



Develop Enterprises Locally through Techniques and Alliances

DELTA

SURVEY ON LOCAL ENABLING BUSINESS ENVIRONMENT

- KORÇA -

REPORT

INTRODUCTION

The survey this report is about, was conducted during the period March April 2004. The purpose of the survey was to provide an additional information source for the process of Local Economic Development planning in the municipality of Korça. At the same time, the way the survey was carried over would provide an additional experience for the municipality, especially for the Development Office.

The report represents concisely the main findings of this survey. Additional to this report, a broader report is provided, where the performance of all five municipalities' participants to DELTA project is compared. Moreover, the data collected during the survey are provided for the municipalities in an electronic file. This creates the opportunity to make further analysis according to the need of the respective municipality.

This survey was carried over in close collaboration with the Office of Economic Development in the Municipality of Korça. Mrs. Albana Çule offered a special contribute in organization of this survey.

Statistical description of the interviewed businesses' sample

- There were interviewed 70 businesses, which make up about 3.8 % of the registered businesses of the Korça Municipality (1800 businesses registered, based on the list provided by the municipality).
- The opinions were collected from the following persons: owner in 54 businesses, General Manager in 6 businesses and high ranked managers in 10 businesses.
- 46 of them had one owner, and 5 of them were cooperatives. 19 from the interviewed businesses had more than one owner
- 24 of the businesses were manufacturing businesses, 25 were trading businesses, 15 were services and 6 construction businesses.
- The time span that the businesses were active varies from 1 to 10 years. Most of the businesses fall in the interval of 6 to 10 years activity.
- 37 of the businesses report that have less than five employees (mainly one). 10 report that have 6-10 employees, 16 report that have 11-50 employees and 7 report more than 50.

Main findings:

Opinions about the business climate in Korça.

- 54% of the businesses report that it is difficult for them to find qualified work force, while 34% report the opposite. (Question 9)
- 40% of the businesses report that they are short of sales & marketing and management skills (taken together). (Question 10)
- 58% of the businesses report that the main source of the competition comes from the local businesses, while 26% of them report imports as the main source. (Question 11)
- There are a number of business associations in the city. (Question 12). 33% of the businesses in the city report that these association do a good job. (Question 22).
- 70% of the businesses report that they need 10-40 days to renew their licenses. Only 10% reports that need less than 10 days. (Question 16)
- Except for the power supply, other public services are not considered as big problem. (Question 21)
- 65% of the businesses report that they are inspected less than 5 times by the tax authority. 19% report that they have paid fines and 4% report that they have paid bribes to the tax authority. (Question 20)
- 41% of the businesses report that the business environment is improved and 39% say the opposite. (Question 33)
- 27% of the businesses report that Tax Department has negative impact of their business. (Question 25)
- Three biggest problems that have businesses with regard to relationship with the local government are: corruption and illegal practices, costs are too high and unpredictable (costs related to local taxes), absence of the clear regulations. (Question 17)

Expectations of the businesses

- 50% of the businesses report that they plan to invest within the municipality. Another 19% report that their plan includes within and outside the municipality. (Question 8)
- Three most mentioned expectations were: 51,4% reduce taxes, 48,6% equality for all businesses and 20% improve infrastructure. (Question 18)
- 20% of the businesses expect the municipality to offer financial incentives through local tax policies

Awareness of the business about the municipality functions

- 70% and 67% of the businesses report that they don't know about the role of the respectively LED and RED offices. (Question 22)
- 76% of the businesses report that they are not aware of the professional associations or of the role that these associations may play. (Question 22)
- 46% of the businesses are not aware of the private professional services available in the municipality. (Question 22)
- 59% of the businesses don't now or don't report that which of the municipality's departments has positive role in their business. (Question 24) While more than 50% take the same stand with regard to the department that has negative effect. (Question 25)
- Over 80% of the businesses don't know a department in the municipality that deals with the Local Economic Development. (Question 26)



SWOT (as mentioned in the questionnaire)

Strengths

- Geographical position. This relates to the being border with foreign countries, relative abundance of reach soil that could be used for agriculture, tourist resources, etc.
- Educated and obedient people. Educated with respect to the ethics and technical skills, while obedient with respect to the law.
- Low labor cost. Wages in the area are too low.

Opportunities

- Realistic expectation of the businesses. I.e. more than 75% of the businesses report that they will be happy to renew the license within 10 days.
- Most of the expectations of the businesses don't involve big costs to be met. Mainly improvement of the procedures.
- Business community is collaborative and has plenty of ideas.
- Most businesses would prefer to stay within the municipality

Weaknesses

- Infrastructure.
- Low economic level. The purchasing power of the population is very low. Add to this the inherent habit of the population for not spending the money.
- Small size of the local market. In this sense the geographical position becomes a weakness because the city is far from other markets of the country.
- Availability of the energy.
- Tax policy.

Threats

- A considerable number of businesses think to move out of the municipality, especially big businesses.
- Corruption. This is mention many times in the questionnaire as a big constraint.
- Perception of the local government. It mostly is related to bureaucracy, corruption, inefficiency.
- Informal economy. This one of the most important factors that affects for bad the registered businesses.
- Unawareness and consequently non involvement of the business community with municipal policies of the municipality for economic development.