

# Albania Under Transition; The Tourism Sector From 1991 To 2001

Antzela Kapourani<sup>1</sup>, Miltiadis Botsis<sup>2</sup>

<sup>1</sup>(Department of Tourism, Ionian University, Corfu-Greece)

<sup>2</sup>(Department of Tourism, Ionian University, Corfu-Greece)

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## Abstract:

This article presents the involvement of international economic organizations and institutions in the process of privatization of tourism enterprises, as the first stage and as a precondition for the subsequent development of tourism, which is proposed as a means of rapid development of developing countries<sup>1</sup>. Subsequently, the results of privatization are presented, focusing on the conditions of Albania's dependence on the powerful countries, as a result of the lack of capital, technology and know-how. Consequently, the geopolitical dimension of tourism emerges, which contributes to understanding and describing the competitive forces that arise during the planning of tourism, with the aim of exerting influence and control in a specific geographical area.

**Key Word:** geopolitical analysis, dependency theory, development of tourism, developing countries

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Date of Submission: 01-06-2023

Date of Acceptance: 10-06-2023

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## I. Introduction

The connection between geopolitics and tourism<sup>2</sup> derives from the power and authority relations that are formed within and between countries during the planning of tourism, as well as from the possibility of tourism to act, under certain conditions, as a catalyst for the economic development of a country. Hence, the geopolitics of tourism could describe and explain the competitive forces and relationships created during the planning and organization of tourism in a given historical and geographical context. It can, therefore, be stated that the geopolitical evolution of tourism in Albania is directly related to the political and economic reform of the country, with the aim of developing tourism, as a result of the guidance that the country received from international financial organizations and institutions, such as the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development and some specialized branches of the UN, which promote tourism development (UNDP, International Labour Organization, WTO)<sup>3</sup>

This article attempts to describe how the privatization of tourism-related state enterprises in Albania was organized, as a precondition for the development of tourism, after 1991, and for its use as a vehicle for rapid economic development and for the country's integration into the free-market capitalist model. This specific use of tourism was indicated in the poor post-communist countries of Eastern Europe by the aforementioned global economic organizations and promoted by their assistance in the form of loans and, mainly, the transfer of know-how.

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<sup>1</sup>Holden, A. (2005). *Tourism Studies and the Social Sciences*. Routledge, p.118

<sup>2</sup>According to Professor I. Th. Mazis: "geopolitical analysis of a geographical system of unbalanced distribution of power; is called the geographical method which studies, describes and predicts the behaviours and effects of the relations of opposed and distinct international political actions of redistribution of power and the ideological metaphysics that cover them, in the context of the geographical zones where these policies are applied". See related to I. Th. Mazis, *Geopolitics of Waters in the Middle East (Arab Countries, Israel, Turkey)*, (Foreword by Sp. Kalogeropoulos-Stratis), Trochalia, Athens 1996, p. 28.

<sup>3</sup>Mostafanezhad, M. and Norum, R. (2016) Towards a geopolitics of tourism. *Annals of Tourism Research*, 61, 226-228. <https://doi.org/10.1016/j.annals.2016.08.003>

Buckley R., Gretzel U., Scott D., Weaver D. &Becken S.(2015) Tourism megatrends. *Tourism Recreation Research*, 40(1), 59-70. <https://www.researchgate.net/deref/http%3A%2F%2Fdx.doi.org%2F10.1080%2F02508281.2015.1005942>

Weaver, D (2010) Geopolitical dimensions of sustainable tourism. *Tourism Recreation Research*, 35(1), 47-53. <https://doi.org/10.1080/02508281.2010.11081618>

Hall, D (2000) Tourism as sustainable development? The Albanian experience of transition. *International journal of tourism research*, 2, 31-46. [https://doi.org/10.1002/\(SICI\)1522-1970\(200001/02\)2:1%3C31::AID-JTR181%3E3.0.CO;2-W](https://doi.org/10.1002/(SICI)1522-1970(200001/02)2:1%3C31::AID-JTR181%3E3.0.CO;2-W)

