

## **LATVIA**

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“Baltic Regional Programme- Privatisation, Governance and Restructuring of Enterprises in the Baltics by  
Niels Mygind “

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## PRIVATISATION, GOVERNANCE AND RESTRUCTURING OF ENTERPRISES IN THE BALTICS

by Niels Mygind<sup>1</sup>

### 1. Introduction

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

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

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

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

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

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

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

7. The structure of the paper is as follows. In the next three sections we will describe the privatisation process in each of the Baltic countries. The process is divided into different stages dominated by different privatisation methods. We will show how these different methods have resulted in different ownership structures in each stage. These descriptive sections end with comparative overviews also including the main elements in the institutional framework for corporate governance. In the following sections for each country we will analyse the resulting ownership structures, how these structures have changed after initial privatisation, and finally present findings on the relationships between ownership and insiders. The first transformation of state ownership started in 1987 in the form of "small state-owned enterprises". By 1989 there were 461 small state-owned enterprises with nearly 6000 employees (Venesaar, 1991 p. 44) and in July 1991 the Ministry of Economics had registered 705 of this type of semi-private enterprise. Most of these were initiated and controlled by a large state-owned enterprise, and often it was the start of a spin-off to a private enterprise mainly controlled by people from management in the initiating enterprise. According to Frydman *et al.* (1993, p. 147) many of the successful Estonian entrepreneurs first established their businesses as "small state enterprises". Compared to other parts of the Soviet Union also "new cooperatives" developed quite early and rapidly. In January, 1990, there were more than 2000 new cooperatives with about 7 per cent of employment (Arkadie *et al.*, 1991, p. 258). The number of cooperatives peaked in 1993. According to the Statistical Office of Estonia there were 2943 cooperatives in August 1993. Since then many cooperatives have been transformed to other legal forms. In July 1998 there were 2124 cooperatives in the enterprise register, but only 769 of them were registered as profit earning cooperatives (ESA 1998).

8. Some of the first examples of employee ownership in this early stage of privatisation in Estonia were leased enterprises established under the Soviet legislation of 1989. According to Terk (1996, p. 120) there were 12 large enterprises mainly with Russian employees which formed a lease system under Soviet law. The Soviet law gave the right to lease the enterprise to the work collective. An option to buy was also included and we assume that most of these enterprises were taken over by insiders. In July 1991 this law was changed to Estonian rules and around 200 of such enterprises were leased according to the new rules. The new rules also opened up for leasing by the management and by outsiders. According to Terk (1996 p 199) management take-overs were favoured by the state bureaucracy. The leasing option was stopped by 1993 and most of the leased enterprises were gradually changed to full ownership most often by the leaseholder.

9. The early reform programme also favoured so-called "peoples enterprises" which included a type of experimental leasing system for insiders. But by 1991 only 7 large enterprises had been taken over mainly by insiders with five of these firms having full employee ownership (Terk, 1996).

10. In the early period take-overs by foreign companies was not widespread. However, as with new cooperatives, Estonians were also the most active in the former Soviet Union in using the possibilities for

creating joint ventures. The first joint ventures were established in Estonia already in 1987. There were 11 joint ventures in 1988 and 320 by the end of 1992 (Purju, 1996)

### 3. The privatisation process in Latvia

#### 3.1. Stages of privatisation - organisation and legislation

37. While developments in Latvia have many similarities with those in Estonia, political developments were more unstable and a political deadlock dominated the situation for some years. Accordingly, stabilisation came a little later, liberalisation was not so extensive and initially the privatisation process was much slower. The legislative background was rather unclear for the first years of privatisation.

#### Box 2. Latvia - enterprise privatisation - organisation and legislation

##### Organisation:

May 1991 - November 1991

Some authority at the Department of State Property Conversion, Ministry of Economy

November 1991 - spring 1994

Decentral model:

municipalities: small privatisation - service, trade, catering

different ministries: responsibility in respective fields

ministry of Economic Reforms: some overall guidance

From spring 1994: centralisation of privatisation at Latvian Privatisation Agency (LPA)

(The State Property Fund managing the ongoing state enterprises)

##### Main legislation

March 1991 decree On State Property and the Basic Principles of its Conversion

privatisation and reprivatisation of state and municipal property

November 1991 Law on small privatisation - amended February 1992

June 1992 Law on large privatisation - August, list of large enterprises to be privatised

November 1992 - Privatisation Certificates (vouchers) - amended May 1994

March 1993 - Restitution of Property Rights on Enterprises and other Objects -

amended: March 1995

February 1993 - Law on Leasing and Leasing with the Option to Buy

February 1994 - Laws on Privatisation of State and Municipality Owned Object amendments: June 1994, centralisation in Latvian Privatisation Agency

38. In May-November 1991 the main authority of privatisation was centralised in the Department of State Property Conversion under the Ministry of Economic Reforms, see Box 2. Then followed a long decentralised period until spring 1994 when the authority was decentralised to local municipalities for small privatisation and to different ministries depending on the type of enterprises. The privatisation process in this period was quite complex and rather slow since many ministries wanted to keep their control over the economy. From spring 1994 new legislation centralised the control to the Latvian Privatisation Agency (LPA) and after some lack of clarity in the first year the privatisation process speeded up.

39. The stages of privatisation in Latvia resemble the Estonian pattern: First early privatisation related to the Soviet period and the initial period of independence; then most of the small privatisation took place in the decentralised period conducted mainly by local municipalities, while only a minor part of large privatisation was undertaken in the decentralised stage. The bulk of large privatisation was done by LPA in the last stage. Therefore, like for Estonia, we will distinguish between early, small and large privatisation.

### 3.2 Early privatisation in Latvia

40. As in Estonia the first opening for take-overs by insiders and new start ups was connected to the Soviet legislation concerning cooperatives and leasing. New cooperatives counted 246 by January 1988, 1190 by January 1989, 4086 January 4086 and 4797 July 1990 (Goskomstat). In July 1990 the cooperatives employed more than 10 per cent of the workforce (Arkadie *et al*, 1991, p. 307). The new cooperatives developed especially in sectors such as construction, trade and information technology.

41. The new cooperatives often used the Soviet leasing legislation to transfer assets from state-owned enterprises. In October 1990, the Latvian government issued a decree to limit this type of privatisation. (Frydman *et al*, 1993, p. 221). In October 1991 the first Latvian Law on cooperatives was implemented. All cooperatives had to restructure and re-register before March 1992. The areas open for cooperatives were restricted forcing the dissolution of many cooperatives. The permissible areas included insurance association, credit unions, retail trade, agricultural and fishing production and processing, housing, medical care, information services, sports and recreational activities (Frydman *et al*, 1993, p. 210). In this way the cooperative law pointed in the direction of cooperatives owned by the suppliers and consumers, not employee ownership. Other types of new cooperatives have probably re-registered under other legal forms.

