

Privatization

Latvia is undertaking a rigorous program of privatization as part of its overall program of national economic reform. The major thrust for privatization will commence January 1995.

In common with most other former communist countries, Latvia adopted different approaches to the privatization of small and large businesses. Bidders for "small enterprises" must have resided for a minimum of 16 years, foreign investors are effectively excluded from this opportunity. The privatization of agricultural enterprises is decentralized and is being carried out under the supervision of the respective ministerial departments.

The *Latvian Privatization Agency (LPA)* has been set up to initiate, coordinate and implement most forms of privatization of state-owned enterprises. To date, about 600 out of the total of 10,500 state-owned enterprises have been ear-marked for privatization. The *LPA* evaluates the assets of the enterprise and works out the main principles for its restructuring and development; evaluates potential candidates; ensures that privatization is undertaken according to the provisions of the law.

Canadian companies interested in participating in the privatization process should contact the *Latvian Privatization Agency* directly (see Appendix).

Foreign participation

Foreign investors can participate in privatization of the state-owned enterprises through any of the following methods:

- **sale by public auction** or by auction to selected bidders with payment in convertible currency, vouchers or lats;
- **sale by closed bid** with payment in convertible currency;
- **sale by public auction** or by auction to selected bidders with payment in vouchers only;
- transformation into a limited liability or joint-stock company and **sale of shares to investors**;
- **leasing** to an individual or legal entity with an option to buy in the future;
- closure of an enterprise and **liquidation of its assets**.

Joint-stock companies can be created as a closed company (where shares are divided among its members) or as an open company (where shares are sold to the public). The minimum number of founders is two and there is no maximum. The minimum foundation capital for most businesses is 500 lats (USD\$53.30), rising to 15,000 lats (USD\$25,000) for insurance companies and 250,000 lats (USD\$414,000) for banks. The company must establish a reserve fund into which not less than 5% of annual profit must be paid until the fund reaches one third of the company's foundation capital.