Hall, D (1992) Albania's changing tourism environment. *Journal of cultural geography*, 12(2), 35-44. <https://doi.org/10.1080/08873639209478407>

There is extensive literature on the influence exerted by international, capitalist powers on underdeveloped, ex-communist countries in order to extend the capitalist model to these new markets<sup>4</sup>. The approach adopted here can be summarized as examining the systemic sources of power and authority which are involved in the competition for resources in the context of the transformation of places, people and history into a tourist product for consumption<sup>5</sup>. In particular, this article describes the process of privatization of state-owned enterprises related to tourism, as a necessary condition for the development of tourism and the attraction of foreign investments. At the same time, emerges the fact that the planning of the privatization process is an expression of the Western powerful states' desire for hegemony and imposition and that the policies of its implementation by Albania lead the country to a state of dependence<sup>6</sup> on foreign capital, intensifying inequalities.

## II. Planning of the privatization process of state property

After the fall of the communist regime in Albania, a necessary condition for the development of any sector of the economy, including tourism, was the rapid and smooth transformation of the centrally organized economy into a market economy. The integration of the country into the Western economic system was the most decisive factor for economic stabilization and for cultivating confidence in the markets, with the aim of attracting investments and foreign capital.

In 1991, the World Bank states that all countries, that are in the stage of economic transition, must:

*"Initially, take measures to stabilize the economy, [...] Privatization of large state-owned enterprises will be the next priority [...] Institution building will be a key issue from the beginning and at all levels [...] Large-scale privatization will not be a priority from the beginning, but to be prevented the risk of its delay, there will be timely legal commitments (distribution of shares) which will guarantee private property within a reasonable time [...] Indeed, a period of three to five years seems optimistic in light of the progress achieved so far in transition economies"* (World Bank 1991. World development report 1991. *The challenge of development*, p. 145-146)<sup>7</sup>

Accordingly, the annual report of the European Bank for Reconstruction and Development refers to the Bank's assistance in the process of privatization and industrial restructuring in the former communist countries:

*"The Bank has made great efforts to meet the demands for privatization advice, especially those from countries that are still in their infancy stage of development [...]. Most advisory programs undertaken by the Bank include some form of technical cooperation to provide general privatization advice or advice on trading patterns, or a combination of both"* (EBRD, Annual report 1992)<sup>8</sup>

The Albanian government, under the guidance of international economic organizations and institutions, quickly initiated the necessary economic and political reforms with a focus on privatization, which would ensure the necessary economic stability and development in all economic sectors.

## III. The privatization program

The collapse of the old regime in Albania in 1990 is attributed to the economic decline that took place over the years as a result of the political repression imposed on the country by the communist regime. In early 1991 both agricultural and industrial production began to collapse. The economy entered a period of even greater crisis, which led to a massive destruction of state assets, including schools, transportation and electrical

<sup>4</sup>Buckley et al. *ibid*

Hall, C.M. (2008) *Tourism Planning: Policies, Processes and Relationships*, 2<sup>nd</sup> ed. Prentice Hall, Harlow.

Sharpley, R. Telfer D.J. (2015). *Tourism and Development: Concepts and Issues*. 2<sup>nd</sup> ed. Channel View Publications.

Holden, A. (2005). *Tourism Studies and the Social Sciences*. Routledge. <https://doi.org/10.4324/9780203502396>

Ashley, C., Roe, D., & Goodwin, H. (2001). *Pro-poor tourism strategies: making tourism work for the poor: a review of experience*. Overseas Development Institute.

Brown, F. (1998). *Tourism reassessed: blight or blessing?* Butterworth-Heinemann.

Lea, J. P. (1993). Tourism development ethics in the third world. In *Annals of Tourism Research* 20(4), 701-715. <https://doi.org/10.4324/9780203040393>

<sup>5</sup>Bianchi, R. (2014) 'Towards a Political Economy of Global Tourism Revisited', in Sharpley, Richard and Telfer, David J. (eds.) *Tourism and Development: Concepts and Issues*. Channel View Publications, pp. 287-331.

