

Aspects of Ownership Change from State to Private, in Transitional Albanian Economy (1991 – 1996)

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Abstract – This paper aims to describe and examine the earliest stages of ownership change in Albanian economy, at the very beginning of the transition from a centralized state owned toward a free market system. Authors discuss the most important legal acts that paved the way for this process and their implementation into practice. Initially, the agricultural land privatization was introduced, followed by trade facilities and dwelling houses. Next stage included the privatization of small and medium enterprises and mass privatization, partially carried out through auction and vouchers. The paper identifies some achievements and failures of this process, seen from a critical perspective.

Keywords – Privatization, Ownership, Centralized Economy, Free Market Economy, Albania

I. INTRODUCTION

At the beginning of fundamental political changes in early 90-ies, Albanian economy seemed to be totally dysfunctional. It deployed mainly old-fashioned and unprofitable technology, most of enterprises were generating loses and only huge state subsidies kept them still running, just to avoid enormous unemployment. Thus, ownership change in economy was considered as an emergency in an attempt to reactivate economic life. One of the first steps of reforms was the privatization of retail and wholesale trade network, followed by small and medium enterprises and concluded with big factories and plants. The main idea of the process was to increase the economic efficiency and totally cut off with state central planning. Capable and interested professionals had to replace “the indifferent collective owner”, typical for the previous communist regime. Transformations in the economic system of Albania, in 1991-96 period were tightly linked with the changing process of the property patterns, consisting in the revival and broadening of private property, through several measures taken by the government.

Main stages of the ownership change process in Albania were as following:

1. Land privatization - according to the Law no. 7051 dated 19.07.1991 “On the Land Use” – consisted in the land distribution to the peasants, based on the number of family members and land availability in former agricultural cooperatives.
2. The privatization of trade units, both retail and wholesale, transferred the property to employed there traders (at a considerably reduced price), denying the rights of the land-owners to such facilities.
3. The privatization of dwelling houses, by transferring the ownership to inhabitants at a symbolic price.
4. The privatization of small and medium enterprises, often by transferring the ownership to single bidder and in some cases by auction.
5. Mass privatization, which started initially with 5 packages of entities, and ownership was transferred mainly against cash payments.

II. MATERIALS AND METHOD

Paper was based on a secondary research method, making use of several documents, such as important laws approved by Albanian Parliament, respective Government of Albania Decisions and Decrees of Albanian President. Data on implementation of privatization process has been obtained from domestic agencies and foreign sources, responsible for advising and monitoring.

A. Legislative Framework

In August 10th 1991, Albanian Parliament passes the Law no. 7512, "For sanctioning and protection of private property, of free initiative, of private independent activities and privatization". It served as the basis for creation of National Privatization Agency (NPA), directly supervised by the Council of Ministers. This agency task was "to be competent in directing, organizing, and coordinating work on the privatization process", by fixing the time and the mode of transferring state assets to private property, including auctions, sale of stock on demand, donation etc. This law was followed by Government Decision no. 307, dated 30.08.1991, "On the obligations and rights of NPA and the preparatory commission for the privatization process", accompanied by detailed Instruction no. 3, dated 30.08.1991.

The privatization process implementation started rapidly, but with considerable mistakes, which led to the Government Decision no. 134, dated 25.04.1992, "On the interruption of the privatization process" for a period of two months. The process restarted again according to the Government Decision no. 284, dated 25.06.1992, "On recommencing of the privatization process", which was amended twice with decision no. 347, dated 10.08.1992 and no. 195, dated 16.04.1993. Often changes of legislation led to confusion and lack of information, even for the NPA staff, especially in local branches.

The initial chaos tented to be eliminated by drafting "The short term government program, 1994-1996" and "Privatization strategy for Albania, 1994-1996". The second document was approved in August 1994 by the Central Board of NAP, but its implementation in practice was very poor. The privatization strategy included:

1. Rapid privatization, with the target of 90% of GDP generated by private sector in 1999.

2. Total privatization of state enterprises (with vague definitions).
3. Restructuring after privatization (a doubtful obligation for private entities), although a state Agency for Restructuring was founded.

B. SME-s privatization

The SME-s privatization process was carried out mainly during January 1993 – April 1995 period, when a considerable number of 4.397 enterprises were fully privatized, out of the total 60.743 entities during 1991 – 1995 period. From existing data of NAP, it is impossible to define the mode of privatization, but experts agree that auctions have been exceptions.

It is interesting to note that after the approval of Government Decision no. 248 (1992), 11,215 objects were privatized, of which 7.747 by auction, while 3.388 were exempted from auction and were rented. Furthermore, this decision came at a time when 81.5% of the objects were already privatized.

The above-mentioned decision introduced also some changes on the governing bodies of the privatization process of SME-s, reducing the role of NAP and bringing into life Privatization Boards in every district. Decision specified that enterprises with a initial value of 0.5 mil USD and no more than 300 employees should be privatized "mainly by auction". Exceptions were approved only by the Managing Board of NPA at national level or district level.

C. Mass Privatization and Vouchers

Following the President Decree in February 1995, on mass privatization and vouchers, several categories of citizens were affected:

1. The ex-political prosecuted benefited a special kind of voucher – Privatization Currency, as compensation for their suffering during communist regime. The total value of these vouchers reached 17.113 mil ALL (around 172 mil USD).
2. All the Albanian citizens over 18 years old benefited vouchers, according to three age intervals, for a total of 72.282 mil ALL (around 724 mil USD).

At 1994, there were formally 394 big enterprises in Albania, out of which 47 were not functioning at all. It was estimated that 259 possessed machinery in very poor condition, while 109 had dysfunctional buildings (GTZ, 1994). Meanwhile, 96 entities were privatized up to May 1997, in 5 rounds. At the same time, we have to emphasize that out of 19 entities were partly privatized, and in 15 of them the state still kept the controlling package of stocks. The last privatization round was completed on June 1996.

Vouchers were allowed to be traded in the free market, but soon it was realized that their value decreased dramatically. In January 2016 they were traded for 26% of their nominal value, while in May 2017 for only 1.5% of the nominal value! Obviously the value of state entities designed to be privatized was overestimated, when calculating the total amount of vouchers.

III. CONCLUSIONS

The privatization process in Albania, despite all its weaknesses, had some positive achievements. The recreation of private property strongly confirmed the detachment from previous system and offered an initial basis for further private investments. It was also a valuable process of education with the concepts and principles of the free market.

Apart from lack of management knowledge, some of privatized entities started to work efficiently, increasing productivity, and offering at the same time possibilities of employment for many individuals.

Decision making on the development these entities was decentralized and possibilities for cooperation with foreign investors were opened. Weaknesses that were observed during this process, virtually in every step, might be the result of eventual unethical practices among state officials.

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