paper emphasis will be put on insider ownership which can be divided in management ownership and employee ownership when owned by a broad of employees. Both management and employee ownership have been important elements in the development of new ownership structures in the Baltic countries. At the same time insider ownership has been taken as an obstacle for restructuring of enterprises (Carlin and Landesman, 1997; Pohl *et al.*, 1997, Frydman *et al.*, 1997). We will also put emphasis on the development of foreign ownership, which, in contrast to insider ownership, has been taken as a guarantee for restructuring, because foreign investors have strong resources of capital, management and technological skills, as well as access to international supplier and distribution networks.

3. The rights in relation to the enterprise are not only derived from ownership of enterprise assets. In addition we need to take account of the role of legislation, giving other types of rights to different stakeholders. The development of legislation and enforcement of company code, rules on trade of ownership rights, bankruptcy legislation etc. often play important roles in influencing for the distribution of rights and thus for the development of corporate governance.

4. The ownership structure of given enterprises is determined by the privatisation methods interacting with the specific conditions in the enterprise (size, capital-intensity etc) and the resources of the potential new owners. Privatisation will often favour a special group of stakeholders, and this group might or might not want to exchange these rights with another group of stakeholders. Such a change of ownership depends on the possibilities and conditions for trading - on the development of the market for ownership. The capital market plays an important role in this context. Some methods of privatisation can help to develop the stock exchange by developing the regulatory framework and by boosting the trading of vouchers and shares on the stock exchange.

5. The institutional framework, legislation on registration of ownership, the development of the stock exchange, the transparency and quality of information of enterprise performance are important elements behind the change of ownership after privatisation. Some groups who have acquired shares because of special preferential opportunities might want to change their portfolio. The possibilities of

1. Copenhagen Business School, Center for East European Studies. This paper was written as a background document for the preparation of the OECD Economic Survey "Baltic States: A Regional Economic Assessment" (OECD, 2000). The opinions expressed in the paper are those of the author and do not reflect necessarily the positions of the OECD or its Member countries.

change thus depend on their preferred portfolio composition and on the possibilities for making this adjustment. This paper will include an analysis of the change in the distribution of ownership after privatisation.

6. The governance structure is a question about who takes the decisions and what are the incentives for different groups to supply their resources and effort in improving the efficiency of the enterprises. The test of how the governance structure is functioning is the economic performance of the enterprises. In the context of transitional economies it is of special interest to evaluate their progress in restructuring the enterprises - to develop new products, production methods and markets. In this paper we will not make a deep analysis of restructuring, but summarise the preliminary results on our data for the three Baltic countries.

7. The structure of the paper is as follows. In the next three sections we will describe the privatisation process in each of the Baltic countries. The process is divided into different stages dominated by different privatisation methods. We will show how these different methods have resulted in different ownership structures in each stage. These descriptive sections end with comparative overviews also including the main elements in the institutional framework for corporate governance. In the following sections for each country we will analyse the resulting ownership structures, how these structures have changed after initial privatisation, and finally present findings on the relationships between ownership and economic performance.

4. The privatisation process in Lithuania

4.1. Stages of privatisation - organisation and legislation

68. The privatisation process in Lithuania has been very different from the development in Estonia and Latvia. In the first years of transition, privatisation was much faster and more comprehensive. In fact, the first part of privatisation 1991-95 in Lithuania was one of the fastest in Eastern Europe. Vouchers and employee-ownership had a more important role, and direct sale and foreign investment had only a negligible role in this stage. The policy put much more emphasis on the interests of the workers. The main explanation behind this development lies in the fact that non-titular Lithuanian groups played a limited role. Nearly the whole population was united in the fight for independence. Once this fight was won, the nationalist parties had a much weaker position than it was the case in Estonia and Latvia, and economic problems and questions concerning distribution were in the focus of the political debate. The workers were politically stronger, because they were not split in a Lithuanian and a Russian-speaking group. The independent Lithuanian communist party had a quite strong position in the parliament of 1990 to 1992, and the victory of its successor, the Democratic Labour Party, at the election in 1992 shows the strength of left wing political forces.

69. The economic reforms were planned well a head of the full independence after August 1991. In fact, already in the spring of 1990 Lithuania was acting as an economic independent unit - and was blocked by USSR. This means that the period of early privatisation was very short in Lithuania. The main privatisation - the LIPSP programme started up already in September 1991. The Department of Privatisation in the Ministry of Economy monitored the process, a central privatisation commission approved the overall plans, local commissions approved many of the detailed plans, and local privatisation offices conducted most sales. Vouchers played an important role and the privatisation was made quite fast without major changes in the framework, but with some adjustment in e.g. employee shares.

70. The LIPSP-programme was from the start planned to finish already after one year, but the programme was extended to September 1994 and then again to June 1995, when it was finished after having fulfilled most of the planned objectives, see below.

Box 3. Lithuania - stages of privatisation - organisation and legislation

Organisation:

First stage: February 1991-June 1995 - LIPSP-programme

Department of Privatisation, Ministry of Economy - monitored

Central Privatisation Commission - approved privatisation plans

local municipalities and founding ministries - prepared entities for privatisation

Second stage: July 1995 - December 1997 - decentral privatisation for cash

Founding ministries - prepare enterprises for privatisation, chose methods etc.

Lithuanian Privatisation Agency - implements

Parliamentary Privatisation Commission - approves

Third stage: from January 1998 - centralised privatisation for cash

Centralisation of the functions as founder and administrator in the State Property Fund (SPF),

Parliamentary Privatisation Commission - final approval

Strategic objects for international tender carried out by sector specific Public Tender Commissions and Ministry of European Affairs

Legislation:

April 1990 - Law on accumulation of Employee shares up to 10 per cent of the capital

October 1990 - Insiders in leased companies can convert leasing-fees to shares

February 1991 - Law on the Initial Privatisation of State Property (LIPSP)

October 1991 - Government decree legalising investment funds

April 1992 - LIPSP amendment - employees priority to buy 30 per cent of shares

September 1992 - Accumulated profits can be used for shareholder shares

January - 1993 - LIPSP amendment - employees priority to buy 50 per cent of shares

June 1995 - LIPSP officially ended, remaining vouchers usable for a few items

July 1995 - Law on the Privatisation of State-Owned and Municipal Property
July 1995 - Law on Investment Companies (strengthening regulation)

February 1997 - announcing case by case privatisation of 14 large companies

July 1997 - Law on investment companies (strengthening regulation)

November 1997 - new Law on the Privatisation - SPF

71. After the end of the LIPSP-programme followed a period with lack of clarity and some political turmoil. The second stage did not officially start before one year later. In this stage, leftovers from LIPSP and some of the very large companies including public utilities and infrastructure enterprises were planned to be sold. The Lithuanian Privatisation Agency (LPA) was established to administrate and implement this privatisation for cash, but except for this the organisation was not radically changed. The founding ministries still had an important role to prepare the objects for privatisation. However, now they had more scope in relation to the time and methods for privatisation and the result was almost a stand-still in the privatisation process.

72. This was the background for the change in organisation in the end of 1997 by establishing the State Property Fund. SPF replaced LPA and at the same time SPF took over the role of the founding enterprises. In this way, SPF to a high degree got the same authority as the sister organisations in Estonia and Latvia. However, the responsibility for the implementation of some of the largest privatisations oriented towards international investors was given to the Ministry of European Affairs.

4.2. Early privatisation in Lithuania

73. The new cooperatives were not so widespread in Lithuania as in the other Baltic Countries. In 1990 they made up around 4500 enterprises with about 5 per cent of the total workforce. Because they were not included in the official legal forms in the enterprise law from 1990, they were transformed into other legal forms of partnerships and closed Joint Stock Companies (Mygind, 1995 p. 264).

