

LOCAL ECONOMY DEVELOPMENT AND LOCAL BUSINESS POTENTIAL OF MUNICIPALITY OF BITOLA

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By



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1. INTRODUCTION

The objective of this study is to make an analysis of the urban economic development as a tool for creation of opportunities for starting new businesses in the Municipality of Bitola. These economic opportunities would result in employment creation and retention of existing jobs as well as promotion of new businesses and investment. The study has been completed by using modern methods of research, analysis and synthesis of the official statistic data available in the literature and surveys, as well as discussions with all the stakeholders that are relevant for the economic development of the Municipality of Bitola, such as the local self - government unit, managers of the private businesses, and other supporting institutions.

The research study was based also on field research – survey among managers of private businesses/ SMEs, and survey among consumers. The objective was to identify most potential sectors, as well success factors and obstacles for starting a new business in Bitola region. Survey among SMEs managers was realized on sample of 120 managers of SMEs which survived on the market and showed positive results. List of successful SMEs to be interviewed, were obtained from the Regional Enterprise Support Centre – Bitola. Interviews were realized through direct contacts with the managers. Survey among consumers, was also realized through direct contact with consumers. Directions to the interweavers were given regarding, sex, age and education of interviewed persons in order they to be representative sample of population of Municipality Bitola. Questionnaires were composed of two types of questions. First one was general data about interviewee and other opinion of the interviewee regarding several issues of starting SMEs in from of ranking of offered answers (possibilities). Collected data were processed statistically in MS Excel with RANK and COUNTIF functions,

The report has been structured in six general chapters containing information on the demographic indicators, economic indicators, labor market, analysis of survey, summary and recommendations. We believe that this information will give the reader a clear picture of the current constellation of conditions in the city and identify priorities for starring new small businesses.

2. DEMOGRAPHIC INDICATORS

2.1. Geographic characteristics of Bitola

Bitola is the biggest city center situated in the Pelagonia plain, in the southwest end of Republic of Macedonia, at the foothill of the mountain Baba with the peak Pelister (2,601 m). Twelve kilometers south from Bitola is the border with Republic of Greece, country member of the European Union.

Despite the fact that Bitola is located in the periphery of Republic of Macedonia, it presents one of the major economic centers in the country. Bitola is located in an area of intensively developed husbandry and presents an important industrial-agricultural center for the bigger part of the southwest region of Republic of Macedonia and wider. The geographical location of Bitola on the Balkan Peninsula enabled Bitola since its foundation till today, through the long history to have a significant role as an economic, administrative, educational and cultural centre.

2.2. Description of Population Figures

The population and its structure is one of the key indicators and prerequisites for the human resource of every country. The latest census on population, households and dwellings in the Republic of Macedonia was conducted in November 2002.

Population Census 2002 Macedonia and Bitola			
	Total Population	Households	Dwellings
Macedonia	2.022.547	564.296	698.143
Bitola	95.385	28.948	36.304
% of Bitola from Total	4,72%	5,13%	5,2%

Data Source: State Statistical Office

According to the 2002 census, the Republic of Macedonia has a population of 2.022.547 inhabitants. Municipality of Bitola is populated with a total of 95.385 inhabitants, which accounts for 4,72% of the population in Republic of Macedonia, the number of households is 28.948 or 5,13% of households in Republic of Macedonia; and dwellings¹ are 36.304 or 5,2% of dwellings in Republic of Macedonia. Municipality of Bitola, by number of inhabitants, holds the third place in Republic of Macedonia, after Skopje and Kumanovo.

Another important demographic indicator is the ethnic structure of the population in the Republic of Macedonia and especially the City of Bitola. These figures are presented in the following table.

