

Republic of Latvia

Law

**ON THE PRIVATISATION OF AGRICULTURAL ENTERPRISES
AND FISHERY COLLECTIVE FARMS**

The law regulates the privatisation of agricultural enterprises and fishery collective farms, that is connected with the change of the property forms.

The objective of the law is to diminish the consequences created by the illegal collectivization methods by changing the property forms of agricultural enterprises and fishery collective farms as well as to stimulate the privatisation processes in agriculture and the development of private entrepreneurial activities by materially providing for the creation of farmers households.

The law refers to collective farm - cooperative and state agricultural enterprises as well as to fishery collective farms that were set up in the result of collectivization.

The privatisation of agricultural enterprises and fishery collective farms is based on the existing enterprise capital personification in a nonremunerative way and on their further utilization at entrepreneurial societies or on the mentioned capital isolation for one person (a family) or for a group of persons so that for the estimated capital parts, for the money or other payment means, put into circulation he (she) would set up a farmer's household, an individual enterprise or would initiate another type of entrepreneurial activities.

In accordance with the mentioned law the owners of the capital part do not lose their rights to have claims on the Republic of Latvia property part in the general state property conversion order.

The Terms Used in the Law

A collective farm (a joint farm, a collective farm, an agrofirma or other enterprise set up on the basis of the collective farm - cooperative property) - a cooperative enterprise of socialist production that was set up in the result of collectivization and the property and the means of which are nonpersonified collective property of the collective farm members.

A state agricultural enterprise (a state farm, an agrofirma, an experimental farm, a selection station, a state enterprise or a supplementary farm of a certain department) - an enterprise at which the property and the means are nonpersonified state (belonging to all people) property.

Privatisation - a process in the result of which the state or the nonpersonified collective property becomes the personified property of certain individuals or of owners' collective.

A statute society (a share or a stock holders society, a society with a limited liability, etc.) - a union of members (of owners) that is being set up on the basis of the statutes adopted by its founders and the basic capital of which for its activities is formed from the participants' investments. It has the status of a legal entity.

A statutory fund (basic capital) - material and money resources that are necessary for the commencing of the society activities and for their further expansion. The statutory fund is formed by the total value amount of the participants' parts.

A member of a statute society - a physical person or a legal entity who as a co-owner has invested his (her) capital part in the statute society during the time of its formation or activities.

A transformation conception - a document which formulates the basic principles and the objectives of the transformation, the means of their achievement and their economic motivation.

Capital to be privatized - the part of the enterprise total capital that has to be distributed among physical persons.

Chapter One.

General Conditions

Paragraph 1. The law operation and contents

The law regulates the change of property forms and type of entrepreneurial activity at the agricultural enterprises and fishery collective farms taking into account the Republic of Latvia laws "On entrepreneurial activity", "On land reform at the Republic of Latvia rural regions", "On the Republic of Latvia Enterprise Register" and the legislative bills on certain types of entrepreneurial activities.

The law determines:

- 1) enterprises to be privatized;
- 2) basic principles according to which the total capital of the enterprise to be privatized, as well as the capital to be privatized are determined;
- 3) basic principles according to which the capital parts of the concrete physical persons or legal entities in the total capital of the enterprise to be privatized are estimated;
- 4) the enterprise privatisation procedure problems;
- 5) the liquidation and transformation peculiarities of the enterprises that are privatized;
- 6) the activity peculiarities of the privatized enterprises and of the transformed enterprises.

Paragraph 2. Enterprises to be privatized

The present law refers to collective farm - cooperative and state agricultural enterprises as well as to fishery collective farms that were established in the result of collectivization.

The privatisation peculiarities at the specialized state farms (selection, experimental, study, pedigree, fur animal and other farms) are affirmed by the Republic of Latvia Supreme Council Presidium upon the Republic of Latvia Council of Ministers proposal.

Paragraph 3. The state agricultural enterprise property equalization to the collective farm property and the adjustment of the collective farm member status to the staff employed at the state agricultural enterprises

The state agricultural enterprises that are to be privatized in accordance with the law are equalized to the collective farms in the following order:

- 1) the property being on the balance of the state agricultural enterprise to be privatized is equalized to the collective farm property;
- 2) the status of the collective farm member is to be adjusted:
 - to persons who at the moment the present law becomes valid are working permanently at the state agricultural enterprises to be privatized;
 - to persons who have retired from the enterprise or who have become disabled while working at the enterprise;
 - to persons who have been called to active or alternative military service;

- to persons sent for instruction and study;
- to former employees who are working at elected civil service positions and have set up farmers households or are performing other entrepreneurial activities on the particular pagasts territory where the enterprise to be privatized is situated.

