

REPUBLIC OF LITHUANIA
LAW ON
THE MANAGEMENT, USE AND DISPOSAL OF STATE AND MUNICIPAL ASSETS

12 May 1998 No VIII-729

(As last amended on 17 November 2015 No XII-2023)
Vilnius

CHAPTER ONE
GENERAL PROVISIONS

Article 1. Purpose of the Law

1. This Law shall establish the procedure and conditions for the management, use and disposal of state and municipal assets and the powers of state and municipal institutions in this field in so far as that is not governed by other laws on the management and/or use and/or disposal of these assets.

2. The procedure for and conditions of the management, use, and disposal of the assets of the Bank of Lithuania shall be laid down in the Law on the Bank of Lithuania.

Article 2. Definitions

1. **Disposal of assets** means the right to sell or otherwise transfer, as well as to lease, pledge or change the legal status of the assets in any other way.

2. **Tangible fixed assets** means assets which are efficiently operated for a period exceeding one year, and the value of acquisition whereof is not less than the value established by the Government of the Republic of Lithuania (hereinafter: the 'Government').

3. **Institutional partnership between the public and private sectors** means a form of partnership between the public and private sectors where activities assigned to the functions of a state or municipal institution are, under a public-private partnership agreement or a concession contract, carried out by a public limited liability company or a private limited liability company (a private entity – in case of a public-private partnership agreement, or a concessionaire – in case of a concession contract) a portion of whose shares is held by the State or a municipality.

4. **Residual materials** means usable units, parts, precious metals, precious stones, secondary raw materials, building and other materials which remain after dismantling the assets intended for liquidation.

5. **Tangible current assets** means assets which are efficiently operated for a period not exceeding one year, or the value of acquisition whereof is less than the value of tangible fixed assets established by the Government.

6. **Assets** means tangible, intangible and financial valuables.

7. **Liquidation of assets** means the taking of written-off assets to the dumping grounds or destruction thereof in accordance with the procedure established by the Government.

8. **Use of assets** means the application of useful characteristics of assets to meet the needs of the user.

9. **Write-off of assets** means the withdrawal of assets from circulation or from storage facilities documented in accordance with the procedure established by the Government, where these assets are transferred or liquidated.

10. **Right of trust** means the right of a state or municipal institution, the Bank of Lithuania, a state or municipal enterprise, establishment and organisation, in accordance with the procedure and conditions laid down in their articles of association (regulations), as well as statutory acts regulating the activities of state or municipal enterprises, establishments and organisations, to manage and use the assets transferred by the State or municipalities and dispose of them without prejudice to laws and the rights and interests of other persons. Other legal persons shall manage, use and dispose of the assets transferred to them by the right of trust by the State or a municipality to the extent and in accordance with the procedure and conditions specified in Articles 10 or 12 of this Law and in a trust agreement.

11. **Management of assets** means the right to exercise a physical and economic influence over the assets in accordance with the procedure set forth by laws.

12. **Asset manager** means state or municipal institutions, the Bank of Lithuania, a state or municipal enterprise, establishment or organisation and, in the cases specified in Articles 10 or 12 of this Law, other legal persons managing, using or disposing of state or municipal assets by the right of trust or ownership.

Article 3. Composition of state assets

1. State assets may be:

- 1) tangible fixed assets;
- 2) intangible assets;
- 3) financial assets;

4) tangible current assets.

2. State tangible fixed assets shall be:

1) land, the underground, internal waters, forests, parks, roads, as well as movable and immovable cultural property and monuments, where any assets specified in this point belong to the State by the right of ownership in accordance with the procedure laid down by laws;

2) construction works, premises or parts thereof (hereinafter: 'state immovable property') and other immovables;

3) other tangible fixed assets.

3. State intangible assets shall be:

1) the name of the State of Lithuania;

2) the objects of heraldry of the Republic of Lithuania;

3) the rights to the airspace above the territory of the Republic of Lithuania, its continental shelf and economic zone in the Baltic Sea;

4) radio frequencies resources;

5) patents and licences, as well as rights arising from the patents and licences, state certification marks, technical design documents, state-managed information the use whereof is governed by other laws, information processing software and results of intellectual activities;

6) other intangible assets.

4. State financial assets shall be:

1) the monetary resources of the state budget and state monetary funds received from taxes, levies and other charges in accordance with laws and other legal acts;

2) the capital of the Bank of Lithuania;

3) the securities held by the State by the right of ownership and property rights arising from these securities;

4) the right of claim to the loans issued by the State;

5) other financial assets.

Article 4. Composition of municipal assets

1. Municipal assets may be:

1) tangible fixed assets;

2) intangible assets;

3) financial assets;

4) tangible current assets.

2. Municipal tangible fixed assets shall be:

1) construction works, premises or parts thereof (hereinafter: ‘municipal immovable property’), land and other immovables belonging to municipalities by the right of ownership;

2) movable and immovable cultural property and monuments of local significance belonging to a municipality by the right of ownership;

3) other tangible fixed assets.

3. Municipal intangible assets shall be:

1) the objects of heraldry of municipalities;

2) patents and licences, as well as rights arising from the patents and licences, certification marks, technical design documents, information processing software and results of intellectual activities;

6) other intangible assets.

4. Municipal financial assets shall be:

1) the monetary resources of a municipal budget received from taxes, levies and other charges in accordance with laws and other legal acts;

2) the securities held by municipalities by the right of ownership and property rights arising from these securities;

3) the right of claim to the loans issued by municipalities;

5) other financial assets.

CHAPTER TWO

ACQUISITION OF STATE AND MUNICIPAL ASSETS

Article 5. Ways of acquisition of state assets

1. The State shall acquire assets:

1) by receiving income from taxes, levies and other charges in accordance with laws;

2) by receiving income from the management and use of state assets;

3) on the basis of transactions;

4) by inheriting assets;

5) by taking, in accordance with the procedure set forth by laws, for public needs the assets of natural and legal persons operating in the territory of the Republic of Lithuania;

6) by taking over municipal assets under a Government resolution, where a municipal council decides to transfer these assets to the State;

7) by taking a treasure into its ownership;

8) by taking over, by a court decision, derelict assets and confiscated assets;

9) by taking over, by a court decision, inappropriately protected cultural property;

10) in other ways specified by laws.

2. The Government shall establish the procedure for accounting, appraising, storing, handling and returning of assets that are confiscated, derelict, inherited by the State and included in or transferred into state revenue, as well as material evidence, found items and state-owned treasures and the procedure for writing off of these assets recognised as waste.

Article 6. Ways of acquisition of municipal assets

A municipality shall acquire assets:

1) by taking over state assets which are transferred into the ownership of municipalities in accordance with laws;

2) by taking over, with the consent of a municipal council, state assets for the purpose of performing independent municipal functions, where these assets are transferred into the ownership of municipalities under Government resolutions;

3) by receiving income from taxes, levies and other charges in accordance with laws;

4) by receiving income from the management and use of municipal assets;

5) on the basis of transactions;

6) by inheriting assets under a will;

7) by taking over, by a court decision, derelict assets;

8) in other ways specified by laws.

CHAPTER THREE

MANAGEMENT,

USE AND DISPOSAL OF STATE AND MUNICIPAL ASSETS

Article 7. Entities engaged in the management, use and disposal of state assets

1. The functions of the owner of state assets shall be performed by the Seimas of the Republic of Lithuania (hereinafter: the 'Seimas') and the Government in accordance with the procedure laid down in laws and other legal acts.

2. State assets shall be managed, used and disposed of by the right of trust by:

1) the Bank of Lithuania, state institutions, establishments and organisations pursuant to laws and other legal acts;

2) state enterprises;

3) municipalities – in the cases specified in Article 11 of this Law;

4) other legal persons in the cases specified in Article 10 of this Law – under a trust agreement.