42. Leasing of state-owned enterprises started in the Soviet period could in most cases continue, but the legal status remained unclear for a long period. In February 1993 it was made possible for the group of employees to transfer the accumulated capital under the old leasing system to a new leasing contract including an option to buy.

43. The early complex of legislation about different legal forms of ownership included a law on Joint Stock Companies from 1990. Here it was stated that there could be different classes of shares and that employee stock could be issued at a discount or free of charge for up to 10 per cent of the authorised capital. These shares could be issued out of the accumulated reserves. Employee shares should carry full voting rights and their values should be paid in full upon the employee's departure from the company (Frydman *et al*, 1993, p. 208).

44. In the Soviet law on state enterprises from 1987 the general meeting of employee was given some rights concerning future production plans and the right to elect the president of the company. According to

Shteinbuka (1996 p. 182) Latvia was the first republic in the former USSR in which employees could elect the director of the enterprise. Some of these elements might have had an influence on the first years of privatisation in Latvia. Six experimental privatisation of large enterprises were implemented in 1991 and most of the ownership in these firms was transferred to insiders.

### 3.3 Small privatisation

45. Except for some early experiments small privatisation was started by November 1991 with the law on privatisation of objects of trade, catering and services. These objects had been transferred to local municipalities who administered this part of privatisation. The initiative for privatisation could come from the employees or other potential buyers. Local privatisation commissions carried out the decision about privatisation, method, initial price etc. with representatives from: the state, municipality, trade unions and specialists. Possible privatisation methods were: sale to employees, auctions to a selected group, open auctions and sale to a selected buyer. According to Vojevoda and Rumpis, (1993 p. 8) especially the latest method made room for dealings of a dubious nature.

46. Employees who had worked a minimum of 5 years in the enterprise had a pre-emptive right to buy at the initial price. Purchasers should be Latvian citizens or have at least 16 years of residency, so foreigners played no role in the first years of small privatisation. The legislation was changed on February 1992. The pre-emptive rights for employees were removed, and the scope of objects widened. Some size restrictions were also removed and the number of branches included in municipal governed privatisation was gradually expanded.

*(Table 5. Small privatisation in Latvia (trade, catering and service))*

47. The chosen method of small privatisation was for 1992 only 8 per cent at auctions because the municipal authorities were against favouring the richest purchasers, and usually auctions resulted in prices much higher than the initial price. In 1992 the auction price was on average 5 times higher than the initial price while the average final price were 3.7 times higher than the initial price (Vojevoda and Rumpis, 1993). Direct sale to employees or to another selected buyer was by far the most frequent method and more than half of these small privatisation were sold by instalments, see Table 5.

48. The high price difference between auctions and direct sale shows the favourable conditions for insiders who could buy at the initial price. These advantages for insiders prevailed in practice for some time after the legislation had been changed in February 1992. The local privatisation commissions simply continued to give preferences to insiders (Frydman *et al.*, 1993, p. 223). We do not have exact data on how big a proportion was taken over by insiders, but we estimate that especially in the first years this was the case for the majority of small enterprises (see section 7.1). Most small enterprises had been privatisation by 1994, so although the proportion of payment by vouchers were high in the latest years, vouchers were not important for small privatisation.

### 3.4. Large privatisation in Latvia

49. A list of medium and large enterprises to be privatised was passed with a decree of August 1992 and of February 1993. The list consisted of 579 enterprises proposed by the sector ministries. 400 of these enterprises were planned to be privatised by public offerings of shares, but also 147 were planned to be leased with the option to buy. Later this list was expanded to 712 enterprises (Jemeljanovs 1996 p. 205). However, except for the leasing option the privatisation proceeded very slowly and before the privatisation agency took over only around 50 large and medium sized enterprises were privatised and 78 companies transformed into statutory companies as a preparatory step for privatisation.



50. In 1992-94 when the privatisation process was decentralised with a key role to different ministries the existing networks could be used to the advantage of insiders. This was mainly done using the legislation on leasing with an option to buy. Former owners had the priority right to make a leasing contract, but then followed insiders of the company. This gave especially managers good opportunities to take over their enterprises (Steinbuka, 1996 p. 187). However, until 1994, when the possibility of making new leasing contracts was removed with the new privatisation law, privatisation was rather slow and this type of privatisation only included 234 firms.

51. In January 1994 started the first stage of privatisation of one of the largest enterprises, Lattelekom. A British-Finnish consortium took over 49 per cent of the shares by guaranteeing an investment over the following 3 years of 97 million Lats (160 million USD).

52. In 1994 the legislation was changed in the direction of a Treuhandmodel and the Latvian Privatisation Agency (LPA) was established in May 1994. The government gradually transferred the enterprises to LPA. 907 state property units were transferred in the period 1994-98, mostly in the first three years. They had a balance of fixed assets for 566 million LVL and they had 100 000 employees at the date of take-over by LPA. The average enterprise had 110 employees and fixed assets for a value of 625.000 LVL (1.1 million USD). Half of the employees were in manufacturing; most assets were in transport and communication. According to LPA (1997) 75 per cent of the companies had less than 50 employees, 20 per cent were medium sized with 50-500 employees, and 5 per cent of the companies were large with more than 500 employees.

53. LPA made its first international tender at the end of 1994. In 1995 and 1996 the process gained some speed although slower than in Estonia. The tender privatisation peaked in 1997 with privatisation of 313 enterprises for a total price of 82 million LVL. The tender process resulted in a purchase agreement with a single unit or a consortium most often acquiring a majority of shares. The exceptions were some of the largest enterprises, in which a smaller share was enough to get a dominating position, see Table 6. Most of these sales were to domestic outsiders, but some of the largest went to foreign owners. Insiders played a minor role. The list includes some large infra-structure companies such as Latvian Gaze, which was sold to a consortium of German Ruhrgas and Russian Gazprom. The purchase agreements could involve different combinations of payment in the form of cash, vouchers, instalments and taking over of debt. In addition the purchasers often guaranteed certain investments and retaining a certain number of employees.

54. As can be seen from Table 6 more than 1000 enterprises were included in this type of privatisation and the total price of shares were 190 million LVL (345 million USD). On average 60 per cent of the price were financed by vouchers. The market value of vouchers was only around 10-20 per cent of the nominal value. However, purchasers had to take over a considerable debt in most of the companies. The total take-over of debt was 244 million LVL and the investment guarantees were 127 million LVL over the period. Job-guarantees were given for in total 47 735 jobs or around 50 for the average enterprise.

55. Insider take-overs lost their importance after 1994. However, mainly in the companies with shares sold on public offerings the employees had the right to buy up to 20 per cent of the shares. By the end of 1998 shares of nominal value of 27 million lats had been sold for vouchers to 25,611 employees and pensioners of the companies comprising 13.56 per cent of the shares (LPA 1998). Shares for 4.4 million lats were sold for vouchers to 250 managers of 24 companies, making up 13.6 per cent of the shares (LPA 1998).

