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UNDP - United Nations Development Programme



UNIDO - United Nations Industrial Development Organisation



Ministry of
Economic Affairs



Ministry for Small
Business and Tourism

INTEGRATED APPROACH TO ENTREPRENEURIAL AND LOCAL DEVELOPMENT IN SLOVENIA

PROJECT SYNTHESIS

SBDC

SMALL BUSINESS DEVELOPMENT CENTRE

UNDP - United Nations Development Programme



UNIDO - United Nations Industrial Development Organisation



Ministry of
Economic Affairs



Ministry for Small
Business and Tourism

INTEGRATED APPROACH TO ENTREPRENEURIAL AND LOCAL DEVELOPMENT IN SLOVENIA

PROJECT SYNTHESIS

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Project DP/SVN/95/001-52

Strengthening the Small Business Development Centre

Working teams:

Project co-ordinator

Staša Baloh Plahutnik

Project team

mag. Anton Balažek
Roberto Bernardis
Edvin Bevk
Irena Dobravc Tatalovič
Petra Drobne
dr. Miroslav Glas
Metka Komar
Irena Rezec
Antonio Sfiligoj

Beneficiary

Small Business Development Centre
Božo Marot
General Manager

The synthesis text was prepared by:

mag Anton Balažek
Staša Baloh Plahutnik
dr. Miroslav Glas
Božo Marot
Irena Rezec
Antonio Sfiligoj

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PROLOGUE

The UNIDO - UNDP project “Integral approach to entrepreneurial and local development in Slovenia” is a significant step in the development of Slovenian small business. Its valuable message is mainly that the state must start from an integral approach when trying to encourage small business. This approach results in better effects for both entrepreneurs and the state. The project also brings with it a solid expert basis - comparable to those found in the European Union - for the preparation of a long-term programme of support activities for small business and, thereby, the greater efficiency of small business entities and the opening up of new work positions in Slovenia.

I would like to thank UNIDO - UNDP and everybody who participated in this project and contributed to its successful closure.

Minister for Small Business and Tourism
Janko Razgoršek

INTRODUCTION

The concept of strengthening small business in Slovenia (which has a long tradition especially in the form of the chamber network as well as municipal and administrative bodies' operations) has, from the first ideas in legislation on strengthening small business (1991) undergone a number of development stages accompanied by a lack of expert experience and funding. The main concept of linking the existing organisational forms of the SBDC (Small Business Development Centre) has existed from the very beginning, the issues left open were dealing with merging programmes/projects and means, consistent organisational construction of strengthening and ensuring the necessary funding

Programme background

The project of creating an integrated approach to entrepreneurial and local development in Slovenia (in co-operation with local and foreign experts) was the result of an initiative from the small business field, at the time still under the Ministry of Economic Affairs. In 1995, a workshop was held in Ljubljana on the development role of the Small Business Development Centre (SBDC) within the network. This workshop was carried out in co-operation with experts from partners at the time the "Small Business Development Network" (SBDN).

For a certain time, Nicola De Leva and Tom Maloney, experts from UNIDA, also co-operated in planning the SBDC's development. Since then, a consortium of three organisations under the leadership of Coopers & Lybrand (London), and with the co-operation of CNA Veneto and GEA College, prepared the Development Strategy for Small Business in Slovenia (DSSBS), which tried to supplement the general Slovenian strategy of drawing closer to Europe which dealt with the problems of small business and Slovenian structural transformation only in a very marginal way. Small business issues were later also dealt with by the Strategy of Increasing the Competitiveness of the Slovenian Economy (Ministry of Economic Affairs, 1996) and the Strategy of the Republic of Slovenia for Accession to the EU (Economic and Social Part)(1997).

During this period, a new concept of SBDN development evolved with the emphasis on the significant role of local initiatives in joining regional projects. This concept was verified in a number of pilot projects in the Pomurje, Zasavje and Carniolan regions and elsewhere. This took place alongside the development of new instruments of financial support (micro loans, guarantee funds). In order to ensure the intensive development of entrepreneurial centres, budget funding was not sufficient and the education of local co-ordinators was developing faster. The SBDC and their partners also encouraged the evolution of standard programmes for entrepreneurs' introductory qualifications and the development of manuals for business plans.

In spring 1997, UNIDO and the Ministry for Economic Affairs selected Antonio Sfiligoj from the advisory organisation SEED SpA from Trieste to be the expert leader of the project. In the project team, a number of Slovenian and foreign experts as well as co-workers of ministries and the Small Business Development Centre co-operated.

During 1997 and 1998, the project team started intensive work on gathering experience and forming an integral approach to connect entrepreneurial and local/regional development and thereby join the resources of the partners and link them to local communities in planning their future development. This text recapitulates the expert material prepared within the project, which continued after an independent Ministry for Small Business and Tourism was established.

Why the project?

Regardless of the fact that the main reason for the project of integral approach to entrepreneurial and local development was that we were not satisfied with the SBDN effects thus far, the new circumstances involving Slovenia joining the European Union and discussions on the greater importance of regions in ensuring one's own economic and broader social development were also important.

Starting points for strengthening the small business development network

- The development network operates mainly to offer better possibilities for small companies for faster development and thus answers the problems of small companies. In particular, it provides them easier access to funding, information, educational and advisory services.
- In the process of joining the European Union, we are trying to synchronise the organisational network and its contents with European standards and, at the same time, form a network for an efficient approach to structural funds.
- By introducing the findings as concerns the meaning and responsibilities of local initiatives and regions for their own development, we are trying to link entrepreneurial development with regional incentives.

New facts demand an appropriate adjustment from the side of the SBDN to contribute to greater opportunities for the successful operations and growth of small business. After almost a decade of intensive development of private small companies (according to the Law on Companies, 1988), there is no doubt that it is also worthwhile to merge the experience and transfer the successful cases to other regions in Slovenia. After a decade of development, it is even clearer now how important it is to support dynamic, growing companies for their effects on employment, general welfare and export are larger; at the same time, we need a process of developing new companies that introduce entrepreneurial incentive, new products or services and are a stepping stone for entrepreneurs.

Who is involved?

In this project we maintained the guidelines used so far whereby we are upgrading Slovenian expert knowledge and experience and verifying it with foreign experts. Therefore, the project is a good expert basis for the development of the SBDN which, particularly in the discussion phase, included a broader circle of present and potential SBDN partners for it is based on the fact that all partners become “co-owners” of the integral concept and contribute to its fulfilment.

The project team presented expert material at several meetings to officials from the Ministry for Small Business and Tourism, the SBDC board and partner’s representatives. Discussions also included entrepreneurial advisors and other staff in support (government and non-government) organisations as well as delegates from local development coalitions.

Whom is it intended for?

The project is concentrated on **SBDN** development whereby the **SBDC** (to be renamed the **Development Company for Small Business**) would clearly define its role and conduct expert training for managing the SBDN. The SBDN needs a central co-ordination and expert development body to take care of organisational development of the network and cover the entire Slovenian territory and, on the other hand, it would also take care of expert development and monitor both programmes and projects, evaluate them and introduce improvements.

At the same time, the project is intended for the government and **individual ministries** that with their budgets cover individual fields of importance for small companies. The aim is to construct an organisational concept of a territorial network and by co-ordinating the programmes achieve better results of the programmes and more rational use of funds. The project should also convince the government to ensure efficient funding for network operations, which so far lags behind their needs and the funding given for the operation of similar national networks (employment centres, agricultural development service, chamber network). On the other hand, it would attract municipalities to provide funding at the local and regional levels for the network’s operation and support programmes for companies. At the same time, municipalities would develop expert arguments to support their demands for higher funding for the area of small business development as a standard budget item.

The project should encourage both **chambers** to work together more in the joint offer of SBDN services, especially in the fields of informational systems, training and advice.

The project scheme anticipates greater participation of **non-government, private, advisory and other companies** in offering development programmes and, at the same time, it also offers them clear criteria they must fulfil so they can join the SBDN. At the same time, it also sets out clearly defined criteria one needs to fulfil in order to participate as an advisor within the network. The project gives small companies the basic view of the programmes/services upon which they can rely within the SBDN and it also gives them the idea of a territorial network.

PROJECT MISSION

On the basis of an expert analysis of the problems small companies come across and through the experience gained in development in Slovenia and abroad and following the discussion and agreement amongst the partners, it will be possible to form a concept of a development network that will assist new and existing small companies by organising access to financial resources, information, education, training and advice, thereby fulfilling their potential for successful operation and growth. Accordingly, small companies would become a key factor in local/regional development and increase their contribution to national development achievements.

Project goals?

Through the project we plan to achieve the following goals:

- Develop a concept of integrating support for small companies and planning local/regional development that recognises entrepreneurial skills in the context of economic development.
- Reach a consensus in Slovenia as regards setting up a territorial network of local and regional centres that would take over and execute tasks for other government and non-government institutions in the small business field.
- Provide small companies across Slovenia with basic support services which are truly needed.
- Establish the development network that would, through the joining of financial and other forms of support, offer a holistic response to the needs of companies.
- Ensure a basic standard of quality of services for small companies and establish a clearly defined network of entrepreneurial centres and licensed advisors for entrepreneurship and local development.

Ways of implementation

The integral concept of developing entrepreneurship and local/regional development must transform itself from an expert concept and the produced manual for operations of entrepreneurial centres into a true development system. This transformation will demand sufficient financing of the network and support programmes for small companies.

In the implementation process, the active involvement of all partners is essential. However, apart from the consensus of the partners as regards the integral concept, it is also essential to provide expert qualifications of the SBDC so that it can lead the process and simultaneously ensure sufficient means for the organisational development of the SBDN and for the service programmes for small companies. For this purpose, a special **project group** will be formed that will, with its expert co-workers and sub-groups, encompass all of the SBDN's development activities. One part of this synthesis is the performance project that encompasses a broad spectrum of activities needed to fulfil the project's goals.

Over the next 2 - 3 years we plan to:

- supplement the territorial network of local and regional entrepreneurial centres, merge some of the smaller local initiatives and cover the entire territory of Slovenia,
- achieve the formation of a joint portfolio of services for small companies through a joint tender and the execution of arranged programmes/projects of partners for small businesses,
- train the SBDC staff as well as entrepreneurial and development advisors in the centres (by training and licensing procedures),
- establish an informational system that enables monitoring and evaluating the work and achievement of the local/regional centres and their staff as well as all other co-workers and, at the same time, offer the necessary information to small companies,
- build up co-operation between the centres and other local and regional service providers, establish a system of co-ordination, performance and programme evaluation of services for the companies,
- qualify the SBDN for co-operation in European Union programmes.

Project monitoring

An essential part of the integrated approach is an integrated monitoring system and activity analysis that enables constant supplementation and improvement of the activity and at the same time ensures sufficient financing and rewarding of co-workers in respect of their achievements.

The integral project is based on the scorecard approach which is beginning to establish itself for use in efficient project operation and includes:

- orientation of activities to clearly defined and measurable economic results of all performers,
- adjusting activities according to the true needs of users,
- constant learning from the results achieved, best cases and thereby quality growth of co-workers and members of the network, and
- building internal business processes - from informing, communication to evaluation.

Consistent execution of this approach is based on the estimation that we have (in the 1990s) organised a number of development activities in the field of small business that were not efficiently tied together, therefore there was no adequate transfer of knowledge and experience. There was also no co-ordination as required between all of the members and programmes, therefore funds were not used efficiently. With this approach we wish to avoid any repetition of these shortcomings. Of course, this demands monitoring a certain part of the funds, the organisational basis and set-up procedures already built into the integrated concept.

SMALL BUSINESS IN SLOVENIA

In the period following World War II the small business economy was, through the state system and later on through state ownership, mainly restricted to private craftsmanship, for there were very few companies in the state sector that could be called small companies if we define them by the fact that they employed up to 50 employees. In the craft sector, restrictions were applied to the number of employees (mainly 3-5, only in the last period up to 10 if permission was granted by the municipality) and by certain other limits (area of business premises, size of carrying capability of vehicles).

At the end of 1988, the Law on Companies enabled private property in companies and regular legal organisational forms of companies appeared. The legislation frames were finally given in the Law on Economic Companies (1993) and the Law on Craftsmanship (1994) which in 1 to 2 years established the current legal-organisational structure of small business.

At the end of 1997, there were 53,863 companies registered in Slovenia, most of which were limited liability companies (46,949 or 87.2%), 5.6% were companies with unlimited liability, 2.2% were stock companies (mainly denationalised former state-owned companies) 0.9% are still state-owned and 197 (0.4%) were affiliates of foreign companies. This data of course does not tell us how big the companies were. At the same time, some 61,244 legal entities were registered in Slovenia of which 61,017 (99.6%) were private entrepreneurs, a large amount of which deal with crafts or similar activity.

In the 1990s, the small business field was very dynamic with its economic importance rising as concerns employment, general welfare and structural changes in the economy, especially due to the difficulties that occurred in medium and large companies due to changes in the system and Slovenia's declaration of independence.

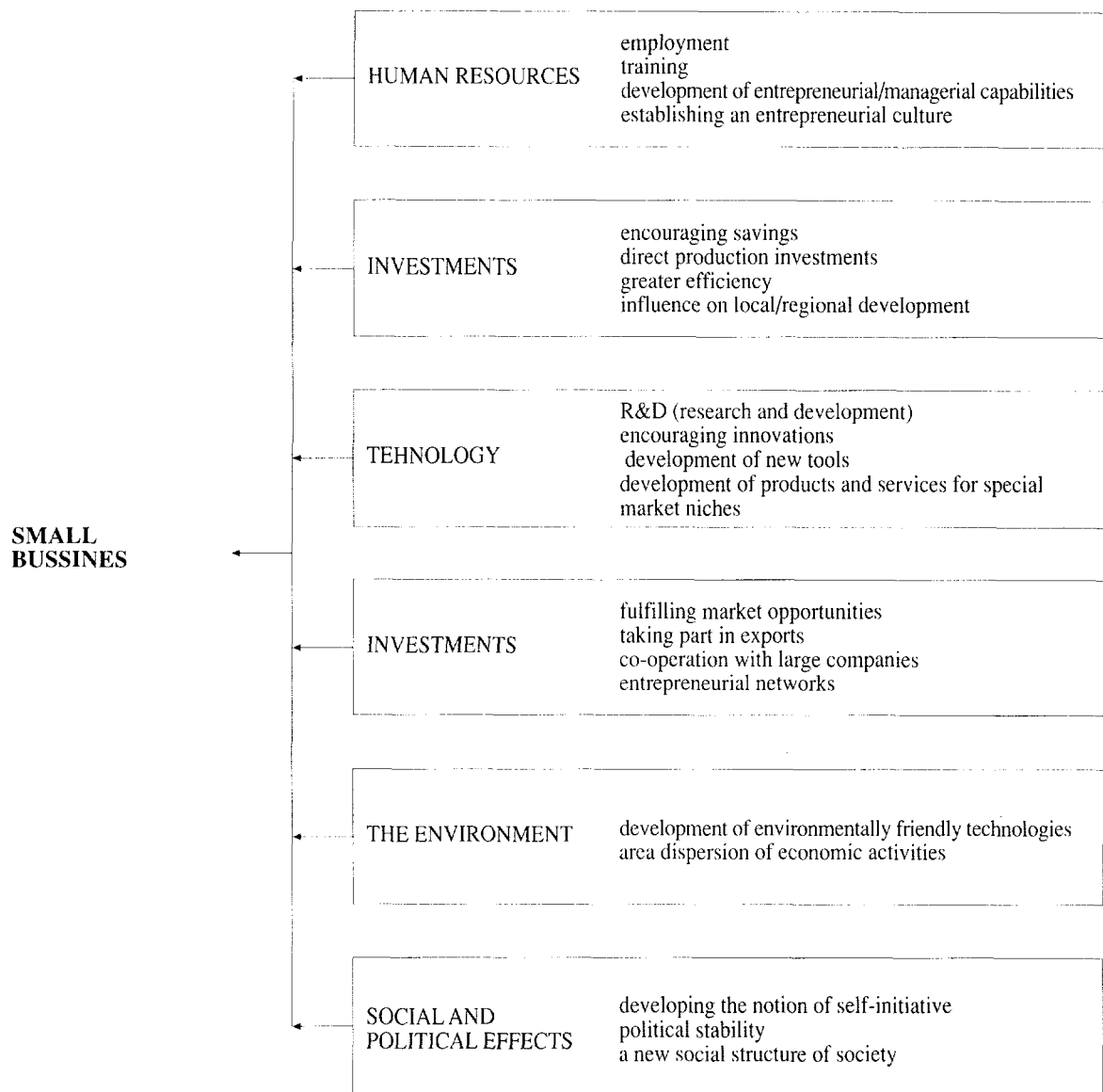
CHAPTER 1

SMALL BUSINESS' GOALS AND DEVELOPMENT NEEDS AND AN INTEGRAL APPROACH TO THEIR DEVELOPMENT

In the first years after introduction of the Law on Companies (1988) new private business entities formed extremely rapidly without regard to the numerous problems and unresolved issues. Due to the numerous marketing opportunities the level of termination of the new entities was very low. In 1993, the Law on Economic Companies made the requirement for the founding capital for companies more stringent and at the same time the entrepreneurial potential had, to a great extent, run out of resources, leading to growth in the number of new business entities slowing down. Due to lower demand, a larger number of potential entrepreneurs decided to obtain the legal status of independent entrepreneurs.

The contribution of small businesses is very important in a number of fields. This is why the developed marketing economies also decided to encourage small business development where contributions are of importance (see the following Figure):

Figure 1. Contribution of small business to the economic development of society



The aforementioned impacts of small business are present in various measures, for it depends on how well it is developed, on the tradition of self-employment versus the need for aid from state or non-government organisations, on the education and capabilities of the owners-entrepreneurs and on the broader social and economic environment. Small companies are faced with a number of problems that differ from the problems of larger companies. The reasons are mainly that:

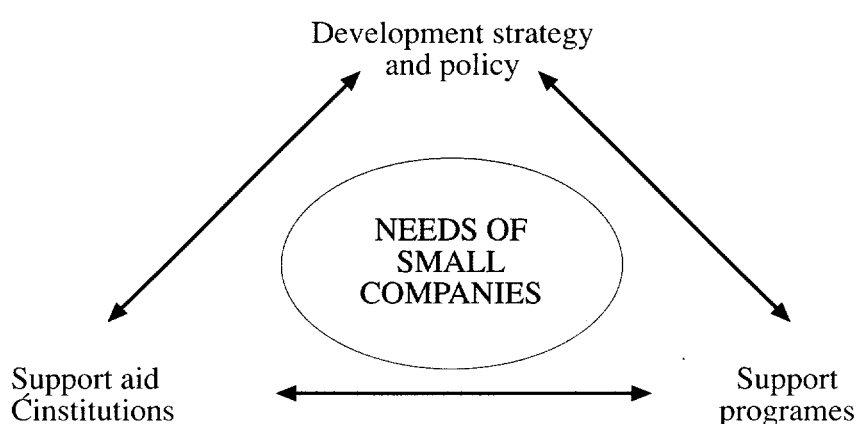
- at inception and in the beginning of operations the risk factor is much higher,
- that new entities find it harder to gain the necessary capital, for they have no tradition and are not established in the business and financial sector, they have no fixed assets to offer as collateral on loans,
- they are extremely dependent on the knowledge and capabilities of the founders, which in our circumstances were lacking in marketing and financial training, and
- they are more vulnerable to market changes, etc.

The particularity of small business and its importance in economic transformation were clear to European Union states which in 1986 formed the independent working group that prepared the Action programme for small and medium-sized companies and developed a joint framework for development policy, which in turn led to the following steps:

- abolishing administrative, financial and normative barriers to the development of small companies,
- obtaining information and various forms of support through appropriate policy, regulations and activities for small companies, and
- encouraging co-operation and partnership mergers between small companies.

The point of the policy is to develop favourable conditions for the development of small companies which encompasses encouraging entrepreneurial culture, measures for encouraging the establishment of new companies and rapid development of already existing companies, including the internationalisation of their business and more network connections amongst companies in order to obtain greater resources. To successfully support small companies, three ingredients are needed as described in Figure 2.

Figure 2 Main ingredients of successful support of small business



Development must be based on **clearly defined and agreed goals** representing the basis for the measures executed by the state and other support organisations. Of course, these goals must evolve from good knowledge of the economic, political, technological and social environments in which small businesses operate and from the knowledge of the needs and problems of small companies. To fulfil these goals, an appropriate **organisational structure** must be in place, for which tasks and jurisdictions must be defined and at the same time it must have adequate knowledge, experience and other resources. Organisations bring into effect the **company support programmes** which can be oriented towards “hard elements” (finance, premises) or “soft elements” (information, advice, training). Certain problems are resolved through projects especially when it is wise to merge a number of fields or establish a certain support activity.

In several Slovenian studies researches dealing with small business, a number of small company problems were identified. However, the study approaches were very diverse and the respondents surveyed were often not representative. At the same time, entrepreneurs’ individual problems have changed over the last decade. If we look from the viewpoint of functional fields, we can approximately identify the order of fields according to the weight of a problem as shown in Table 1.

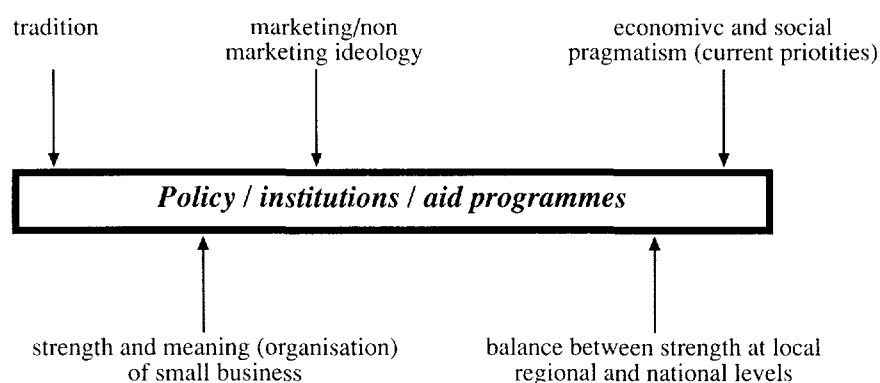
To a great extent these revolve around the problems of financing, for entrepreneurs are mainly dependent on their own or family income, which slows down growth and, with larger costs of financing, threatens the competitiveness of small Slovenian companies. There are also problems connected to the undeveloped infrastructure (business zones, organised locations, land prices) and with the lack of entrepreneurial knowledge and experience in a whole line of functional fields.

Table 1. Problems of Slovenian small business according to functional fields

Problem field	Specific problems
	Company financing Interest rates Providing guarantees for companies Demands for extensive documentation Restricted access to means from various funds Short loan repayment periods
Company taxation and contributions for employees	High contributions from gross salaries Progressive income taxes Insurance premiums Not enough tax relief for employment, investments
Marketing and sales	Lack of information (especially foreign markets) Lack of knowledge of marketing and selling methods Prices of marketing and other linked services
Human resources (qualifications)	Difficulties with specialised knowledge, capabilities Demands for high salaries Lack of employee motivation Problems linked to eventual sacking of personnel
Deficient support from the state	Problems with permits and demands from inspectors Disloyal competition from the grey economy Obtaining premises and land (locations)
Production and development	Procedures for gaining permits Slow export-import procedures High costs for obtaining small quantities
Export	Lack of information Non-established image of Slovenia Export financing
Establishing a company	Risks with a new company Necessary documentation

Of course, the problems differ from the aspect of possibilities, financial strengths, qualifications of entrepreneurs, organisation of entrepreneurial infrastructure within municipalities, development phases of companies, specialities in various fields and the nature of company's target markets. This of course also means that development measures in Slovenia must be linked to the problems in a specific environment, differentiated for various groups of companies and characteristics of owners-managers. Therefore, it is also impossible to simply copy the support system of other countries, for every country must have its own policies, institutions and programmes adjusted in line with the characteristics of its society.

Figure 3. Important aspects of forming a support system for small business:



At the beginning of the 1990s we in Slovenia admitted the need to encourage small businesses by establishing the Fund for the Development of Small Business (FDSB) and developing a support network in which great efforts were put into training a larger group of advisors for small companies.

For the state, **national economic effects** of a successful small business sector are important and accordingly it also sees the structural effects of its development. This is of importance for an economy, such as Slovenia's in which structural changes with the following emphases are needed:

- a larger share of services, for then we can talk about a de-industrialisation process,
- development of new products to satisfy local needs and to breakthrough into world markets,
- a larger entrepreneurial role of certain groups of the population which find it harder to establish themselves in larger business units (young, women, rural population) especially in the event of higher unemployment rates,
- broadening additional activities where basic activities are lower due to the seasonal nature and due to lower yield the productivity is not sufficient (agriculture), and
- ensuring more balanced regional development and enrolling the endogenous resources of individual local communities.

If the state channels large amounts of funding into specific activities through numerous ministries, it has to ensure a **clear overview of the funds spent**, abolish the frequent **duplication of support** and **monitoring the efficiency and intention of the use of the funds**. It is important that it identifies certain priority areas and ensures actual movements in the desired direction through funding. Therefore, the state also needs a system of development.

In 1996 the Strategy for Developing Small Business (SDSB) set a number of goals for small business development in Slovenia during the period 1996 and 2005:

- encouraging growth of the share of income and added value of small business,
- encouraging growth with target support to the fast developing, innovative and export-oriented small companies,
- encouraging growth with target support to new entities, companies and individual entrepreneurs entering the small business sector,
- encouraging the development of small businesses with the aid of differentiated support to various kinds of small entrepreneurial entities,
- improving the environment for small companies' establishing, growth and investments,
- establishing long-term well-paid employment,
- active encouraging and enabling the development of entrepreneurial culture in Slovenia,
- ensuring equal treatment of individual entrepreneurs, small and large companies from the side of the state,
- enabling and active support of the development of mergers of small companies, co-operation networks and associations with the goal of achieving a critical mass in fields such as research and development, purchase, marketing and exports,
- active help to small entities so they can become internationally competitive,
- reducing the grey economy, and
- developing and maintaining the structure of the small economy to make it comparable to its structure in EU countries.

The SDSB gave priority to two target groups, the **fast growing**, innovative and export-oriented small companies which to the greatest extent realise the national economy effects and the **entrance of new companies**, i.e. companies which establish entrepreneurial culture, innovations, and from them new expanding business evolves (according to estimates there are around 5 to 7 % of them amongst all small

companies). Attention should also be drawn to less present entrepreneurial groups, women, young people and entrepreneurs from rural areas. The strategy has foreseen the development of a development network that would carry out non-bureaucratic actions, enable easy access for entrepreneurs, partnership relations between the existing performers. This would be organised at three levels: local, regional and national. Institutions for development of small business should operate in ten different fields (see next page). Even though the government of the Republic of Slovenia has adopted the strategy, the strategy itself has not yet been ratified in the parliament and therefore this document does not as yet influence the development of small companies. In its operation, the Ministry of Small Businesses and Tourism has followed the basic guidelines of the strategy. This holds true especially for the programme of SBDC work in 1997 - 1998, however there was no consistent operative programme of ensuring individual goals with the co-operation of partners and not enough funding.

Fields of ensuring the strategy of small business development

- Sorting out legislation in the small business field (Office for Deregulation)
- Field of informing, advice, training and education
- Financing the development of small business (public and private funding)
- Internationalising the business of small business entities
- Measures in the taxation system and policy (relief, stimulation)
- Promotion of entrepreneurship and entrepreneurial culture
- Ensuring premises and physical infrastructure (zones, incubators)
- Innovations, programmes for establishing quality and technological development
- Developing interior relations in small companies
- Restricting the grey economy

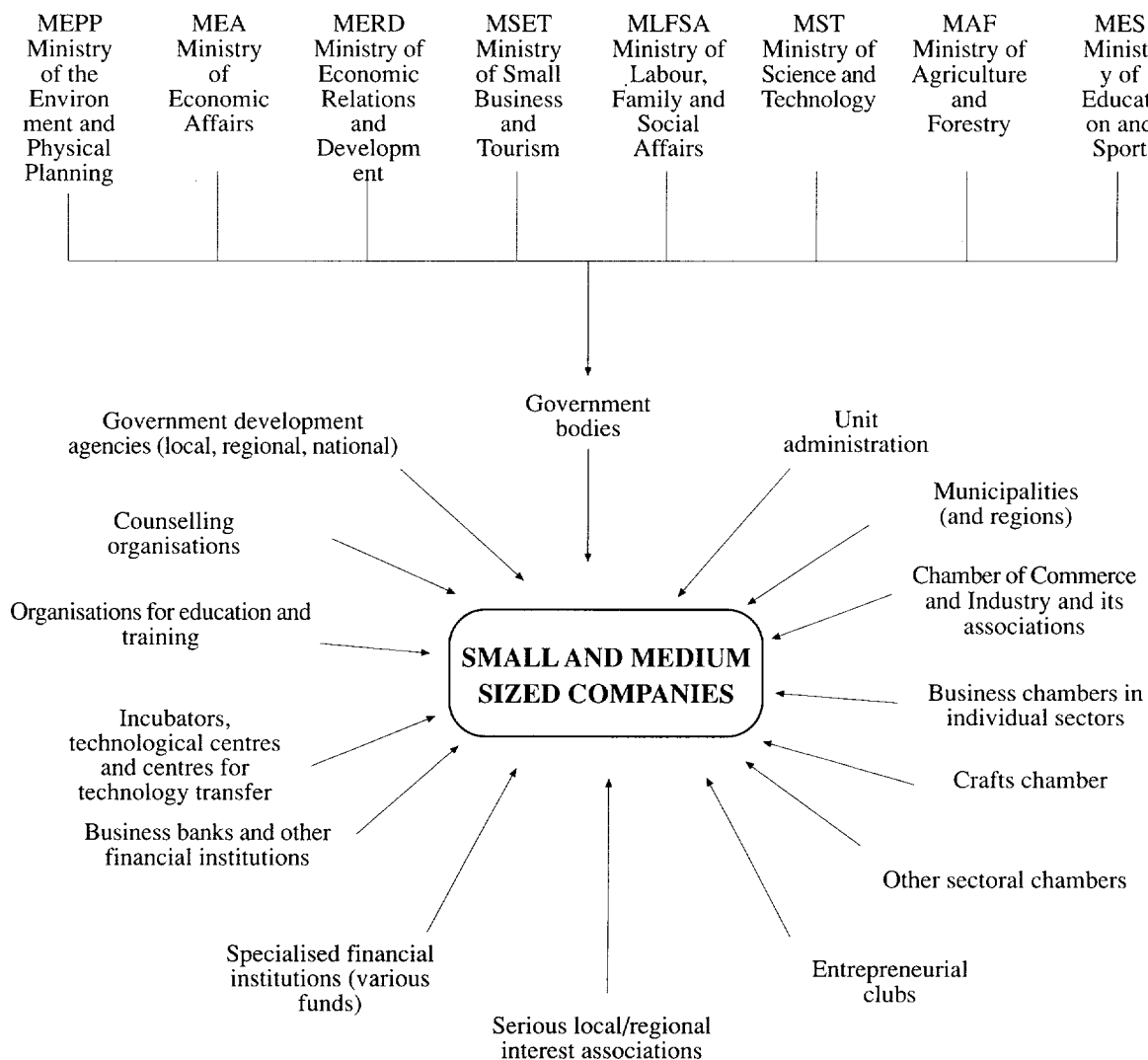
The Strategy of Enlarging the Slovenian Economy's competitiveness (1996) mainly took into account the goals of the SDSB and foresaw a number of measures for faster development of small and medium-sized companies. However, even this strategy was not consistently applied. The Strategy of the Republic of Slovenia for Accession to the EU (1997) has, within the framework of business sector reform, to a large extent summarised the SDSB and at the same time emphasised especially the first target group (the fast developing, export-oriented and innovative companies) and took over the basic principles of fulfilling this strategy. In this material, the organisational framework of financial support and "soft" support services foreseen is not stated, except for the determination to reform the institutionalised framework, which should affirm the various possibilities of the forms of organisation and ownership, co-operation and co-ordination between the state institutions and other organisations. Except for this, it also emphasises the decentralisation in execution of the development policy of small business, merging of local and regional programmes / projects / activities and joining initiatives "from the bottom upwards" and from "the top down". For small companies, the contents of encouraging technological development in this document are also important.

We can see that the SDSB is actually a dominating nucleus of treating small business in important state documents, even though even they lack the operationalisation of the organic structures and a periodic plan of execution of certain activities, carriers and necessary funds. At the same time, many programmes and projects exist in Slovenia which support small companies and are not entirely in harmony with the strategy and do not develop the SBDN. We will look at these in the next chapter. We can emphasise that the weakest element of the triangle of the development of small business is the organisational/institutional construction of support activities, the basis of which is often the main conflict of the interested factors and organisations.

**CHAPTER 2
SMALL BUSINESS SUPPORT ACTIVITIES IN SLOVENIA**

Support activities for small businesses have the longest tradition in the crafts chamber network, even though chambers also have long traditions in other fields. Of course, these support activities must be adjusted to the characteristics of the users and their problems. In the field of small business, both users and their problems have changed dramatically over the last decade and it is a fact that the support activities are trailing behind actual needs, especially from the aspect of establishing new entities, support of special target groups and the quality of services offered.