The joint meeting of the persons mentioned in point 2 of the present paragraph (the meeting of the authorized persons) is the highest decision making institution of the state enterprise to be privatized.

Chapter Two

The Capital Part Determination of the Enterprise to be privatized and the Property Stock - taking List

Paragraph 4. The determination of the enterprise to be privatized total capital

The total capital of the enterprise to be privatized is determined in the following manner:

1) the enterprise assets at the moment the present law becomes valid are estimated. They are formed by:

- the basic means at their balance value including the value of capital repairs and deducting the wear and tear;
- their own circulation means at the actual acquisition prices;
- the value of unfinished production and capital construction;
- the monetary means;
- the debtors' debts;
- the value of the loaned property and loaned means;
- the means invested in interfarm enterprises and other enterprises and societies.

2) from the acquired asset amounts the following is deducted:

- the value of the property on which the property rights may be disputed with the moment the present law becomes valid and also the value of the nationalized or in other ways illegally alienated (with the exception of the collectivized property) property upon which claims may be declared in the order and time determined by the Republic of Latvia laws and by the Supreme Council regulations;

- the value of land reclamation and land capital improvement works performed at the expense of the state budget means;

- means that have to be paid to creditors with the exception of long - time or short - time credits that have to be paid to banks.

The enterprise total capital comprises the capital parts of physical persons and legal entities. The long - time and short - time credits of the enterprise that have to be paid back are distributed proportionally to the determined capital parts of the legal entities and physical persons.

Paragraph 5. The determination of the legal entity capital part

The capital parts of the legal entities (state, state offices and enterprises, different types of societies, firms, etc.) are determined in accordance with the claims of the state and the legal entities declared and recognized in the order determined by the law on the property and means invested for the enterprise development at the value that is estimated in accordance with regulations of Paragraph 4 of the present law.

Paragraph 6. The determination of the physical body capital part

The physical person capital part is formed by the enterprise total capital from which legal entity capital is deducted.

The physical person capital part is estimated in accordance with the regulations affirmed at the enterprise joint meeting (meeting of authorized persons).

The physical person capital parts consist of:

- 1) the initially joined (amalgamated) capital;
- 2) the capital created as a result of economic activities.

Paragraph 7. The determination of initially joined capital parts

The initially joined capital is formed by the property, that was joined in the collectivization process, estimation in money.

The initially joined capital parts are estimated in accordance with the enterprise regulations on the capital part determination for physical persons and legal entities. The joined property at the concrete enterprise is evaluated at the equal property balance value at the moment the present law becomes valid, but the respective capital part cannot exceed 50 per cent of the capital distributed among physical persons. Otherwise the estimated capital parts are to be proportionally decreased until the mentioned limit is reached.

Provided a part of the collective farm member's share has been paid out the estimated initially joined capital part is diminished by the paid out amount to this person.

Paragraph 8. The determination of parts of capital created as a result of economic activities

The capital created as a result of economic activities is estimated from the total capital, that has to be divided among physical persons, deducting the initially joined capital part.

The capital parts, created as a result of economic activities, are estimated:

- 1) for collective, farm members and in accordance with Paragraph 3 of the present law to persons equalized to them at the state enterprises;
- 2) for the deceased collective farm members whose:

- heirs work at the enterprise to be privatized or have retired from the mentioned enterprise and are living on the territory of the pagasts where the enterprise to be privatized is situated;

- heirs under age living on the territory of the pagasts where the enterprise to be privatized is situated;

- heirs have formed a farmers household or a household with a personal plot or perform other entrepreneurial activities on the territory of the pagasts where the enterprise to be privatized is situated;

- 3) for pensioners who have retired from the enterprise;

- 4) for the disabled people who have become disabled while working at the enterprise as well as for those who have been killed at accidents while working at the enterprise;

- 5) for former enterprise employees who have established farmers households or households with garden plots or perform other entrepreneurial activities on the territory of the pagast, where the enterprise is situated.