74. The first privatisations were in the form of transfers of shares of leased enterprises to employees according to a resolution of October 1990. The amount transferred was the sum of the leasing fees paid, plus delayed wage payment invested in production plus part of social funds. Almost 60 enterprises were included in this programme. Another early transfer to employees was included in a law from December 1990. Enterprises with capital exceeding a certain amount could sell up to 10 per cent of their capital to employees. Part of this could be paid by vouchers. 50-60 per cent of state enterprises used this method in the start of privatisation until July 1991, when another programme started (Frydman *et al.* 1993).

4.3 First stage privatisation - the LIPSP-programme

75. The cornerstone in the fast privatisation in Lithuania was the voucher scheme. The Law on the Initial Privatisation of State-owned Property (LIPSP) was passed in February 1991 at a time when the result of the fight for independence was far from clear. The privatisation plan was one of the elements in the fight for independence in Lithuania. The scheme signalled determination in the struggle for economic self-management. It included privatisation of enterprises formally owned and controlled by the central authorities in Moscow. The vouchers and the cash quotas, described below, were given only to residents.

This made an effective barrier for a flow of roubles from the rest of (former) Soviet Union to join the privatisation process.

76. The Czech discussion and plans probably inspired the voucher scheme, but the Lithuanians were the first to implement the system. The vouchers were distributed in April 1991; the sale of enterprises started in September 1991 and investment funds were approved in December 1991 at the time when the Czech-voucher system took off. The distribution of vouchers was dependent on the age of the citizens. People 35 years or older received a face value of 5000 Roubles. People younger than 18 years received 1000 Roubles, and between these groups the amount was stepped down from 5000 to 1000 Roubles. The voucher rights and all the transactions were recorded in special accounts in the public Savings Bank. The nominal amount was re-valued several times increasing the nominal value of the vouchers to compensate for inflation and the revaluation of the assets to be privatised. The account system was made to control the limited allowed transferability of vouchers. It was only allowed to transfer vouchers to relatives, but later it was also possible to use voucher in exchange for outstanding loans in housing, and there was made a loophole in relation to investment funds. In reality there were some official trading of vouchers. Up to the end of 1997 the State Property fund has registered a turnover of 421 million Lats of vouchers, or around 4 per cent of the distributed vouchers. The price was even higher than the nominal value in the start of the process in 1992. This fact reflects the policy of limited use of cash. The turnover peaked in 1993 with around 200 million Litas. Later the market price of vouchers fell in relation to the indexed nominal value. In the second half of 1994 it was only 7-8 per cent of the nominal value indicating the uncertainty about whether the remaining vouchers could be used for buying assets after the termination of LIPSP. When it was clear that the unused vouchers still had some limited use the price stabilised around 10-13 per cent in 1995-97 (based on information from SPF).

77. Many investment funds were established on private initiative in the autumn of 1991, and the law was amended in December 1991 to legalise their functions. People could invest their vouchers in the funds. In return, they got shares in the funds. The funds invested the vouchers in different firms. Investment-fund-shares could be sold for cash. The funds were most active in 1992-93. In March 1994, about 33 per cent of the privatised capital was owned by Investment Funds According to Lee (1996) around 400 funds were established in relation to the LIPSP privatisation. Around 300 funds were formed to purchase single enterprises, insiders pooling their shares to acquire control with the company, 60-70 funds having diversified ownership and the remaining 30-40 having sizeable capital and up to 25000 shareholders. According to Semeta (1996) 308 investment funds participated actively in the privatisation of 1092 enterprises and acquired assets worth of 1586 million Litas - book value 737 million Litas or 21 per cent of the total book value of privatised assets.

78. A law on investment companies was passed on July 1995, strengthening the regulation on auditing, reserves etc. and requiring the funds to get a license either as a mutual fund or a holding company. The deadline was 1 July, 1997 and most of the investment funds did not fulfil the requirement. By the end of 1998 there were only 22 investment companies left with a total of 228 million Litas worth of shares (Latvian Statistical Department, 1999). It is not clear to what extent equity has been channelled back to the original voucher owners, or to what extent the investment funds has been used for “tunnelling” assets to enterprises owned by the people controlling the investment funds.

(Table 8. The use of vouchers in the LIPSP-privatisation - by July 1995)

79. The vouchers could be used both in the auctions for small enterprises, in share subscriptions for large enterprises, and in privatisation of housing. The assets were sold for a combination of cash and vouchers. The cash quota connected to the vouchers set a limit for how much cash a person could use to bid on the assets to be privatised. The cash limits were softened, when existing tenants bid on their apartment, or when enterprises were not sold in the first auction. On February 1994, about 30 per cent of the vouchers

were still not used, and it was discussed what to do with the remaining vouchers. In the law, it was stipulated that the vouchers not used for buying assets would be converted to state bonds at the end of the planned privatisation period. However, such a solution would be very expensive for the state budget. Instead, it was decided to move the deadline to July 1995 and prepare the remaining firms for privatisation. After the deadline, still around 7 per cent of the vouchers were not used. They were not terminated, but had still some limited use in acquiring plots of land and housing.

80. Under LIPSP employees had the opportunity to buy a certain percentage of the shares in the first round at concessional rates before most of the remaining shares were sold in public offerings in later rounds. This percentage of shares available for employees was increased from 10 per cent in 1991, to 30 per cent in 1992 and to 50 per cent after the labour party took over the government in early 1993. Employees could use vouchers as well as cash to buy shares. The price paid in the first round was usually below the market price. Moreover, because of only partial indexation of the price of the assets and the value of the vouchers, the advantage of employees increased over time (Martinavicius, 1996). This system made it possible for employees to obtain a considerable part of the ownership even in large enterprises with relatively high capital-intensity. The 20 per cent extra shares reserved for employees after 1993 initially did not have voting rights, but later it was made possible for the general meeting of the enterprise to convert these shares into normal voting shares.

81. Contrary to the case in the other Baltic countries, the advantages for employees in small privatisation was usually smaller than in large privatisation because small enterprises were mostly sold in public auctions.

82. Programs for sale of state-owned enterprises to foreigners were introduced already in 1992, but until 1995 this programme was used only in a limited number of cases. Also, little use was made of restitution of industrial enterprises to former owners. Hence, employee ownership was an important element in the privatisation process, especially in large enterprises. The LIPSP programme did not formally include special preferences for employees in small privatisation, but because of inside information and access to resources for purchase in the form of vouchers, insiders also had a relatively strong position in the privatisation of small firms. It should be noticed that although small privatisation included around half of the 6000 enterprises to be privatised in the LIPSP programme, the small enterprises only covered a small percentage of the total assets and the total number of employees, see Table 9.

(Table 9. Employee-owned share of privatised capital - LIPSP million Litas)

83. Data from the Privatisation Department in the Ministry of Economics clearly show the spread of employee ownership over time in Lithuania. Soon after the start of privatisation, at the end of 1992, employees had got a relatively small part of total privatised equity and 67 per cent of enterprises had no employee ownership. Note, that this figure do not include the earliest insider-take-overs of shares which were formally outside the LIPSP-programme. In just two years there was an astonishing change. By 1994 fewer than 5 per cent of the privatised firms in the LIPSP programme had *no* employee ownership and the percentage of enterprises where the majority of *privatised* assets were taken over by employees increased from 3 per cent in 1991-1992, to 65 per cent in 1993, and to 92 per cent in 1994-1995. These developments reflect the massive increase in support for employee take-overs. However, in most of the enterprises the state kept some equity.

84. Small privatisation of enterprises with a book value below a certain amount was done by auction, where vouchers and cash quotas could be used. There were special conditions to secure the continuation of the current activity for at least three years, and lay-offs of employee were restricted to max 30 per cent in the same period. By August 1992, 1300 small enterprises were privatised by October 1994 the number was 2498, and in July 1995 it was 2727 (Ministry of Economics).

85. In the normal procedure for privatisation the enterprise initially made a privatisation plan that should be approved by the Central Privatisation Commission often represented by Privatisation Committees of regional governments. In most cases, 89 per cent of the shares were for sale. The initial offer for the first round was based on the book value re-valued by some inflation parameter. If the bids did not hit the price within an interval of 10 per cent, the price was regulated up or down, and a new round of bids took place.