Figure 4. Important institutionalised members / partners of the development network in Slovenia



The small business field is relatively heterogeneous in terms of the areas of activity in which it operates and other activities in agriculture, through small-run production to services where technological development is leading to new kinds of services being intensively created, especially in production processes, alongside traditional services for citizens. There are large differences from the viewpoint of the technological structure of companies, demands of the markets that they are involved in, the experience of the entrepreneurs, etc. From the SBDN's aspect, it is important to take into account three target groups with their different needs, own capabilities and thus requiring radically different approaches for their support:

- new companies - beginners, especially entrepreneurs in the intermediate phase of forming and establishing their business concepts, deciding on starting and ensuring the necessary resources;
- existing companies, moving from consolidation into the growth and development phase where they meet new demands (new products or processes, new markets, innovations, exports, technology-transfer, world-wide level of quality, contractual mergers and co-operation, use of new financial instruments and optimising capital structure); and
- existing companies that have run into difficulties and need financial and expert help to achieve efficient restructuring (this group is gaining in importance).

The support activities for the three groups are available from very different organisations where especially the broadening of business services, non-government bidders of assistance and linking entrepreneurs together are important. In Slovenia there are also many important SBDN members, as seen in Figure Figure 4. The essence of the integrated approach is in connecting the potential of all the said SBDN members, adjusting their programmes and filling in the gaps from the viewpoint of target groups so all needs right across Slovenia are covered as well as possible and a suitable division of work established among the members. This demands high-level co-operation and a good co-ordination centre.

In the past, the motives and goals of government and non-government support organisations differed, were not adjusted to each other, their networks were insufficient in many ways with a lot of gaps existing throughout Slovenia. Even though the estimated needs of the SBDN were agreed already in 1991 - 1992, when the idea of establishing the SBDC as a central co-ordinator of support activities arose, the current development of support activities is still unsatisfactory.

Table 2. Activity of current and potential partners of the small business development network (SBDN) in strengthening the development of small business in Slovenia.

<i>Institutions</i>	<i>Target groups</i>	<i>Activities</i>	<i>Level of operation</i>
MSBT - Ministry for Small Business and Tourism	Small business as a whole	Legislative regulation Strategy and Small Business Development Policy	Channelling budget funds National (also through the SNSB)
SBDC Small Business Development Centre	SBDN and small businesses	Forming the structure of development SBDN co-ordination Development of support instruments Monitoring and evaluating effects International co-operation	National (through SBDN also at the regional and local levels)
RS Fund for Developing SB (FDSB)	Small businesses	Financial support and stimulation Development of financial instruments Co-operation with other financial organisations	National
MEA - Ministry of Economic Affairs	Medium-sized companies	Similar to MSBT, but for medium-sized and large companies and energy supply sector	National

MLFSA - Ministry of Labour, Family and Social Affairs	Companies undergoing restructuring and the unemployed	Active employment policy (self-employment, re-training of the unemployed) Restructuring of companies	National
EARS - Employment Agency of the Republic of Slovenia	Unemployed Companies undergoing restructuring Self-employed	Active employment policy (training, counselling, financial support) Restructuring companies Stimulation for the self-employed	National, Regional (regional employment agencies) and local
MST - Ministry of Science and Technology	Innovators Researchers	Organising, connecting and encouraging innovations, Pre-competitiveness research, Protection of industrial and intellectual property	National
Technological Fund	Small technologically-oriented companies	Investments in companies	National
MERD - Ministry of Economic Relations and Development	Municipalities and regions	Initial development programmes More evenly spread regional development and lesser developed regions of Slovenia	National
MEPP - Min. of the Environ. and Physical Planning	Small companies	Locations for infrastructure Environmental protection	National
CCS Chamber of Crafts	Craftsman - beginners, already existing	Expert help to members (counselling, informing), Registration of craft entities, Promotion of the members' interests, Education for the needs of craftsmanship International co-operation	National and local
Chamber of Commerce and Industry	Chamber members	Expert help to members (counselling, informing, training) Issuing various permits International co-operation Presenting the interests of their members to the government	National and regional
MAF - Ministry of Agriculture and Forestry	Farmers	Policy of support to farmers International co-operation in the field of agriculture	National
Agricultural counselling service	Farmers	Counselling for additional activities	Local
Municipalities	Residents and companies Public services	Local support network, Economic, social and environmental development of municipalities	Local Regional (by connecting)

Synthesis: Integrated approach to entrepreneurial and local development in Slovenia

Local development initiatives (entrepreneurial centres)	Unemployed Small businesses Local communities	Execution of basic support services (informing, counselling, training)	Local
Local funds for SB development	Small businesses	Financial support, especially for beginners	Local
Regional development agencies (entrepreneurial centres)	Small businesses Local Communities	Specialised support services Larger development projects for SB	Regional and local
Administrative units	Small businesses	Various permits Environmental solutions	Local
MES - Min. of Education and Sport	Participants in training sessions	Training programmes (entrepreneurial contents)	National
RS Institute for Education	Schools and participants in training	Training programmes (entrepreneurial contents)	National
Business banks	Companies	Financial services (loans, guarantees, Advising on financing)	Local
Other financial organisation	Companies	Finančne storitve (posojila, garancije) Svetovanje pri financiranju	Local
Educational organisations	Participants in training	Education (entrepreneurial contents) Training entrepreneurs and employees Research on SB	National, regional and local
MF - Ministry of Finance	Taxpayers	Tax relief and incentives	National
Technological centres and incubators	New companies	Premises and business services	Local
Association of Entrepreneurs	Members of the Association	Training, informing Promotion of interests	National and local
Advisory companies	Companies	Business services (advising, training)	Local
Other companies offering business services	Companies	Business services	Local
Fund for Reg. Development and Rural Settlement	Initial development projects	Financial support	National

The table draws attention to certain characteristics of the current support system for small business. Programmes relevant to various aspects of small business operations are found in a **number of institutions, several ministries** (at least 9) organisations or institutes linked to them (employment agencies, the SBDC, etc.), **non-government organisations and associations** (both chambers), municipal and local government as well as commercial providers of business services.

Programmes of help/support to SB are very diverse and deal with all areas of “soft” and “hard” support. However, we can recap the evaluations of numerous sources that whilst these programmes clearly involve vast state and private funding they are insufficient:

- because they are not co-ordinated and thus not harmonised with criteria to justify these forms, meaning duplications of activity in the same small businesses may occur,
- they are oriented only towards individual groups of users, therefore services for some groups (i.e. the unemployed) are of a very high standard (even though momentary funding problems occur now and then), while for other target groups there are no true services (if an already employed individual seeks to prepare himself to become self-employed),
- a number of programmes are distinctly centralised, planned and directed from the “top down”,
- they are not efficiently adjusted to the variety of needs of local environments, as needs differ according to the development of the surroundings, structural characteristics of the economy, infrastructure, etc.,
- programmes are weak during the first phases of encouragement, motivation and training potential entrepreneurs (poor co-operation by the MES), they are oriented towards the final phases in the development process,
- more support is given to existing companies than to potential entrepreneurs/beginners,
- funding is dispersed into autonomous programmes meaning they do not link in to the best projects (this applies to financial and technical assistance) which find it hard to achieve the “critical volume” of funds,
- many programmes are organised “ad hoc” and not as long-term programmes, to which potential entrepreneurs could have access,
- changes in the orientation of programmes often occur or changes in the criteria for justifying participation in programmes, which reduces their credibility and makes advisors’ work harder,
- due to budget limits occasional interruptions in the running of programmes have occurred, making planning on the side of users and developing institutions more difficult,
- within programmes there has been no clear division of financing the development of the support institution network and the programmes actually intended for the users,
- delayed procedures - programmes were late due to delays in adopting the budget, many of the said institutions were only in the phase of development, gathering experience, therefore their achievements did not always meet expectations, the institutions dealt too much with their own organisation and not with actual small business services, and
- programmes did not include monitoring and evaluation of the success of programmes being run and the use of funds and their effects, etc.

In general, a **budget funding deficiency** is typical for the entire period between 1992 and 1998. Therefore, the needs of companies could not be met (this is true for financial support where funds only enabled support of some but not all companies, in subventions and giving advice). At this point, the expectations of the strategy were not met. That is why the weak point of the SBDN remains in the offer of support programmes. Regardless of this fact, it is obvious that with improved co-ordination between SBDN partners better effects could be achieved using the same funds and a better overview of the support could be attained and leading to more balanced possibilities of access to this assistance for all entrepreneurs.

From the viewpoints of target groups, divided according to the development level of a company, we can evaluate the programmes:

- support to new companies is relatively good in the self-employment programme, although even here it could be more efficient in the phase where surplus workers are still in their previous companies. It is relatively efficient for individuals deciding to perform craft activities in environments where

local entrepreneurial centres work well; it is weak in the financial field (small share of funds for new companies), it is not organised for all potential entrepreneurs, entrepreneurial contents are not accessible in education and the promotion of entrepreneurial culture is inconsistent;

- in growing companies some specialised services are low quality, involving a lack of knowledge and experience (fostering exports, technology transfer), the problem is ensuring financing (guarantees, ownership risk capital, sufficient funds) and especially reaching the necessary level of funding to achieve realisation of projects;
- support to companies in trouble is weak, even though it will become an increasingly common form due to the goal of drawing closer to the EU and growing competitiveness (in the USA, this has within the framework of the SBA a much larger role) for the number of companies in trouble will increase (the number of companies with blocked bank accounts is rising).

Even though the SBDN is quite well developed in some areas in Slovenia, the lack of a joint informational basis, expert support standards, the lack of linkages between performers is such that it causes inefficiencies:

- lack of information for entrepreneurs as concerns all forms of support,
- non-systematic execution of support programmes, which is too dependent on funds currently available,
- the SBDN is not organised as a unified network (where basic information on an entrepreneur would be gathered in the first organisation and then channelled to other organisations), therefore entrepreneurs must visit various performers at their own initiative and become dependent on informal information as to the choice of quality performers, and
- there is no efficient evaluation of programmes to ensure that the most successful programmes are promoted and financially supported.

This draws attention to the weakest element, a not well conceived **SBDN organisational structure**, which clearly does not meet the needs of small business and is not clearly surveyable for companies and not sufficiently co-ordinated for the ministries which are responsible for the efficient use of budget funds. Such a network cannot fulfil the support programmes at a sufficient level throughout Slovenia and, at the same time, it cannot successfully attract greater funding for programmes at the local, national and international levels.

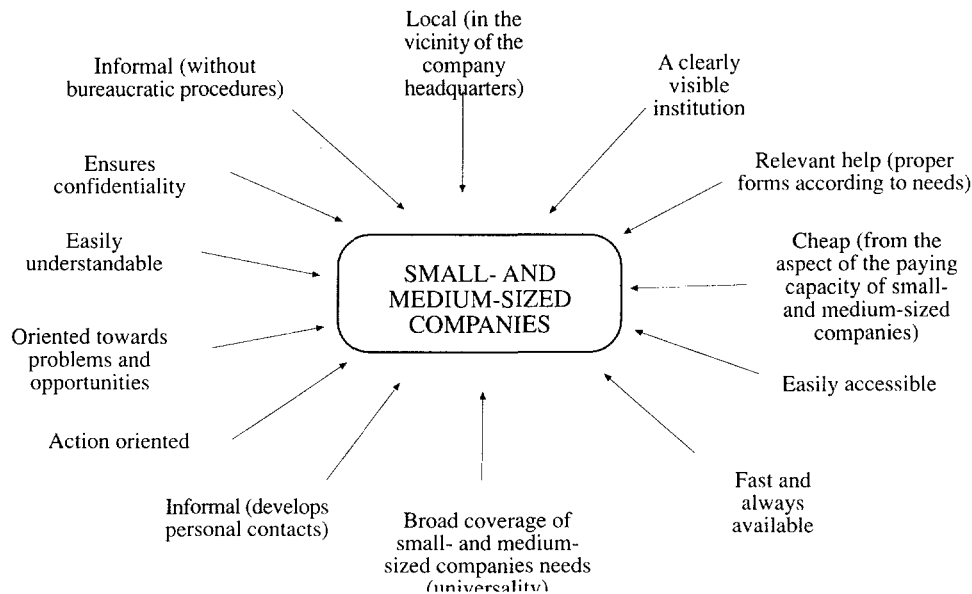
CHAPTER 3 ORGANISATIONAL PROBLEMS AND SBDN DILEMMAS

The current SBDN concept, which takes circumstances of the 1990s into account, was created in 1991-92, with a few attempts to consolidate this network (1996) and its updating into a more unified SBDN, to actually ensure the declared assistance to small business units (1997-98). In discussions on the small business development strategy, a number of the involved partners' dilemmas were raised, especially when dealing with the network's organisational design.

The dilemmas raised were:

- should the emphasis be on a government organisation or a non-government, chamber network (European experiences, especially in countries in transition, are very different),
- what levels of SBDN organisation do we need and what is the optimal organisation at the local level,
- what should organisational standards and the provision of services at all levels be like
- what should the SBDN's financial structure be like in terms of state/local and budget/marketing means
- how to incorporate commercial performers of services within the SBDN,
- which services should be provided at the local and regional levels, and
- how to harmonise this organisational structure with EU standards?

Figure 5. Desired characteristics of the Small Business Development Network from the view-point of entrepreneurs



We have stressed that support network organisation differs between European countries, as well as elsewhere throughout the world (USA, Taiwan, etc.). Experiences from Eastern European countries, which copied foreign patterns as a result of international technical aid (PHARE and bilateral connections), differ and evaluations of the success of those programmes change with development. Organisation of the support network also changes with time, due to changes in small businesses themselves. It is clear that the ideal support network should fulfil a number of the characteristics set out above in Figure 5.

In terms of these characteristics, we could critically evaluate the SBDN's development in Slovenia so far (from 1992 onwards). During this period, the SBDN has formally grown (in numbers) quite rapidly, which promised ever better support for small companies, however the SBDN was in fact only a disarranged "sum total" of parts which did not actively co-ordinate their programmes, combine expert and financial potentials and did not develop with the same speed across Slovenia. Partners did not take advantage of all possible synergies when joining the SBDN and, at the same time, the network's development was also set back by the municipal and administrative structure reform of 1995 (until then, the network was based on municipal organisation) and the establishment of the MSBT in 1997, which broke continuity in the realisation of certain ideas. The drawbacks of these factors were:

- a relatively late start to the SBDC's operations (at the end of 1995), which is a key unit for co-ordination and expert development of the non-defined relationship between the SBDC and the MEA (MSBT) and weak expert and financial resources in the development and co-ordination of the network,
- meagre budget resources did not allow the organisational construction of the local and regional networks (they therefore remained pilot projects) and systematic financing of the service programmes,
- some partners did not actively participate in the SBDN's development (for example: the MERD withheld co-operation from both chambers),
- separate operations of the SBDN and financial organisations weakened the efficiency of advisors, who did not significantly contribute to resolving key problems linked to the financial state of small businesses, and
- financially weak municipalities could not provide their share of funding for larger programmes in their jurisdiction, etc.

Territorially, before 1995 the SBDN oriented itself according to the former municipal structure, which found the organisation of Regional Chambres of Commerce, municipal administration and other institutional infrastructure to its satisfaction. The new administrative structure has, with the division of

municipalities and administrative units, dispersed the staff and discontinued the many programmes and connections underway, especially in the operation of municipal funds. Many new small municipalities were left without trained small business advisors, they therefore did not have expert knowledge and understanding of and an inclination to these activities. Due to the meagre municipal funding, and the conflict between municipalities and administrative units, the continuity of development activities was quickly broken. A number of these problems were overcome by 1998, for at the local level the key carriers of support had already realised the need to co-operate and focus resources on the most important programmes.

There is an even larger problem at the regional level, for the regions are not established as administration levels with specified organisational and financial resources, therefore regional forms can only be agreements between a certain number of municipalities within the traditional regions. In this event, it is very difficult to achieve co-operation in and the financing of more demanding projects without a greater input from the government, which is achievable only in a smaller number of projects (guarantee funds, technological parks).

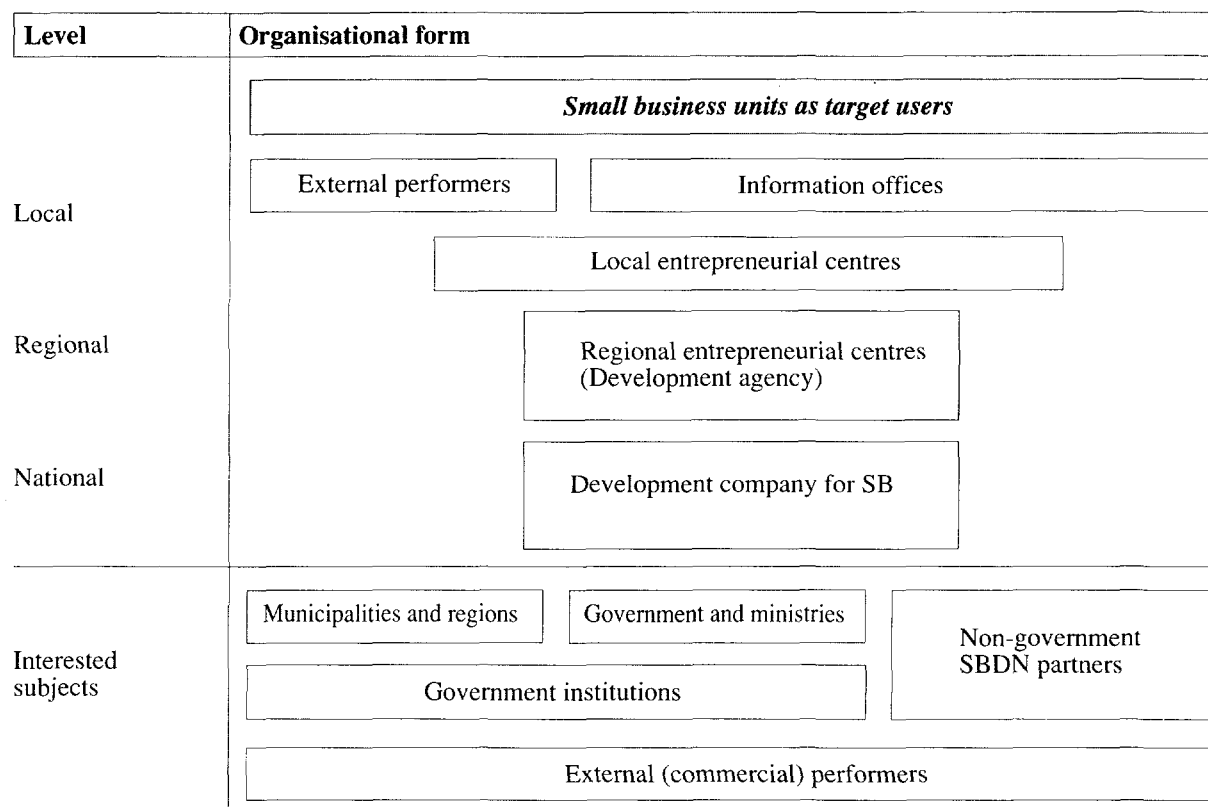
Even though Slovenia is small as a country (and as a whole does not have the same potential as stronger regions in developed EU countries, regions which are thought of as the base for future regional governments, which join strengths of other regions), this is due to the diversification of municipalities and great differences in the economic structure, development and suitable development orientations. It makes sense to think about the organisation of development at three levels: **national**, of key importance for international connections and transfers of experience; **regional**, which can be the starting point for larger, territorially defined projects and for trans-boarder co-operation; and **local**, due to the critical mass ranked above municipal (when taking into account smaller municipalities) and which would in many cases join two or more administrative units.

Table 3. Goals of encouraging small business development at individual levels

Level of development	Goals
Local	direct support for establishing new SB units making the environment attractive for entrepreneurs employment (working positions) development of the local territory covering the local needs of inhabitants (products/services)
Regional	efficient growth of SB units technological development, more demanding technologies economic development of regions larger projects with synergetic effects for the region
National	restructuring of the economy (filling in the gaps) promotion of entrepreneurial culture economic growth and employment export success and trans-boarder co-operation of regions
International	joining international integrations and competitiveness transfer of knowledge and technology development of international co-operations and joint investments trans-boarder regional co-operation more balanced regional development

The above goals cannot be achieved by coincidence, but only by ensuring the harmony of strategies and appropriate development programmes. We cannot meet these goals without the co-ordination of all activities of the many potential SBDN partners, alongside closer connection of the development of entrepreneurship and the development of local and regional areas. In the integrated approach, we therefore suggest a clear vertical organisation from the national to the local level and the co-ordination of programmes and resources of various support performers (in the horizontal and vertical lines).

Figure 6. Basic scheme of the support environment according to development levels in Slovenia



In the development of integrated support, it is essential to formulate appropriate solutions to traditional dilemmas of the development network, involving the following issues:

- relation of offer/execution of support means from the side of public or private organisations which are led by various motives,
- level of standardisation or differentiation of institutionalised support in all SBDN units,
- level of integration of all forms of support in one organisation (“one-stop-shop”) or offer in a number in specialised organisations which are connected information-wise,
- level of specialisation of organisations to small companies or openness to all companies,
- the experience and tradition of an organisation, and
- relationship in the meaning and in the offer of services at the national as compared to the regional or local levels of organisations.

In Slovenian conditions, a high quality connection of public and private (entrepreneurial) interest is of great importance, for in the past initiatives to develop the network mainly evolved from government or semi-government institutions, while the entrepreneurial part of business services developed spontaneously due to the needs of the companies identified and the programmes announced by the government.

Regardless of a certain resistance to the institutionalisation of development whereby some understand the SBDN to be an additional, parallel network alongside existing ones (employment offices, chamber network, local government), we are actually dealing with the development of a more efficient organisation, division of work and programmes, filling in the gaps in the organisation and integration of smaller areas which do not have the need and potential for their own organisation. The integral approach does mean the connection of two fields of operation: development of entrepreneurship and planning local/regional development. The development of such a spectrum of activities can also be gradual, for activities broaden when a certain degree of quality is reached in a specified field. The main

point here is the **local development initiative** and its placement in the Slovenian territory, for from it a lower local level is built (the informational point as the most basic part) and the entrepreneurial infrastructure projects and local/regional development projects are integrated upwards (see Figure 7).

Figure 7. Significance of combining public and private interests and resources for developing SB

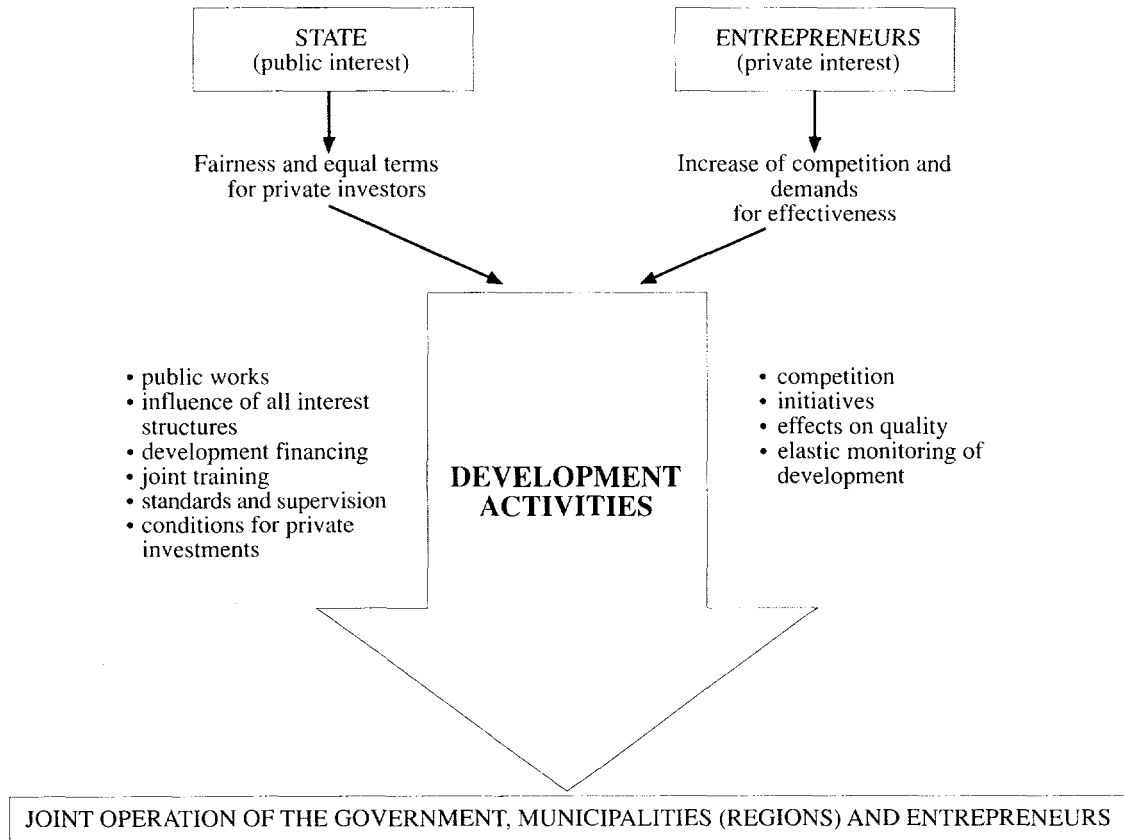
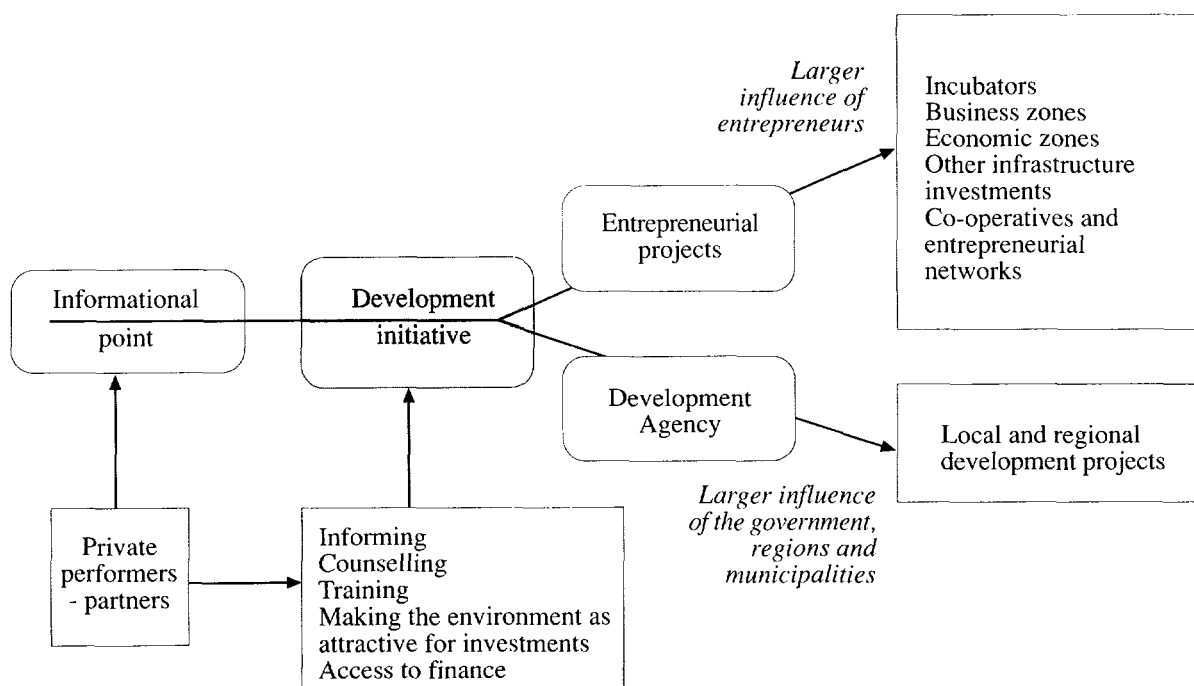


Figure 8. Scheme of duplicity in the development network's operations:



From this more complete organisation, with which we would cover all of Slovenia and at least ensure the quality of the starting point of support services within the next 2 to 3 years, we expect certain effects, which raise the advantages of the integrated approach, even though the concept also has potential disadvantages which must be taken into account to avoid them. We see the advantages mainly in:

- the planned construction of an organisational and content-wise quality support environment to the benefit to entrepreneurs and potential entrepreneurs, local (regional) community, the government and investors from other areas,
- connecting available expert, material and financial potentials of entrepreneurial infrastructure and achieving synergies,
- partnerships, and not opponents, among entrepreneurs, the local community and the government when developing individual areas,
- project joining of a larger number of municipalities and other organisations when resolving special problems and realisation of joint (regional) projects,
- joint development of instruments, programmes and support environment for the continuous and planned support of the development of local communities and regions from the side of various government resources,
- fast transfer of information between the government and local communities,
- a clearer overview of activities and the possibilities of evaluating the results achieved, advantages and disadvantages of various activities,
- growth of material, expert and financial capabilities of support organisations and taking over new development tasks,
- forming development cores and increasing local initiatives which will allow the greater influence of inhabitants and entrepreneurs on environmental development,
- more efficient resolving of the unemployment problem,
- higher efficiency and competitiveness of small businesses (better training, advisory support, information, research and development activities),
- lower negative influences of centralisation of all economic activities in Slovenia, preserving the many local, regional development centres and the populations of rural areas,
- better preparation for development projects in the EU, compatibility with the organisational structures of neighbouring EU countries, and
- better supervision of achievement of the anticipated results.

Experience from numerous countries shows that it is possible that the expected SBDN effects could be threatened. It is wise to take these dangers into account when planning the local and regional support environment to thus bypass them with appropriate organisation and sufficient technical support and to transfer experience from more developed local development environments. The disadvantages are especially:

- a rigid and quickly bureaucratised organisation structure (not enough influence of the entrepreneurs), who will not play their expected roles and will not achieve the co-operation of entrepreneurs and local communities,
- executioners that are not experienced and trained sufficiently,
- excessive use of funding for the sole existence/development and organisational operations of the support environment and not enough for the direct programmes,
- transforming the support centres into power centres at the local and regional levels (also by politicising the activities) which will not encourage, but only suffocate, the initiatives, influence the development and operations of the competition,
- initial blind enthusiasm and investments which would not develop into quality permanent activities (effects of the lack of planning and needed resources),
- norms and standards from the side of the government which would slow down the necessary flexibility as regards the needs and specific circumstances of individual fields,
- lack of funds which were anticipated (promised), delays in financing, and
- conflicts between potential partners at local or national levels which would prevent co-operation and joining of programmes.

It is true that a number of these potential weaknesses have so far already been seen in the SBDN's development in individual fields in Slovenia. Numerous prospective activities have stopped due to lack of finance, insufficiently trained and initial executioners, the large orientation to their own organisation and not to direct activities for entrepreneurs, withdrawal of partners from joining the funds and expert capabilities, etc. Answers to these problems particularly involve sufficient funding, the capabilities of obtaining local funds, well-trained advisors and their capabilities in communicating and organising, informational systems, etc.

According to the new scheme of local and regional network, it is necessary to take into account experience from existing networks of partners:

- disharmony in the level of organisation (some at the local, others at the regional level), it is therefore hard to connect them,
- various levels of autonomy in the decision-making process of local/regional units, especially from the viewpoint of programmes, expert resources, funding (for example, both chamber networks),
- lack of development function and initiative - development of new programmes, development instruments, training of performers,
- micro-location disharmony, which represent an obstacle to the access of entrepreneurs, for it takes more time to visit various organisations, problems with parking, etc.,
- lack of information sharing, whereby everybody gathers information on potential users by themselves,
- lack of educational and training performers, poor transfers of the best experience,
- needs for applying for various sources of co-financing at the national level; here a large amount of documents is needed and various state programmes are not linked,
- unequal coverage of the Slovenian territory,
- lack of legal, process and content experience in the development of infrastructural projects (entrepreneurial zones, incubators, financial funds), and
- unequal target groups of various partners meaning it is hard to harmonise programmes, etc.

The experience so far highlights the *key role of co-ordinators* of local/regional initiatives, their knowledge, experience and personal characteristics and the expert co-workers (advisors), for they have operated in an environment of extreme insecurity, unplanned development of the network and projects, and unreliable financing. The SBDN's success at the local level has been highly dependent on:

- personal characteristics and expert qualifications of the carriers of local initiatives,
- understanding local factors for the meaning of the local development coalition and success in joining municipal, administrative, chamber and entrepreneurial resources,
- lack of persistence in gradual development of support services by breadth (dependent on the available resources) and depth (demanding expert development of the performers),
- capability for obtaining government and international means and technical support for larger projects, which influences the available resources, expert development and satisfaction of the network members in their devotion to development,
- (lack of) flexibility of the organisational structure to include private initiatives,
- ability to personally communicate with the local development carriers, and
- capability of the advisors to develop their local networks (financial organisations, advisors, entrepreneurs) and introduce new initiatives, etc.

CHAPTER 4

DEVELOPMENT OF SMALL- AND MEDIUM-SIZED COMPANIES IN SLOVENIA AND SLOVENIAN MEMBERSHIP IN THE EUROPEAN UNION

Small businesses in Slovenia already play a decisive role in taking on excess workers created by the restructuring of large companies. This phenomenon is known across the world, whereby small companies are compensating for the reduced role of large companies in production and employment. We can expect that these processes will continue in both Slovenia and the rest of Europe.

The strategic document on the European Union's policy, the Agenda 2000, in the chapter relating to Slovenian membership and endeavours for economic growth (especially by increasing the importance of small businesses) enumerates a number of important positive and negative factors (see Table 4.). The disadvantages that it states have to be dealt with by structural measures which must be adopted at the national and regional levels.

Even though the field of small- and medium-sized companies is already by definition very dynamic, experience in all EU countries shows it is necessary (especially in today's very competitive environment) for governments to actively support the development of small- and medium-sized companies.