56. Some units of enterprises were sold off and some enterprises liquidated and sold in pieces bringing 1452 liquidation units for sale of 8 million LVL.

57. Of the 234 leased enterprises in the earlier stage of privatisation 204 have been bought out in most cases by the leaseholder, 16 leasing contracts have been annulled (LPA, 1998). As can be seen from Table 6 the average price for leasing buy outs were on the same level as for tender privatisation.

*(Table 6. Large privatisation in Latvia - September 1994 - end 1998)*

58. Sale of state equity holdings represents not completed privatisation where a minority, but often quite dominating share holding, have been sold to a core investor. At the end of 1998 this type of privatisation included 103 large enterprises.

59. Many of the largest enterprises have combined different privatisation methods: Sale of a dominating block of shares to a core investor, and sale of minority share holdings in public offerings. The first public offering was held in August 1995, and since then 82 offerings have been held, selling on average 25 per cent of the shares in the largest enterprises. Some companies had more rounds of offerings. (From November 1997 and July 1998 the refinery, Ventpils Nafta had 4 offerings selling 15 per cent of the shares). In total nearly 1 billion Lats nominal value vouchers were redeemed through public offerings by the end of 1998.

60. In most cases the price is set in an auction process, but in so called "people's round" the price is pre-set to cut the uncertainty and to attract a broader group of persons. This type of vouchers was performed for offering 6 million shares of Ventpils Nafta around Christmas of 1997/98. Each person with a voucher account could buy 100 shares for 35 LVL nominal voucher value per share. 18,204 persons got shares, still comprising less than 1 percent of the share capital. In January 23,000 bidders got shares in the Riga distillery Latvias Balzams.

61. Some rounds of public offerings for cash have been performed starting in December 1996. 1 million shares of Unibanka were sold in a public offering round for cash in July 1997. Later in 1997 followed successful cash offerings of Latvias Krajbanka and a manufacturing company. However, in the end of the year the cash sale of JSC Grindeks was less successful because of the crisis started in East Asia and with quite strong effects on the Baltic markets.

62. There has been a close connection between the public offering programme and the development of the Riga stock exchange. The three companies participating in the first round of public offerings in January 1995 was the first companies traded on the stock exchange in the first session of July 1995. The public offerings both for vouchers and cash were performed in close cooperation with the stock exchange. As a result of public offerings 110,659 persons and legal entities in Latvia have become shareholders.

*(Table 7. Privatisation vouchers in Latvia - redeemed in LPA-accounts)*

63. In November 1992 a law on vouchers were passed after long political debates, but the vouchers did not start to be distributed before September 1993 and it did not really take off before in the summer of 1994. The people got one voucher for each year of living in Latvia after the War. Pre-war citizens and their descendant got on top of this 15 vouchers while 5 vouchers were deducted from people immigrated after the War. The deduction was payment for "the use of Latvian infrastructure". People connected to the Soviet Army or KGB did not get any vouchers. The result was that 87 per cent of the vouchers were eligible for Latvian Citizens (EIU, 2:93). By July 1995, 96,5 per cent of the population had received 104 million vouchers with a nominal value of 2.9 billion Lats.

64. It is possible to trade the vouchers, but there is a special tax of 2 per cent and a fee to the bank administering the special privatisation account must be paid. Trading of vouchers started by August 1994. The market price was in the first months less than 10 per cent of the nominal value of 28 Lats. Like in Estonia this reflects partly the lack of clarity about what the vouchers could be used for. The legislation

about voucher-privatisation of housing was not passed before July 1995; and there was also much uncertainty about the privatisation of enterprises for vouchers for a long period. Another reason behind the low voucher price is the lack of information and high need of means for consumption in the poorest part of the population. Like in Estonia a concentration of wealth took place in the first three months of voucher trading when the vouchers were traded for around 1-3 Lats. Then as expected the price rose to a level of 4-6 Lats, but then surprisingly the price fell from February 1995 and in the second half of 1995 the price was only 1 Lat per voucher (Shteinbuka 1996). This was an indication of the general uncertainty in Latvia and was also related to the banking crisis. In the end of 1997 the price peaked at 3 Lats, and then it fell to 2 Lats in the end of 1998.

65. Only very few investment funds were formed. Since 1995 nine licences have been given for investment funds based on vouchers, but only five have been functioning. In 1995-98 vouchers for a nominal value of only around 9 million Lats were put into investment funds making up less than 1 per cent of the distributed vouchers (Ministry of Economy).

66. A large number of commercial banks of Latvia were started as semi-private entities owned by state-owned companies. Their full privatisation had to follow the privatisation of their owners. Of the 10 largest banks 34 per cent of the capital was owned by state-owned enterprises in June 1994. Often the banks functioned as agents for their owners to organise the short time finance of trade flows (World Bank, 1993). In the first years the Bank of Latvia covered the major part of the commercial banking through special commercial branches. In December 1992 the commercial branches were transferred to the Bank Privatisation Committee. In late 1993 21 of these commercial branches were merged in the new "Unibanka". Non-performing loans were replaced by long-term government bonds in April 1994 and the privatisation programme started in 1995. In May-June 21 per cent of the shares were sold for vouchers in public offerings. International sale of shares (or depository receipts) of Unibanka were made in 1997. Other bank privatisation include Latvian Investment Bank privatised 1997-98, Trasta Komerbanka in 1997, and Krajbanka, that had to be restructured first and privatisation were postponed to 1999.

67. Foreign capital has played an increasing role in Latvian privatisation. In early privatisations and the first part of the small privatisations the share of foreign capital was negligible, but in the large privatisation performed by LPA there were quite many take-overs by foreign investors. For the LPA purchase contracts, 1994-1998 (see Table 8) foreign capital made up 38 per cent of the total price, 67 per cent of the debt taken over (1995-1997) and 71 per cent of the investment guarantees. Foreigners took over around a quarter of the purchase contract for equity share holdings. The foreign involvement is concentrated in quite few of the largest enterprises in manufacturing, energy, transport, telecommunications and the financial sector.

## **7. The results of privatisation - Latvia**

### **7.1. The ownership structure after privatisation - Latvia**

145. Table 21 shows ownership distribution for 5589 enterprises for January 1995 (Jones and Mygind, 1998). At this time most of the small privatisation had been done, while most of the larger enterprises were still not privatised. The ownership distribution is quite interesting since typically one group of owners has

more than 50 per cent of the ownership and in only 2 per cent of the enterprises did no group of owners have a majority of the ownership. Although one group could consist of a number of individuals we can take this distribution as an indication of a high degree of concentration.

146. In 16 per cent of cases, enterprises were mainly owned by the state, 5 per cent of the firms were owned by foreigners, 26 per cent by domestic outsiders while in 51 per cent of firms insiders owned more than 50 per cent.