86. It was most difficult to sell the large energy intensive enterprises in heavy industry with close relations to the former Soviet Union. There were attempts to break them up into smaller units, and part of them was put on sale for foreign currency. In August 1992, a list of 114 state-owned enterprises/objects for unrestricted sale for foreign currency were published. By July 1995 the list had been reduced to 71 enterprises. Out of these 48 was sold for 28 million Litas of which only 4 were sold to foreign investors. This type of privatisation was relatively slow and foreign sales were negligible. In fact, since the Litas were convertible in the latest years it would be more correct to call this part "privatisation for cash". It is interesting to note that it was not mainly the Labour Party, but the conservative opposition who resisted sale to foreigners. This especially concerned enterprises considered to be of strategic importance. The opposition feared Russian take-overs. Therefore, they resisted strongly liberalisation of foreigner's right to buy land. The opposition was for some years able to bloc changes because liberalisation in this field needed a constitutional two-thirds majority. However, the legislation was a barrier for further integration into EU, and in the end of 1995 a parliamentary committee agreed about giving rights to buy land for foreigners coming from states that were OECD members in 1989 (Baltic Independent, Dec 15, 1995).

87. By July 1995 the Ministry of Economics estimated the total number of state enterprises before privatisation to 8177 with a total book value of 13547 million Litas, (measured in 1995 Litas). Of these had 6698 enterprises with a total book value of 9853 million Litas been presented for privatisation. 5740 were included into the privatisation programme, and many of these were not planned to be 100 per cent privatised. Planned for privatisation were only book value of 4849 million Litas. Included in LIPSP with sale mainly for vouchers were 2936 large enterprises with 6145 million Litas of total capital and 2727 small enterprises with 79 million Litas of capital. Parts of 15 (12) large enterprises with capital of 499 (360) million Litas were put on special tender where vouchers could be used.

(Table 10. Overview over LIPSP-small and large privatisation)

88. Out of the enterprises for sale there were already in the end of 1992 sold 57 per cent of the small and 38 per cent of the large enterprises. By 1993 the numbers had increased to 70 per cent and 62 per cent, and by 1994 the numbers were 76 per cent for small and 75 per cent for large enterprises. This testifies a very fast privatisation process. According to the Ministry of Economics by the end of LIPSP all 2727 small enterprises and 2926 or 99 per cent of the large enterprises included into LIPSP had been privatised. By the end of the LIPSP-period July 1, 1995 83 per cent of the capital to be privatised had been privatised. This covered nearly 100 per cent in construction and services, 91 per cent in industry, but only 31 per cent in transport and public utilities. Out of the total amount of vouchers 7 per cent had been unused, 64 per cent had been used for payment of shares in enterprises, 19 per cent for privatisation of apartments and 9 per cent for land and agricultural entities (Ministry of Economics).

89. In this stage of privatisation Lithuania had the lowest level of foreign investments in the Baltics both in absolute and especially in relative terms. Foreign investment in Lithuania accumulated at the end of 1995 was 228 million USD distributed on 5018 units. Of these were 70 per cent joint ventures and 30 per cent wholly owned by foreigners. The largest investor countries were UK, Germany and USA. Russia accounted for only 4 per cent of FDI (World Bank 1996).

4.4. Second and third stage of privatisation in Lithuania - 1995-1998

90. After the termination of the voucher privatisation Lithuania established in the end of 1995 a Privatisation Agency which should implement the privatisation of the remaining assets for privatisation. That was mainly: residual shares, public utilities and infrastructure companies. The process was based on a new law from July 1995 on Privatisation of State and Municipal Property. The law delegated significant powers to the so-called founders of enterprises, in most cases line-ministries or local municipalities. They should prepare a list of companies to be privatised, sometimes after certain restructuring and they should propose the privatisation methods, which could be auction (small enterprises), public subscription of shares (small and medium), tender (medium and large), lease with option to buy and direct negotiations. No vouchers were involved in this new stage of "privatisation for cash".

91. In 1996, the government approved a new list of 454 objects with 835 million Litas of state capital to be privatised. Later the list was extended to include 1114 entities with state capital of 1.5 billion Litas. The value of state-owned shares varied from a few percent to 100 per cent. In 1996, only 47 small blocks of residual shares were privatised for a total price of 3.2 million Litas. The process accelerated in 1997 to include 272 entities for 82 million Litas. In 1996 and 1997 nearly all privatisations were done by public auction, Table 11.

92. In February 1997, the new Lithuanian government announced the privatisation of 14 major state enterprises in communication, energy, airlines, shipbuilding with a total of 2.3 billion Litas of state capital and 10791 employees. The Ministry of European Affairs should manage this part of the privatisation.

93. In December 1997 a new law on privatisation came into effect starting the third stage of privatisation in Lithuania. The authority was centralised in the Lithuanian Property Fund (LPF), which both took the function as founder and as administrator of privatisation. The Property Fund in this way has similar functions and authorities as the privatisation agencies in Estonia and Latvia.

94. The sale of state-owned property accelerated in 1998. The biggest deal was made for Lithuanian Telecom with 60 per cent of the shares sold to the Telia-Sonera consortium. The Swedish/Finnish group paid 2.04 bilion Litas (510 million USD) and guaranteed investments for 884 million Litas. This privatisation makes up 88 per cent of the total selling price for the period 1996-1998 so in this way foreign investors clearly dominate the privatisation in the second and third stage. Also some of the other large privatisation were sold to foreign owners including two shipyards, some sugar factories, and the largest hotel in Vilnius sold to Danish and Norwegian investors (revenue around 50 million USD). The privatisation method for minority holdings continued to be public auctions, but the remaining larger enterprises were sold by tenders or direct negotiations as was the case with Lithuanian Telecom, see Table 11.

95. By the end of 1998 the government had approved a list of over 2000 entities with state capital to be privatised. However, only around 200 of these enterprises were majority controlled by the state.

(Table 11. Second and Third stage privatisation in Lithuania)

96. The commercial activities of The Bank of Lithuania were transferred to the State Commercial Bank in September 1992. As in the other Baltic countries in a number of private commercial banks grew up. A banking crisis 1995/96 was followed by a strengthening of regulation and a fall in the number of banks. There were still three large state-owned banks including the Agricultural bank and the Savings Bank which was the main deposit bank for individuals. The state tried to privatise the Agricultural-bank in 1998. The State Commercial bank was merged with the Savings Bank planned to be privatised in 1999. By 1998 there were 10 banks of which 2 state-owned and 4 foreign owned.

8. Results of privatisation - Lithuania

8.1. The ownership structure after privatisation

171. The following presentation are based on a small data-set of around 350 enterprises in manufacturing with detailed ownership data 1994-1996 and around 150 enterprises in construction and trade with data for 1995-96 (Jones and Mygind 1998). Furthermore, we have a large data-set of 6-7000 enterprises for 1996 and 1997 with some ownership information. We have financial information for all these enterprises collected by the Statistical Department of Lithuania. The data do not distinguish between private new-started and privatised enterprises. The data covers mainly enterprises with 20 or more employees. We assume that most of the large private enterprises are privatised.

172. The first ownership survey, undertaken in July 1994, elicited responses from 356 industrial enterprises. It confirms to some extent the rapid extension of insider ownership in large enterprises in Lithuania. By July 1994 only 8 per cent of these enterprises had no insider ownership and most of these 25 enterprises were still state-owned. 25 per cent of the enterprises had 31-50 per cent insider ownership, and 18 per cent of the enterprises had majority insider ownership. Most of these enterprises have more shares owned by the employees than by managers. In July 1994 in only 13 per cent of cases with some insider ownership did managers own more equity than do the rest of employees. This result shows a strong difference from the Estonian data where managers in most cases owned more than the other employees.

173. The survey data also indicate that ownership by foreigners plays a limited role in Lithuania. Only 6 of the manufacturing enterprises were owned by outsiders dominated by foreign investors, see Table 32. Some of the 4 enterprises privatised to foreigners in the “hard currency privatisation” are probably included here. A few of the foreign enterprises in the sample can also be new or taken over by foreigners short after privatisation.

