

Privatization of POEs in Kosovo – Case Study: Post and Telecom of Kosovo

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Abstract

The Republic of Kosovo is Europe's youngest country – and one of its poorest – but it has maintained positive economic growth rates, most recently 3.6 percent in 2016. Kosovo is working to improve the investment climate by strengthening the legal environment necessary to attract and retain foreign investment.

Kosovo is comparatively small country located in the South-East Europe. It has a population of approximately 1.8 million, with 49.53 percent male and 50.47 percent female, and percentage of people living in rural areas 61%.

In the economic transformation processes, the privatization is conceptualized not only as an ownership change but also as the only alternative that will ensure the effective function of acts for all “market stakeholders”, private or public in order to ensure loyal competition between them. Main objective of this manuscript is the analysis of the stagnation of the Post Telecommunications privatization process, and its negative effect in the economic expansion of Kosovo.

Keywords: POE's, Privatization, Kosovo, Post and Telecom.

Introduction

The high rate of unemployment among the youth population might have affected to some extent their self-confidence, as they have not been provided an opportunity to demonstrate their skills and talents. As a result, many of them are discouraged and seek to work outside Kosovo. The general high rate of unemployment, moreover, has led to a high poverty rate. In Kosovo, around 34.5 percent of the population lives in poverty, and around 12.1 percent lives in extreme poverty with less than €1 per day (Kosovo Agency of Statistics, 2015). The main reason behind these discouraging figures is linked to weak private sector development and low capital investments. The majority of Kosovo businesses provide jobs that require only low-level skills – this also has some effect on the motivation of workers to pursue proper education (Riinvest Institute, 2014). Additionally, the few businesses that need advanced skills report that the universities and colleges in Kosovo do not link their curriculum effectively with the skills needed by the market; therefore, students equipped with diplomas from these institutions do not meet their demands.

Also Kosovo is a poor country with many problems and difficulties. Immediately after the War and the entry of KFOR forces, Kosovo entered the direct transition phase. Therefore, Kosovo as a new country is facing a very wrecked and inherited economy and is going through a very difficult post transition phase, with attempts to transition from the type command economy to free market economy. The liberalization of

capital is a conducive opportunity to the transformation of the property as a fundamental step towards a functional economy and incentives for direct foreign investments for which the need is extremely current, considering the fact and the situation in which was the country after the war, and next we will present advantages, which are favorable to invest in Kosovo.

Kosovo represents one of the late comers in the transition process, whose transition process started in year 2000. The evolution of the Kosovo economy was somewhat turbulent at the beginning of 2000s, followed by relatively steady growth afterwards. On the other hand, the imports are deemed to be covered by exports at a rate of 10 %), (ii) high unemployment, which appears to be over 40%, (iii) lacking foreign direct investments, and (iv) a reforming system of secondary and higher education (Central Bank of Kosovo (2015), Annual Report 2014, Pristina (2015). According to the same source, around 10% of Kosovo’s population lives in extreme poverty, while around 35% of the population lives close to the poverty line.

The shift in regime in 1999 in Kosovo caused considerable output loss in the economy and the new government inherited a largely obsolete capital stock. In the next two years, while the economy was struggling to recuperate managed to approximately double its GDP, however the base remained relatively low.

Table 1. Real GDP growth rate

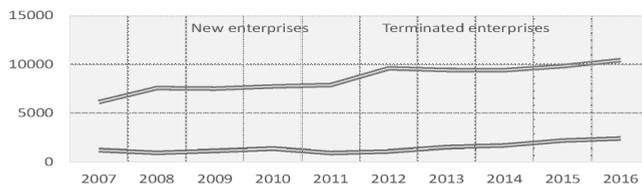
| Years | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------|------|------|------|------|------|------|------|
| Real GDP growth rate (%) | 3,3% | 4,4% | 2,8% | 3,4% | 1,2% | 4,1 | 3,6 |

Source: IMF (2017). IMF Country Report No. 17/68. p. 23

Private enterprises in Kosovo are moving forward with increasing the number of new business and also the number of terminated businesses is increasing with low scale forward.. At this time, enterprises were mainly organized in the form of family enterprises, handicrafts, small retail, restaurants and agricultural enterprises. The establishment of such enterprises was not an outcome of an attractive business environment, but sprang out of the need to create jobs for people expelled from work in socially and publicly owned enterprises. These businesses were created with own resources and Diaspora remittances. The trends of registered and terminated private business development are presented in the following chart (Kosovo Agency of Statistics, 2017).-