Ethnic Structure of the Population - Census 2002 Macedonia and Bitola			
	Bitola	Share of Ethnicities among Population in Bitola	Ethnicity in Bitola as % of Total Ethnic Population in Macedonia
Macedonians	84.705	88,80%	6,53%
Albanians	4.164	4,36%	0,82%
Turks	1.610	1,69%	3,85%
Roma	2.613	2,74%	2,06%
Vlachos	1.183	1,24%	0,48%
Serbs	540	0,57%	12,25%
Bosnians	20	0,02%	0,12%
Other	550	0,58%	2,62%
Total	95.385	100%	4,72%

Data Source: State Statistical Office

¹ Dwelling: Connected construction unit intended for habitation, regardless whether at the time of the Census the dwelling is used for habitation only; for habitation and performing economic activities; only for performing economic activities; for vacation and recreation, or it is uninhabited) and 26% of the households (household is considered to be a family or some other community of persons who declare themselves to be living together and spending their incomes collectively for their basic living needs, regardless of whether all household members are present at the place where the household is settled, or if some of them are staying for a certain period of time at some other settlement (State Statistical Office).

Macedonians make up the biggest community in the municipality Bitola. The table shows that percents of other ethnic groups are between 4,36% and 0,58% what mean that Macedonians are dominate population.

According the data for the age of the population, it can be seen that in Macedonia the largest population group is the one between 15 and 64 years (68,30%). This group is smaller for Bitola, since it makes up a share of 67,00%.

	Macedonia	Bitola	Age Distribution of Pop. in Maced. in %	Age Distribution of Pop. in Bitola in %
0-14	426.280	15.977	21,08%	16,75%
15-64	1.381.352	63.908	68,30%	67,00%
65+	214.915	15.500	10,63%	16,25%
Total	2.022.547	95.385	100%	100%

Data Source: State Statistical Office

Important demographic indicator is population literacy. Each person who has completed more than three grades of primary school is considered as literate. In addition literate is a person without school qualification and with 1-3 grades of primary school if he/she can read and write a composition (text) in relation to everyday life, i.e. read and write a letter regardless of the language and alphabet he can read, i.e. write. Results of the Census 2002 for population literacy are presented below.

Population Literacy - Census 2002 Macedonia and Bitola						
	All		Male		Female	
	Literate	Illiterate	Literate	Illiterate	Literate	Illiterate
Bitola	83.057	2.429	41.342	638	41.695	1.813
Bitola % form Total	4,91%	3,82%	4,79%	4,26%	5,03%	3,73%
Bitola %	94,3%	5,77%	97,72%	2,28%	93,2%	6,8%

Data Source: State Statistical Office

From the table it can be seen that literacy in Bitola (94,3%), is very similar with percentage of literate population in Macedonia (94,6%). Most of the illiterate populations are Albanian or Roma. From the table above it is also obvious that illiteracy is bigger among female population, compared to males, i.e. 3,73% of the total illiterate population in Macedonia and 6,8% in Bitola.

Very important demographic fact for Bitola is that the City and its surroundings are known as the biggest emigrational region of Republic of Macedonia, which has its century old tradition. The emigration unfortunately is present even today and with even bigger intensity. The reason for the new trend for emigration is the economic crisis in the country, the stability crisis on the Balkans and the search for better living conditions and a higher standard. In most cases people emigrate to Australia, New Zealand, Canada and the USA as well as in some European countries.

3. ECONOMY OF THE CITY OF BITOLA

Although situated at the periphery of the country, Bitola is the second economic centre after Skopje and a significant industrial and agricultural centre. The transformation of the economy that started in the beginning of the 90's (after splitting of the Socialist Federal Republic of Yugoslavia) and still goes on, brought up serious problems that are still evident. These transitional changes, and especially the privatization process which started but it is not completed yet, have caused decline of the productive activities and of the employment levels, bankruptcy of many companies, and a series of social problems and other consequences, which will also reflect upon future period.