174. As can be seen from Table 32, 15 per cent of the industrial enterprises had insider majority with employee dominance and only 3 per cent had insider majority with manager dominance in July 1994. As the entries in the lower rows of Table 17 indicate, the degree of employee-ownership in July 1994 is not dependent on the time of privatisation. The difference in relation to the distribution of ownership at the time of privatisation is probably the result of two tendencies from the privatisation date to July 1994 -- a gradual take-over by employees through enterprise reserves and profits, and secondly the sale of some employee shares, with the strongest effect in enterprises where employees owned a high proportion of the shares. The proportion of “no majority” is quite high in general and especially in enterprises privatised in 1993 and 1994. This can be explained by the state still keeping a relatively high proportion of shares especially in the larger enterprises.

175. The Lithuanian industry sample consists of rather large enterprises with an average employment in 1994 of 600 employees. Manager dominated insider majority has the largest average, but the data do not reveal striking differences in the size-structure. There are also no clear tendencies among the industrial branches shown in Table 32.

176. The survey for construction was not undertaken before July 1995, but the results show many of the same tendencies as in industry. Out of 148 enterprises only 6 per cent had no employee ownership in July 1995, and 40 per cent had majority insider ownership, Table 33. However, for construction and trade there are more of the enterprises with insider majority, which have management dominance, 26 per cent, compared to employee dominance, 14 per cent. However, this difference from the tendency in industry partly reflects the fact that the numbers for construction and trade are from July 1995. Leaving one more year for the change of ownership from employees to managers. There are no striking tendencies in the

variation of ownership when comparing enterprises of different sizes except for a weak tendency for higher management dominance in smaller companies. Comparing construction and trade there are about the same degree of employee ownership. However, managers are stronger in trade with 29 per cent of the sample with insider majority with manager dominance. In construction the percentage is 23 per cent.

177. The large sample of enterprises with ownership data from January 1998 represents all branches and for large enterprises we have full coverage. The ownership structure is based on dominant owner, that is the largest owner group out of the five given in the table. However, there is not much difference since in most cases the dominant owner has a majority of the shares.

178. Comparing Tables 31, 32 and 33 it can be seen that the state-owned enterprises has fallen from 20 per cent to 10 per cent, construction from 12 per cent to 6 per cent while trade already in 1995 were down at a level of 6 per cent. State ownership is still quite high in enterprises related to agriculture and fishing, in service and in water supply.

179. The group: domestic persons cover both domestic outsiders and insiders. We assume that most of the enterprises in this category are insider owned. Ownership by domestic enterprises makes up 7 per cent, and out of these are 2 per cent of the total dominated by owners representing financial enterprises. Ownership by banks and investment funds play a rather limited role in Lithuania, however, for large enterprises with more than 100 employees this group represents 4 per cent of the enterprises. Financial owners dominated 4 per cent of the manufacturing enterprises. This percentage was lower for other branches. Foreign owners dominated in 8 per cent of the enterprises, slightly more in small than in large enterprises, and slightly more in mining and wood, manufacturing and trade than in other branches.

180. Looking at the capital structure for the data from the early years the most striking difference between the different owner groups in industrial enterprises is the fact that insider owned and especially employee owned enterprises have a relatively low nominal capital or equity per employee, see Table 32. It is the same tendency although not so strong as in Estonia. State-owned, foreign owned and no majority companies have relatively high capital intensity. Turning to construction and trade there is another pattern with insider owned companies around the average of nominal capital per employee. Only management dominated enterprises have a slightly lower nominal capital per employee. Looking at the total assets per employee, however, insider owned companies in all the analysed sectors follow to a high degree the pattern of the average enterprise. This might indicate that in industry insiders and especially managers have been able to get a majority of the shares at a relatively low price. This fits well to the fact, that insiders had the first bid at the initial price.

181. For the 1998 data in the large sample the group of domestic persons including insider ownership we again find the lowest capital intensity. This is especially the case for equity per employee indicating that this group has taken over assets at a relatively low price. However, there might be the same tendency for foreign owned enterprises with quite low equity per employee and the highest asset value per employee.

182. The number of non-owners among employees in the Lithuanian sample is relatively low compared to the other countries (Jones and Mygind, 1998). 75 per cent of the employees in the sample were owners in July 1994. For the management staff the corresponding percentage were as high as 87 per cent. This low percentage of non-owners among the employees suggests that the Lithuanian voucher system has helped employees as a group to overcome the problem of lack of capital. There is also a tendency for the percentage of non owners to be higher in large enterprises than in smaller, the opposite result of the situation in Estonia. Finally, Table 34 shows a strong tendency for almost all categories of an increasing share of non-owners. In total for both manufacturing, construction and trade the share of owners fall to 61 per cent in July 1996.

183. Table 35 shows the share of foreign ownership in different ownership groups. In 174 or 3.3 per cent of the enterprises dominated by domestic persons there is a minority holding of foreign capital. The similar number for ownership by financial enterprises is 6.6 per cent and by non financial enterprises 12.4 per cent. For state enterprises the numbers are 2.6 per cent. Domination by foreigners is made by 50 per cent or less of the share capital in 94 enterprises and by a clear majority in 496 enterprises.

184. Table 36 shows the share of ownership by financial enterprises in different ownership groups. In 196 or 3.7 per cent of the enterprises dominated by domestic persons there is a minority holding owned by financial enterprises. The similar number for ownership by non financial enterprises is 6.8 per cent. For state enterprises the numbers are 3.3 per cent and for foreign dominated enterprises 4.4 per cent. Domination by financial enterprises is made by 50 per cent or less of the share capital in 27 enterprises and by a clear majority in 124 enterprises.

8.2. Dynamics of ownership - Lithuania

185. The dynamics of ownership is illustrated through the transition matrices. Table 38 for industry shows a strong tendency of a fall in the number of enterprises with majority insider ownership and employee dominance. The number is more than halved from July 1994 to July 1995. From July 1994 to July 1996, 40 per cent of the 53 employee owned enterprises have changed to outside domestic ownership, 19 per cent to no majority and 6 per cent to management ownership. A few enterprises have changed to more employee ownership. Most of these changes took place from 1994 to 1995. It is worth noting that there do not seem to be the same tendency in Lithuania as in Estonia with stability for employee ownership in small enterprises. All size groups show a steep fall from 1994 to 1996. Outside ownership has increased both for foreign ownership, which increased from 6 to 18, and domestic ownership, which increased from 124 to 168. The number of industrial enterprises with insider majority with management dominance is relatively stable. However, only 4 or 33 per cent have stayed in this category for both 1994 and 1996. In total the Lithuanian industrial enterprises show very dynamic changes. About 40 per cent of the enterprises (excluding no answers) have changed category in the period of two years.

186. For construction and trade 18 per cent of the enterprises have changed category during one year from July 1995 to July 1996, Table 21. Employee dominated insider owned enterprises seem to be more stable than in industry. However, in the same period from 1995 to 1996 employee ownership was also rather stable in industry. In construction and trade the number falls from 20 to 18. Most changes are recorded for no majority enterprises falling from 24 to 18 with most enterprises going to domestic outside ownership. The number of foreign owned enterprises increases from 0 to 2.

187. The transition matrices in Table 39 and Table 40 show the strong tendency away from employee ownership. For the industrial enterprises in Table 39, only 23 are shifting to more, while 137 are shifting to lower employee ownership and 139 are unchanged - a rate of change of 54 per cent. There is especially a strong change away from majority employee ownership falling from 30 to 8 and enterprises with 30-50 per cent employee ownership falling from 79 to 42. The categories with low employee ownership are increasing. A similar tendency can be observed in Table 40 with enterprises in construction and trade. 7 enterprises have had increasing, 31 falling, and 101 have had constant employee ownership in the period July 1995 to July 1996, a rate of change of 27 per cent. For management ownership (not reported) for industrial enterprises there is from July 1994 to July 1995 a tendency to increasing management ownership (56 up, 36 down and 208 constant, a rate of change of 31 per cent) while in the following year from 1995 to 1996 there is stability with 33 up, 31 down and 231 constant, 22 per cent rate of change. The stability from 1995 to 1996 is also seen for management ownership in the sample for construction and trade with 14 up, 13 down and 112 constant, 19 per cent rate of change.