Graph 1. Number of registered and terminated enterprises by year 2007-2016

Source: Kosovo Agency of Statistics (2017). Statistical Yearbook of the Republic of Kosovo, 2016, p. 150



From 2010 until 2016, the economy experienced a more steady growth (3.8 percent on average), mainly driven by remittances, donors and private consumption. During this time the external balance continued to deteriorate, given a very low export base, and a heavily dependence on imports. Meanwhile, the fiscal authorities were conducting a rather conservative policy approach, by continuously concluding the fiscal balance with surplus. The reason for conducting a conservative fiscal policy were partially political (unresolved political status), as well as, due to the restricted the monetary tools to enforce macroeconomic stability and particularly to finance budget deficits. The unemployment rate is considered to be the highest in the region (45% in 2009; 35.3% in 2014, (Kosovo Agency of Statistics (2013)) whereas the inflation rate was fairly low. Adding here the budget surpluses and the low base of exports, a presence of a large output gap in the economy may be inferred. Another important year in terms of economic activity was 2009, when the impact of the global financial crisis that commenced in 2007, started to show. Even though Kosovo was one of the few countries in Europe not to experience a recession at that time, the signs of economic slowdown were expressed in the form of the export decline due to a fall in external demand, slowdown in imports due to a decline in domestic demand and a slowdown in lending activity because of the perceived uncertainty from the banking system. The influence of the financial crisis and the more recent budget crisis in some of the European countries may still be present, thus it should be of interest to investigate whether this effect is permanent (attributed to the trend) or transitory (attributed to the cycle).

After the war, pursuant to the Law on Privatization in Kosovo, Law no. 03/L-067, three processes of property transformation took place for the non-private properties: Commercialization process, through which 23 socially owned enterprises were commercialized, Privatization process, involving around 600 SOEs, Publicly owned enterprise restructuring process, such as in the, Post Telecommunications of Kosovo, Kosovo Energy Corporation (privatized now), Railways, Heating District and other publicly owned enterprises. The restructuring of these enterprises is now being implemented through corporatization.

Privatization as a Concept

Is privatisation necessary? Does it matter whether property is public, private, or something in between? There are arguments in favour and against privatisation. Some of the arguments in favour of privatisation summarised by Boorsma are: "1. Privatisation increases the (private sector and hence) economic growth. 2. Privatisation reinforces technological development and innovative capacity. 3. Private enterprises are more efficient than public enterprises. 4. Privatisation gives a budgetary advantage." On the other hand also, Boorsma [1994, p. 29] presents the following arguments against privatisation: "1. Privatisation leads to higher costs. 2. Privatisation leads to reduction of employment. 3. Privatisation leads to quality loss." However, according to Boorsma [1994, p. 28] "The arguments in favour of contracting out and the efficiency gain that can be achieved in that case have a theoretical underpinnings and have been tested empirically. Other arguments are hardly substantiated theoretic-

cally or little research is available to support them.”

In economic terms, privatization represents a situation where enterprises transfer the ownership from public property in private property. Privatization is a unclear concept that recalls sharp political reactions. It covers the variety of ideas and policies, diverge from the eminently reasonable to the wildly impractical. However in varied and at times unclear in its meaning, privatization has unambiguous political origins and objectives. It emerges from the countermovement against the growth of government in the West and represents the most serious conservative effort of our time to formulate a positive alternative.

A clear definition helps in avoiding ambiguity and facilitates a comprehensive analysis for an in-depth investigation of the issue in all its aspects. In the literature, several authors define privatisation differently. Some authors define privatisation narrowly to mean the sale of stateowned assets. Kikeri, Nellis and Shirley defined privatisation as the transfer of a majority ownership of state-owned enterprises to the private sector by the sale of ongoing concerns or assets following liquidation (Kikeri, Nellis, Shirley, 1994). Ramamurti argues that privatisation “refers to the sale of all or parts of a government’s equity in state-owned enterprises to the private sector” (Ramamurti, 1992).

According to World Bank [1996, p. viii], privatisation is defined as “the divestiture by the state of enterprises, land or other assets.”