<sup>6</sup>Dependency Theory" or "Theory of Underdevelopment" or "World Systems Theory" was formulated in 1980 and argues that developing countries have political, institutional and economic structures that keep them in a state of dependence on developed countries. Its theorists attributed the causes of underdevelopment to the interactions of economic and social structures within the international system. More specifically, they argue that the lack of progress of weak states is not due to their own inadequacies, but to the fact that powerful countries seek, deliberately, to keep them in a state of underdevelopment, in order to control them. (Holden, A. (2005). *Tourism -Studies-and-the-Social Sciences*. Routledge, p. 112-113 and P Bianchi, R. (2014). "Towards-a-Political Economy of Global Tourism Revisited", in Sharpley, Richard-and-Telfer, David-J.- (eds.) *Tourism-and-Development: Concepts and Issues*. Channel-View-Publications, pp. 287-331).

<sup>7</sup>"World Bank. 1991. *World Development Report 1991: The Challenge of Development*. New York: Oxford University Press". © World Bank. <https://openknowledge.worldbank.org/handle/10986/5974>

<sup>8</sup><https://www.ebrd.com/publications/annual-report-1992-english.pdf>

systems, food distribution warehouses and hospitals. Public expression of frustration with the political situation and the absence of consumer goods caused an increase in street crime, a phenomenon almost unknown during the communist regime. In April 1992, the new government immediately launched ambitious programs of political and economic reforms. To achieve this, Albania developed relations with the institutions of the Bretton Woods- the World Bank (WB) and the International Monetary Fund (IMF). Until 1993, the country received a significant inflow of foreign aid, which was of great importance in the early years of the transition, as the country urgently had to deal with the economic and social crisis<sup>9</sup>.

In August 1991, the Privatization Law was approved in Albania<sup>10</sup> and with a supplementary Council Decree the National Privatization Organization and the Privatization Preparatory Committee were established in order to implement the law and to supervise the process of restructuring and privatization of state-owned enterprises<sup>11</sup>.

These two competent bodies started carrying out high-speed privatization, especially after 10.08.1992<sup>12</sup>.

Privatization of the economy was considered by the Albanian government as the core of economic reform in order for the country to join the free-market economy and to attract foreign investments. It concerned agricultural land, housing and state-owned enterprises, but this article focuses on the privatization of tourism state enterprises. Almost all privatization methods were used in Albania, which are closely related to the size of enterprises. The main ones are:

- direct sale for small assets and businesses (the so-called “small privatization”)
- public auction for small and medium-sized businesses
- mass privatization and strategic investor for medium and large enterprises.

According to incomplete data processed by the German Society for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit-GTZ) for the Ministry of Finance of Albania in the project “Economic Legislation, Privatization and Restructuring”<sup>13</sup> at the beginning of the privatization process, in 1991, in Albania there were at least 2434 state-owned enterprises, distributed in 18 different economic sectors. More than half (1280) belonged to the services, trade, agriculture and food processing sectors and 44 belonged to the tourism sector

#### IV. Privatization methods

For the presentation of privatization methods, this article is based on Vasi Pano's working paper “Privatization and its Efficiency in Albania”<sup>14</sup>. According to this document, the privatization methods were influenced by several factors, including the size of the enterprise to be privatized, as well as the characteristics of potential buyer investors. Privatization methods can be divided into two groups, as shown in the table below.

**Table: Privatization methods**

A. Methods in which the state transfers to individuals all rights of property.	B. Methods in which the state does not transfer to individuals all rights of property.
Direct Sales	Transformation
Selling to directors and employees	Restructuring
Auction Public/ Tender	Lease
Liquidation	Joint ventures
Mass Privatization	Contract Conclusion
Strategic investor	Concession Agreements

<sup>9</sup>Albania and the World Bank: building the future (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/175021468742469090/Albania-and-the-World-Bank-building-the-future>

<sup>10</sup>Law no.1, 10.08.1991 “On sanctioning and protecting private property, free initiative, independent private activities and privatization”.