147. Based on a survey on managers in 167 enterprises we have evidence for the distribution between managers and other employees in companies. These results are in Table 22 used to divide the insider ownership in two groups. However, it must be noted that this procedure includes some modifications since the 73 enterprises with majority insider ownership are not a representative sample of the total. First of all they have 20 or more employees. From the small sample we can see that employee and management dominance have the same frequency for enterprises with 20 or more employees, and we assume this is also the case for the large sample.

148. As can be seen from Table 21 state ownership was still quite high in manufacturing in January 1995 with, the state having majority in around 24 per cent of the enterprises. In particular, the state maintains a strong ownership stake among the largest enterprises and 54 per cent of firms with more than 500 employees were still predominantly state-owned in January 1995. This result is consistent with the time-profile of large privatisation in Latvia. The state-owned less than 15 per cent of enterprises with fewer than 100 employees. These small enterprises have mainly been taken over or are started by insiders and more than 50 per cent of companies with fewer than 100 employees are majority insider owned. More than two thirds of enterprises with 1- 4 employees were majority insider owned. For enterprises with more than 500 employees the corresponding figure is only 18. Most of the enterprises with majority insider ownership in 1995 were 100 per cent owned by insiders. It is striking that for enterprises with 20-199 employees there is slightly more management owned enterprises than employee owned. However, for large enterprises with more than 200 employees we have no enterprises with management dominance in our small sample of 167 enterprises.

149. Foreign ownership are relatively low on average 5 per cent in the large sample of 1995, but here is a clear tendency to an increasing proportion with increasing size, rising from 3 per cent for the smallest group to 6 per cent for the largest enterprises.

150. We have data also for another large sample from ultimo 1997. Here the classification of ownership is based on the code indicated by the enterprise register of Latvia. In this data foreign ownership makes up as much as 17 per cent of the total, and again highest for the largest enterprises (24 per cent). The difference from January 1995 to the end of 1997 is both due to an increase in foreign ownership, and some change in definitions. Some enterprises with minority foreign ownership are included in the foreign ownership group in the enterprise register.

151. By the end of 1997 only a very small proportion of enterprises were still state or municipal owned in sectors such as manufacturing, construction and trade (less than 6 per cent), but public ownership was still strong in utilities sectors such as electricity, water and gas and in the broad group of services, including branches such as health, education and liberal and social services. Foreign ownership was low in these sectors and in agriculture, but high in the other sectors.

152. From the 1995 data it can be seen that there is substantial dispersion in the extent of insider ownership across sectors. Insider ownership was highest in agriculture and fishing and lowest in transport and services. From the small sample it can be seen that the bulk of insider owned enterprises in agriculture

and fishing were broadly owned by employees, in manufacturing there is about balance, while managers were dominating in sectors such as construction, trade and transport.

153. Table 21 shows some data for capital intensity, measured as nominal capital per employee. There is a similar tendency like in Estonia that enterprises with insider majority have much lower (around ten times lower) capital intensity than other enterprises. This is also confirmed by the data from the small sample. These data do not point to significant differences between management and employee dominated enterprises. Like in Estonia foreign owned enterprises and state-owned enterprises have quite high capital intensity.

154. A distribution based on the year of privatisation for the small sample is shown at the bottom of the table. However, from these results no clear tendencies can be seen, so a tendency to lower insider or lower employee ownership in later stages of privatisation cannot be confirmed.

155. Only in the small sample of 167 enterprises we can distinguish between new started and privatised enterprises. The proportion of new started enterprises is clearly highest among the small enterprises. The division of new and privatised on different ownership groups can be seen from Table 23. Although, the sample is quite small the following strong tendencies can be assumed to have general validity. Foreign ownership is mainly established as completely new entities. We assume that this is the case for small enterprises -- sales outlets etc, while larger foreign owned enterprises are mainly the result of privatisation. Managerial owned enterprises are dominantly started as new entities, while on the other hand broadly employee owned enterprises are mostly established in the privatisation process. Note, however, that the distinction of new and privatised might not be so clear in reality since most entities categorised as new all to some extent use privatised assets. The process in which these assets were acquired can be part of the formal privatisation procedure or part of more informal processes.

156. From the study of the 167 enterprises we have evidence about the distribution within the group of employees (Jones and Mygind, 1998). The tendency known from Estonia with a more equally distributed ownership in small enterprises cannot be confirmed in the Latvian sample. There is not a tendency for an increasing number of non-owners from 1994 to 1996 like it was the case in Estonia. For both years about one third of the employees in the sample own shares in their own enterprise. The distribution of shares among the employee is rather equal for half of the enterprises with some insider ownership and "unequal" for 25 per cent and "very unequal" for the remaining 25 per cent. This is the same pattern as in Estonia, but in Latvia the numbers do not show a significant variation between different size groups.

## **7.2. Dynamics of ownership - Latvia**

157. The dynamics of ownership in Latvia can be examined by constructing transition matrices based on the survey of the 167 enterprises analysed for the period 1993-1996 (Jones and Mygind, 1998). In the transition matrix shown in Table 24 the results in the end of 1994 are compared with the results ultimo 1996. We have not gone back to 1993 since the number of non-answers is as high as 28 per cent. The enterprises were asked in 1997 about their ownership structure in the preceding four years. The reliability of the data is probably falling the further back in time we go, and there is likely to be a tendency of under reporting changes in ownership since it is simply easier to answer "unchanged" instead of specifying the changes. Even with this concern, the transition matrix does show some interesting developments. 4 companies have been privatised from 1994 to 1996. Five out of 34 enterprises with domestic outside ownership have changed, and most markedly seven out of 37 employee dominated insider majority have changed, three to management dominance, three to domestic ownership and one to no majority. Looking at the summary table at the bottom there is a tendency for foreign ownership, management ownership and no majority ownership to increase.

158. The tendency from Estonia with falling employee ownership is also reflected in the transition matrix in Table 25. The ownership is especially shifting from employees to managers like it was the case in Estonia, although there is a weaker tendency in the Latvian data. Measuring the speed of change for majority ownership (excluding changes including state and no-answers) show a change between 4 per cent and 7 per cent year to year, and a 18 per cent change from 1993 to 1996. This is about half the speed of change compared to Estonia. This can probably partly be explained by a bias in the data-collection method, but it also indicates a more open and dynamic market for ownership in Estonia. (In fact, an analysis of 694 enterprises on ownership in 1994 and 1995 without division of the group of insiders in managers and other employees, show that the ownership change is 7.6 per cent compared to 3.7 per cent in the small sample of 167 enterprises, (Jones and Mygind, 1998)).

