

## 6. Adri Nurellari

### *“ The corrupted process of privatization in Albania ”*

The process of creating the economic basis of the new system followed naturally the embarkation on the change of the political system from communism to democracy in Albania. The first Albanian democratically elected government considering the fact that privatization is a fundamental element in the transition from a state managed economy and society to a competitive environment, chose to implement a fast privatization strategy. This strategy opened up state property to private ownership in a way that favored a widespread corruption.

The aim of this paper is to analyze how corruption operated inside this process and the consequences it had.

The Privatization process in Albania occurred in the following stages:  
Land Privatization. In this stage agricultural land was distributed to the peasants according to the number of the members of the family and its availability in each agricultural cooperative. The Privatization of trade units, retail and wholesale ones. The Privatization of state flats by those who inhabited them. The Privatization of small and medium enterprises. Mass Privatization.

The corruption evolved mainly in three ways: firstly the decision makers created a privatization process in a way that benefited mostly those who had political connections, secondly the process lacked the needed amount of information and transparency and thirdly by deliberately obstructing and delaying the privatization of particular state owned enterprises.

#### **The privileges of particular segments of the population during the process.**

In August 1991 the Albanian Parliament passed the law for the sanctioning of the protection of private property, of free initiative, of private independent activities and privatization that served as the basis for the start of the privatization process and the creation of the National Privatization Agency supervised directly by the Council of Ministers. This agency was to be competent in directing, organizing and coordinating the process of privatization.

This process started rapidly because of the immediate need to increase the efficiency of the economy. But the excessive preoccupation with speed increased the chances that the desire to accomplish privatization actually overtook the real possibilities to fulfill a correct privatization. The abuses during the beginning of the process became so visible that the government had to halt the process with a decision issued in 25<sup>th</sup> April 1992. But the interruption lasted only two months and meanwhile no relevant changes were done in the strategy of privatization and this allowed the abuses to continue.

Although the NAP was invested with authority to direct the privatization process there were cases when special decisions of the government were taken for exclusions even in the cases of single objects, from the general decisions for the process of privatization. What were these groups of people who were supported in particular way even by giving them support with special decisions from the government?

Moreover at the end of May 1993 some changes were done in the Privatization scheme for small and medium enterprises through a governmental decision. In this decision the role of NAP was reduced and the so-called Privatization Boards that were created in every districts carried out the process. Also it was described that small and medium enterprises were to privatize mainly by auctions except for special cases like the privatization of an object by a former owner or special juridical and physical persons. Who were these special juridical and

physical persons and in what basis were they entitled to this special treatment remained unclear. Also it was decided that the documents of the privatized objects and all the ones that regarded their privatization were to be conserved only one year. After one year it was not mandatory to keep these documents and they were allowed to be destroyed which means that now there are very few proofs and evidences left that could show in the future the abuses and make possible the punishment of the corrupted officials<sup>1</sup>.

The Privatization Boards were composed of more than 21 members, they had very little central control, and they were highly politicized as only officials of central and local administration could serve on the boards. They were poorly qualified and prepared for this process and in the mean time they were invested with too much decisive authority, which left room for too many arbitrary decisions.

To make things even worse after the elections of 1996 the government created the Privatization Ministry, which duplicated the role of NAP and as a result complicated furthermore the privatization process and allowed even more room for abuses.

All what was described above made possible abuses and corruption from certain segments of the government as well as benefited certain segments of population that had political connections.

### **Lack of Information.**

The process of privatization took place in the conditions of a very weak infrastructure of information. Actually the electronic media that at the time was state owned and was the most accessible media showed very little of the ongoing privatization. There was a decisive lack of information about the property that was to be privatized and the possibilities of its usage. This was of course in the interest of "politicians" who did not wish to give this information. As a consequence there was a clear lack of large participation of the population in the process, which meant less competitions during the auctions for the sell of an object and favorable secrecy for abuses and corruption.

In addition the frequent changes of the legislation created difficulties in the information of the NAP employees and privatization branches and especially impeded the accurate information of those who were directly interested in the process and as a result many potential buyers were deliberately left outside this process.

### **The obstruction of the progress of the process of privatization.**

Being in power allowed high governmental officials to speculate, abuse and gather a consistent wealth, which they invested in trade mainly in the form of import companies. Having their interests in imports gradually made them intervene to prevent economic policies that would threaten the existing distribution of profits. In other words they retained a monopoly in the imports and the maintenance of the low domestic productivity was in their interests (Although Albania has been frequently accused of having the highest rate of contraband in Europe surprisingly the index of prices is almost twice higher in comparison with the other ex communist countries of Balkan. This happens of course because of the monopolistic control of trade, which prevented the implementation of the rules of free trade). These monopolists obstructed the increase of domestic production by deliberately delaying the privatization of industry. The delay added to the already bad technical and technological conditions of the Albanian industry has made impossible its revival and brought its total depreciation. As a result the industrial objects, which have been finally recently privatized, have been sold with ridiculous prices and their destination was changed (they have been mainly turned into stores or have been destroyed and their land has been used for

constructions). Actually official resources of 2000 show that imports outweigh export 4 times<sup>1</sup> while rumors in free press tell about 10 times<sup>1</sup>.

### **Consequences.**

Lower income groups perceived the uneven distribution of the fruits of privatisation as social injustice and therefore a consciousness of social and economic deprivation was developed among the population and made it become politically frustrated. This frustration has been manifested in the armed rebellion of 1997 and the other one in 14<sup>th</sup> September of 1998. Another fact that shows the discontent and the crises of confidence is the continuing great desire to emigrate among Albanians. In the beginning Albanians sought emigration as a temporary measure to escape poverty and then to return. But in this time, discontent with the present and without hope for the future, a large part of the population is seeking emigration as a final action.

### **Bibliography:**

- Biberaj, Elez. *Albania in Transition: The Rocky Road to Democracy*. Boulder, Colorado: Westview Press, 1998.
- Della Roca, Roberto Morozzo. *Shqipëria rrënjët e krizes*. Tirana: Shtëpia e librit të komunikimit, 2000.
- Olsen, Neil. *Albania*. Oxford: Oxfam GB, 2000.
- Vickers, Miranda and Pettifer, James. *Albania: from Anarchy to a Balkan Identity*. London: Hurst & Company, 1997.
- National Agency for privatisation. *Country Privatisation Report*. Tirana: 1995
- National Agency for privatisation. *Report on privatisation process in Albania 1991-97*. Tirana: 1998
- International Labour Office. *Lessons from privatisation: Labour issues in developing and transitional countries*. Geneva : 1997
- Servet Pellumbi. *Dritehijet e tranzicionit*. Tirana: Shtëpia Botuese Rinia, 2000
- Albert Gajo. *Demokracia ne deficit*. Tirana: Qendra per kerkim dhe zhvillim, 2000
- Fatmir Mema. *Privatisation in Albania: achievements, failures, and the future*. Tirana: Publishing House Toena, 1997

**Press:** *Ekonomisti; Albanian Observer; Ekonomia; Monitor; East European Constitutional Review; Sud-Ost Europa; Koha Jone.*