Privatization and opportunities for international investors

After the transformation of KTA (Kosovo Trust Agency), the privatization process is administered by the Privatization Agency of Kosovo (PAK). PAK has been established as an independent public body which manages the privatization of so-called socially-owned enterprises (SOEs). As reported by PAK, from June 2012 to December 2015, 1,286 sale contracts were finalized; of them, 763 resulted from the “spin-off” privatization method and 523 from the liquidation privatization method. Most of the SOEs subject to privatization operated in the agriculture sector with a share of 21.3%, followed by trading companies with a share of 11.5% (Ramamurti , 1992).

During the period from June 2012 to December 2015, the total revenue from privatization through spin-off was EUR 573 million whilst revenue from the sale of SOEs through liquidation was EUR 87 million. In 2013, 136 contracts (liquidation 105, spin-off 31) were completed, while in 2014, in total 145 contracts were completed. During 2015, PAK did not execute any asset sale due to the lack of Board of Directors. The total amount of the sales proceeds during the entire process (June 2002 – December 2015) is EUR 660,223,469. Several sectors present good investment opportunities to take advantage of the young population, the growing economy and the fairly untapped natural resources of the country.

The Government of Kosovo decided to amend its tax policies in order to provide tax incentives for new investments; for example, depending on the size of the investment, 0% corporate income and value added tax rates may be applied. The decision will begin to be implemented once the respective administrative instruction is signed by the Minister of Finance. The time frame for these incentives has been extended

from 3 to 4 years for investments ranging from EUR 2 to 5 million, and from 1 to 3 years for investments under EUR 2 million.

In addition, the Assembly of the Republic of Kosovo has approved Law No. 05/L-079 on Strategic Investments in the Republic of Kosovo. This law aims to facilitate, attract, and create the necessary conditions for the implementation of strategic investments in Kosovo. It also regulates the administrative procedures and the criteria for evaluation, selection and supervision of strategic projects, as well as administrative procedures for granting the use of the property of the Republic of Kosovo with the aim of implementing strategic investment projects.

Legal Framework for Privatizing Publicly Owned Enterprises

The corporate governance of publicly owned enterprises in Kosovo is regulated by the Law on Publicly Owned Enterprises. According to the law, POEs are Joint Stock Companies and operate in accordance with the Law on Business Organization.

On the basis of ownership, POEs are organized at central and local government, where the former are owned by the Government of Kosovo, while the latter are owned by one or more municipalities.

To wit, the Law on POE speaks of "sale of shares," that can be interpreted that this law permits the partial or full privatization of the POE in question, depending on the decision of the Government. All ownership interests in a POE shall be represented by shares, and all such shares shall be registered and is possible because the Law on POE, specifically Article 4, requires that at this point in time all POE should be organized as Joint Stock Companies ("JSC"). Under the Law on Business Organizations, (Law No. 02/L-123) namely Article 126, a JSC "is a legal person that is owned by its shareholders but is legally separate and distinct from its shareholders." The JSC under the Law on Business Organizations is similar to the corporations one may find in EU member states or the United States, with minor changes and less sophistication. In the case of a POE, the only shareholder in Central POE is the Republic of Kosovo, whose shareholder rights are exercised by the Government of the Republic of Kosovo (Article 5 of the Law on POE). The Law on Business Organizations does not restrict the transfer of shares by the Government of the Republic of Kosovo to any other entity. Specifically, Article 9 of said law governs the privatization of Central POE (Pursuant to Article 3.1 of the Law on POE, Central POE are enterprises identified in Schedule 1 that is attached to the Law on POE). Thus, a covenant must be stated that the law does not speak as to the privatization of the Local POE, however, this problem does not concern this writing because its purpose is the analysis of the legal framework for privatizing Central POE.

Privatization and concession of strategic companies in transition economies

In the last two decades, many countries around the world (developed, developing and transition economies) initiated the reform of utility industries aiming at improving the efficiency of these companies through competition and private ownership (Lieberman, 2008). The reform of utilities refers to, and involves, a variety of measures

ranging from vertical separation of different activities of integrated companies, introduction of competition at various levels of operation, and the privatisation of different parts of a utility, often to different owners. Traditionally, the 'natural monopoly' characteristic and the 'public service' feature of utilities meant that they were treated differently from other SOEs. In most transition economies the privatization of these industries, which were classified among 'strategic industries', took place later and proceeded more slowly than that of the other sectors of the economy. Furthermore, the privatization of utilities also created the need for an effective regulatory framework that will protect consumers from the exercise of monopoly power by private producers and the producers from future expropriation by the government (Megginson, 2005). In this section we will first present some features of the privatization through concessions.