In order to be able to estimate importance of sectors in local economy the relationship of capital formation in Macedonia and Bitola is provided in the table below:

Gross Fixed Capital Formation According to Purpose (millions of EUR) Macedonia and Bitola - 2005			
	Bitola	Distribution of Capital Formation in Bitola	Capital formation in Bitola as % of Capital Formation in Macedonia
Production	4.39	28%	4%
Electricity, gas and water supply	4.6	29%	7%
Construction	0.67	4%	2%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	1.13	7%	5%
Hotels and restaurants	0.91	6%	30 %
Transport, storage and communication	2.1	13%	1%
Financial intermediation	0.1	1%	1%
Real estate, renting and business activities	0.05	0%	1%
Public administration and defense; compulsory social security	0.07	0%	1%
Education	0.15	2%	2%
Health and social work	0.21	2%	3%
Other community, social and personal service activities	1.31	8%	21%
Total	15.69	100%	4%

Data Source: State Statistical Office

From the table it can be deduced that electricity, gas and water supply; production; and transport, storage and communication; are the first three areas of capital formation in Bitola. Only 4% of the capital formation in Macedonia occurs in Bitola and almost all of the capital formations in Bitola are under 8%. Exclusion is capital formation through hotels and restaurants but this is result due to investments, in analyzed year, in reconstruction of the four-star hotel which is the biggest in the region. Higher percentage of share of capital formation in Bitola in Macedonian capital formation shows Community, social and personal service activities (21%), due to the relatively recent development of the city in a modern urban center. In addition, the formation of capital through production in Bitola is almost 7 times higher than the formation through construction.

Important indicator of the climate for starting new businesses in the local economy of Bitola and entrepreneurial spirit of local population is the number of business entities. The structure of companies by type of organization in the Republic of Macedonia and Bitola are presented below.

Business Entities by Type - 2005 Macedonia and Bitola			
Type of Business Entity	Bitola	% of Companies in Bitola	Bitola as % of Macedonia
Enterprises	4,605	43%	7%
Trade Companies	4,585	42%	7%
Sole Proprietors	850	8%	4%
Others	788	7%	4%
Total:	10,828	100%	6%

Data Source: State Statistical Office of RM

Latest data from 2005 shows that 6 % of the companies in the country were registered in Bitola. The structure by type of company in Bitola shows that almost 43% of the companies in Bitola are enterprises, 42% trade companies, followed by sole proprietor type (8%) and other (7%), what is very similar to the structure by type of company in the country level. The table shows that enterprises and trade companies are 85% of total registered business entities in Bitola, while in the national level this figure is 80%. But, if we look the figures in national level, i.e. Bitola's business entities as a part of business entities in country total (6%), we can conclude that figure is higher when compared to the percent of population 4,72%.

Next table presents the number of companies by type of activity in Bitola and Macedonia. The figures for Bitola show that the **majority of companies in Bitola are working in the trade area** (57.49% of all the companies in Bitola), followed by the companies in production (10.23%) and; transport, storage and communication (9.44%). The number of companies in other sectors is between 1.51% and 6.95% of total (agriculture, hunting and forestry; construction; real estate, renting and business activities; education), while under 1% are fishing, mining and quarrying; electricity, gas and water supply; financial intermediation; education; and extra-territorial organizations and bodies.

Business Activities of Companies in Bitola and Macedonia - June 2005				
	Main business Activity of Company	Bitola	% of Total Companies in Bitola	Bitola from Total Companies in Macedonia
1	Agriculture, hunting and forestry	207	1.91%	4.3%
2	Fishing	1	0.01%	1.27%
3	Mining and quarrying	10	0.1%	5.26%
4	Production	1,108	10.23%	5.39%
5	Electricity, gas and water supply	7	0.05%	6.6%
6	Construction	274	2.53%	3.59%
7	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6,225	57.49%	7.09%
8	Hotels and restaurants	596	5.5%	7.38%
9	Transport, storage and communication	844	7.8%	5.21%
10	Financial intermediation	18	0.17%	5.75%
11	Real estate, renting and business activities	471	4.35%	6.11%
12	Public administration and defence; compulsory social security	103	0.95%	5.04%
13	Education	47	0.43%	4.12%
14	Health and social work	164	1.51%	6.31%
15	Other community, social and personal service activities	752	6.95%	5.94%
16	Extra-territorial organizations and bodies	1	0.01%	2.78%
	Total:	10,828	100%	6%

Data Source: State Statistical Office

If we analyze the data from a different point of view, and look at the increase in the actual number of companies that are formed in each sector we will see a totally different picture. The table below presents the ranking of business sectors by the increase in the actual number of companies that they had each year. In addition, it also gives a numerical presentation of the information in the graph above.