3. The rights and duties of entities engaged in the management, use and disposal of state assets shall be laid down in laws, Government resolutions, the articles of association (regulations) of these entities and, in the cases specified in Article 10(3) of this Law, in a trust agreement.

Article 8. Entities engaged in the management, use and disposal of municipal assets

1. Municipal assets shall be managed, used and disposed of by:

1) municipal councils in accordance with the Law on Local Self-government – in performing the functions of the owner of assets;

2) municipal institutions, enterprises, establishments and organisations – by the right of trust; other legal persons in the cases specified in Article 12 of this Law – under a trust agreement.

2. The rights and duties of entities engaged in the management, use and disposal of municipal assets shall be laid down in laws, decisions of municipal councils, the articles of association (regulations) of these entities and, in the cases specified in Article 12(3) of this Law, in a trust agreement.

Article 9. Principles of the management, use and disposal of state and municipal assets

State and municipal assets must be managed, used and disposed of in compliance with the following principles:

1) public benefit; this principle entails that state and municipal assets must be managed, used and disposed of with care to ensure the meeting of public interests;

2) efficiency; this principle entails that decisions relating to the management, use and disposal of state and municipal assets must aim to provide the maximum benefit to the public;

3) rationality; this principle entails that state and municipal assets must be used sparingly, avoiding squander, and be managed and used in a rational way;

4) public law; this principle entails that transactions involving state and municipal assets must be concluded only in the cases and manner established by legal acts regulating the disposal of state and/or municipal assets.

Article 10. Management, use and disposal of state assets by the right of trust

1. State assets shall be transferred for the management, use and disposal by the right of trust in accordance with the procedure established by the Government unless the laws of the Republic of Lithuania provide otherwise.

2. State assets shall be managed, used and disposed of by the right of trust by the manager of centrally managed state assets, state institutions, the Bank of Lithuania, state enterprises, establishments and organisations, as well as, in the cases specified in Article 11 of this Law, by municipalities.

3. The entities specified in paragraph 2 of this Article shall have the right to adopt decisions relating to the management, use and disposal of state assets, except for decisions relating to the transfer of assets into the ownership of other persons or restriction of the rights in rem, unless the laws of the Republic of Lithuania provide otherwise. In its decision to transfer state assets by the right of trust, the entity entitled to adopt decisions relating to the transfer of the state assets by the right of trust shall also have the right to establish other conditions relating to the management, use and disposal of the assets held in trust.

4. State assets may be transferred to other legal persons by the right of trust under a trust agreement only in the cases where state functions are assigned to them by laws. A decision on the transfer of the state assets by the right of trust to other legal persons shall be adopted by the Government. Such a decision must specify the state institution or establishment authorised to conclude a trust agreement. Other legal persons to whom the state assets have been transferred under the trust agreement may not transfer these assets to other persons by the right of ownership, pledge them or, in any other way, restrict the rights in rem to them, use them as a guarantee, surety or, in any other way, use them to secure the discharge of obligations assumed by them and by other persons, lease them, provide under loan for use or transfer them to other persons for use in any other way. These assets may only be used for the purpose of performing the functions assigned to them by laws. The trust agreement may also provide for other restrictions. The trust agreement shall expire in the cases laid down in the Civil Code of the Republic of Lithuania (hereinafter: the 'Civil Code'). A state institution or establishment which concluded the trust agreement must withdraw from the trust agreement pursuant to Article 6.967(1)(5) of the Civil Code if the legal person (trustee) is no longer in a position to perform (or renounces) the state functions for the purpose of performing whereof the assets were transferred under the trust agreement. The state institution or establishment which concluded the trust agreement must supervise the proper execution of the agreement. Upon expiry of the trust agreement, the assets shall be managed, used and disposed of by the right of trust by the state institution or establishment which signed the agreement, unless established otherwise by the Government.

5. The right of trust in respect of the transferred state assets shall arise as of transferring the assets to the entity of the right of trust (trustee) and signing the act of transfer and acceptance of the assets.

Article 11. Management, use and disposal, by the right of trust, of state assets transferred to municipalities

1. Municipalities shall, by the right of trust, manage, use and dispose of the following:

1) state assets which have been assigned to the ownership of municipalities in accordance with the Law of the Republic of Lithuania on the Transfer of State-owned Property into the Ownership of Municipalities but have not yet been transferred into the ownership of the municipalities. Where the municipalities refuse to take over the state assets transferred to them into their ownership, these assets may, by a Government resolution, be transferred to state institutions, state enterprises, establishments and organisations;

2) state assets which are transferred to municipalities by Government resolutions for the purpose of performing state (delegated to municipalities) and assigned (of limited independence) functions.

2. Where state functions of municipalities (delegated to municipalities by the State) or entities thereof change or where the transferred state assets are no longer required to perform these functions, these assets may, by a Government resolution, be transferred, by the right of trust, to other entities specified in Article 10(2) of this Law, while the state immovable property must, by the right of trust, be transferred for management to the manager of centrally managed state assets.

Article 12. Management, use and disposal of municipal assets

1. The functions of the owner of assets belonging to municipalities by the right of ownership shall, pursuant to laws, be performed by municipal councils.

2. Other municipal institutions, municipal enterprises, establishments and organisations shall, pursuant to laws, manage use and dispose of municipal assets transferred to them by the right of trust in accordance with the procedure laid down by decisions of municipal councils.

3. Municipal assets may be transferred to other legal persons by the right of trust under a trust agreement to perform municipal functions and only in the cases where these legal persons are in a position to perform the municipal functions in accordance with the law. A decision on the transfer of the assets by the right of trust to other legal persons shall be adopted by a municipal council. Such a decision must specify the municipal institution or establishment authorised to conclude a trust agreement and the legal person in a position to perform municipal functions in accordance with the law. Other legal persons to whom the municipal assets have been transferred under the trust agreement may not transfer these assets to other persons by the right of ownership, pledge them or, in any other way, restrict the rights in rem to them, use them

as a guarantee, surety or, in any other way, use them to secure the discharge of obligations assumed by them and by other persons, lease them, provide under loan for use or transfer them to other persons for use in any other way. These assets may only be used for the purpose of performing municipal functions. The trust agreement may also provide for other restrictions. The municipal institution or establishment which concluded the trust agreement must supervise the proper execution of the trust agreement. The trust agreement shall expire in the cases specified by the Civil Code. The institution or establishment which concluded the agreement must renounce the trust agreement pursuant to Article 6.967(1)(5) of the Civil Code where the legal person (trustee) is no longer in a position to exercise (or renounces) the municipal functions for the purpose of performing whereof the municipal assets were transferred under the trust agreement. Upon expiry of the trust agreement, the assets shall be managed, used and disposed of by the right of trust by the municipal institution or establishment which signed the agreement, unless established otherwise by the municipal council.

4. The right of trust in respect of the transferred municipal assets shall arise as of transferring the assets to the entity of the right of trust (trustee) and signing the act of transfer and acceptance of the assets.

Article 13. Right to use the name of the State of Lithuania and right to make use of the objects of heraldry of the Republic of Lithuania

The right to use the name of the State of Lithuania and the right to make use of the objects of heraldry of the Republic of Lithuania shall be granted by laws or in accordance with the procedure established by the Government, unless laws provide for the procedure for exercising these rights.

Article 14. Loan for use of state and municipal assets

1. State and municipal assets may be transferred under loan for use for temporary gratuitous management and use in accordance with the procedure established respectively by the Government or a municipal council to the following entities:

- 1) budgetary bodies;
- 2) public bodies, where at least one of their stakeholders is the State or a municipality, which are represented by a state or municipal institution, as well as public establishments – schools and public establishments which ensure public interest through a network of museums;
- 3) legal persons which have the status of a social enterprise;
- 4) associations (only in the cases specified in paragraph 2 of this Article);

- 5) political parties;
- 6) trade union associations registered in the Register of Legal Entities (only in the cases specified in paragraph 2 of this Article);
- 7) charity and sponsorship funds (only in the cases specified in paragraph 2 of this Article);
- 8) other entities, where laws, treaties or international agreements provide for it.