Privatizing Telecommunication Services

Telecommunications corporates have been highly profitable in most countries and, therefore, were at the top of the list of utilities to be privatized (Newbery, 1999). But despite their profitability, revenue generation and contribution to employment, they provided poor quality services (monopole) and their performance was substandard. The restructuring and reform of the telecommunication sector was an important prerequisite for the development of the sector and the economy as a whole (competition) (Berlage, 1995). Modern telecommunication being one of the key service sectors that contributes to productivity enhancement and growth in other sectors became an essential requirement for the transition from a centrally planned to a market economy. Following this, it was exposed to the need to be adopted with rapid speed, changing the opportunities, open to other firms beyond recognition and rapidly turning previous technologies obsolete in many countries (Sallai, Schmideg & Lajtha, 1996). In order to implement, adopt and benefit from these developments, huge investments in new technology are required to develop the necessary infrastructure and facilities, something which can be provided only by the private sector (often from abroad). Foreign investors will not only supply the technology and expertise but also management skills and access to foreign capital.

Privatization was, of course, only the initial step of a long process and its success was linked to the establishment of an independent and strong regulator who will encourage private sector involvement in the sector, facilitate the creation of a competitive environment, and protect consumers from the possibility of misuse of market power derived from their strong market position (Choi, 1995). By now, many countries have successfully completed the privatization of their telecom companies. Governments have used two basic methods for selling telecom assets: direct sale of all or part of the company to a single buyer through negotiation, or selling a proportion of shares of the company through initial public offerings (IPOs). A majority of Transition Economies employed direct sale as a divesting method for privatizing their telecoms while Share Issue Privatization (SIP) was used only in few cases (like in Czech Republic, Estonia, Hungary and Poland). The former method is more prone to political pressure and corruption while SIP is more transparent and fewer are accompanied by

scandals (Megginson, 2005). The latter method, however, requires a minimum level of development in financial markets and a stock exchange. Most governments have retained a proportion of their telecom shares for their own benefit or for later privatization – when prices would have risen and the sale would generate larger revenue for the state. This is sometimes referred to as share issue privatization or SIP Dilemmas and Backwards in a Fast Track - Privatization of POEs in Kosovo forum 2015. Others have been reluctant to allow their share to drop below a certain level, usually 20 to 25 percent required for being a “blocking minority” shareholder. Some of these are even constitutionally prohibited from allowing their share to drop below this level. Following table summarizes the privatization of telecom companies in selected Transition Economies.

Table 2. Privatization of telecomm companies in selected countries (2005)

| Countries | Methods of sales | Fraction sold (%) |
|-----------|------------------|-------------------|
| Albania | Asset sale | 85% |
| Bulgaria | Asset sale | 51% |
| Croatia | Asset sale | 35% |
| Hungary | SIP | 30% |
| Macedonia | Asset sale | 51% |
| Serbia | Asset sale | 49% |

Source: Parts form Table 8.4 (Megginson, 2005)

While most countries sold controlling stakes of their telecoms, others retained the majority of shares or a Golden Share. Almost always, the buyers were foreign telecom companies, i.e., companies with experience of the field and also funds to invest abroad. Albania, for example, sold 85% of shares to Cosmote/Telenor Company, a consortium of OTE (Greece) and Telenor (Norway) and the payment was made in two trenches. Hungary sold 17% of telecom shares to Deutsche Telecom (DT) as early as 1993 while in 2000 the ownership share of Deutsche Telekom’s in Matáv increased to 59.52%, the remaining 40.48% are held by the public, while the Golden Share is held by the Hungarian state. Macedonia and Montenegro sold controlling stakes to Magyar Telecom which is itself majority owned by Deutsche Telecom (DT) who also bought a controlling stake in Croatia’s main telephone company after initially buying 35% in October 1999. Serbia on the other hand sold only 49% of its telecom to OTE of Greece and Italy’s Stet in 1997. Bulgaria retained its Golden Share despite selling over 50% of shares of its telecom to OTE from Greece and KPN from Netherlands. By retaining the golden share in the company, the government retains the right to veto any strategic decisions.