188. We do not have so detailed ownership information after July 1996. However, we can combine most of the enterprises from the small sample with the large sample like it is done in Table 41 showing some developments in ownership for the period July 1996 to ultimo 1997. For the large sample Table 42 shows the dynamics during the year 1997. Both Tables shows relatively low dynamics. The privatisation is evident in both Tables, but there are also some strange movements from private to state, which might be explained by tax arrears swapped to equity. Foreign dominance is especially increasing by takeovers of private domestic enterprises, and foreign dominance is increasing with 12 per cent in 1997. A more detailed picture of the development in the foreign ownership shares can be seen in Table 43 showing that foreign take-overs is often a gradual process

8.3. Ownership and some indicators of economic performance

189. We have data for the small sample for the early years 1992-1995 and for the large sample for 1996 and 1997. Management ownership had a higher incidence in small enterprises, but employee ownership had a quite high frequency both in small and large enterprises. The data for the very early years do not indicate a bias in direction of low capital-intensity for insider owned enterprises, as was the case in Estonia and Latvia. In Lithuania high capital intensity has not blocked take-overs by employees, because vouchers combined with a preferential price favoured the group of employees. There does not seem to be a selection bias according to profitability (Mygind 1997*a* p. 37).

190. Early data from 1993-94 show that the highest growth of sales (lowest decrease) is found in foreign owned enterprises, but also management owned enterprises are doing better than the rest while employee owned enterprises follows the average, domestic outside owned enterprises are below the average (Mygind 1997*a*). These results fits well with the 1997 data, Table 45. Foreign owned enterprises have again the highest growth in sales. Enterprises owned by domestic persons are also doing relatively well, while enterprises owned by domestic enterprises, especially those with financial ownership, are under-performing.

191. The early data on employment adjustment give some indicators of a somewhat hesitant adjustment process in employee-owned enterprises (Mygind 1997 p. 33). For the 1997 data the growth in employment is negative for the median enterprise owned by state or domestic enterprises. Employment is constant for the median domestic owned enterprise, but growing 8 per cent for the median of foreign owned companies.

192. A cross section analysis on factor productivity levels for the early data show no clear tendencies of variation between owner groups (Jones and Mygind 1999*b*). Averages for the early data indicates that insider owned enterprises have quite high labour-productivity (Mygind 1997, p. 34). The results from the large sample show that foreign owned enterprises have the highest labour-productivity for the year 1997, while enterprises owned by domestic companies, especially financially owned, have low labour-productivity, see Table 45.

193. For the early data foreign owned enterprises have clearly the highest wage-level, but also employee owned enterprises have for 1994 a wage level above the average (Mygind 1997 p. 36). In the 1997 data foreign owned enterprises have higher salary per employee than the average, enterprises owned by domestic persons are lower than the average, see Table 45.

194. In the early data employee owned enterprises are doing well compared to other groups both in relation to profit margin and return on assets. Management owned enterprises are around the average (Mygind 1997, p. 38). Foreign owned enterprises have quite low return on asset. For the 1997 data the return on assets is relatively high for both foreign owned enterprises and enterprises owned by domestic persons. For

domestic persons, however, this is partly due to the quite low value of assets. The profit-margin is somewhat lower than for foreign dominated enterprises.

195. The early data confirms the observations from Estonia and Latvia that insiders have relatively low bank loans (Mygind 1997, p. 40). The data for the capital structure in the large Lithuanian sample ultimo 1997, Table 44, show that foreign owned enterprises has the highest debt/equity ratio. Surprisingly enterprises dominated by domestic financial companies have a relatively low debt equity, only state-owned enterprises have a lower ratio, while enterprises owned by domestic persons are higher than the average. Most of this debt is short run loans for all the domestic firms, while for most of the foreign companies long loans is higher than short loans for most of the enterprises. Bank loans are quite rare; the median for bank loans per employee is 0 for all owner groups. Domestic financial enterprises have the highest proportion of enterprises with bank loans - state-owned enterprises and firms owned by domestic persons are on the low side, while also enterprises dominated by foreigners and by domestic non financial enterprises are higher than the average.

196. The 1994 data on investments per employee show that employee- and management owned enterprises have relatively low investment levels, while foreign and domestic outside-owned enterprises are higher than the average (Mygind, 1997 p. 41). The 1997 data show that enterprises with high investment are mainly found in the groups owned by foreigners and by domestic persons. Most of the state-owned enterprises and enterprises owned by other enterprises have negative net investments, see Table 45.

197.In general the 1997 data shows that enterprises dominated by financial ownership have low growth in sales, low productivity and negative net investment. This indicates that many of these enterprises have been taken over by banks because of economic problems. Financial enterprises do not seem to have a strong role as owners in Lithuania. On the other hand financial take-overs of firms in economic crisis can be taken as an indicator that creditors try to enforce financial discipline through such takeovers. In this way financial enterprises can play an important role for corporate governance by enforcing their rights as creditors.

(Table 31. Lithuania: ownership structure July 1994, industry size, capital intensity, time of privatisation)

(Table 32. Lithuania: Ownership structure July 1995, construction and trade - size, capital intensity, time of privatisation.)

(Table 33. Lithuania: Ownershipstructure (dominant), Ultimo 1997 - size, branches, and year of registration)

(Table 34. Foreign ownership by dominant owners - ultimo 1997)

(Table 35. Ownership by financial enterprises by dominant owners-ult 97)

(Table 36. Transition matrix Lithuania - industry majority July 1994 by July 1996)

(Table 37. Transition matrix Lithuania - construction and trade majority July 1995 by July 1996)

(Table 38. Transition matrix Lithuania - industry degrees of employee ownership, July 1994 by July 1996)

(Table 39. Transition matrix Lithuania - construction and trade degrees of employee ownership, July 1995 by July 1996)

(Table 40. Lithuania, transition matrix: July 1996 by ult. 1997)

(Table 41. Lithuania, transition matrix: primo by ultimo 1997)

(Table 42. Lithuania, foreign ownership, primo by ultimo 1997)

(Table 43. Lithuania: Ownershipstructure (dominant), ultimo 1997 - capital-structure)

(Table 44. Lithuania: Ownership (dominant), ult. 1997 - performance)

Table 8. **The use of vouchers in the LIPSP-privatisation, by July 1995**

Public subscription of shares	5833 million Litas	55.3 %
Tenders	415 million Litas	4.0 %
Auctions - small privatisation	165 million Litas	1.6 %
Sale residual state shares (2nd round)	392 million Litas	3.7 %
Enterprise privatisation - Total	6805 million Litas	64.6 %
For privatisation of flats	2042 million Litas	19.4 %
For agricultural entities	410 million Litas	4.0 %
For land	521 million Litas	5.0 %
Not used	726 million Litas	7.0 %
Total	10504 million Litas	100.0 %

Dept. of privatisation, Ministry of Economics

Table 9. **Employee-owned share of privatised capital - LIPSP, million Litas**

% owned by insiders		0%		1-10%		11-30%		31-50%		51-100%		Total	
Sept. 1 1991	firms	510	100	0	0	0	0	0	0	0	0	510	100
April 7 1992	capital	338	100	0	0	0	0	0	0	0	0	338	100
April 7 1992	firms	410	43	47	5	172	18	240	25	76	8	945	100
Febr. 1 1993	capital	433	46	96	10	191	20	162	17	60	6	942	100
Febr. 1 1993	firms	29	2	39	3	66	5	141	10	1190	81	1465	100
July. 1 1995	capital	13	1	83	6	174	13	230	17	851	63	1351	100
Sept. 1 1991	firms	949	33	86	3	238	8	381	13	1266	43	2920	100
July 1. 1995	capital	785	30	179	7	365	14	391	15	912	35	2632	100
	c./firm	1.21		2.08		1.53		1.03		0.72		0.90	

Based on data from Dept. of Privatisation, Ministry of Economy, Oct. 1995.
The table is based on the privatised capital, more than 50% might not imply majority employee ownership because the state have retained a proportion of the shares. In the other direction counts the fact, that only registered employee owned capital in the LIPSP programme is included. This do not include certain stocks which also could be controlled by insiders e.g. through investment funds, or stocks bought before LIPSP or after the first offering.