Table 4. Evaluation of the European Union as regards the positive and negative factors of the Slovenian

<i>Positive factors</i>	<i>Negative factors</i>
<ul style="list-style-type: none">• favourable geographical location,• relatively low salaries,• highly qualified work force,• relatively good communications and telecommunications infrastructure,• low inflation,• small budget deficit,• encouraging economic growth,• high exports,• market-oriented economy,• significant level of privatisation in the field of small- and medium-sized companies,• economic stability.	<ul style="list-style-type: none">• Unfinished reform of the financial system,• obstacles for foreign investments,• slow structural reforms,• high interest rates,• limited funds for research and development and technological development,• limitations in the field of industry,• under-capitalisation of companies,• weaknesses in the strategy of supporting small- and medium-sized companies,• limited funds for environmental protection,• high unemployment,• rigid work force market,• high level of grey economy,• slow restructuring of some areas of the economy and large companies.

All those involved in carrying out policy in the small business field therefore encounters two important challenges:

1. **Accelerating the quality and quantity growth of the small business field with the intention that domestic companies prepare themselves for being competitive on equal terms in the single European market.** In Agenda 2000, the European Commission gives Slovenia the status of relative underdevelopment. To encourage competitiveness, DG XVI (Directorate-General for the regional development strategy) will contribute considerable financial support through EU structural and social funds. Apart from that, it is also foreseen that all of Slovenia will be defined as "Target Area 1", to enable maximum subventions for investments.

For efficient use of European Union funds for regional development, preparatory measures for the necessary expert training must be undertaken. A project-oriented, administrative infrastructure cannot be avoided - must be available at the local and regional levels. If Slovenia repeats the system mistake that hampers the identification, preparation and execution of specific regional development programmes - through the partnership of private and government organisations - it would risk missing out on significant funds, as has already happened to some regions within the European Union. It would be even worse if weaknesses in restructuring the economy expose the small- and medium-sized companies to overwhelming competition - and thus threaten to halt economic growth.

The main characteristics of the European Union's regional development policy and programmes financed from structural funds are:

- the need for well-defined regional strategies and projects in the interests of local entrepreneurs and based on the specific needs of entrepreneurs and opportunities,
- accepting the concept of the "subsidiary", i.e. the transfer of authorisation for decision-making to the lowest institutional level - this includes decentralisation to the level as close as possible to the final users,
- unified approach; financial aid in the form of guarantees for loans or micro-loan schemes, for example, must be unified in a whole with advice and training for companies (in order to reduce risks), marketing and informing (leading to new marketing possibilities), infrastructure (to shorten the time of starting-up, cut costs so companies can focus on their main business activities), and
- accelerate the formation and fortification of quality private services, which must be competitive in accordance with the highest standards, able therefore to compete in the European Union markets.

2. Adjusting Slovenian legislation with European Union recommendations to preserve the growth of small business and investments: the recommendations of the European Commission (A multi-annual programme for small- and medium-sized companies within the EU's General Activities Programme in order to benefit small- and medium-sized companies) are based on the fact that small- and medium-sized companies (even though they are a dynamic source of employment, development and wealth creation) are already by their nature weaker and more susceptible to failure, especially during their first years. The relative weakness and vulnerability of small- and medium-sized companies emerges primarily from the following five factors:

- increasing complexity of the legislative, fiscal and administrative environments,
- difficulties in accessing research programmes and in the use of research results,
- structural weakness of the leadership capabilities of small entrepreneurs and poorly adjusted training programmes,
- difficulties due to lateness of payments and obtaining finance at an acceptable price, and
- obstacles to accessing the market of products and services.

To achieve the maximum contribution of small- and medium-sized companies to development, the goals of the strategic policy of the Community, based on two linked programmes (the Integrated programme for small- and medium-sized companies and the Multi-annual programme for small- and medium-sized businesses) are the following:

- encourage an environment which stimulates the development of small- and medium-sized companies in the European Union, and
- improve the competitiveness of European small- and medium-sized companies and encourage their Europeanisation and internationalisation.

The Community's measures set the following priorities:

- administrative simplification of the administrative and regulatory environment for entrepreneurs,
- informing,
- training and development of entrepreneurial support for special target groups: the unemployed, youth, women, disabled persons, etc.,

- innovations and technology transfer,
- the environment,
- Europeanisation and internationalisation, especially with improved informational services over the entire territory of the European Union,
- the financial environment, and
- counselling and leading policies.

In order to bring the development policy in line with the above stated points, we have to clearly stress the importance of delineating the jurisdictions of a number of Slovenian ministries and institutions that regulate the fields of development of small companies, regional/local development, industrial development, employment and work force, innovations, science and technology, agriculture, education, the Chamber of Commerce and Industry, the Chamber of Crafts, etc.

In its multi-annual programme¹, the European Commission also clearly defines the role of the Euro Info Centres network and the other networks of the European Commission (for example, BC-NET, BRE, SCAN, etc.). Euro Info Centres are, with strong links to other European Commission networks, links with other European Commission offices, links with national and regional partners and business services, supposed to play the role of a "First-Stop-Shop" for all European programmes and have an important role in the internalisation and Europeanisation of the activities of small- and medium-sized companies.

Each of these institutions is already operating in accordance with its specific role, jurisdiction, programmes and instruments, which are of direct interest for small- and medium-sized companies. When activities at the regional and local levels commence, all of the institutional partners in a country as small as Slovenia should orient themselves to using the same infrastructural networks (local or regional development centres) and human potential (staff in these centres, private advisors). The use of the development network for small businesses enables minimal programme running costs (costs for infrastructure, promotion costs, running and supervision costs, costs of education and training) and activating additional local financial sources, from municipalities as well as from private investors.

This reason will become even more important for an increasing number of programmes - for example, for innovations, financing small- and medium-sized companies and high risk capital, informing, agriculture and tourism, craftsmanship, etc. - and an increasing amount of funds will be available to Slovenia when it joins the European Union.

NEW TRENDS IN THE SMALL- AND MEDIUM-SIZED COMPANIES DEVELOPMENT POLICY

Table 5 shows the current/planned new development strategies for companies in fields and countries for the period between July 1996 and April 1997. We should treat the new measures and programmes as a broadening of the existing frameworks of the development policy for small- and medium-sized companies. In some countries such as *Liechtenstein*, *Switzerland*, *Ireland* and, to some extent, also *Great Britain*, we can evaluate the development policies for small- and medium-sized companies more as the constituent element of the economic policy and not as leading a selective and directed policy. In other countries like *Belgium* and *Germany*, the federal government empowers the regional governments to run a selective policy in favour of small- and medium-sized companies. Due to the complexity and variability of regional strategies for small- and medium-sized companies, the development trends (shown in the table) are mainly restricted to national and federal strategies.

¹Third Multiannual Programme for SMEs in the EU (1997-2000)

Table 5. Executed and planned national measures by fields and countries, 1996 - 1997

Country	Business environment	Financial environment	Internationalisation and informing	Work force, training innovations			
	Administrative burdens	Zamude payments	Finance	Internationalisation	Informing	Work force	Inovations
Avstria	X		X	X		X	X
Belgium	X		X	X		X	
Germany	X		X	X	X		X
Danmark	X		X	X	X	X	X
Finska	X		X	X	X	X	X
Franland	X	X	X	X	X	X	X
Greece			X	X	X	X	X
Island			X	X		X	
Ireland	X	X	X	X	X	X	X
Italy	X	X	X	X	X	X	X
Liechtenstein	Only general economic strategies; no direct support measures for SB						
Luksembourg	X		X	X		X	X
Netherlands	X		X	X	X		X
Norway			X		X	X	X
Portugal	X		X	X	X	X	X
Spain	X		X	X	X	X	X
Sweden	X			X	X	X	X
Switzerland	X		X	X		X	X
Great Britain	X	X			X	X	X

Source: ENSR, 1997. Note: X - represents an executed or planned measure

Business environment

Development measures and policies which try to improve the business environment are mainly intended to make administrative procedures easier. This development includes changes to, reducing or terminating the existing administrative procedures linked to running companies (legislatively defined revisions, accountancy and statistical demands), joining centres and concentrating contacts in one place (for example "one-stop-shops") and a number of reforms/changes to the taxation system (for example, reducing tax levels in favour of small- and medium-sized companies or making tax returns easier).

Financial environment: lack of payment discipline and financing beginners

Only a small number of countries have adopted measures for ending problems connected to the lack of payment discipline - this is a problem which mainly effects small- and medium-sized companies. Measures deal with the lateness of payments from the side of state governments, calculating interest for non-paid amounts and speedy legal proceedings for fast debt collection. For financing beginners, a number of countries have broadened their support portfolios, especially with new loan lines, subsidised loans and, with this, related supplements for costs and reductions in social security contributions.

Other financial aid

Apart from financial assistance to beginners, they have also introduced a number of new measures in order to strengthen the financial aid to small- and medium-sized companies. These measures are most

commonly linked to specific fields or business activities and are therefore not available to all small- and medium-sized companies. The new instruments available to small- and medium-sized companies include supplements, subsidies and loan guarantees. A great amount of effort has also been invested into improving the access of small- and medium-sized companies to high risk capital.

Innovations and research and development

New measures oriented towards the acceleration of innovations, research and development in small- and medium-sized companies include a variety of financial assistance (for example, forming new lines of high risk capital or funds for co-participation), tax relief, and subsidised salaries of those employed in research and development (especially university graduates and staff holding PhDs), stimulating co-operation with research centres, universities and other companies, specialised training for innovative entrepreneurs and introducing new technologies.

Internationalisation

Practically all countries have introduced a number of strategic initiatives aimed at developing the internationalisation of their small- and medium-sized companies, especially by accelerating exports, paying special attention to the many growth markets in Latin America and Eastern Europe. Measures include financial support in the form of guarantees, short-term loans and specific training and counselling.

Information

Most European governments have used strategic initiatives intended for easier understanding of the general access to information of small- and medium-sized companies. New measures are mainly aimed at centralising the sources of information in centres where everything is available at one place (“one-stop-shops”), either physically, at the local level, or through the Internet.

Work positions

Most European countries have used additional measures to encourage the opening up of new work positions in small- and medium-sized companies. The instruments used have been concentrated on flexible choices in regulations concerning the labour market, exemption from tax payments when employing new cadre, reducing social security contributions and training courses for special groups.

ORGANISING SMALL BUSINESS DEVELOPMENT IN SLOVENIA

In the first part we defined the contents of SB development, the Slovenian experience so far and some experience from EU and other countries useful in the discussion on Slovenian development. On this basis, the project group formed the following expert proposals for the organisational structure of an integrated approach to entrepreneurial and local economic development.

CHAPTER 1.

GOALS OF THE SMALL BUSINESS SUPPORT NETWORK

In order to develop small businesses, we need, apart from suitable micro-economic government measures, a stable economic, legal and political system, as well as measures at the entrepreneurial level with which we encourage the creation and development of new business units. The goals of the support network at this point concord with the goals of the Slovenian Development Strategy for Small Business (1996):

- encourage further creation of new business units,
- accelerate the growth of existing units and thus gain new work positions,
- ensure greater efficiency of small companies and their competitiveness within Europe,
- support entrepreneurs with a number of services and support programmes in points where they encounter problems and do not have sufficient knowledge and experience,
- encourage entrepreneurs to join entrepreneurial networks in order to fulfil more demanding goals in the development of technologies, new markets, especially exports,
- join entrepreneurs with local development activities due to local/regional development, and
- reduce the proportion of unsuccessful companies and limit the economic and social consequences of unsuccessful entrepreneurial ideas, etc.

Here, the SBDN is not only restricted to existing small companies, for with its promotion of entrepreneurship it reaches into the animation phase in order for Slovenians to think about business opportunities before establishing any company and, at the same time, by encouraging internal entrepreneurship it can also intervene in the restructuring of large companies.

The state's goals in establishing the integrated concept, apart from the direct goals, are:

- | |
|---|
| <ul style="list-style-type: none">• with the joint development policy combine all government and non-government partners and their programmes leading to a better focus of resources on priority target groups,• thereby also ensure a better view and efficiency of the use of budget funds and draw in more funds of inhabitants, companies and financial organisations for the development of SB,• establish to a greater extent the concept of self-initiative, entrepreneurs basing their work on their own capabilities instead of passively waiting for government support, and• prepare the Slovenian economy for greater EU competition pressure and, at the same time, prepare them for use of new structural funds and direct entrepreneurial combinations. |
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CHAPTER 2.

APPROACH AND CO/OPERATION AT THE NATIONAL LEVEL

Due to Slovenia's relative smallness, several tasks for accelerating the development of small businesses are being formulated at the national level.

Small Business Development Policy

EU countries have differently organised jurisdictions in the small business field. For a significant period of time, Slovenia has also had an independent Ministry of Small Business, which has encouraged thinking as concerns the more unified organisation of development and started to create the Fund for developing SB and the SBDC simultaneously with initiatives offering an entrepreneurial infrastructure (incubators, local funds for SB financing) and setting up normative frameworks. The SB field was later incorporated into the MEA, where it was somewhat ignored due to the socially and politically more sensitive problems of restructuring large companies and their related ownership issues. However, circumstances have changed with the forming of the Ministry of Small Business and Tourism (MSBT).

The MSBT is therefore the resource ministry in Slovenia supposed to realise the SB development policy and guide the crucial development activities at the national level through its expert bodies. In formulating and implementing the SB development policy, the Ministry should therefore co-operate with:

- other ministries influencing the operating conditions of small companies and the development and animation of entrepreneurial culture and potential in Slovenia,
- non-government organisations that represent SB interests (the CCI, Association of Entrepreneurs of Slovenia, CCS) and are an important partner in formulating the instruments of this policy,
- expert institutions that have formed alongside the Ministry at and realisation of the SB: the SBDC, the Fund for SB Development, the Office for Promotion of Slovenia and Foreign Investments,
- local and region institutions, where they deal with special SB problems in individual fields, and
- other expert and interest organisations dealing with SB.

Therefore, the MSBT's key functions in the field of SB are:

- formulating a strategy of SB development and an operative policy of accelerating its development,
- proposing adequate legislative solutions to take into account the characteristics and problems of SB,
- defining the budget resources necessary for developing SB and the execution of technical procedures for tenders of development programmes/projects, in co-operation with the SBDC,
- linking up with foreign government institutions in the field of SB and making use of their experience in Slovenia,
- arranging foreign technical support in the fields of SB, etc., and
- promoting entrepreneurship and entrepreneurial culture in Slovenia.

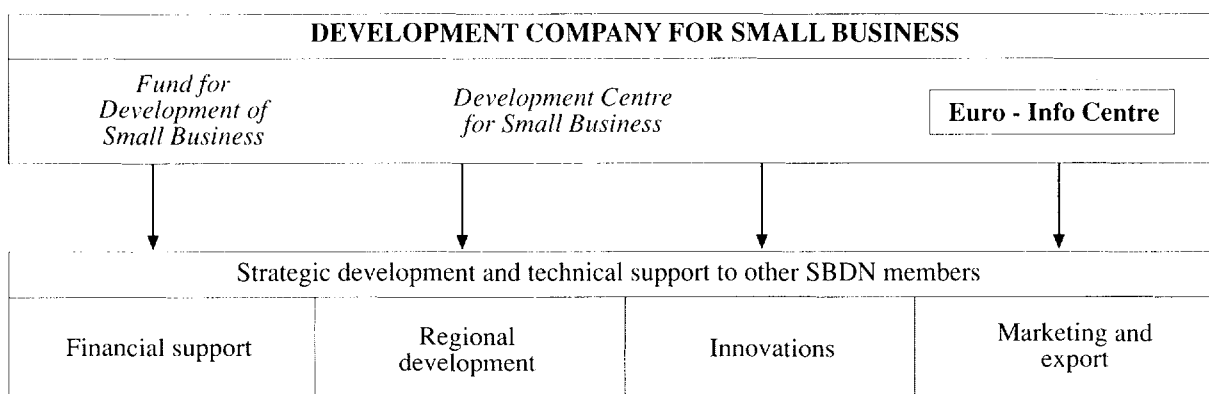
Current issues in these fields particularly include laws on accelerating the development of SB, simplifying administrative procedures, introducing value-added tax, introducing tax incentives for employment, investments in new technologies, development of new local/regional development (and development of the SBDN) and the effects of approaching the EU. The MSBT should pay more attention to the policy and development measures in other ministries which sometimes do not take into account special impacts on small companies (greater emphasis on deregulation), especially at the Ministry of Finance.

It is essential for the MSBT that it connects through experts to a greater extent with the SBDC and with analytical and research organisations (Institute of Macroeconomic Analysis (IMAD), universities) and that at the same time it strengthens the expertise for work in their field. If it adopts the Development Strategy of Small Businesses (1996) as the starting point for its work, it would have to systematically develop activities in the foreseen fields of long-term SB development. An essential task would be to ensure a sufficient share of budget funds for developing SB and linking with other ministries in joining resources for joint activities. In 1998, the MSBT already achieved an increase in budget funds going to it.

Development Company for Small Business

In the past the SBDC was imagined as an expert institution responsible for SBDN and FSSB development as the main financial organisation and, as an important activity within the SBDC framework, the Euro Info Centre (EIC) was formed. During its development, these organisations had their successes and failures. In order to achieve more unified support for small companies, we suggest these institutions should be merged into the Development Company for Small Business (DCSB) as a unified, expert institution.

Figure 9. Organisational scheme of the Development Company for Small Business



Operational field	Informational system for the SBDN and small companies Development of support programmes performed within the SBDN Performing development activities (and SBDN development) Financial stimulation for SB Development stimulation (local/regional level)				
Key activities	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Human resources in the SBDN</td> <td style="border: none;"> - Licensing advisors - Training advisors - Ensuring advice quality </td> </tr> <tr> <td style="border: none;">Project management</td> <td style="border: none;"> - Preparation of public tenders - Project administration (from approval to conclusion) </td> </tr> </table>	Human resources in the SBDN	- Licensing advisors - Training advisors - Ensuring advice quality	Project management	- Preparation of public tenders - Project administration (from approval to conclusion)
Human resources in the SBDN	- Licensing advisors - Training advisors - Ensuring advice quality				
Project management	- Preparation of public tenders - Project administration (from approval to conclusion)				

Within the DCSB, all of the development and co-ordination tasks in the field of small business are merged together in one institution. The DCSB's tasks would be:

1. *Strategic development of SB:*

- development and introduction of new support services and instruments (tools) of development with the co-operation of experts from across Slovenia,
- co-operation with international centres for small business development and knowledge and experience transfer from abroad (mainly through the Euro Info Centre), and
- promotion of entrepreneurship and entrepreneurial culture in Slovenia.

2. *Organisational (institutional) support for SBDN development:*

- technical support to forming and existing local/regional entrepreneurial centres,
- initiative for forming centres and for work of SBDN members in areas without centres,
- organisation of training and education of the network staff,
- licensing and monitoring the quality development of advisors,
- co-ordination of the informational centre for SB development as a tool for the entire SBDN operation.

3. *Management of certain joint projects/programmes:*

- co-ordination of programmes/projects between SBDN partners,
- preparation of public tenders for jointly agreed programmes/projects and activities being carried out through the DCSB and financed by the MSBT.

4. *SB development analysis and suggestions to the government and SBDN partners for the strategy and policy of SB development:*

- systematic long-term monitoring of SB development and guiding studies into specific small business problems,
- mediating the standpoints of SB and SBDN experts as regards SB (representing the interests of SB together with the SBDN partners), and
- proposing measures necessary at the national level.

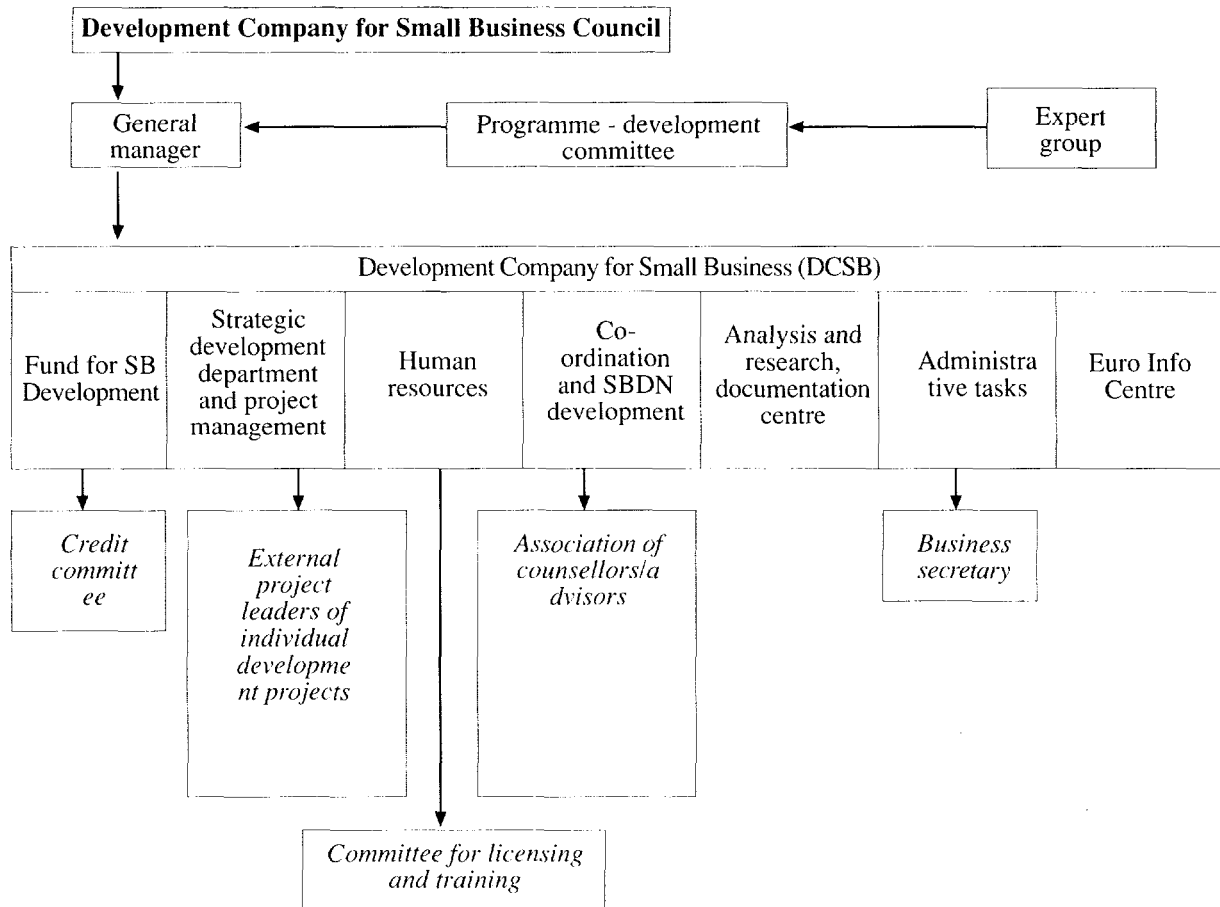
The DCSB would thus represent the **expert core of the SBDN** (with its staff, experts within the SBDN framework and other researchers and experts in Slovenia), which would be added to the resources for analysis, strategic development and administrating/co-ordinating the SBDN.

The arguments for merging the Fund and the current SBDC into a single, unified DCSB are as follows:

- reducing the numbers of institutions and possible savings in general administration costs,
- cadre reinforcement in the DCSB and better use of the expert knowledge and capabilities of the DCSB staff as regards the unequal extent of the work of both institutions during the year,
- a more unified coverage of SB needs (connecting financial support and “soft” services) and thereby improving the status of advisors versus entrepreneurs,
- easier adjustment of the development programmes of both institutions, and
- a stronger partner to other ministries and the chambers in introducing additional tasks and support for all programmes related to small business.

The DCSB’s internal organisational scheme can be flexible, but in any event the staff should cover the specified tasks enumerated above. In its work, the DCSB would have to favour various forms of including the employed as well as external co-workers. The possible organisational scheme for discussion follows (see Figure 11).

Figure 10. The scheme of the Development Company for Small Business' possible organisational structure



The DCSB could follow the SBDC concepts which, within the context of specific sections, have brought together the interested expert co-workers from local/regional centres, advisory and other organisations as well as SBDN partners and, accordingly, it could include:

- *an association (section) of SB counsellors/advisors*, where advisors would resolve certain expert, development issues and possible disputes (in relation to introducing the code of advisory work),
- *a section for financial support* that would join co-workers dealing with expert issues involving various forms of SB financing (funds, business banks, insurance companies, high risk capital),
- *a section for entrepreneurial culture* that would cover incubators, technological centres, entrepreneurial zones, etc.,
- *a section for the promotion of entrepreneurship*, which would cover a whole array of promotional activities from various fairs, SB representations, publications, media presentations, and
- *the SEIN (Slovenian Entrepreneurial Innovation Network)*, which connects innovators, especially in their representations at home and abroad.

Within the context of these sections or committees, the DCSB could also encourage the formation of various interest links (*entrepreneurial networks*), for example, an association of family companies, a section for women entrepreneurs, an association of organisations for entrepreneurial education and training, a consortium of Slovenian organisations (for applying for international tenders), etc. For the DCSB's efficient work, organisation of the *programme - development committee* is of particular importance. This committee would bring together experts for SB and representatives of interest groups and organisations and allow them a more direct approach in warning about entrepreneurs' problems, the need for additional SBDN activities and weaknesses in the territorial coverage of the network. This committee would lean on the expert group, which would include all individuals who can contribute to

the operation of the DCSB and the SBDN at various levels. With these forms, the DCSB would ensure an influx of innovative suggestions as regards support services, exchanges of experience, coverage of various fields of entrepreneurial promotion, etc. The committee and the expert group could also efficiently cover the expert side of integrating partner's programmes into the operations of the SBDN, for then it would be also easy to include experts from all other fields.

Due to budget restrictions and restricted expert sources, the DCSB would have to, apart from their own staff - which would have to be at least administrative-technical, include all fields of work, rely on **external co-workers** as project leaders or carriers of tasks in a shortened working time, and partially also on **expert organisations** as carriers of development projects. With this it would be easier to include experts with diverse knowledge, rely on their experience and at the same time encourage them towards more thorough expert work, for it would facilitate their promotion at home and in international co-operation. It could also use their technical resources to a greater extent and thus save its own equipment.

To provide the DCSB's acceptance in the entrepreneurial community, we would have to ensure a stronger presence of entrepreneurial associations in the DCSB council, in the programme-development council as well as ensure the more efficient communication and co-ordination of activities with these associations in the annual planning of the DCSB's operations.

As concerns its status, the DCSB (which would by design be a non-profit public institute) should have independence from its establisher, the RS Government or, to be more precise, the MSBT as the resource ministry and other government SBDN partners and, at the same time, it should be directly responsible for the expert quality, achievements in SB development and efficiency in using budget funding.

This means that planning of work in the DCSB would take place:

- on the basis of the Small Business Development Strategy in Slovenia as the main concept,
- by taking into account the analysis of SB development and the SBDN's achievements in the previous period, the DCSB should prepare a business plan of its activities for a period of between 3 and 5 years, in which it would ensure the co-ordination of support programmes with other partners,
- every year the DCSB would propose to the Council an operating and financial plan as part of budget preparations,
- for individual projects, the concept of **project management** would be introduced with expert preparation of projects (terms of reference), tenders for performers, choosing performers and project leaders on the project proposal of performers and the budget and then ensure the monitoring of projects (if needed also a project council in the event that these tasks would not be covered by the DCSB council itself), and
- individual sections would have to put forward their **section operating and financial plans**, if they rely on the financial and expert support of the DCSB, etc.

Project leaders could come from the ranks of DCSB staff, or be experts from units within the SBDN network with references (knowledge, experience, organisational capabilities) or other experts from Slovenia or abroad. We should anticipate for all sections the following cadre:

- section leader,
- carrier of the administrative-technical activities (from the DCSB staff or some other organisation within the SBDN), and
- carriers of individual activities from the annual operating plan.

At the same time, the monitoring of the execution, running and final evaluation of the achievements is of vital importance for all DCSB activities. The DCSB should also use the possibilities of expert evaluation from the side of an independent expert from a sub-contracted expert organisation.

International co-operation of all departments and sections within the DCSB should take place technically through a specified contact point in the DCSB in order for it to be clearly visible, for documentation to be easily collated, etc. We foresee that this role would be played by the Euro Info Centre.

For the DCSB's operations the content and technical execution of the **information system** is of vital importance. This should include:

- their own information input: as regards tenders, activities of the DCSB and other SBDN partners, local/regional entrepreneurial centres, sections (from operating plans, activities, working reports, etc.),
- access to information systems of their partners (according to agreed criteria and terms) for SBDN members and entrepreneurs,
- access to international Euro Info Centres' activities,
- access to certain informational sources on the Internet,
- periodical publications (DCSB Informer, EIC News) on activities, maybe even occasional publication of DCSB documents, SB studies and analysis, and
- direct communication of DCSB staff with local and regional entrepreneurial centres, partners, entrepreneurs, entrepreneurial associations, etc.

The role of the Euro Info Centre (EIC) in the SBDN development strategy

EIC tasks and activities

The key task of the EIC network (currently including 251 centres operating in EU, Central and Eastern European as well as Mediterranean countries) is developing and encouraging the Europeanisation of small- and medium-sized companies: for example, support to small- and medium-sized companies so they can develop beyond their domestic markets, seeking commercial, strategic, technological and financial partners in the EU.

EICs play the role of a "one-stop-shop" (i.e. centres where everything is available at one place) between small- and medium-sized companies and the EU, EU networks and national institutions and support programmes.

The EIC's ability to function well is of special importance to Slovenian small- and medium-sized companies, for the small domestic market emphasises the need for a high export orientation. This demands from small companies that they are capable of facing the pressure of great competition in the unified European market through forming a business partner network within the EU.

The Euro Info (Correspondence) Centre in Slovenia operates within the framework of the SBDC and was established under an agreement between the Slovenian government and the European Commission - DGXXIII. Already by next year, the Euro Info Centre will become a full member of the Euro Info Centres network, allowing it additional advantages (financial support from EC-DGXXIII, better possibilities of co-operation in EU programmes/projects and in the decision-making processes of DGXXIII), as well as more obligations, especially in the sense of introducing services for individual specific EU fields. The EC DGXXIII continuously evaluates the work of individual Euro Info Centres as well as the capability of performing the obligations of the main organisation towards the Euro Info Centres in the sense of ensuring the conditions for undisturbed work.

The General Directorate XXIII, which runs the Euro Info Centres network, offers the network members the following:

- specialised training courses for employees of Euro Info Centres,
- possibilities of co-operating in specialised, expert and/or working groups for individual specialist EU fields,
- annual conferences and other working meetings ensuring an exchange of the best experience between Euro Info Centres,

- appropriate information tools, databases, etc.,
- informational and promotional material, and
- European Commission documents dealing with small- and medium-sized companies and small- and medium-sized company policies, etc.

Euro Info Centres do not operate solely as informational centres but also as business centres whose main tasks are:

1. Informing,
2. Passing on advice for specialist EU fields,
3. Organising or co-operation at organising business meetings, and
4. Offering support in joining EU programmes and projects

When choosing the carrying programmes it needs to be stressed that:

- some programmes evolve from contractual obligations from being in the Euro Info Centre network,
- the choice of individual programmes and priority of performing individual programmes depend on the needs of users, and
- the choice of programmes may also be defined by a Euro Info Centre's specialisation.

Recently, it has become obvious that Euro Info Centres in Central and Eastern Europe must fulfil the following obligations:

1. Obligations of the Euro Info Centre to EC DGXXIII and the Euro Info Centre network,
2. Obligations of the Euro Info Centre to government institutions and/or projects related to Slovenia joining the European Union, and
3. Obligations of the Euro Info Centre to small- and medium-sized companies and other users.

The EIC's services are clearly visible in the following table.

EIC services/programmes

No.	Programme/Service	
1.	Informing: a) in general	<p>Within the Euro Info Centre it is possible to obtain:</p> <ul style="list-style-type: none"> • general information on the EU, EU Commission and other important institutions or contact addresses, • information on EU legislation, tax policy, statistics, environmental protection, economic and monetary policies, technical standards, education, • information on EU programmes and projects, • business information (potential business partners, business meetings, fairs, conferences). <p>The Euro Info Centre obtains information through the Euro Info Centre network and other domestic and foreign information sources. Informing users takes place through various media, public presentations or through personal contacts. Material which comes to the Euro Info Centre from the European Commission or from other partners can be viewed at the Euro Info Centre - Documentation centre.</p> <p>Users: government institutions, companies, individual entrepreneurs and craftsmen, students, SBDN</p> <p>Main partners: EIC network, other information sources</p>

	b) specialised	<ul style="list-style-type: none"> • additional value is demanded - i.e. interpretation of project preparation • introduction of specialised and thematic hours/weeks on Euro Info Centre premises, where we foresee the involvement of individual advisors - specialists for individual advice fields, who will occasionally give advice on the EIC's premises • The EIC itself will specialise in individual EU fields leading to higher quality services <p>Users: companies, individual entrepreneurs and craftsmen Main partners: EIC network, the SBDN</p>
2.	Offer and demand exchange	<p>The demands and offers of foreign partners are available through the EIC network, of course this is also true in the other direction: our companies have the possibility to send their offers via the EIC network.</p> <p>Users: companies, individual entrepreneurs and craftsmen Main partners: EIC network, other information sources, the SBDN</p>
3.	Documentation centre services	<p>In the documentation centre one has access to many different types of material (published, non-published) on various media (Internet, CDs, library systems) Users can also take home material which is available in more than one copy.</p> <p>Users: government institutions, companies, individual entrepreneurs and craftsmen, students, the SBDN Main partners: EIC network, libraries and INDOK centres, other informational sources</p>
4.	Joining EU programmes such as: (co)organisation of business and other meetings (Interprise, VISA, Interlignum, IBEX, ISPO, etc.)	<p>The Euro Info Centre regularly (co)organises international business meetings with other partners from the EU, Central or Eastern European or Mediteranean countries.</p> <p>Users: companies, individual entrepreneurs and craftsmen, occasionally also the SBDN Main partners: EIC network, SBDN</p>
5.	Introducing EU programmes	<p>The application procedures for EU programmes demand expert qualification and specific knowledge, therefore we also foresee the transfer of appropriate knowledge firstly to the SBDN and through them also to the rest of the users - mainly small- and medium-sized companies.</p> <p>Users: companies, individual entrepreneurs and craftsmen, the SBDN Main partners: EIC network, the SBDN, government institutions - especially ministries</p>
6.	Publishing	<p>One of the main EIC services in the future will be publishing - the most important EU publications will be translated into the Slovenian language. Users: companies, individual entrepreneurs and craftsmen, occasionally also the SBDN Main partners: EIC network, the SBDN, GV</p>
7.	Education	<p>Here, we are thinking mainly of:</p> <ul style="list-style-type: none"> • educational programmes intended for the SBDN and advisors who also wish to specialise in individual EU fields, to become information mediators, etc. • educational programmes for searching through domestic and foreign library systems <p>Users: mainly the SBDN Main partners: EIC network, informational sources</p>

Strategic role of the EIC within the small economy development network

The role of the Euro Info Centre as a “gateway to Europe” will become of great importance as the Slovenian membership in EU is approaching.

