

Current and Future Research Programme of Centre for Research and Development, Tirana, Albania

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Abstract

This paper presents a short overview of CRD research agenda in the last two years, the main contents for each of the research work conducted by CRD staff. Particularly, emphasis is given to the topic: how business tendency surveys work have helped to increase the quality and content of research work undertaken by CRD. In the last part of the paper is given a short description of research agenda for the next three years.

1. Sources of information regarding business developments in Albanian

During the period of transition the following institutions provide the main sources of information about business development in Albania:

- **Line Ministries**; - provide information regarding business development for the strategic and utility sectors, such telecommunication, electricity production, oil extraction etc. This information is also processed by the Institute of Statistics. An important source of information is Ministry of Agriculture and Food, which provide the important information about agricultural production (partially also for agro business), prices for agro commodities, as well as information regarding the stock and the use of arable land.
- **Ministry of Finance**, - provides not only information regarding tax collection, but this institution (through General Directory of Customs) is the primary source of information for export and imports in Albania. Countries and group-articles classify this information.
- **Bank of Albania**, - provides crucial information regarding monetary development, general conditions for extending credit to the economy, interests rate etc. Bank of Albania conducts also ad-hoc surveys on price developments and business surveys.
- **Institute of Statistics**, - is public funded institution in charge of producing and dissemination of statistical information regarding business development in Albania. Since 1994 the INSTAT is making some efforts for estimation of GDP based on National Account System's international recognised practice, but still this important indicator is estimated by secondary information provided by line ministries. This year INSTAT showed the first results of GDP estimated based on principles of National Account, but these data, according to IMF have some inconsistency. For the last 5 years, INSTAT is organising yearly statistical business surveys, involving about 50% of active enterprises. However, this information is processed and published not early than one year after the information is collected.
- **CRD, Tirana**, - is the only private research institute in Albania, which, since early 2002, produces and disseminates information about business development based on quarterly business tendency surveys for manufacturing and construction sectors. CRD has organised also ad-hoc surveys on retail and wholesale trade sectors, financial sector and labour survey (by consumer perspective).

Taking in consideration the present level of statistical and business tendency survey data, in Albania there is a lack of complex studies on sectorial business analysis and the most of policy decisions are taken based on secondary information.

2. Setting the CRD research agenda

Taking in consideration the professional experience, academic capabilities of its staff, as well as all the preparatory work and the positive results in conducting business surveys, the CRD's Board have identified three areas of research work:

- **Economic and Socio Policy analysis:** assessment of factors limiting production activities; changes of business performances in various regions of Albania, analysis of businesses by activities (NACE classification), as well as information regarding development in labour market (from a consumer perspective) are the main sources of information used by CRD for undertaking research on economic and socio policy issues.
- **Analysis of SMEs performance:** comparisons of business survey results for micro, small, medium and large enterprises provide unique information regarding business climate, investments, employments, capacity utilisation etc. In Albania, results of business tendency surveys are the only information regarding SME development during the 2002 - 2003 period.
- **Institution Strengthening and Formalisation of Economic Activities:** business survey results could not provide adequate and complete information for measuring the size and the extend of informal economy, but they give important information regarding the evaluation of factors that push businesses to go underground (these are for instance, unfair application of fiscal legislation; corruption etc.). Such indications are also important for formulating policy proposals aiming at institution strengthening and formalisation of underground economy.

Other important factor that determinate the setting of CRD's research agenda is also related with the priorities of Albanian governments, as well as in agenda of international organisations which continue to support efforts of the government for achieving long term economic growth and reduction of poverty, especially in rural areas.

3. Research work

During the last year the CRD has been contracted and successfully have undertaken the following studies:

(1) Study of SMEs impact on Economic Growth in Albania: 1997 – 2002 (completed in December 2002). This study has been requested by Albanian Ministry of Economy and financed by SEED/IFC and European Training Institute, Turin. This projects achieved the following objectives:

- Identification of SMEs indicators that are needed for assessment of SMEs contribution to economic growth
- Assessment of SMEs contribution to economic growth for the period 1997-2000 (based on available statistical data).
- SMEs performance during 2002, based on business tendency surveys
- Recommendations for further improvement on business surveys and some policy oriented recommendations for Albanian Government for improvement of SME business climate.

