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Lithuania is considering initial public offerings of its state-owned energy and real estate companies as part of a sweeping overhaul of the country's troubled public sector.

The Baltic government is hoping to raise hundreds of millions of euros to help finance the construction of a nuclear reactor to replace the Soviet-era Ignalina power plant, which closed last year.

"We're pushing our state-owned enterprises to create the possibility of attracting private capital through IPOs and the capital markets," Andrius Kubilius, prime minister, told the Financial Times. "Energy will be the first priority because we have big investment projects, such as the new nuclear reactor, which need capital."

Mr Kubilius said the plans showed that Lithuania, which joined the European Union in 2004, was starting to refocus on long-term structural reforms after spending the past year battling one of the deepest recessions in the European Union. Bankers said that the potential IPOs, which Mr Kubilius said could take place next year, would transform Lithuania's underdeveloped equity market and help improve corporate governance among state-owned assets, which account for about a quarter of the economy.

"These companies have a good chance of becoming national champions," said Zygintas Macenas, head of corporate finance for SEB Enskilda in Lithuania.

Officials stressed that the government would stop short of full privatisation, keeping control of the assets in public hands.

Ingrida Simonyte, finance minister, said the government's top priority was to increase dividends through improved performance rather than raising money from asset sales.

"I don't think you can get a good price by selling companies at this time, but there is a possibility we could increase the flow of money into the state treasury by improving management," she told the Financial Times.

Lithuania's plans are part of a broader trend towards improved corporate governance among state-owned companies in central and eastern Europe, with neighbouring Poland and Latvia planning similar measures, while Estonia has already done so.

Ms Simonyte said the proposals marked a break from the "fire sale" disposals that often characterised the first round of privatisations in the region after the fall of communism.

She estimated that annual dividends could be increased by the equivalent of 1 per cent of gross domestic product, helping Lithuania reduce its hefty budget deficit as part of efforts to join the euro in 2014.

The government is planning to launch its restructuring drive after issuing a report on Thursday that will highlight the poor return on equity delivered by state-controlled companies in Lithuania compared with European peers. Proposed reforms include the creation of a holding company structure to separate the companies from direct

political control and the strengthening of financial disclosure rules. This would break the grip of individual ministries over the companies and help to tackle widespread corruption and waste.

“The state, being a very large owner of important companies, can have a very positive impact on the general business and market climate by setting a new benchmark in transparency,” said Arminta Saladziene, president of Nasdaq OMX, the exchange operator, in Lithuania, and chair of the Baltic Group on Corporate Governance.

Lithuania’s nearly 300 state-owned enterprises have combined assets that are worth about 18bn litas (\$6.6bn) and generated revenues of 8.46bn litas last year – nearly half of it in energy.

Other assets include forest land, railways and other transport infrastructure.

The energy sector has been plagued by controversy since the creation of Lithuanian Electricity Organisation in 2007 to finance the construction of a nuclear reactor and other energy infrastructure projects.

Critics accused the government of striking an unfavourable deal with NDX Energija, controlled by VP Market, one of Lithuania’s most powerful business groups, which received a big stake in LEO.

The government bought out NDX last year and created a holding company for its energy assets, called Visagino Atomine Elektrine.