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FACULTY OF LAW

DEPARTMENT: CIVIL LAW

MASTER STUDIES

THEME:

**PRIVATIZATION IN THE REPUBLIC OF KOSOVO – NEGATIVE AND  
POSITIVE SIDES**

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## **Introduction**

As in many other countries that have experienced a complicated process of transition as well as in Kosovo the process of privatization it was proved to be a very difficult one with positive and negative effects for the economy of the Republic of Kosovo. Taking into account specifications and ways of privatization in Kosovo, with this theme we did a summary of the processes, through which are identified the positive and negative effects of privatization in Kosovo, as a legal transformation of property rights from state to private detective focusing in the privatization of public and social enterprises.

## **Purpose**

In order to have the ability of a large evaluation on positive and negative effects of the process of privatization in Kosovo, as a very important and complicated process for the transition of the economy of Kosovo starting from political and discriminatory difficulties before 1999, the start of the first preparations after 1999, institutional organization and to the period of implementation of privatization in Kosovo, in this paper are summarized and analyzed processes, periods and institutions which have contributed in the organization and implementation of the privatization in Kosovo.

## **Objectives**

After a detailed analysis of the used literature, laws, regulations and methods which have accompanied the process of privatization in Kosovo, as one of the main process of transition, we have reached the conclusions presented in this paper through which is very easy to understand the process of privatization in Kosovo and the role of international mission (UNMIK) in the establishment of the legal frame, institutional organization and implementation of the privatization in Kosovo, from where are identified advantages and disadvantages of the used methods and if the strategy of the privatization of public and social enterprises in Kosovo has had positive or negative effects for the economy of Kosovo.

## **Conclusions**

In academic writings, privatization is considered as an attempt to replace hierarchical planning decisions of the command economy with incentives of the manufacturer, that reacts to signals of the market in order to maximize the earnings (Harvylyshyn and McGettigan 1999, p.3). The usual theoretical argument in favor of privatization to the social ownership, it is the incentives of private owners to improve the performance because these carry the financial responsibilities for their actions.

Various studies throughout years has given strong results in favor of superiority of privatized firms based on the criteria of the performance as it is the productivity, profitability, employment, investments, exports, development of new products and finding new markets.

Eventually, the process of privatization results with improvements of efficiency on the levels of companies, which when are added together affect the aggregate growth. Although various empirical studies use different methodologies they all aim to test the effects of privatization in the performance of the firm. However, it is very difficult to isolate the effects of privatization in the economies of transition because this process happens simultaneously with other massive differences in economy, empirical studies provide basis for consensus in some issues that we will discuss below.

#### Affirmative aspects of privatization in Kosovo

According to the literature mentioned above, in academic and study writings and in the factual situation of private enterprises, privatization in Kosovo except negative sides we also consider that it has shown very important and positive results for the development of the state economy and the progression in the significant management of private enterprises some of which we have mentioned as follows:

The subsidy reduction by the government for some of the public companies is very useful, since a very good part of taxes of the citizens of Kosovo is dedicated to these corporations which due to the bad management rarely have had profits. A specific case is the Energetic Corporation of Kosovo which continuously is subsidized from the government of Kosovo due to losses and uncontrolled expenses, but despite this it was never able to meet the needs of the citizens of Kosovo since within it have existed certain groups of interest which did not have as a priority the significant management of the company and the provision of professional services for the customers.

Infrastructure investments of privatized companies, have affected positively in the increase of the services level for the citizens of Kosovo and strengthening basic points for a significant economic development, in one hand, while on the other hand have created professional standards of managing these enterprises as an important step of the economic development. Such investments are obvious especially in KEDS (The Kosovan Company for distribution and supply of electric energy) in the international airport of Prishtina as well as in some other privatized companies.

Investments made in the sector of distribution of the energy by KEDS, are investments which are directly related with the improvement of the infrastructure of the distribution all over Kosovo, in a network without investing for decades which was devastated both technically and professionally during the management of KEK. The period of investments has engaged many local companies for the execution of works in all municipalities and in this way it has contributed the employment of citizens and the improvement of the service quality in one hand, while on the other hand these investments are an incredible contribution of the safety to human lives, through investment in security measures in all electronic equipment where citizens where citizens can have access.

The prosecutor checks by the management of privatized companies has also affected to reduce the level of corruption in these companies not giving access and opportunity to the officials who have agreed to certain interest groups to be part of these processes. Such thing as it is mentioned above is clearly noticed in the privatization of distribution of the Energetic Corporation of Kosovo, wherein the goods and same services and by the same companies the supply becomes significantly cheaper by starting from 20%-70% cheaper. Reduce of corruption in privatized companies affects the reduce of corruption in general statistics as well, which means that through privatization and a significant management of privatized companies is achieved the prevention of the corruption development.

Professional staff establishment, the detachment somehow by the political structures of managerial positions has opened up the competition in the market of different fields who have been given the opportunity to test the managerial and professional abilities. In public companies including the boards of directors during the management by the Government, in key positions are set unqualified people which have contributed in different interest groups, while the professionals in many cases have been overlooked and suppressed by never giving the opportunity of providing professional input.

Privatized companies which have exerted their primary activity even after the privatization, regardless the opinion created to reduce the number of employees, in many cases the number of the employees has not been reduced, but the same has been replaced with professionals of certain fields, while replacing the unqualified employees in different ways before the privatization with qualified employees for certain tasks.

In enterprises-companies which are depended directly by costumers, a special attention was given to the improvement of service quality and the internal control in these companies. This has helped to relieve the services of costumers by earlier bureaucracies and also the professionalism development of employees of these privatized companies.

The use of the sales method with Special Spin Off, unlike other types of privatization used in Kosovo and the region, we consider it as a method with a positive effect for the process of privatization in Kosovo, since it has created the opportunity that the enterprises which do not have experience and funds for business to fail since the beginning.