<sup>11</sup>MCD (Minister Council Decree) no.307, 29.08.1991.

<sup>12</sup>MCD no. 347, 10.08.1992 “For a change in MCD no.284, 25.06.1992 “On the restarting of privatization process”.

<sup>13</sup>GTZ (1998), Report on Privatisation Process in Albania 1991-1997, Tirana.

<sup>14</sup>Pano V. (2001) Privatization and its efficiency in Albania:Bank of Albania 2nd annual Conference "Albania between domestic reforms and European integration" [https://www.bankofalbania.org/About\\_the\\_Bank/Conferences/Second\\_Conference.html](https://www.bankofalbania.org/About_the_Bank/Conferences/Second_Conference.html)

## V. Results of the privatization process

The effectiveness of the privatization process has been of considerable interest to scientific research in Albania, as it can be seen from the relevant articles<sup>15</sup>. An overview of privatization effectiveness is attempted in this article.

### *Privatization of small businesses.*

The privatization of small businesses was carried out mainly in the years 1991-1992. After a hiatus, the process was restarted in 1995 and was completed by 1997. The process was swift and successful, resulting in the establishment of a vibrant new sector in the economy. Most of the new businesses were established in the trade and service sectors, and they were given to their former employees, mostly by the direct sale method<sup>16</sup>.

### *Privatization of medium and large enterprises.*

The privatization of medium and large state-owned enterprises using the mass method did not have results as positive as the privatization of small ones did. Of the 800 companies that were initially announced to be privatized, only 97 were privatized (3 belonged to the tourism sector)<sup>17</sup>. The absence of a comprehensive privatization plan was the most important shortcoming of the process, which is proven by the fact that the program was implemented through numerous decisions of the Council of Ministers, supplementing the current laws on privatization. Furthermore, the rapid transfer of ownership resulted in insufficient consideration of issues related to corporate governance and business restructuring. For example, for the 97 companies that were privatized by this method, the diffusion of shares caused administrative problems, and at the same time, their managers did not have a strong incentive to proceed with deep restructuring, since they had acquired ownership at a low price and above all, they did not have the knowledge, experience and mentality of exercising free business activity in a free market economy. Similarly, the sale of many medium-sized enterprises to their employees prevented their rapid restructuring.

Furthermore, despite the approval of relevant legislation, in June 1995, which facilitated the establishment of investment funds, such funds had ultimately little participation in the process<sup>18</sup>. This fact deprived individuals of institutions that could act on their behalf, by gathering information about companies earmarked for privatization, by controlling the work of management and by influencing administrative decisions<sup>19</sup>.

Another shortcoming of the program was the lack of synchronization between the distribution of vouchers<sup>20</sup> to citizens and the selection of companies to be privatized. At the end of 1997, two years after the start of the mass privatization program, no one knew which companies would join the program in the future, making it impossible to plan the use of the vouchers. Also, due to the fact that fewer companies were privatized

<sup>15</sup>Konomi, I. (2015). An overview of the Albanian privatization process. In *European Scientific Journal*11(31). <https://euijournal.org/index.php/esj/article/view/6617>

Papajorgji, E. (2014). A Critical Analysis of the Strategic Sector Privatization in Albania. *Academic Journal of Interdisciplinary Studies*3(4) <https://doi.org/10.5901/ajis.2014.v3n4p319>

Shehaj E. & Milo L (2007). "Lessons to be learned from mass and strategic sector privatisation in Albania" in: *The challenges of participation of local businessmen in strategic sector privatization. The case of Albania compared with the experience of Eastern Europe*. Albanian Socio-Economic Think Tank (ASET), Tirana.p.75-88.