In accordance with the decision adopted by the enterprise joint meeting the capital parts may be estimated for other physical persons who have stimulated the social and production development of the enterprise with their activities.

The capital part created as a result of economic activities is estimated for the above mentioned persons proportionally to their labour contribution and to the labour service period at the enterprise to be privatized.

Paragraph 9. The rights of physical persons to capital parts

The property rights on the initially joined capital parts are acquired by the former owners of the joined property or their heirs irrespective of the time when these persons worked at the enterprise.

The property rights on the parts of the capital, that was created as a result of economic activities, are acquired by physical persons for whom they were estimated in accordance with Paragraph 8 of the present law.

The property rights on the capital parts estimated for the deceased persons are acquired by:

- heirs who work at the enterprise to be privatized or have retired from it and are residing on the territory of the pagasts where the enterprise to be privatized is situated;
- heirs under age residing on the territory of the pagasts where the enterprise to be privatized is situated;
- heirs who have established farmers households or households with garden plots or who perform other entrepreneurial activities on the territory of the pagasts where the enterprise to be privatized is situated;
- heirs of the persons who have been killed at the accidents while working at the enterprise irrespective of their place of residence or of work.

Paragraph 10. The capital part certification

After the total capital part confirmation each owner of a capital part is given a document (a part) on the value of his (her) capital part at the enterprise capital. The mentioned certificate indicates the value of the estimated capital part as well as the part of long - term or short - term credits to be paid.

Paragraph 11. The property stock - taking list (register)

The property stock - taking list includes objects of technologically and organisationally indivisible basic means, of circulation means, of unfinished capital construction at the value determined by Paragraph 4 of the present law in which the movable property - the active part of basic means and circulating means - has to be separated from the real property only in case it does not harm the economic performance of real estate (property)

The enterprise privatisation commission elaborates the property stock - taking list of the enterprise to be privatized.

Chapter Three.
The enterprises privatisation procedure

Paragraph 12. The duties of the enterprise to be privatized management institutions

The enterprise to be privatized body (board):

- 1) taking into account the basic principles the basic principles determined by Chapter 2 of the present law elaborates draft regulations on the determination of the enterprise total capital and of the physical person and legal entity capital parts;
- 2) summons the enterprise (collective farm members) joint meeting (meeting of authorized persons) inviting to it authorized representatives from the pagasts selfgovernment and from the regional agricultural department or from the Republic of Latvia Fishfarming ministry;
- 3) proceeds with the enterprise managing and is liable for its activities up to the time the new executive institutions or the liquidation commission are elected (appointed)

The enterprise joint meeting (the meeting of authorized persons) which is participated by the authorized representatives from the pagasts selfgovernment and from the regional agricultural department or from the Republic of Latvia Fishfarming ministry:

- 1) reviews the presented draft, regulations and adopts the regulations by a simple majority of votes;
- 2) elects not less than seven enterprise representatives at the enterprise privatisation commission;
- 3) determines the timing of the enterprise privatisation commission work.

Paragraph 13. The enterprise privatisation commission

The enterprise privatisation commission comprises not less than nine members.

Among them:

- the representatives elected at the enterprise joint meeting (at the meeting of authorized persons),
- a representative authorized by the pagasts farmers,
- a representative authorized by the pagasts selfgovernment,
- a representative authorized by the Republic of Latvia Fishfarming ministry or by the regional agricultural department (agricultural office).

The enterprise privatisation commission fulfils the requirements of the present law. In its activities it is not subordinated to the administrative body (board) of the enterprise to be privatized, but the administrative body (board) is obliged to supply the privatisation commission with all information necessary for its work as well as with all other help or material assistance.

The enterprise privatisation commission work is organized by its head who is elected by the commission from among its members. The head of the enterprise privatisation commission is liable for the materials prepared by the enterprise privatisation commission. Resolutions are adopted by the privatisation commission at its sessions by a simple majority of votes with the majority of commission members participating.

The enterprise privatisation commission on the dates determined by the enterprise joint meeting (meeting of the authorized persons):

- 1) determines the enterprise total capital, as well as the capital parts of physical persons and legal entities in accordance with the affirmed regulations;
- 2) elaborates the enterprise transformation conception and the draft documents necessary for its realization (the property stock - taking list, statutes, etc.);
- 3) organizes the summoning of the enterprise transformation meeting, determines its members authorization orders;
- 4) not later than a month before the transformation meeting announces of its summoning and gives an opportunity for the meeting participants to get acquainted with the capital part estimation results, with the property stock - taking list and with the transformation draft documents.