PTK performance

Post and Telecom of Kosovo (PTK) is the public asset with highest profit during the last decade in Kosovo. During the period of its activity, since the post-war until 2007 PTK had a monopoly power in telecommunication sector in Kosovo. Since December 2007, this enterprise operates in competition circumstances because Government of

Kosovo licensed the second mobile operator, IPKO.

In order to maximize the transaction value, Government of Kosovo recommended that Regulatory Authority of Telecommunication review the possibility of a five year moratorium in licenses for other possible operators (IMF, 2010). If such a thing is approved, then Kosovo will win a duopolistic market¹⁶ for five years following privatization of PTK. Such a market is not a support to free competition, and as such damages Kosovar consummator. By the current privatization strategy, it is provided selling of 75% of shares of PTK Sh.A., as a whole. On the other hand, Government of Kosovo aims at keeping in its property the business unit Post, legal division of which would be done in the period after privatization. From this strategy remains unclear if assets of Post will be included in privatization and will be evaluated after privatization, or will be evaluated before privatization and later will be allocated under the property of Government of Kosovo. Such a strategy creates ambiguity regarding assets which will remain property of Government of Kosovo, as well as the manner regarding the process of evaluation of these assets.

The privatization of Post and Telecom has been widely argued by different local and international experts. Most of the local experts are against the privatization of Post and Telecom of Kosovo because it is estimated to be the most valuable asset of the country. Experts say that this period of time is not the most convenient for the privatization of this valuable asset. Founded in 1959 Post and Telecommunications of Kosovo (PTK) is a public owned enterprise which was transformed to Joint Stock Group in 2005 by KTA and named as Post and Telecommunications of Kosovo JSC. PTK now consists of four main business divisions (Mustafa, Hashi, Hashani, Sejdiu, Zogaj, Osmani, Mustafa, 2009):

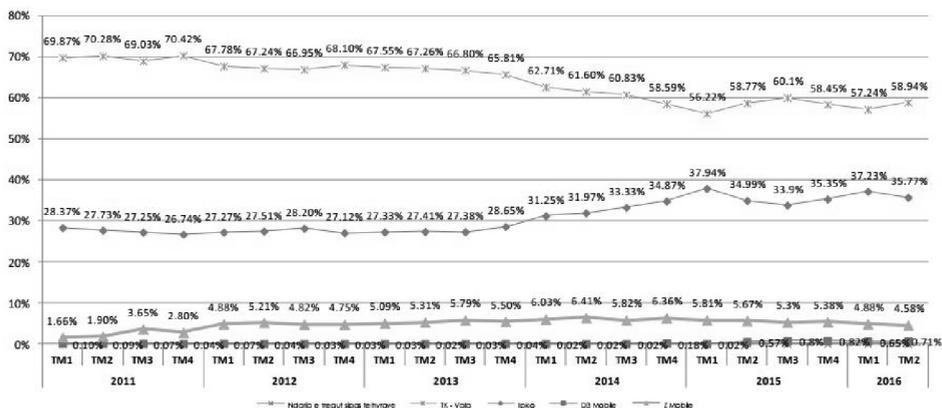
- Post of Kosovo;
- Telecom of Kosovo ;
- Vala – the Mobile operator and

Performance of PTK until 2007, during the period when it had the monopoly in the market showed positive values with increased trend of success indicators. Entering of the new operators of mobile telephony, IPKO and Z-Mobile in the market resulted with loss of a part of PTK market and operator Vala, as well as caused the lowering of the prices as a result of competition.

As a result, the decrease of company's flow was inevitable, since prices of operator Vala were decreased by half in relation to the period when Vala had the monopoly in the market. However, despite the decrease of the flow through these five years, net profit of PTK in relation with previous Q1 showed an increase due to the decrease of the corporate tax norm. In Kosovo the sector of MEC has a great importance towards the economy considering that in the last ten years it participates in GDP of Kosovo with about 10%. Except for economic importance this sector has a great impact in the social cohesion, education, healthcare, and increase of human capacities in general and the increase of general competitiveness of Kosovo on the global level.