Malaj, A. & Mema, F. (2003): *Strategic privatization: Its achievements and challenges*. BERG Working Paper Series on Government and Growth No.41, Bamberg University. Bamberg Economic Research

Group.<https://econpapers.repec.org/scripts/redir.pf?u=https%3A%2F%2Fwww.econstor.eu%2Fbitstream%2F10419%2F39706%2F1%2F362952000.pdf;h=repec:zbw:bamber:41>

Pano V. (2001) *Privatization and its efficiency in Albania*: Bank of Albania 2nd annual Conference "Albania between domestic reforms and European integration"[https://www.bankofalbania.org/About\\_the\\_Bank/Conferences/Second\\_Conference.html](https://www.bankofalbania.org/About_the_Bank/Conferences/Second_Conference.html)

Mema, F. & Sallaku S. (2001) *Privatization and its efficiency in Albania*: Bank of Albania 2nd annual Conference "Albania between domestic reforms and European integration"[https://www.bankofalbania.org/About\\_the\\_Bank/Conferences/Second\\_Conference.html](https://www.bankofalbania.org/About_the_Bank/Conferences/Second_Conference.html)

Hashi, I., & Xhillari, L. (1999). Privatisation and transition in Albania. *Post-Communist Economies*, 11(1), 99–125. <https://doi.org/10.1080/14631379996066>

Mema F. (1998), *Privatisation in Albania: Achievements, Failures and Future*, Toena, Tirana

Åslund, A., & Sjöberg, Ö. (1992). Privatisation and Transition to a Market Economy in Albania. *Communist Economies and Economic Transformation*, 4(1), 135–150. <https://doi.org/10.1080/14631379208427714>

<sup>16</sup>Malaj, A. & Mema, F. (2003), *ibid* and Pano, V. (2001), *ibid*.

<sup>17</sup>Pano, V. (2001), *ibid* and Hashi, I. & Xhillari, L. (1999), *ibid*

<sup>18</sup>Law No. 7979, 26.07.1995 "On Investment Funds

<sup>19</sup>Hashi, I., & Xhillari, L. (1999) *ibid*

<sup>20</sup>The mass-privatization method chosen as the most appropriate was voucher privatization. According to this method, all adults-Albanian citizens-were supposed to receive privatization vouchers (bono-privatizimi) which could be used in exchange for shares of companies included in the privatization program. - Law no.1030, 23.02.1995 "On-the-issuance-and-distribution-of-vouchers (Privatisation Lek)".

than initially planned, the value of the vouchers decreased dramatically and with the change in the government's privatization strategy in 1998, their use was restricted and their value was almost nullified<sup>21</sup>.

In conclusion, the process of mass privatization in Albania has resulted in the distribution of companies' shares to a large number of shareholders, mainly to the employees of the companies themselves. Lack of capital and little business experience of the new owners led to poor performance of these businesses. In addition to that, the low price at which the privatization was carried out, had as a result that the new owners showed little interest in the performance of the business as a means of returning the investment they made. Consequently, until 1996, the participation of foreign companies in the privatization of medium-sized enterprises was very limited. The involvement of powerful Western powers, such as Germany and Britain, was limited, mainly to providing, through consulting firms<sup>22</sup>, expertise, guidance and structuring of the strategies that the Albanian government had to implement in order to join the free market economic system<sup>23</sup>.

#### ***The creation of joint ventures.***

The creation of joint ventures, with the cooperation of a foreign investor and the state, attracted more interest from foreign investors. It had discouraging results for the Albanian state though. In the early 1990s the economic situation in Albania was so bad that all hopes were placed on foreign aid and investment. Their creation reflected the search for cooperation with foreign investors and partners, since in this way SOEs could enter the international market and the foreign partner could provide them with new technology, capital and know-how. In this context, the green light for cooperation between state enterprises and the private sector, foreign or domestic, was given. By the end of 1993, 99 joint venture companies had been established<sup>24</sup>. At that time, however, there was no experience for such collaborations and the country's legal framework was not complete. The result was that in many cases the technology and know-how offered were old and overrated<sup>25</sup>.

#### ***Privatization of strategic sector companies.***

The privatization program of the companies operating in sectors of particular importance for the economy began after 1998<sup>26</sup> and was the most important moment of the economic reform, due to its significant economic, political and social ramifications. The program included the sectors of oil and gas, power system, telecommunications, transport infrastructure, mining, water resources and water supply system<sup>27</sup>.