Table 10. **Overview over LIPSP-small and large privatisation**

	1991	1992	1993	1994	1995	Total	Plan	%
Firms privatised	846	2224	1257	821	551	5700	5740	99 %
Accumul. % of plan		38 %	62 %	75 %	99 %			
Public subscription						2926	2936	99 %
Small, auctions		57 %	70 %	76 %	100 %	2726	2727	100 %
assumul. % of plan								
Tender						15	15	
Hard currency						48	71	
Book value million Litas								**Voucher value**
Public subscription						2632		5833
Small						79	79	165
Tender						499	499	415
Hard currency						28		-
Priv. before LIPSP						545		-
Residual sold						252		392
	121	1047	1240	071	548	4035	4849	85 %

Dept. of privatisation, Ministry of Economics

Table 11. **Second and Third stage privatisation in Lithuania**

	1996	**1997**	**1998**	**Total**
No. of objects privatised	47	272	344	663
Privatised cap. (book value) million Litas	4.8	54.7	846.7	906.2
Initial price (million Litas)	3.0	56.8	2323.0	2382.8
Selling price (million Litas)	3.2	82.4	2328.8	2414.4
Methods of privatisation				
Public auction objects	46	264	321	631
million Litas	3.2	80.8	72.1	156.1
Public tender objects	0	1	14	15
million Litas	0	0.9	214.9	215.8
Direct negotiations objects	0	0	1	1
million Litas	0	0	2040.0	2040.0
Leasing with option to buy objects	1	7	2	10
million Litas	0	0.7	0.1	0.8
Public subscription objects	0	0	6	6
million Litas	0	0	1.7	1.7

Based on information from SPF.

Table 31. Lithuania: Ownership structure July 1994, industry - size, capital intensity, time of privatisation.

Frequency	**Majority**					**No majority**	**No answer**	**Total**
Row percent	State	Outsiders		Insiders				
		foreign> dom	domestic>f	managers >e	employees >m			
TOTAL	70 (20)	6 (2)	124 (35)	12 (3)	53 (15)	60 (17)	31 (9)	356 (100)
EMPLOYEES	1 1	0 (0)0	0 (0)11	1 (33)0	0 (0)4	0 (0)3	6	7 3
5-19	(33)15	(0)0 (0)2	(23)36	(0)1 (1)2	(9)12	(6)15	1(33)14	(100)47
20-99	(32)15	(2)4 (4)	(44)38	(2)8 (7)	(15)19	(18)21	(30)4	(100)83
100-199	(18)18		(37)39 (35)		(19)18	(21)21	(5)3	(100)103
200-499	(18)20				(16)	(19)	(3)3	(100)113
500-	(18)						(3)	(100)
Average 1994	496	753	616	1092	639	657	333	
25% quartile	113	401	168	418	207	194	70	601
median	221	750	327	798	322	311	94	153
75% quartile	596	1084	753	1831	737	793	131	304
								722
BRANCHES								
mining, wood	41 (24)	2 (1)	40 (23)	5 (3)	30 (17)	43 (25)	3	3
manufacturing	18 (14)	3 (2)	62 (48)	4 (3)	17 (13)	14 (11)	14 (8)	175 (100)
manufacturing	11 (22)	1 (2)	22 (44)	3 (6)	6 (12)	3 (6)	10 (8)	128 (100)
							4 (8)	50 (100)
Assets/employee								
average 1994	29867	32838	16699	31853	20664	27689	21380	23002
25% quartile	9996	18876	8545	12006	9141	14872	4505	9083
median	22232	32004	13217	24730	17096	21815	8394	16856
75% quart.	37712	39881	20711	51948	26427	28731	24638	27345
Equity/employe								
average 1994	8669	5839	2769	2403	1895	7424	-	4695
25% quartile	768	1738	503	315	386	678	-	497
median	3290	3986	1319	1529	738	2698	-	1524
75% quart.	8571	8714	3071	4398	1733	5566	-	4236
Year of privatisation								
1991 (own 94)	0 (0)	0 (0)	3(100)	0 (0)	0 (0)	0 (0)	0 (0)	3 (100)
1992 (own 94)	0 (0)	0 (0)	56 (70)	0 (0)	14 (18)	8 (10)	0 (0)	78 (100)
1993 (own 94)	2 (2)	2 (3)	42 (50)	7 (8)	9 (11)	21 (25)	0 (0)	83 (100)
1994 (own 95)	1 (1)	3 (4)	34 (49)	0 (0)	7 (10)	21 (30)	4 (6)	70 (100)
1995 (own 96)	3(20)	0 (0)	7 (47)	1 (7)	3 (20)	1 (7)	0 (0)	15 (100)
Total	6	5	142	8	33	51	4	249 (100)

Table 32. **Lithuania:Ownership structure July 1995, construction and trade - size, capital intensity, time of privatisation.**

Frequency		Majority				**No**	**No**	**Total**
	State	Outsiders		Insiders		**majority**	**answer**	
Row percent		foreign>dom	domestic>f	managers>e	employees>m			
TOTAL	13 (9)	0 (0)	50 (34)	37 (26)	20 (14)	24 (17)	1 (1)	145 (100)
EMPLOYEES								5
5-19	1 (17)	0 (0)	1 (17)	2 (33)	1 (17)	1 (17)	0 (0)	6 (100)
20-99	3 (6)	0 (0)	20 (37)	16 (30)	7 (13)	8 (15)	0 (0)	54 (100)
100-199	5 (12)	0 (0)	15 (37)	9 (22)	3 (7)	9 (22)	1 (3)	41 (100)
200-	3 (8)	0 (0)	11 (28)	9 (23)	9 23)	6 (15)	0 (0)	39 (100)
Average	151	-	134	173	214	173	383	165
25% quartile	78	-	65	72	73	48	-	68
median	136	-	134	106	172	116	-	124
75% quartile	211	-	183	208	251	206	-	213
BRANCHES								
construction	9 (12)	0 (0)	26 (34)	18 (23)	11 (14)	13 (17)	0 (0)	77 (100)
trade	4 (6)	0 (0)	24 (36)	19 (29)	9 (14)	11 (17)	1 (1)	68 (100)
Total assets /employee								
average	81609	-	31434	30174	23078	33641	9022	34965
25% quartile	14519	-	14959	10390	14361	15324	-	14362
median	19345	-	22707	16000	19727	24943	-	21924
75% quartile	34549	-	36364	38579	24503	36857	-	35522
Nom. capital /employee								
average	4682	-	4367	3090	4457	8794	-	4818
25% quartile	1398	-	244	588	505	632	-	492
median	3243	-	1302	1399	1097	2272	-	1622
75% quartile	6206	-	6466	3250	7455	10497	-	5589
Year of privatisation								
1991	0 (0)	0 (0)	1 (50)	1 (50)	0 (0)	0 (0)	0 (0)	2 (100)
1992	2 (7)	0 (0)	11 (37)	9 (30)	4 (13)	4 (13)	0 (0)	30 (100)
1993	0 (0)	0 (0)	15 (38)	13 (33)	3 (8)	8 (21)	0 (0)	39 (100)
1994	2 (5)	0 (0)	13 (33)	10 (26)	9 (23)	5 (13)	0 (0)	39 (100)
1995	0 (0)	0 (0)	5 (31)	3 (19)	4 (25)	4 (25)	0 (0)	16 (100)
Total	4 (3)	0 (0)	45 (36)	36 (29)	20 (16)	21 (17)	0 (0)	126 (100)