159. Still the general picture is a quite low degree of change. This is confirmed by the data from the large sample with broad owner groups based on the enterprise-register categorisation, Table 26. Although the matrix covers a period of three years the change between groups are very small. Most markedly, the privatisation process is cutting the number of state-owned enterprises by 20 per cent. Fourteen out of the 100 going from state to other forms become foreign owned. Foreign owned companies have taken over 51 firms from the private domestic enterprises and have sold 20 the other way. The number of foreign owner enterprises has increased by 20 per cent over the 3 years through privatisation and takeovers. On top of this comes new established enterprises for which we do not have any numbers, but this is probably a more important contributor to the increase in the number of foreign enterprises, while some large privatisations make this the most important road for foreign ownership when measured as the value of the assets.

160. Table 27 shows a matrix for the dynamics during 1997. Again the low dynamics is striking. However, it should be noted that the main dynamics is excluded, because of the broad categorisation of the group of private domestic enterprises. As shown before the main dynamics takes place within this group, namely, as management take-over of the majority from the broad group of employees.

161. Finally, the matrix for the dynamics of foreign ownership during 1997, Table 28, shows the stability of ownership structures. There are 54 cases with foreign ownership shifting to a higher category and 35 cases going in the opposite direction. In the upward direction, 5 cases are jumping from 0 per cent to majority foreign ownership, while 10 cases takes the smaller step from 30-50 per cent to majority. In fact, the shifts in the matrix, shows that a process of a gradual take-over by foreigners is more frequent than one-step takeovers.

### **7.3. Ownership and some indicators of economic performance - Latvia**

162. Table 29 and 30 gives some indicators of the performance of 1997 for the large sample, but only for quite broad ownership groups. Further information on insider ownership for the early period is taken from Mygind (1997a).

163. As earlier mentioned for the initial condition around privatisation we found that insider owned enterprises, and especially manager-owned enterprises have a quite low capital intensity, while foreign owned enterprises on the other hand have a very high capital intensity. Insider owned enterprises tend to be relatively small. We do not have any information about profitability before 1994.

164. Growth in sales for 1997 is like in Estonia highest for foreign enterprises, and private are higher than state.

165. A multivariate analysis based on the early data show that labour-adjustment in Latvia are considerably lower than in Estonia and Lithuania. Only foreign ownership shows some more dynamic

adjustments (Jones, Mygind and Rahman 1996). Foreign owned enterprises have the highest growth in employment in 1997, and private is higher than state (Table 30).

166. Production function analysis based on cross sections from 1994 and 1995 do not show any significant differences in factor productivity between ownership groups (Jones and Mygind, 1999b). However, the 1997 data show that labour productivity is much higher for foreign owned enterprises than it is the case for the remaining groups, see Table 30.

167. For the 1997-data the wage level is like in Estonia clearly the highest in foreign owned enterprises, while other private enterprises are lower than state-owned enterprises, see Table 30. We have not yet results on the wage level in insider owned enterprises.

168. The profitability measures from 1997, Table 30 show that private enterprises have higher profit margins than state-owned (but there are no big variation within the group). However, foreign enterprises are doing worse than their domestic counterpart on return on assets. This result is confirmed on multivariate analysis on earlier data. Like in Estonia, foreign owned companies cannot in this stage report profits following the relatively high level of assets. The highest returns on assets are found in enterprises with insider majority (Mygind 1997a p. 37).

169. Looking at the capital structure a multi-variate analysis for the 1995 data show that the debt ratio for insider-owned enterprises is significantly higher than for state-owned enterprises. Bank loans are, however, significantly lower the more insiders own, and bank loans per employee are relatively low for insider owned enterprises (Mygind 1997 p. 40). Table 29 shows that the private enterprises in general have a higher debt/equity ratio than state-owned enterprises and that foreign owned have a slightly lower ratio than other private enterprises. However, foreign enterprises have the highest bank loans per employee and also slightly higher access to long term loans than the other companies.

170. The 1997 data show that net investment per employee is the highest in foreign owned enterprises and private is higher than state, Table 30. Analysis on earlier data shows the same tendency, and shows also that insider tend to be higher than outside domestic owned enterprises (Mygind 1997a, p. 41).

*(Table 21. Latvia: Ownership structure, January 1, 1995 size, branches, capital intensity)*

*(Table 22. Latvia: Ownership structure (register class.\*), ult 1997 size, branches, year of registration)*

*(Table 23. Ownership on privatisation/new - 1996)*

*(Table 24. Transition matrix Latvia - ultimo 1994 by ultimo 1996)*

*(Table 25. Latvia - employee ownership ultimo 1994 by ultimo 1996)*

*(Table 26. Latvia - transition-matrix - owner-categories 1994 on 1997)*

*(Table 27. Latvia transition-matrix majority primo 1997 by ultimo 1997)*

*(Table 28. Latvia - foreign owner share primo 1997 by ultimo 1997)*

*(Table 29. Latvia: Ownership (register class.\*), ult. 97 capital-structure)*

*(Table 30. Latvia: Ownership (register class.\*) ultimo 97 - performance)*

**Table 5.** Small privatisation in Latvia (trade, catering and service)

1000 Lats (current p.)	1992	1993	1994	1995	1996	1997	1998	Total
Enterprises	302	423	231	68	45	45	48	1162
<i>Of which</i> sold on auctions	24		88 <sup>1</sup>				5	122
	8 %		9 % <sup>1</sup>				10 %	11 %
Initial price	361	1971	3521	1174	2242	1258	865	11392
Final price	1350	3871	4044	1188	2245	1263	874	14835
Final/initial price	3.74	1.97	1.15	1.01	1.00	1.00	1.01	1.30
Average final price	4.47	9.15	17.50	17.47	49.89	28.07	18.21	12.77
Percent paid by vouchers	0 %	0 %	2 %	5 %	19 %	46 %	58 %	11 %

Based on Central Statistical Bureau of Latvia.  
1.1992-94.



