

Privatisation success stories

A component of the EU Pillar, the Kosovo Trust Agency (KTA) is charged with preserving and enhancing the value of Kosovo's Socially Owned Enterprises (SOEs). Privatisation of these assets, and the attraction of local, regional and international investors to the privatisation programme, has a profound impact on Kosovo's economy.

The KTA's privatisation programme greatly accelerated in 2005 and 2006 and its success continued in 2007. Indeed, privatisation has begun to demonstrate real growth, and provide genuine strength and vitality to the economy of Kosovo.

KTA monitors enterprises privatised through Special Spin-off and results are very impressive. Most of the enterprises have already fulfilled their investment and employment commitments and some of them have exceeded.

Below are some companies privatised through Special Spin-off:

Banja e Kllokotit Mineral Water Bottling Plant, located near Viti/Vitina, was fully privatised in November 2005. Since then, the new owner has invested in new machinery and has completely renovated the buildings. They have employed 207 workers and have invested more than 500 thousand Euro. The new owners have plans to start selling natural CO₂ gas, in addition to their current mineral water line.

Perparimi, is a factory of bricks located in Skenderaj/Serbica. The Enterprise produces different sizes of perforated bricks. The construction sector in Kosovo has grown rapidly with the post-conflict need for reconstruction. There is strong competition from regional products outside Kosovo, but Perparimi is doing very well. They have invested more than 2 million Euro and hired 154 workers.

Peja Brewery is the premiere brewery in Kosovo holding at least 45% of the local beer market. The "Birrë e Pejës" brand is well-known and has a solid reputation in several Balkan countries, notably those with ethnic Albanian populations. Since the privatisation, they have invested more than 5 million euros and have hired around 330 employees. They have given a completely new modern image to the well known beer and have accompanied it with huge marketing. Most of the investments were made on the new line of family pack beer production which is forecasted to be in the market during this summer.

Silosi Flourmill, located in Xërxe/Zrze, was fully privatised in May 2005. Since privatisation, the company has hired 367 employees and has invested more than 15 million Euro. The management has expanded production capacity through arrangements with farmers and by purchasing privatised agricultural land suitable

for such production. Silosi Flourmill is also engaged in supporting the farmers in the region to improve the quality of their wheat and is conducting a test production for hard wheat with approximately 60 farmers.

Regular Spin-off results

Recently KTA has conducted a "Post Privatisation Survey", with focus on the post privatisation situation in companies which were sold through Ordinary Spin Off, a mechanism which does not obligate the buyer to commit to investments or employment. After a thorough examination of a limited number of New Companies (NewCo's), around 50 small and medium enterprises privatised in the past two years, all sold through Ordinary Spin Off, the KTA has identified many companies that can be proudly defined as Privatisation Success Stories.

Some of these NewCo's doubled their production capacity and the number of employees during the post privatisation period. Some of them clearly reduced their per-unit labour costs significantly by introducing the latest technology in production and processing.

Increased returns on sales, assets, and equity raised internal efficiency in these NewCo's, improved their capital structures, and increased capital expenditures. The NewCo's also expanded their workforces by small margins.

Below are some facts on only some of these companies privatised through Ordinary Spin Off:

Agriculture Land Kravarica, located in Gjilan, is comprised of approximately 220 hectares of land. Most of the land is used for growing fruit trees (cherry trees in particular) and about 25% for growing barley. Post privatisation investments in this NewCo amount to 600 thousand Euros. Company currently employs 22 permanent employees, with an additional 200 seasonal employees. Revenues of the company reach around 1 million and they export their products to regional and EU countries.

Energomontimi, based in Prishtina, used to work on installations of electricity systems, including low and mid voltage wiring and cabling, design and assembly of electrical equipment and transmitters. As the current market situation has grown very competitive in this field the current investors have turned into retail, with the purpose of utilising the premises of the company more efficiently. The company currently employs 200 permanent employees. Investments after the privatisation are around 2million Euro, with forecasted revenues of 15million Euro.

Bottling Plant Suhareka, traditionally used to produce, bottle, and distribute soft drinks based on water drawn from two water wells. The NewCo is determined to continue its activity in the branch in which it used to operate before privatisation.

The company is waiting to be issued a license from Coca-Cola. So far the company is dealing with meat products, pasta, and sweets. After privatisation, a total of 1,6 million Euro have been invested. Company revenues are around 2 million Euro. Bottling Plant Suhareka has 82 permanent employees and they are maintaining local market with strong focus in exports to regional and EU countries.

KosovaPlast Construction Materials is located close to Sharr Cement, by the southern border of Kosovo near Macedonia. The management team has introduced a new production line in order to increase capacity by 200%. KosovaPlast is looking to expand exports to Macedonia, and has invested heavily in high-tech instruments and equipment.

Silcapor factory in Kaçanik/Kacanik produces construction materials. Production was restarted after privatisation and is currently considered very successful. The new owner has hired some 300 workers, more than were employed by the SOE. The enterprise has received awards for high-quality materials.

Trofta Fish Farm, sold for €2 million, was privatised in January 2004. Trofta's main activity is the breeding and commercialisation of trout fish. In addition, Trofta maintains a large restaurant located in the company's main site in Istog/Istok. Since privatisation, the new owner has invested some €2 million in renovating and expanding the enterprise's buildings, fish pools and gardens, and sourcing new equipment. Production and sales have accelerated, and its renovated restaurant operations have been remarkably successful. The enterprise, which currently employs 88 staff, is planning to double capacity to 400,000 kilograms per annum.

We should have in mind the fact that the buyers of these companies were not subject to special conditions and could therefore freely decide how to use the property.

By July, 2007, after the completion of 25 Waves of Privatisation, over € 350,000,000, have been paid for the 287 NewCo's Privatised.

Privatisation is working in Kosovo already – and it will continue to free valuable assets, stimulate investment, re-vitalize the economy, and create jobs for all the people of Kosovo.

As the privatisation process continues, more and more success stories will be developing. The Kosovo Trust Agency is committed to a fair and transparent privatisation process, facilitating a revitalised, market based economy. For more information, visit the KTA's website (www.kta-kosovo.org).