Table 33. **Lithuania: Ownership structure (dominant), Ultimo 1997 - size, branches, year of registration**

	State	Domestic persons	Domestic financial	Domestic non-fin.	Foreign	Total
Employees N	982 (13)	5222 (72)	151 (2)	338 (5)	590 (8)	7283 (100)
-19	176 (6)	2251 (82)	30 (1)	65 (2)	216 (8)	2738 (38)
20-99	488 (14)	2361 (69)	73 (2)	204 (6)	305 (9)	3431 (47)
100-199	154 (24)	383 (60)	28 (4)	36 (6)	35 (6)	363 (9)
200-	164 (34)	227 (48)	20 (4)	33 (7)	34 (7)	478 (7)
Average	194	56	104	91	67	78
25% quartile	25	14	22	22	15	15
50% median	59	23	53	39	27	26
75% quartile	129	48	130	86	53	60
BRANCHES N	1245 (17)	5222 (69)	151 (2)	338 (4)	590 (8)	7546 (100)
agricult. fishing	325 (78)	75 (18)	5 (1)	2 (0)	8 (2)	415 (100)
mining wood	20 (4)	344 (75)	12 (3)	26 (6)	56 (12)	458 (100)
manufacturing	146 (10)	1068 (71)	53 (4)	97 (6)	142 (9)	1506 (100)
construction	50 (6)	773 (86)	18 (2)	36 (4)	17 (2)	894 (100)
trade	164 (7)	1887 (78)	34 (1)	106 (4)	238 (10)	2429 (100)
restaurants	43 (13)	237 (72)	8 (2)	12 (4)	28 (9)	328 (100)
transport	85 (14)	444 (73)	8 (1)	28 (5)	47 (8)	612 (100)
service	303 (39)	386 (49)	11 (1)	29 (4)	54 (7)	783 (100)
water supply	109 (90)	8 (7)	2 (2)	2 (2)	0 (0)	121 (100)

Table 34. **Foreign ownership by dominant owners - ultimo 1997**

Frequency Row %	State	Domestic persons	Domestic financial	Domestic non-fin.	Foreign	Total
0%	956 (15)	5048 (78)	141 (2)	296 (5)	0 (0)	6441 (100)
1-10%	16 (17)	62 (66)	4 (4)	12 (13)	0 (0)	94 (100)
11-30%	4 (5)	54 (70)	2 (3)	16 (21)	1 (1)	77 (100)
31-50%	6 (3)	58 (33)	4 (2)	14 (8)	93 (53)	175 (100)
51-99%	0 (0)	0 (0)	0 (0)	0 (0)	286 (100)	286 (100)
100%	0 (0)	0 (0)	0 (0)	0 (0)	210 (100)	210 (100)
Total	982 (13)	5222 (72)	151 (5)	338 (5)	590 (8)	7283 (100)

Table 35. **Ownership by financial enterprises by dominant owners-ult 97**

Frequency Row %	**State**	**Domestic persons**	**Domestic financial**	**Domestic non-fin.**	**Foreign**	**Total**
0%	949 (14)	5026 (73)	0 (0)	315 (5)	565 (8)	6855 (100)
1-10%	16 (15)	69 (63)	1 (1)	10 (9)	13 (12)	109 (100)
11-30%	13 (11)	85 (74)	1 (1)	9 (8)	7 (6)	115 (100)
31-50%	4 (5)	42 (53)	25 (31)	4 (5)	5 (6)	80 (100)
51-99%	0 (0)	0 (0)	96 (100)	0 (0)	0 (0)	96 (100)
100%	0 (0)	0 (0)	28 (100)	0 (0)	0 (0)	28 (100)
Total	982 (13)	5222 (72)	151 (5)	338 (5)	590 (8)	7283 (100)

Table 36. **Transition matrix Lithuania - industry majority July 1994 by July 1996**

Majority	**Majority July 1996**					**No**	**No**	**Total**
July 1994	state	outsiders		insiders		**majority**	**answer**	
		foreign	domestic	managers	employees			
State	47	2	9	1	2	4	5	70
	(67)	(3)	(13)	(1)	(3)	(6)	(7)	(100)
outsider	0	4	2	0	0	0	0	6
foreign>domestic	(0)	(67)	(33)	(0)	(0)	(0)	(0)	(100)
outsider	0	8	98 (79)	4	2	2	10	124
domestic>foreign	(0)	(6)		(3)	(2)	(2)	(8)	(100)
insider	0	1	3	4	1	2	1	12
managers>employees	(0)	(8)	(25)	(33)	(8)	(17)	(8)	(100)
insider	1	1	21	3	14	10	3	53
employees>managers	(2)	(2)	(40)	(6)	(26)	(19)	(6)	(100)
No majority	0	2	32	1	3	16	6	60
	(0)	(3)	(53)	(2)	(5)	(27)	(10)	(100)
No answer	2	0	3	1	2	1	22	31
	(6)	(0)	(10)	(3)	(6)	(3)	(71)	(100)
Total July 1994	70	6	124	12	53	60	31	356
	(20)	(2)	(35)	(3)	(15)	(17)	(9)	(100)
Total July 1995	59	9	148	14	25	53	48	356
	(17)	(3)	(42)	(4)	(7)	(15)	(13)	(100)
Total July 1996	50	18	168	14	24	35	47	356
	(14)	(5)	(47)	(4)	(7)	(10)	(13)	(100)

Table 37. **Transition matrix Lithuania - construction and trade majority July 1995 by July 1996**

Majority July 1995	Majority July 1996 State	outsiders foreign	outsiders domestic	insiders managers	insiders employees	No majority	No answer	Total July 1995
State	10 (77)	0 (0)	2 (15)	0 (0)	0 (0)	0 (0)	1 (8)	13 (100)
outsider foreign>domestic	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 -
outsider domestic>foreign	0 (0)	2 (4)	43 (86)	2 (4)	0 (0)	0 (0)	3 (6)	50 (100)
insider managers>employees	0 (0)	0 (0)	2 (5)	31 (84)	2 (5)	1 (3)	1 (3)	37 (100)
insider employees>managers	0 (0)	0 (0)	2 (10)	1 (5)	15 (75)	2 (10)	0 (0)	20 (100)
No majority	0 (0)	0 (0)	6 (25)	2 (8)	1 (4)	15 (63)	0 (0)	24 (100)
No answer	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	1 (100)	1 (100)
Total July 1996	10 (7)	2 (1)	55 (38)	36 (25)	18 (12)	18 (12)	6 (4)	145 (100)

Table 38. **Transition matrix Lithuania - industry degrees of employee ownership, July 1994 by July 1996**

July 1994 Employee shares	July 1996 0%	1-10%	11-30%	31-50%	51-99%	100%	Total
0%	20 (83)	2 (8)	2 (8)	0 (0)	0 (0)	0 (0)	24 (100)
1-10%	3 (4)	65 (88)	5 (7)	0 (0)	1 (1)	0 (0)	74 (100)
11-30%	2 (2)	43 (43)	48 (48)	5 (5)	1 (1)	0 (0)	99 (100)
31-50%	2 (3)	15 (20)	29 (38)	28 (37)	2 (3)	0 (0)	76 (100)
51-99%	1 (4)	5 (20)	8 (32)	9 (36)	2 (8)	0 (0)	25 (100)
100%	0 (0)	0 (0)	1(100)	0 (0)	0 (0)	0 (0)	1 (100)
Total July 1994	27 (8)	84 (26)	105 (32)	79 (24)	29 (9)	1 (0)	325 (100)
Total July 1995	25 (8)	105(34)	111 (36)	53 (17)	14 (5)	0 (0)	308 (100)
Total July 1996	28 (9)	130(43)	93 (31)	42 (14)	6 (2)	0 (0)	299 (100)

