

## REPORT ON THE PRIVATIZATION PROCESS IN LATVIA

### Communication from Latvia

The following communication has been received from the Permanent Mission of Latvia, with reference to the commitments contained in the Report of the Working Party on the Accession of Latvia to the WTO (WT/ACC/LVA/32).

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#### **1. Summary**

1. Summarizing the results of privatization in Latvia since 1992, it should be noted that mass privatization can be considered complete in Latvia. Within nearly eight years, 97 per cent of all State owned enterprises and companies have been designated for privatization, more than 1,550 privatization agreements have been concluded. As a result of implementing the privatization program, in 2000, the private sector accounted for 67 per cent of the GDP, and 71 per cent of the economically active inhabitants were employed by the private sector in Latvia. In such sectors as industry, agriculture, fishing, construction, and trade, the share of private companies exceeded 90 per cent of the GDP.

#### **2. Public offering programme (privatization for vouchers)**

2. The Latvian public offering programme has been recognized as one of the most successful among those implemented in economies in transition. It has facilitated development of a wide stratum of shareholders. By the end of 2000, stock of 88 companies had been offered for privatization vouchers within the public offering program. As a result, 111,208 natural persons and legal entities have already become shareholders in the above companies. Of the 66 companies listed on the Riga Stock Exchange, 60 companies are privatized companies.

# **INFORMATION ON THE PROGRESS OF THE PRIVATIZATION PROCESS OF STATE ENTERPRISES**

1 May 1994 - 1 January 2001

Activity	Total	Small objects (less than 50 employees)	Medium-sized objects (50-500 empl.)	Large objects (More than 500 empl.)
Enterprises assigned for privatization	895	599	261	35
Enterprises transferred from the Ministry of Agriculture	310	214	96	0
Enterprises transferred for liquidation	118	65	46	7
Repeated privatization	18	13	5	0
Privatization objects after split of enterprises	1,676	1,341	295	40
Privatization cancelled or enterprises merged with other companies	198	186	9	3
Privatization temporarily stopped	8	5	2	1
Restitution process initiated	60	54	6	0
Liquidation or insolvency procedure initiated	99	32	32	35
Privatization Regulations approved	714	452	227	35
Transactions concluded:				
- purchase agreements signed	587	391	172	24
- invested into private companies	4	2	2	0
- privatized without majority owner	4	0	2	2
- privatized by the Ministry of Agriculture	261	165	96	0
Proceeds of sale in LVL <sup>1</sup> million:				
- cash	196.8			
- privatization vouchers	291.1			

In 2000:

- The LPA approved 886 basic principles for privatization of State owned property objects and 983 privatization regulations for the property objects, including 837 basic principles and 839 privatization regulations for privatization of land plots.
- Four State owned enterprises were transformed into statutory companies.
- Purchase agreements for 67 State owned property objects were concluded, the total purchase price of the sold State owned property objects amounted to 4,97 million LVL. 36.3 per cent of the total purchase price had to be paid in LVL and 63.7 per cent - in privatization vouchers<sup>2</sup>.
- Pursuant to purchase agreements, the purchasers assumed obligations for the amount of 3.18 million LVL.
- The purchase agreements stipulated retention of 907 jobs.
- Five of the above State owned property objects were sold for a symbolic price – 1 LVL. Their purchasers assumed obligations of the property objects in the amount of 0.5787 million LVL and undertook to secure 66 jobs.
- Purchase agreements of 35 State owned real properties (buildings) were concluded, total sale price of the property objects – 1.31 million LVL. Means of payment for the property objects were 48.73 per cent in LVL and 51.27 per cent in privatization vouchers.

<sup>1</sup> 1 LVL = US\$1.66.

<sup>2</sup> Information on the volume of privatization transactions in 1999 is subject to updating.

- State owned equity holdings in 14 companies were sold for the total purchase price of 1.56 million LVL. Means of payment: 39.1 per cent LVL and 60.9 per cent privatization vouchers. Natural persons paid 14.85 per cent of the total purchase price, legal entities paid 85.15 per cent of the total purchase price.
- 746 purchase agreements were concluded for the sale of State owned land plots. The total sale price of land plots – 25.56 million LVL. Means of payment: 19.85 per cent LVL and 80.15 per cent property compensation vouchers. Total area of the land plots sold was 10 504 767 square metres.
- Purchase agreements of 12 State owned real properties (buildings with land plots) were concluded. Total sale price of the above properties – 0.67 million LVL. Means of payment: 53.5 per cent LVL, 12.5 per cent privatization vouchers and 34 per cent property compensation vouchers. Total area of the land plots sold was 16,812 square metres.
- Liquidation process was completed for 34 enterprises.
- One lease buy-out purchase agreement was concluded. The total purchase price stipulated by the agreements – 61748 LVL.
- The LPA concluded 10 pledge agreements to secure for the purchasers' obligations.
- Shares of 2 enterprises were sold for privatization vouchers via the public offering (JSC *Kalceks*, and State JSC *Lokomotīve*). Total nominal value of the sold shares was 0.62 million lats; 321 natural persons and legal entities became shareholders.
- Total nominal value of shares sold to the enterprise employees and pensioners for privatization vouchers amounts to 0.53 million LVL, 1247 natural persons had become shareholders. Total nominal value of shares sold to the enterprise management (31 persons) for privatization vouchers amounts to 0.25 million LVL.
- 16 agreements were concluded about the sale of the equity holdings established as a result of budget debt capitalization for the total sale price 1.13 million LVL. Means of payment: 73 per cent in LVL and 27 per cent in privatization vouchers.
- The LPA passed decisions about the change of payment means in 35 privatization cases, upon exercising its right stipulated by Part two of Article 52 of the Law On Privatization of State Owned and Municipal Asset Units. The purchasers are allowed to pay 380 213 LVL in privatization vouchers.
- Pursuant to the Cabinet of Ministers Regulations No. 34 of 27 January 1998, 2.53 million LVL were allocated for the settlement of the employees claims from insolvent and liquidated enterprises, including 1.88 million LVL to be transferred to the budget, 0.65 million LVL for debt payment to the employees.
- 1.9 million LVL were transferred to the State Property Privatization Fund, 7.99 million lats were transferred to the Municipal Property Privatization funds and 17.9 million lats were transferred to the State Treasury for different purposes of the Cabinet of Ministers.

### **3. The most significant privatization transactions in 2000**

3. The largest privatization transaction in 2000, according to both the number of employees and the sale price – the sale of controlling interest of the State JSC Tosmare to the JSC Rīgas kuģu būvētava. Sale price of the shareholding – 1 922 994 lats, the purchaser shall pay 50% in lats and 50% in privatization vouchers, as well as make investments in the amount of 1 million lats.

4. The largest transaction of the sale of the State owned equity holdings is the sale of State owned shares in JSC *ALFA* to SIA *Zinātniskais centrs "Mikroelektronika"* for 654 thousand lats. The purchaser shall pay 50% in lats and 50% in privatization vouchers.

5. The State owned land plot at 201 Brīvības iela, Rīga, was sold to the purchaser A.Vlasovs for 820 000 lats. Land plot at 2/3 Uzvaras bulvāris, Rīga, was sold to SIA *ORI Boulinga Centrs* for 520 000 lats. The purchaser shall pay 20% in lats, 80% in property compensation vouchers.

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