Increase in the Number of Companies in Bitola – 2002-2005					
Ranking	Business Sectors of Companies	2002	2003	2004	2005
1	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	69	380	234	169
2	Other community, social and personal service activities	58	60	50	44
3	Production	39	81	47	38
4	Hotels and restaurants	42	54	35	20
5	Real estate, renting and business activities	72	57	5	22
6	Transport, storage and communication	36	48	28	10
7	Agriculture, hunting and forestry	3	41	9	9
8	Health and social work	15	12	9	9
9	Construction	14	28	12	7
10	Education	2	2	2	1
11	Mining and quarrying	-	2	1	1
12	Fishing	-	-	-	1
13	Extra-territorial organizations and bodies	-	-	1	-
14	Financial intermediation	2	-	-	-
15	Electricity, gas and water supply	-	-	-	-
16	Public administration and defence; compulsory social security	-	-	-	-
	Total:	349	724	414	322

Data Source: State Statistical Office

The biggest increase in the actual number of companies is in the trade sector, followed by other community and social activities; and transport, storage, and communication. The total figures on the bottom of the table show that there is increase trend in the number since 2003, but starting from 2004, number of new companies that are formed, decline each year. This conclusion also came up previously, in the analysis of the companies by type of business entity. This trend is being kept in all business sectors. In electricity, gas and water supply; and public administration and defense; compulsory social security, since 2002-2005, has no new companies in Bitola.

Considering the above analyses it can be deduced that the three sectors which show most potential in Bitola are (1) electricity, gas and water supply, (2) production, and (3) transport, storage and communication. Electricity, gas and water supply because there are big coal and hydro potentials in the Bitola environment. Gross fixed capital formation in production due to existence of a significant number of active industry capacities for production of milk and dairy products; yeast, alcohol and backer's additives, production of sugar; production of natural mineral water, vines and non-alcoholic beverages; production of flour and bakery; textile, metal and tobacco industry; electrical appliances and tools. Transport, storage and communication have big potential for development, due to nearness of Greek border. Near the city boundary aisle is located with customs terminal where a lot of transport companies operate.

So, if we rank sub sectors of Bitola economy, situation will be following::

Primary Sector

- Electric power production (80% of the country' s total demand)
- Coal
- Farming, fruit and cattle breeding
- Milk production

Secondary Sector

- Textile industry
- Printing industry
- Construction
- Metalworking industry

Tertiary sector

- Banks
- Catering and tourism
- Transport and logistics
- Trade

4. LABOR MARKET

4.1. Employment Situation, Unemployment Rates and Profile of Unemployment

According to the Census 2002 data, there were 283,132 unemployed active people in the Republic of Macedonia. The number of economically inactive population was 833,325. The unemployed population in Bitola made up 4.96% of the number of unemployed in the country or 14,028 unemployed active people. These figures are presented below.

Employment Structure of Population - Census 2002 in numbers Macedonia and Bitola			
	Macedonia	Bitola	% in the City of Bitola from Total Population Group
Total Population over age of 15	1,577,001	79,168	5.02%
Economically Non-Active	833,325	35,887	4.31%
Economically Active	743,676	43,281	5.82%
Employed	460,544	29,253	6.35%
Unemployed	283,132	14,028	4.96%

Data Source: State Statistical Office

The active population consists of persons 15 years of age and over: employed are persons that perform an activity as employees or independently, unemployed persons are persons that have interrupted their employment because of bankrupt of employer/own enterprise, seasonal character of the work, persons that are waiting to start a new job, pupils, students, pensioners, housewives, unemployed and other persons that are looking for a job; and its number was 79,168 or 5.02% total population over age of 15 in Macedonia. Non - active population is comprised of persons that are not employed, not looking for a job and persons that have interrupted their employment. Their number was 35,887 or 4.31% of economically non-active population in Macedonia. According to the Census 2002 data, the number of economically active population in Bitola was 43,281 or 5.82% of economically active population in the country. Further on, the number of employed people was 29,253 or 6.35% of employed on the country level, while the number of unemployed was 14,028 or 4.96% of unemployed on the country. If we analyze the data in local framework, we can conclude that 45.33% of total population over age of 15 in Bitola were economically non-active, 54.67% were economically active, 36.96% were employed and 17.72% of total population over age of 15 in Bitola were unemployed.