2. State and municipal assets may be transferred under loan for use for temporary gratuitous management and use only to those associations the main objective of activities whereof is to provide benefit to the public or a part thereof in the social field and in strengthening of national security. State and municipal immovable property may be transferred under loan for use for temporary gratuitous management and use only to those charity and sponsorship funds the main objective of activities whereof is to provide benefit to the public or a part thereof in the social field and in strengthening of national security. The activities of associations and charity and sponsorship funds attributed to the social field and the field of strengthening of national security shall be established by the Government of the Republic of Lithuania. Only municipal immovable property may be transferred to trade union associations under loan for use for temporary gratuitous management and use.

3. State and municipal assets may be transferred to the entities referred to in paragraph 1 of this Article (except for the entities referred to in points 1 and 8) under loan for use for temporary gratuitous management and use if the entities meet the following criteria:

- 1) a charity and sponsorship fund, an association, a trade union association and the constituent trade unions or a political party have no state or municipal immovable property owned by the right of ownership or transferred under loan for use for temporary gratuitous management and use in the municipality wherein immovable property is sought under loan for use;

- 2) the entity justifies that the assets sought under loan for use are required for the activities carried out, for which the assets could be transferred, and the purpose of use thereof is in line with the fields and objectives of the entity's activities, set forth in its founding documents;

- 3) the entity justifies that the results of its activities ensure benefit to the public or a part thereof.

4. A decision on the transfer of state assets under a loan for use agreement to the entities specified in paragraph 1 of this Article shall be adopted by the Government or asset managers

authorised by it in accordance with the procedure laid down by the Government. A decision on the transfer of municipal assets under a loan for use agreement to the entities specified in paragraph 1 of this Article shall be adopted by a municipal council or an institution authorised by it. State and municipal tangible fixed assets may be transferred under loan for use to the entities referred to in points 4-8 of paragraph 1 of this Article for a period not exceeding ten years, unless laws provide otherwise. The decision must specify the term of the loan for use agreement and the purpose of use of the assets and may also specify other conditions of the loan for use. These conditions must be entered in the loan for use agreement. Before concluding a loan for use agreement, the recipient of loan for use must submit a written undertaking to use, under the conditions provided for in the loan for use agreement, his own funds to perform current repairs of the transferred immovable item and major repairs of the construction works, as well as repairs of other tangible fixed assets. An institution authorised by a municipal council shall adopt decisions in accordance with the procedure established by the municipal council. A loan for use agreement in respect of state or municipal assets with the entities of loan for use shall be concluded by the manager of the state or municipal assets.

5. A loan for use agreement in respect of state or municipal assets must specify the purpose of use of the assets transferred under the loan for use agreement, the obligation of the recipient of loan for use to perform, at own expense, current repairs of the immovable item and major repairs of the construction works, as well as repairs of other tangible fixed assets, to cover all the asset maintenance costs, to insure the received tangible fixed assets and other conditions of the loan for use laid down in the Civil Code. The provider of loan for use must terminate the loan for use agreement where the beneficiary of loan for use does not pursue the activities for which the state or municipal assets have been transferred, or uses these assets not in accordance with their purpose. The provider of loan for use may terminate the loan for use agreement where the beneficiary of the loan for use fails to fulfil the obligations to perform, at own expense, current repairs of the immovable item or major repairs of the construction works, or repairs of other tangible fixed assets. The beneficiary of loan for use who has improved the assets transferred under the loan for use agreement shall not be compensated for the improvements.

6. Persons to whom state or municipal assets have been transferred for gratuitous use may not lease them or otherwise transfer for use to third persons.

7. The provisions of this Article shall not apply where immovable property belonging to the State by the right of ownership is provided under a loan for use agreement pursuant to Article 18(5) and Article 19(4)(1) of this Law.

Article 15. Lease of state and municipal tangible fixed assets

1. A decision on the lease of state tangible fixed assets may be adopted by the manager of the state assets if these tangible fixed assets:

- 1) are not intended for ensuring the State's defence or security;
- 2) are not used for the purpose of performing state functions.

2. State tangible fixed assets shall be leased by a public tender, except for the cases where, in accordance with the procedure established by the Government, the tangible fixed assets are leased without tendering by:

1) the Government under the treaties or international agreements of the Republic of Lithuania, or if such assets are leased to foreign embassies or consular posts, as well as missions of international organisations;

2) the manager of the state assets where the state tangible fixed assets are leased for the performance of urgent works (response to accidents, natural disasters, etc.) or for the purpose of organising a short-term event (exhibitions, sports competitions, meetings, seminars, festivals, cultural events, for social needs of employees) the duration whereof does not exceed 30 calendar days;

3) the manager of the state assets where services are purchased for the provision whereof the state or municipal tangible fixed and current assets will be used, and where these assets are leased in a public tender carried out in accordance with the procedure laid down by the Law of the Republic of Lithuania on Public Procurement.

3. State tangible fixed assets may be leased for a period not exceeding ten years (including the extension of the term of lease), unless laws provide otherwise. State tangible current assets may be leased alongside the state tangible fixed assets, where the aim is to ensure the efficiency of lease of the state tangible fixed assets.

4. The rules for calculating the amount of rent for the lease of state tangible fixed and current assets shall be established by the Government or an institution authorised by it.

5. The rent for the lease of state tangible fixed assets managed by the right of trust by state institutions, establishments and organisations shall be transferred to the state budget of the Republic of Lithuania. The rent for the lease of state assets managed by the right of trust or the right of trust under a trust agreement by state enterprises, institutions of science and studies or other entities established by laws which may, in accordance with the procedure laid down by laws, lease tangible fixed assets belonging to the State by the right of ownership shall be transferred to the accounts of the respective entities. The rent for the lease of the state tangible fixed assets accounted for in the State Social Insurance Fund shall be transferred to the account of the State Social Insurance Fund.

6. The Government must establish the rules for organising a public tender for lease which must:

- 1) provide for the procedure for applying and organising the tender for lease;
- 2) govern the duties of the manager of state assets in organising the tender for lease;
- 3) lay down the procedure and grounds for the termination of the tender for lease;
- 4) lay down the main requirements of a lease agreement and approve a standard lease agreement.

7. A lease agreement must provide for late payment interest in the amount determined by the Government or a municipal council for failure by the lessee to timely pay the rent, unless other laws establish otherwise. Where no late payment interest is provided for in the lease agreement, the lessee shall pay late payment interest of 0.05 per cent on the overdue amount for each delayed day. The lessee who has improved the assets leased shall not be compensated for the improvements.

8. Tangible assets belonging to a municipality by the right of ownership shall be leased in accordance with the procedure established by a municipal council.

Article 16. Accounting of state and municipal assets, reports on the management, use and disposal of assets belonging to the State and municipalities by the right of ownership

1. Accounting of state and municipal assets shall be managed in accordance with the procedure laid down by laws.

2. A report on the management, use and disposal of assets belonging to the State by the right of ownership shall be prepared by the manager of centrally managed state assets in accordance with the procedure established by the Government.

3. A report on the management, use and disposal of assets belonging to a municipality by the right of ownership shall be prepared by a municipal administration in accordance with the procedure established by a municipal council.

4. Assets belonging to the State and municipalities by the right of ownership subject to registration must be registered in public registers in accordance with the procedure established by legal acts.

5. When managing, using and disposing of assets belonging to the State by the right of ownership, as well as when preparing a report on the management, use and disposal of the assets belonging to the State by the right of ownership, use shall be made of the state assets information search system which shall be established, developed and managed in accordance with the procedure laid down by the Law of the Republic of Lithuania on Management of State

Information Resources. The manager of the state assets information search system shall be the manager of centrally managed state assets.