Table 39. **Transition matrix Lithuania - construction and trade degrees of employee ownership, July 1995 by July 1996**

July 1995 employeeshares	July 1996 0%	1-10%	11-30%	31-50%	51-99%	100%	Total
0%	8 (80)	0 (0)	2 (20)	0 (0)	0 (0)	0 (0)	10 (100)
1-10%	0 (0)	34 (95)	1 (3)	0 (0)	1 (3)	0 (0)	36 (100)
11-30%	0 (0)	14 (21)	42 (72)	2 (3)	0 (0)	0 (0)	58 (100)
31-50%	0 (0)	1 (0)	7 (28)	16 (64)	1 (4)	0 (0)	25 (100)
51-99%	0 (0)	0 (0)	3 (30)	2 (20)	5 (50)	0 (0)	10 (100)
100%	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (100)
Total July 1996	8 (6)	49 (33)	55 (38)	20 (14)	7 (5)	0 (0)	145 (100)

Table 40. **Lithuania, transition matrix: July 1996 by ult. 1997**

Dominant July 1996	Dominant ultimo 1997 state	Foreign	Domestic persons	Domestic financial	Domestic non-fin.	Total
State	46 (68)	1 (1)	19 (28)	0 (0)	2 (3)	68 (100)
outsider foreign>domestic	2 (13)	9 (56)	4 (25)	0 (0)	1 (6)	16 (100)
outsider domestic>foreign	13 (5)	3 (1)	152 (67)	36 (15)	31 (13)	235 (100)
insider managers>employees	1 (2)	0 (0)	53 (96)	1 (2)	0 (0)	55 (100)
insider employees>managers	2 (4)	1 (2)	44 (92)	0 (0)	1 (2)	48 (100)
Total ultimo 1997	64 (15)	14 (3)	272 (64)	37 (9)	35 (8)	422 (100)

Table 41. **Lithuania, transition matrix: primo by ultimo 1997**

Dominant primo 1997	Dominant ultimo 1997 State	Foreign	Domestic persons	Domestic financial	Domestic non-fin.	Total
State	778	8	70	10	26	892
	(87)	(1)	(87)	(1)	(3)	(100)
Foreign	0	316	17	0	2	335
	(0)	(94)	(5)	(0)	(1)	(100)
Domestic	57	50	3482	121	218	3928
	(1)	(1)	(89)	(3)	(6)	(100)
Total	835	374	3569	131	246	5155
January 1998	(16)	(7)	(69)	(3)	(5)	(100)

Table 42. **Lithuania, foreign ownership, primo by ultimo 1997**

Primo 1997 foreign share	Ultimo 1997 0%	1-10%	11-30%	31-50%	51-99%	100%	Total
0%	4550(98)	23 (0)	24 (1)	17 (0)	26 (1)	6 (0)	4646 (100)
1-10%	6 (12)	44(85)	0 (0)	1 (2)	1 (2)	0 (0)	52 (100)
11-30%	8 (15)	6 (12)	30 (58)	5 (10)	1 (2)	2 (4)	52 (100)
31-50%	6 (5)	2 (2)	8 (6)	100 (76)	13 (10)	0 (0)	131 (100)
51-99%	4 (2)	3 (2)	0 (0)	4 (2)	161 (90)	6 (3)	178 (100)
100%	1 (1)	0 (0)	1 (1)	0 (0)	4 (4)	87 (94)	93 (100)
Total ult. 1997	4575(89)	78 (2)	63 (1)	127 (3)	206 (4)	103 (2)	5152 (100)

Table 43. **Lithuania: ownershipstructure (dominant), ultimo 1997 - capital-structure**

	State	Domestic persons	Domestic financial	Domestic non-fin.	Foreign	Total
Equity N	979	5222	151	338	590	7280
/employee 1000 lat						
average	73899	11737	33111	31309	45551	24188
25% quartile	7410	909	4193	2454	917	1085
50% median	16461	3844	14570	11519	8000	5488
75% quartile	42875	11771	42813	30773	32851	16686
Total assets N	977	5222	151	338	590	7288
/employee 1000 lat						
average	95873	44952	63500	76966	176880	64354
25% quartile	16227	10406	19485	16326	29571	12253
50% median	28549	22046	40125	33360	73487	25669
75% quartile	63304	47297	82279	73827	157731	57450
Debt/equity N	977	5222	151	338	590	7278
average	3.56	27.37	14.79	26.15	64.32	26.85
25% quartile	0.16	0.91	0.31	0.37	1.21	0.63
50% median	0.58	3.47	1.16	1.37	5.48	2.61
75% quartile	1.50	13.54	4.61	7.75	45.28	11.35
Short/long loans	173	1186	38	94	240	1731
average N	12.21	136.96	12.96	2234.37	13.04	218.48
25% quartile	0.54	0.68	0.55	1.04	0.34	0.58
50% median	1.55	1.99	1.45	2.87	0.96	1.78
75% quartile	5.01	7.07	4.77	7.47	4.16	6.12
Bank credits N	982	5222	151	338	590	7283
/employee 1000 lat						
average	9661	3365	7818	11241	9028	5131
50% median	0	0	0	0	0	0
75% quartile	0	0	2637	1295	0	0
90% quantile	2173	6067	18840	14647	10000	6147
95% quantile	10127	15000	38392	36656	32353	17026

Table 44. **Lithuania: Ownership (dominant), ult. 1997 - performance**

	State	Domestic persons	Domestic financial	Domestic non-fin.	Foreign	Total
Value added/ employee 1000 lat	981	5222	151	338	590	7282
average	-1855	3293	-2463	962	16287	3424
25% quartile	-6547	-6720	-13806	-10535	-8605	-7053
50% median	-1123	229	-2334	351	8514	152
75% quartile	3953	11185	5855	10248	45828	11150
Sales growth N	832	3561	131	246	372	5142
average %	17.3	84.4	24.0	46.1	13827	1064
25% quartile	-6.7	-5.0	-19.3	-11.3	4.06	-5.4
50% median	9.7	20.8	4.2	9.8	31.9	17.1
75% quartile	26.5	64.8	28.6	48.9	79.2	57.2
Profitmargin	975	5215	150	338	587	7265
average	1.8	13.6	9.3	8.8	20.4	12.2
25% quartile	-2.8	2.9	2.1	5.3	8.2	2.5
50% median	7.8	13.4	14.4	15.7	18.1	13.4
75% quartile	18.5	25.3	23.8	24.3	31.7	24.8
Return on assets	977	5222	151	338	590	7278
average	0.6	7.9	-1.4	0.1	3.9	6.0
25% quartile	-4.6	-2.0	-5.5	-4.2	-3.6	-2.7
50% median	0.8	5.6	0.5	1.4	5.4	4.2
75% quartile	6.7	20.3	10.1	14.1	19.2	17.7
90% quantile	17.3	40.9	18.2	30.0	33.9	36.7
95% quantile	26.7	54.9	22.7	36.0	44.7	51.1
Salary per employee 1000 lat	982	5222	151	338	590	7283
average	9667	7444	9253	9301	13078	8324
25% quartile	6339	4020	6168	5620	5640	4404
50% median	8247	5779	8296	7819	9374	6488
75% quartile	11163	8790	10813	11928	16775	9872
90% quantile	14894	13034	14318	16547	28182	14578
95% quantile	18221	16608	15634	18857	35788	18916
Net investment/	831	3524	130	242	371	5098
employee 1000 lat						
average	7726	2439	-2197	-188	15927	4039
25% quartile	-1235	-453	-2786	-1565	-826	-641
50% median	-252	191	-492	-97	1003	71
75% quartile	470	2600	804	1611	6612	2388
Growth in N Employment	835	3569	131	246	374	5155
average	-7.3	13.4	-9.7	6.0	30.3	10.3
25% quartile	-17.9	-15.3	-25.0	-23.3	-6.4	-16.0
50% median	-6.7	0.0	-10.2	-8.7	8.0	-1.7
75% quartile	0.0	21.7	0.0	7.7	35.9	16.1