The following table presents the unemployment of population by the level of education.

Unemployment by Education Level in Macedonia – August, 2005				
Education Level	Unemployed	Unemployed in Bitola	% of Total	% of Bitola
Without Education, Incomplete Primary & Primary Education	192,146	8,845	51%	46%
3 years of Secondary Education	64,674	3,246	18%	17%
4 years of Secondary Education	88,070	4,627	24%	25%
Higher Education	6,791	917	2%	5%
University Level Education	16,885	1,294	5%	7%
Total:	368,566	18,924	100%	100%

Data Source: Employment Agency of Republic of Macedonia

The figures presented in the table above show that unemployment is highest with the population group that has no or very low level of education, 51% of unemployed in Macedonia and 46% of unemployed in Bitola. Next are population with 4 years of secondary education whose unemployment levels are very similar, 24% of unemployed in Macedonia and 25% of

unemployed in Bitola, and the group with three years of secondary education with 18% e.g. 17% unemployment. Percentages of unemployed with higher education and university level education in Macedonia and Bitola are under 7%.

For the analysis of demographic data, next in importance is the educational attainment of the population. The biggest group is the population with completed secondary education (37% of the total population and 40% of the population in Bitola), which is followed by the category of population with primary education (35% of the total population and 26% of the population in Bitola). At the opposite end, 7% of the total population and 0.06% of the population in Bitola is with high education (university/academy). These figures are presented below.

Educational Attainment of Population - Macedonia and Bitola			
Education Level	Bitola	Education Level of Population in Bitola	Bitola's Education Level as % of Total Education Level in Macedonia
Without Education	4,572	5.7%	5.78%
Incomplete Primary Education	23,493	29.7%	29.7%
Primary School	25,156	31.8%	31.78%
Secondary School	21,514	27.2%	27.18%
High School	1,979	2.5%	2.5%
Higher School, faculty, academy	495	0.6%	2.95%
Master degree	59	0%	0.3%
Doctorate	18	0%	0.1%
In the Process of Primary Education	2377	3%	3.06%
Total	79,168	100%	5%

Data Source: State Statistical Office

4.2. Rate of Economic Activity

We present the employment structure of population in Bitola and in Macedonia and the percentages will be the following.

Employment Structure of Population in %- Macedonia and Bitola				
	Economically Active			Economically Inactive
	All	Employed	Unemployed	
Macedonia	47.16%	61.92%	38.08%	52.84%
Bitola	54.67%	67.59%	32.41%	45.33%

Data Source: State Statistical Office

It can be concluded that, 54.67% of total population over age of 15 in Bitola were economically active. From them, 67.59% were employed and 32.41% were unemployed. The percentage of unemployed people (32.41%) from the total of economically active population in Bitola is less than the figure on the country level (38.08%). Furthermore, economically inactive were 45.33% of the total population over age of 15 in Bitola, despite 52.84% on the national level.

5. PRIORITY AREAS AND FACTORS FOR SUCCESS OF NEWLY ESTABLISHED SMEs

The main purpose of this stage is to define potential areas where is significant potential for establishment of new SMEs. In order to accomplish this objective, 120 companies and 150 individuals from the Bitola region were interviewed.

Survey among SMEs Managers

Idea of this survey was to discover opinions of active managers in SMEs, about chances of success of new business, based on their experience (actually most of them passed same way not so long ago). The answers provided have been statistically processed and the results are presented below.

Question No 1. General data

Owner Age

Under 35 years of age	72
Over 35 years of age	48

The transition period brought up serious problems causing decline of the employment levels that are still evident and in order to overcome these problems many young people as a solution of the personal unemployment are deciding to start their own business, creating self-employment and in some cases employment to members of their close family etc. The large percentage of 60 % of the interviewed managers belongs to the younger population under 35 years of age and these are people aware of the entrepreneurship with developed entrepreneurial spirit and will in this way to assist in developing the undeveloped neglected rural areas.