Article 17. Assets acquired for the needs of the State and municipalities

1. State institutions, enterprises, establishments and organisations which have acquired assets into the ownership of the State in accordance with the procedure laid down by laws shall manage, use and dispose of them by the right of trust. The acquired assets shall belong to the State by the right of ownership.

2. Municipal enterprises, establishments and organisations which have acquired assets into the ownership of a municipality in accordance with the procedure laid down by laws shall manage, use and dispose of them by the right of trust. The acquired assets shall belong to the municipality by the right of ownership.

Article 18. Renovation of state immovable property

1. State immovable property required for performing state functions may be renovated in compliance with the principles laid down in this Law.

2. State immovable property may be renovated where it does not meet the needs of state establishments or organisations in the course of performing state functions. The property may be renovated by way of reconstruction, repair or acquisition (purchase and construction) of new immovable property. The state immovable property shall be renovated by way of acquisition of new immovable property in the case where it is inexpedient to renovate the available state immovable property by way of repair or reconstruction. When renovating the state immovable property by way of reconstruction or repair, the state immovable property which has been entered on the Government approved List of State Immovable Property to Be Renovated as immovable property for sale due to failure to meet the needs of the managers of the state assets in their performance of state functions may be sold by way of an auction.

3. State immovable property shall be renovated on the basis of the List of State Immovable Property to Be Renovated approved by the Government. The procedure for drawing up the List of State Immovable Property to Be Renovated shall be established by the Government.

4. The functions of organising and coordinating renovation of state immovable property shall be performed by the manager of centrally managed state assets.

5. When renovating state immovable property, the manager of centrally managed state assets, the manager of state assets and the manager of state budget appropriations, where the

manager of state assets is not the manager of state budget appropriations, shall conclude an agreement. The agreement must specify:

1) that the manager of state assets transferring the immovable property to the manager of centrally managed state assets by the right of trust (where necessary), will use this or any other provided immovable property required for the permanence of state functions under loan for use until the renovated immovable property is transferred to him by the right of trust; also an obligation of the beneficiary of loan for use to insure the immovable property and other conditions and procedure of the loan for use;

2) the terms of renovation of the state immovable property transferred to the manager of centrally managed state assets;

3) the activities of the manager of centrally managed state assets in renovating the transferred state immovable property, as well as the allotment of functions between the parties to the agreement in the course of renovating the state immovable property;

4) the amount of borrowed target funds which the parties to the agreement will inject in the course of implementation of the state immovable property renovation investment project;

5) the sources of additional funding required for renovation of the state immovable property (where necessary);

6) the remuneration paid to the manager of centrally managed state assets for organising the renovation of the state immovable property;

7) the settlement with the manager of centrally managed state assets for the use of own or borrowed funds in renovating the state immovable property.

6. The agreement specified in paragraph 5 of this Article must be approved by the board of the manager of centrally managed state assets. In the event that the board refuses to approve the agreement, the manager of centrally managed state assets shall be entitled to submit a draft decision on the consent for the agreement for consideration to the Government. The decision of the Government shall be final.

7. Upon concluding the agreement referred to in paragraph 5 of this Article, the manager of the state immovable property which has been entered on the Government approved List of State Immovable Property to Be Renovated shall, by his decision, transfer the assets to the manager of centrally managed state assets by the right of trust (where necessary). Where the state immovable property is renovated by way of acquisition of new immovable property, this property shall be managed by the right of trust by the manager of centrally managed state assets, unless the Government decides otherwise, until the transfer of the renovated property to the manager of state assets. The immovable property renovated by way of acquisition of new property shall be owned by the State.

8. The manager of centrally managed state assets shall sell the state immovable property, transferred to him and entered on the Government approved List of State Immovable Property to Be Renovated as immovable property for sale due to failure to meet the needs of the managers of the state assets in their performance of state functions, in accordance with the procedure laid down in Article 20 of this Law. A state land parcel assigned to the property shall be sold together with the property, except for the cases specified by laws. The manager of centrally managed state assets may, in accordance with the procedure established by legal acts, before sale, lease the state immovable property transferred to him for sale or provide it under loan for use. The lease or loan for use agreement must specify that the agreement for the lease or loan for use of the property shall terminate upon selling these assets. The funds received from the sale of the state immovable property and the state land parcel assigned to the property sold alongside shall be used for the discharge of obligations relating to renovation of the property, the payment of remuneration, calculated in accordance with the procedure established by the Government, for coordinating and organising the renovation of the state immovable property and for the coverage of other actual costs relating to the acquisition of the property.

9. Where, upon the sale of the immovable property in need of renovation and upon deduction of the costs specified in paragraph 8 of this Article, there remain unused funds, these funds may, in accordance with the procedure established by the Government, only be used for the renovation of other state immovable property with priority given to meeting the needs of the manager of the state assets.

10. Upon approval of the Ministry of Finance of the Republic of Lithuania (hereinafter: the 'Ministry of Finance'), the manager of centrally managed state assets shall have the right to borrow funds required for renovation of the state immovable property. To secure the discharge of obligations relating to the renovation of the state immovable property, the manager of centrally managed state assets may pledge the state immovable property under renovation, with the exception of the Presidential Palace, buildings of the Seimas and the Government of the Republic of Lithuania, the residence of the President of the Republic of Lithuania, the residence of the Prime Minister and other property which, in accordance with laws, may be owned solely by the State.

11. Upon request of the manager of centrally managed state assets, the Government, on behalf of the State, shall, in accordance with its established procedure, have the right to borrow the funds required for renovation of state immovable property. Where necessary, for that purpose, the Ministry of Finance representing the Government shall have the right to borrow the funds on behalf of the State on domestic and foreign markets by taking loans, issuing Government securities and other debt instruments.

Article 19. Centralised management, use and disposal of state immovable property

1. Based on the purpose of use, state immovable property shall be divided into the following groups:

- 1) for administrative purposes, used for implementing the functions of state institutions, establishments and organisations;
- 2) for cultural and sports purposes, used for the needs of culture and sports as well as public entertainment events;
- 3) for educational purposes, used for the needs of education and science;
- 4) for health care and treatment purposes, used for the needs of health care and provision of medical aid;
- 5) for subsidiary farm purposes, used for production, storage or warehousing of goods;
- 6) for special purposes, used for special needs (for military, national security and defence purposes, immovable property used by prisons, police, fire prevention services, border services and other special services, immovable property used by foreign affairs bodies, including diplomatic and consular posts, public transport purposes and other immovable property used for special needs, including immovable property intended for administrative purposes, used for the needs set out in this point);
- 7) property for other purposes, which may not be attributed to any of the immovable property groups referred to in points 1-6 of this paragraph.

2. State immovable property, with the exception of the Presidential Palace, buildings of the Seimas and the Government of the Republic of Lithuania and the building of the Constitutional Court of the Republic of Lithuania may, in compliance with the principles laid down in this Law, be managed centrally, i.e. by transferring the activities of management, use and disposal of the state immovable property to a single entity (hereinafter: 'centralised management'). The state immovable property managed by the right of trust by state enterprises may be transferred for centralised management where it is not used for the performance of activities of the state enterprise or where it has been recognised as redundant or ineligible (not possible) for use.

3. Centralised management of state immovable property shall be implemented by the manager of centrally managed state assets.