EICC (in the future EIC), RBC, LBS and advisors have to co-operate closely in a connected system and have to endeavour to achieve and include the following strategic synergies throughout the entire Slovenia territory:

1. EIC is a major element in the network strategy and image on international as well as domestic level, for it accelerates the achievements of the following SBDC goals as well as goals of institutional partners:

- *To be a “one-stop-shop”* (i.e. a centre where everything is available in one place) *for all EU programmes and initiatives*; with this it supplements the same function of local and regional business centres. The result is *“service marketing” and greater connection of information and support* (for example entrepreneurs, who would show an interest for financing, would be provided with advice on EU programmes, which are available and on Slovene tenders and vice versa), which enables greater recognition. In such a way it is possible to make contacts and offer services to a greater number of increasingly successful small and medium-size companies;
- The key instrument in the hands of the advisors for marketing - and more in general all advisors for small businesses who have the licence within the small business development network. Slovenian small and medium-size companies and Slovenian institutions, which support these small and medium-size companies could never obtain information in such quantities, so cost efficient and so fast, obtain the most efficient tools of the informational society or have possibilities for training, access to the most successful cases in practise, international meetings, etc., were it not for EIC.

2. In the other way round the small business development network is useful for increasing the accessibility and influence of EIC and therefore also for increasing competitiveness and international qualifications of Slovenia within the unified European market. EIC can benefit from the following synergies, which it must develop within the frame of its relations with the small business development network:

- *Increasing the number of small and medium-size companies, with which contacts are made and to whom services are offered.* Activities of LBC, RBC and their advisors (especially those who are specialised for marketing) enable EIC to gain access to more entrepreneurs, which is a consequence of “easier access”, which is achieved due to: covering the entire territory of the Republic of Slovenia, co-operation in the informational system of the small business development network. The consequence of the partnership with the small business development network can therefore result in a strong increase of EIC influence on the Slovenian economy: this could never be achieved only in the EIC Ljubljana premises.
- *Raising the quality of offered services.* Joining the small business development network system enables the use of the experience of staff and licensed advisors, the work of whom is regularly monitored and is improved and updated through the initiatives for permanent learning and training from the side of the Development Company for Small Business.
- *The possibility that the EIC support is integrated with other forms of support to small and medium-size companies (for example giving advice from the side of SBDC partners, financial support, given by local communities - and in future Structural funds).* This is reflected in lower general administration costs and additional sources of income and knowledge: for EIC’s, as well as for LBC’s, RBC’s and advisors.
- *Support at establishing foreign small and medium-size companies in Slovenia.* Foreign small and medium-size companies could use the same advisory services and support (seeking partners, choosing location, co-operation with local communities, industrial zones, banks, trade unions), which are becoming services included already in the standard offer of RBC’s and LBC’s to Slovenian entrepreneurs.

Co-operation with the Slovenian Trade and Investment Promotion Office (TIPO)

The task of the Slovenian Trade and investment promotion office is to support the development of international co-operation of the Slovenian economy. The role of TIPO will increase significantly after Slovenia joins the EU, for there will be a number of ensured EU initiatives for investments from the Structural funds², as there were in Ireland, Spain, Portugal, etc.

The Office activities will be performed on the basis of two main guidelines:

- searching for foreign clients - direct investors and ensuring support at establishing new companies ("new investments" or joint investments). This demands appropriate capabilities in order to find the partners and then help them at their negotiations in relation to the investment: choice of location, leading negotiations with local and central governments, trade unions, banks, local advisors, etc.

The programmes for accelerating foreign investments must include a strong regional component, at which they must take into account the existing partnership connections between Slovenian and foreign small and medium-size companies, specific regional advantages, availability of local initiatives and locations with appropriate infrastructure, etc. This demands a very thorough regional basis for development programmes.

- helping Slovenian companies to develop on the international level, helping them at their search for foreign partners, participating on exhibitions abroad, developing connections with foreign partners.

The synergy between Trade and Investment Promotion Office and Small Business Development Network - Euro Info Centre, RBC, LBC, network advisors, network partners is related to the following service fields:

- defining and performing strategies of integrated development and programmes, in which the promotion of foreign investments is an important component,
- developing a joint infrastructure for industry: business and industrial zones. European small and medium-size companies - i.e. Italian and German - pay a lot of attention to industrial premises, which are available at a low price, prepared for use and have a finalised infrastructure,
- seeking partners,
- participation at international fairs, meetings, exhibitions, etc.,
- developing programmes and centres for signing contracts with foreign producers in the industry field,
- individual advise to companies, of which specialist licensed advisors, who work within the small business development network, offer help at establishing joint companies with foreign partners and at this take advantage of the PHARE JOPP programme. This relates to the phases of business planing, establishing a company (support includes legal aid, logistics, taxation and similar), training local cadre in the preliminary phase,
- develop the capabilities and knowledge for international marketing at the Slovenian advisors,
- preparation of databases on available industrial premises,
- preparation of databases on leading Slovenian small and medium-size companies.

Co-operation with other partners in Slovenia

In the role of the "first-stop-shop" EIC will make contacts for European programmes also with all other institutions, networks or systems which perform activities from the EU field or preparation of Slovenia to join the EU (for example The RS Government Office for European Affairs, European Documentation Centre, etc.). It is also of great importance that it forms business contacts also with national co-ordinators of European programmes as well as with educational institutions because of the introduction of EU elements into their educational programmes.

²Agenda 2000 foresees the entire Slovenian territory to become region "Goal 1" that it will be a territory for which the appropriate highest gross subventions are order.

Support services on the national level

DCSB would have to have informational access to all programmes and projects from all SBDN partners, which deal with small businesses. The emphasis should be mainly on co-ordination, monitoring, supervision and evaluation of the following activities:

Table 6. Activities at basic support services on the national level

<i>Field</i>	<i>Tasks of the Development Company for Small Businesses</i>	<i>Carrier</i>
Informing	<ul style="list-style-type: none"> • co-operation at the development of the informational system for small businesses, development strategy and co-ordination 	EIC, development - project group
	<ul style="list-style-type: none"> • annual operation and financial plan for informing 	EIC
	<ul style="list-style-type: none"> • defining standards of the informational equipment for LBC / RBC (equipment, staff qualifications) 	EIC, development - project group
	<ul style="list-style-type: none"> • access to the informational system of partners - agreement as regards the criteria and conditions, technical solutions 	EIC, development - project group
	<ul style="list-style-type: none"> • co-ordination of data collection and documents for Internet homepages, and supervision of entering information into the informational system and the use of this information 	EIC
	<ul style="list-style-type: none"> • entering information into the informational system 	carriers of individual data
	<ul style="list-style-type: none"> • organising DCSB homepages on the WWW and co-ordination 	EIC
	<ul style="list-style-type: none"> • analysis of international databases for small companies, references for their use 	EIC
	<ul style="list-style-type: none"> • connection with the European network of Euro Info Centres and other EU networks 	EIC
Education and training	<ul style="list-style-type: none"> • forming the strategy of entrepreneurial education and training in Slovenia 	Human resources
	<ul style="list-style-type: none"> • annual operation and financial plan for the training support 	Human resources
	<ul style="list-style-type: none"> • registering the needs of small companies for education and training 	Human resources
	<ul style="list-style-type: none"> • registering the SBDN staff needs for training 	Advisors Association Administrative sector
	<ul style="list-style-type: none"> • tenders for the development of appropriate education and training programmes 	External experts
	<ul style="list-style-type: none"> • defining the standards for programme performers 	Human resources
	<ul style="list-style-type: none"> • keeping documentation on trained (credited) performers 	Administrative sector
	<ul style="list-style-type: none"> • tenders for the execution of training and selection of 	Human resources

	<p>performers for individual programmes</p> <ul style="list-style-type: none"> • monitoring and evaluation of programme implementation • initiatives for programme improvements • co-ordination of demanding forms of training advisors (especially abroad) • promotion of entrepreneurial issues in regular education programmes 	<p>Human resources</p> <p>Human resources Advisors Association</p> <p>Human resources</p>
Counselling and guiding	<ul style="list-style-type: none"> • forming the SBDN strategy in the field of counselling for small businesses • annual operation and financial plan for subventions for counselling • defining the field of counselling and defining standards / criteria for licensing advisors • tenders for counselling programmes (together with SBDN partners) and choosing performers • licensing advisors • monitoring the execution of counselling, evaluation of effects and suggestions for quality improvements • connections with foreign advisors associations • publishing counselling manuals and other materials • promotion of advisors at home and abroad • connecting advisors in a consortium for co-operation at international tenders • dealing with complaints and disputable issues at counselling • development of computer counselling tools 	<p>Human resources, Advisors/ Counsellors assoc. Human resources</p> <p>Human resources, Licensing committee Human resources, Administrative sector Licensing committee Human resources, Advisors Assoc.</p> <p>Advisors Assoc. Human resources Human resources Advisors Assoc.</p> <p>Advisors Assoc. Licensing committee, Project groups</p>
Financing	<ul style="list-style-type: none"> • SB financing strategy and annual financial plan of the Fund • development of new financial instruments • monitoring pilot applications of new instruments, evaluation of results and suggestions for improvement • exchange of experience amongst the leaders of local / regional funds • technical support at introducing new instruments and organisational forms in the finance field • tenders for loans, guaranties and other forms of financing from the RS Fund • choice of projects which receive the funds • ensuring additional funds for the Fund • agreements with financial organisations (banks, local Funds) on co-operation at SB financing • monitoring the results of approved financial funds and other support forms • intervention in the event of suspected difficulties at the programmes that have received funds, restructuring and reforms • connecting with foreign financial organisations and transfer of their experience 	<p>Fund</p> <p>Fund, Finance sector Project group</p> <p>Fund, Finance section</p> <p>Finance section, advisors Fund, Administrative sector Loan committee</p> <p>Fund Fund</p> <p>Fund, Advisors</p> <p>Fund, Advisors</p> <p>Financial sector</p>

Promotion of entrepreneurship	<ul style="list-style-type: none"> • forming the promotion strategy • annual operation and financial plan of promotional activities • tender for promotional projects and choosing performers for individual projects • monitoring individual activities, evaluation and suggestions for improvements • publishing promotional material • publishing the DCSB Informer 	DCSB Section for promotion Section for promotion, Administrative sector Sector for promotion project leaders Administr. sector, editor
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The core of the DCSB activities is not directed at the work / services for small companies, but on the strategic development of services and SBDN and on programme evaluation. Business centres on local and regional levels, which use the DCSB development results deal with companies and entrepreneurs in person.

**CHAPTER 3
APPROACH AND CO-OPERATION ON THE REGIONAL LEVEL**

Small business and regional development

Small businesses have a wide spectre of development effects. This is important due to its effects on changing the economic structure, satisfying the needs of local inhabitants, wholesome development, solving demographic problems, unemployment, increasing the initiatives of individual areas, international co-operation, etc. Such a role of small businesses demands an integral approach to organising and performing activities for its faster development.

Integrated approach means that the potentials in the field of development of necessary tools and programmes, ensuring sources of financing and execution of support activities are joined and united. Such an approach can be the easiest formed on the regional level under the condition that a critical mass of users has formed offers in such a manner and that the environment is capable of overcoming the weaknesses of the “sector” operation from the side of the government.

The integrated approach is harder to implement on the local level, due to its small critical mass of users and development dependency on the broader area (regions). More demanding development programmes are as a rule formed for broader areas, which have common development problems. In most of these programmes small businesses play a visible role, due to their dynamics and mission, which is brought forward by the development endeavours.

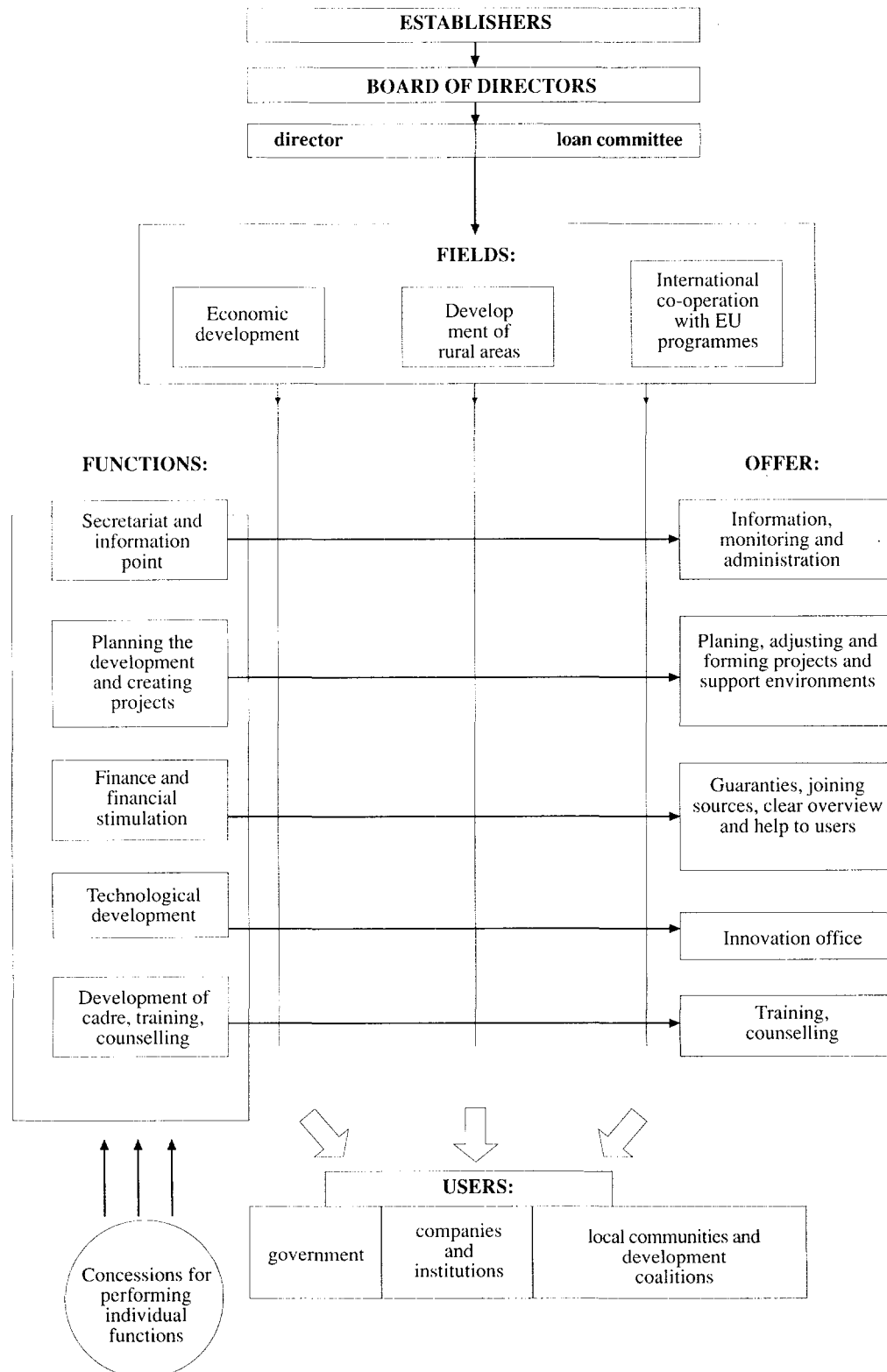
On the state level the integrated approach is harder to implement due to various political interests and problems at overcoming the “sector” approaches and jurisdictions of various ministries. By establishing the Development Company for Small Businesses these problems could be reduced to some extent. Individual areas and future regions would gain one partner at the preparation and adjustment of activities for accelerating the development of small businesses. Accelerating the development of small businesses will be an important factor of broader development endeavours, which are now being held back by the fact, that we do not have defined regions. This is an obstacle also for a more intense international co-operation, for as regards the organisation we are not comparable to areas of neighbouring countries with which we form and perform joint development programmes.

Increasing differences between the development of individual areas in Slovenia show the need for the government to encourage initiatives in individual areas and help them with their development (help for self-help). Key factors for development are being innovative and entrepreneurship. This should also be joined by organisation, in order to encourage faster development. To the reasons for organisation on the regional level one has to add numerous small municipalities, which find it difficult to take care of their own development, relief and other characteristics of individual areas, which draw attention to the fact that such an approach is needed in Slovenia.

Organisation and contents of work

The proposed integrated approach should be understood as an open model, which is adjusting to the specific needs of individual areas. At this it should preserve those joint characteristics (administration, leadership, a part of the operational functions), which will enable the functioning of the entire system and the overview of activities from the local to the national level.

Figure 11. A possible scheme of the integrated approach on the regional level



On the regional level this is a non-profit activity. The founders are the government, local communities and chambers, which enable the operations and the influence of various interest groups (environment protection groups, cultural societies, expert public, etc.) on decision making. They perform the programme of activities, which represents an operationalisation of the “development programme” of a certain area. Companies, individuals and various institutions are joining individual projects on the basis of their interests in order to achieve the jointly defined goals (connecting public and private interest).

The fields of activities are defined as regards the specifics of individual fields and by taking into account the economic development and development of small businesses. For the execution of the programmes (projects) expert “functions” are organised, which work in a connected manner and represent a reliable implementation structure (expert, professional, with adjustable capabilities). For the execution of individual “functions” or increasing their capacities concessions are given to performers from the area.

The offer on the regional level is comparable in all areas, through the fact that it is adjusted to the environment needs through “operation areas” and adjusting the capacities to the needs of the users. The support environment forms the joint offer, which is goal oriented, supported by the partner institutions and jointly promoted. Results are measured and stimulate new improvements.

Normatives and standards

From the view-point of small businesses an offer of the support environment is formed on the regional level. This is oriented towards the companies with potential growth, for improving their competitiveness and connecting companies for more efficient marketing performances outside the region. At this co-operation of small companies with medium-size and large companies within and outside the region is of great importance.

The second dimension of the accelerating activities for small businesses is local and regional development. Activities will depend on the fact whether this is a more or less developed area and what kind of problems do they have to encounter (unemployment, restructuring, demographic problems) in order for the area to gain a development impulse. It is foreseen that enough programmes and tools will be developed on the national level, so that with the right choice and use the support environment will efficiently react in various situations.

In the continuation we enumerate the basic conditions and criteria, which need to be fulfilled for the development of small businesses activities to be efficient on the regional level.

- Defining the area with specific development problems, with the preparation to join forces in order to solve the problems, at least 100.000 inhabitants, at least 4.000 units of small businesses and with at least two local development coalitions (initiatives).
- Preparation of the strategy of regional development with a special emphasis on the issues and problems encountered by small businesses. Defining the development priorities and programmes and their confirmation from the side of the partners in the support environment.
- Business plan for the execution of activities on the regional level is supported at least from three government resources, area craftsmanship chambers, area economic chamber, Association of Entrepreneurs and the majority of the local communities. The business plan must include the contents of operations, organisation, the manner of adopting decisions, financing, the way in which they measure effects and relations between partners in the support environment.
- Plan for achieving effects, in which the extent of the needed capacities of the support environment, activities for the development of the support environment on the regional and local levels, awarding concessions, joining small businesses into the broader development endeavours of the area, ensuring the necessary technical conditions and efficient offer to the users are evaluated.

- Cadre conditions are applicable to the quality execution of at least three of the five defined “functions” and defining at least three fields of operation. For this they have to have or at least ensure at least one licensed advisor for the field of entrepreneurship and at least one licensed advisor for the field of local - regional development or licensed advisor for the execution of EU projects.
- Financial conditions demand an annual extent of investments from the founders for the execution of the activities in a minimum total of 10 million SIT and an annual realisation in the minimum total of 30 million SIT.
- Formal legal and organisational conditions: A registered company with limited liability (Ltd.), the founders of which are the government, local communities, chambers and other interested partners. From the founding act it should be clear that they perform a non-profit activity, that the public can gain insight into the operation of the company, all decisions are reached democratically, there should be supervision over the operations and care should be taken for achieving the foreseen results.
- Technical conditions: Ensuring of at least 50 m² of furnished premises on an appropriate location and the use of the wholesome image of the support environment at marking the premises, offer of services and promotion.

CHAPTER 4

APPROACH AND CO-OPERATION AT THE LOCAL LEVEL

1. Accelerating development at the local level

Development activities at local levels

For accelerating the development of small business, organisation and initiative at local levels are of special importance. Organisation at the local level is represented by the municipalities which act as the carriers of local self-government. During the past few years, it has been the local self-government in Slovenia that has lived through great changes in the field of organisation, jurisdiction and financing. Municipalities have the task to accelerate the development in their area. Here, they can in the economic field offer the most to small companies, for the majority of large company problems exceed their capabilities. In the area of small business development, they are joined by area Chambers of Commerce and Industry, units of employment agencies, agricultural and entrepreneurial advisors, which all act as partner institutions. In the functioning of support activities and joining in general in the field of accelerating economic development, we encounter numerous problems. Among the system problems, we can include the ways of financing local self-government, large discrepancies between financial and cadre capabilities of individual municipalities, differences between jurisdictions of the local self-government and their true capabilities, insufficient extent of investment in increasing the initiatives of local areas, investments in the clarification of key factors of local development, their joining and planned operations at the local and broader regional levels. Regardless of the many difficulties, there are sufficient potential and energy for more efficient work at the local level. Due to the large differences between individual municipalities and a different organisational structure of the government (administrative units, employment agencies, agricultural advisory services) and Chambers of Commerce and Industry, the local level of small business development should, in most cases, also be understood outside the territory of a single municipality.

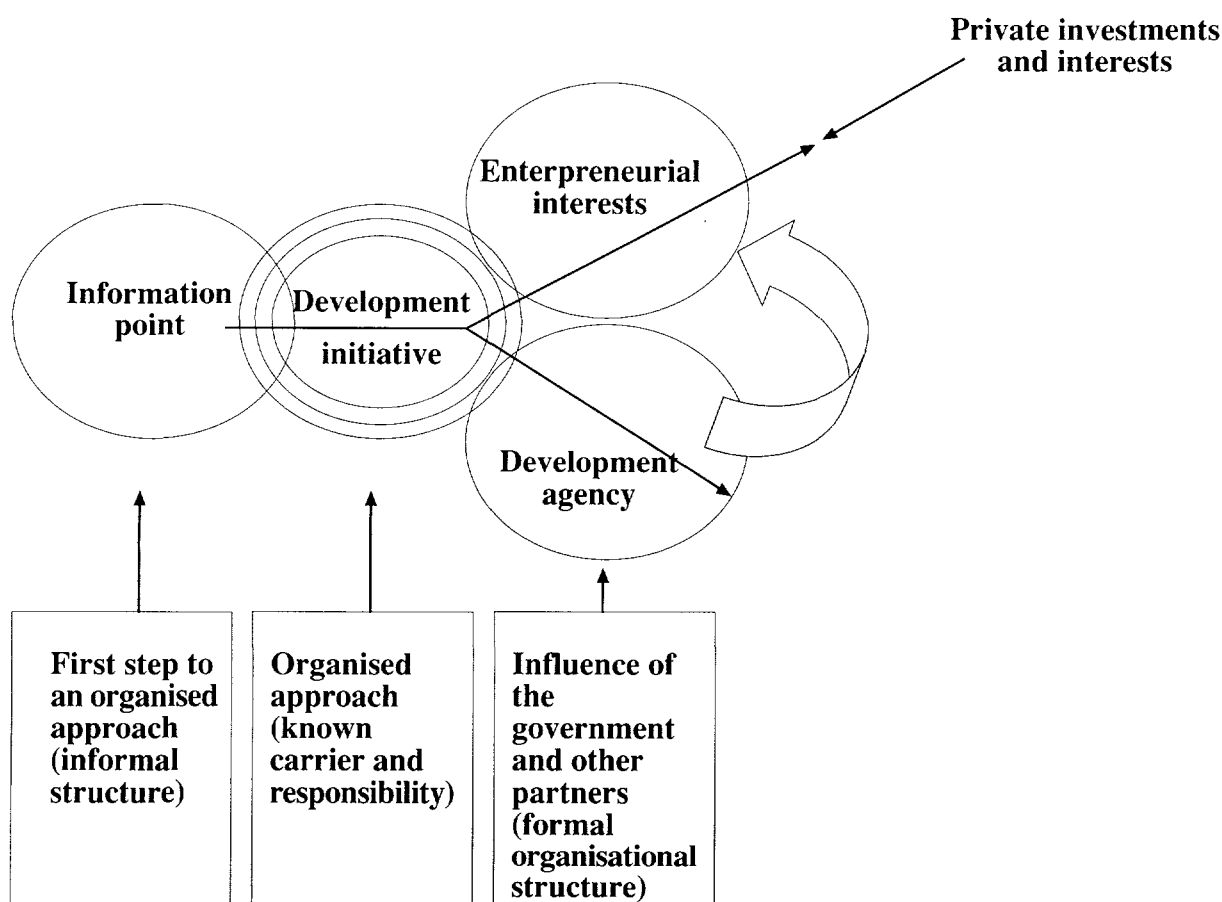
There are also differences in the offer of the support environment, for we have areas in which various support institutions and advisory companies are located and therefore such areas already have a quality offer for small businesses, which should be developed further. On the other hand, we have areas that practically have no trace of such infrastructure and therefore need different encouragement. In both

cases, the offer of support environment must be oriented towards the true needs of a specific environment and the small businesses existing there. Because of this, the proposed organisational model at the local level is open in the sense that it foresees informal organisation in the form of an information office or a higher formal form of organisation of a broader area (a number of local communities) with specific development problems, representing the first steps towards an integrated approach as foreseen at the regional level. The model is also open in the sense that private investors are invited or even dominate in areas where the government does not see special reasons for playing a more active role in encouraging development.

Development and organisation at the local level

Organisation of the support environment at the local level can be a dynamic process, developed from the information office or any other contact point for entrepreneurs. The development depends upon the potential in the area, interests of the area and success of the support environment. A decisive role can be played by the quality support environment and appropriate organisational structure for development activities. The support environment must be goal oriented and in general useful to the environment. This means that it must raise the initiatives of the environment, enable the environment to influence adoption of development decisions and be responsible for the execution of agreed tasks.

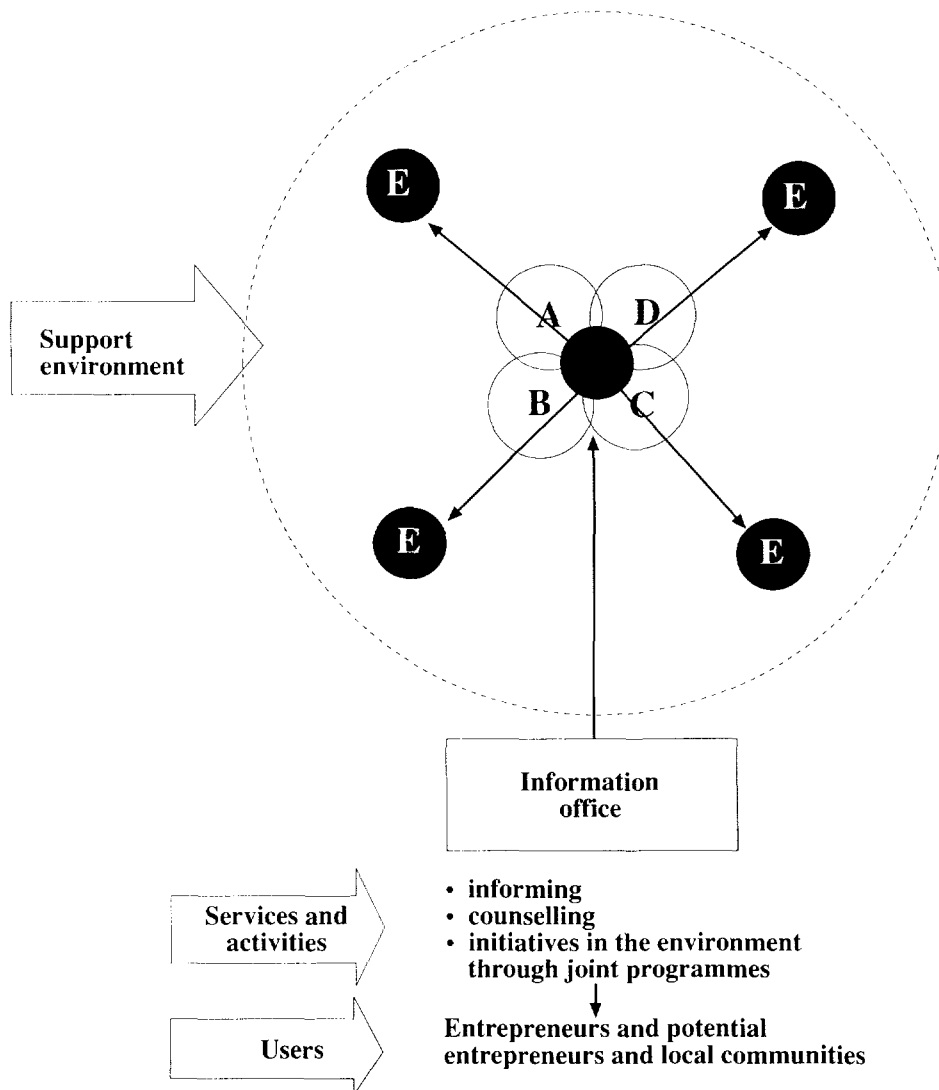
Figure 12: Development phases of support institutions



The support environment can remain at the level of the informational point (office) which, through informal forms of operation, links potential in the field of small business development.

The local development initiative arises from the need of the development potential in the environment to join and guide their operations towards fulfilling development priorities. The small business field becomes part of the development endeavours in the environment, which is itself gaining broader dimensions. The local development coalition has a formal carrier which undertakes a large part of responsibilities for functioning and achieving goals. This is an intermediate form of organisation which can last for a number of years in order for it to eventually become an integrated approach with a larger government role in the event that the local coalition itself cannot manage the development step which would lead to more intensive investments and resolving the problems of the area. It is not advisable for the government to directly and formally enter a local development coalition unless this is a step in forming a regional Development agency. The regional level of organisation is the level which will actively intervene in the local area, if the interest and need for such measures are shown. As a rule, the local development initiative takes care of the development activities in its area as well as for joining joint development programmes of a broader regional character. The existence and development of the local development coalition is connected to the need of the environment and benefits that can be created for the environment.

Figure 13: Information office (point)



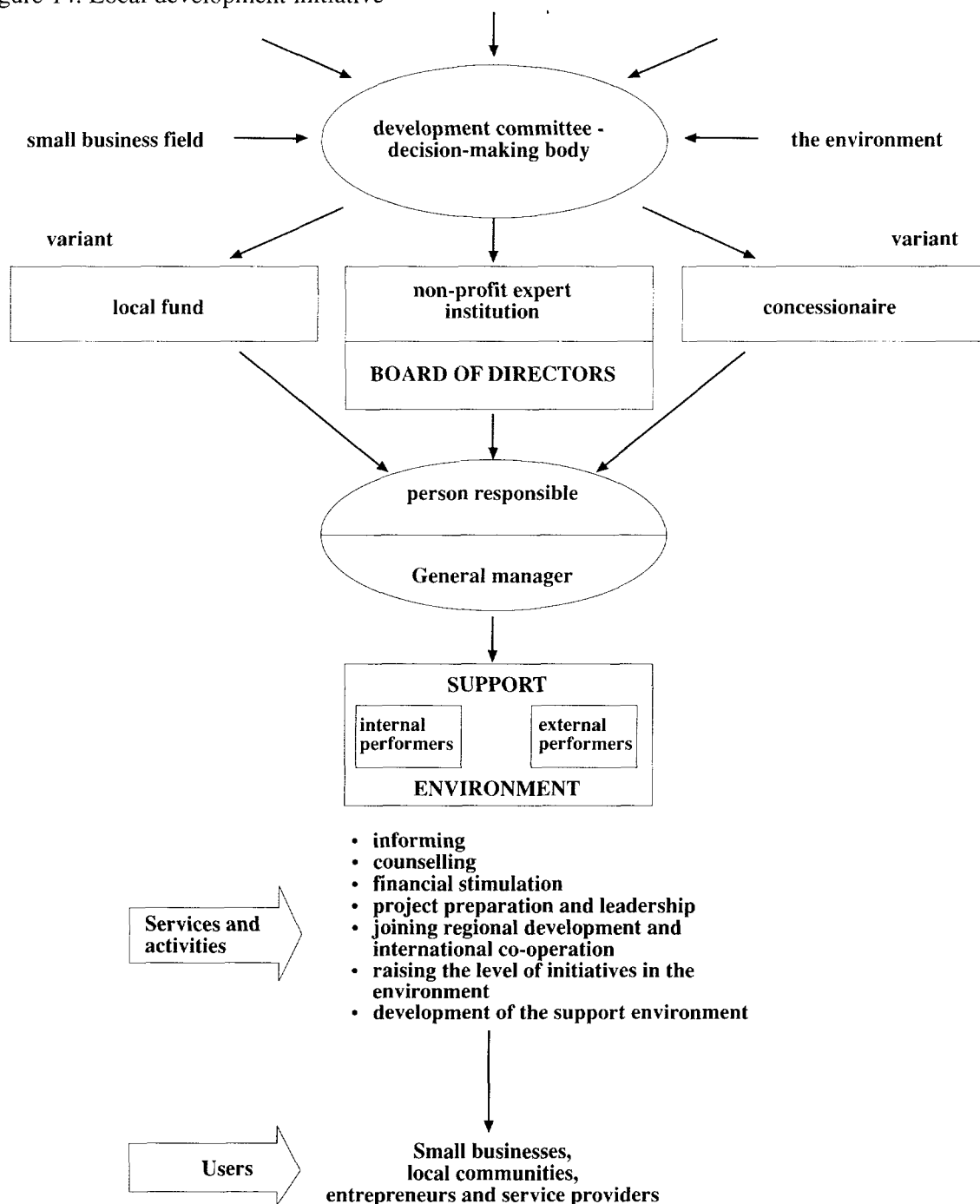
Partners in the support environment:

- A (Chamber of Commerce and Industry)
- B (municipality)
- C (agricultural advisory service)
- D (employment agency)
- E (advisors)

organise a joint offer for the acceleration of small business development in the local area which suits the criteria of quality support environment (local, informal, clearly visible, cheap, easily accessible, universal, oriented towards resolving problems and raising initiatives in the environment, etc.).