These enterprises or state-owned companies were in dire straits and needed new technology, know-how, financing and capable management, which could be provided by a financially strong private investor with experience in the field. For this reason, the privatization method used in principle was that of the strategic investor, who would either own the entire company or the majority of its shares. The specific sector attracted the interest of foreign investors, mainly after 2000 and the first investments were made in sectors such as telecommunications, banking, mining, oil<sup>28</sup>.

For the implementation of the goals of the program, the Albanian government cooperated with the International Monetary Fund, the World Bank and other international organizations. In addition, it had the support of a group of legacy companies in the legal, technological and financial fields<sup>29</sup>.

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<sup>21</sup>Hashi, I., & Xhillari, L. (1999), *ibid*.

<sup>22</sup>The German Association for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ) processed data of privatization on behalf of the Ministry of Finance of Albania. English business consultancy Touche Ross prepared, at the request of the Albanian government, the first tourism development strategy (1993-2010).

<sup>23</sup>"The challenges of participation of local businessmen in strategic sector privatization": The case of Albania compared with the experience of Eastern Europe, a publication of the Albanian Socio-Economic Think Tank (ASET), 2007, p.75-88.

<sup>24</sup>Pano V. (2001), *ibid*, p.172.

<sup>25</sup>Malaj, A. & Mema, F. (2003): *Strategic privatization: Its achievements and challenges*. BERG Working Paper Series on Government and Growth No.41, Bamberg University. Bamberg Economic Research Group.  
[https://econpapers.repec.org/scripts/redir.pf?u=https%3A%2F%2Fwww.econstor.eu%2Fbitstream%2F10419%2F39706%2F1%2F36295200\\_0.pdf;h=repec:zbw:bamber:41](https://econpapers.repec.org/scripts/redir.pf?u=https%3A%2F%2Fwww.econstor.eu%2Fbitstream%2F10419%2F39706%2F1%2F36295200_0.pdf;h=repec:zbw:bamber:41)

<sup>26</sup>Law-No.-8306, 14.03.1998-"On-the-privatisation strategy of sectors of special-importance". The privatization of the strategic sector is referred to in this article, because its initiation falls within the time period under consideration. For its effectiveness, however, as well as for details regarding the involvement and investments of foreign countries in the strategic sectors, later periods of time (after 2001) must be examined, in order to draw safe conclusions.

<sup>27</sup>Malaj, A. & Mema, F. (2003), *ibid*.

<sup>28</sup>EBRD (1994-2004), Transition Report, European Bank for Reconstruction and Development

<sup>29</sup>Pano V. (2001), *ibid*

## **VI. Privatizations and investments in the tourism sector**

For the privatization of former state-owned hotels and tourist accommodations, there is limited data regarding both their new owners and their subsequent course and evolution<sup>30</sup>. From the information obtained from the General Directorate of Archives of Albania, it appears that the tourist facilities were given to former managers and their employees and, in most cases, exempting them from the legal tender process. For example, the hotel in the city Fier was given on 26/11/1993 to its occupants by direct sale and not by auction. The same happened with hotels in other cities, such as in Gramsh, Polican, Rreshen and Rrogozhine<sup>31</sup>.

As for the larger hotels, finding information about their privatization and their new owners proved to be extremely difficult. We know, however, that Tirana International hotel, after its privatization, belonged to the Albanian state and the EBRD (European Bank for Reconstruction and Development)<sup>32</sup>.

Regarding the foreign investment in the tourism sector, despite the fact that it was limited, as mentioned above, there were some foreign companies that started the reconstruction of large units as early as in 1990. The Rogner Hotel began to be built in 1990, when the Austrian Robert Bogner decided to invest in the young Republic of Albania<sup>33</sup>. In addition, MAK-Albania, a subsidiary of Kuwait-based MAAL Khanafi& Sons WLL, has been operating in Albania since 1992, building the luxury hotel ChateoLinza Resort, in 1995, and the five-star Sheraton Tirana Hotel in 2003. The same company owns the Mali Robit Resort Hotel in Golem and Butrint Hotel in Saranda<sup>34</sup>. In addition to that, the Albanian government requested the preparation of the first tourism development strategy (1993-2010) from business consulting companies (specifically by Touche Ross and Europrincipal Limited), with contracts from the European Bank for Reconstruction and Development. Thus, the encouragement of tourism development as a solution to the agricultural and socio-economic decline that followed the fall of communism emerges quite clearly.