4. Centralised management of state immovable property shall consist of the following activities:

- 1) management and maintenance of the state immovable property referred to in point 1 of paragraph 1 of this Article transferred, by the right of trust, to the manager of centrally managed

state assets in accordance with property management and maintenance agreements concluded with the users of this property (beneficiaries of loan for use). A decision on the transfer for management by the right of trust of the state immovable property intended for administrative purposes to the manager of centrally managed state assets shall be adopted by the Government. The conditions of loan for use of the state immovable property intended for administrative purposes and a standard loan for use agreement, as well as the procedure for the transfer, management, use and disposal of the state immovable property intended for administrative purposes and other state immovable property referred to in this Article, as well as the stages of transfer of the immovable property intended for administrative purposes shall be established by the Government.

2) management, use and disposal, in accordance with the procedure established by the Government, of the state immovable property referred to in paragraph 1 of this Article not used for the performance of state functions (including the property referred to in Article 5(2) of this Law), as well as the property recognised as redundant or ineligible (not possible) for use transferred to the manager of centrally managed state assets;

3) centralised sale, in accordance with the procedure laid down in Article 21 of this Law, of the state immovable property not used for the performance of state functions (including the property referred to in Article 5(2) of this Law), as well as the state immovable property recognised as redundant or ineligible (not possible) for use and the assigned land parcels based on the List of Immovable Items for Sale approved by the Government;

4) obligatory coordination with the manager of centrally managed state assets, in the cases and in accordance with the procedure laid down by legal acts, of asset managers' decisions regarding the loan for use, lease or transfer of the state immovable property referred to in paragraph 1 of this Article managed by them by the right of trust for management by the right of trust to other asset managers;

5) evaluation of efficiency of use of the state immovable property intended for administrative purposes pursuant to the indicators of efficiency of use of immovable property intended for administrative purposes established by the Government or an institution authorised by it, as well as evaluation of alternatives for obtaining immovable property intended for administrative purposes, analysis of the cost-effectiveness of these alternatives pursuant to the standards for obtaining immovable property intended for administrative purposes necessary for carrying out activities and implementing state functions established by the Government or an institution authorised by it;

6) acquisition (by way of purchase or construction) of new immovable property intended for administrative purposes with regard to the need for such property and evaluation of

alternatives for obtaining immovable property intended for administrative purposes, organisation and coordination of renovation of the state immovable property in accordance with the procedure laid down by laws;

7) purchase of maintenance (including current and major repairs and reconstruction) services for the state immovable property transferred for management by the right of trust.

Article 20. Transfer of state and municipal assets into the ownership of other entities

1. Assets belonging to the State by the right of ownership shall be transferred into the ownership of other entities:

1) by privatising shares in accordance with laws;

3) by selling state immovable property and land parcels assigned to it located in Lithuania and abroad, as well as other immovable items, except for the cases referred to in paragraphs 6 and 7 of this Article, in accordance with the procedure laid down in Article 21 of this Law;

3) by selling state immovable property to foreign countries for the establishment of their diplomatic missions and consular posts, as well as to international organisations for the establishment of their missions;

4) by transferring intangible and tangible assets (except for immovable items), by a Government resolution, into the ownership of municipalities for the performance of independent municipal functions;

5) by transferring immovable items, by a Government resolution, into the ownership of municipalities for the performance of independent municipal functions, where this property has been recognised as redundant in accordance with the provisions of Article 26(1)(8) of this Law;

6) by transferring the rights of a stakeholder (owner) of state-owned public establishments, by a Government resolution, to municipalities for the performance of independent municipal functions;

7) by selling the rights, held by the State by the right of ownership, of a stakeholder (owner) of public establishments to other persons in accordance with the procedure for the sale of the rights of a stakeholder of a public establishment by way of a public auction established by the Government;

8) by other ways provided for by this Law and other laws.

2. Assets belonging to a municipality by the right of ownership shall be transferred into the ownership of other entities:

1) by privatising shares in accordance with laws;

3) by selling municipal immovable property and land parcels assigned to it, as well as other immovable items in accordance with the procedure laid down in Article 21 of this Law;

3) by transferring them into the ownership of the State or another municipality;

4) by selling the rights, held by a municipality by the right of ownership, of a stakeholder of public establishments to other persons in accordance with the procedure for the sale of the rights of a stakeholder of a public establishment by way of a public auction established by the Government;

5) by other ways provided for by this Law and other laws.

3. A decision on the sale of the assets referred to in point 3 of paragraph 1 of this Article to foreign countries for the establishment of their diplomatic missions and consular posts, as well as to international organisations for the establishment of their missions shall be adopted by the Government. Such a decision must specify the state institution or establishment authorised to conclude a contract of purchase and sale of the assets. The assets referred to in point 3 of paragraph 1 of this Article shall be sold at the value established in accordance with the Law of the Republic of Lithuania on the Bases of Property and Business Valuation (hereinafter: the 'Law on the Bases of Property and Business Valuation').

4. Municipal assets may, by a decision of a municipal council, be transferred into the ownership of the State or another municipality with the respective consent of the Government or an institution authorised by it or the municipal council of another municipality. Municipal immovable property located abroad shall be sold at the value established in accordance with the Law on the Bases of Property and Business Valuation by a decision of the municipal council.

5. State and municipal assets may not be transferred to other legal or natural persons or be otherwise linked with the assets under a joint venture agreement.

6. State movable and immovable tangible assets acquired in the course of discharge of obligations of the Republic of Lithuania arising from the membership of the Republic of Lithuania in the North Atlantic Treaty Organisation, the European Union, the United Nations or intended for the discharge of obligations arising from treaties, for collective defence operations, military operations, international military exercises or military cooperation events and civil missions may be gratuitously transferred or sold to international organisations, state or municipal institutions of other states, public legal persons of other states if such gratuitous transfer or sale is in compliance with international commitments of the Republic of Lithuania or the National Security Strategy approved by the Seimas. A decision on the gratuitous transfer or sale without tender of the assets referred to in this paragraph shall be adopted by the asset manager in case of the transfer or sale of tangible current assets, except for monetary funds, or movable tangible fixed assets the residual value whereof does not exceed EUR 30 000, or by the Government in

case of the transfer or sale of tangible immovable property or movable tangible fixed assets the residual value whereof exceeds EUR 30 000. The decision of the Government or the asset manager must specify the state institution or establishment concluding the transfer or sale transaction, the assets transferred or sold and the conditions and procedure for the use thereof.

7. State immovable property or movable tangible fixed assets the residual value whereof exceeds EUR 30 000 and which is intended for development cooperation activities or for the provision of humanitarian aid may be gratuitously transferred into the ownership of international organisations, state or municipal institutions of other states and public legal persons of other states by a decision of the Government, while state tangible current assets, except for monetary funds, and movable tangible fixed assets the residual value whereof does not exceed EUR 30 000 and which is intended for development cooperation activities or for the provision of humanitarian aid – by a decision of the asset manager. Municipal movable and immovable tangible assets intended for development cooperation activities or for the provision of humanitarian aid may be gratuitously transferred into the ownership of international organisations, state or municipal institutions of other states and public legal persons of other states by a decision of the municipal council.

8. The procedure for gratuitous transfer or sale without tender of the state assets referred to in paragraphs 6 and 7 of this Article shall be established by the Government which shall also appoint an institution in charge of the supervision of implementation of this procedure.

9. All the provisions of agreements on the transfer of state assets to legal or natural persons under which the State is deprived of its rights, established by laws, or its rights are restricted shall be deemed null and void. The rights of the State may be restricted only in accordance with the procedure and on the grounds established by laws of the Republic of Lithuania.

10. The rights of a stakeholder of a public establishment held by the right of ownership by the State or a municipality may be sold where this public establishment has not been assigned, in accordance with the procedure established by legal acts, the performance of public administrative functions and both of the following conditions are met:

1) no immovable property belonging to the State or the municipality by the right of ownership has been invested when establishing the public establishment or increasing the public establishment's stakeholders' capital;

2) the public establishment is not a beneficiary of the loan for use of state or municipal assets.