Paragraph 14. The dispute solution

Claims on the estimated capital parts are perused by the enterprise privatisation commission. Provided an agreement is not achieved the discord is reviewed by the enterprise transformation meeting upon the demand on the part of persons concerned, but provided the meeting does not satisfy the demands, the conflict is settled at court upon the claimant's application.

On the claims presented on the capital part determination of the physical persons in the enterprise total capital the enterprise privatisation commission is obliged to give a written reply within a fortnight after the claim has been received.

Paragraph 15. The enterprise privatisation and transformation meeting

The participants of the enterprise privatisation and transformation meeting are persons for whom the enterprise capital parts have been estimated (the heirs of the deceased persons) or persons authorized by them. The meeting is rightful provided not less than half of the owners of the estimated capital parts participate and provided they represent not less than half of the capital to be privatized.

The enterprise privatisation and transformation meeting:

1) resolves on the estimated enterprise capital part confirmation. The resolution is adopted by a majority of votes present;

2) confirms the property stock - taking list that has been compiled in accordance with Paragraph 11 of the present law.

The resolution is adopted by a majority of capital represented;

3) by a majority of capital represented at the meeting a resolution is adopted on the liquidation or transformation of the privatisation enterprise;

4) provided a resolution on liquidation is adopted the liquidation commission is elected that acts in accordance with the present law and with the law "On entrepreneurial activity":

5) provided a resolution on the enterprise transformation is adopted, draft statutes prepared by the privatisation commission are reviewed and discussed and they are adopted by the majority of capital represented at the meeting. The adopted statutes are to comply with the Republic of Latvia laws on separate statute society types as well as with the requirements of the present law;

6) in accordance with the adopted statutes the management institutions of the society are elected;

7) reviews the possibility, after coordinating with selfgovernment, to sell it (or pass it over free of charge) the objects of social and production infrastructure being at the disposal of the society: children's preschool establishments, clubs, schools, canteens, local roads, water supply, sewerage system, heating system, apartments and other objects. In the case of free of charge pass - over their value is to be deducted from the total capital and accordingly the estimated and confirmed capital parts are to be diminished.

Chapter Four

The rights of the capital part owners and the peculiarities of the privatized enterprise transformation, activities and liquidation

Paragraph 16. The rights of the capital part owners

The confirmed capital part owners are coowners of the enterprise to be privatized. The mentioned persons may realize their owner's rights on the capital part:

- 1) in the case of enterprise liquidation - receiving the means in the liquidation result proportional to their capital part;
- 2) in the case of enterprise transformation - in the order determined by the present law and the society statutes.

In its statutes the society is to envisage the part owner's rights to alienate their parts in accordance with the laws on separate statute society types, advancing additionally the following conditions:

- 1) provided the society participant is willing to alienate his (her) part receiving instead the society property then the participant - society relations are determined by the regulations of Paragraph 19 of the present law;
- 2) provided the society participant has established a farmer's household or has initiated another independent entrepreneurial activity on the territory of the pagasts where the transformed enterprise is situated he (she) is rightful to get the enterprise service at such prices and on such conditions that are applied in the case of other society participants.

The pensioners and disabled people - the statute society participants are rightful to use their capital part for payment for municipal and social services that have been offered by the statute society.

The statutes have to envisage privileges in the part alienation for the disabled people who have become disabled while working at the enterprise and for those disabled, lonely people who are left without the supporter and for the pensioners without the supporter.

Paragraph 17. The privatized enterprise transformation peculiarities

The capital part amount determined for the physical persons, for the state and for other legal entities form the basic capital of the societies that have been established as a result of enterprise transformation and the mentioned basic capital is fixed in the society statutes.

The society statutes determine the basic capital part number and the par value of a part as well as the order and timing when the confirmed parts are to be approximated to the par value. Up to the part approximation moment the ballot rights of each participant are determined by the actual value of the part belonging to him.

The compliance of the capital part to the par value may be achieved by:

- 1) making additional payment for the part approximation;
- 2) persons joining their capital parts and announcing of that in accordance with the Republic of Latvia laws.

The society may adopt a resolution on the part presentation to those persons who are working at the enterprise during the transformation period but whose estimated capital part does not reach the par value of one part, simultaneously envisaging amendments in the basic capital amount.