Legal form

Sole Trader	36
Limited liability company (founded by one person)	84
Limited liability company (founded by more than one person)	0
Joint stock company	0

The most common legal form are Limited liability company (founded by one person) or sole trader. Due to lack of financial resources the starters choose one of these legal forms for their business. The interview and the analysis showed that 70 % of the interviewed companies are registered as a limited liability company and the rest 30% have sole trader legal form.

Annual income

>50,000.00 MK Denars	0
50,000.00- 100,000.00 MK Denars	0
100,000.00- 500,000.00 MK Denars	0
500,000.00- 1,000,000.00 MK Denars	58
> 1,000,000.00 MK Denars	62

Due to the fact that the most of the interviewed companies are start up businesses they are still at the initial stadium of financial revenue which is in the framework of our expectations.

Number of Employees

One employee	22
Two employees	68
Three employees	24
Four employees	4
Five employees	2

The analysis showed that there are large numbers of enterprises with relatively small number of employees due to the individual of small family business character.

From analysis of structure of interviewed managers/companies, it can be concluded that they are representative sample regarding the purpose of the study and target group of IOM project.

Question No. 2. Branch

a) Trade	10
b) Services	40
c) Tourism	0
d) Financial Services	0
e) Production	36
f) Agriculture	52
g) Home work	0
h) Other	0

Bitola region due to its character is a significant agricultural region, particularly significant in food production, so it is expected that most of the interviewed companies are from this sector.

From analysis of branch of interviewed companies, it can be concluded that they are representative sample regarding the structure of local economy (particularly participation of SMEs in local economy).

Question No. 3 Importance of sectors

Rank		
1	Agriculture, hunting and forestry	74
2	Community and personal service activities	61
3	Production	42
4	Real estate, renting and business activities	32
5	Hotels and restaurants	28
6	Repair of motor vehicles and personal and household goods	22
7	Education	17
8	Wholesale and retail trade	12
9	Health and social work	12
10	Transport storage and communication	9

Agriculture and **Community and Personal Service** activities are definitely two most important sectors, with bigger chances for success. **Production** and **Business Services** are also sectors with good chances for success.

Question No. 4 Importance factors for success

Rank		
1	Entrepreneurial Spirit	52
2	Start-up Capital	48
3	Governmental Support	42
4	Innovations (innovative character of business)	36
5	Marketing	35
6	Entrepreneurial Education	30
7	Financial support (from banks and other financial institutions)	24
8	Business Support Services	23
9	Formal Education (University Education, Vocational education, etc.)	20
10	Informal Education (Life Long Learning Courses)	19

Entrepreneurial spirit, Start-up Capital and access to Governmental Support programmes are most important factors for business development.

Question No. 5 Importance of the obstacles

Rank		
1	Legal obstacles related to enforcing contracts	54
2	Legal obstacles related to registering property	50
3	Legal obstacles related to dealing with licenses	43
4	Obstacles in getting access to business support services	36
5	Legal obstacles related to paying taxes	34
6	Obstacles in employing qualified staff	26
7	Legal obstacles related to starting a business	25
8	Obstacles in access to technology	25
9	Legal obstacles related to employing workers	24
10	Financial obstacles in getting loans/ credits	22

Not respecting the contracts and the agreements, the unfinished Cadastre reforms and the administrative procedures and are main obstacles for business development.

Survey among Consumers

Idea of this survey was to discover opinions of consumers, about chances of success of selected businesses. Interviewed group of individuals was selected on such a way to represent structure of the inhabitants of municipality Bitola, by age, sex, nationality education and employment status.

The answers provided have been statistically processed and the results are presented below.

Question No 1. General data

Sex

Male	75	50 %
Female	75	50 %

Age

15 - 35	47	31 %
35 - 65	79	53 %
65 +	24	16 %

Nationality

Macedonians	142	95 %
Vlachos	6	4 %
Serbs	2	1 %

Education

Without Education, Incomplete Primary & Primary Education	33	22 %
3 years of Secondary Education	17	11 %
4 years of Secondary Education	56	37 %
Higher Education	18	12 %
University Level Education	26	18 %

Employed

YES	90	60 %
NO	60	40 %

From analysis of structure of interviewed consumers/individuals, it can be concluded that they are representative sample regarding the purpose of the study and target group of IOM project.