11. A decision on the sale of the rights of a stakeholder of a public establishment held by the right of ownership by the State shall be adopted by a Government resolution. A decision on the sale of the rights of a stakeholder of a public establishment held by the right of ownership by a municipality shall be adopted by the municipal council. A state or municipal institution drawing up a draft decision must justify its compliance with the principles referred to in Article 9 of this Law. The decision must specify:

1) the name, registration number and registered office of the public establishment the rights of a stakeholder whereof held by the State or a municipality may be sold;

2) the initial price of the sold rights of a stakeholder, which must be not less than the value of respectively state or municipal contributions into the public establishment's stakeholders' capital;

3) respectively a state or municipal institution authorised to conclude a contract of purchase and sale of the rights of a stakeholder.

Article 21. Sale by way of a public auction of state and municipal immovable items

1. A public auction is a method of selling immovable property and a land parcel assigned to it (if the land parcel is sold alongside the immovable property), as well as other immovable items belonging to the State or municipalities by the right of ownership, except for the cases referred to in Article 20(6) and (7) of this Law, where the number of participants in the public auction is not limited and contracts of purchase and sale of the immovable property and the land parcel assigned to it or other immovable items are concluded with the highest bidder. The procedure for the sale by way of a public auction of state and municipal immovable items shall be established by the Government. A public auction may be organised by means of information technology tools.

2. The organiser of the public auction sale of immovable property and a land parcel assigned to it (if the land parcel is sold alongside the immovable property), as well as of other immovable items belonging to the State by the right of ownership shall be the manager of centrally managed state assets. The organiser of the public auction of the state immovable property located abroad may be a state institution authorised by the Government, while the organiser of the public auction of the immovable property and other immovable items belonging to a municipality by the right of ownership shall be the municipal administration, except for the cases where municipalities conclude contracts for the sale of the assets belonging to them by the right of ownership with the manager of centrally managed state assets.

3. The initial price of state or municipal immovable property and a land parcel assigned to it (if the land parcel is sold alongside the immovable property) as well as other immovable

items sold by public auction must be set at the public auction based on the value established in accordance with the procedure laid down in the Law on the Bases of Property and Business Valuation. The initial price of the land parcel or the initial price of the state or municipal immovable property sold, where the land may only be leased, shall be increased by the value of expenses incurred by the organiser of the public auction related to drawing up of a detailed plan of the land parcel or a draft landholding, or a plan of the land parcel equivalent to land-use projects for the land reform, or a plan of the land parcel equivalent to documents of detailed territorial planning and the plan of the land parcel. The conditions of the public auction for the sale of the state immovable property and the land parcel, sold or leased, assigned to it, as well as other immovable items the value whereof exceeds EUR 3 million, except for the immovable property and land parcels assigned to it entered on the List of State Immovable Property to Be Renovated shall be approved by the Privatisation Commission.

4. State and municipal immovable property and other immovable items entered on the List of State (Municipal) Immovable Property and Other Immovable Items for Sale by Public Auction approved by the Government or a municipal council or on the List of State Immovable Property to Be Renovated shall be sold by public auction. The procedure for drawing up the list of state and municipal immovable property and other immovable items sold by public auction shall be established by the Government.

5. A participant of a public auction may be citizens and permanent residents of the Republic of Lithuania and foreign countries, as well as permanent residents of the Republic of Lithuania not holding the citizenship of the Republic of Lithuania, legal persons established in the Republic of Lithuania and foreign countries, as well as entities not possessing the status of a legal person, their branches and representative offices and several persons who have entered into a written agreement. Where state immovable property is sold together with a land parcel or a part thereof and the person intending to take part in the public auction is a foreign entity, he must comply with the requirements set forth by laws and other legal acts regulating the conclusion of land transactions.

6. A contract of purchase and sale of state or municipal immovable property, as well as other immovable items and a contract of purchase and sale or lease of a land parcel (where the land is not for sale), in the form prescribed by law, with the highest bidder at the public auction recognised as the successful bidder must be concluded within 30 calendar days of the sale at the public auction. Contracts of purchase and sale of the state land assigned to immovable property belonging to municipalities by the right of ownership or contracts of lease of the state land with

the successful bidder (buyer) shall be concluded by the manager of centrally managed state assets.

7. Contracts of purchase and sale of state or municipal immovable property and a land parcel assigned to it and other immovable items must specify the procedure and terms of payment for the purchased property, the obligations of the successful bidder (buyer) to comply with the conditions of the public auction, legal consequences for failure to perform the conditions of the contract/contracts, the procedure for terminating the contract/contracts, the obligation of the buyer to conclude a contract of lease of the land parcel and other obligations of the successful bidder (buyer).

8. Payment for the sold immovable property and a land parcel assigned to it and other immovable items may be made immediately (within ten calendar days from the signing of the contract of purchase and sale) or by instalments. If the payment is made by instalments, the time limit for the payment may not exceed three years. The latest possible time limit for the payment shall be established by the organiser of a public auction in the conditions of the public auction. Where the trustees of the sold immovable property and the land parcel assigned to it differ, a decision on the time limit for the payment shall be adopted by the trustee of the land parcel.

9. Where the discharge of the successful bidder's (buyer's) debt obligations is secured by a credit institution which to that end has provided payment guarantee to the organiser of the public auction prior to the signing of the contract of purchase and sale, the latter shall have the right to pledge the property sold at the public auction to it in order to ensure the discharge of the buyer's debt obligation to the credit institution, providing that the mortgage shall take effect after the full settlement for the property purchased has been made with the organiser of the public auction, i.e. the payment of the price for the immovable item, including the land parcel, penalties and other obligations. The property sold at the public auction may be pledged if the successful bidder (buyer) has paid the difference, if any, between the price of the property and the amount indicated in the payment guarantee provided by the credit institution.

10. When payment is made by instalments, the initial payment must be not less than 30 per cent of the price set for the immovable property and the land parcel or the other immovable item at the public auction and must be paid within five calendar days of the signing of the contract of purchase and sale. When payment is made by instalments, the successful bidder (buyer) shall pay interest calculated in accordance with the procedure established by the Government, while to ensure the discharge of his obligations, he must provide to the organiser of the public auction the instruments for ensuring the discharge of obligations specified in the conditions of the public auction.

11. The right of ownership to the property shall be transferred to the successful bidder (buyer) upon full settlement for the sold immovable item or immovable property and the state land parcel assigned to it (where the land parcel is sold alongside the immovable property).

12. For failure to timely discharge a pecuniary obligation the successful bidder (buyer) must pay to the organiser of the public auction late payment interest specified in the contract of purchase and sale but not less than 0.1 per cent of the delayed amount for each overdue calendar day. The organiser of the public auction may set an additional period not exceeding 30 calendar days for the fulfilment of the contractual conditions. Where the successful bidder (buyer) fails to perform the contract, fails to pay the difference between the purchase price and the amount of initial payment and/or late payment interest, the organiser of the public auction may terminate the contract of purchase and sale. Upon termination of the contract of purchase and sale by the organiser of the public auction due to the fault of the successful bidder (buyer), the property sold at the public auction shall be returned to the organiser of the public auction, while the part of the purchase price paid by the buyer shall be returned to the buyer along with the initial payment upon deduction of the expenses incurred by the organiser of the public auction, including penalties. The organiser of the public auction shall be entitled to request the successful bidder (buyer) to cover the expenses related to the organisation of the public auction and the price difference if the immovable property and the land parcel assigned to it (where the land parcel is sold alongside the immovable property), or the other immovable items have been sold at a new public auction at the price lower than the price which had to be paid by the successful bidder (buyer).