Organisation of the local development initiative

Figure 14. Local development initiative



Norms and standards

At the local level, the support environment is oriented towards offering assistance in the formation of new small business entities, new work positions, preserving existing work positions, attracting investors and linking small businesses with broader development endeavours. In order to support small businesses, one contact point is established with a high quality informational support and efficient network of providers of advisory services. On the basis of the interest in the environment and of the partners in the support environment, they can approach the forming of a local development initiative, an important part of which is the area of accelerating small business development. In this event, the problems typical of a local area are defined and partners which will co-operate in resolving these problems are gained (local communities, government resources, companies). A contract for a period of at least three years is then signed.

The carrier of the activity in the case of the information office is one of the partners in the support environment. This partner enables the necessary technical conditions at an appropriate location and takes over the role of the organiser of the activity (Chamber of Commerce and Industry, municipality, executing company, etc.).

The local development coalition is represented by a local non-profit organisation, which is trusted with this role by the members of the coalition. This can also be a profitable organisation which is awarded the concession for one of the activities field by ensuring the public nature of the operations and democratic decision-making as regards development issues.

Information office:

- Ensuring conditions for high quality provision of services in the field of informing and organisation of advisory activities.
- Consensus in the support environment from at least three partners, amongst which the Chamber of Commerce and Industry and at least one municipality must be present.
- Programme of operations of the information office, from which it is clearly visible that it fulfils the criteria of the support environment.
- Cadre conditions are related to the assurance of the administrator of the information system and the organiser of the advisory activities at a minimum of half of full-time employment (this can also be contractual). Assurance of at least three providers of advisory services, which sign the contract with the carrier of the information office for servicing the needs of the small business field.
- Financial conditions demand that the fixed costs of running the office are covered. This can also be a contract or statement for free of charge use of the existing resources and co-financing the information system.
- Formal legal and organisational conditions. Contract as regards the participation of the municipality, Chamber of Commerce and Industry and at least one more partner. Defining the working hours of the information office.
- Technical conditions:
 - Sharing at least 15m² of furnished business premises, appropriate for working with clients. An easily accessible location is important.
 - Computer equipment and connection to the Euro Info Centre in Ljubljana.
 - Use of the sound image in marking the premises and provision of services.

Local development coalition:

- Problem analysis of the local environment and defining areas with at least 25,000 inhabitants and 750 small business entities, in which the problems of small businesses are emphasised.
- Partnership of the Chamber of Commerce and Industry, Chamber of Commerce, local community and at least two government resources.
- Programme of operations and defining the measurable goals in the small business development field for at least three years, with a clear overview of the financing.
- Defined carrier and representative of the local development coalition on the basis of the statement from the partners amongst which the area Chamber of Commerce and Industry must also be present.
- Cadre conditions: Ensuring at least one licensed advisor for the small business field and five contractual providers of services for the small business field. Planned training of at least one advisor for the local development activities field. Full-time employment of at least two performers.
- Financial conditions demand annual investments of a minimum SIT 5 million for execution of activities and annual realisation funds of a minimum of SIT 20 million. A contract as regards the execution and financing of the programme must be signed for a period not less than three years.
- Formal legal and organisational conditions. Established administrative structure which allows democracy in decision-making and appropriate representation of the small business field. A signed contract with the chosen carrier of the local development coalition and service providers of the support environment (at least five providers). Execution of at least 75% of the planned operations.
- Technical conditions: 30 m² of furnished office premises at an appropriate location must be ensured for making contacts with entrepreneurs. The use of the joint sound image in marking the location, provision of services and promotion is obligatory.

CHAPTER 5

RELATIONS BETWEEN INSTITUTIONS AND PARTNERS IN THE SUPPORT ENVIRONMENT

Support environment for accelerating small business development

The support environment is a system of planned development of tools and programmes ensuring the necessary funding and network provision of services in the field of small business development in Slovenia. It is distinguished by its wholesome image which guarantees users standardised and high quality of services. It is organised at local, regional and national levels in such a way that each organisational level operates in concordance and pursues specific goals arising from the small business development strategy. Capacities of the support environment for small businesses present a partially professional and qualified organisational structure, the capabilities of which are contributed by the capacities of numerous contractual workers and concessionaires. It is an adjustable structure, able to undertake tasks in the field of local and regional development. Like other fields that encourage faster development, the small business field also needs an integrated approach in order to achieve greater efficiency, additional government support, higher private investments and private initiatives.

The small business support environment will operate as an adjustable system as regards the needs of various fields and areas. It will operate as part of growing activities for faster development of small

businesses, entrepreneurship, local communities and regions in Slovenia. It will maintain a unified concept of decision-making, administering, leading, financing and supervision of the services provided, the quality of the services provided and achieving the expected effects that enable the operations and development of the entire system of support activities.

Partnership in the development network

Development, financing and provision of services can only be enabled by a system implemented by the government, chambers, local communities and various advisors as providers of services. The system can be implemented with a responsible decision of the potential partners to join part of the available potential for more efficient development of small business. Here, each of the partners will start from its specific mission in the environment and the interest for its mission to be strengthened through joining, which can also have informal forms (agreements for individual segments, contracts for joint projects and activities). Joint interest is shown in the possibilities for improvement of the offer of services and their quality; in the fact that the small business segment is becoming an essential part of the development endeavours at all levels of operations and is gaining the necessary funds from public or private sources; in order to ensure an efficient and rational use of the funds, democratic decision-making and taking over the responsibilities for achieving the planned results.

The partner in the support environment is therefore the one prepared to commit to a long-term agreement of co-operation in developing, financing and execution of concrete actions of the support environment. It is prepared to take into account the agreed standards and norms and take over part of the responsibilities for achieving results (here, principle agreements are not taken into account). It is prepared to identify with the wholesome image in the field where it operates in the support environment. The main partner in any event is the government, which through a specific offer, with a system of financing and decision-making, gains other partners for joint activities in accelerating development.

Awarding concessions

We have stressed that the support environment is a professional structure which means that it has installed only that part of fixed capacities necessary for functioning at the primary expert and professional levels. A larger part of the capacities is ensured by awarding concessions for execution of individual activities and by drawing contacts with external workers who meet the criteria.

Therefore, a concession for developing new tools and programmes and concessions for the provision of support environment services mainly financed by the government (informing, education, general counselling, monitoring) will be awarded at the national level (Development Company). At the regional level, concessions for performing the business functions foreseen at this level will be awarded (specialist counselling, training, creating new development programmes). Concessions will not be awarded in the area of financial stimulation on the basis of the mainly public resources. At the local level, a carrier of a local development initiative is chosen, which represents some sort of a "general concession" for this area with the obligation that execution contracts with external workers are signed.

For the awarding of concessions, a special regulation is prepared which defines the procedures and criteria for the choice of concession carriers at all levels of operation.

Relations between various levels of operation

National - regional

- The government is a co-founder of the regional development agencies. Their representatives actively co-operate in the leadership and administration of the institution. On the board of directors, there is at least one representative of the Development Company for Small Businesses.

- In the regional development strategy, the issues connected with the development of small business in specific fields are dealt with and the priorities of accelerating the development are defined.
- The regional company co-finances the activities of regional agencies on the basis of the ownership share of the government and the adopted programme of operations for the current year.
- Regional development agencies with the annual programme of operation apply to obtain funds at the national level. The Development Company concordes with these activities and stimulates them on the basis of the already achieved efficiency of an individual area.
- The Development Company awards part of the concessions in the field of development and provision of services to the regional development agencies and their partners in the support environment and at the same time offers technical support.
- Representatives of the regional agencies co-operate in the work of the expert council at the national level and take care of the transfer of knowledge to other environments.

Regional - local

- The regional level encourages the development of local regional coalitions and offers them technical support in planning and organising activities.
- At the regional level, an informational system and specialist counselling for the needs of users at the local level is organised.
- In co-operation with local initiatives, joint development programmes are developed at the regional level. These programmes apply to obtain support from the national level and from foreign technical support sources.
- At the regional level advisors and innovators are organised. They are trained for efficient work at the local level.
- Regional development agency awards part of the concessions for execution of activities in the support environment at the regional level and performs monitoring for the needs of the national level and the support environment.
- Representatives of local development initiatives co-operate in the work of the expert council at the regional level and in the creation of joint projects in the region.
- Regional development agencies actively intervene in the work of local development initiatives if interest or need is shown from the side of the local environment (investment, expert support, programme adjustments).

National - local

- Through regional agencies, the Development Company determines the conditions to be met by the information offices or development coalitions in entering the support environment. They monitor the efficiency and results achieved at the local level.
- At the national level, the annual plan of activities, financing and execution on the level of information offices is adopted.
- The national level deals with the proposed development programmes of individual local development initiatives. It defines the programme of financial stimulation for the current year and

decides on multi-annual co-operation in dealing with defined problems. In the event of a positive decision, it chooses a regional agency or concessionaire to actively participate in the work of the local development agency.

- The Development Company will take care of education and training of advisors, who will join the local development coalition operations. It will take care of technical support in introducing new tools and programmes.
- The national level will take care of the functioning and co-financing of the information system for small businesses at the local level.
- The local level will, on the basis of the prescribed work methodology, take care of the return information to the regional and national levels.

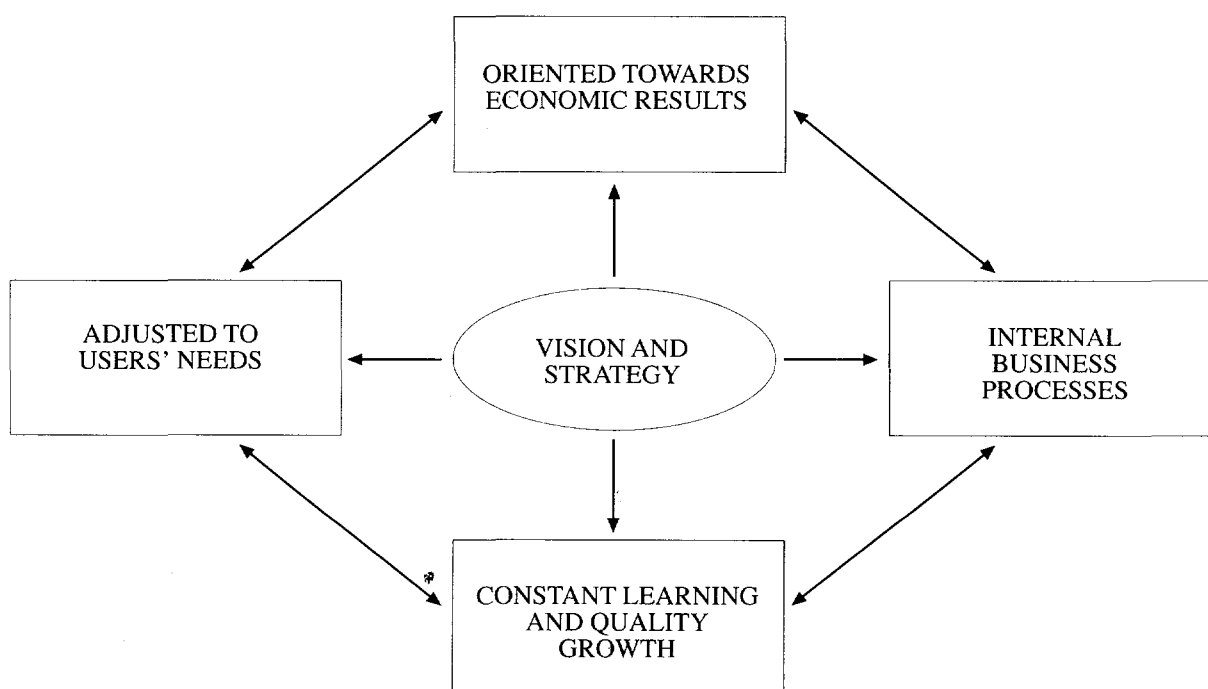
STANDARDS, NORMATIVES AND PROCESSES WITHIN THE SBDN

In the second part the organisational basis and the functions of particular levels of support to SB were studied. In this part, the standards of implementation of particular supporting functions within the SBDN, normatives for establishing the LBCs and the RBCs and for licensing of counsellors to be co-operating in the SBDN programmes shall be discussed. At the same time the basic principles of the SBDN members' activities intended to ensure efficiency, transparency and professional advancement of collaborators, shall be defined.

CHAPTER 1 BASIC PRINCIPLES OF THE SBDN OPERATIONS

The SBDN requires certain resources and capable collaborators for its activities in order to achieve actual changes of companies' business results. In order to justify such consumption of resources, it has to be efficient, which presumes the following long-term strategic concept of operations.

Fig. 15: The Concept of Organisation and Operation of the Development Network in Slovenia



The development network, within which a larger number of partners is co-ordinated, using substantial budget means, is bound to follow-up realisation of the agreed goals and to report to the partners accordingly. Evaluations of results also represent the basis for further activities of the SBDC and its partners. Local and regional centres are systematically following through the self-evaluation process, which assists the centres, as well as associate counsellors in concentrating on the most efficient procedures and required results.

Therefore, the goals and the criteria of operation can not be primarily considered as a mechanism for controlling the centres from above, but are regarded as a framework of activities, directing energy, capabilities and specific know-how, required by the personnel and counsellors, included in an organised small business development network.

Thus the licensing process requirement demanding that the candidates submit proofs of successfulness of companies for which they had acted as counsellors, forces the personnel of centres and associate counsellors into systematic follow-up of realisation of business plans prepared with entrepreneurs - clients, to establish close relationships with companies - clients, with banks and forces them into co-operation with other counsellors. This shall become a guarantee for the development network to acquire the necessary qualities:

- 1) The network shall be **adjusted to users' needs and their satisfaction**, disregarding the part of the full economic price of the services they pay, as part of the services shall be subsidised. Following the dual scheme of the SBDN, the direct users shall be the following:
 - units of small businesses and medium sized companies, developing through their growth, spin-offs of larger companies, their business interest associations (various entrepreneurs' networks) and candidates for establishing companies,
 - local / regional communities or organisational forms of local self-governance, responsible for economic growth of their regions.

On the national level, where the SBDC is active, the variety of users is much wider:

- local / regional centres in the SBDN, for which the SBDC is performing tasks referring to develop instruments, programmes or personnel training,
- the SBDN personnel to be trained for efficient operating within the network (the personnel of centres, as well as other contractual associates of the SBDN),
- the Government and its bodies (ministries) for which the SBDC shall perform specific professional services,
- non-governmental organisations, active in the sphere of SB who are partners transferring part of their tasks (and resources) to the SBDN, especially on the local and the regional level,
- in some rare cases, such as special development projects or pilot projects for introduction of new promotion programmes, SB shall also be included.

Each level / unit within the SBDN has to define very specifically its users i.e. partners and to concentrate on solving their problems while planning its activities.

2. The network shall justify its activities by economic results, which shall therefore be planned, and their realisation measured. Regarding infrastructure projects, comprehensive indirect effects are characteristic and therefore hard to define and measure. Nevertheless, it is of utmost importance not to measure the activity, but its real results.

Examples of measuring the results of Small Business Development network

The local / regional centres shall define the goals of their activities in their business plans:

1. The goals in the field of supporting small enterprises:
 - creating new jobs, which can be measured by (net) number of new jobs and their quality (necessary education, salaries)
 - mobilisation of private resources, to be measured by the amount of private resources invested per Tolar of public resources, by evaluation of real resources (premises, equipment) which would otherwise remain unused
 - value added in new or growing enterprises
 - other criteria: increase of export in smaller units, establishing of technologically demanding enterprises, scope of innovations, etc.
2. The goals of local development projects are even more diversified, as their contents is quite variegated:

- in infrastructure projects (incubators, technological parks, entrepreneurial parks) they can be measured by surface of premises offered to small enterprises under more favourable conditions, or by savings in investments in such enterprises,
- amount of acquired public resources (especially in co-operation with republic or international resources) and thus supported private, local resources,
- number of persons active in local development projects and who acquired new know-how or skills.

Whenever the results are hard to measure due to their long-term and indirect character, certain indicators of the scope of activities, such as: the number of entrepreneurs who have acquired certain information or advice, number of effective consultants' hours, number of seminars, their duration (hours, days) and the number of participants, the number of transmitted applications for various published programmes or projects can be applied. In this case, checking the quality of services by interviewing participants is suitable.

The SBDN members shall include the following items in their business plans:

- setting **clear goals** for each member of the SBDN (to represent the basis for measuring and evaluating their results),
- **defining criteria** by which a member of the SBDN and other interested organisations shall be capable of measuring successfulness of activities (goals achieved),
- precise **definition of target groups** for which particular activities shall be intended, so that their needs can be stated and the related activities adjusted to such needs and the priorities of such activities chosen in relation to the development policy and
- **list of initiatives / programmes** by which a SBDN member shall respond to the needs of target groups and achieve mutually set goals.

3. The SBDN shall develop internal business processes, enabling efficient co-operation and co-ordination of its' members activities, control of programmes, their follow-up and evaluation of results. Management of each SBDN member includes functions listed in the Table no. 7.

Table 7: Functional Levels of the SBDN Members' Activities

STRATEGIC FUNCTIONS	<ul style="list-style-type: none"> • establishing priority goals • breaking down of target priorities into (annual) • operative plans
INTERNAL FUNCTIONS	<ul style="list-style-type: none"> • organisation of centres and selection of personnel • managing current activities • assuring (and control of) efficiency
EXTERNAL FUNCTIONS	<ul style="list-style-type: none"> • co-operation with other SBDN members • co-operation with external organisations (outside of the SBDN) • co-operation with media and the public

The SBDC shall mostly be responsible for development and reasonable accordance of business processes, co-operating, of course, with local / regional centres in order to exchange experience. Business processes shall be supported by standard information - communication equipment and training of collaborators.

4. The SBDN shall promote continuous **process of learning and professional growth** in respect of individual collaborators (regularly employed and associates), of particular organisations, the SBDN members and the network as a whole, aiming to avoid routine, bureaucratic performance of activities. The following is considered important when selecting **individual collaborators**:

- The manner of selection of collaborators (criteria, procedures)?
- The status of collaborators?
- How to motivate them - the material and the professional view, possibilities for promotion?
- How reliable and long-term oriented is their engagement in the SBDN?

The quality of collaborators is the key factor of the SBDN activities, which requires appropriate standards for their selection, training and promotion.

On the other hand it is the question of **local / regional centres development, including**: (1) *internal professional development* (improved quality of services, introduction of new services as a response to changed needs of target groups); (2) *material development of a particular centre* (premises, equipment) and (3) *strengthening of the local network*, to be developed around the centre. The development of the related network is the essential criterion of the centre's progress, meaning on one hand the network of target users with whom the centre co-operates on a long-term basis, while on the other hand it deals with the network of complementary organisations, forming the supporting environment and local / regional institutions - carriers of development decisions. This development is the centres' own task, especially their management's', local development coalitions in charge of material side of the centres' activities and also the task of the SBDC in charge of transfer of experiences from successful centres, the development of new services / instruments and evaluation of centres' development, which enables the SBDC to intervene in cases when centres neglect their development.

For the purpose of decision-making regarding the extent of co-funding and directives for activities and the development of centres, the SBDC shall develop procedures for surveying the SBDN members, to be approved by the SBDC Council, including the following elements:

- The need for process-related (quality) and quantity indicators;
- The need for the successfulness indicators to be related to the criteria valid within the whole development network for small businesses, especially considering the criteria encompassing establishing and development of enterprises, infrastructure and environment, such as: the number of enterprises assisted by the centre, the number of new jobs, activated private investments, etc.;
- Agreed successfulness indicators, defined for RBC, LBC and for individual counsellors;
- The method of goal setting within the agreed successfulness indicators, related to the following:
- comparison with the "best examples", expected effects "in various phases of development" LPC/RBC,
- indicators of specific partnership programmes (such as: innovation programmes, regional development, etc.)
- problems of "double book-keeping";
- the supervisory system shall be based on the SBDN information system and the necessary special seminars for training the RBCs and LPCs personnel.

Based on analysis of the most successful centres in Slovenia, the SBDC shall prepare a manual with successfulness indicators and goals, enabling all the centres to compare themselves mutually and to develop in the direction of successful centres. In order to enable discussion on priority activities and required resources, the LBC and the RBC shall set their annual goals (planned key effects), including above all:

- the number of entrepreneurs in the region of LPC / RBC to be trained,
- the number of prepared training seminars,
- the number (and the scope) of organised workshops,

- the number of business plans elaborated in co-operation with entrepreneurs,
- the number of started projects (with the number of new jobs),
- the number of projects (which do not create new jobs automatically),
- the number of projects under preparation,
- the number of jobs (actual new jobs and jobs that were preserved by the centre's support to existing enterprises).

The LPCs and the RBCs should prepare annual reports, including:

- reports on activities in the current year (following the items of the centre's business plan),
- accountancy statements on the centre's business results (Profit & Loss, balance statement).

These reports shall be sent to the centres' partners, as well as to SBDCs, thus, supported by detailed explication of activities and effects achieved in that year, shall represent the basis for evaluation of achieved goals, for rewarding the personnel and for planning further activities and development of centres. Essentially, these goals of the SBDN mostly involve establishing of more new enterprises and creating new jobs, while the scope of these goals related to particular centres shall mostly depend on structural characteristics of the region covered by the centre and on the current phase of development of a particular centre.

The UNIDO team suggests that the SBDN applies the method of balanced scoring, as illustrated in Figure 14 (E.S. Kaplan, D.P. Norton, *The Balanced Scorecard - Translating Strategy into Action*, HBS Press, Cambridge 1996), based on four groups of effect measuring LPC / RBC. Specific effects listed in these groups are presented in Figure 16.

Figure 16: The Criteria of Productivity or Efficiency Measuring LBC / RBC in Four Key Spheres

<p>WIDER SCOPE ECONOMIC RESULTS</p> <ul style="list-style-type: none"> • the number of new jobs • the number of new enterprises • the scope of guaranteed financing • the amount of private means activated by public resources • the scope of investments • the increase of sale (revenue) • the increase of the tax base • the share of enterprises' unpaid liabilities • the number of rapidly growing small and medium enterprises increase of export • the surface / value of available premises • the ratio of profitably used premises • the amount of revenues from business services 	<p>USERS' PROSPECTIVE</p> <ul style="list-style-type: none"> • the number of small and medium enterprises assisted by centres • the number of employees in these enterprises • the increase of the number of enterprises assisted by centres • evaluation of satisfaction of small and medium enterprises with services offered • the deadline for acquiring financial means • the number of prepared business plans • the number of certified (realised) business plans • the number of training hours • the number of participants in training • the number of partnerships between enterprises • the number of patents
<p>TRAINING AND QUALITY GROWTH</p> <ul style="list-style-type: none"> • productivity: the number of projects per expert • the average annual revenue per counsellor • the quality of services • the number of personnel in the centre • the number of licensed experts • the frequency of accesses to the information system (no. of enterprises) 	<p>INTERNAL BUSINESS PROCESSES</p> <ul style="list-style-type: none"> • the number of personnel training hours • experts for regional / local development • counsellors for small and middle enterprises • counsellors for management • development of information system • (hours / investments) • participation at SBDN meetings • scoring of successfulness / rewarding

The UNIDO team suggests that within the first phase of introduction of the control system and evaluation of centres the listed criteria are used and later supplemented following the SBDN's experiences. In order to establish an efficient system, the SBDC has to prepare and offer to the SBDN partners, respectively to LPC and RBC a computer supported reporting system enabling prompt and unified compiling of data on all entrepreneurs' initiatives included in the programme of public co-financing and their progress. The development of the monitoring and evaluation of agreed goals should form a part of annual and middle-term evaluation of the SBDN successfulness.

The third important issue are **development and promotion of the whole network**, which has to acquire an appropriate position within the development strategy on all levels, but most of all it is a question of basic stable financial resources. This is above all the task of the SBDC who is bound to transfer this orientation in the SBDC's development to all network partners, as it is the question of the development strategy of the whole network, which is the basic task of the SBDN.

Within this process the network has to be open to exchange of experiences and to involvement of successful collaborators in mutual projects on higher level, as a manner of their own professional growth and a possibility of non-monetary stimulation by opening new professional challenges. International projects, enabling studying and transfer of experiences from other environments, as well as international affirmation of the SBDN collaborators, are also very important. The network also has to be open for the possibility of the collaborators' leaving in order to start alternative carriers, especially as providers of commercial business services, while on the other hand it should remain open for including for a limited period of time collaborators having experiences in such organisations.

The growth of the network means, that we are expecting its organisational transformation in the future, to accompany the growth of small businesses, changes of the local / regional administration structure, development of regional development concepts, affirmation of other non-governmental organisations / networks.

CHAPTER 2

SYSTEMATIC APPROACH TO ORGANISING AND DEVELOPING EFFICIENCY AND CAPABILITIES OF COUNSELLORS (LICENSING)

Counselling and other business services for entrepreneurs and enterprises within the Small Businesses Development Network offer LPC / RBC personnel to small enterprises and individuals, as well as licensed associate experts, co-operating with LBC and RBC.

The key elements of a systematic approach towards developing efficiency and counsellors' ability are the following:

- A Financial support to be provided by the Small Business Development Network and institutional partners, has to be *thoroughly linked* with counselling and monitoring of users' development.
- B A *system of vouchers* has to be established in order to initiate small enterprises and individuals to look for professional business advice and to be involved in training (both according to subsidised tariffs) within the Small Business Development Network.
- C A *system of licensing, successfulness development and follow-up of activities* shall be compulsory for counsellors, aiming to ensure quality and continuous improvement of their counselling abilities. The licensing procedure should be based on clearly defined follow-up of world-wide achievements and on evaluation procedures.
- D A system of *continuous current training* and improvement of abilities and know-how shall be established.
- E SBDC shall develop a *modern information system* based on Internet in order to spread information and maintain contacts between centres themselves, as well as between centres and counsellors.

Within the system of vouchers enterprises or individuals fulfilling foreseen conditions, shall receive a coupon, by which they shall be entitled to select their own business counsellor (enterprise), while the agreed amount (a part of or the total amount) paid for the counselling services shall subsequently be returned to the counsellor by the state.

Motivation of Counsellors for Acquiring of the Small Business Development Network License

The basic motive for counsellors to acquire the Small Business Development Network license, are the following:

- By acquiring the license, they shall also acquire the possibility of being *involved in the growing Slovene market for services intended for small- and medium-sized enterprises and into regional development projects*. The Ministry of Small Business and Tourism shall introduce a system of vouchers for counselling and training of entrepreneurs, in which the SBDC licence shall be the condition for inclusion in the system. The scope of the market is bound to increase substantially in the future due to available structural funds of the EU, as well as due to numerous other programmes for supporting small- and medium-sized enterprises.
- This enables *lowering of marketing and overhead expenses*; counsellors shall acquire new clients and counselling projects through promotion activities performed by LBC and RPC (typical small business counsellors spend 40% of their time for marketing and promotion activities, while only the remaining 60% of their time are actually spent for the projects, paid by their clients).
- They shall be involved in *permanent training and other activities for improving their experiences*, which will enable their better qualification and involvement in financially more rewarding projects. The most important groups to be mutually exchanging experiences are: the Small Business Counsellors' Network (within the SBDN) and the Slovene Entrepreneurial Innovation Network (the SEIN).

The Basic Profiles of Counsellors

Special profiles of counsellors have been foreseen by the project in order to perform counselling services as a form of general or specialised counselling. The term "counselling" is used to point out that it differs from "simple advisory services". While a counsellor is involved in solving a problem, an advisor / promoter is only in charge of an entrepreneur's general capability of introducing and realising changes related to development, thus creating new values and new jobs.

Advisor / Promoter for the Small Business Sphere

This is the most general (generalised) profile of advisory services for enterprises, the task of which is to develop personal and marketing capabilities and abilities (while the management consulting is mostly oriented towards overcoming various difficulties of companies).

Small enterprises in the starting-up phase or growing companies are not just a simplified small variety of a large company. In a small-sized enterprise the manager's role is formulated following the basic concept: "the company is the man". Development of the company is therefore equalised with the entrepreneur's (owner's - manager's) development, based on individual advantages, deficiencies, similarities and differences. All this encompasses the capability of understanding, advising and directing an entrepreneur, while guiding him/her through various spheres, including:

- a) business planning
- b) access to support programmes and incentives
- c) marketing and acquiring new partners
- d) developing innovations

- e) developing human resources
- f) directions for suitable accountancy and tax measures.

Characteristic effects of the small scale business operations influencing available resources and the style of management, as well as the strong impact of the joined ownership and management function within the same person, dictate approaches, which could be most successfully applied. This basic difference can strongly influence the manner and the approach when choosing the counsellor's profile, as defined in the "Counsellors' Standards".

Counsellor / Promoter in the Sphere of Local Development

This is the profile of a general (generalised) counsellor, whose activities are "the core" of the LBC activities within the framework of the local / regional development.

This profile of counsellor / promoter has a double task:

- the counsellor / promoter recommends the Small Business Development Network services to *entrepreneurs*, understands the actual client's situation, identifies their problems and opportunities and assists them in taking proper measures towards improving their business operations and to profit from the existing public support in an optimal manner (through financial aid or subsidies, specialised counselling, training, ensuring premises, business contacts, etc.);
- *for the local partners* he/she implements projects, intended for improving the local economy and for increasing employment through new entrepreneurial infrastructure, improvement of services offered by the small business, the projects for clustering, through public works. The projects for clustering involve groups of small-sized businesses, which can develop through common marketing, infrastructure, training, etc.

The senior counsellor for mutual physical solutions is the specialised profile of this group of counsellors. This profile joins the capabilities, necessary for a small business counsellor and for a local development counsellor. Additional training in the sphere of starting-up and management incubator or an entrepreneurial park is also required for this profile.

The key additional specialist counselling capabilities include the following:

- the analysis of justification for establishing an incubator / entrepreneurial park and its starting-up: this also includes the capabilities of acquiring funds, communication, promotion, etc., enabling building and management of high quality business premises for establishing enterprises and their enlargement based on competitive rents and other conditions;
- managing the premises: this task requires capabilities necessary for cost-efficient organisation of basic services (rent management, phone answering, management of premises, etc.), as well as organising business counselling - directly in counsellor's own organisation or through associate counsellors.

The Senior Counsellor (Expert) for Small Business Funding

The senior counsellor for small business funding is in charge of assisting small-sized enterprises' and individuals' access to financial assistance - especially for those who are still in the starting-up phase or in the early development phase. The typical forms of financial assistance include loan guarantees, micro-loans and other forms of subsidised loans. The activities of such counsellors include co-operation with banks and other financial institutions that directly ensure leasing, factoring, the seed and the risk capital.

The counsellor in the sphere of small business funding is the key person in managing the regional business centres.

The funding counsellor's principal task is to create a positive environment for business operations and to establish confidence with businessmen and banks, which can serve him/her in:

- assisting young entrepreneurs in starting-up phase
- helping quickly growing small- and medium-sized enterprises in acquiring loans and risk capital
- alleviating implementation of spin-off projects, part of restructuring of larger enterprises.

In order to ensure acceptance of these counsellors by the banks, representatives of bank associations and similar organisations should be involved in the evaluation procedure of senior funding counsellors.

Counselling in the sphere of funding also requires special capabilities in the following spheres:

- general entrepreneurial counselling
- tutoring in the financial sphere (such as planning of production costs, financial planning, financial control). Tutoring and monitoring of companies' development are the essential tasks required for successful acquisition of additional funding.
- tax counselling
- training and monitoring of companies for improving the possibilities of their success.