Question No. 2 Importance of sectors

Rank		
1	Agriculture, hunting and forestry	87
2	Production	69
3	Community and personal service activities	62
4	Wholesale and retail trade	42
5	Hotels and restaurants	38
6	Real estate, renting and business activities	34
7	Repair of motor vehicles and personal and household goods	21
8	Education	17
9	Transport storage and communication	10
10	Health and social work	10

Consumers gave significant priority to three sectors **Agriculture, Production** and **Community and Personal Service**. Two of these three sectors (Agriculture and Community and Personal Service) were also selected from the SMEs managers as sectors of highest priority. **Production** is also sector with good chances for success identified from both interviewed groups. The consumers give significantly higher priority to Wholesale and retail trade the SMEs managers, while SMEs managers give higher priority to Business services. Repair of motor vehicles and personal and household goods is identified as sector with medium chances for success (what is expected because this sector is usually male sector), same is for Hotels and restaurants. At both interviewed

groups Education, Transport storage and communication and Health and social work are identified as sectors with limited chances for success, what is explained with high investments needed for starting business in these sectors.

Question No. 3 Chances for Success of Selected Businesses

Type of business	High	Medium	Low
Stock farming and milk production	102	33	15
Cleaning company	92	37	21
Hairdresser	78	45	27
Bakery	62	44	44
Design studio	59	64	27
Florist	58	73	19
Fast food	55	78	17
Accessories	53	62	35
Day care centre for child	49	59	42
Grocery store	48	59	43
Shop for plastic articles	44	53	53
Shop for underwear	43	63	44
Cosmetics studio	42	69	39
Consulting services	40	79	31
Shop for pregnant	37	56	57
Day care centre for old people	33	49	68
Hair product shop	27	57	66

In this question, consumers were asked to estimate need of planned businesses to develop, thus chances for success of these businesses to be discovered. Answers are in accordance with previous given answers about importance of economic sectors. A highest chance for success is given to agricultural business – Stock farming and milk production. Follows series of **service related** businesses, among highest chances are given to cleaning company. Medium chances for success have trade related businesses.

6. RECOMMENDATIONS

Based on the findings presented in this report, we can summarize that in the Bitola municipality there are real challenges but also viable opportunities for new business development. Our recommendations can be summarized as follows:

Small businesses in Agriculture have biggest chances for success. Here we recommend following activities:

- Stock farming and milk production (goats, cows and sheep)
- Production of honey and honey products
- Collecting and processing wild plants (mushrooms, herbs, etc.)
- Service oriented small businesses have also high chances for success. Here we recommend following activities:
- “White collar” services (Design and Pre-press services, Bookkeeping and tax advice services, and Business consulting services) – these services have very high chances for success because they need very limited startup capital, they are not very dependent of location, marketing strategies, etc., but here most important is knowledge of candidates for starting such business.
- “Blue collar” services (Cleaning, Hairdressers, Florists – providing care for plants not only selling, Cosmetic studios) – these services have also very high chances for success but here, beside vocational knowledge of candidates and quality of services, of crucial importance is marketing strategy, but some importance have also location of business.

Trade businesses have medium chances for success.

- Trade sector is overdeveloped in Bitola. One of most important factors for success is location – but attractive locations have high rents. Second important factor is start-up capital. One should have significant start-up capital for purchasing the products in the store (time when you could start trade business with few products in store is over). Very important are also marketing strategy, customers’ analysis, etc.

Social and health services have limited chances for success.

- These businesses are subject to specific licenses, and require significant start-up capital, and market is limited (number of children in kinder gardens and schools is decreasing every year). But these businesses have VERY HIGH chances if they are offered as on demand services (baby seating services, elder persons care services, etc. in the houses of service requestor).

Production has also high chances for success, but is very dependent of start-up capital, products idea and demand analysis.