13. The funds received upon the sale of:

1) state immovable property and other immovable items, as well as interest, penalties and other payments relating to the performance of the contract of purchase and sale, except for the case referred to in Article 18(8) of this Law, after deduction of the remuneration for the manager of centrally managed state assets established by the Government for the sale of the immovable property or other immovable items and expenses incurred by him relating to the drawing up of a detailed plan of the leased land parcel or a draft landholding, or a plan of the land parcel equivalent to land-use projects for the land reform, or a plan of the land parcel equivalent to documents of detailed territorial planning and the plan of the land parcel, or expenses incurred by the organiser of a public auction of the state immovable property located abroad relating to the organisation of the public auction shall be transferred into the account of the Privatisation Fund or the account of the State Social Insurance Fund, where the immovable property belonging to the State by the right of ownership is accounted for in the State Social Insurance Fund in accordance with the Law of the Republic of Lithuania on State Social Insurance;

2) municipal immovable property and other immovable items, as well as interest, penalties and other payments relating to the performance of the contract of purchase and sale, after deduction of the remuneration for the manager of centrally managed state assets provided for in the contracts relating to the sale of the municipal property (where such contracts are concluded) shall be transferred into the municipal budget;

3) a state land parcel assigned to the state or municipal immovable property, except for the case referred to in Article 18(8) of this Law, after deduction of expenses incurred by the organiser of a public auction relating to the drawing up of a detailed plan of the sold land parcel or a draft landholding, or a plan of the land parcel equivalent to land-use projects for the land reform, or a plan of the land parcel equivalent to documents of detailed territorial planning and the plan of the land parcel shall be allocated as follows: 50 per cent – into the state budget of the Republic of Lithuania and 50 per cent – into a special account for the accumulation of funds for the sold state land parcels of the budget of the municipality in the territory whereof the land parcel has been sold.

14. In accordance with the procedure set forth by laws, immovable property belonging to the State or a municipality by the right of ownership located on a private land parcel may be sold at a public auction without the consent of the land owner provided it is not contrary to the conditions of use of the land parcel laid down in laws and/or the contract.

Article 22. Investment of state and municipal assets

1. Investment of state and municipal assets shall mean the transfer, as a contribution, of assets belonging to the State or a municipality by the right of ownership:

1) to a public establishment, a public limited liability company or a private limited liability company in the course of discharge of property obligations of the founder assumed under the deed of incorporation or the memorandum of incorporation;

2) by increasing the capital of the stakeholders of a public establishment or the capital of a public limited liability company or a private limited liability company, where the State and/or the municipality is their participant;

3) to a public establishment in the course of setting (forming) the capital of the stakeholders, where a budgetary institution is converted into a public establishment in accordance with the procedure set forth by laws;

4) to a public limited liability company or a private limited liability company in the course of setting (forming) the capital, where the state or municipal enterprise is converted into a public limited liability company or private limited liability company in accordance with the procedure set forth by legal acts;

5) to legal persons, under establishment or already established, of another legal form, whose purpose of activities is international cooperation, where the aim is to ensure the proper performance of state or municipal functions set forth by laws;

6) in the course of acquiring units offered by an investment fund established in the Republic of Lithuania or another EU Member State or a state of the European Economic Area and investing the accumulated funds in the Republic of Lithuania, which is a private capital collective investment undertaking. This point shall not apply to the investment of municipal assets.

2. A decision on the investment of assets belonging to the State by the right of ownership shall be adopted by the Government. A decision on the investment of assets belonging to a municipality by the right of ownership shall be adopted by the municipal council. Prior to adopting a respective decision, the entity making an investment proposal must economically and socially substantiate the proposal. The decisions relating to the investment of state and municipal assets shall be adopted in accordance with the procedure established by the Government if at least three of investment criteria are met:

1) investment will ensure the fulfilment of the obligations arising from the treaties of the Republic of Lithuania;

2) investment is made into enterprises and/or facilities of strategic and key importance to ensuring national security in accordance with the Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises of Importance to Ensuring National Security, as well as other legal acts implementing the national security objectives which, inter alia, ensure the necessary decisive power of the State;

3) investment promotes Lithuania's economic growth, enhances its economic independence and/or international competitiveness;

4) investment will aim at ensuring economic and social cohesion of a municipality or the whole country within the EU, as well as on a regional level and worldwide;

5) investment will result in the creation or development of infrastructure useful to the public (promotion of effective competition on internal market, improvement of the quality, choice and availability of public services);

6) investment of the state and/or municipal assets (state or municipal contribution) will generate added value and ensure long-term economic sustainability of the activities generating the added value;

7) the investee will generate not only profit (income) but also social outcome (in the fields of education, culture, science, environment, health and social security, etc.), or ensure a

more efficient performance of state and municipal functions set forth in laws of the Republic of Lithuania and Government resolutions;

8) investment will be made into economic and social innovations, development of knowledge economy and creation of high technologies, where that is one of the main objectives of activities of the investee;

9) the investment objective and desired outcome are laid down in legal acts implementing strategic planning documents.

3. State or municipal assets may not be invested to acquire an enterprise or securities from natural persons and private legal persons, and to establish a private legal person, except for the cases specified in this Law and other laws.

4. The State or a municipality may invest the assets by acquiring the shares of a public limited liability company or a private limited liability company being incorporated or increasing its authorised capital, which grant over 50 per cent of votes to the State or the municipality (municipalities), or to them collectively, at a general meeting of shareholders.

5. The State may invest the assets by acquiring units of an investment fund, where:

1) the investment strategy of the investment fund, investment restrictions and specialisation in the geographical area or branch of the economy are in compliance with the objectives and approaches of the state policy on the promotion of small and medium-size businesses;

2) the investment fund is a closed-ended investment fund;

3) it is provided for in the instruments of incorporation of the investment fund that investors represent their own interests when adopting decisions;

4) it is specified in the instruments of incorporation of the investment fund that, when adopting investment decisions, a detailed investment proposal shall be prepared for each investment, containing a market and sales analysis of products or services provided by the enterprise, profit development and forecasts, the anticipated return on investment and/or other information necessary for the adoption of a decision;

5) the management company of the investment fund complies with the requirements of legal acts of the Republic of Lithuania and is selected by a public tender;

6) the management company of the investment fund is a private legal person whose heads are of good repute and have the qualifications and experience meeting the requirements of the Law of the Republic of Lithuania on Collective Investment Undertakings.

6. A person purchasing the shares of a public limited liability company or a private limited liability company being incorporated, with the State or a municipality participating in its

incorporation, shall be selected by a public tender in accordance with the procedure established by the Government.

7. Paragraph 6 of this Article shall not apply where a public limited liability company or a private limited liability company are being incorporated for the implementation of institutional partnership between the public and private sectors. In that case, information about the incorporation of the public limited liability company or the private limited liability company for the implementation of institutional partnership between the public and private sectors must be specified in the terms and conditions of the tender for the award of concession or of the public procurement organised for the implementation of a public-private partnership. The terms and conditions and the memorandum of incorporation of the public limited liability company or the private limited liability company for the implementation of institutional partnership between the public and private sectors must, in addition to the requirements laid down in other laws, specify the period of duration of the public limited liability company or the private limited liability company which may not be longer than the period of the concession contract or the public-private partnership agreement and conditions of continuity of activities of the public limited liability company or the private limited liability company, including the conditions of the state's or a municipality's participation in the company's activities as a shareholder.

Article 23. Representation of property and non-property rights of the State and municipalities as participants in a legal person

Property and non-property rights of the State and municipalities in public establishments, public limited liability companies, private limited liability companies and legal persons of another legal form shall be exercised in accordance with the procedure established by the Government.

Article 24. Pledge of state and municipal assets

1. State assets may not be pledged, except for the cases specified in paragraph 2 of this Article and Article 18(10) of this Law.

2. State or municipal enterprises shall exercise the right to pledge tangible fixed assets in accordance with the Law of the Republic of Lithuania on State and Municipal Enterprises.

