

- Implementation of the reconstruction project for Durres port according to the approved master plan.

The privatization method to be applied is the transfer of the exploitation and the development right.

As for the Port Authority Ltd. Durres, the implementation of the processed privatization program has started assisted by the international company HPC Hamburg and in cooperation with the World Bank Project through concessionaire contracts for the ferries, containers and crops terminal. The same procedure will be implemented in other ports as well.

The privatization of the railway sector will be realized through three phases:

- Transformation into anonymous company (realized in December 2000)
- Privatization of the subsidiary non-functional sectors will take place during 2001-2003.
- Restructuring the Railway's General Directory and the performance of the study on the privatization of the railway will take place during 2003.

Water supply sector

About 52 water supply enterprises have been facing real difficulties and they satisfy only a minimum of the population's demand.

Currently, around 90 percent of these enterprises are being subsidized by the government.

The State will have, through the Regulatory Entity during the privatization process and later on, particular rights in using, administrating and maintaining water resources, protecting and ensuring the quality of the water resources in regard to the hygienic-sanitary and environmental aspect, oversight for the activity of the private operators in accordance with the current laws.



The privatization of the water-supply enterprises will take case by case for the single enterprises or groups of enterprises based on the following methods:

- Transferring the exploitation right through service, rent and management contracts.
- Transferring the development right through concession contracts.

Recently, the water supply enterprises of Elbasan has been privatized through a concession contract. The water-supply and sewage enterprises of Sarande, Durres, Lezhe, Fier and Kavaje are in the process of being privatized through a management contract. During 2003, privatization of the water-suppliers of Berat and Korce will be realized through concessionaire contracts.

Mine Sector

The companies that operate in this sector are Albacrom Ltd. And Albaker Ltd. as well as some other mines of coal, iron-nickel, nickel - silicate, bauxite, etc. as far as the development of this sector is concerned, the forms of transferring the exploitation and development right are seen as very important. This could be done by usually all the possible forms of attracting foreign capital, self financing projects and other concessionaire forms. The privatization of the mining sector would focus at the reactivation of the mineral industry and the increase of the efficiency for ensuring a more intensive exploitation of these underground resources.

Chrome Industry:

Chrome industry consists of chrome production, enrichment, melting and marketing. This industry is represented by the Albacrom Ltd. The privatization of Albacrom has been realized based on detailed programme firstly with the restructuring and continuing with the privatization of assets.

The work is being focused on the acceleration of such process. Meanwhile, the other strategic part was realized during 2000-2001 on concessionaire contract through the MEPP and the Italian company for the right, "Darfo" S.p.a.

Copper Industry: this industry consists of extracting, processing, melting and marketing the copper mineral and is representing by AlbBaker Ltd. which found itself in real financial difficulties accompanied by technical and technological problem.

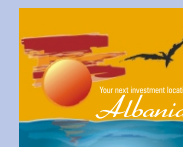
Privatization process of AlbBaker Ltd. After the adoption by the parliament of the law on "The approval of giving with concession some objects from cooper and chrome industry", the Turkish Company BENONER through the concessionaire contract privatized the biggest part of copper industry.



The privatization process is still considered to be the crucial point of the economic reform in the transition countries; not only because this is related to the interest of different groups of population, but also because it dynamically helps reevaluation of the role of the state in various aspects.



REPUBLIC OF ALBANIA
MINISTRY OF ECONOMY



The main objectives of the privatization process

- a) Providing of a constant long term economic development and the increase of the economic efficiency.
- b) Increase of the market efficiency through promotion of competition and further deregulation of this market.
- c) Attraction of foreign private capital in the important sectors of country economy



Electro-energetic Sector

The electro-energetic system is the only one in the Republic of Albania and it consists of three main pillars: production, transmission and distribution. It is represented by the Albanian Energy Corporation (KESH) Ltd. So far KESH has performed the step of being transformed into a limited joint-stock company and is being organizationally consolidated. The privatization of KESH will pass through some stages. The sub-companies are: Production, transmission and distribution that will be privatized separately, starting from the distribution.

At the same time, the restructuring of KESH for the separation of the local hydropower stations (HECs) under MW2 and their privatization has already taken place based on the law No.8527, dated 23.09.1999 "On the Privatization of the Local Hydropower Stations". The privatization of the local HECs has been going on independently from the privatization of the electro-energetic

sector by making the necessary legal arrangements and using the concessionaire contracts or sales through auctions. For the three pilot companies the state owned part (which makes up for 70 percent of the shares of each company) has been transferred to KESH, which will administer these companies.

Oil and gas sector

The activity in the field of oil and gas has been performed by Albpetrol Ltd., including: searching, extracting, processing, marketing and some types of special services. The privatization process was preceded by the operational and organizational restructuring process, which led to the division of the company into four other ones:

APC (Albanian Petroleum Corporation) Ltd. as a holding company, whose shares have been transferred to controlled companies ARMO Ltd. for processing- marketing ALBPETROL Ltd for searching extracting. Organizational restructuring has been followed by the restructuring of the human resources.

For "Servcom" Ltd. Fier: pursuant to the legal and sub-legal acts further organizational, operational and human resources restructuring of the company has already started and the privatization process has been forecasted to end during 2003 or 2004.

For "Armo" and "Albpetrol" Ltd. Fier: The operational and organizational restructuring has already finished.

The privatization will be realized in collaboration with the international consultant.

Telecommunication sector

The sector of telecommunication currently includes activities of TELECOM state owned enterprise. The laws for this sector include: Law No. 8038, dated 11/23/1995 "On telecommunication in the Republic of Albania" and the Decision of the Council of Ministers No. 601, dated 10/20/1995 "On the development strategy of Albanian telecommunication".

TELECOM carries out services of the fixed public telephones network in Albania, covering local, interurban and international calls; communication of national and international data; telex services; coin, card and credit card telephones as well as maritime radio communication

Development of TELECOM is being implemented according to a Master Plan which has stipulates an extension of the network in the urban areas.

AMC Ltd. was the first company of the strategic sector to be privatized. The privatization of AMC Company was completed in July 2000 through a sales contract with a shares package of 85 percent.

Considering this situation, privatization of TELECOM and AMC, as well

as liberalization of telecommunication services are the prerogatives of development and meeting the right for everybody at any time to have access to requested services. For that purpose, the main objective is to find the strategic investors for the mobile and fix service, releasing them from traditional service obligations and replacing them with obligation to develop the base network.

Transportation sector

The fields to be treated as strategic will be the air transports, ports, and railway.

The Albtransport Enterprise and the Air Traffic National Agency operate in the air transport sector. Privatization process is planned to be realized through the transfer of the exploitation and the development right and will be realized in the following stages:

Transformation into anonymous company (realized during 1998-1999)

Completion of the legal framework and wealth assessment The selection of the strategic investor will be made based on the current legislation. The privatization of the Albtransport Ltd. will be coordinated with the realization of a state concessionaire contract (BOOT) for giving concession to the construction of the new passenger's terminal for Rinas airport and aero/non-aero portal services.

The port sector includes the ports of Durres, Vlore, Shengjin, Sarande. The enterprises of portal services such as Naval Register and Naval Equipment Auditing enterprise operate in the above-mentioned ports.

So far the privatization process has been extended to the subsidiary activities and services. The privatization process of Durres port will pass through the following stages:

- Transformation into anonymous company (realized in 1999)
- Privatization of the subsidiary infrastructure