- There was not proposed significant number of production based businesses from candidates (only one Bakery). If accompanied with realistic estimation for needed equipment to be purchased and in-depth demand analysis all production businesses (including Bakery) have real chances for success.

Finally in estimating chances for success of every business, one should have in mind that every business idea could be successful if it is innovative and submitted by person with entrepreneurial spirit and is accompanied with necessary start-up capital and adequate marketing activities.

ANNEX I

QUESTIONNAIRES USED

QUESTIONNAIRE FOR DISCOVERING PRIORITY AREAS AND FACTORS FOR SUCCESS OF NEWLY ESTABLISHED SMALL AND MEDIUM ENTERPRIZES

1. GENERAL DATA	
Enterprise name:	
Contact person:	
ID Number:	
Year of Establishment	
Owner below 35 years of age:	YES NO
Town:	
Street:	
Phone:	
E-mail:	
Fax:	
www:	
Legal Form:	Annual Income
☐ Share based ☐ Partnership ☐ Sole trader	☐ > 50,000.00 BAM ☐ 50,000.00 -100,000.00 BAM ☐ 100,000.00 – 500,000.00 BAM ☐ 500,000.00 -1,000,000.00 BAM ☐ 1,000,000.00 BAM <
Number of Employees:	
2. BRANCH	
☐ Trade ☐ Services ☐ Tourism ☐ Financial service	☐ Production ☐ Agriculture ☐ Home work ☐ Else _____

3. IMPORTANCE OF SECTORS

Please rank each sector in order of possibilities for starting new SME (where 1 = most important, 10 = least important)

	Ranking
Wholesale and retail trade;	
Repair of motor vehicles, motorcycles and personal and household goods	
Other community, social and personal service activities	
Production	
Agriculture, hunting and forestry	
Hotels and restaurants	
Real estate, renting and business activities	
Health and social work	
Education	
Transport, storage and communication	

4. IMPORTANCE FOR SUCCESS

Please rank each type of importance (where 1 = most important, 10 = least important)

	Ranking
Formal Education (University Education, Vocational education, etc)	
Informal Education (Life Long Learning Courses)	
Entrepreneurial Education	
Entrepreneurial Spirit	
Start-up Capital	
Governmental Support	
Financial support (from banks and other financial institutions)	
Business Support Services	
Innovations (innovative character of business)	
Marketing	

5. IMPORTANCE OF OBSTACLES

Please rank each type of importance (where 1 = most important, 10 = least important)

	Ranking
Legal obstacles related to starting up a business	
Legal obstacles related to dealing with licenses	
Legal obstacles related to employing workers	
Legal obstacles related to registering property	
Legal obstacles related to paying taxes	
Legal obstacles related to enforcing contracts	
Financial obstacles in getting credit	
Obstacles in getting qualified labor	
Obstacles in getting access to technology	
Obstacles in getting access to business support services	

QUESTIONNAIRE FOR IDENTIFYING PRIORITY AREAS AND CHANCES FOR SUCCESS OF NEWLY ESTABLISHED SMALL AND MEDIUM ENTERPRIZES

1. GENERAL DATA			
Age:		Sex:	M F
Nationality:			
Education:			
Employed:	YES	NO	

3. IMPORTANCE OF SECTORS

Please rank each sector in order of possibilities for starting new SME (where 1 = most important, 10 = least important)

	Ranking
Wholesale and retail trade;	
Repair of motor vehicles, motorcycles and personal and household goods	
Other community, social and personal service activities	
Production	
Agriculture, hunting and forestry	
Hotels and restaurants	
Real estate, renting and business activities	
Health and social work	
Education	
Transport, storage and communication	

4. CHANCE FOR SUCCESS

Please rank each stated business

Type of business	High	Medium	Low
Grocery store			
Cosmetics studio			
Hairdresser			
Bakery			
Stock farming and milk production			
Shop for plastic articles			
Shop for underwear			
Accessories			
Shop for pregnant			
Day care centre for child			
Fast food			
Florist			
Design studio			
Day care centre for old people			
Cleaning company			
Consulting services			
Hair product shop			

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