3. The tangible fixed assets belonging to a municipality by the right of ownership may be pledged, in the cases specified by laws, by a decision of the municipal council and in accordance with the procedure established by the council. The intangible, financial and tangible current assets of municipalities may not be pledged.

Article 25. Control of the accounting, management, use and disposal of state and municipal assets

1. The control of accounting, management, use and disposal of state assets shall be exercised by the internal audit service (internal auditors) of state institutions, state enterprises, establishment or organisations and the National Audit Office of the Republic of Lithuania (hereinafter: the 'National Audit Office').

2. The control of accounting, management, use and disposal of municipal assets shall be exercised by the municipal controller (office of the controller) and the National Audit Office.

CHAPTER FOUR

TRANSFER AND WRITE-OFF OF STATE OR MUNICIPAL ASSETS WHICH ARE REDUNDANT OR INELIGIBLE (NOT POSSIBLE) FOR USE

Article 26. Recognition of state and municipal assets as redundant or ineligible (not possible) for use

1. Intangible assets, tangible fixed assets and tangible current assets shall be recognised as redundant or ineligible (not possible) for use where:

- 1) they have physically depreciated;
- 2) they have functionally (technologically) depreciated;
- 3) they have been recognised to be in an emergency condition in accordance with the procedure established by the Government or an institution authorised by it;
- 4) they have deteriorated or have been damaged;
- 5) they have been destroyed (damaged) during natural disasters or accidents and this has been documented appropriately;

6) the use thereof is not possible due to the activities of third persons and this has been properly documented. The value of tangible assets recognised as not possible for use due to the activities of third persons shall be transferred to financial assets (funds to be received);

7) they hinder the building of new construction works or reconstruction of the existing construction works or territories. This provision shall only apply to items of immovable property, except for immovable cultural property, upon coordination of a new construction or reconstruction project in accordance with the set procedure.

8) they are not required for the performance of state or municipal functions and/or there is no application for them;

2. Intangible assets, tangible fixed assets and tangible current assets may be recognised as redundant or ineligible (not possible) for use where it is economically unviable to renovate them,

except for the case specified in point 8 of paragraph 1 of this Article. Renovation of assets shall be considered economically unviable where the costs of repair (reconstruction) of the assets are equal to the acquisition price of new assets intended for the same purpose and of the same capacity or exceed it.

3. Land, forests, internal waters and financial assets may not be recognised as redundant or ineligible (not possible) for use.

4. A decision on the recognition of state or municipal assets as redundant or ineligible (not possible) for use shall be adopted by the asset manager, except for the persons specified in Article 10(4) and Article 12(3) of this Law. The decision on the recognition of the assets managed by the persons specified in Article 10(4) and Article 12(3) of this Law as redundant or ineligible (not possible) for use shall be adopted upon returning the assets to the state or municipal institution or establishment, or the manager of centrally managed state assets that has concluded the agreement. The decisions on the recognition of state immovable items as redundant for the performance of state and municipal functions, adopted by asset managers in accordance with the provisions of point 8 of paragraph 1 of this Article, must be coordinated with the manager of centrally managed state assets.

Article 27. Use and write-off of state and municipal assets which are redundant or ineligible (not possible) for use

1. State or municipal intangible assets, tangible fixed and tangible current assets which are redundant or ineligible (not possible) for use, except for the case specified in Article 26(1)(6) of this Law, may be used in the following ways:

1) by transferring them by the right of trust in the cases and in accordance with the procedure laid down in Articles 10, 11 and 12 of this Law;

2) by transferring them under a loan for use agreement in the cases and in accordance with the procedure laid down in Article 14 of this Law;

3) by investing them in the cases and in accordance with the procedure laid down in Article 22 of this Law;

4) by selling them at public auctions (except for immovable items and assets managed by the diplomatic missions, consular posts and missions of the Republic of Lithuania to international organisations) in accordance with the procedure established by the Government;

5) by selling the immovable items in accordance with the procedure established in Article 21 of this Law;

6) by selling the assets managed by the diplomatic missions, consular posts and missions of the Republic of Lithuania to international organisations (except for immovable items) in accordance with the procedure established by the Government;

7) by transferring them into the ownership of the State or municipalities in the cases and in accordance with the procedure laid down in Articles 6 and 20 of this Law, or by transferring them into the ownership of other entities referred to in Article 20(6) and (7) of this Law;

8) by transferring animals in the manners established by this Law, including transfer into the ownership of other persons, in accordance with the procedure established by the Government or an institution authorised by it, or a municipal council.

2. Where state or municipal tangible fixed or current assets which are redundant or ineligible (not possible) for use cannot be used in any of the manners specified in points 1-7 of paragraph 1 of this Article, they must be written off and dismantled, and the residual materials must be entered in the accounts. The remaining assets, including the assets the costs of dismantling whereof exceed the anticipated value of the residual materials, may be liquidated with prior decontamination, where necessary. The intangible assets recognised as redundant or ineligible (not possible) for use shall also be liquidated. Where redundant or ineligible (not possible) for use animals belonging to the State or a municipality by the right of ownership cannot be used in the manner specified in point 8 of paragraph 1 of this Article, they must be written off in accordance with the procedure established in paragraph 6 of this Article.

3. The list of assets relating to the information comprising state secrets, which must be destroyed in compliance with the set requirements for the protection of information comprising state secrets when such assets become redundant or ineligible (not possible) for use, shall be drawn up by the manager of the assets to be destroyed, i.e. by the state or municipal institutions being the entities of secrets and enterprises and establishments established by them, whose activities are related to the use or protection of classified information and which, in accordance with the procedure laid down by the Law on State Secrets and Official Secrets, have been granted the right to classify and declassify information, upon coordinating the list with the Commission for Secrets Protection Coordination of the Republic of Lithuania.

4. A state or municipal institution, enterprise, establishment or organisation which have used the assets in the ways specified in paragraph 1 of this Article, except for point 2 of paragraph 1, must write them off.

5. The uncovered share of financial assets (funds to be received) in the case referred to in Article 26(1)(6) of this Law shall be written off upon entry into force of the decision of the prosecutor or the decision of the judge of a pre-trial investigation regarding termination of the

pre-trial investigation, or the decision of the court or judge regarding termination of administrative proceedings.

6. Upon recognising state and municipal assets as redundant or ineligible (not possible) for use, they shall be written off, dismantled and liquidated in accordance with the procedure established by the Government. Animals belonging to the State or a municipality which are recognised as redundant or ineligible (not possible) for use shall be destroyed in accordance with the procedure established by the Government or an institution authorised by it.

7. Funds received from the sale of state and municipal assets which are redundant or ineligible (not possible) for use, except for state and municipal immovable property shall, upon deduction of the costs of storage and sale thereof, be:

1) transferred to the state budget of the Republic of Lithuania, the budget of the State Social Insurance Fund or a municipal budget respectively;

2) allocated for investment to the state or municipal enterprise which managed these assets;

Article 28. Transfer by the right of trust of state and municipal assets which are redundant or ineligible (not possible) for use to the persons referred to in Article 27(1)(1) of this Law

1. The asset manager shall, in accordance with the procedure established by the Government, transfer state assets which are redundant or ineligible (not possible) for use by the right of trust to the persons referred to in Article 27(1)(1) of this Law, except for the cases provided for in Article 19 of this Law.

2. Municipal assets which are redundant or ineligible (not possible) for use shall be transferred from one municipal institution, establishment or organisation to another, also being a municipal institution, establishment or organisation, and to the persons referred to in Article 12(3) of this Law in accordance with the procedure established by a municipal council.

3. When assets are transferred to another user by the right of trust, the transferee shall enter them in the accounts and the transferor shall write them off.

In compliance with Article 71(2) of the Constitution of the Republic of Lithuania, I promulgate this Law passed by the Seimas of the Republic of Lithuania.

SPEAKER OF THE SEIMAS

VYTAUTAS LANDSBERGIS