PAVING THE WAY FOR BETTER BUSINESS IN KOSOVO

WHAT ARE THE GROWTH OBSTACLES FOR BUSINESS IN KOSOVO?

Pristina, 2017
PAVING THE WAY FOR BETTER BUSINESS IN KOSOVO

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Dear friends and colleagues,

Following our quarterly Business Climate Survey, the Kosovo Chamber of Commerce now did for the third year in a row a bottleneck study on factors impeding growth of the Kosovo economy.

There is no kind of this study for Kosovo. It not only charters factors outside the companies, but also sheds light on factors inside the company, both hindering growth. It is the only study of this type, now well-known and highly valued at international level. It provides valuable information regarding business barriers as indicated by the business sector, for current and future development.

The Kosovo Chamber of Commerce through this study aims at influencing the debate and measures for stimulating growth of the Kosovo companies, and establishing an enabling business environment. This study was conducted for the third time, again with the support of GIZ.

Kosovo Chamber of Commerce throughout its activities aims to increase the general level of awareness of the society about the value of entrepreneurship that Kosovo possesses. The Kosovo business community has an important role to play in creating these internal values and place them in the regional and international market. A thriving and growing Kosovo private sector impacts improvements in the economic welfare and society in general. It will likewise contribute to an improved image of our country and attract foreign investors through various forms of partnership.

This publication will be distributed first of all to all to the companies who participated in the study, all governmental institutions, business organizations, diplomatic offices, donor organizations and all other stakeholders who directly or indirectly influence and contribute to the promotion of economic activities of Kosovo.

Sincerely yours,

Safet Gërxtaliu
President
EXECUTIVE SUMMARY

Every quarter, the Kosovo Chamber of Commerce (KCC) publishes a business climate survey. This is an ongoing survey and since beginning of 2013, 16 such surveys have been done.

This business climate survey gives useful information; however it not yet identifies the underlying factors that indicate the perception of the climate by the companies.

Therefore, now the Kosovo Chamber of Commerce adds a research study to identify the major obstacles that are hindering smooth operation of the companies. The possible obstacles can be outside and internal of nature. Outside obstacles can be of the following:

- economic environment,
- administrative and regulatory conditions
- and infrastructural of nature.

Internal obstacles are related to managerial and operational issues.

Cost of electricity (51.1%) among the businesses is reported to be the major obstacle for the year 2016, which is a significant increase from the last year when “cost of electricity” was 32.5%. The next most pressing obstacle is “unfair competition by grey economy” (35.1%), followed by “political instability” (34.1%).

Same as two years ago when the cost of energy was presented as the major obstacle (57%), this year the cost of energy is once again ranked in the 1st place.

After almost two decades after the war, Kosovo business community is still suffering from the political influence in the economy. The political situation cannot be considered very stable. This is shown to be an indicator of the performance of businesses visible in the results of the KCC quarterly Business Climate Survey.

Almost half of the companies indicated that the interest rates from the banking sector are considered very high and not affordable for the businesses, especially for the micro and small sized companies, mainly from the retailing and manufacturing sectors.

Sales expectations for 2017 predict higher sales compared to the sales carried out in the 2016 by the companies. About 80% of the firms interviewed said their sales will go up in 2017.

Administrative obstacles category contains some of the barriers businesses have been mentioning in the last years as components negatively impacting the business community, such as taxing system (31.1%), business registration difficulties (27%), lack of adequate laws (26%) and customs regulations and procedures (24%) etc.
The study ends with a number of conclusions and recommendations. These can address the most striking external and internal obstacles, by creating an enabling environment in which companies can operate more smoothly and are assisted to overcome or cope with external and internal obstacles.
1. INTRODUCTION AND JUSTIFICATION

A vibrant private sector is crucial for the success of an economy. Businesses employ people and make investments. Thriving, or even better growing business contributes to the economy in a major way. Therefore it is important to understand which factors are hindering businesses in their activity. In a transition economy the economic environment for businesses is changing rapidly. Understanding factors hindering business activity at one point in time is important, and this is what the Kosovo Chamber of Commerce is doing right now with the business survey on obstacles for business. But also to monitor the environment over time, at least on an annual rhythm, is important. With time comparisons, the change of the economic environment can be analyzed and any improvement or worsening can be detected. Hence, to do this survey on an annual basis – which is intended and this is the third of such survey - will even be better.