Fig. 1. The share of mobile telecom market by revenues from 2011-2016

Source: <http://infokusi.com/old/author/egzona/page/83/>



Stagnation of Privatizing Post and Telecommunication of Kosovo (PTK)

Concerning the market developments, landline telephony historically has a low development in our country. With the liberalization of its market is enabled the access of the alternative operator (IPKO) competing thus with the operator that was monopoly until then. Now Kujtesa is another authorized provider of landline telephony. Still, penetration into the landline telephony has not shown any growth though it varies up to 5%. KPT has about 97.6% of the incomes of this market whereas the private distributor IPKO has only 2.33% of the incomes.

The Post and Telecommunication of Kosovo were established in 1959 under a Decision no. 1115497/1-1959 of the Steering Council of Yugoslavian PTT Communion. Then, in 1990 all the Albanian employees and other minorities who disagreed with the politics of Milosevic were driven out of their workplaces by force. During the war in 98-99 all the office items and assets of the PTK were stolen, demolished, and some of them completely damaged. After the war, start to negotiating teams of the PTK, KFOR and UNMIK enabled the legal return of employees to their workplaces. After 6 years of attempts, PTK has established following three business units: Telecom of Kosovo, Post of Kosovo, and Vala mobile network operator. These three business units of the PTK are licensed by the Kosovo Telecommunications Regulatory Authority. The government of the Republic of Kosovo decided to sell PTK in 2008; yet, in 2010 it decided to privatize only 75 per cent of its assets (BIRN 2013). In April 2013, the government revealed that "a German company, AXOS-capital, in consortium with Najafi Companies LLC, had been selected as the winner to take over 75 per cent of PTK in return for the sum of 270 million euro" (BIRN, 2013). However, the members of the parliament did not vote on selling PTK since they claimed that the company was undervalued and they did not find enough reliable information about AXOS (Bytyci, 2013). For this reason, the process of privatization in this company has not been finalized yet. Nevertheless, a public debate was raised when doubtful information regarding AXOS were presented by different media networks.

The truth is obviously seems: the privatization of PTK and many other enterprises should happen if Kosovo wants to move forward with economic development. In this article i will show three main arguments that opponents of privatization is recently making criticism to the Kosovo Government.

Privatization process of PTK is developing in non-favorable conditions for Kosovo,

which have a direct impact on the value that will be given for PTK by the potential investor. Negative impact on the selling price of PTK was permeated by following circumstances:

- a) PTK Sh.A., during the post-monopoly period, from 2007 showed a decreasing trend in all its performance indicators. As a result, this decrease will reflect negatively on the selling price that will be offered by the potential investor;
- b) Republic of Kosovo was ranked among last ten countries in the world for protection of investors. Such a ranking does not go on favor of increase of the selling price;
- c) Increase of the number of employees during last three years in this corporate despite the decrease of flow indicates non-efficiency in corporate management. Number of employees over optimal needs of the corporation creates a load on the future investor in PTK and has negative impact on its evaluation;
- d) The necessity of selling PTK Sh.A., due to the budgetary deficit of the country creates pressure over Government of Kosovo for selling as soon as possible. This pressure has a direct impact on the price that will be offered by the interested companies;
- e) PTK provide revenues for the Kosovo Budget;
- f) The PTK value is so low;
- g) Privatization triggers unemployment.

Competition

As far as competition is concerned, the results indicate that the intensity of competition from domestic competitors and imports, is more severe in 'other private firms' sector, where over 38 % of companies consider domestic competition as a very big obstacle, whereas only about 24 % of post-privatized companies consider this a big obstacle. Also it is worth pointing out that over 20 % of private sector companies, compared to 12% of post-privatized firms, consider the import competition as a very big obstacle for the development of their companies. Most of both types of companies do not see domestic and import competition as an obstacle at all. Another important difference is in terms of competition that the two groups of firms face. It is clear that privatized businesses face less competition compared to the rest of the firms. Several business indicators explain this. The privatized businesses are larger than the rest of the firms in terms of number of employees, turnover and assets. This provides them with the competitive advantage resulting from economies of scale. In addition 60 % of privatized businesses are export oriented (compared to 20% of the rest of the firms) underlining their competitive ability of penetrating in foreign markets and being less dependent on the local demand. Further, privatized businesses invest drastically larger amount of capital than other firms (Euro 4,338,274 vs. Euro 331,610), emphasizing their power and advantage in business activities. Given these indicators, it is clear that privatized businesses are more competitive in the market place and thus face less competition than the rest of the firms.