Table 6. Large privatisation in Latvia - September 1994 - end 1998

	1994	1995	1996	1997	1998	1994-98
LPA-purchase contracts <sup>1</sup>	14	231	273	313	178	1009
<i>of which</i> majority foreign capital	5	26	22	38	34	125
Price (million LVL)	1.5	34.3	37.1	82.1	35.1	190.1
Average price (1000 LVL)	110	148	136	262	197	188
<i>of which</i> foreign capital <sup>2</sup>	1.3	6.5	25.5	20.8	18.6	72.7
Percent foreign/total	87 %	19 %	69 %	25 %	53 %	38 %
<i>Of which</i> paid by vouchers %	24	58	72	62	45	60
Paid by vouchers by foreigners	0	53	66	41	24	43
Liabilities assumed (million LVL)	0.3	13.4	36.5	167.7	27.2	244.1
Average (1000 LVL)	27	58	134	536	152	242
<i>of which</i> foreign capital <sup>2</sup>		0.5	2.3	142.5		
Percent foreign/total		4 %	6 %	85 %		
Investment guarantees million LVL	1.1	18.3	39.8	39.2	28.5	126.9
Average (1000 LVL)	80	79	145	125	160	125
<i>of which</i> foreign capital <sup>2</sup>	0	0.8	24.2	37.6	27.5	90.1
% foreign/total	0	4 %	61 %	96 %	96 %	71 %
Employment guarantees	297	13.594	14.964	18.880	7.607	47.735
Average	21	59	55	60	43	47
<i>of which</i> foreign capital	9	1.866	5730	10.100	663	18.363
	2	72	260	266	20	147
<b>LPA-liquidation-priv. units<sup>1</sup></b>	3	49	615	652	133	1452
Price (million LVL)	0.2	0.3	2.1	2.6	2.5	7.7
Average (1000 LVL)	73	5	3	4	19	5
<b>Leasing buy outs<sup>1</sup></b>	22	95	51	23	13	204
Price (million LVL)	4.6	18.7	5.6	6.3	1.8	37.0
Average price (1000 LVL)	209	196	110	273	138	181
<b>Sale of State Equity Holdings</b>		15	16	35	37	103
Price (million LVL)		9.2	9.0	90.2	16.8	125.2
<i>of which</i> paid by vouchers (%)		44 %	42 %	41 %	47 %	42 %
Foreign majority buyer		6	9	10	6	31
Foreign buyer - price (million LVL)		7.3	8.0	10.0	4.0	29.3
<i>of which</i> paid by vouchers (%)		38 %	35 %	37 %	18 %	35 %
% foreign/total		80 %	82 %	11 %	24 %	23 %
<b>Public offerings<sup>2</sup></b>		21	15	27	19	82
nom. voucher value (million LVL)		57	124	332	441	953
Typical % of shares		20-30 %	20-40 %	15-25 %	5-30 %	av. 25 %

1. Central Statistical Bureau of Latvia, bulletin 4/1998.

2. 1995-97, LPA annual report 1997, 1994 and 1998 own estimates based on LPA-information.

Table 7. **Privatisation vouchers in Latvia - redeemed in LPA-accounts**

Nominal value (million LVL)	1994	1995	1996	1997	1998	Total
Purchase agreements <sup>1</sup>	5.622	26.021	21.315	41.256	25.770	120.295
Accounts (objects)	127	189	256	101	81	754
Public offerings + stat.comp.	655	93.447	147.241	199.378	518.143	958.864
Accounts	33	104	115	201	137	590
Land				2.150	4.345	6.495
Accounts				45	218	263
Total	6277	119.468	174.832	242.780	548.259	1085.654
Accounts	160	293	371	347	436	1607
Market value of vouchers nominal 28 LVL, end year <sup>2</sup>	4	1	1	3	2	

1. Incl. lease buy-outs, Calculations based on LPA.

2. Ministry of Economy.

**Table 21.** Latvia: Ownership structure, January 1, 1995 size, branches, capital intensity

Frequency (row percent)	Majority						No majority	Total
	state	outsiders		total	insiders			
		foreign> dom	domestic> f		manager s>e	employee s>m		
<b>TOTAL</b>	895 (16)	279 (5)	1464(26)	2838 (51)	36 (25) <sup>1</sup>	37 (25) <sup>1</sup>	113 (2)	5589 (100)
<b>EMPLOYEES</b>								
1-4	47 (6)	23 (3)	161 (21)	528 (67)	-	-	26 (3)	785 (100)
5-19	196 (15)	62 (5)	332 (25)	681 (52)	-	-	38 (3)	1311 (100)
20-99	366 (14)	141 (5)	693 (27)	1343 (52)	(29) <sup>1</sup>	(23) <sup>1</sup>	44 (2)	2587 (100)
100-199	119 (24)	28 (6)	160 (32)	193 (39)	(22) <sup>1</sup>	(17) <sup>1</sup>	3 (1)	503 (100)
200-	165 (41)	25 (6)	118 (29)	93 (23)	(0) <sup>1</sup>	(23) <sup>1</sup>	2 (0)	403 (100)
<b>Average</b>	215	70	74	45	64 <sup>1</sup>	182 <sup>1</sup>	31	
25% quartile	17	16	13	7	25 <sup>1</sup>	38 <sup>1</sup>	5	
50% median	52	33	33	23	40 <sup>1</sup>	83 <sup>1</sup>	17	
75% quartile	145	76	77	44	102 <sup>1</sup>	184 <sup>1</sup>	36	
<b>BRANCHES</b>								
agricult. fishing	72 (12)	5 (1)	124 (20)	406 (67)	(11) <sup>1</sup>	(56) <sup>1</sup>	2 (0)	609 (100)
mining wood	93 (19)	29 (6)	101 (20)	269 (54)	(27) <sup>1</sup>	(27) <sup>1</sup>	7 (1)	499 (100)
manufacturing	130 (22)	36 (6)	92 (16)	310 (53)	(32) <sup>1</sup>	(21) <sup>1</sup>	12 (2)	580 (100)
manufacturing	51 (26)	13 (7)	19 (10)	108 (55)	(14) <sup>1</sup>	(41) <sup>1</sup>	4 (2)	195 (100)
construction	102 (13)	15 (2)	180 (24)	455 (60)	(43) <sup>1</sup>	(17) <sup>1</sup>	7 (1)	759 (100)
trade	217 (14)	105 (7)	379 (24)	825 (52)	(39) <sup>1</sup>	(13) <sup>1</sup>	47 (3)	1573 (100)
transport	75 (20)	49 (13)	112 (30)	130 (34)	(34) <sup>1</sup>	(0) <sup>1</sup>	11 (3)	377 (100)
service	153 (15)	27 (3)	453 (46)	332 (34)	-	-	23 (2)	988 (100)
Nominal capital /employee 1000 lat								
average	5289	6568	5170	477	488 <sup>1</sup>	630 <sup>1</sup>	3696	2846
25% quartile	380	125	99	7	4 <sup>1</sup>	58 <sup>1</sup>	13	20
median	1663	1137	538	35	90 <sup>1</sup>	195 <sup>1</sup>	100	165
75% quart.	3965	5333	2240	211	1035 <sup>1</sup>	650 <sup>1</sup>	625	1200
Year of privatisation								
1991	8 (26) <sup>1</sup>	2 (6) <sup>1</sup>	3 (10) <sup>1</sup>	14 (35) <sup>1</sup>	7 (23) <sup>1</sup>	7 (18) <sup>1</sup>	4 (13) <sup>1</sup>	31 (100) <sup>1</sup>
1992	0 (0) <sup>1</sup>	4 (7) <sup>1</sup>	15 (27) <sup>1</sup>	35 (64) <sup>1</sup>	17 (31) <sup>1</sup>	18 (33) <sup>1</sup>	1 (2) <sup>1</sup>	55 (100) <sup>1</sup>
1993	4 (10) <sup>1</sup>	4 (10) <sup>1</sup>	14 (35) <sup>1</sup>	17 (43) <sup>1</sup>	7 (18) <sup>1</sup>	10 (25) <sup>1</sup>	1 (2) <sup>1</sup>	40 (100) <sup>1</sup>
1994	4 (29) <sup>1</sup>	1 (7) <sup>1</sup>	2 (14) <sup>1</sup>	7 (50) <sup>1</sup>	5 (36) <sup>1</sup>	2 (14) <sup>1</sup>	0 (0) <sup>1</sup>	14 (100) <sup>1</sup>
Total	16 (11) <sup>1</sup>	11 (8) <sup>1</sup>	34 (24) <sup>1</sup>	73 (52) <sup>1</sup>	36 (26) <sup>1</sup>	37 (26) <sup>1</sup>	6 (4) <sup>1</sup>	140 (100) <sup>1</sup>

1. The numbers are based on the sample of 167 enterprises with 20 or more employees, percentages are normalised so the total equals insiders total, numbers for employees and nominal capital cannot be directly compared with other ownership groups.