This survey sheds light on the problems, as perceived by businesses. Differently from several ad-hoc-surveys related to this topic not only bottlenecks in the outside-world of the companies (e.g. infrastructure, taxes, access to finance etc.), but also problems originating on the company level (like quality of products/services, lack of distribution channels, lack of adequate software etc.) are monitored.

The results of the third survey of this new type are presented in this report. The data are split according to the sector the company is operating in and the size of the company. For the first time, we have included the regional aspect, aiming to identify obstacles based on the regional impacts.

KCC provides a progress report about external and internal obstacles that companies are facing in doing business. This information will help all economic agents – economic policy as well as management by itself - to implement measures to improve the business environment.

The results presented in this report are based on a large business survey. Kosovo Chamber of Commerce developed a questionnaire and implemented the survey. The survey was conducted through personal interviews in the time between 20th of December 2016 and 15th of January 2017. Kosovo Chamber of Commerce for the purpose of the study has interviewed 372 companies. The survey reflects the situation of the companies during the year 2016. The survey was supervised and the report is prepared by Ms. Olivera Ceni- Department of Economic Analysis and Policies.

The report starts with the external obstacles as seen by the companies followed by the internal factors impeding business. The second main topic deals with the planned investment and expected sales for 2017.

The results were analyzed by sector and by size. For size, micro is for 1 – 2 employees, small from 2 to 10, medium from 10 to 50, and large 50-100 and over 100 employees.
2. OBSTACLES OUTSIDE THE COMPANY

Kosovo Chamber of Commerce, for the third year, for the aims of the study, has researched three different types of external factors. The first one was directed to infrastructure and general conditions, the second on economic environment and the third on administrative and regulatory condition.

2.1 Top ten obstacles for business activity in Kosovo

The research listed as the top ten obstacles, the following:

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of electricity</td>
<td>51.1%</td>
</tr>
<tr>
<td>Unfair competition by grey economy</td>
<td>42.6%</td>
</tr>
<tr>
<td>Political instability</td>
<td>35.1%</td>
</tr>
<tr>
<td>Insufficient demand</td>
<td>34.1%</td>
</tr>
<tr>
<td>Corruption</td>
<td>33.5%</td>
</tr>
<tr>
<td>Financial reporting is underdeveloped</td>
<td>32.9%</td>
</tr>
<tr>
<td>Quality of products/services is often not competitive</td>
<td>31.8%</td>
</tr>
<tr>
<td>Tax system (e.g. rates, administration, procedures)</td>
<td>31.1%</td>
</tr>
<tr>
<td>Profitability is too low</td>
<td>29.8%</td>
</tr>
<tr>
<td>Customers do not pay on time</td>
<td>29.5%</td>
</tr>
</tbody>
</table>

Cost of electricity (51.1%) among the businesses is reported to be the major obstacle for the year 2016, which is a significant increase from the last year when “cost of electricity” was 32.5%. The next most pressing obstacle is “unfair competition by grey economy” (35.1%), followed by “political instability” (34.1%). As concluded in the last year report, KCC didn’t believe that the cost of electricity problem became smaller (since it showed a considerable decrease in the previous report), but considered as a situation where businesses managed to better organize themselves in a way to cope with the problem. However, the latest feedback from the businesses once again confirmed this barrier to be the major obstacle.

Compared to last two years, in this year Kosovar companies reported to have been negatively affected by the informal economy, a well-known syndrome in Kosovo reality which is an economy in transition. In Kosovo this grey business category represents an economically active market and it is very difficult to bring them in the real market. Ministry of Finance through its national agencies (Tax Administration and Customs), has
taken concrete steps in reducing this phenomenon, but nevertheless the results are still small.

After almost two decades after the war, Kosovo business community is still suffering from the political influence in the economy. The political situation cannot be considered very stable. This is shown to be an indicator of the performance of businesses visible in the results of the KCC quarterly Business Climate Survey. During the political changes and activities the business confidence dropped, leading us to the conclusion that business leaders during a long political uncertainties, such as the period when there was a new government in construction, the non-functioning of the parliament, etc., hesitate to increase investments in this period, but at the same time business activity decreases.

91% of the interviewed companies from Gjakova reported the cost of electricity to be the major obstacle, followed by Peja region with 76% of the companies declaring the cost of electricity to be the most pressing barrier.

2.1.1 Top ten obstacles (differences between the year 2014, 2015 and 2016)
2.2. Overview of obstacles for businesses; economic environment

In the first category which relates the economic environment, the three main obstacles reported by the companies participating in the survey re: “Unfair competition by grey economy” (42.6%), “High interest rates” (41.7%), and “Insufficient demand” (34.1%).