Corruption

Perceived and actual corruption is widespread in Kosovo. Senior-level public officials have been accused of bribery, racketeering, and other forms of corruption. Widespread corruption reflects a "cost-of-doing business" mentality prevalent in many

parts of the region. Anti-corruption efforts suffer from a lack of cohesion, forceful action, and follow-through measures, including prosecution.

Given that the privatization process in Kosovo has been transparent and open to everyone, the method used (especially the regular Spin-Off method) has left less space for corruption as it provided less discretion for the institutions involved in the process. This method has reduced subjective elements of other privatization methods. However, based on the results of our survey presented in Table 4, half of the respondents from privatized companies perceive the level of corruption as being very widespread, while another 31.8% perceive that corruption is spread. Only 3% of respondents perceive that the level of corruption is not spread at all. These results in turn, put into question the transparency of the process regardless the privatization method knowing the fact that the perception of pervasive corruption is considered to be enforced by the lack of transparency. The perceptions of owners of privatized companies on corruption are similar to those of de-novo private companies reflecting a more reliable illustration of the extent of corruption in Kosovo.

Table 3. The perception of respondents on the level of corruption in Kosovo (%)

| Prevalence of corruption in Kosovo | Privatized companies | Other privatized companies |
|------------------------------------|----------------------|----------------------------|
| Widely spread | 50.0% | 59.6% |
| Spread | 31.8% | 24.4% |
| Moderately spread | 9.1% | 9.8% |
| Rarely spread | 1.5% | 1.8% |
| Not spread | 3.0% | 0.6% |
| No answer | 4.5% | 3.9% |
| Total | 100.0% | 100.0% |

Source: Riinvest Institute, Privatization and Post-Privatization in Kosovo: Glass half empty or half full? (Research Report), September 2008, pg. 29, Pristina

Conclusions

- Privatization process performance of post-privatized companies is better than had been expected. However, the dynamics of growth of sales, exports, employment and investment are better than the remaining part of the private sector'. In this case PTK had to be privatized in 2010 because of higher prices of shares and market value, the acceleration of privatization process consist with improvements in exports and GDP growth rates. The turnover of surveyed companies has doubled compare to 2006, exports have increased six times and investment has increased by 30% during the same period. The average export share of sales is 35% and they cover about 46% of imports (the rest of the economy 11%). About 80% of managers/ respondents consider their business to be in better conditions during 2007 compared to 2006 and they expect that the current year would be even better.
- Strategy for privatization of PTK presents ambiguity in relation to the position that Post of Kosovo has in the transaction. Non-clarity regarding division of shares

between private investor and Government of Kosovo produces three potential scenarios with different variations of final property.

- Selling of PTK to cover the trade deficit and pay the contracted projects, formalized with the agreement with IMF, lowers the negotiating position of Kosovo towards investors and decreases the potential value of this public asset.
- PTK had a degradation of its performance which resulted with two directions. First, entering of the competition in mobile operator and second the mismanagement as a consequence of political interventions in this public enterprise. Board members and management appointment was made on party basis who allowed an over-employment during last years. This will reflect on the offer that private investor will make for this enterprise.

Recommendations

We recommend that Kosovo government and Assembly in a near future complete legal frame for effective, transparent and accountable privatization of POEs through amending existing Law on POEs and Law on PPP and concessions or by passing a laws on privatization of PTK;

- Should use the possibility of capital investment financing through involvement of private sector in a public-private partnership. This would ease the budgetary burden and would enable a long-term budget sustainability.
- Government of Kosovo should make clear the ambiguity regarding PTK privatization and participation of Post of Kosovo in this process, prior to closing up the process.
- Government should respect international contracts and should be careful in taking decisions that harm the country's contractual credibility and risk the integrative perspective of Kosovo.
- Parliament of Kosovo should be more active to hold the government accountable for the situations when the later risks international agreements. Parliament should also not approve laws (like the case of draft project) that are in contradiction with international agreements.

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Law nr.03/L-087 on publicly-owned companies, Source: http://www.gazetazyrtare.com/e-gov/index.php?option=com_content&task=view&id=164&Itemid=56&lang=en , and Law no. 04/L-111 on amendment of Law no. 03/L-111 on publicly-owned companies, Source: <http://bit.ly/1zhhaHM>

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