Table 22. Latvia: Ownership structure (register class.\*), ult 1997 size, branches, year of registration

	State	Coop	Private	Foreign	Total
<b>EMPLOYEES</b>					
1997 total N	653 (18)	152 (4)	2196 (60)	632 (17)	3633 (100)
0-19	33 (5)	33 (5)	466 (72)	136 (21)	648 (100)
20-99	386 (18)	101 (5)	1360 (62)	330 (15)	2177 (100)
100-199	118 (25)	23 (5)	251 (52)	87 (18)	579 (100)
200-	116 (35)	15 (5)	119 (36)	79 (24)	329 (100)
<b>Average</b>	211	84	66	116	101
25% quartile	37	30	22	22	25
50% median	67	51	38	47	43
75% quartile	140	100	70	107	89
<b>BRANCHES</b>					
653 (18)	152 (4)	2196 (60)	632 (17)	3633 (100)	
agricult. fishing	19 (7)	49 (18)	197 (72)	9 (3)	274 (100)
mining wood	3 (10)	1 (3)	18 (60)	8 (27)	30 (100)
manufacturing	55 (6)	25 (3)	650 (68)	229 (24)	959 (100)
El., water, gas	70 (90)	1 (1)	7 (9)	0 (0)	78 (100)
construction	11 (3)	1 (0)	332 (87)	38 (19)	382 (100)
trade	13 (2)	46 (6)	543 (70)	176 (23)	778 (100)
hotels restaur.	12 (14)	1 (1)	47 (57)	23 (28)	83 (100)
transport	48 (18)	6 (2)	144 (55)	62 (24)	260 (100)
service	422 (48)	22 (3)	258 (30)	87 (10)	789 (100)
Year of registration					
- 91	643 (18)	152 (4)	2196 (61)	632 (17)	3623 (100)
1991	167 (23)	0 (0)	476 (65)	93 (12)	736 (100)
1992	95 (12)	78 (10)	532 (65)	119 (14)	824 (100)
1993	108 (14)	55 (7)	442 (59)	149 (20)	754 (100)
1994	97 (16)	10 (2)	342 (58)	140 (24)	589 (100)
1995	74 (22)	4 (1)	184 (54)	76 (22)	338 (100)
1996	45 (18)	3 (1)	167 (67)	36 (14)	251 (100)
1997	57 (44)	2 (2)	53 (40)	19 (15)	131 (100)

Table 23. Ownership on privatisation/new - 1996

Majority ownership	State	Foreign	Domestic manager	employee	no majority	no answer	Total
privatised	0	3	21	18	26	4	73
new started	0	10	14	32	5	10	71
state-owned ultimo 1996	20	0	0	0	0	0	20

Based on a survey of 167 enterprises performed spring 1997, (Mygind 1999).

Table 24. Transition matrix Latvia - ultimo 1994 by ultimo 1996

Majority ultimo 1994	Majority ultimo 1996					No majority	No answer	Total
	State	Outsiders		Insiders				
		Foreign	Domestic	Managers	employees			
<b>State</b>	12 (75)	1 (6)	0 (0)	2 (13)	0 (0)	1 (6)	0 (0)	16 (100)
<b>outsider</b> foreign > domestic	0 (0)	10 (91)	0 (0)	1 (9)	0 (0)	0 (0)	0 (0)	11 (100)
<b>outsider</b> domestic > foreign	0 (0)	1 (3)	29 (85)	2 (6)	1 (3)	1 (3)	1 (3)	34 (100)
<b>insider</b> managers > employees	0 (0)	0 (0)	0 (0)	36 (100)	0 (0)	0 (0)	0 (0)	36 (100)
<b>insider</b> employees > managers	0 (0)	0 (0)	3 (8)	3 (8)	30 (81)	1 (3)	0 (0)	37 (100)
<b>No majority</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	6 (100)	0 (0)	6 (100)
<b>No answer</b>	1 (4)	1 (4)	2 (7)	0 (0)	2 (7)	1 (4)	20 (74)	27 (100)
<b>Total 1993</b>	15 (9)	7 (4)	29 (17)	29 (17)	34 (20)	6 (4)	47 (28)	167(100)
<b>Total 1994</b>	16 (9)	11 (7)	34 (20)	36 (22)	37 (22)	6 (4)	27 (16)	167(100)
<b>Total 1995</b>	14 (8)	13 (8)	35 (21)	38 (23)	35 (21)	9 (5)	23 (14)	167(100)
<b>Total 1996</b>	13 (8)	13 (8)	34 (20)	44 (26)	33 (20)	10 (6)	20 (12)	167(100)

Table 25. Latvia - employee ownership ultimo 1994 by ultimo 1996

Ultimo 1994	Ultimo 1996							No data	Total
	0%	0-5%	5-10%	10-30%	30-50%	50-100%	100%		
employee shares									
0%	60 (94)	0 (0)	0 (0)	2 (3)	1 (2)	1 (2)	0 (0)	0 (0)	64 (100)
0-5%	1 (13)	4 (50)	0 (0)	2 (25)	1 (13)	0 (0)	0 (0)	0 (0)	8 (100)
5-10%	0 (0)	1 (17)	4 (67)	1 (17)	0 (0)	0 (0)	0 (0)	0 (0)	6 (100)
10-30%	2 (12)	1 (6)	2 (12)	12 (71)	0 (0)	0 (0)	0 (0)	0 (0)	17 (100)
30-50%	0 (0)	0 (0)	0 (0)	2 (22)	6 (67)	1 (11)	0 (0)	0 (0)	9 (100)
50-100%	0 (0)	0 (0)	0 (0)	4 (12)	3 (92)	27 (79)	0 (0)	0 (0)	34 (100)
100%	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	1 (50)	1 (50)	2 (100)
No data	4 (15)	0 (0)	0 (0)	1 (4)	0 (0)	2 (7)	0 (0)	20 (74)	27 (100)
Total ult. 1993	53 (32)	5 (3)	6 (4)	15 (9)	9 (5)	30 (18)	2 (1)	47 (28)	167 (100)
Total ult. 1994	64 (38)	8 (5)	6 (4)	17 (10)	34 (5)	34 (20)	2 (1)	27 (16)	167 (100)
Total ult. 1995	67 (40)	9 (6)	4 (2)	20 (12)	35 (5)	32 (19)	2 (1)	23 (14)	167 (100)
Total ult. 1996	67 (40)	6 (4)	6 (4)	24 (14)	11 (7)	32 (19)	1 (1)	20 (12)	167 (100)