Senior Counsellor (Expert) for Marketing and Export

Small- and medium- sized enterprises in Slovenia depend more on export than their equals in other countries. The role of the senior marketing and export counsellor (hereinafter referred to as "the senior marketing counsellor") is to support the small business in overcoming the basic obstacles, such as:

- lack of professional training for international marketing: market analysis, evaluation of competition, defining (adapting) the product, price policy, looking for partners, distribution management, advertising, etc.
- trade limitations, such as: customs control, insurance, foreign currency risks and adjusting the products to required standards and normatives, ensuring quality,
- lack of funding for penetrating new markets.

Within the Small Business Development Network the Euro Info Centre and the Chamber of Commerce and Industry of Slovenia are the main source of such profile of counsellors.

Experts in marketing have to be specialised for their activities or branches (such as: tourism, programme equipment, furniture, civil engineering and projecting, plastics processing industry) and the geographic areas (Germany, Italy, the USA, etc.).

It is very hard to find excellent know-how in the marketing sphere, therefore the senior marketing counsellors should be considered as the resource to be reasonably used throughout the Small Business Development Network.

The Senior Counsellor (Expert) in the Sphere of Innovation, Technology and Production Co-Operation

The senior innovation and technology counsellor's task is to support establishing and growth of innovative enterprises and to promote innovations by enabling spreading of new technologies, as well as the transfer of results of researches performed by national and international development-research institutions' to the industry.

The Small Business Development Network also includes a special task force - the Slovene Entrepreneurial Innovation Network - SEIN, the members of which are innovation experts and innovators. Its intention is to exchange and develop their expert know-how. Recently, the Ministry of Science and Technology, managed to ensure Slovenia's membership in the EU IRC - the network of innovation transfer centres.

It seems that these two networks are compatible. The Regional Business Centres and the Local Business Centres act as "stimulators" of the Innovation Transfer Centre's activities and their spreading to the local levels. But, it is even more important, that the RBC can offer technological advice, provided from the Innovation Transfer Centres and link them with more general business counselling (especially in the sphere of marketing and finances) thus helping create development possibilities for creative enterprises in the region (such as: searching for first clients, key suppliers, etc.). In the opinion of the general manager of the European Union DG-XII, the Innovation Transfer Centres can play an important role in the regional development.

Further specialisation within this counselling profile involves the following:

- Counsellors in the field of technology should have rich technological and business experiences in selected technological spheres;
- Design counsellors should direct the companies to use the "treasures" of research talents and the comprehensive expert know-how and experiences, available at the public research centres in Slovenia, such as the Institute Jožef Stefan, as well as in the European Union;
- Production co-operation specialists should help the local suppliers for small- and medium-sized enterprises to establish partnership in co-operation with foreign buyers.

These profiles should all have expert know-how and capabilities in the field of process engineering, quality, marketing and sale.

The Counselling License in the Sphere of the Small Business

In order to ensure the success of the Small Business Development Network with entrepreneurs and banks - and thus its acceptance by the institutional partners - it is essential to provide personnel and associate counsellors with high professional qualification with good links with the RBCs, LBCs and the SBDN itself. The UNIDO team has prepared a systematic approach to developing efficiency and capacity of the counsellors' network.

The licensing procedure is an instrument for spreading and strengthening the organisation culture and successful operation of the network. The SBDN license offers the members of the Small Business Development Network a chance to develop their markets, to develop personally, as well as to increase their professional successfulness and self-fulfilment. By developing the network, the basic criteria for licensing and the counselling standards shall be adjusted to new circumstances, thus becoming even more demanding in the future.

The Goals of the Licensing Procedure within the SBDN:

1. Definition of the counsellors role regarding their clients-entrepreneurs, their needs and expectations.
2. Managing the voucher system for promoting counselling services and training.
3. Ensuring the quality and the real value of counselling for the Small Business Development Network clients, that is for entrepreneurs, banks, partners.
4. Supporting development of the offer in the competitive market of private counselling in the sphere of the small business.
5. Acknowledging and promoting individual counsellors' successfulness.
6. Increasing the public reputation (the žimage') and awareness of the partnership and Small Business Development Network.

The Basic Characteristics of the Key Counselling Profiles

The UNIDO team has defined descriptions of all counsellors job profiles, as defined above (the small business counsellor, the local development counsellor, the senior funding counsellor, the senior marketing and export promotion counsellor, the senior business premises counsellor, the senior innovation, technology and production co-operation counsellor). Each of these counselling profiles is defined in accordance with the following basic items:

1. THE SPECIFIC ROLE OF THE COUNSELLOR

2. WHO CAN APPLY FOR THE POSITION

- the organisational context
- expert know-how and experiences
- experiences (as foreseen for the higher level)
- qualifications (as foreseen for the higher level)
- formal education (as foreseen for the higher level)
- knowledge of languages
- personal motivation

3. DUTIES

This item should explain which specific results are expected from specific counselling profiles, for example: in the sphere of assisting newly established enterprises, increasing funding resources for existing enterprises, etc.

4. TASKS

This item should explain the activities to be performed by specific counsellors in order to achieve the results, defined in the item entitled 'Duties'.

5. THE SPHERES OF EXPERT KNOW-HOW

The spheres of expert know-how are defined for particular profiles and levels of counselling. The know-how is acquired through experiences with practical tasks and by training. The Small Business Development Centre will organise and implement a number of training seminars in order to improve the general education of the Small Business Development Network members. The counsellors are also bound to take care of their individual training, in order to be capable of fulfilling all the requirements, defined under the item 'The Spheres of Necessary Know-How'.

6. THE NETWORKS OF CONTACTS AND PROFESSIONAL RELATIONSHIPS

7. PERSONAL BEHAVIOUR, COUNSELLING ABILITIES

8. KNOW-HOW IN THE SPHERE OF THE INFORMATION TECHNOLOGY AND COMPUTER RESOURCES

The Levels of Counselling Know-How and Experiences, Promotion

In the defined job descriptions we tried to introduce the initial differentiation of the depth and the width of required skills and know-how, necessary for various counselling levels.

Regarding the personal expert references showing the experiences and training involved, the three main levels of counselling are proposed:

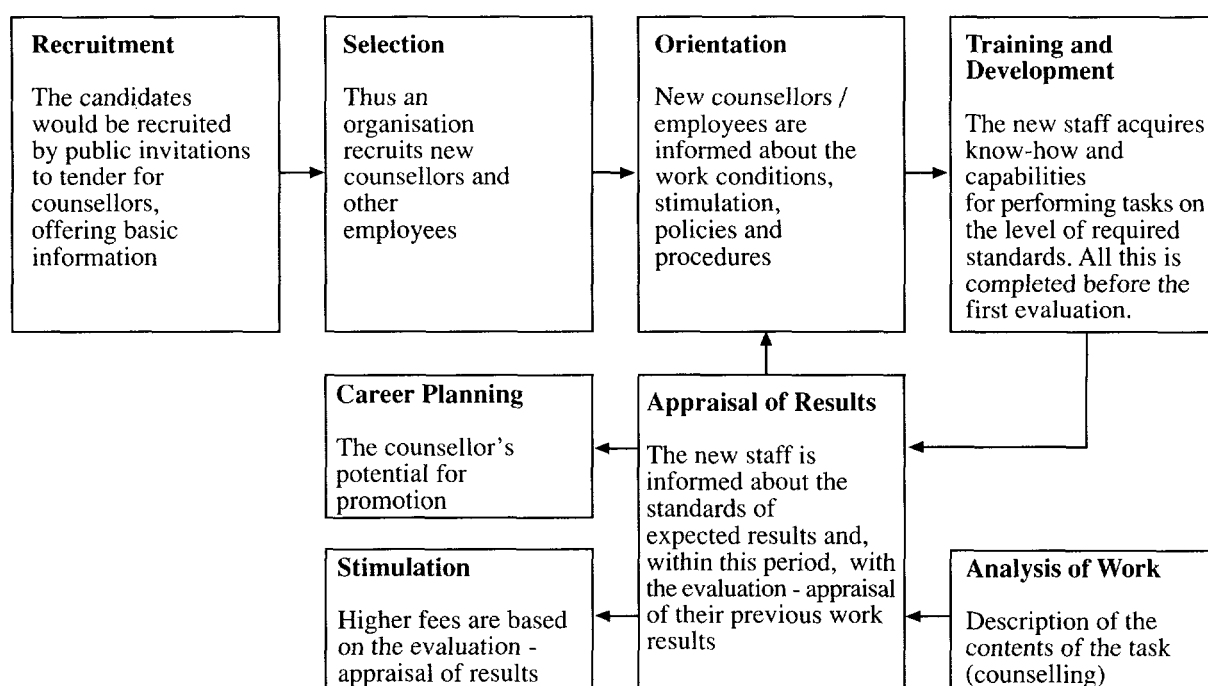
<p>THE ASSOCIATE COUNSELLOR</p> <p>Has completed specific forms of training for the required/demanded spheres of know-how. This level is required for transferring information and for dealing with simple, routine counselling tasks.</p>
<p>THE COUNSELLOR</p> <p>Has already acquired mature and developed specific counselling know-how and experiences. This level of qualification is required for the managers of the LBCs.</p>
<p>THE SENIOR COUNSELLOR (EXPERT)</p> <p>Has acquired through knowledge in the selected sphere of counselling and management. This level of qualification is foreseen for the managers of the RBCs and for the manager of the SBDN.</p>

The structure of professional promotion of an entrepreneurial counsellor, can proceed as follows:

- from counselling for beginners and unemployed individuals (a typical LBC service)
- to counselling for “growing” enterprises (performed on the level of the RBCs or LBCs)
- to supervising of counselling (performed in the RBCs)
- Training of counsellors and managing an important institution (on the SBDN and RBC levels).

Selection and Training of Personnel

Figure 17: The Main Phases of the Counsellor Selection Procedure



The main phases of the procedure of selecting counsellors and employees are shown on the Figure no. 16, following the basic steps of selection of small business counsellors, as proposed by Allan Gibb (Durham University Business School). The procedure is supervised by the Licensing Committee for Counsellors by the SBDN, in charge of determining the professional counselling standards and of licensing.

The Evaluation Procedure

The counsellors that apply for the license are bound to submit a list of their previous counselling references to the SBDN Licensing Committee. The following two basic levels are considered:

- the initial evaluation during their first application and
- evaluation of achieved results (continuous, periodical successfulness appraisal)

The Initial Evaluation

In order to acquire the license, the candidate has to prove his/her professional qualification for each and every listed basic capability at the levels, stated in the concrete job and task description. The initial evaluation is based on the following steps:

1. The evaluation of reference experiences in a particular sphere, for example for the level of the senior counsellor (expert):
 - at least two year of experiences in counselling for small enterprises
 - submission of proofs about at least 20 implemented counselling projects / clients' names.
2. Questionnaires for verification of the specific level of know-how in a particular sphere.
3. Interviews for evaluation of candidate's counselling and personal capacities.

Successfulness Evaluation (Achieved Results)

As it occurs in the majority of jobs, the core of counsellors training is actually performed through implementation of the counselling tasks. Evaluation of successfulness provides the newly employed and the counsellors with the necessary knowledge of standards for acceptable results and - after a certain period of time - with their successfulness in counselling as well.

This evaluation is required for many reasons:

- in order to provide feedback information for counsellors and employees about the results of their work, so that they would be able to improve their counselling efficiency,
- in order to establish the necessary organisation culture, motivation and necessary modifications of behaviour,
- in order to provide data on decision making regarding employees / counsellors, for determining their fees, promotion or termination of their work.

Periodical evaluation (including self-evaluation) is counselling results /effects oriented, as defined under item 2.1.1. The Method of balanced scorecard is applied. The proposed balanced approach based on scorecards tends to monitor the "success" of companies / individuals, who have been assisted by counsellors, applying simple criteria, such as: stating the number of new enterprises in comparison with the number of visits paid to potential entrepreneurs, the criteria for the achieved scope of employment, the achieved turnover, etc. upon a certain period after the counselling. This approach forces the counsellors to keep in touch with their clients, to spread their services over the business plan preparation phase and to proceed with providing bank loans, preparing financial planning and financial control, etc. The evaluation of successfulness therefore leads toward a kind of a tutorial relationship with the clients.

The data required for the evaluation of associate counsellors' successfulness are computed and organised by the LBCs supervised by the RBC and the SBDC. The SBDC and its partners are in charge of regular independent assessment of such evaluation by engaging associate auditing experts for performing this type of control.

The Licensing Committee

A special committee in charge of awarding licenses for small business counsellors and of approving membership of counsellors in the development network will be established by the Small Business Development Centre (SBDC).

The members of the Licensing Committee shall be the representatives of the following organisations:

- a) The Ministry of Small Business and Tourism
- b) the SBDN institutional partners
- c) renown experts in the sphere of counselling
- d) associations representing organisations that are directly interested in the successful work of small business counsellors. These include:
 - The Bank Association of Slovenia - for issuing permits for experts in the sphere of finances
 - The Association of Management Counsellors of Slovenia
 - The Slovene Entrepreneurial Innovation Network (SEIN) - for innovation counsellors, etc.

The Committee's task is to supervise the licensing procedure and, above all, to:

- approve definition of counsellors' job profiles description
- supervise organising activities for professional training and development
- approve procedures for selecting counsellors / employees
- approve procedures for evaluating counselling results
- approve (cancel) registration of members for the list of counsellors for the SBDN.

The authorised (licensed) counsellors should guarantee the best professional and ethical behaviour.

The intention of the Professional Behaviour Code is to ensure that by its adoption the licensed counsellors take over the obligation to perform their tasks in a self-disciplined and conscientious manner within or even above the legal requirements. By this Code the public is promised, that the licensed counsellors shall act at the high professional and ethical level, therefore the counsellors are expected to take the obligation of behaving in a socially acceptable and useful manner.

The SBDC promotes the Professional Behaviour Code by receiving and studying all complaints referring to violations of the Code and to adopt disciplinary measures, including cancellation of the license, against each and every counsellor for whom personal responsibility for the violation of the Code is established.

The Professional Behaviour Code has to be adopted by the SBDC Supervisory Board. It is recommended that the Code be harmonised with the Code of the Association of Counsellors of Slovenia.

CHAPTER 3

SUPPORT PROGRAMMES IN THE DEVELOPMENT NETWORK

The SBDN is active in certain traditional spheres of small business development that are well known abroad, but have also been established in Slovenia in the past decade. In the years to come, these programmes should be further developed, spread over a larger number of target groups, improved through better organisation and made less expensive, while ensuring an even coverage of the whole territory of Slovenia and the simultaneous development of specific programmes reflecting the characteristics of particular areas. Let us have a brief look at the main programmes.

Financial Programmes

Micro-Loan

Function:

Engaging local resources in the financing of small businesses. In co-operation with commercial banks and state institutions (the National Bureau of Employment), favourable loan potential should be ensured for funding beginner-entrepreneurs. Projects with a lower budget value are considered in this sphere. The value of these projects-investments is up to SIT 2 to 3 million. Entrepreneurs (beginners and those operating for less than three years) should be provided with easier access to bank loans. The local communities (as to one-quarter to one-third) that would also take over part of the risk involved should provide part of the loan potential. The local communities' funds should also be involved in lowering (subsidising) interest rates for loans given to entrepreneurs.

Micro-loans should be approved following local community development programme criteria. The most frequently appearing and most strongly represented criterion is the creating of new jobs. By co-operating in the sphere of funding the small business entities, local communities would indicate the desired directions of small business development in their local territory. This gives useful information for entrepreneurs, as well as for financial institutions.

Approval and monitoring of approved loans by counsellors is very important for the purpose of training entrepreneurs, transferring know-how to small-sized enterprises and decreasing the risk of small enterprises' business operations.

Beneficiaries:

Entrepreneurs: above all the beginner-entrepreneurs and others who represent a special risk group for banks. The benefits would be shown in lower financing costs, gradual gaining of banks' trust, possibilities for realising business ideas, better contacts with local authorities and acquisition of necessary know-how. As a rule, micro-loans are usually the first contact point where contacts between entrepreneurs and counsellors are established.

Local communities are in charge of contacting enterprises in their territory and have insight in their development goals. Indirectly, they can influence the orientation of entrepreneurial activities and assist them. The non-repayable forms of assistance for entrepreneurs should be replaced by an efficient form of repayable funding (loans and accumulation of specific funds should replace subsidies). Establishing contacts with commercial banks, financial institutions and the state is also important for supporting small business development.

The state gains with the active approach of local communities towards development and restructuring of the local economy. The local communities should be trained to co-operate with the state and entrepreneurs.

Special Know-How:

In the sphere of micro-loans, knowledge relating to local communities' development and small business entity funding is combined. Therefore, it is necessary to have the specific know-how necessary for understanding the development possibilities of the local environment and the resulting priorities. It is also necessary to have the know-how required for evaluating investment programmes and for evaluation of presented entrepreneurial opportunities. It is necessary to be familiar with the functioning of banks and state funds, so that an optimum combination of available sources can be found.

Necessary Capabilities:

In the case of micro-loans, a counsellor represents a link between financiers and entrepreneurs in need of foreign resources. This means that counsellors have to be capable of identifying and considering both parties' interests. Gaining the bank's trust depends on the success of recommended projects and the possibilities of actively resolving eventual problems within the funded enterprise. The capacity of combining various resources (banks, local and state resources) requires a well-informed person with a feeling for communicating with various partners.

Education and Training Programmes

In the nineties, these programmes have mostly been developed within the framework of training the unemployed to enable their self-employment and in the form of basic entrepreneurial seminars for beginner-entrepreneurs. Within a few years, longer forms of entrepreneurial training were developed in order to enhance the development and further growth of companies. Simultaneously, education and training programmes of quite a high quality were appearing for the SBDN counsellors and were co-funded by the SBDN partners. In the past, these partners had only financed some cases of programme development, more frequently they had paid for part of the cost of participation at seminars. A few local and regional performers have established themselves in recent years, but the Gea College, which also founded the Entrepreneurial Faculty in Portoroz with verified programmes, has developed most of the programmes.

Training Programmes for Counsellors

Table 8: Review of Previous Training Programmes for Counsellors

Programme	Target groups	Performance Status
Counsellors for entrepreneurs (small business)	The basic training programme for entrepreneurial counsellors	Performed for numerous groups, still being repeated
Local development counsellors	Co-ordinators of local development coalitions	A new programme, so far performed for existing co-ordinators
Counselling for SB funding MG	Programme for specialisation of SB counsellors	Already performed
Counselling for SB marketing	Programme for specialisation of SB counsellors	Already performed
Counsellors for tourist organisations	Specialisation of counsellors for tourist projects/organisations	Already performed
Seminar for promoters within the Agricultural Development Service	Promoters for supplementary agricultural activities	Already performed
Seminar for counsellors the Republic Assoc.of Co-operatives	Training programme for the RAC collaborators	Already performed

The above listed programmes were organised through the Gea College and Nov'na was co-operating at the level of local counsellors, as they have many experiences with similar projects. It is characteristic of these programmes that they were relatively comprehensive (1-5 weeks, through various modules), that foreign experts were involved in their implementation (or one of the modules was organised

abroad), that programme councils verified their contents and that the SBDN partners were involved in them (and clients as well), which ensured constant development and adjustments of their contents. The weakness of these programmes lay in deficient verification of knowledge and skills acquired by participants, which hindered any efficient selection. With the continuing development of the SBDN, these programmes are expected to develop further, with the following improvements:

- making of a system for verification and evaluation of acquired knowledge part of counsellors' licensing,
- more accent should be given to foreign experts and their experiences, as well as to training of counsellors through similar forms of education abroad,
- better planning of selection of participants
- building-up of contents and professional material with more practical cases from Slovenia,
- more materials from the sphere of counselling methodology and instruments, and
- a well-running programme development financing system and the system for subsidising participants and members of the SBDN.

These programmes shall be built into the counsellors' licensing system, and their contents will be even more influenced by the Association of Counsellors and by the SBDN partners.

Training Programmes for Entrepreneurs and Employees

Table 9: Review of Essential Training Programmes for Enterprises and their Employees

Programme	Target Groups	Performance Level
Introductory entrepreneurial training programme (standardised)	Unemployed, candidates for their	Local, regional own entrepreneurial projects
Training programme for entrepreneurs/managers (standardised)	Owners or management of existing enterprises	Mostly regional
Specialised entrepreneurial know-how (management functions): marketing, finances, informatics, employment	Owners or management personnel on specific functions in enterprises	Mostly regional
Entrepreneurial capacities (sale, market surveys)	Entrepreneurs in the beginning of their business operations	Local, regional
Various business modalities (franchising, independent entrepreneurs, crafts)	Beginner-Entrepreneurs	Local, regional
Entrepreneurial opportunities (particular branches)	Beginner-Entrepreneurs	Local, regional
Seminar on legal and technical novelties	Entrepreneurs and employees in enterprises	Local, regional
Seminars for internal entrepreneurship	Employees in larger entrepreneur ship-oriented companies	Selected companies, local
Verified professional education programmes (secretaries, accountants)	Unemployed, cross-training of echnologically redundant employees	Local, regional

Such programmes are very dynamic; therefore the above table cannot encompass all possible forms of training. The programmes are differing regarding their scope; some of them are totally marketing-oriented, as this know-how is a part of the plans for the professional development of small businesses. The programmes are formulated considering the actual needs of enterprises in a particular environment, legal framework of business operations, lecturer's qualifications, etc.

The SBDN's task is to develop **standard forms of training**, to be widely implemented, representing part of this subsidised education and training programme intended for improving the quality level of human resources that should be equally accessible to target groups throughout Slovenia. In this case, standardisation should ensure the basic implementation quality, preparation of professional material, further development of the programme contents. Programmes would be implemented by authorised performers, fulfilling prescribed criteria (collaborators, equipment, premises), while LBCs and RBCs

should plan the scope of such training in their territory and ensure the agreed amount of necessary resources. Their task would also be to develop interest in such programmes among entrepreneurs and employees and to establish a network of programme performers in their territory. The SBDN and its partners should fund the development of the standard education package, and they would frequently finance part of participants' expenses. The performers would pay the license fee, thus gaining the right to perform the education package. Through these fees, further programme development would be financed as well as adjustment of its contents to the changed circumstances.

In co-operation with the MSBT, the SBDN will foresee the co-funding of development and participants' expenses for other training programmes if it is estimated that the matters presented are subject to wider interest (invitations for tenders or for consortia of lecturers shall also be published), otherwise the training will be performed following marketing logic. The regional and/or local centres may co-finance the development of special programmes and the participation in programmes that are considered especially important for the local/regional small business. In such a case, qualified performers shall be chosen after a public invitation to tender and the organisers shall try to acquire some of the necessary resources from the SBDN partners or from international projects. Through co-operation with other regions, the quality of the programmes should be improved and the expenses of development and implementation of programmes lowered.

The task of LBCs and RBCs is the framework planning of education and training in their territories, development of lecturers' network, selection of candidates through invitations to tender, monitoring and evaluation of results. The centres are in charge of excluding lower quality performers from programmes and supporting enterprises and their employees in their further professional development. The major part of training will still be performed through chambers of professional associations and the LBCs and RBCs shall be in charge of promotion and informing entrepreneurs about the various possibilities of training.

The goal of such a system is to ensure a high quality offer and to develop readiness for training. Therefore, the SBDN will develop a **system of vouchers** that shall enable enterprises in various development phases a certain share of co-funding for the agreed forms of training.

Information system

The small business information system is a project initiated by the Ministry of Economic Affairs and its development is continued under the Ministry of Small Business and Tourism.

The information system aims above all to ensure servicing of the following groups of users:

- the SBDN (MSBT, SBDC, SBDN-EIC, LBCs, RBCs, other partners and members),
- (commercial companies, individual entrepreneurs, craftsmen) for whom the additional information would improve their business results.

The primary intention of the information system is to provide the following to the above listed target groups:

- communication between the Small Business Development Network members,
- transfer of information from the MSBT, the SBDN, the SBDN-Euro Info Centre, other partners and national, as well as foreign information sources, to the Development Network (mostly to the regional and local centres) and the transfer of more demanding information through qualified counsellors - information mediators, capable of correctly interpreting such information for small- and medium-sized enterprises and craftsmen,
- identification and registration of small- and medium-sized enterprises' needs,
- monitoring of the system, i.e. the feedback from regional and local levels to the central system, in order to facilitate the decision-making processes at the Ministry of Small Business and Tourism, the Small Business Development Centre, the Euro Info Centre and other partners.

The information system shall also ensure quality monitoring of the target groups of the system's users, as well as the users of the SBDN's services. Nevertheless, we should not neglect the fact that the information system is also a high quality modern facility (the Internet) intended to help in promotion in Slovenia and abroad, as well. Considering the above, foreign users can also be added to the previously listed groups of users.

Table 10: The Basic Functions of the System in Relation to the Main Carriers and the Major Groups of Users

Function	Carriers	Users
Communication	- the SBDN (Internet)	- the SBDN: other national and foreign partners and/or users (Internet)
Information	- national and foreign sources of information - the SBDN (in the sense of contributing information and/or adding value in the form of counselling)	- the SBDN - commercial companies, - individual entrepreneurs, - craftsmen - other national users
Identification of small- and medium-sized enterprises' needs	- the SBDN (mostly the RBCs and the LBCs in co-operation with counsellors and users)	- the SBDN (mostly partners)
Monitoring i.e. supervision of active results of the SBDN	- the SBDN (mostly the RBCs and the LBCs)	- the SBDN (mostly partners) the European Commission, if required
Promotion	- the SBDN	- national and foreign small- and medium-sized enterprises

Within the 1st phase of the information system development, the following thematic complexes of the system were defined by various target groups of users and within these complexes the priorities have also been set (marked with *):

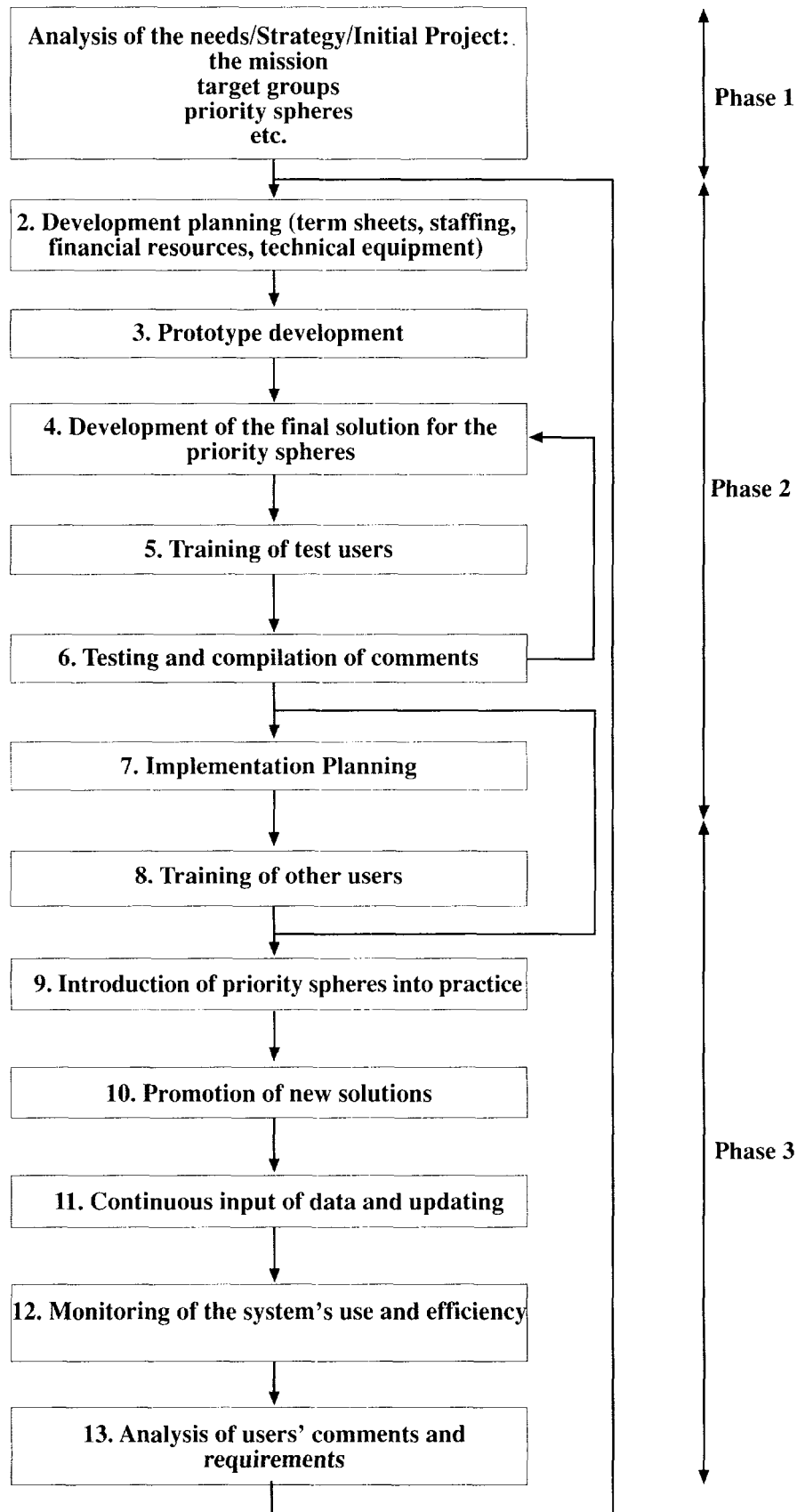
- *1. Business and other subjects
- *2. Business information (business opportunities, business events)
3. Statistic information and analysis
4. Legal-legislative sphere
- *5. Forms of assistance
- *6. Monitoring and implementation of invitations to tender and projects, monitoring of the SBDN's activities
7. Education (national and foreign education organisations and programmes)
8. Librarian and INDOK systems
9. Technological information
10. Agency reports

The main sources of information for the above listed spheres of activities are the SBDN and national and/or foreign sources of information. Therefore, the principal rule has to be considered in preparation of solutions, that is to develop the basic module with our own resources (the SBDN and the EIC also) and then to gradually include other sources of information. Regarding their sources, the data to be used by the Small Business Information System can be divided into the following groups:

1. data compiled through the MSBT, the SBDC, the EIC,
2. data compiled through the SBDN, and
3. data compiled through other national and foreign systems.

Presently, the project is in its prototype solution phase for the first two spheres, that is for the sphere of business and other subjects and for the sphere of business information. The development and maintenance process of the SBIS is shown in the following diagram:

Figure 18: The Diagram of the Development and Monitoring the Development of the SBIS



The source: the plan for further development of the project "Small Business Information System" (May 1998)

The first phase of the SBIS has already been completed. The 2nd and 3rd phases are to follow continuously for each business segment development. A partly simplified process is also necessary for the system maintenance phase.

When introducing the system into practice, the following questions should be given special attention:

- continuous training of users for using the system,
- acquiring additional national and foreign sources of information, and
- personal data protection - a huge quantity of data, compiled through the SBIS shall be of a personal nature, therefore all the legal (the SBDC, the LBCs, the RBCs, §) entities and natural persons (counsellors, §) shall have to consider existing legislation and regulations on personal data protection when compiling, processing, using, storing and transmitting the data.

The term plan for implementation of the tasks involved anticipates one year for each of the main business spheres on the condition of suitable project organisation. In the case of the four major business spheres (business and other subjects, business information, forms of assistance, monitoring of SBDN's projects and activities), two years will be required before practical application of the system is started. The remaining business spheres are less demanding from the development point of view, therefore all the other business spheres could be completed by 2003. Considering that these spheres shall be continuously handed over to their users, the practical use of the first two business spheres could already start by the end of 1999.

The Counselling Programmes

Providing basic advice for entrepreneurs and, above all, for beginners is a traditional part of all networks' activities (RAC, RICC, ICC). These networks differ in their density at the local level, the number and qualification of their counsellors and the target groups entitled to receive such counselling. Both chambers have ensured high professional quality by engaging legal, accountancy and other experts on a contractual basis, while the regularly employed personnel mostly deal with the basic forms of counselling and with directing the entrepreneurs to suitable experts. The SBDN's achievements in the very sphere of professional development of general entrepreneurial counsellors are outstanding.

Various levels (of requirements) are involved in counselling, thus subsidising of counselling services shall also be implemented in various scopes. The specialist counselling shall largely be implemented as a market-oriented counselling activity, meaning that the enterprises shall decide for themselves when and with which counsellor they wish to co-operate. In this respect, the SBDN could mostly contribute by directing enterprises towards proper counsellors when the need arises. The SBDN shall also offer a certain scope and forms of counselling for entrepreneurs in various phases of their enterprises' development. Only licensed counsellors shall be permitted to participate in subsidised counselling programmes. In this sphere, the SBDN shall also develop a **voucher system**, consisting of:

- a certain amount of free-of-charge counselling for potential entrepreneurs who are still thinking about starting an independent business (for example, 10 hours over 2-3 months), enabling them to develop their ideas and verify them accordingly before deciding whether and when they intend to realise it,
- free-of-charge counselling within a certain range of activities for development of business plans, related to adequate training (workshops for business plans),
- subsidised counselling during the founding phase of the company, acquisition of documentation, starting-up of business operations,
- counselling for all new projects implemented by the company (enlargement of business operations, investments, new markets or development of new products, introduction of new technology, quality development),
- counselling for establishing links between companies, development of mutual projects and entrepreneurial networks, and
- other specialist forms of counselling (financing, marketing, information systems within companies, etc.).