Almost half of the companies indicated that the interest rates from the banking sector are considered very high and not affordable for the businesses, especially for the micro and small sized companies, mainly from the retailing and manufacturing sectors. Micro enterprises seem to suffer less, probably because they might rely on informal financing (family, diaspora etc.)

This year companies participating in the survey brought back once again the problem of insufficient demand (34%) as one of the major obstacles in the economic environment section. About half of the companies of the retailing sector declared the insufficient demand to be their biggest problem. Services sector has also stated that their businesses are suffering due to lack of demand by consumers as well as the issue of costumers do not pay on time (29%).
2.2.1 Overview of obstacles for administrative and regulatory conditions

This category contains some of the barriers businesses have been mentioning in the last years as components negatively impacting the business community, such as taxing system (31.1%), business registration difficulties (27%), lack of adequate laws (26%), customs regulations and procedures (24%) etc.
Compared to the year 2015, businesses in 2016 reported the custom regulations and procedures to have improved and to be with a smaller influence in their business activity. However, the percentage of the companies is still high, mostly in retailing and manufacturing sectors, followed by the service sector. From those reporting customs regulation as their biggest obstacle, about 35% are medium sized companies, followed by the small sized companies (about 30%).

About 70% of the companies from Ferizaj region, said the tax system is a major obstacle for them, followed by the customs and procedures barriers (45%).

<table>
<thead>
<tr>
<th>Obstacles: Administrative and regulatory conditions in years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax system (e.g. rates, administration, procedures)</strong></td>
</tr>
<tr>
<td><strong>Business registration</strong></td>
</tr>
<tr>
<td><strong>Customs regulations, procedures, bureaucracy</strong></td>
</tr>
<tr>
<td><strong>Adequate laws</strong></td>
</tr>
<tr>
<td><strong>Legal environment (e.g enforcing contracts)</strong></td>
</tr>
<tr>
<td><strong>Export/import licences</strong></td>
</tr>
<tr>
<td><strong>Other administrative or regulatory issues</strong></td>
</tr>
<tr>
<td><strong>Protection of intellectual property rights</strong></td>
</tr>
<tr>
<td><strong>Construction permissions</strong></td>
</tr>
<tr>
<td><strong>Access to land</strong></td>
</tr>
</tbody>
</table>

Year 2014: Green, Year 2015: Red, Year 2016: Blue
2.2.2 Overview of obstacles for infrastructure and general conditions

Based on the results of the study, this category of obstacle ranks amongst the most important problems of companies in Kosovo. In this category “cost and reliability of the electricity”, “political instability” and “corruption” are stated mostly, also being two top barriers for the year 2016.

<table>
<thead>
<tr>
<th>Infrastructure and general conditions</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of electricity</td>
<td>51.1</td>
</tr>
<tr>
<td>Reliability of electricity</td>
<td>47.4</td>
</tr>
<tr>
<td>Political instability</td>
<td>35.1</td>
</tr>
<tr>
<td>Corruption</td>
<td>33.5</td>
</tr>
<tr>
<td>Crime (e.g. theft, robbery, vandalism)</td>
<td>28.9</td>
</tr>
<tr>
<td>Cost of water supply</td>
<td>27</td>
</tr>
<tr>
<td>Other infrastructure or general issues</td>
<td>26.8</td>
</tr>
<tr>
<td>Transport</td>
<td>25</td>
</tr>
</tbody>
</table>

While comparing barriers during the last two years, we see that cost and reliability of electricity is still on top of the barriers. Actually, the cost of electricity as a barrier has increased from last year. Corruption as well has once again been mentioned by the business community in high percentages. As for regional perception of corruption, Peja is the leading region; about 62 percent of the companies participating in the survey from Peja region have reported corruption as a major obstacle. Mostly micro sized companies.
2.3 Obstacles by sector

Unlike last year when businesses didn’t report significant differences on barriers, this year we note a differentiation between sectors. The retailing sector has reported to have the biggest obstacles from all categories analyzed in the report, followed by the manufacturing sector and services. Problems are more visible under the “infrastructure and general conditions” category, for all sectors. However, there are some differences visible also. For example, retail trade companies have reported greater barriers on costs of water supply, than for example those of construction sector. Under this category, retail sector has far more barriers in transport than wholesale.