Table 26. Latvia - transition-matrix - owner-categories 1994 on 1997

Majority Jan. 1997 majority Jan. 1994	State	Coop	Private domestic	Foreign	Mix	Total
State	382 (79)	0 (0)	73 (15)	14 (3)	13 (3)	482 (100)
Coop	0 (0)	123 (95)	6 (5)	0 (0)	0 (0)	129 (100)
Private domestic	0 (0)	1 (0)	944 (95)	51 (5)	2 (0)	998 (100)
Foreign	0 (0)	0 (0)	20 (9)	199 (88)	7 (3)	226 (100)
Mix	3 (3)	1 (1)	71 (70)	9 (9)	17 (17)	101 (100)
Total	385 (20)	125 (6)	1114 (58)	273 (14)	39 (2)	1936(100)

Based on enterprise register categorisation by Latvian Statistical Bureau.

Table 27. Latvia transition-matrix majority primo 1997 by ultimo 1997

Majority ultimo majority primo 1997	State	Coop	Private domestic	Foreign	No majority	Total
State	564 (94)	1 (0)	30 (5)	5 (1)	1 (0)	601 (100)
Coop	0 (0)	35 (92)	1 (3)	2 (5)	0 (0)	38 (100)
Private domestic	7 (0)	1 (0)	2405 (99)	13 (1)	3 (0)	2429(100)
Foreign	0 (0)	0 (0)	7 (2)	321 (97)	2 (0)	330 (100)
No majority	0 (0)	0 (0)	0 (0)	1 (14)	6 (86)	7 (100)
Total	571 (17)	37 (1)	2443 (72)	342 (10)	12 (0)	3405(100)

Based on balance-sheet data primo and ultimo 1997. 16 categorised as "other" have been excluded.

Table 28. Latvia - foreign owner share primo 1997 by ultimo 1997

Ultimo Primo	0%	1-10%	11-30%	31-50%	51-100%	100%	Total
0%	2789 (99)	5 (0)	10 (0)	8 (0)	5 (0)	0 (0)	2817(100)
1-10%	1 (3)	26 (90)	0 (0)	1 (3)	1 (3)	0 (0)	29 (100)
11-30%	2 (4)	4 (7)	43 (80)	3 (6)	2 (4)	0 (0)	54 (100)
31-50%	3 (2)	3 (2)	7 (5)	128 (84)	10 (7)	2 (1)	153 (100)
51-100%	2 (1)	0 (0)	0 (0)	5 (2)	212 (94)	7 (3)	226 (100)
100%	1 (1)	1 (1)	0 (0)	2 (1)	5 (4)	133 (94)	142 (100)
Ttotal	2798 (82)	39 (1)	60 (2)	147 (4)	235 (7)	142 (4)	3421(100)

Based on balance sheet data

Table 29. Latvia: Ownership (register class.\*), ult. 97 capital-structure

		State	Coop	Private	Foreign	Total
equity	N	648	141	1828	520	3137
employee 1000 lat						
average		3560	2133	3870	13536	5330
25% quartile		405	820	797	2057	765
50% median		987	1258	1638	5107	1703
75% quartile		2483	13984	3447	14179	4143
Total assets/	N	648	141	1828	520	3137
Employee 1000 lat						
Average		14138	8174	6611	24256	11161
25% quartile		1483	1800	1577	4076	1759
50% median		3842	3020	3087	9544	3746
75% quartile		11230	4574	6382	21037	8992
Short/to.loan		645	151	2181	631	3608
Average		0.89	0.89	0.80	0.75	0.81
5% quantile		0.22	0.30	0.17	0.08	0.15
10% quantile		0.47	0.56	0.30	0.17	0.30
25% quartile		0.99	0.91	0.62	0.56	0.67
50% median		1.00	1.00	1.00	0.97	1.00
Debt/equity	N	647	151	2195	632	3625
Average		0.65	0.69	0.44	9.35	2.04
25% quartile		0.05	0.14	0.29	0.15	0.16
50% median		0.18	0.43	1.12	0.92	0.73
75% quartile		0.54	0.99	3.24	2.38	2.37
90% quartile		1.88	1.89	9.03	6.57	7.23
95% quartile		3.96	2.36	19.57	12.48	14.43
Bank credits	N	93	56	629	189	967
Employee 1000 lat						
Average		2947	380	2302	6534	3080
25% quartile		74	109	165	245	158
50% median		401	202	571	1011	577
75% quartile		2336	382	1693	4074	1936

Table 30. Latvia: Ownership (register class.\*) ultimo 97 - performance

	State	Coop	Private	Foreign	Total
value added/ employee 1000 lat	491	135	1764	487	2877
average	2194	1760	2977	7245	3509
25% quartile	825	918	967	1752	985
50% median	1404	1645	1703	3773	1789
75% quartile	2316	2550	3218	8624	3531
sales growth N	441	130	1628	466	2665
average %	47	7	37	53	40
25% quartile	-7	-19	-5	4	-6
50% median	9	-3	16	25	15
75% quartile	29	12	53	67	49
profit margin N	493	146	2125	597	3361
average %	-3	10	11	10	9
25% quartile	-6	3	3	5	3
50% median	4	10	10	13	10
75% quartile	16	21	19	26	19
return on assets	485	142	2125	599	3351
average %	-2	4	13	7	9
25% quartile	-4	-4	3	-4	-1
50% median	0	1	8	6	5
75% quartile	4	6	24	20	20
90% quantile	15	17	47	38	41
95% quantile	24	21	64	54	59
salary per N employee 1000 lat	648	141	1828	520	3137
average	1413	892	1056	2009	1280
25% quartile	937	626	584	924	690
50% median	1152	849	869	1565	1017
75% quartile	1586	1076	1320	2555	1520
netinvestmentN /employee 1000lat	648	141	1828	520	3137
average	1262	89	951	4383	1546
25% quartile	-31	-124	-100	-66	-85
50% median	116	32	157	622	167
75% quartile	446	331	806	3475	857
90% quantile	1696	829	2589	9489	3232
95% quantile	2978	1159	4936	19114	6550
growth in N employment%	581	138	1739	501	2959
average	12	13	18	25	18
25% quartile	-7	-14	-8	-4	-8
50% median	0	-3	2	9	2
75% quartile	7	5	21	30	18
90% quantile	25	26	58	64	55
95% quantile	51	114	107	103	98