Table 11: The Distribution of Basic Counselling Activities in Slovenia at Particular Levels

The level of activities	Basic counselling activities
The state level (the SBDN)	<ul style="list-style-type: none"> • development of counselling tools and programmes, the process of training, verification and licensing of counsellors for various • spheres and their professional advancement, organising the Association of Counsellors, • planning the scope of subsidised forms of counselling and ensuring the required share of funding, • monitoring of realisation of this plan and supervision over its implementation • development of the counsellors' network and special measures to be taken in the territories with weakly developed network (in co-operation with the LBCs and the RBCs)
The regional level	<ul style="list-style-type: none"> • planning the scope of subsidised forms of counselling and ensuring the required share of resources for co-financing • organisation of specialist forms of counselling, providing a network of qualified and licensed counsellors, supervision and reporting to the SBDN, • organising the counsellors, their connections with financial organisations and other important partners, • ensuring coverage of the region with counselling services, • co-operation in development of counselling tools and programmes (especially for specific regional problems), as well as in transferring experiences from other regional centres
The local level	<ul style="list-style-type: none"> • planning of the scope of general (and some forms of specialist) counselling and ensuring the funding, • organising the network of contractual counsellors, taking care of their further training and development, • directing entrepreneurs towards counsellors (general and specialist), monitoring and supervision of the scope and the quality of counselling, reporting to the RBC and the SBDN.

The system of subsidies intended for counselling (and training) requires the transparency of participating performers (therefore a system for registering entrepreneurs-previous users of counselling services shall be established, together with a system of reports on performed services) and transparency of services used by particular users in order to prevent too frequent use by the same users. This system shall also be useful for evaluating the quality of counselling, facilitating the selection of performers and their adequate compensation.

Innovations and Technological Development

Technological support, inventions and innovations are very important for quicker development and strengthening of small business.

Innovators perform their activities within the SBDN - SEIN - the Slovenian Entrepreneurial Innovation Network, offering mostly support for entrepreneurs by (co)-organising the participation of Slovenian inventors and innovators at national and international fairs. Over the past few years, the SEIN has organised the participation of over 300 innovators who have received many prizes.

Promotion still remains the key SEIN task in the future, but the level of presentation has to be raised. Thus, special criteria have been established for participation at specialist fairs, representing better marketing opportunities.

The SBDN - SEIN shall continue to publish manuals, catalogues and other publications in this sphere. The main promotional activity is choosing the innovator of the year.

The most important task to be performed by the state in the sphere of innovative activities is the full support of innovators that should be offered by the state. It is a multi-annual mutual programme established by the Ministries and other state institutions, as follows:

- common, harmonised participation of the state institutions (the Ministries and other institutions) in supporting innovative activities by publishing mutual invitations to tender,
- systematic measures (for example, tax relief in the first year of innovators' business operations),
- organising innovators by the development network and implementation of support activities for innovators (subsidised counselling in the sphere of marketing and finances) along with establishing Regional Development Agencies as a form of innovation centres,
- training and licensing of counsellors for this sphere,
- adequate financial subsidies for innovation projects. The risk capital funding in the field of innovation activities should be increased or enlarged and programmes of financial incentives for innovators should be formulated, based on long-term funding with favourable interest rates,
- offering innovators access to support programmes for innovators, offered by the EU and to other important innovations in this sphere, and
- preparing special criteria for technological-development and other incentives for innovators, offered by the Ministries and other institutions.

Locations of Enterprises and Problems Regarding Premises

Premises are high on the list of problems small business faces in Slovenia. Solving of these problems should be organised in the following directions:

- in co-operation with its partners, the SBDN should encourage faster physical planning in Slovenia that takes into consideration the new structure of the economy,
- the local/regional communities should accelerate planning of entrepreneurial parks, ensure development of their infrastructure and increase planned distribution of various activities; planning and realisation of less expensive and faster construction technologies should be given priority,
- there is still enough space for entrepreneurial incubators' activities, especially for potential entrepreneurs in the initial phase, when they are still developing ideas and modest premises are required, and
- the local and regional centres should co-operate more actively in restructuring enterprises in difficulty and in using their resources for new entrepreneurial projects, especially from the aspect of required premises and equipment.

In this sphere the SBDN should ensure the efficient transfer of foreign and domestic experiences, while the core of the activities involved in smaller projects should be taken by larger projects and by the local centres. It is important to provide co-ordinated action with other partners, the MERD, MEPP, MAF, with potential investors and others who can promote solutions of physical planning problems, mostly from the aspect of accelerating their solution and expense-related problems. The regional centres should be in charge of larger projects, regarded as the elements of the regional economic development, which are sure to gain foreign technical and financial support and that are bound to initiate the inflow of foreign capital.

Promotion of Entrepreneurship

Some forms of promotion of entrepreneurship have already established themselves in Slovenia over the past decade, especially those based on a certain tradition and experiences, as follows:

- selecting the entrepreneur/the family enterprise of the year (at the state level),
- the Entrepreneurial Forum (following the example of the MIT from Cambridge, Mass.),
- entrepreneurial programmes taught as subjects in secondary schools, or as selective subjects in primary schools, supported by presentations of business plans (a Slovenia-wide event),
- entrepreneurial topics discussed in professional reviews (Podjetnik, Gospodarski vestnik), and in more popular reviews (Nasa Zena), as well as in daily newspapers (still not sufficiently affirmative),
- local/regional/international fairs or presentations of entrepreneurship and crafts, and
- TV and video series on entrepreneurship, other publications, etc.

A problem arising with such kind of promotion is that it has been implemented through fragments, without co-ordination, in a strictly uneven manner through various territories of Slovenia, frequently without thoroughly defined criteria for participants and there has not been any graduation from the local, through the regional and higher to the state and international levels that it has been deficient due to constant lack of funding required to achieve top quality, etc. Such promotion was mostly based on the individual initiatives of particular entrepreneurs or organisations and not so much on an agreed promotion strategy (already foreseen by the SBDS in 1996). Based on such experiences, we should be capable of building a fuller promotion system, where enough room should be made for the SBDN and all the other partners. Adequate co-ordination should ensure higher quality from otherwise limited financial or professional resources. Simultaneously, the Slovenian entrepreneurs' achievements should be more intensely internationally promoted.

Another element is the promotion of the SBDN among entrepreneurs and the Slovenian public which should become better acquainted with the SBDN's activities and achievements, its organisation and possibilities offered to potential entrepreneurs and existing enterprises. Thus, a better image would be ensured for the SBDN, a fact that could be useful in further decision-making regarding necessary funding. The integration of entrepreneurial and local/regional development should ensure an important step in developing the awareness of the importance of taking one's own initiative.

The SBDN should join the resources within the section for the promotion of entrepreneurship that shall be in charge of the first promotion strategy while, in all the regional and local centres, the necessary professional and financial resources should be reserved for promotion within the framework of their business plans.

CHAPTER 4

DEVELOPMENT AND EXECUTION OF SMALL BUSINESS DEVELOPMENT PROGRAMMES AT VARIOUS LEVELS

The Small Business Development Company is to develop programmes, tools and fields of activity to support small business development in Slovenia. The Company shall co-operate in the development and implementation of partner institution programmes in the sphere of small business. It shall also be in charge of programmes and good practice transfers from abroad, adjusting them accordingly to the actual needs of small business in Slovenia. The whole system from national to local levels shall be co-ordinated by the Company, the development, funding, implementation of activities and monitoring of which have to be ensured.

The Education and Training Sphere

Various state and other partner institutions programmes have to be co-ordinated at the national level. The ways of developing, funding and implementing programmes have to be agreed upon. A unified survey of priorities in the sphere of education and training has to be made at the regional level, then harmonised with the Development Company and other institutions at the national level and further implementation of mutually agreed programmes has to be ensured. At the local level, part of the regional programme and an offer depending on local needs have to be implemented. The Development Company shall run two licensing programmes for counsellors. The first shall be intended for counsellors in the sphere of small business and the second for counsellors in the sphere of local development. Licences shall be verified and linked with supplementary education and training programmes. Part of these activities shall also be implemented at the regional level. Introduction of norms and standards requires a special education and training programme at all levels of activities. Their implementation shall be gradually transferred to regional and local levels.

Training for developing the concept of local level initiatives has to be formulated at the regional level and implemented at the local levels. Training of beginner-entrepreneurs for better preparation and implementation of business plans has to be linked with the previously mentioned forms of training.

Inter-linking is essential for small business development. A programme to be implemented at regional levels shall be developed on the national level.

Partner institutions shall be interested in developing and implementing special programmes and workshops intended for specific target groups (agriculture, unemployed, women). The Development Company shall co-operate in their creating, funding and implementation at various levels of activities. In particular cases, entrepreneurs, their associations and local communities shall be included in co-funding.

The Sphere of Funding Small Business Entities

At the national level, the offer intended for small business shall be co-ordinated so as to approach actual needs regarding its scope and contents and to support small business development (investment policies co-ordination, invitations for tenders, attracting various other sources). The Development Company shall offer its own financial sources and shall take care of training financial counsellors. Other financial institutions shall also co-operate in counsellor training.

A project of guarantee funds shall be implemented at the regional level, while a project of mini-loans to fund new job opportunities by combining various sources shall be implemented at the local level. The national level shall be in charge of development and co-funding of both programmes.

The Development Company shall promote the inter-linking of public and private funds, linking of funding with counselling and transfer of financial know-how to small enterprises. The offer of business premises is essential for small businesses.

The three levels shall play an important role in all these activities. At the local level, it shall be focused on implementation of activities and ensuring additional financial sources. The regional level shall take over part of the monitoring function and offer professional and organisational support of activities at the local level.

The Sphere of Counselling

At the national level, the Development Company shall organise counsellors of various profiles in such a way that they are capable of establishing regional connections and organisation. A system of general and specialised counselling shall be developed, financed and implemented. Especially in the sphere of specialised counselling, services shall be implemented following the "system of order forms". Regarding organising and licensing, the national level shall be in charge of developing the necessary tools and raising the quality of counselling services. The regional level shall be in charge of specialised counselling, while the national level shall take care of counselling for the needs of developing the support environment. The contents of counselling shall be directed towards needs of small businesses and capable of responding to actual problems in various business operational fields.

The Sphere of Information

The EURO-INFO centre and its regional branch offices shall be the carriers of activities and organisation in the sphere of information. In addition, the Development Company shall publish its own information bulletin and take care of the transfer of information between partners in the support environment. The priority task shall be to inform performers of support activities, as well as co-operation in the building of a more efficient information system for entrepreneurs and potential entrepreneurs. It shall also be involved in building information systems at regional and local levels. These levels shall mutually co-operate in co-funding particular segments of information system. Efficient contact points for entrepreneurs and counsellors shall be developed at the local level.

The Sphere of Marketing Activities

The national level shall be in charge of developing the support environment, as well as of co-operation by organising, funding and implementing various business meetings and promotional activities organised mostly by chambers. Assessment of small businesses' and partner institutions' needs also forms part of marketing activities. Developing programmes and tools and their application in practice are also part of the task. Ensuring funding by users or clients is an important task, as well as further commercialisation of developed programmes. Funding and strategic management of these activities has to be ensured at the national level. Part of the tasks shall be transferred to the regional level, where the main support point for entrepreneurs will be situated. At the local level, information, counselling and guidance of entrepreneurs for their inclusion in organised forms of marketing, supporting and other activities.

Transfer of foreign know-how, cross-border co-operation and involvement in various international organisations and associations shall also belong to this group of activities.

Developing the Support Environment

The national level shall be in charge of the development, funding, co-ordination and quality implementation of support activities. Part of planning and co-ordination shall be transferred to the regional level, but the local contact points shall retain their key importance in quality implementation of support activities.

Table 12

SMALL BUSINESS DEVELOPMENT SUPPORT PROGRAMMES

PROGRAMMES AND TOOLS	IMPLEMENTATION LEVELS		
	National	Regional	Local
FORMS OF EDUCATION AND TRAINING	Nationally harmonised programmes	Regionally harmonised programmes	Offer considering the users' needs
- Education programmes for acquiring licenses for entrepreneurial counselling	(R) (F) (F) (N)		
- Programmes for acquiring the license for local development counselling	(R) (F) (I) (N)		
- Programs for verification and extension of license	(R) (F) (I) (N)	(I)	(I)
- Introduction of normatives and standards	(R) (F) (I) (N)	(I)	(I)
- Generating and developing entrepreneurial ideas	(F)	(R) (F) (N)	(I)
- Preparation and implementation of business plans	(R) (F)	(N)	(F) (I)
- Development of entrepreneurial networks	(R) (F) (N)	(I)	
- Special workshops and programmes	(R)	(F) (N)	(I)
FINANCING OF SMALL BUSINESS ENTITIES	National programme	Guarantee funds	Micro loans
- Training and organisation of financing counsellors	(R) (F)	(F) (I) (N)	
- Implementation and develop. of the 'micro loan' programme	(R) (F)	(N)	(F) (I)

- Implementation and development of the zguarantee funds' programme	(R) (F) (N)	(F) (I)	
- Linking of financial incentives and counselling for the small business	(R) (F)	(F) (I) (N)	(R) (F) (I) (N)
- Formulating the offer of business premises	(R) (F)	(F) (I) (N)	(F) (I)
- Linking of offers of public and private capital (national and foreign)	(R) (F) (I) (N)	(F) (I)	(F) (I)
- Transfer of financial know-how to small enterprises	(R) (F) (N)	(F) (I)	(F) (I)
COUNSELLING	For developing the support environment	Specialist	General
- For building up of support environment and implementation of standards	(R) (F) (I) (N)	(I) (N)	
- General counselling for entrepreneurs and potential entrepreneurs	(F) (N)	(R) (N)	(R) (F) (I) (N)
- Counselling for solvign specific entrepreneurial problems	(R) (F) (I) (N)	(R) (I)	(I)
- Organising and licensing of counsellors	(R) (F) (I) (N)	(R) (I)	
- Developing tools and programmes for implementation of counselling activities and their quality	(R) (F) (I) (N)	(R) (I)	
INFORMING	Euro Info Center	Izpostave EIC	Kontaktne točke
- The Euro Info Centre Project	(R) (F) (I) (N)	(I)	
- The SBDN informer	(R) (F) (I) (N)		
- Informing of entrepreneurs	(R) (F)	(R) (F)	(F) (I)
- Informing of performers of support activities	(R) (F)	(R) (I)	(I)
- Flow of information between partners in the support environment	(R) (F) (I) (N)	(F) (I)	(I)
MARKETING ACTIVITIES	Marketing and management of support projects	Organising and supporting entrepreneurs	Informing and counseling
- Stating the users' needs	(F) (I)	(I)	(I)
- Marketing and implementation of developed programmes	(F) (I)	(I)	(I)
- Co-operation in implementation of business meetings and promotion activities	(F) (I)	(I)	(I)

- Transfer of know-how, experiences and best practices from abroad and to the foreign coun.	(F) (I) (N)	(I)	
- Participation in international organisations and associations	(F) (I)		
- Cross-border co-operation	(F) (I)	(R) (I)	
DEVELOPING THE SUPPORT ENVIRONMENT	Planning, development, funding and co-ordination	Planning, implementation and co-ordination on the regional level	The contact point and high quality implementation of services
- Analysis of the SB condition and their needs (periodical publishing of data)	(F) (I)	(I)	
- Planning, proposing and harmonising the activities (permanent co-ordination)	(F) (I)	(I)	
- Developing programmes and tools (permanent task)	(F) (I) (N)	(I)	(I)
- Co-funding and monitoring (budget)	(I)		

- Legend:**
- (R) - develops
 - (F) - finances or co-finances
 - (N) - monitors
 - (I) - implements

FUNDING THE STRENGTHENING OF SMALL BUSINESSES

INTRODUCTION

The state supports small business development in many ways. Previous practice has unveiled certain deficiencies that need to be removed.

In addition to system changes necessary in the sphere of small business, the manner of state support through support activities is also essential for development of this dynamic sector. The question whether these activities are sufficient (efficient enough) for opening new opportunities for entrepreneurs and the resulting new jobs must not be neglected.

It is necessary to start from the actual needs of entrepreneurs and craftsmen. Further, it is important to increasingly decentralise its function in the sphere of small business strengthening and to adopt a bottom-up approach. The support programmes have to integrate financial and other sources (state, local, regional, private) in order to become efficient. Therefore, an integral approach is necessary. It is essential for the programmes of small business support activities to be long-term oriented and adopted on a long-term basis, for at least three years, and to be approved by the government, which would represent the strengthening of partnership between various ministries and other supporting institutions. Common invitations to tender in the sphere of state supported small business development are the result of these efforts. Efficient state support of small business can only be implemented and monitored through a well organised developing network, the prerequisite for which are well-trained professionals (counsellors). The question whether the state provides stable funding of support activities and programmes for small business development is of key importance here.

Based on all the aforementioned reasons, and according to established standards and norms of support activities prepared within the framework of the UNIDO project, the proposal for funding a multi-annual (three-year) state programme of small business support activities was prepared.

When the programme is adopted by the Government of the Republic of Slovenia, a stable source for funding the small business development would be ensured, as well as new jobs and other effects that cannot be neglected.

CHAPTER 1

FUNDING THE THREE-YEAR PROGRAMME OF SMALL BUSINESS SUPPORT ACTIVITIES

In a way similar to how developed western countries prepare multi-annual programmes (and financial sources) for small business development, our proposal is mostly part of the function of achieving results and ensuring a stable source for funding small business development. The draft programme includes funding of development network operating costs, support activities and financial subsidies for entrepreneurs and craftsmen. By presenting this multi-annual funding programme, we are seeking answers to the basic question:

Whether the actual effects of the three-year support activities programme will be such as to justify the state funds invested?

The UNIDO project standards and criteria represent the starting points for preparation of the proposal for funding the three-year small business support activities programme.

Operating expenses of the development network within the function of ensuring efficient small business support

The goal is to establish an efficient development network for implementing and monitoring small business support activities throughout Slovenia, from local to national levels, by establishing 10 information offices, 16 local entrepreneurial centres, 10 regional development agencies, 2 larger regional centres (Ljubljana, Maribor) and 1 Small Business Development Company. The network shall be established in 1999, while the Small Business Development Company is expected to start operating on 1 January, 2000.

The starting point of (co)funding of the development network operating expenses is based on the presumption that 40% of foreseen operating expenses at the local and regional levels are financed by the state, while the remaining 60% are covered by the local/regional level.

The table shows that the total operating expenses funding required for the three-year period amount to SIT 2,547 million.

The anticipated SIT 300 million intended for funding the national level in 1999 is based on the necessity of a greater number of staff in the SBDC and EICC, and even more so on the establishing of two specialised regional EIC centres. Increased expenses in 2000 are due to the establishing of a new Small Business Development Company, expected to start operating on 1 January 2000, by the merging of the Small Business Development Centre with the Small Business Development Fund.

Support activities of the Small Business Development Network

Development of the small business support environment

Starting from entrepreneurs' actual needs and the need to adjust support activities and particular target groups' financial incentives for entrepreneurs, our main goal in the three-year period is to develop the following programmes:

- a "voucher" system in the sphere of counselling and training entrepreneurs;
- financial incentives for young entrepreneurs;
- financial incentives for women entrepreneurs; and
- comprehensive support for innovators.

The development and application of the "voucher" system in the sphere of counselling and training are clearly the priority task.

TABLE 13: FUNDING OF SMALL BUSINESS DEVELOPMENT PROGRAMMES WITHIN THE THREE-YEAR PERIOD

PROGRAMME	FORESEEN FUNDS	SOURCES	
		MMGT	Other state partners
"Voucher" counselling	10.000	5.000	5.000
"Voucher" training	5.000	2.500	2.500
Young entrepreneurs	5.000	2.500	2.500
Women entrepreneurs	5.000	2.500	2.500
Inovatorjs	6.000	3.000	3.000
TOTAL	31.000	15.500	15.500

Counselling activities

1. Within the three-year period, high-quality general and specialist counselling services shall be implemented according to the "voucher" system for 17,000 entrepreneurs. The services shall be performed by licensed counsellors included in the development network. Some 333,500 effective hours are foreseen. The "voucher" system shall be implemented through regional and local business centres.

TABLE 14: FUNDING OF THE DEVELOPMENT NETWORK'S OPERATING EXPENSES IN THE THREE-YEAR PERIOD

THE FORM OF ORGANISATION	THE NUMBER OF CENTRES	FUNDING OF THE CENTRES	OPERATIVE EXPENSES			TOTAL	FINANCIAL SOURCES		
			1999	2000	2001		MSBT/ROSB	OTHER STATE PARTNERS	LOKAL REGIONAL COMMUNITY
INFORMATION BUREAU	10	750	7.500	7.500	7.500	22.500	4.500	4.500	4.500
LOCAL INITIATIVES BUSSINES CENTRES	16	10.000	160.000	200.000	200.000	560.000	112.000	112.000	336.000
REGIONAL DEVELOPMENT AGENCIES	10	15.000	150.000	187.500	187.500	525.000	105.000	105.000	315.000
LARGER CENTRES LJUBLJANA, MARIBOR	2	30.000	60.000	75.000	75.000	210.000	42.000	42.000	126.000
THE SBDN/ THE SBDA	1	300.000	300.000	450.000	430.000	1,230.000	1,230.000		
SKUPAJ	39		677.500	920.000	930.000	2,547.500	1,493.500	263.500	790.500

TABLE 15: FUNDING OF COUNSELLING ACTIVITIES FOR ENTREPRENEURS ACCORDING TO THE "VOUCHER" SYSTEM

VOUCHER SERVICES	No of entrepreneurs	Hours/entrepreneurs	Â counselling hours	SIT/hour	∑ SIT	MSBT	Other state partners	loc./reg. communities	entrepreneurs
1. SPECIALIST COUNSELLING									
a) 1. 1999	1500	40	60.000	6.500	390.000.000	97.500.000	97.500.000	156.000.000	39.000.000
b) 1. 2000	2000	40	80.000	6.500	520.000.000	130.000.000	130.000.000	208.000.000	52.000.000
c) 1. 2001	3000	40	120.000	6.500	780.000.000	195.000.000	195.000.000	312.000.000	78.000.000
TOTAL	6500		260.000		1.690.000.000	422.500.000	422.500.000	676.000.000	169.000.000
1. GENERAL COUNSELLING									
a) 1. 1999	3000	7	21.000	4.500	94.500.000	23.625.000	23.625.000	47.250.000	
b) 1. 2000	3500	7	24.500	4.500	110.250.000	27.562.500	27.562.500	55.125.000	
c) 1. 2001	4000	7	28.000	4.500	126.000.000	31.500.000	31.500.000	63.000.000	
TOTAL 2	10500		73.500		330.750.000	82.687.500	82.687.500	165.375.000	
TOTAL 1+2	17.000		333.500		2.020.750.000	505.187.500	505.187.500	841.375.000	169.000.000

The year 1999 shall be the first year of introduction of the pilot "voucher" system. In the next year, the system shall be improved, and the target situation should be reached in the year 2001.

The Table shows that the "voucher" system is established so that specialist counselling is 50% co-financed by the state, local/regional levels cover 40% and entrepreneurs themselves pay for 10% of the service, while the MSBT and other state partners and local/regional partners are each to cover 50% of general counselling costs. An entrepreneur is "entitled" to 40 hours of specialist counselling and 7 hours of general counselling per year.

Total funding of counselling activities offered according to the "voucher" system within the three-year period amounts to SIT 2,020.75 million.

1. Over the three-year period, we would like to implement basic counselling services through the development network, mostly in the form of information and the stimulation of interest, involving some 60,000 hours. If we regard SIT 2,500 as the value of one hour, then SIT 150 million will be required for this purpose. The MSBT and other state partners shall cover 50% of this amount, while local/regional levels are to cover the remaining 50%.

Licensing of counsellors

The key task (and the target) for the 1999-2000 period is to license 650 counsellors who would provide high-quality counselling through the development network. Licensing shall be set up for the two following fields of activity:

- a) entrepreneurship, and
- b) regional and local development

The license shall have the status of a state certificate. A special training programme shall be organised for counsellors on a permanent basis. Within the three-year transition period, counsellors shall have to meet certain conditions in order to acquire the license. The required funding is demonstrated in the following table.

TABLE 16: FUNDING OF COUNSELLOR LICENSING OVER THE THREE-YEAR PERIOD

ACTIVITIES	1999	2000	2001	TOTAL	FINANCING	
					MSBT	Other state partners
1. Training of counsellors	8.000	8.000	8.000	24.000	14.400	9.600
2. Promotion activities	2.000	2.000	2.000	16.000	3.600	2.400
3. Licensing costs	1.500	1.500	1.500	4.500	4.500	
TOTAL	11.500	11.500	11.500	34.500	22.500	12.000

In the first year, 200 counsellors shall be licensed, in the year 2000 another 220 and in the year 2001 a further 250.

The sphere of training

The most important of our goals is to train 8,500 entrepreneurs within three years. Of those, 5,000 will undergo the standard programme for entrepreneurs prior to starting up their businesses and 3,500 will attend the standardised programme of basic entrepreneurship through introduction of the "voucher" system.

For that purpose, the state will provide co-funding of such training. With the training programme for entrepreneurs, we intend to cover the beginner-entrepreneurs that are presently not dealt with by the National Employment Office, nor the Ministry of Labour, Family and Social Affairs. It is mostly intended for those wishing to start with some form of entrepreneurship and are not unemployed.

The Table shows the way of funding and the effects of training.

It is planned for the state to co-finance 75% of the cost of the introductory training programme for entrepreneurs, while local/regional partners and entrepreneurs are to provide for the remaining 25%.

Regarding the basic training of entrepreneurs, the state shall co-finance 20% of training costs, while local/regional partners shall provide the remaining 80%.

Assistance in improving the financial position of small enterprises in difficulty

Based on the training of a high level licensed counsellor, our priority task in the three year period is to assist 90 small enterprises in difficult situations and to preserve 225 jobs. The state shall subsidise the cost of counsellor-days for those counsellors responsible for improving small enterprises, up to 30 counsellor-days per counsellor per enterprise. Three counsellors should be included for improvement of the financial situation of an enterprise.

Funding of counselling assistance in improving small enterprises is shown in the following table:

The state is to subsidise a total of 8100 counsellor-days for enterprises in difficulty.

Support for Innovators

The main goal in the three-year period is to ensure the participation of 300 inventors and innovators at national and foreign fairs, with a special accent on specialised fairs, thereby promoting the greater commercialisation of inventions.

Activities here shall be performed within the Slovenian Entrepreneurial Innovation Network - SEIN.

Technical assistance within the development network

The most important task and main goal is to ensure permanent training of co-ordinators and members of the local development partnerships and transfer of best practice (local and regional business centres) to other parts of the network, as well as counselling for regional and local business centres.

Two counsellor-days of technical assistance are anticipated for each local business centre, 3 are anticipated for local centres and 4 are foreseen for larger regional centres.

Programmes for small business development and general development programmes

It is also very important for us to include the following goal for the three-year period: each local and regional business centre should implement at least one large project in the sphere of small business development, or general development. It is of key importance for us to partake in incentives offered by the EU (structural funds) or assistance offered within PHARE (cross-border co-operation, for example). It is also very important that adequate funding is planned at state and local/regional levels for that purpose.

TABLE 17: FUNDING OF THE THREE-YEAR TRAINING OF ENTREPRENEURS

VOUCHER SERVICES	NUMBER OF ENTREPREUNERS	PRICE OF HTE PROGRAMME	Σ SIT	MSBT	FUNDING		
					Other state partners	Local regional partners	Entrepreneurs
1. INTRODUCTORY TRAINING FOR ENTREPREUNERS							
a) 1999	1.500	200.000	300.000.000	75.000.000	150.000.000	37.500.000	37.500.000
b) 2000	1.500	200.000	300.000.000	75.000.000	150.000.000	37.500.000	37.500.000
c) 2001	2.000	200.000	400.000.000	100.000.000	200.000.000	50.000.000	50.000.000
TOTAL 1	5.000		1.000.000.000	250.000.000	500.000.000	125.000.000	125.000.000
1. BASIC TRAINING FOR ENTREPREUNERS							
a) 1999	500	500.000.000	250.000.000	25.000.000	25.000.000	25.000.000	175.000.000
b) 2000	1.500	500.000.000	750.000.000	75.000.000	75.000.000	75.000.000	525.000.000
c) 2001	1.500	500.000.000	750.000.000	75.000.000	75.000.000	75.000.000	525.000.000
TOTAL 2	3.500		1.750.000.000	175.000.000	175.000.000	175.000.000	1.225.000.000
TOTAL 1+2	8.500		2.750.000.000	425.000.000	675.000.000	300.000.000	1.350.000.000

TABLE 18: FUNDING OF THREE-YEAR COUNSELLING SUPPORT FOR SMALL ENTERPRISES IN DIFFICULTY

YEAR	No of enterp. to improve	No of counsel. days 30X3	Price per a counsel. day	Σ SIT	Funding by MSBT	Other state partners
1999	20	90	60.000	108.000.000	54.000.000	54.000.000
2000	30	90	60.000	162.000.000	81.000.000	81.000.000
2001	40	90	60.000	216.000.000	108.000.000	108.000.000
TOTAL	90			486.000.000	243.000.000	243.000.000

TABLE 19: FUNDING OF PARTICIPATION OF INNOVATORS AT FAIRS IN THE 1999 - 2001 PERIOD

PERIOD	NUMBER OF INOVATORS	FUNDING EXPENSES	SOURCES OF FUNDING	
			MSBT	Other state partners
1999	90	20.000	18.000	2.000
2000	100	22.000	19.800	2.200
2001	110	24.000	21.600	2.400
TOTAL	300	64.000	59.400	4.600

TABLE 20: FUNDING OF THREE-YEAR TECHNICAL ASSISTANCE WITHIN THE DEVELOPMENT NETWORK

ACTIVITIES	1999	2000	2001	TOTAL	MSBT	Other state partners
1. Training of coordinators and the LRK Members	6.000	6.000	6.000	18.000	10.800	7.200
1. Transfer of best practices	4.200	4.200	4.200	12.600	12.600	5.040
TOTAL	10.200	10.200	10.200	30.600	18.360	12.240

TABLE 21: EVALUATION OF THE THREE-YEAR FUNDING OF DEVELOPMENT PROGRAMMES

FORM OF ORGANISATION	NUMBER OF CENTRES	PROJECT VALUE	TOTAL	MSBT	FUNDING 1		
					Other state partners	EU	The local /regional community
1. Local entrepreneurial centres	16	15.000.000	240.000.000	60.000.000	60.000.000	60.000.000	60.000.000
2. Regional development agencies	10	20.000.000	200.000.000	50.000.000	50.000.000	50.000.000	50.000.000
3. Two larger centres (Ljubljana, Maribor)	2	25.000.000	50.000.000	12.500.000	12.500.000	12.500.000	12.500.000
TOTAL	28		490.000.000	122.500.000	122.500.000	122.500.000	122.500.000

1. Financial sources are hard to define as they mostly depend on the funding conditions defined by the EU, therefore only an estimate has been made and the financial sources distributed evenly.

International Co-operation

Our priority goal is to harmonise the offer of EU assistance programmes for small enterprises through the EIC, to strengthen international co-operation with the OECD, the United Nations, EVCA and other institutions, as well as to exchange experiences in the sphere of financial incentives, technology transfer, etc. Within the framework of the abovementioned co-operation, we also plan to organise a larger international event and to participate in the IBEX project.

The three-year funding necessary for activities in this field amounts to SIT 40 million. Some 70% of the required funding is to be provided within the MSBT/SBDC, 15% shall come from other partners, while 15% should be contributed by international organisations.

Promotional support

The most important goal in this field of activities is to harmonise activities between partners at the state level, publishing of regular publications on the development of small business in Slovenia and to strengthen activities in the sphere promoting the most successful small businesses in Slovenia as well as promotion within the development network and the SBDC.

TABLE 22: FUNDING OF SMALL BUSINESS PROMOTIONAL ACTIVITIES

ACTIVITIES	SIT	FUNDING SOURCES	
		MSBT	Other state partners
Co-funding promotion			
LBCs	24.000.000	18.000.000	
RBCs	30.000.000	18.000.000	
Larger centres	9.000.000	12.000.000	
Publish. of publicat.	24.000.000	10.800.000	7.200.000
SB Promotion	30.000.000	12.600.000	5.400.000
SBDN promotion	9.000.000	12.000.000	
SKUPAJ	111.000.000	98.400.000	12.600.000

Information Support

Building of an information system for the sphere of small business clearly represents an important strategic task in the next three years as an efficient information system is the prerequisite for efficient implementation and monitoring of support activities and projects conducted within the development network. The project foresees information support in the following fields: business subjects, business information, follow-up of invitations to tenders and projects, forms of assistance for small businesses.

One of the tasks is to ensure subsidies for information activities are offered by local business centres and regional development organisations.

TABLE 23: THREE-YEAR FUNDING OF SMALL BUSINESS INFORMATION SUPPORT

ACTIVITIES	1999	2000	2001	TOTAL	FUNDING SOURCES	
					MSBT	Other state partners
1. Information system of the SB	70.000.000	70.000.000	55.000.000	195.000.000	195.000.000	
1. Subsidies for informing Information bureau	5.000.000	5.000.000	5.000.000	15.000.000	15.000.000	
• Local entrepreneurial centres	8.000.000	8.000.000	8.000.000	24.000.000	16.000.000	
• Regional development agencies	15.000.000	15.000.000	15.000.000	45.000.000	27.000.000	8.000.000
• Two larger centres	3.000.000	3.000.000	3.000.000	9.000.000	9.000.000	15.000.000
TOTAL	101.000.000	101.000.000	86.000.000	288.000.000	265.000.000	23.000.000

TABLE 24: EVALUATION OF THE THREE-YEAR FUNDING OF SPECIFIC TARGET GROUPS

ENTERPRENEURIAL GROUP	1999	2000	2001	Σ	FUNDING SOURCES	
					MSBT	Other state partners
YOUNG ENTREPRENEURS	30.000	60.000	80.000	170.000	85.000	85.000
WOMEN	20.000	40.000	60.000	120.000	60.000	60.000
INNOVATORS	30.000	60.000	60.000	180.000	90.000	90.000
TOTAL	80.000	160.000	230.000	470.000	235.000	235.000

Financial Incentives for Small Business

One of the most important orientations for the next three years is to provide more favourable financial incentives (guarantee funds, financial assistance for beginners, etc.) to as many entrepreneurs and craftsmen as possible. It is also particularly important to develop financial incentives for some special target groups (young entrepreneurs, innovators, women entrepreneurs) and to introduce such incentives in practice.