Regarding economic environment, retail and manufacturing companies complain about high interest rates and unfair competition from grey economy. Regarding the administrative and regulatory conditions firms in all sectors have huge problems with the tax system, however the impact is reported to be somehow less negative for the construction and wholesale sectors. Also business registration appears to be a major problem for businesses, particularly for those in retail, services and wholesale sector. High costs to prove international standards seems to be a huge barrier for the wholesale sector.
Internal factors in your industry:
- Quality of products/services is often not competitive
- Profitability is too low
- Not enough investment in training of own staff
- No adequate business planning is installed
- Financial reporting is underdeveloped
- Lack of distribution channels

Infrastructure and general conditions:
- Cost of water supply
- Transport
- Reliability of electricity
- Political instability
- Other infrastructure or general issues
- Crime (e.g., theft, robbery, vandalism)
- Cost of electricity
- Corruption

Economic environment
- High interest rates
- Liquidity problems
- Usage of company money for personal purposes
- Other economic issues
- Insufficient demand
- Unfair competition by grey economy
- Lack of capacity and equipment
- Lack of qualified staff
- Customers do not pay on time

Administrative and regulatory conditions
- Business registration
- Construction permissions
- Protection of intellectual property rights
- Other administrative or regulatory issues
- Export/import licences
- High costs to prove international standards
- Legal environment (e.g., enforcing contracts)
- Access to land
- Adequate laws
- Customs regulations, procedures, bureaucracy
- Tax system (e.g., rates, administration, procedures)
2.4 Obstacles by firm size

According to firm’s size, large firms tend to report a significant lower number of major obstacles in the internal factors category than the other firms. Regarding administrative and regulatory conditions small and medium sized firms often complain about business registration procedures and delays. For the large companies business registration is not a significant barrier. Legal environment is reported to be a huge problem again for the small sized companies, and tend to have less negative impact to the micro sized firms. Regarding the economic environment high interest rates for the small sized companies seems to be unaffordable, followed by medium and micro firms which have reported to be an obstacle for more than 40% of the companies participating in the survey.
2.5 Obstacles by regions

In regional level, companies seem to suffer more in the region of Prishtina, Peja and Ferizaj. Cost and reliability of electricity for all the regions is reported to be a problem. Companies from Ferizaj have declared to have more problems in regard to lack of competitiveness of their products. Peja region mentioned corruption, tax system and crime among biggest problems. Businesses in Gjakova seem to have more problems with high interest rates. Companies from Prizren region have reported less barriers.
3. INTERNAL OBSTACLES

In chapter three internal factors will be discussed. However, problems for companies arise not only from obstacles having their origin inside the company, but also from problems in the industry regarding national economic policies. Among the problems most often mentioned are “Financial reporting in underdeveloped”, followed by “quality of products/services is often not competitive” and “profitability is too low “on top. This type of issues might be a symptom of other deficiencies within the company. Companies of the service sector (29%) of the micro size class seem to have lower profitability compared to other sectors.

Although this internal obstacles have grown, they are less significant compared to other mentioned obstacles during the year 2016.
3.1 Internal factors by sectors

Financial reporting seems to be a major barrier for retailers and service sector mostly. On the other side all sectors are reporting for the low competitiveness of their products/services. Construction firms report few internal factors. From this category the most pressing barrier for construction seems to be lack of financial reporting.

![Bar chart: Internal factors in your industry by sectors](chart1)

3.2 Internal factors by size class

Internal factors seem to be very problematic for small sized companies. They have reported to be in disadvantage situation because of the lack of the quality of products/services, lack of financial reporting and profitability being too low. Internal factors appear to be far less a problem for larger firms. From the larger firms the mostly mentioned in “profitability too low”.

![Bar chart: Internal factors in your industry by size class](chart2)
4. COMPANY TRENDS

Companies interviewed in the survey showed in 2016 the following level of sales.

Sales in 2016 were satisfactorily. Around 40% of the companies said they sold their products between € 50 000 to € 500 000. About 20% of the firms stated their sales have been more than half a million.

Sales expectations for 2017 predict higher sales compared to the sales carried out in the 2016 by the companies. About 80% of the firms interviewed said their sales will go up in 2017.
In regard to sales expectations for 2017, small sized companies have the highest expectations. A promising trend is also for the medium sized firms. Even though the private investments seem mostly to be directed from either small or medium firms, large firms as well will increase their investments in this year.

Positive trends appear in both categories. All surveyed sectors expect their sales to increase in 2017, some less and some more, however, the trend remains significantly positive, especially for retailing, manufacturing and service sector. KCCs quarterly “Business Climate Index” will keep track of realization of these expectations.
We have asked companies about new clients they have gained in 2016. More than 90 percent of the companies have gained new clients. 50 percent of the companies which answered with “Yes”, gained new clients between 10-30% from their total clients during 2016.
Small sized companies have gained more new clients between 10-30%, followed by medium size class companies. The situations appear to be very positive for all sectors and different size classes.

As for sectors, even though retail sector has reported the major obstacles, they have also mentioned to have gained new clients. “Gained new clients” for more than 30% has a lower percentage, however the service sector has reported to have gained more.
About 56 percent of the firms participating in the survey said they have increased their investments in 2016, compared to 2015. Only 3 percent stated their investments have decreased. Small sized companies mostly stated they increased their investments in 2016.
Same as last year, regarding sectorial investments, retailing sector reported to have invested more, followed by manufacturing and service sector. Construction sector has reported symbolic investments in this year.

What do you expect, how will the investment of your firm develop in the year 2017 compared to 2016? They will
When asked about the investments expectations, about 60 percent of the interviewed companies are expecting to increase investments. A very symbolic number of companies (2%) expect investments to decrease.

Again, retailing, manufacturing and service sector expect investments to increase in 2017. Small sized companies, followed by medium-sized expect higher investments in this year.
In the bottleneck survey we have also asked companies about their investment plans for the year 2017. Kosovar companies of all sectors mostly have planned to replace old equipment and modernize existing assets (43.1%). A considerable percentage (30%), expect to expand their production lines and existing services. From this report we understand that only few companies (only 14 firms out of 372 interviewed), bother about air pollution and safety.

For the purpose of this study, firms were asked about the management tools they apply in their company. Only around 17% of the companies participating in the survey said they apply quality management instruments for ISO standards. 46% of the companies that said they apply ISO standards, are from the manufacturing sector. The above mentioned category is mostly composed by the small sized companies (41%) The situation is more promising in regard to formal written financial report (78%). From those companies that have reported they apply formal written financial report, about 40% are from the retailing sector, followed by manufacturing (21%) and services sector (20%). Still, small sized companies are more formal in regard to financial reporting.
Do you apply any or some of the following management tools?

<table>
<thead>
<tr>
<th>Management Tool</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal written business plan</td>
<td>38.8</td>
</tr>
<tr>
<td>Formal written financial report</td>
<td>78.2</td>
</tr>
<tr>
<td>Formal quality management rules (ISO standards)</td>
<td>16.7</td>
</tr>
</tbody>
</table>
5. GENERAL BARRIERS AND CHALLENGES

Kosovo Chamber of Commerce aiming to identify problems which were mostly mentioned during the year 2016 in the Business Climate Survey, coming out from the non-visa liberalization, grant schemes, Stabilization Association Agreement with the European Union (SAA) and bribe phenomenon, has decided to bring in the bottleneck report the feedback from the Kosovar companies. Non visa liberalization is reported to be a problem for about 75% of the interviewed firms of all sectors. However, mostly stated as a barrier was from the retail (33%) and manufacturing (25%) sector.

When asked in which segment they were most negatively affected, about 33% mentioned “Reduction of competitive skills” and “loss of international clients/breaking the agreement” (32%).
The majority of the firms complaining that they exports are decreased due to the non-visa liberalization are from the retail sector (31%), followed by the manufacturing sector (25%). A less impact seems to have been for the wholesaling, services and especially construction.

About 60% of the firms participating in our survey consider the SAA agreement as a good opportunity to increase their market. A smaller percentage think that SAA will help in placing the products in the EU market (17%), about 13% consider SAA as an opportunity to improve their products/services. A considerable percentage of firms (10%), think it will have no effect at all.
Furthermore, we will present the reporting of the businesses in regard to grants awarded to the businesses. Only about 10% of the companies did benefit from the grants/subsidies provided by the government in the last year. It is easy to get to the conclusion of their opinion about the transparency for these grants. About 80% of the companies said the grants which are supposed to be supportive and business development oriented were not transparent. From those companies that did benefit from the grants about 60% are from the manufacturing sector; only 5% from the construction sector. Pristina region leads (26%) for grants received during the year 2016, followed by Gjakova and Mitrovica region with 10% each of the regions.
The perception of the businesses for the transparency of the grants seems to have affected the opinion for the grants to be “not exploitable and business development oriented” for about 46% of the companies.

Considering the fact that businesses on daily basis discuss about the support and protection they need, we have asked them in this context what do they need more. About 78% said they need more support than protection. 38% of the companies reporting they need support are from retail sector; 21% from the services sector and about the same percentage from the manufacturing sector (20%).
Kosovar companies also lack the support for licensing, standardization and conformity assessment. About 19% of the companies interviewed said they don’t have any support, mostly from retail and services sectors. Small sized companies seem to suffer more from this category of barriers, followed by medium firms.

**Kosovo businesses do they have enough support for licensing, standardization and conformity assessment?**

- Yes: 79%
- No: 21%

**Have you given a bribe during your business operation?**

- Yes: 5.5%
- No: 88.7%
- Somehow: 5.8%
Only a small percentage of the enterprises confirmed they gave a bribe during their business operation. However, from those companies more than half have given bribe 2-3 times during the year; around 30% gave bribe 4 and more times.
6. CONCLUSIONS (AND RECOMMENDATIONS)

In this year, Kosovo business community has for the third time ranked “cost of electricity” and “unfair competition by grey economy” among the major obstacles.

*Unfair competition by grey economy*: the decrease last year from 35 to 23 was a welcome indication that measured the support of movement to the real economy which was having results in the opinion of the business community. Unfortunately and surprisingly one can see a dramatic rise from 23 to 42, even higher than two years ago. Combine this with the factor political instability and one cannot avoid the impression that the government should do more to push the grey sector into the white. The factor corruption is obviously linked with it.

Apparently now the impossibility of the government to reach agreement and sufficient acceptance with the parliament for measures comes back to the business community and hinders them. This was not in the same extent the case last year. It would be good if the politicians could get their acts together.

*Insufficient demand* continues to be a hampering factor. However the rise in GDP should find its effect, through trickling down, into the creation of more demand. Probably, the increase in the number of enterprises has created more competition and thus increased the problems of realizing sales.

The increase of the importance of the factor grey economy similarly hints to the increase of the number of grey enterprises.

For the first time KCC differentiated between the regions. Striking conclusion was that in Peja region, retail enterprises suffered visibly more from corruption and grey economy. About 70% of the companies from Ferizaj region said the tax system is a major obstacle for them, followed by the customs procedures barriers (45%).

On electricity, obviously the government must do more. First, upgrading the electricity production and the decision making upon that takes far too long. It was already a major item two years ago (even before that moment it was, but KCC did not produce a bottleneck study before two years ago) and still no improvement can be noticed, and no visible decision making has been made so far.

On grey economy. The government must be more visible and stable and increase their efforts to push the grey enterprises into the real one.

Although this study does not highlight the importance of the Vocational Education System, KCC and its members feel that the quality of the graduated students’ needs improvement. Vacancies often cannot be filled with sufficient qualified workers. In a short while, Kosovo Chamber of Commerce will come back with the findings on the availability of the workforce and employment potentials of the business community in Kosovo.
7. METHODOLOGY

The growth obstacles for businesses in Kosovo are analyzed in this report with the help of a business survey conducted by the Kosovo Chamber of Commerce. The survey uses a questionnaire, which was especially developed and modified for the economic situation in Kosovo.

The questionnaire with the specific questions was developed by the KCC staff from respectively department of economic analysis and policies. The questionnaire consists of four parts:

The first part considers some firm characteristics.

The second part focuses on assessments of the firm`s economic situation regarding sales and investment.

The third part contains questions regarding obstacles for the activity of the firms. The obstacles are classified into three broad categories of external obstacles: Economic environment, administrative and regulatory conditions, and infrastructure and general conditions. In addition to the external factors questions for internal obstacles are also included.

At the end of the questionnaire we have added a specific section regarding business barriers in wider fields.

The character of the survey is both qualitative and quantitative. So the respondents are asked to give answers on qualitative verbal scales as well are asked to give their recommendations in specific areas. Typical response options are for example: no obstacle/ moderate obstacle/ major obstacle or does not apply.

The size and structure of the sample fulfills statistical criteria to gain representative results. The data were collected by personal interviews. KCC staff visited the businesses between 20th of December 2016 and 15th of January 2017. The visited businesses were selected from the Tax Administration of Kosovo (TAK) database and KCC data base. The sample structure is shown in Table 1.

Because the survey was conducted in the early days of the year 2017 they are considered to reflect the situation in the year 2016.
Table 1:

<table>
<thead>
<tr>
<th>Your main activity is?</th>
<th>The number of employees of our firm is currently</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10</td>
</tr>
<tr>
<td>Retailing</td>
<td>47</td>
</tr>
<tr>
<td>Wholesaling</td>
<td>4</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
</tr>
<tr>
<td>Services</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
</tr>
</tbody>
</table>