As far as joint ventures are concerned, these attracted more investment interest, as this can be seen from the archival material that testifies to the creation of several joint ventures, which concerned the establishment of tourist accommodation, mainly, in the coastal zone of the country, as early as in 1991<sup>35</sup>. Italy and Germany were interested from the beginning in a cooperation with the Albanian state and their field of activity was mainly the construction of buildings, hotels and roads. As an example, could be mentioned the partnership, in 1991, of the General Directorate "ALBTURISM" of Albania with the Italian company "ITALTRADE" for the establishment of four hotels located in the cities of Durres, Shkodra, Avlona and Berat. In 1991, "EDICOM" was also founded, a joint venture between an Albanian and an Italian company with the

<sup>30</sup>According to what is mentioned in M. Vodenska (ed.), (2018). *Hospitality and tourism-in-Transition-in-Central -and- Eastern Europe: a comparative analysis*. Cambridge Scholar Publishing, pp. 4-46, until the 1990s there were only 16 state-owned hotels in Albania. In particular, after the 1970s, a hotel was built in the centre-of-every-major-city mainly for domestic tourism, in the form of social tourism. In the late 1970s and during the 1980s, organized tourism began and the main form of accommodation were the homes of residents in selected destinations. In each main destination a social holiday building was built for the "best" workers and in some cities some holiday places for children were also built. Another form of accommodation was the holiday cabins located in the seaside towns of Durres, Vlora and Shengjin. Since their numbers were limited, the choice of families to be allowed to go was made by the management of the organizations they worked for.

<sup>31</sup>General Directorate of Archives of Albania:

F.133, V. 1994, D.7-109 (Fier)

F.963, V.1993, D.8-258 και F.505, V.1993, D.13-228 (Gramsh)

F.505, V.1993, D.13-270 (Polican)

F.963, V. 1993, D.8-266 (Reshen)

F.963, V. 1993, D.8-329 (Rrogozhine)

<sup>32</sup>The challenges of participation of local businessmen in strategic sector privatization. The case of Albania compared with the experience of Eastern Europe. Albanian Socio-Economic Think Tank (ASET), 2007 Tirana. p.107.

<sup>33</sup><https://www.hotel-europapark.com/overview/story.html>

<sup>34</sup><https://www.investegate.co.uk/articlePrint.aspx?id=200806300700157976X>

<https://seenews.com/news/marriott-international-confirms-departure-of-sheraton-from-albania-597363>

<https://www.hhmsrl.it/hotels/chateau-linza-resort/>

<sup>35</sup>General Directorate of Archives of Albania:

- F.963, V 1992, D.2-57: Decision 13, 08.12.1992, of the Ministry of Trade and Foreign-Economic-Cooperation-(Relations) on the creation of a joint Albanian-German company under the brand name "Albania Bau Handel" for the construction of houses, industrial buildings, hotels, etc.
- F.963, V. 1991, D. 2-111: Decision 5, 10.10.1991, of the Ministry of Trade and External Economic Cooperation; (Relations) on the creation of the joint venture "EDICOM", between Albanian company «NdertimBanesa: Durrës» and the Italian company "EDICOM Bari", with the object of construction of tourist hotels, apartments etc.
- F.963, V. 1991, D. 2-118: Decision-14, 31.08.1991, of the Ministry of Trade and Foreign-Economic Cooperation- (Relations) on the opening of a representative office of the Italian company "BEST -IMPEX- di" whose field of activity-includes: Construction of roads, hotels, restaurants and exercise of tourism activity.
- F.976, V.1991, D.5: Decision 122, 28.03.1991, of the Council of Ministers approving the reconstruction of 4 tourist hotels by the General Directorate "ALBTURISM" of Albania; in cooperation with Italian company "ITALTRADE" of Rome. The hotels are located in the cities of Durres, Shkodra. Avlona and Berat.



goal of building tourist hotels and apartments. Also, in 1992, an Albanian-German company was created under the brand name "Albania Bau Handel" for the construction of houses, industrial buildings and hotels.