(2) Assessment of administrative barriers for businesses in construction sector (completed in May 2003). This study, which have been requested by Albanian Association of Builders, achieved the following objectives:

- Assessment of business development in construction sectors in the main urban areas.
- Identification of interrelationship between businesses in construction ion sector with local and central administration.
- Measurement of the impact of administration to businesses. Timing has been identifying as the main indicator for assessment of delays in construction licensing and other administrative barriers. Weaknesses in implementation of procurement law and regulation have been also identified.
- Setting of frame for negotiations between Builders Association and representatives of Albanian Government.

(3) External Support for SMEs and the Role of Regional Development Agencies (completed in September 2003). Chemonics International Inc., under the project Albanian Small Business Credit and Assistance Programme, funded by USAID, have commissioned this study. Under this project the following objectives were achieved:

- Extensive information regarding the needs of Albanian Micro, Small and Medium' businesses to knowledge, promotion content and delivery of support services (from a demand side perspective);
- It provided a detailed assessment of the quality of services delivered by Regional Development Agencies to the SMEs;
- It enabled to provide comprehensive information for improvement of the support services available to micro, small and medium size enterprises.

(4) Public Budgeting Watchdog in Albania (completed in October 2003). This projected was commissioned by Management Systems International/USAID and aimed to monitor and analyse the process by which the national budget is planned, developed and expended to assess if there are any inconsistencies, misconduct, or abuse by public officials.

The main achievements of this project are:

- Development of a set of indicators that measure if the budget planning and development process is conducted according to rules and standards established in law.
- Analyse the trends in budget allocation by sector to assess if they are consistent with government policies and goals or if there is systematic bias in how government funds are allocated. Compare budget allocation in Albania with similar data from other countries of similar size, population and level of development.
- Analyse data on budget expenditures to assess whether there were major divergences from the budget plan.

(5) Fostering Private Sector Development: Assessing Business Constrains and the Impact of Informal Activity to Service Sector (complited in August 2003). This study was financed by Partners, Albania/USAID and was based on the hypothesis that private sector development is a prerequisite for creating condition that lead to poverty reduction and conflict prevention. This study aimed to fill the gap of information regarding present development in service sector and in particular in retail and wholesale trade sectors, as well as in financial sector. In doing so, it made use of all available information published by Institute of Statistics, and business surveys conducted by CRD in the frame of this project.

The analysis of various factors that limit businesses in trade and financial services is based on direct interviews conducted in the main urban centres in Albania, including Tirana, Durrresi, Vlora, Shkodra, Elbasani and Fieri. The outcome of this study is expected to be in great use not only for

information provided for development within service sector, but also as a methodological tool for further research in other sectors of the economy.

(6) Integration of Youth in Labour Market: Obstacles and Difficulties (completed in June 2003).

This project was financed by Open Society Foundation, Tirana (Soros Foundation) and aimed to make a detailed and real analysis of problems that Youth (between the age of 18-28 years old) are facing today to be integrated in labour market. More precisely, it analysed the prospects and the needs that the Youth have today when they are both employed and unemployed, as well as obstacles they are facing for entering in labour market. The survey included about 1000 respondents and was conducted in main urban areas such as Tirana, Durrës, Shkodër, Elbasan, Fier and Vlorë.

The analysis was based on assessment of various indicators. For instance for employed people assessment was based on working hours, wage analysis, labour mobility, working in shifts, w/e and holidays.

4. Future research objectives

For the next three years in the field of research work, the CRD's Board of Trustees aims to strength its research capacities in the three main directions by focusing more on European integration issues. More precisely the research work will focus on the analysis of the impact of integration process to businesses, including competition issues, trade relationship, exports etc.

Another important direction of research activity will be related with the study of demand side of the economy, including issues of labour market, unemployment, labour productivity etc.

Forecasting of business trends and estimation composite economic indicators (based on OECD methodology) will be another important direction of research activities that will go along with strengthening of the capacities for conducting monthly business tendency surveys.

Investment analysis and factors limiting investment will be another direction of the CRD research work.

Finally an important aspect of research work will be related budget expenditure programme, in surveying effectiveness of the use of public funds and matching the priorities for public goods with budget plan.