Paragraph 18. The society activity peculiarities

The society may envisage in their statutes that at a certain time (but not less than a year) the certificates (stocks, share cards) of nontaken parts are annulled and further it may act in accordance with the Republic of Latvia laws on separate society types.

The society participants among themselves at contract prices may freely purchase, sell or alienate in other ways their capital parts (part certificates) by registering the change of ownership with the society executive institution. The society executive institution is not rightful to sell or alienate in other ways the capital parts outside the society without the consent of the society participants joint meeting.

New participants may be admitted to the society only upon a consent of the society participants joint meeting.

The society reserve capital (reserve fund) is formed in accordance with the laws the laws on separate statute society types. Provided the reserve capital exceeds half of the basic capital, the surplus part has to be transferred to the statutory fund within a year.

Provided the enterprise is liquidated the material covering of the reserve capital within the society assets is realized and distributed proportionally to the estimated capital parts of physical persons and legal entities (it is in the liquidation quota).

Paragraph 19. The order of the society property isolation

The society property is isolated to its separate owners or to their groups (the capital part owners) only in accordance with the objects determined in the property stock - taking list.

Provided the society participants are willing to utilize in their independent entrepreneurial activities only the objects included in the property stock - taking list, taking over the object as his (her) property at the value determined in the list they are obliged to announce of the society executive institution.

Within a month the society executive institution in the order determined by the statutes is inform of the above mentioned all the society participants. Provided other candidates are willing to obtain the respective property the executive institution organizes the auction of the mentioned property. The society itself cannot participate at the auction. In order to acquire the property into one's possession one may settle accounts with:

- 1) his (her) own capital parts,
- 2) the take - over of the long - term and short - term credits that have to be paid by the society,
- 3) the money being in circulation or other payment means,
- 4) payment obligations with regard to the society.

Provided there is only one candidate on the object to be isolated the payment means are selected upon an agreement with the society, however, in case the participant is willing and in case the par value of his part is sufficient he is rightful to settle accounts only with his (her) capital parts, taking over from the society the respective credit obligations that refer to the mentioned capital parts.

Provided there are several society candidates on the object to be isolated, an auction is organized at which the payment means is only the society capital parts. Only in case all those society participants who are candidates on the respective object agree another means of settling accounts may be applied at the auction.

Provided the society itself considers it useful to alienate any of its production objects or of nonproducing objects it should organize the object auction (rising or decreasing) in the order determined by the statutes, announcing all the society participants of it within a month. In case of a decreasing auction all the society participants are to be informed on each price decrease in the order and at times determined by the statutes. Provided the society participants do not volunteer or they do not want to alienate the respective object with their capital parts the society may organize an open auction or sales, applying any means of settling accounts it finds acceptable. In case a society participant also takes part at the mentioned auction in the case of even auctioned sum he (she) has privilege rights to acquire the respective object.

When isolating the objects servicing the enterprise basic production (workshops, grain driers, etc.) cooperative societies of concerned basic producers (clients) are to be established, their basic capital being formed and participation provided by the privatized enterprise capital parts. The participation shares at those client cooperative societies are determined proportionally to the technologically necessary service volumes, land areas, capital parts at the transformed enterprises rights to alienate from the privatized enterprise the mechanic workshops, grain (corn) drying units and storage houses as well as other cooperative society founders at the privatized enterprise exceeds half of the enterprise total capital.

Paragraph 20. The peculiarities of the privatized enterprise liquidation

In the case of privatized enterprise liquidation the liquidation commission sells the society property at an auction only for money or payment obligation in accordance with the property stock - taking list giving priorities to the capital part owners. When selling objects servicing the enterprise basic production priority rights to obtain them are given to the respective pagasts basic producers' (clients) cooperative societies.

After the auction the liquidation commission:

- 1) receives money/ other payment means or obligation documents on the property sold at the auction;
- 2) settles the obligations of the liquidated enterprise with creditors and capital part owners;
- 3) distributes the remaining liquidation income sum among the capital part owners proportionally to their parts in the basic capital, writing - off the payment obligations or paying in money.

The obligation documents on the property values sold at the auction but not yet paid can be passed over by the liquidation commission to:

- 1) the owners of the remaining parts,
- 2) banks and other credit institutions arranging for the claims of other remaining part owners.

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