The privatizations of the strategic sector related to tourism concern the transport sector (airports, ports and railways). There are several examples of foreign companies that became involved in the organization of the privatization process in the strategic transport sector. For example, in the air transport sector, the privatization process was assisted by the international consulting firm Deloitte & Touche, the headquarters of which are in London. Also, the privatization program of the port of Durres was prepared in collaboration with the World Bank and the implementation of the program was undertaken by the German consulting company HPC Hamburg, a process that was also followed in other ports (The challenges of participation of local businessmen in strategic sector privatization. The case of Albania compared with the experience of Eastern Europe. Albanian Socio-Economic Think Tank (ASET), 2007 Tirana p. 97). However, the privatization in the strategic sector took place after 2003 and it will be the subject of future research.

## **VII. Conclusions**

In summary, it can be stated that the foreign aid was of great importance in the first years of transition, when Albania urgently had to deal with economic and social crisis. However necessary and useful external financial assistance may have been for Albania, the negative effects of the process of political and economic reform cannot be ignored and could be summarized in the following points.

- Increasing loan dependence of Albania from the countries of the West
- Great dependence on developed countries in the field of technology and know-how
- Dependence on foreign capital in strategic sectors (oil and natural gas, electricity system, telecommunications, transport infrastructure, mines, water resources and water supply system)
- Delay in the development process which was mainly due to the fact that the development strategies proposed by the foreign companies were formulated without taking into account the particular social and political characteristics of the country and without any provision of the country's ability to implement the strategies.

Especially for former state-owned enterprises in the tourism sector, it is observed that the privatization of small and medium-sized hotels to their former employees has led to a large number of shareholders. This fact, combined with the lack of capital and business experience, but also with the shareholders' little interest in returning their investment, explained the poor performance of these companies.

Regarding foreign investment in the tourism sector, there were, as seen above, some foreign companies that started building large hotels as early as in 1994, but interest was limited. On the contrary, foreign investors showed more interest for joint ventures with Albanian companies with the aim of building tourist accommodation mainly in the coastal zone of the country. However, the lack of full legislation for such partnerships resulted in the fact that the technology provided was both old and overrated. In addition, after the privatizations, a weak bourgeoisie was created in Albania, with property that had been acquired easily and cheaply and which they were unable to exploit, mainly due to a lack of the necessary knowledge. At this point, relations of dependence between the local bourgeoisie and the economic and political interests of the countries of the capitalist centre begin to be created. In some cases, for example, the new owners of the companies sold their cheaply acquired new property to foreign investors, as mentioned in "The challenges of participation of local businessmen in strategic sector privatization. The case of Albania compared with the experience of Eastern Europe. Albanian, Socio-Economic Think Tankers". The above weaknesses highlight the connection of the exogenous with the local actors, which affects, according to the dependency theorists, the autonomy of the local national political forces' action in the country.

For the effectiveness of the privatization process in strategic sectors, as well as for details on the participation and investments of foreign countries in the strategic sectors, especially in those of transport and infrastructure projects linked to tourism, later periods of time (after in 2001) must be examined for safe conclusions.

In conclusion, it could be stated that the basic features of neoliberalism market economy – privatization and decentralization of political power – that took shape in post-socialist Albania, combined with the inability of local power actors to resist the pressures of liberalization, put the country under regime of dependence on the capitalist centre and adopted, without reservations, the tourism development strategies proposed from outside as the vehicle that would quickly integrate the country into the market economy. What would be interesting for future research is to what extent Albania was a pole of attraction for foreign investment in the tourism sector in the years following the privatizations and to what extent the country became dependent on them and on tourism.

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