Regional Guarantee Funds

This is easily one of the most important projects of financial incentives (more favourable guarantees) in Slovenia. The most important goal is to establish and start the operation of regional guarantee funds all over Slovenia (10 - 12 funds) and to ensure loan potential of SIT 17,500 million, as well as guarantee potential of SIT 8,750 million, representing 3,888 loans and 3,888 guarantees within the three-year period.

TABLE 25: ESTIMATE OF THE THREE-YEAR FUNDING OF GUARANTEE FUNDS

	1999	2000	2001	Σ
1. The number of guarantee funds	10	10	10	10
Financing				
2. MSBT	1.000.000	500.000	500.000	2.000.000
3. Other state partners	500.000	250.000	250.000	1.000.000
4. Local regional partners	1.000.000	500.000	500.000	2.000.000
TOTAL	2.500.000	1.250.000	1.250.000	5.000.000
Loan potential*	8.750.000	4.375.000	4.375.000	17.500.000
Guarantee potential**	4.375.000	2.187.500	2.187.500	8.750.000
The total no. of loans and guarantees***	1944	972	972	3888

* multiplier: 3.5

** guarantee potential is 50% of the loan potential

*** the average loan amounts is SIT 4.5 million

Regarding the guarantee funds, the very important role played by banks has to be pointed out, as they provide SIT 12,500 million of loan potential and are a very important regional or local partner, respectively. As the previous practice of the two pilot guarantee funds shows, the financing of business projects up to the amount of an average loan means two new jobs are created, so that the planned implementation of guarantee funds project also means 7,776 new jobs.

Within the foreseen financing scheme, the greater participation of other state partners in funding guarantee funds is foreseen, which has not been the case so far.

Financial assistance for beginners

Within the next three years, the most important goal here is to provide entrepreneurs and craftsmen throughout Slovenia with a better approach to this reversible system of funding new jobs, within which a loan amounting to SIT 1 million could be acquired for each new job and under favourable conditions, to be used by employers opening up new work positions or the self-employed.

TABLE 26: FUNDING OF THE THREE-YEAR PROJECT OF FINANCIAL ASSISTANCE FOR BEGINNERS

	1999	2000	2001	Σ
1. Other state partners	180.000	180.000	270.000	630.000
2. MSBT	120.000	120.000	180.000	420.000
Local/regional partners				
3. Local funds, communities	100.000	100.000	150.000	350.000
4. Entrepreneurs	100.000	100.000	150.000	350.000
5. Banks	500.000	500.000	750.000	1.750.000
TOTAL	1.000.000	1.000.000	1.500.000	3.500.000

Considering that the total amount of the loan potential is SIT 3,500 million and that one new job can be financed with 1 million SIT, this means 3,500 new jobs in three years.

Financial incentives for specific target groups

The main task in this field is to start implementation of financial incentive programmes for young entrepreneurs. As the programmes remain to be developed, their implementation shall become more intense in the years 2000 and 2001, while the first year is intended for their introduction. The programme is about a reversible funding system providing favourable conditions for these groups of entrepreneurs - favourable interest rates.

It is foreseen that financial incentives for special target groups should assist in creating 222 new jobs over the next three years.

Financing of Support Activities within the Function of Developing Entrepreneurial Opportunities and Creating New Jobs

If we look at the recapitulation of the three-year funding programme for support activities, it becomes obvious that the total SIT 30,365 million of required funding is mostly intended for support activities and financial incentives.

The development network only represents a tool for successful implementation of support activities and financial incentives for small business entities, monitoring and supervision of their implementation. This is also reflected by the share of funding intended for operating costs, that represents under 9% of all the funding necessary for the three-year small business development programme. Some 21% of all necessary funding is foreseen for implementation of small business support activities, while 70% of the funding is intended for direct financial incentives for entrepreneurs. Therefore, the three-year support activities funding programme mostly has the functions of developing entrepreneurial opportunities and creating new jobs, instead of funding the "system" or the "structure".

TABLE 28: THE THREE-YEAR FUNDING OF SUPPORT ACTIVITIES FOR SMALL BUSINESS IN SLOVENIA (SUMMARY)

NECESSARY FUNDS	30.365.350	100%
1. OPERATIVE EXPENSES OF THE SBDN	2.549.500	8.5%
2. SUPPORT ACTIVITIES	6.345.850	21%
3. FINANCIAL INCENTIVES FOR THE SB	21.470.000	70.5%

TABLE 27: INTENTIONS OF THE THREE-YEAR FUNDING OF SMALL BUSINESS

ACTIVITIES	NECESSARY FUNDING	FUNDING SOURCES			
		MSBT	Other state partners	Local/regional partners	EU partners
1. Operative expenses of the SBDN	2.549.500	1.493.500	263.500	790.500	
2. Support activities within the SBDN					
2.1. Programme development	31.000	15.500	15.500		
2.2. Counselling - vouchers	2.020.750	505.187.5	505.187.5	841.375	169.000
2.3. Counsellors' licenses	34.500	22.500	12.000		
2.4. Training fot entrepreneurs	2.750.000	425.000	675.000	300.000	1.350.000
2.5. Counselling for enterp. in dificult situ.	486.000	243.000	243.000		
2.6. Promotion of innovators-SEIN	64.000	59.400	4.600		
2.7. Technical assistance within the SBDN	30.600	18.360	12.240		
2.8. Implementation of develop. programmes	490.000	122.500	122.500	122.500	122.500
2.9. International co-operation	40.000	28.000	6.000		6.000
2.10. Promotion activities for the SB	111.000	98.400	12.600		
2.11. Information support to the SB	288.000	265.000	23.000		
TOTAL 2	6.345.850	1.802.847.5	1.631.627.5	1.263.875	1.647.500
3. Financial incentives for the SB					
3.1. Guarantee funds	17.500.000	2.000.000	1.000.000	14.500.000	
3.2. Financial assistance for beginners	3.500.000	420.000	630.000	2.100.000	350.000
3.3. Funding of special target groups	470.000	235.000	235.000		
TOTAL 3	21.470.000	2.655.000	1.865.000	16.600.000	350.000
TOTAL 2+3	30.365.350	5.951.347.5	3.760.127.5	18.654.375	1.997.500

The system of state (co)financing of small business support activities

It is very important for the proposed system to be based on the inclusion of state, local/regional, international (EU) and private (entrepreneur) sources for funding supported activities and financial incentives. Therefore, the system is based on an integral approach, not only in its part dealing with small business development, but also regarding its financial realisation. It is interesting that a huge part of funding is intended for local/regional partners. The reason for this mostly reflects the funding of financial incentives (guarantee funds and financial assistance for beginners) by banks, which play a very important role in it. The Ministry of Small Business and Tourism is foreseen to ensure 20% of the necessary funding, while other state partners (ministries, funds, state institutions) shall ensure 12.5% of the funding. The foreseen share of entrepreneurs and the EU is currently hard to define.

One of the key questions is how the funding of the three-year small business development programme is to be distributed between the state level and local/regional partners.

TABLE 28: SHARES OF THE THREE-YEAR FUNDING OF SMALL BUSINESS SUPPORT ACTIVITIES

NECESSARY FUNDS	30.365.350	100%
1. MSBT	5.921.347.5	19.5%
2. OTHER STATE PARTNERS	3.760.127.5	12.5%
3. LOCAL/REGIONAL PARTNERS	18.654.375	61.5%
4. THE EU, ENTERPRENEURS	1.997.500	6.5%

Considering the total funds required, the previous table shows that local/regional sources are prevailing. But if we look at the shares regarding the intention of such funding, local/regional partners take over a larger share in funding of the operating costs of the development network and the funding of support activities, while projects are financed by both levels in equal shares.

TABLE 29: THE SYSTEM OF (CO)FINANCING OF SMALL BUSINESS SUPPORT ACTIVITIES

THE INTENTION OF FUNDING	THE STATE %	LOCALNA/REGIONAL COMMUNITY	TOTAL %
OPERATIVE EXPENSES	40	40	100
SUPPORT ACTIVITIES	30 - 50	30 - 50	100
PROJECTS	50	50	100

Potential Sources for Funding the Small Business Support Activities Programme

Through the above presentation of the draft three-year small business development programme, the most important funding sources were indicated as follows:

1. The Ministry of Small Business and Tourism;
2. other state partners;
3. guaranteed local communities' expenditure;
4. starting-up within regional development;

5. other sources at the local and regional levels (other partners);
6. private sources; and
7. international, foreign sources

It is of key importance that stable, permanent funding sources are provided for the multi-annual small business development programme. Considering the first source listed - the MSBT - it is very important that it obtains more funding from the budget. Strengthening the partnership with other ministries and state institutions is of no lesser value as, through common invitations to tender, they could provide important sources for funding the proposed small business development programme on a short-term basis.

The two other very important potential sources for funding the programme are:

- inclusion of funding local partners activities according to the three-year programme within the guaranteed expenditure of local communities; as this requires changes to the legislation this option has to be resolved on a long-term basis; and
- the Law on Balanced Regional Development in Slovenia is bound to introduce systemic funding of regional development, also resulting in small business development based on regional development.

Banks are the most important of the common partners at the regional and local levels as they are strongly involved in support activities such as providing financial incentives for small business.

In our opinion, the share of private sources is bound to increase, as is the share of international sources (primarily EU incentives), considering the fact that financial incentives for small business are presently mostly funded by national sources, unlike certain other countries in transition (Hungary, for example), where substantial foreign funding/PHARE is involved.

Estimated Effects of Three-Year Funding of Small Business

Introduction of the three-year programme of small business support activities within the development network involves several advantages and positive effects.

They can be divided into measurable and non-measurable ones.

The first group includes the following:

1. an integrated approach mostly ensures the harmonised involvement of the state in small business development (common invitations to tender) and more efficient use of the state's input;
2. better quality preparations, implementation, management and monitoring of support activities and projects;
3. lower expenses; and
4. lower project risk (guarantee funds, financial assistance, etc.).

The measurable effects are also very important. They become obvious in the following table:

TABLE 30: EFFECTS OF THE THREE-YEAR PROGRAMME FOR FUNDING OF SMALL BUSINESS SUPPORT ACTIVITIES

<ul style="list-style-type: none">• consultancy services - vouchers - for 17,000 entrepreneurs;• information services and encouragement of entrepreneurs - 60,000 hours;• involvement - through vouchers - of 8,500 entrepreneurs in training programmes;• licensing of 650 counsellors;• counselling services for 90 small enterprises in difficult situations and preservation of 225 jobs;• establishing of SIT 17,500 million of loan potential and SIT 8,750 million of guarantee potential;• granting of 3,888 loans and guarantees and the creating of 7,776 new jobs;• establishing of SIT 3,500 million of loan potential for assisting beginners and creating of 3,500 new jobs;

- preparation and implementation of 28 larger development programmes of local and regional communities;
- implementation of 550 investments;
- establishing of 1,470 new companies; and
- participation of 300 inventors and innovators at domestic and foreign fairs.

The table shows only the most important effects. Of those, the 11,723 jobs, mostly new ones, are especially important.

The anticipated effects undoubtedly justify the funding seen as necessary for supporting the three-year state programme of supported small business activities.

The three-year state programme of supported small business activities and its funding show the great possibilities of a system of state support for small business based on an integral approach. Undoubtedly, one of the advantages lies in the efficient development and monitoring of support activities and financial incentives through the development network. It is very important that stable sources for funding the small business development programme can be provided in this manner even for many years. The formal step required in achieving this would be for the Government of the Republic of Slovenia to discuss the three-year programme for funding small business support activities. Thus, the programme would gain appropriate credibility and the “green light” for its realisation. This step is worth taking. The foreseen effects of the presented programme for three-year funding of small business support activities clearly justify the anticipated financial input.

THE PROJECT'S IMPLEMENTATION PROGRAMME

THE IMPLEMENTATION PROGRAMME

The expected spheres of activity are as follows:

1. the strategy of an integral approach to small business development;
2. establishment of the Small Business Development Company;
3. development of the small business development network;
 - 3.1. development of the Small Business Development Centre (SBDC);
 - 3.2. territorial development of the development network at local/regional levels;
4. development of development programmes and instruments;
5. licensing of counsellors for small business;
6. training of development network members;
7. technical assistance;
8. information System;
 - 8.1. inclusion of existing information systems in the development network;
 - 8.2. development of a network information system;
9. promotion of development activities;
10. international linkage of the development network and the Euro Info Centre; and
11. monitoring and evaluation of activities.

1. STRATEGY OF AN INTEGRAL APPROACH TO SMALL BUSINESS DEVELOPMENT

The development of an integral approach and its enforcement through the activities of all development network members are expressed through the following activities:

- identification of network members' interests and goals;
- analysis of existing and foreseen partners' programmes (from the aspect of integration in the European Union);
- evaluation of necessary expert, technical and financial resources;
- identifying all possible synergetic effects;
- organisational development of the network (strengthening of the Small Business Development Centre, establishing the Small Business Development Company, introducing and developing local and regional centres/agencies);
- planning the implementation of (agreed) mutual programmes (the 'scorecard' approach);
- developing mutual development instruments (the financial sphere, information system, education and training programme);
- setting up of a task force for preparation of integration in the European Union's small business programme;
- implementation of mutual programmes; and
- evaluation of results.

ANTICIPATED EFFECTS
<ol style="list-style-type: none">1. More efficient use of resources2. Reaching of the 'critical mass' of resources at the local/regional levels and within particular programmes3. Lowering of administrative expenses of the network's operation4. Engaging a higher share of private resources5. Higher motivation of performers6. The results evaluation system will be harmonised with European standards (organisations, access to resources)

- | |
|--|
| <ol style="list-style-type: none">7. Exchange of experiences with 'the best practices'8. Systematic development of network capacities9. A fuller coverage of the whole Slovenian territory10. Faster restructuring of the economy |
|--|

2. ESTABLISHING OF THE SMALL BUSINESS DEVELOPMENT COMPANY

The integral approach requires a suitable organisational form capable of integrating and inter-linking the main development institutions, with the tendency of having the lowest possible number of organisations involved. The project therefore suggests establishing of a Small Business Development Company that would link the existing Small Business Development Centre with the Small Business Development Fund. Establishing of the SBDC is a long-term process in which the following activities are involved:

- developing the concept of the Small Business Development Company;
- formulating a business operation plan for the Development Company;
- establishing co-operation with other organisations (partners, regional and local centres); mutual exchange of information, co-operation in formulating the business operation plans of these organisations;
- drafting of the legal basis for establishing the Development Company and its normative acts;
- establishing of the Development Company; and
- ensuring necessary resources and technical and professional bases for the Development Company's activity

ANTICIPATED EFFECTS

- | |
|--|
| <ol style="list-style-type: none">1. Comprehensive treatment of small businesses' needs2. Reducing administrative expenses of institutions at the national level3. Joining of resources and unified criteria for support activities4. Stronger position of small business as compared to other entities |
|--|

3. DEVELOPMENT OF THE DEVELOPMENT NETWORK

3.1. DEVELOPMENT OF THE SMALL BUSINESS DEVELOPMENT CENTRE

Establishing the Development Company is a long-term process. Therefore, the Small Business Development Centre shall be in charge of implementation of the project in the interim period and has to be prepared for it accordingly. The priority tasks are:

- professional strengthening of the Development Centre for particular spheres of activity;
- employment of expert associates: funding of small business (the Fund), territorial development of the network, human resources (licensing and training of counsellors), innovations, information system, promotion and marketing;
- a group of foreign experts ('expert pool');
- co-operation with the Small Business Development Fund;
- co-operation with the Regional Settlement Fund;
- education and training of employees;
- further development of the Euro Info Centre;
- co-operation in developing the small business information system;
- introduction of quality standards for Development Centre operations and introduction of internal processes.

ANTICIPATED EFFECTS

1. Enabling the Development Centre to carry out tasks in the sphere of the strategy of an integral approach to small business development

3.2. TERRITORIAL DEVELOPMENT OF THE DEVELOPMENT NETWORK

The organisation of the Small Business Development Network should cover the whole territory of Slovenia to ensure the provision of basic services for entrepreneurs throughout Slovenia. The following activities are required for such development:

- reaching a consensus on standards for the local/regional development centres, to be agreed between the partners within the development network;
- mutual agreement of partners on the territorial development of the network and formulation of invitations to tender;
- adoption of the three-year budget for the development and operation of the network;
- offering technical assistance at the local/regional levels, considering the problems identified;
- establishing local business centres (local development initiatives);
- establishing regional development centres;
- monitoring the growth and effects of the development network;
- education and training of employees at the local and the regional level; and
- developing standards for achieving high quality internal processes within the centres.

ANTICIPATED EFFECTS

1. Mutual development planning for the territorial network
2. Target-oriented activities and responsibility for implementation of the programme and for achieving the planned effects
3. Ensuring basic development programmes for the whole of Slovenia
4. Rational consumption of resources (elimination of duplication of activities, elimination of unnecessary competitiveness)
5. Ensuring feed-back information for improving the implementation of programmes
6. Better transparency of development programmes for companies and counsellors (access to information, to development programme performers)

4. DEVELOPMENT OF PROGRAMMES

A large number of these programmes have been formulated over the past few years by the SBDC and certain other partners, while the new concept introduces mutual co-ordination and dissemination of programmes across Slovenia, as well as the systematic monitoring, evaluation and supplementing of programmes, as follows:

- implementation of existing partners' programmes in the field of small business;
- review of previously existing programmes, their implementation, evaluation of their effects, identification of 'best practices', modifications necessary for improving their effects;
- operative linking with the EU programmes (EIC);
- projects for transfer of technical know-how and 'best practices';
- formulating a methodology for invitations to tender, financing and evaluation of proposals for new programmes;
- analysis of small business needs at the local, regional and national levels;
- monitoring of successful small business development programmes at the European and world levels;
- developing new programmes, their pilot implementation and evaluation;
- methodology and development of an information system for the exchange of experiences;
- involvement of private performers and financial resources in the development and implementation of development programmes; and
- increase of market-oriented implementation of programmes.

Examples of development programmes

- micro-loans
- guarantee funds
- standard education and training programmes
- other training programmes
- entrepreneurial parks
- incubators, technological parks
- financial programmes for various target groups
- innovations
- co-operation
- supplementary activities in agriculture
- quality programme for small enterprises (ISO standards)
- inter-linking of small- and medium-sized enterprises within entrepreneurial networks

ANTICIPATED EFFECTS

1. Developing the offer of new programmes as a response to the identified needs of companies
2. Higher involvement of high quality private performers and increased market-orientation of programmes
3. Standardisation of mass-implemented programmes
4. Transparency of programmes offered across Slovenia
5. Intensified quality criteria for preparation and implementation of programmes

5. LICENSING OF COUNSELLORS

The integral approach is based on unified criteria for engaging expert associates (counsellors) to be involved in the development network. Those experts will be in charge of implementing subsidised services for entrepreneurs, as follows:

- discussion on proposed standards for counsellors and their adoption (partners, counsellors, interested organisations);
- establishing of a licensing committee by the SBDC;
- adoption of terms of reference for licensing and the counsellor's code of ethics;
- informing potential counsellors on the licensing procedure;
- recruiting of counsellors;
- licensing of counsellors (the start-up group), monitoring and evaluation of licensed counsellors;
- establishing and updating of the data basis (and the register) of counsellors;
- establishing the Association of Counsellors for Small Business;
- pre-entry education and permanent training of counsellors (preparation of printed materials, implementation of programmes);
- verification of licenses and licensing of new counsellors; and
- establishing the pricing policy for counselling (subsidies).

ANTICIPATED EFFECTS

1. Transparent register of counsellors capable of implementing activities for the SBDC or its partners
2. Creating a specialised profile of counsellors for small business
3. Regulating of the counselling services market
4. Ensuring minimum standards in counselling, exclusion of unsuccessful counsellors, increasing the quality of counselling services
5. Offering specialised counselling services
6. Improving the reputation of counsellors with financial organisations
7. Developing the offer of new counselling services considering the actual needs of small- and medium-sized enterprises
8. Establishing professional links and exchange of experiences among counsellors
9. Protection of small- and medium-sized enterprises regarding the quality of counselling services

6. TRAINING OF NETWORK MEMBERS

The introduction of new operating concepts and offering of high quality services to enterprises and local communities require training of the associates of network members:

- review of the staff within the network and their education and training needs;
- review of the demands of small companies and network partners for various levels of staff education and training regarding the programmes and their anticipated effects;
- preparing individual programmes for professional growth of the development network staff;
- review of the education and training programmes for network members (review of DACUM);
- developing new education and training programmes, transfer of successful foreign programmes;
- preparing the three-year budget for the education and training of network staff;
- implementation of basic education and training programmes which are the precondition for acquiring individual licences;
- methodology and information system facilitating the exchange of experience among network members;
- permanent training about development programmes and processes within the network, expert meetings; and
- development of work materials for training network members.

ANTICIPATED EFFECTS

Improved quality of services and greater network operation efficiency.
Developing an internal 'culture' of the network's operation.
Ensuring suitable documents/printed matters for training.

7. TECHNICAL ASSISTANCE

Transfer of professional know-how and experiences between active centres and newly-established centres is essential for the network's efficient development:

- development of a task force by the SBDC ('expert pool') to ensure technical assistance to the local/regional centres;
- establishing links with foreign organisations and experts for technical assistance and transfer of experiences;
- preparation and publishing of professional papers on development instruments;
- formulation of mutual tools/instruments (with EIC co-operation);
- organising expert visits;
- providing the education of task force members;
- co-operation with research and education institutions;
- participation in international programmes (DG XXIII, DG XIV, OECD, UNIDO); and
- participation of Slovenian experts in international programmes.

ANTICIPATED EFFECTS

1. Training of network members (local and regional centres, other performers) for demanding tasks.
2. Transfer of 'best practices' from abroad to Slovenia.
3. Introduction of innovations to network operation.

8. INFORMATION SYSTEM

The information system, enabling communication, simplified monitoring of operations and including information necessary for the network members and users of its services, represents the technical support of the network's efficient functioning.

8.1. INCLUSION OF EXISTING INFORMATION SYSTEMS IN THE NETWORK

agreement on including the existing information systems (IS) of the government, the CCI and the regional CCI, as well as of other national institutions (statistics) in the network; and linking to the EIC information network (programmes)

8.2. INFORMATION SYSTEM OF THE DEVELOPMENT NETWORK

- the scheme of information flows necessary for the network's operation and for monitoring the network effects (for partners and performers);
- information on partners' development programmes;
- establishing and managing of a data basis (register of counsellors, network members);
- strengthening of staff (EIC);
- training of network members regarding the network information system;
- monitoring of information system use by the network members and enterprises; and
- computer-supported system for monitoring the network operation and effects

ANTICIPATED EFFECTS
<ol style="list-style-type: none">1. Review of the network's operation and exchange of information among the network members and at the international level.2. Automatic (computer-supported) monitoring of effects.3. Transfer of information on partners' programmes to counsellors and enterprises.

9. PROMOTIONAL ACTIVITIES

Within promotional activities, entrepreneurship shall be promoted within broader groups of Slovenians, as well as Slovenian small enterprises active in the Slovenian and international markets (above all the successful ones dealing with advanced technology) and the Small Business Promotion Network (its members at all levels) shall be promoted among enterprises and other interested organisations (commercial banks, schools):

- review of promotional activities at various levels;
- establishing a mutual-entrepreneurship-promotion concept for various target groups;
- implementation of agreed mutual promotional activities;
- annual expert report on the small business situation;
- promotional programme for Slovenian small enterprises and innovators abroad;
- exchange of experiences by organising and promoting entrepreneurial events;
- presentation material for the Small Business Development Network;
- publishing a SBDC (Development Company) periodical;
- designing a unified 'corporate image' of the SBDN;
- systematic promotion of the SBDN and its members, their achievements, in the media and at various levels;
- a catalogue of services offered by SBDN members; and
- promotion of partners' programmes/projects for small business entities.

ANTICIPATED EFFECTS
<ol style="list-style-type: none">1. An up-to-date review of network members and all performers of services for small enterprises.2. Better informed entrepreneurial target groups regarding the organisation and offer of services by SBDN members and partners' support programmes.3. Developing awareness of entrepreneurs and entrepreneurial culture in Slovenia.4. Systematic informing on SBDN members' achievements.5. Common 'corporate image' of SBDN members.6. Quality promotional material on development network and on the situation/problems of small business.

10. DEVELOPMENT NETWORK AND THE EURO INFO CENTRE'S INTERNATIONAL CONNECTIONS

The development network of Slovenia shall establish contacts with similar European organisations and transfer business information to companies included in European information systems through international links (EIC):

- inclusion of the SBDN in international associations, membership of counsellors in experts associations;
- SBDN presentations at international and other meetings;
- developing regional/relay Euro Info Centres;
- experts meetings of SBDN members with similar organisations abroad (mostly in Europe) at various organisational levels;
- participation of SBDN members in international education;
- inclusion of SBDN members in international/intra-regional/cross-border programmes (projects); and
- systematic involvement of enterprises and centres in EU structural and European programmes and networks.

ANTICIPATED EFFECTS
<ol style="list-style-type: none">1. Exchange of experience, monitoring of development system developments in the World (with a special accent on the EU).2. Offering information services to enterprises regarding potential foreign partners.3. Co-operating with European institutions (in the field of funding and regional development).4. Internationalisation of Slovenian small enterprises.

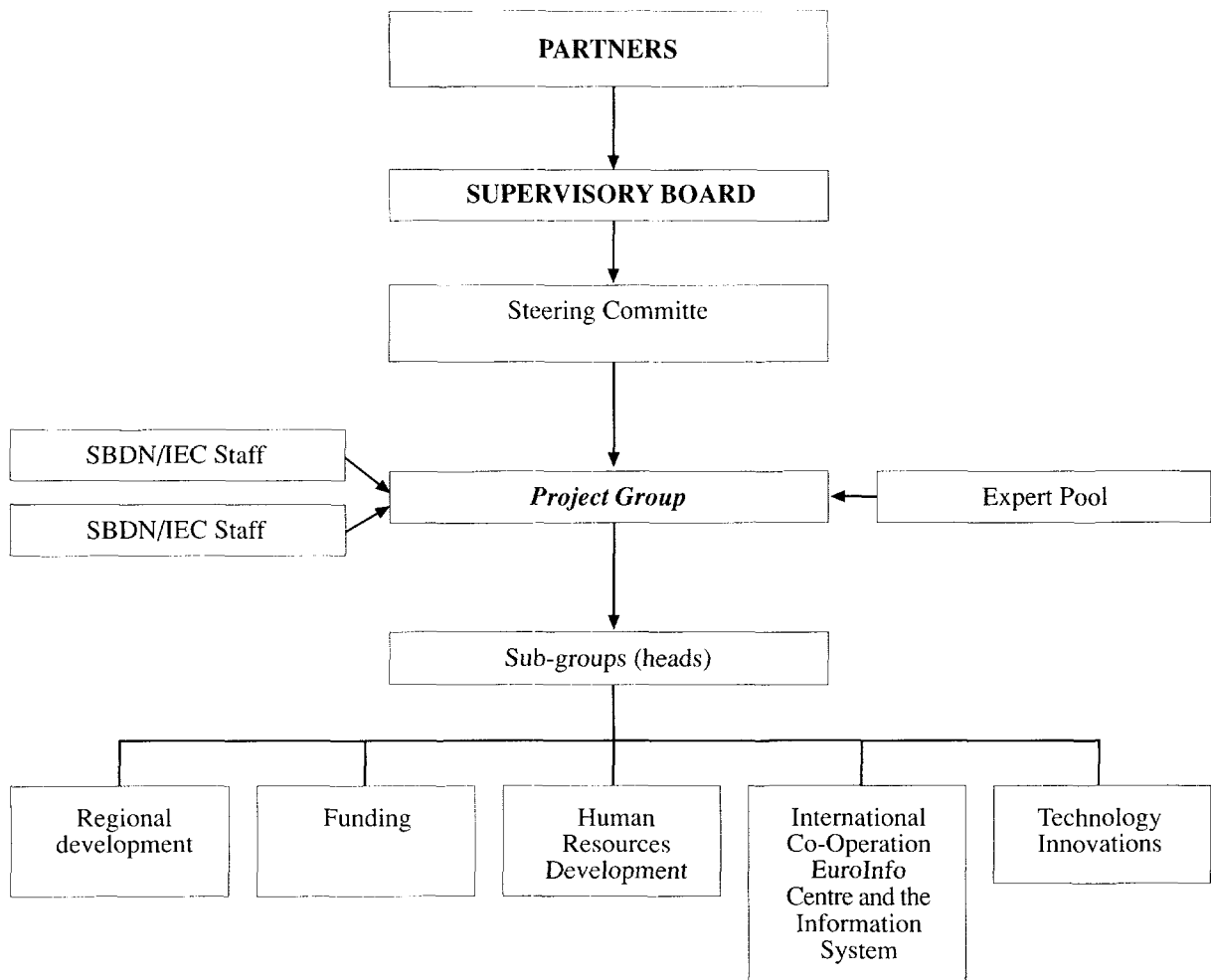
MONITORING AND EVALUATION OF ACTIVITIES

The essential quality of the integral concept lies in its systematic monitoring, evaluation and continuous improvement of the organisational development of the network, the staff employed in the centres and the implementation of particular programmes/projects and their effects:

- realisation of the scheduled organisational scheme of project implementation (establishing the anticipated councils/groups);
- formulating the methodology and information system (documentation) for monitoring and assessing SBDN members' activities;
- monitoring of the organisational development, plus technical and expert qualification of the RBC/LBC;
- making of phase reports, expert evaluation and discussion on realisation of particular programmes;
- suggestions for improvements in programme implementation; and
- the conclusion phase of particular projects and evaluation of experiences.

ANTICIPATED EFFECTS
<ol style="list-style-type: none">1. Current information (review) of actual organisational development.2. Adjusting programmes regarding the anticipated effects and possible corrections and improvements to programmes.3. Selection of staff employed by the network.4. Stimulation of members/staff of the SBDN, considering the effects achieved.5. Directing the technical assistance to particular RBC/LBC.6. Merging and strengthening of smaller centres, development of new points (information offices), eventual closing down or merging of LBC.

Figure 19: The organisational scheme for project implementation of the integral system of entrepreneurial and local development in Slovenia



LEGAL BASIS		AGREEING UPON COMMON INVITATIONS TO TENDER		ADOPTING THE LAW ON THE SMALL BUSINESS DEVELOPMENT COMPANY		ESTABLISHING OF THE SMALL BUSINESS DEVELOPMENT COMPANY		PERFECT OPERATION OF THE SMALL BUSINESS DEVELOPMENT COMPANY	
I.	20 d	I.	20 d	I.	80 d	I.	40 d	I.	60 d
05/10/1998	03/10/1998	02/11/1998	27/11/1998	30/11/1998	08/08/1998	09/08/1998	01/10/1999	01/12/1999	22/02/2000
STRENGTHENING THE SBDN/EICC + 2		STRENGTHENING THE EICC + 1, SBIN + 1		THE SBDN FINANCES + 1		ESTABLISHING AN EXPERT POOL			
I.	60 d	II.	60 d	II.	20 d	II.	50 gd		
01/09/1998	23/11/1998	24/11/1998	15/02/1999	16/02/1999	15/03/1999	16/03/1999	24/05/1999		
TERITORIAL DEVELOPMENT THE RBC + 2		INVITATIONS TO TENDER FOR CENTRES		SUPPORT OF THE TECHNOLOGICAL PARK LJ + STP		LICENSING OF THE EXISTING CENTRES		MONITORING AND EVALUATION OF ACTIVITIES	
III.	70 d	III.	40 d	III.	40 d	III.	60 d	III.	40 d
06/08/1998	11/11/1998	30/11/1998	22/01/1999	25/01/1999	19/03/1999	22/03/1999	11/06/1999	14/06/1999	06/08/1999
		ESTABLISHING THE LICENSING COMMITTEE		BEIGINNING OF LICENSING		PERIODICAL LICENSING		LICENSING ACCORDING TO EFFECTS	
		IV.	20 d	IV.	40 d	IV.	3 d	IV.	1 d
		30/11/1998	31/12/1998	01/01/1999	25/02/1999	25/11/1999	29/11/1999	30/11/1999	30/11/1999
TRAINING PROGRAME		PROMOCIJSKE DEJAVNOSTI ZA POSPEŠEVANJE						PERMANENT TRAINING	
IV.	45 d	IV.	60 d					IV.	140 d
06/08/1998	07/10/1998	08/10/1998	30/12/1998					31/12/1998	14/07/1999
INFORMATION SYSTEM		EXECUTIVE COMMITTEE FOR THE EICC / SBDN MEMBERS						THE SBDN IN THE INTRANET SCORECARD	
V.	0 d	V.	160 d					V.	180 d
06/08/1998	06/08/1998	06/08/1998	17/03/1999					18/03/1999	24/11/1999

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EIC	Euro Info Center
EU	European Union
LBC	Local Business Centre
RBC	Regional Business Centre
SB	Small Business
MEA	Ministry of Economic Affairs
MSET	Ministry of Small Business and Tourism
SBDC	Small Business Development Centre
SBDN	Small Business Development Network
DCSB	Development Company for Small Business
NEO	National Employment office
SBA	Small Business Administration
FDSB	Fund for Development of Small Business
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization

