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Ministry of
Economic Affairs



Ministry for Small
Business and Tourism

GUIDELINES FOR THE MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES SUPPORT NETWORK IN SLOVENIA

MA Econ. Anton Balažek

SBDC

SMALL BUSINESS DEVELOPMENT CENTRE

UNDP - United Nations Development Program



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May 1999

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I. INTRODUCTION

The differences among individual areas and regions will become more and more obvious. Development will take place in all areas paying attention to developing innovativeness and entrepreneurship. The economic development, possibilities for employment and entrepreneurial activities will raise the quality of life and attractiveness of particular regions. Endeavours for building up the business infrastructure and support environment for the promotion of entrepreneurship development are added to the care for quality physical infrastructure. Small business has become an important factor of economic development as well as general development in individual areas. It contributes to development in material sense, changes the image of individual places in an area, brings new information, knowledge, opportunities and causes the shift in mentality. The cooperation with large-size companies, developing cooperatives and collaboration among enterprises play an important role. The struggle for stiffer competitiveness, technological development, higher value added and greater efficiency in general is supplemented by the care for development of individuals jobs, human relations and environment.

Differences in the development level of individual areas generate initiative and needs for faster development of particular regions and Local Communities. Initiative of this kind can either be supported or hindered by the State. In the 90s a variety of such initiatives occurred in Slovenia. In spite of the fact that there is no explicit system of more uniform regional development and that regions have not been formally set yet, some Local Development Initiatives are being transferred also to the regional level. The need for integration and for drawing up joint development programmes is more and more evident. Individual Local and Regional Development Initiatives occurred in a different manner and were subject either to development or stagnation. During several years of activities and development some best practices were developed in the promotion of small business development. These best practices have been actively penetrating other fields as well due to the fact that their organization and qualification have proven to be adequate. The promotion of small business development can contribute to the increase in initiative and results in the field of development of the Local Communities and regions. The established Small Business Support Network is capable of assuming more demanding tasks as well. The initial informal integration of entrepreneurs, their associations, Chambers, business consultants, financial institutions, various Initiatives and politicians is getting a more recognized image on local and regional levels. They are more successful wherever they are better organized, innovative, creative, have enough resources and efficient support environment available, planned activities and concrete results.

Some of these experiences, results, possible organizational approaches, development steps, contents of activities and the necessary minimum material and human resource preconditions indispensable for successful work are presented herein. They should be considered in the context of the entire support environment and institution which undertakes the task of co-ordinator in the support environment and Development Initiative. In each environment the majority of resources needed are normally available. A quality shift is made when the cognition that co-ordinated and planned activities are indispensable for achieving synergetic effects occurs.

Individual areas differ with regard to problems they have to face and potentials available. Simple copying and transfer of particular models are not reasonable. The same is valid also for the transfer of practices from abroad to the territory of Slovenia. Specific features of a particular environment should be taken into account and experiences of others have to be adjusted to these needs. In a small country like Slovenia there are many cogent reasons to encourage a more uniform regional development. Local and Regional Development Initiatives and the promotion of small business development are development factors of great significance. However, we are not so efficient or rich that we would not strive to integrate the existing potentials within the support environment in a more efficient development system - a target and development oriented, useful, transparent and efficient system. The story of impartiality and efficiency, inter-linkage between the public and private sector and cooperation of all endeavouring to smart the pace of further development is relevant here as well.

II. SMALL BUSINESS AND DEVELOPMENT

Economic conditions and situation in the small business sector in Slovenia demand more attention to be paid to this issue. Attention should be focused on passing the legislation with stimulative effects on further economic development (tax relieves, simplification of procedures, investment incentives) and on developing such a support environment that greater competitiveness among enterprises, faster establishing of small business units and their growth as well as larger scope of investments and job creation would be enabled. Cooperation of all partners, including Local Communities, Chambers, entrepreneurs as well as various Departments at the national level, is indispensable at building up the business infrastructure for the promotion of small business development. Developing the small business, innovativeness and entrepreneurship should become a constituent element and driving force of local and regional development. It is the practice in economically developed countries as well as in those undergoing the transition.

At the local level a high degree of initiativeness can be noticed, and there is an orientation from solving problems related to municipal infrastructure towards solving local economic and social problems. The small business sector plays an important role in the development of Local Communities due to the fact that jobs are created, initiativeness incited in the environment and higher quality of life enabled. In the efforts for faster development of small business and Local Communities some best practices have already been set. It is reasonable to improve them, increase their efficiency and transfer them to other environments. From information points for entrepreneurs and potential investors Local Initiatives in charge of versatile development of the entire area can be developed. Democratic decision-making, public character of work, transparency of activities, achieving of anticipated results as well as competitiveness developing among suppliers of services should be provided for. Many of these activities are not profitable and will be developed only in case State financing is assured. The majority of activities will come to a stage at which they will become interesting for investments from the part of entrepreneurs. So various cooperatives, special business zones, wine-roads, incubators etc. will arise. Some Local Initiatives successfully develop to Regional Development Agencies assuming more demanding tasks in the promotion of small business development and economic development of individual areas. Their further development depends mainly on the State support and proper initiatives. The State support is necessary also for actors in local development as in the majority of Local Communities there are insufficient human resources, financing and organizational possibilities for increased initiativeness and accelerated development.

The concentration of knowledge, capital, information and decision-making suppresses initiativeness of Local Communities and regions, and increases differences in the development level of individual areas.

Thus the State responsibility for solution of economic and social problems is strengthened, whereas the possibilities of local actors to cope with these problems in an effective manner are decreased.

The role and mission of the small business sector in the development of particular Local Communities and regions are of significant importance, as it :

Role:

- contributes to preventing capable and creative individuals from leaving,
- changes the passive behaviour of people by promoting entrepreneurial mentality,
- diverts expectations of external changes (from the State) in the direction of developing a proper entrepreneurial spirit,
- inputs the development dynamic,
- modifies the economic structure of the region towards service activities and crucially contributes to the trend of excellence and to the increase in profitability of traditional agricultural and other activities

Mission:

- changes the culture of living and promotes the entrepreneurial culture,
- mobilizes the available sources and development potentials,
- systematically directs the development and the image of area,
- opens the region to contemporary business trends and inter-regional cooperation,
- raises the standard of living of the population as well as the quality of life

Due to the above stated it is reasonable that the promotion of small business development becomes a vital element of Local Development Initiative and organized approach to development activities at the local level. Development of a particular area is conditioned mainly by economic development, job creation and initiativeness in the respective area. Small business is the only form of economic activities for the majority of Local Communities and therefore an important development factor. On the basis of foreign experience it has been stated that there are development prospects only in the areas promoting the development of innovativeness and entrepreneurship. The State can provide for part of these activities, whereas the rest depends on the environment itself - on its capability and willingness to become subject to development. To enable the development of environment the following is required:

- precise concept of regional development,
- transfer of decisions to the local and regional level,
- training of actors involved in local development,
- convenient financing system,
- human resources.

Despite various obstacles Local Communities endeavour to solve economic and social problems in their environment. They encounter problems in their own environment and non-coordinated support of various Departments at the national level. The State support is mainly earmarked for construction of physical infrastructure and insufficiently for activation of human potential and economic development. Activities should be focused on the support to faster generation of small business units, their development and improvement of competitiveness. Initiativeness and increase of interest from the part of potential investors are important as well. At the local level it is difficult to provide complex support measures. In spite of that the support can not be lacking completely as various forms of education, training, information and generalist consulting are indispensable. It is recommendable to organize all the support at one contact point, jointly with all actors involved in the support environment. The contents, quality of services and efficiency achieved are more important than the organizational aspect. At present none of the existing institutions at the local and regional level could satisfy itself all the criteria for a quality and efficient support environment. Consequently it is urgent to collaborate, however one of partners should assume greater responsibility as well as the co-ordination.

Local Development Initiatives are ranged among more demanding forms of functioning and they systematically deal with the overall development of a certain area. The promotion of small business development is only one of segments, but nevertheless an important part of development activities. The key issues refer to co-ordinated activities of various actors in the local development, approval of development programmes, decisions regarding the development and general responsibility for the development. Greater activity of local environment and responsibility to achieve the results should be ensured in the Development Initiative functioning. As programmes of various Departments should be co-ordinated at the national level an active attitude of the State is needed and mainly of those in charge of solving the problems stated. The State should be actively involved in the activities aimed at achieving the objectives set in a certain area. The cooperation may last only for a fixed period of time, namely until partial or complete solving of the ascertained problems. The relation between the State and a particular area can be defined in a Contract so that uninterrupted activities and implementation of the programme are ensured during a minimum period of 3-5 years. Such collaboration may be interrupted in case the results anticipated are not achieved.

Local Development Initiatives will create conditions to attract private initiatives and capital in the promotion of small business development. Due to competitiveness, enabling increase in the quality of services, various activities will be performed on the basis of vouchers, licences and Contracts, namely:

- specialist consulting,
- educational and training schemes,
- work with potential entrepreneurs registered as unemployed,
- drawing-up new support programmes for the needs of small business and Local Communities,
- participation in rehabilitation and restructuring of companies etc.

Involvement in the Local Development Initiative can be interrupted upon expiration of the Contract date or in case of non-fulfilment of the mission. At integration process based on interest and networking in the support environment there are various stages, from the first initiative to strategically oriented alliances. In case of stronger State interest the Development Agencies, assuming the tasks that cover broader areas with a specific emphasis on restructuring of economy and providing support to enterprises with growth potential, are set up. If entrepreneurial interests are predominant the Local Initiative is linked up with or merges in one of such projects which engender development impetuses to the region.

The principal mission of Local Development Initiative is to design programmes interesting for investors and to provide support at realization of entrepreneurial opportunities. Efficient Local Initiatives will develop various types of business zones, cooperatives, incubators and others that will play an important role in further development of the environment and gradually assume the role of economic development promoter. Simultaneously the consultancy market will grow and the quality of support environment which should be in conformity with the actual needs and development ambitions of the environment will increase.

III. PROMOTION OF SMALL BUSINESS DEVELOPMENT

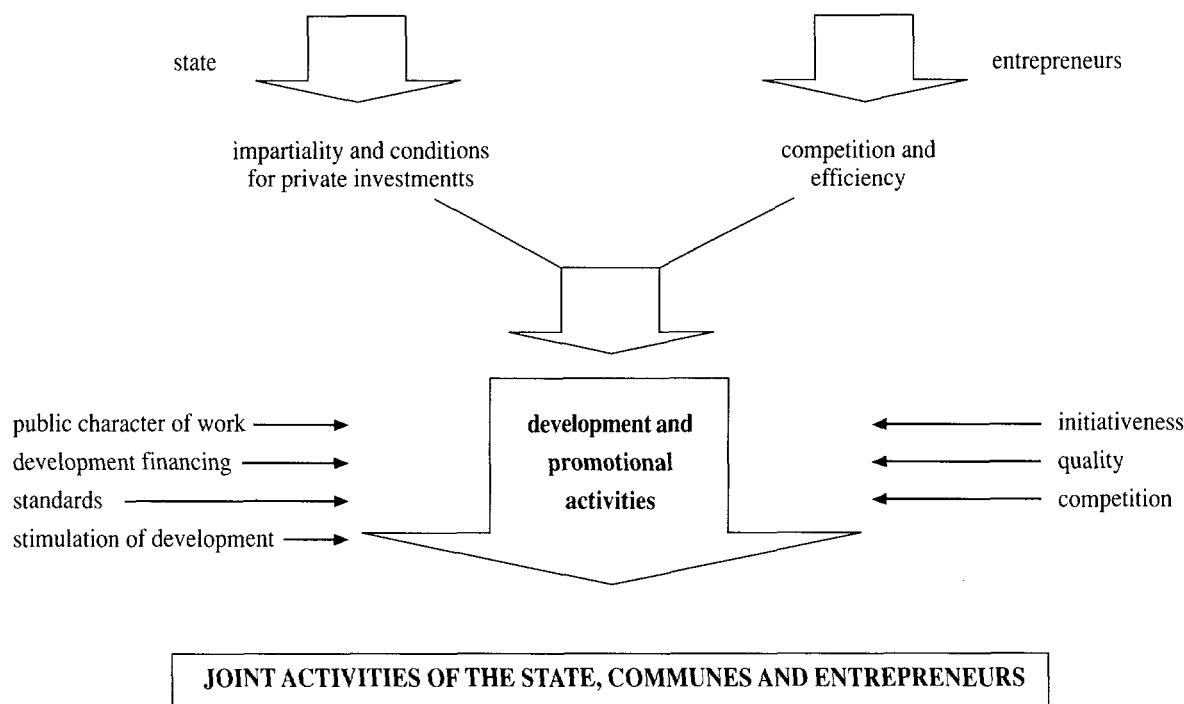
Support to the small business development should be provided on micro and macro level. The support environment and methods of promoting the small business development are well developed in the European Union countries (G. Haskins, A. Gibb, T. Hubert, 1989, pages 9-28). On macro economic level it is important that support is provided by the Parliament and Government which is reflected in more incentive legislation, tax system and scope of resources for promotional activities. On micro level entrepreneurial initiatives should be supported, necessary resources, appropriate financing system, know-how transfer to small enterprises ensured and support infrastructure developed. At the Government level the Ministry of Small Enterprise and Tourism, the Small Business Development Fund as well as the Small Business Development Centre are in charge of promoting the small business development in Slovenia. The project of building up an efficient support environment comprising Local Business Centres and Regional Development Agencies was supported by the Government. Through the aforementioned project collaboration will be established among various Ministries, State, Local Communities, entrepreneurs and their associations. Small business will gain a significant role in the development of Local Communities and in regional development for which the corresponding legislation is being prepared¹.

In Slovenia conditions should be created to attract private initiative in the promotion of small business development to a larger extent. The consultancy market is underdeveloped, initiativeness of Local Communities weak, there is not any clear vision of regional development and political decisions have not been taken yet. In such circumstances it is important to interrelate the State support and Local Communities on the one hand with the private initiative on the other hand. If everything is left over exclusively to private initiative the consequence might be that only certain areas and fields of support activities would be developed. Co-ordinated activities of various actors and synergetic effects of such approach would be lacking. In case support activities were provided only by the State the actual needs of entrepreneurs might not be taken into consideration and bureaucracy and insignificant efficiency could occur.

The issue raised is whether partnership of the State, Local Communities and Chambers, being the key pillars of promotional activities, is sufficient. The quality and efficiency of support activities should be improved also in case of this kind of cooperation. More funds will have to be allocated for these activities by the State, Local Communities will have to define the priorities of their own development and increase initiativeness in the environment, whereas the Chambers and enterprises as Contractors should provide more services and higher quality level of their activities. In any case the major actors in development are regional planners and entrepreneurs with their initiative. (A. Gerybadze, 1989, pages 55-67).

¹The act on Regional Development is being prepared by the Ministry of Economic Relations and Development

Chart No. 1: Inter-linkage of public and private interest



The State task is to establish the Small Business Support Network which enables and promotes innovations and structural changes in the economy. Endogeneous development is according to its definition a local matter demanding the establishment of Local Business Support Networks. (D. J. Dekker, 1989, pages 29-32).

The influence of characteristics of the physical space on location of business units is more and more insignificant. Business decision-making centres are concentrated in a few business centres without direct linkage and influence on the local development. The small business role is gaining its importance in the local and regional development, job creation and satisfying of the needs of local population. (A. Gulič, 1996, pages 15-23). Economically developed countries provide mainly for the technological development and competitiveness of the economy. Their business infrastructure is highly developed. Countries in transition pay attention to the promotion of small business and entrepreneurship as well. At economic restructuring they are considerably assisted by the European Union. The majority of assistance is focused on developing the entrepreneurship and efficient support environment. An infrastructure comparable to the developed economies is progressively being built up. The lag in quality is still considerable for the reason of lower degree of innovativeness, know-how and efficiency in general. (OECD, 1996, pages 16-35).

The economic structure in Slovenia is in comparison with other countries in transition more comparable to developed economies. From the year 1993 onwards the pace of setting up new small business units has decreased. Consequently new incentives from the part of the State are indispensable, namely for establishing new small business units as well as for growth of the existing ones. An integrated operating of various partnership institutions, Ministries and Local Communities will lead to a new quality in the small business support environment. By developing tools and programmes applied in economically developed countries the business infrastructure will be generated and it will support the development of small business, entrepreneurship, regions and Local Communities. Cooperation of Slovenia with the European Union will comprise: technical assistance, especially aimed at establishing the corresponding institutional support for small- and medium-size enterprises at the national and regional level as well as services in the field of financing, marketing, technological development, training and consulting. (V. Ravbar, 1997, page 66).

3.1. Partners involved in the promotion of small business development in Slovenia

The promotion of small business development in Slovenia is encouraged by individual Ministries in the scope of their activities. In addition to the parent Ministry the following Ministries are especially active: the Ministry of Agriculture, Forestry and Food; the Ministry of Science and Technology; the Ministry of Economic Relations and Development as well as the Ministry of Labour, Family and Social Affairs. Particular activities take place also via the Fund for Regional Development and Preservation of Rural Areas. Activities of the above stated actors in the promotion of small business development are rather uncoordinated. After the year 1993 a need for more efficient organizing and functioning of the support environment became more evident in Slovenia (MEA, 1996, page 34). Further development of support environment at the national, regional and local level would contribute to that. Regional Business Centres are set up and local institutions, which support the activities of Local Development Initiative, are strengthened in the project supported by the Government of the Republic of Slovenia. Possibilities of cooperation between different Ministries, Local Communities, Chambers and consulting firms are looked for. Several problems occur at making the idea a reality. The transfer of State competencies to local and regional levels is insufficient and the corresponding financing is not provided by the State and all that additionally suppresses initiative. Despite numerous problems the promotion of small business development successfully takes place at all levels. Several Local Development Initiatives and four Regional Business Centres have been looking for possibilities of uniting in a uniform concept of small business support environment.

Table No. 1 Partners involved in the promotion of small business development in Slovenia

Cons. No.	Institution	Target Group	Activity	Level of activity
1.	National Employment Office (NEO)	the unemployed	active employment policy	lokal and regional
2.	Small Business Development Centre (SBDC)	small business	small business support activities	regionalni in lokalni
3.	Small Business Development Fund of the RS (SBDF)	small business	financial incentives	national
4.	Chamber of Crafts of the RS (COC)	craftsmen	professional assistance to members	lokal
5.	Chamber of Economy (COE)	members of COE	professional assistance to members	regional
6.	Agricultural Consulting Service	farmers	Consultancy	lokal
7.	Regional Development Agencies (Regional Business Centre)	Local Communities and entrepreneurs	encouraging development activities and business serv.	regional and lokal
8.	Local Development Initiatives and Local Business Centre	the unemployed, small enterprises and local Commun.	commercial service	lokal
9.	Consulting and other firms	entrepreneurs	commercial service	not defined

The problem is that until present we have not managed to establish a uniform system of functioning which would be transparent, co-ordinated, target-oriented and inter-linked from local to the national level. Numerous support activities are carried out without continuous development and sufficient scope of resources provided. The support system should be flexible enough to enable various forms of functioning. Furthermore, it should be transparent enough and defined in those points which assure quality performing of the contents specified, at least minimum monitoring of efficiency and further development.

Table No. 2 SWOT-analysis of the present support system for the small business development in Slovenia

<p>STRENGTHS</p> <p>best practices on all levels of operating qualified consultants institution at the national level pilot models of organization developed programmes and tools initiactiveness on local levels</p> <p>OPPORTUNITIES</p> <p>need for faster local, regional and economic development foreign technical assistance Small Business Development Corporation and explicit concept of functioning results of pilot projects larger scope of resources</p>	<p>WEAKNESSES</p> <p>various interests of partners in the support environment financial weakness insufficient number of programmes developed weak political and financial support dissipated potentials norms and standards not set</p> <p>THREATS</p> <p>absence of political will to support the small business sector incapability or unreadiness to realize the concept proposed suppression of the existing initiactiveness in local environments poor investment of the funds available without synergetic and development effects</p>
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3.2. Support activities in Slovenia

The Small Business Development Centre (SBDC) is a professional institution in Slovenia, systematically following up problems in the small business sector and developing tools and projects for the promotion of small business development. The Contractors for support activities are mainly the Chambers, service enterprises and specialized institutions. The supply of services, co-financed by the State jointly with other actors in the support environment, is available to the small business:

Table No. 3 Support activities in Slovenia

Type of activity	local	regional	national	Restrictions
generalist consulting	*	-	-	resources
specialist consulting	*	*	-	resources, organization and skilled personnel
education and training	*	*	*	resources, programmes and organization
micro-credits	*	*	-	human resources and organization
Guarantee Funds	-	*	-	organization and efficiency

other forms of favourable crediting	*	*	*	cooperation with financial institutions
subsidies	*	-	-	resources
promotion of development, research and innovativeness	-	*	*	resources and organization
foreign technical assistance	*	*	*	information and projects
information	*	*	*	no concept
development of new tools and programmes	*	*	-	no concept and system. work

The restrictive factors are as follows: organizational problem, lack of larger scope of funds and explicit policy to be implemented in practice. Difficulties are caused also by a non-uniform development of support activities in different areas in Slovenia. The scope of funds for co-financing of various forms of consultancy is insignificant with regard to actual needs. Specialist consulting is supplied in various fields, i.e. marketing, finance, technological development etc. Subsidized credits are accessible to entrepreneurs at the level of the Small Business Development Fund. A similar supply was provided also by the Fund for Regional Development and Preservation of Rural Areas. Both institutions award the guarantees, too. There are also pilot Guarantee Funds set up at the regional level. Two Guarantee Funds have been operating at present, namely in Murska Sobota and in Zagorje ob Savi. The credit potential, with lower interest rate than the one offered by banks in general, was set by Local Communities jointly with banks. Thus the small-scale projects amounting up to 5 mio SIT are financed. The supply is of great significance for start-up entrepreneurs and for job creation. The National Employment Office has joined the activities and encouraged them at the local level. There are many educational and training schemes. Participants to courses are entrepreneurs and consultants. Successful schemes are as follows: evening classes on entrepreneurship, training of business consultants, training of co-ordinators of local development etc.

3.3. Development of services at the local and regional level

The activity of Local and Regional Initiative as well as support environment will be developed according to the needs of a particular area. A sufficient number of promotional tools and incentives should be developed at the national level in order to enable focusing of promotional activities on various target groups and solving of their concrete problems. The support environment should also undergo a progressive development, in accordance with actual requirements of the environment, demands for planned services and on the basis of financial and human resource potential. The key fields of activities are: increasing the initiativeness, preparation of initial development programmes, financial incentives, information, training and consultancy.

Table No. 4 Developing services

Devel. stage	Type of services	Users
a)	DEVELOPMENT OF SB AND LOCAL COMMUNITIES	
Stage I	<ul style="list-style-type: none"> • Local Initiative management, • organization of consultants and the SBSN • organization of entrepreneurs • projects for public works • monitoring the functioning • of support environment 	<ul style="list-style-type: none"> • all partners • consultants, beneficiaries of services • entrepreneurs, communes • communes, the unemployed • all partners
Stage II	<ul style="list-style-type: none"> • initiation of development projects and programmes • implementation of employment projects 	<ul style="list-style-type: none"> • communes, consultants, SB • NEO, communes, the unemployed

Guidelines for the management of small and medium enterprises support network in Slovenia

	<ul style="list-style-type: none"> • promotion of the area and small business • monitoring the development of Local Community 	<ul style="list-style-type: none"> • communes, SB • communes
Stage III	<ul style="list-style-type: none"> • implementation of demanding employment programmes • management and implementation of projects 	<ul style="list-style-type: none"> • NEO • clients, users, communes
b)	PLANNING AND FINANCING THE OPERATING OF SMALL BUSINESS UNITS	
Stage II	<ul style="list-style-type: none"> • developing the project of "micro- credits" • consulting at business plan preparation • evaluation of business and investment plans • consulting and monitoring of projects • following up the effects of financing 	<ul style="list-style-type: none"> • SB, communes, NEO • SB, the unemployed • SB, Funds, banks • SB, Funds, banks • Funds, communes, banks
Stage III	<ul style="list-style-type: none"> • elaboration of investment plans • elaboration of rehabilitation programmes • consulting for investments, • consulting for rehabilitation of financial operations • consulting for management and direction of SB units 	<ul style="list-style-type: none"> • SB - market • SB, investors - market • SB, communes - market • SB, owners • SB, owners
c)	INFORMATION	
Stage I	<ul style="list-style-type: none"> • supply of institutions and members of the SBSN • information on Invitations to Tender for financing the SB units • cooperation with local information systems 	<ul style="list-style-type: none"> • SB, communes, partners • SB, suppliers of funds • SBSN partners, SB, media
Stage II	<ul style="list-style-type: none"> • developing the information system for SB at the local level • testing of system modules • data input • dissemination of information of the Euro Info Centre to partners 	<ul style="list-style-type: none"> • SB, SBDC, NEO • SBDC • SBDC • communes, SB, partners
Stage III	<ul style="list-style-type: none"> • search for business partners • supply of premises and business opportunities in the environment • labour supply and demand 	<ul style="list-style-type: none"> • SB • SB, potential investors, communes • NEO, the unemployed
d)	TRAINING	
Stage II	<ul style="list-style-type: none"> • consultants • individual target groups in the environment (young population, the unemployed, SBSN members, farmers,...) • co-ordination of programmes in the environment • training for filing application forms referring to Invitations to Tender • training for participation in the projects initiated • following up the effects 	<ul style="list-style-type: none"> • consultants • communes, State, Chambers • partners within the SBSN • SB, SBSN members • SB, communes, partners • partners
Stage III	<ul style="list-style-type: none"> • start-up entrepreneurs • growing enterprises • consultants for specialist consulting • entrepreneurs for business integration and cooperation 	<ul style="list-style-type: none"> • SB, NEO • SB, SBDC • consultants, SBDC, NEO • SB

From the table it is evident that Local Centres should be trained for providing more demanding services of support environment. It is understandable as services of this kind are rather complex. All the stated fields can progressively develop to profitable activities. In the introduction it has already been mentioned that there are no strictly defined limits, so that individual development stages will coincide. The criterion for determination and definition of the development stage can be the percentage of profitable activities in the work of leading institution.

Table No. 5 Classification of Local Initiatives - Centres (possible criterion)

Development stage	Percentage of profitable activities (turnover gained on the market)	Supply
Stage I	less than 30 %	all services for this stage and the selected ones for stage II
Stage II	30-60 % of profitable activities	all services for stage I and at least 50 % of services anticipated for stage II
Stage III	more than 60 % of profitable activities	all services for stages I in II and market supply

For profitable activities - the turnover should include inflows from:

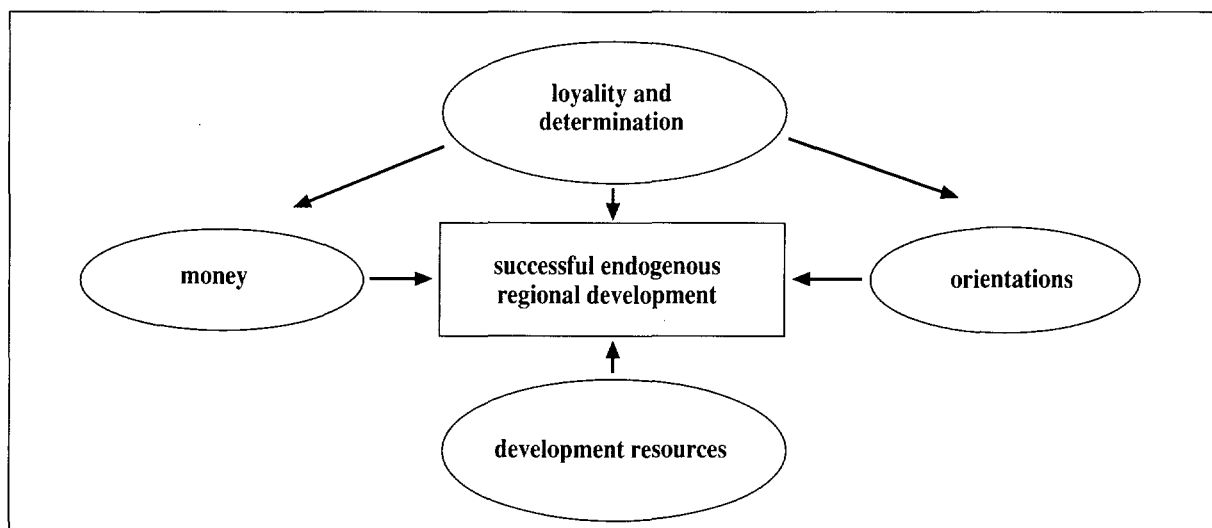
- free marketing of services to entrepreneurs,
- projects (works) awarded on the basis of public Invitations to Tender,
- other, not financed from the part of founders according to the annual programme.

IV. DEVELOPMENT AND SUPPORT ACTIVITIES AT THE REGIONAL LEVEL

A successful Local Development Initiative exercises influence on all development events taking place in the broader area. Local Communities and other actors in the environment interested to unite in projects are more and more involved in the initial development projects. The success of Local Initiative to a large extent depends on the leading institution as well as on the whole support system. Good organization and efficiency of a certain case are measured by the results achieved in the area of activity performing and on the basis of compliance of organization with the criterion for a quality support environment. The interest of local environment is that a broader area (region) is developed as thus new opportunities to all from this area will arise. At the regional level the support environment faces more demanding tasks. Services the development of which would not be reasonable at the local level are enabled due to a larger critical mass of entrepreneurs, potential entrepreneurs and growing enterprises. These are as follows: the technological development and modernization of enterprises, specialist consulting, financial incentives, inter-linkage of enterprises, creation of business opportunities in the region and active search for potential investors.

Financing frequently represents a critical point for regional development projects. The innovative role of financial institutions and availability of financial support programmes play an important role. However, the strategic management and co-ordinated process of promoting innovation and economic development at the regional level are even more important than the financial support. The key role is played by the development process co-ordinator. (Glas, 1994, page 26).

Chart No. 2 Success factors



Source: Glas, 1994, page 26

4.1. Support environment functioning

At the regional level the support environment is oriented towards enterprises important for development. These are growing enterprises as well as enterprises assuring larger number of jobs. At this level projects involving larger number of enterprises and Local Communities as well as cross-border cooperation are set. Through this part of support environment the State institutions such as the Small Business Development Centre will provide testing and operationalization of new promotional tools. At the regional level it is reasonable to organize an active looking for potential investors, human resource development and more demanding financial incentives.

The support environment offers more demanding services, knowledge and linkage with State institutions and potential investors. The environment and users of its services should benefit external incentives, information and promotional projects in order to perform services at the local and regional level. Such incentives are:

- information from the national and local level as well as from foreign sources,
- various financial incentives, i.e. guarantees, subsidies, seed capital, risk capital,
- programmes for training, education and animation of population, entrepreneurs and providers of support activities,
- promotional tools and projects, developed on the State level and transferred to the local and regional level for implementation. Projects of this kind expand the scope of supply and the supply of support environment itself. They are oriented towards end users. Other projects are aimed at raising the support environment quality.

The support environment should be able to function interdisciplinary and to link up all these activities. The results are reflected in the alteration of economic structure of the area, greater success, larger number of growing enterprises, lower number of enterprises threatened by bankruptcy, attractiveness of the environment for potential investors, increase in investments, augmented number of joint projects in the region and greater initiativeness.

4.2. Organization of development initiative and support environment

The Regional Development Council² is a body competent for making decisions on development issues. It is expected that such bodies will be set up when the concept of regional development in Slovenia is defined. The Regional Development Council will include also those who put economic development on the first place in regional development. And just this structure should be enabled to influence operating of a Regional Business Centre or Agency. Activities will be based on inter-linkage of the Chamber of Economy, Chamber of Crafts, Association of entrepreneurs, banks, State, Local Communities and entrepreneurs. These entities will be united by joint programmes of economic development, problems to be solved and endeavours for achieving the development objectives aimed at.

A specialized institution in charge of professional performing of tasks is indispensable as in case of the Local Development Initiative. This task may be assumed by an existing institution provided that it is willing to develop the activity, take into consideration the criteria required as regards public character of work, support environment quality and decision-making. In Slovenia there are four pilot projects³ for the promotion of small business development and entrepreneurship at the regional level. And that are the origins of Regional Development Agencies.

² The Regional Development Council represents the regional development coalition and it includes the representatives of communes, various communities of interest, Chambers and civil initiative.

³ Pilot projects for Regional Development Agencies' operating are implemented in Celje, Kranj, Zagorje ob Savi and Murska Sobota. In 1999 at least 5-6 new Centres are about to join them.

Table No. 6 Partner institutions for the promotion of small business development

NAME OF INSTITUTION, ORGANIZATION, COMPANY RESP. ENTERPRISE	MODE OF INCORPORATING
<ul style="list-style-type: none"> • Ministries and Government institutions (Funds, SBDC, SDC) 	<ul style="list-style-type: none"> • Founders • Orderers of services, co-financiers
<ul style="list-style-type: none"> • Local Communities 	<ul style="list-style-type: none"> • Founders • Orderers of services, co-financiers
<ul style="list-style-type: none"> • Chambers 	<ul style="list-style-type: none"> • Founders • Partners at performing of tasks • Co-financiers
<ul style="list-style-type: none"> • Entrepreneurs 	<ul style="list-style-type: none"> • Beneficiaries of services • Guarantee Fund members and co-financiers
<ul style="list-style-type: none"> • Local Development Institutions 	<ul style="list-style-type: none"> • Partners at performing of tasks • Beneficiaries of services
<ul style="list-style-type: none"> • Banks, Insurance Companies 	<ul style="list-style-type: none"> • Partners at performing of tasks • Potential investors
<ul style="list-style-type: none"> • NEO 	<ul style="list-style-type: none"> • Orderer of services and investor
<ul style="list-style-type: none"> • SVI for Pomurje 	<ul style="list-style-type: none"> • Partner at designing and implementation of projects
<ul style="list-style-type: none"> • Tourist Association of Pomurje 	<ul style="list-style-type: none"> • Partner at designing and implementation of projects
<ul style="list-style-type: none"> • PHARE CBC 	<ul style="list-style-type: none"> • Partner at designing and implementation of projects
<ul style="list-style-type: none"> • Consulting firms 	<ul style="list-style-type: none"> • Potential partners on projects • Potential Contractors and investors
<ul style="list-style-type: none"> • Consultants 	<ul style="list-style-type: none"> • Partners at performing of tasks
<ul style="list-style-type: none"> • Institutions in neighbouring countries 	<ul style="list-style-type: none"> • Potential partners at designing and implementation of projects
<ul style="list-style-type: none"> • Small and medium-size enterprises 	<ul style="list-style-type: none"> • Co-founders • Orderers of services

At organization and functioning of the Development Coalition it is important that interests of individual partners are taken into account and the potentials available benefited rationally so that synergetic effects are achieved.

Performing of services is the responsibility of professional structure of the Regional Development Agency and external providers who create the support environment supply. These are various institutions, consulting firms, Local Development Initiatives and individuals.

In Slovenia activities take place in two fields. The first field covers the activities for faster development of broader regional territory - comprising initial development programmes, information, management of development projects and functioning of decision-making structure. The second field includes the activities of support environment for the promotion of small business development (Business Centres). Consulting, education and training as well as various forms of financial incentives are ranged in this field.

The organizational structure presented enables the transfer of several development activities from national to regional level and offers possibilities of intensive cross-border cooperation. Beneficiaries of services and organizational structures established are entrepreneurs, their Chambers, Local Communities, State, the unemployed who join the programmes of active employment policy, potential investors etc.

Partnership of the State and various actors in the region is of great importance in present circumstance, as there is no concept of more uniform regional development defined yet. In fact it is possible to discuss about regional development only when financial and human resources as well as the organizational structure are ensured.

Limited liability companies (Ltd.) have proven to be the most appropriate formal-legal organizational form; they reinvest their profit in developing the activities (non-profit). Part of resources needed for functioning is assured by founders, whereas the remaining major part is gained by the Agency on the market (Invitations to Tender, orders) in competition with other providers.

Co-financing from the part of founders is necessary for the reason of public character of the work, wide range of communities of interest, having their representatives in decision-making bodies and due to costs related to that. The Assembly and the Supervisory Board exercise their function on the basis of stipulations of the Companies Act (Official Gazette of the RS No. 30/93). The Programme-development Council is a body in charge of programme co-ordination of various communities of interest and institutions on the regional level. It is responsible for enlistment of initial development programmes and for definition of programme priorities. In the transitional period such body can temporarily substitute the Regional Development Council.

The Credit Committee is in charge of granting financial incentives to entrepreneurs. It has been acting on the basis of criteria and Rules approved by the Founders' Assembly. Work of the Credit Committee should be professional and independent.

Specific knowledge and qualified team of providers are necessary for activities of support environment at the regional level. The regional support environment is built up on the basis of capacities and supply of a professional institution in charge of the promotion of small business development and entrepreneurship. The supply of other regional institutions, i.e. Chamber of Commerce, Employment Office, banks, Association of entrepreneurs and private consultancy, is added to the stated capacities. Functioning of Local Initiatives, local support environment and designing of joint projects at the regional level are important for the support environment.

4.3. Supply of services at the regional level

Development planning and including of the promotion of small business development in broader development endeavours of the region are important tasks of support environment. The support to Local Development Initiatives and cooperation will lead to joint projects at the regional level. Such projects and cross-border cooperation are supported by the European Union projects⁴. The analysis of results and setting of the necessary measures are important elements of development activities. On the regional level specialist consulting is organized for those fields for which the scope of demand is insufficient on the local level. It might be financial consulting, consulting at rehabilitation and technological modernization of companies, investments, cooperatives, inter-linkage of small enterprises etc. An important task is operationalization of activities of State institutions and development programmes at the regional level. The support should be focused also on the target group of medium-size enterprises. They need assistance at their technological development and encouragement to innovate and to raise the operating efficiency in general. It is reasonable to organize more demanding forms of informing, training and education at the regional level - for entrepreneurs and consultants for support activities. Developing the support environment and raising the quality of services are constituent elements of activities at the regional level. It is a permanent task of support environment to develop the quality of these services, as well as competitiveness and creativeness.

⁴ Bilateral and trilateral cooperation of Slovenia with border regions in neighbouring countries.

Chart No. 3 Organization at the regional level

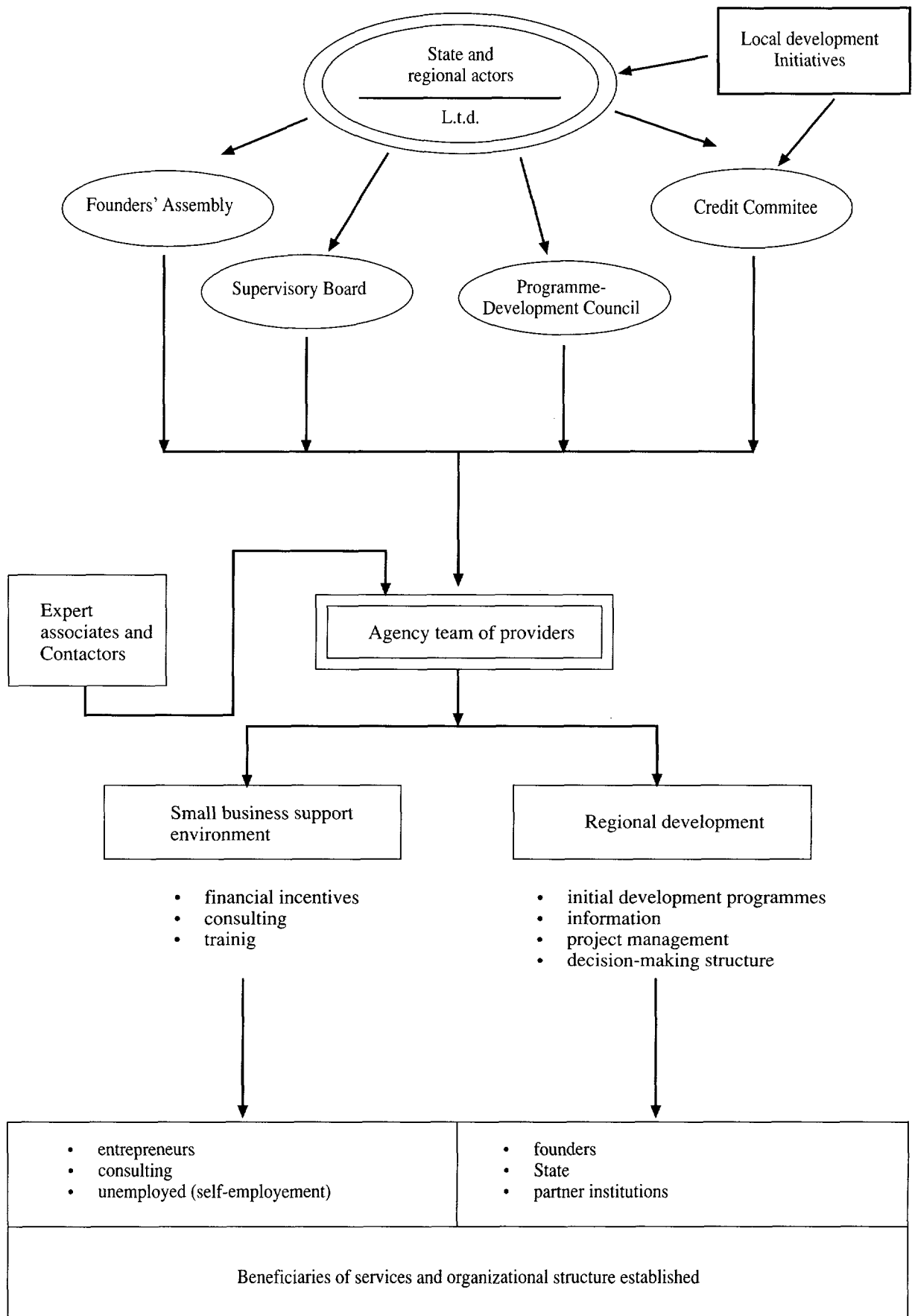
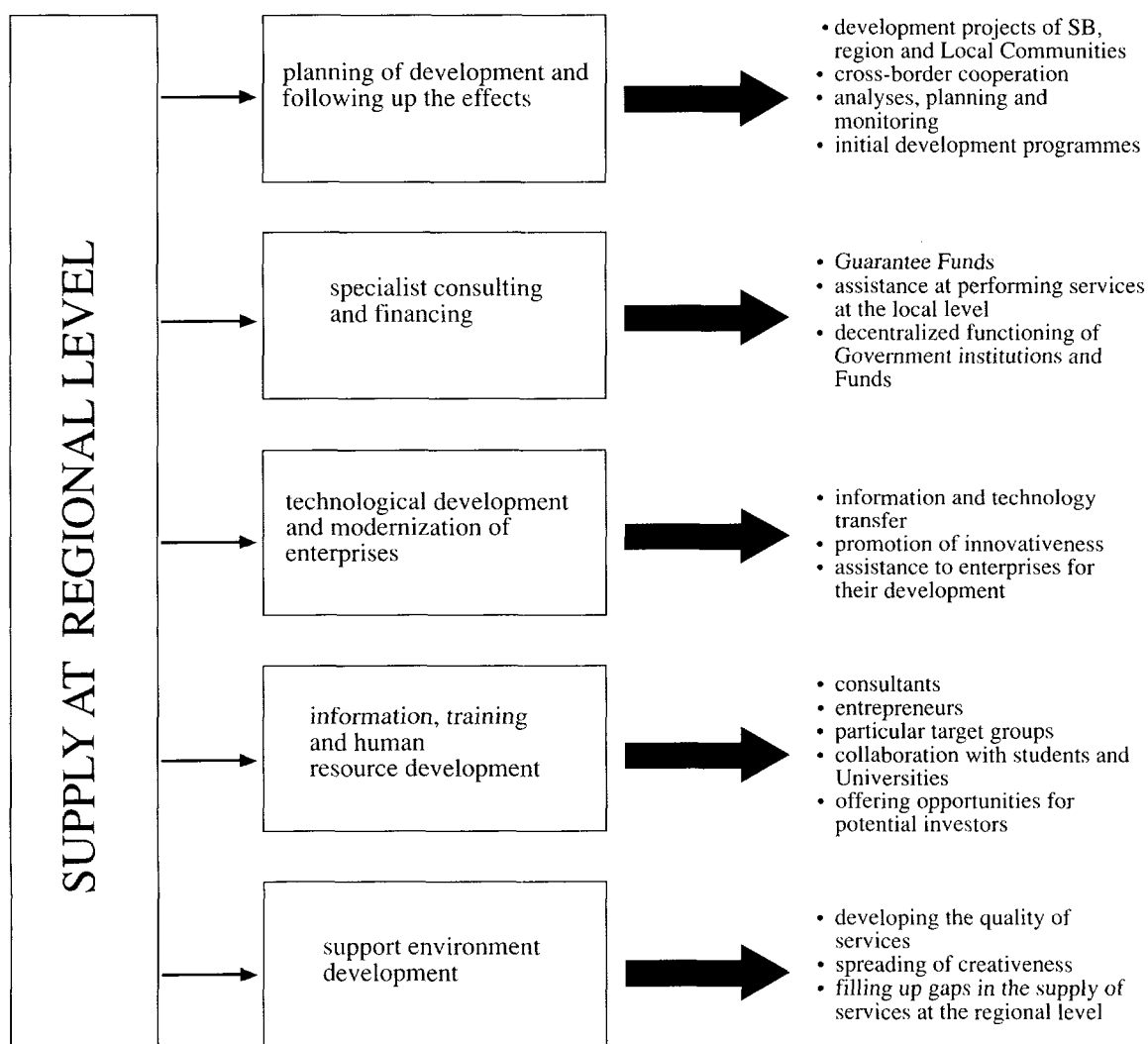


Chart No. 4 Support environment supply at the regional level



The Regional Business Centre can develop to the Regional Development Agency or become its vital part. It should mainly operate on non-profit basis and the contents of its work should be determined in accordance with concrete needs of the area. Its specialization, inter-diciplinarity and transparency in organization are greater in distinction from the support environment at the local level. The supply contents is systematically developed in collaboration with the State and it is comparable in all regional areas. Regional support environments are inter-linked in joint projects important for the whole country.

4.4. Criteria for developing activities at the regional level

Activities at the regional level will to a large extent be related to solutions specified in the Act on More Uniform Regional Development⁵. During the operating of the four pilot institutions the following disadvantages became evident:

- uncoordinated programmes at the national level (among Ministries and institutions),
- inexplicit system for financing and transfer of tasks to the regional level (regulated by Contracts on annual basis),
- uncoordinated activities among the four pilot centres (no joint projects),
- no training to undertake more demanding tasks in the field of development activities,
- lack of information and more explicit development impetuses from the national and local level.

⁵ The Act on More Uniform Regional Development in Slovenia is being prepared by the Ministry of Economic Relations and Development

The advantages are as follows:

- co-ordinated work on the regional level (joint development and initial programmes),
- integration of the small business in regional development programmes and cross-border cooperation (intensive involvement of the small business),
- developing forms of support to the small business (new tools and programmes),
- public character of work and democratic decision-making (an established system of functioning and decision-making),
- assistance to Local Development Initiatives (technical and organizational),
- know-how and experience transfer to other areas (experience exchanging),
- following up the small business problems and participation in their solving,
- progressive taking over the tasks in the field of regional development.

Due to the above stated the criteria will be set separately for pilot operating institutions and separately for the ones that are to be set up.

Development of the existing regional institutions

a) Organization and relations:

- co-ordination in the field of organization and work contents (interdisciplinary work),
- developing the forms of mutual collaboration and cooperation with other institutions,
- information flow,
- adjustment to solutions in the field of regional development,
- specifying the system of financing and management,
- building up the Regional Development Initiative and partnerships.

b) Space:

- equipped premises for at least five workplaces (approx. 75 sq.m.) at location appropriate for working with entrepreneurs.

c) Equipment:

- computer equipment for three providers,
- co-usage of premises for education and training,
- information linkage with national and local levels,
- part of office equipment should be suitable for direct work with clients (obligatory for the provider of activity in the field of small business).

d) Human resources:

- licensed business consultant,
- licensed regional development consultant,
- at least three full-time employed providers (at least one for the field of small business),
- initiativeness of local environments and Contracts with providers of specialist services.

e) Financial conditions:

- ensured scope of tasks and financing (working programme with sources of financing),
- financing limit for functioning can amount to 15 mio SIT per year (experience of the existing agencies),
- criterion regarding the necessary efficiency and other revenues set (approx. 40-50 mio SIT),
- space solutions, functioning and work contents are provided by all partners, depending on their interest and mission.

Setting up new Regional Business Centres

a) Organizational:

- working programme and official initiative,
- Government resolution and Contract on cooperation signed by all interested partners (State, Local Communities, Chambers),

- scope of demand for services and conformity with the regional development concept, at least three Local Development Initiatives,
 - references and qualified providers,
 - assuming obligations to achieve the results planned in the working programme
- b) Other conditions:
- are taken from criteria for Local Development Initiative functioning so that gradually all conditions defined for the existing Regional Business Centres are fulfilled,
 - training to undertake more demanding tasks at the regional level,
 - determination of further development if it is not the concept of Regional Development Agency.

4.5. Integrated approach at the regional level

Uncoordinated activities on the national level engender inexplicit development impetuses. Synergetic effects are not achieved by various State incentives. Potential beneficiaries of State incentives are hindered by uncoordinated Invitations to Tender and disseminated resources. It is particularly reflected in small enterprises which need active assistance of support environment.

The integrated approach means uniting and integration of all activities in the field of promoting the small business development. The common denominator of partners in the support environment are objectives set in the Small Business Development Strategy in Slovenia as well as in development programmes. Activities will support faster development of Local Communities and individual regions facing specific development problems. So the issue of permanent and endogenous development, by activating the potentials in a certain area, will be exposed. The small business development is a very important factor as it influences very much the job creation, investments and engagement of people. And these are factors which will exercise a crucial influence on the increase of differences in the development level of individual areas.

The small business transcends the role of economic development promoter. It is important for rural development, solution of demographic problems, unemployment, shifting the mentality of people in a certain area as well as for cross-border cooperation. Such role of the small business requires an integrated approach at organization and implementation of activities for its faster development. The integrated approach will first have to be carried into effect at the national level and then regional and local levels will follow. The suggested “development corporation” for the small business is the first step in this direction as in the initial stage potentials within the competence of one Ministry would be united. Programme and project linkage with other Ministries and partner institutions would follow. Individual areas - future regions would thus get a single interlocutor at arrangement and coordination of activities for faster small business development. Relations are also inverse as the State task is to provide for development activities at the local and regional level. The established organizational structure can adapt to various needs of individual areas and enable an efficient solving of different development issues.

From the table below it is evident that there are several FIELDS OF ACTIVITY, i.e. industry, tourism, agriculture, developing Local Communities, solving the unemployment problems, cross-border cooperation etc..... At the regional level BUSINESS FUNCTIONS for professional support to activities at various “vertical fields” of activity are set. The most indispensable BUSINESS FUNCTIONS are as follows:

- secretariat and information point in charge of administrative functions, information and efficient monitoring
- development planning for a certain area, analysis of problems, proposing solutions and creation of projects. Activities are thus coordinated within a certain area and presented to the national level in order to ensure joint solving of problems and tasks agreed.

- supply of financial incentives and training. According to the actual concept the Guarantee Fund developing would be enabled at the regional level, providers would be trained to implement the Invitations to Tender launched by the State, different sources would be linked and services provided to users.
- human resource development, education and training are important for the development of any area. Organization and implementation of these activities should become part of the functional whole.

By a good selection of the fields of activity and business functions a supply needed by a certain area and specific target groups is established. The said supply and capacities are complemented by the supply of other providers in this area (consulting firms, Chambers, other institutions). Users of services are Local Communities, State, enterprises and various institutions with a certain mission in the area. Activities are carried out on the basis of Development programme and its operationalization. A model for decision-making is assured and it enables all actors in the area to influence the decision taking in the stage of creation and implementation of such a programme.

An integrated approach at the regional level has been experimentally practised by the Regional Development Agency Mura in Murska Sobota and significant results have been achieved.

4.6. Best practice: Regional Development Agency Mura in Murska Sobota

Pomurje is a province situated in the north-east of Slovenia along the central part of the Mura river stream and it borders on Austria, Hungary and Croatia. The Mura river divides Pomurje into two small-size provinces: Prekmurje on the left river bank and Prlekija on the right river bank. The two provinces are rather different as regards their historical background, tradition, features and culture of the population (Prekmurje is mainly a plain, the influence of Pannonian culture is evident, whereas in Prlekija a lot of “Austrian features” and a landscape distinguished by its variety can be found). At a relatively small area of Pomurje (1,336 km² - 6.6 % of the total Slovenian area) there are about 130,000 inhabitants (6.5 % of the whole number of Slovenian population).

Pomurje is the most typical rural area in Slovenia - as regards the agricultural acreages as well as regarding the percentage of rural population. The most significant branches of industry are textile and food processing industry and in addition to that the following is worth mentioning: production of mineral water and non-alcoholic drinks, wine-growing, metal-processing and machine industry, manufacturing of electrical machines and appliances, finished wooden products, chemical industry and producing of construction material.

The administrative region of Pomurje is divided into 26 communes of various size.

4.6.1. Founders of the RDA Mura

The Regional Development Agency Mura is registered as a limited liability company with the status of a non-profit organization. Founders of the RDA Mura are as follows (as per December 31, 1998):

- COE (5%)
- Beltinci commune (2,5 %)
- Črenšovci commune (2 %)
- Hodoš-Šalovci commune (1 %)
- Kuzma commune (1 %)
- Ljutomer commune (4 %)
- Odranci commune (1 %)
- Turnišče commune (1,5 %)
- Regional Chamber of Crafts Lendava (3 %)
- Regional Chamber of Crafts M. Sobota (3 %)
- Development Centre Lendava (3 %)
- SDC (10 %)
- Murska Sobota municipality(3 %)
- Cankova-Tišina commune (1 %)
- Gornja Radgona commune (4 %)
- Kobilje commune(0,5 %)
- Lendava commune (4 %)
- M.Toplice commune (2,5 %)
- Rogašovci commune (1 %)
- Regional Chamber of Crafts G. Radgona (3 %)
- Regional Chamber of Crafts Ljutomer (3 %)
- TCP (1 %)
- SBDC (40 %)

The State ownership share amounting to 50% is represented by the Small Business Development Centre and the Slovenian Development Corporation. Other founders are Local Communities, Chambers, companies and the State. The number of communes is considerable in this area and it is worth mentioning as an achievement that the majority of them are ranged among founders.

Reasons of setting up the Development Agency at the regional level should be sought in the need for regional integration, specific development problems, lack of business infrastructure and more and more increasing differences as regards the development level of individual areas in Slovenia.

Pomurje is the most under-developed area in Slovenia. Since 1980 the difference in lagging behind the Slovenian average has constantly been increasing. The indicators of under-development are insufficiently developed infrastructure, high percentage of rural population, insufficiently developed small business and high unemployment rate. For the reason of an alarming situation and arising from the need of an organized State support an initiative was set in 1995 to establish a Regional Development Agency. The initiative was given by the Regional Chamber of Commerce and it was supported by some mayors, members of Parliament and other individuals. On the basis of the said initiative the Government of the Republic of Slovenia located one of four pilot projects in Pomurje with the aim of setting up a Regional Business Centre which will gradually grow to a Development Agency. The limited liability company was set up in 1996 on the basis of experience and know-how of the Development Centre Lendava. As requested by the State its Head Office is located in Murska Sobota. Its task is to act at local areas as well, namely through cooperation with Local Development Initiatives and other actors in the support environment.

Role and mission

Organizational tasks of the Development Agency refer to the field of regional development initiative and the tasks regarding the contents resp. mission cover building up the support environment for faster economic development. Its role and mission could be defined as follows:

- encourage initiativeness and integration at the regional level
- establish the organizational structure and team of experts which will enable the transfer of certain development activities to the regional level
- build up the support environment for the promotion of small business development.

Development steps

1995	initiative from the part of members of Parliament, Chamber of Commerce, mayors and experts to set up a Regional Centre for promoting the small business development, which will gradually grow to a Regional Development Agency
1996	resolution of the Government of the RS that one out of four pilot Regional Agencies in Slovenia (Zagorje, Celje, Kranj, Murska Sobota) will be located in Pomurje
1996	establishment of the Regional Centre for promoting the small business development and gaining professional references
1997	organizational, human resource and financial strengthening; the Guarantee Fund setting up and participation in drawing up the Regional Development Strategy
1998	further strengthening and activity expanding; supply of micro credits; integrated approach at the regional level and renaming to Development Agency
1999	move to new premises; the activity of promoting the technological and human resource development as well as cross-border cooperation is strengthened by financial incentives.

4.6.2. Organization and functioning

The Development Agency has developed the supply of services oriented towards solving the concrete development and entrepreneurial problems. A group of services (business functions) represents the organizational unit and cost centre, enabling transparency of resources earmarked for specific purposes. At concrete projects various knowledge and available capacities are combined with services of expert-associates.

Table No. 7 Performing of services Source: Annual Report of the RDA Mura, 1998

Field Service	FIELDS OF ACTIVITY		
	ECONOMY	RURAL AREAS	EU
<u>Secretariat:</u> information, methodological know-how and initial programmes	<ul style="list-style-type: none"> influence of the problems of Nafta on regional development, generalist consulting, information 	<ul style="list-style-type: none"> entrepreneurship development in rural areas, generalist consulting, information 	<ul style="list-style-type: none"> Central-European agencies, administrative and technical service for TRI-D and CREDO, monitoring of CREDO, information
<u>Financial incentives:</u> <ul style="list-style-type: none"> micro credits, guarantees, specialist consulting, developing services. 	<ul style="list-style-type: none"> information, guarantees, micro credits, specialist consulting, 	<ul style="list-style-type: none"> initial programmes -SVI and agriculture, guarantees, micro credits, specialist consulting, information 	
<u>Technological development encouraging:</u> <ul style="list-style-type: none"> Office and consultancy for innovators, monitoring and technical assistance to the projects of SDC, development cleus (MST). 	<ul style="list-style-type: none"> consultancy to innovators, information service, monitoring, technological cluster of manufacturers of agricultural machinery 	<ul style="list-style-type: none"> specialist consulting and information 	<ul style="list-style-type: none"> information, initial programme "Incubator"
Human resource development: exchange (supply and demand) and consulting, education and training, developing programmes.	<ul style="list-style-type: none"> information, developing programmes, developing financial incentives 	<ul style="list-style-type: none"> information 	<ul style="list-style-type: none"> initial programme "Rakičan"

Source: Annual Report of the RDA Mura, 1998

4.6.3. Results achieved in 1998

The results justify the existence of Development Initiative, Development Agency or institution. Measurable as well as unmeasurable results should be taken into consideration. Both groups should be specified in the business plan so that regular follow-up thereof is rendered possible.

a) Management and direction are ranged among organizational tasks of the Development Agency which enable the transparency of operating, comprehensive opportunities to integrate all actors and potential users in the creation of development policy of a certain area. The Development Agency is in charge of establishing the organizational structure for decision-making and monitoring. Monitoring of Agency operating as well as achieving of results anticipated should be provided for.

Table No. 8 Management and direction

Type of activity	Scope of work
Founders' Assembly and Contract modification	1
Supervisory Board meetings	9
Credit Committee meetings	15
Sessions of the Project Team for micro credits	5
Participation in meetings of the Board of Directors in Ljubljana and in various Steering Committee meetings in Ljubljana	17
Workshops and other events in the region (regional development)	19

Source: Annual Report of the RDA Mura, 1998

b) Financial incentives - for entrepreneurs they are the most important part of services of the support environment. They represent a leverage without which the support environment and the Agency can not be efficient. The success depends on cooperation with commercial banks.

Table No. 9 Financial incentives

Type of activity	Scope
Guarantee Fund	99 members, 140 mio SIT of credit potential, 96.9 mio SIT of guarantees awarded,
Micro credits	94 jobs created and 94 mio SIT credits awarded

Source: Annual Report of the RDA Mura, 1998

c) Specialist consulting is supplemented to the supply of financial incentives. It is in fact the most important part of support activities, jointly with education and training, as development is connected with knowledge which is generally insufficient.

Table No. 10 Specialist consulting

Type of activity	Scope of work realized
Specialist finance consulting	883 hours
Specialist technological consulting	100 hours
Other consulting	225 hours

Source: Annual Report of the RDA Mura, 1998

There is an Association of consultants organized under the aegis of the above stated Agency and 18 specialist consultants for various fields of consultancy are members thereof.

d) Information are an indispensable component of development activities. They are earmarked for Agency founders, users and potential users. 4 numbers of the information bulletin have been published since May 1998 until the end of the year - also the first one in English language. The bulletin "Informacije" is distributed to members of the Guarantee Fund of the RDA Mura, partner institutions, founders, large-size companies, Ministries, Government institutions, members of Parliament and others. The bulletin comprising 8 pages is published twice per month in 500 copies.

Segments of the bulletin contents are the following:

- financial incentives to the small business (results of the implementation of the micro credit project and Guarantee Fund operating)
- technological development and Innovation Office;
- "European pages" (implementation of the programme Phare CREDO and other EU programmes and projects in the region - supported by the Central Office of Information in the Republic of Slovenia);
- news of Local Development Initiatives and partner institutions;
- topical news in relation to Agency operating;
- supplement: exchange - supply and demand in the field of human resources, business premises and cooperation among enterprises.

e) Integration in projects and initiatives at the international level is one of the most demanding activities of Development Agency and it contributes to information, financial and entrepreneurial inter-linkage with other regions. By progressive stages it leads to solving joint development problems. The Development Agency has actively been involved in the following programmes and projects:

Table No. 11: Cross-border cooperation

Programme / project	Role /tasks
Phare CREDO - cross-border cooperation programme	RDA Mura has been performing the tasks of secretariat and the tasks on contractual basis: it organizes Invitations to Tender, concludes Contracts for projects approved and follows up their implementation.
Phare TRI-D - trilateral development strategy in the border region	RDA Mura is a subcontractor in the project implementation. It provides administrative-technical support and participates in building up trilateral institutions (cooperation).
RDA-CEDA-NET - establishing a Network of Development Agencies in the Central Europe; within the programme Interreg II C	RDA Mura is engaged in the task force Project-Net; in the first stage it is in charge of information dissemination on possibilities of involvement in European Invitations to Tender and alliances.
Cross-border cooperation - with Hungary, Croatia, Austria	mutual information, participation in the implementation of projects and working meetings

Source: Annual Report of the RDA Mura, 1998

f) Initial development programmes are an important field of activities. The Development Initiative and its central institution are responsible for increasing initiativeness in the environment. The greatest possible number of initial programmes should grow to continuous activities; however it is not necessary that these activities take place within the Development Agency.

Table No. 12 Initial programmes

Project title	Provider	Partner / Orderer
Guarantee Fund* (SBDC and MEA Ljubljana (Orderer: SBDC Ljubljana)	RDA Mura	Development Fund Lendava, Chambers of Crafts and COE
Micro credit project* (NEO Ljubljana) (Orderer: SBDC Ljubljana)	RRA Mura in lokalne razvojne koalicije	all Local Initiatives from the area of Prekmurje and Prlekija (including Gornja Radgona)
Innovation Office* (Orderer: MST Ljubljana)	RDA Mura	Technology Centre for Pomurje in Lendava
Repayable forms of financial incentives for the field of agriculture (Orderer: MERD)	RDA Mura, SIV and Local Communities	SIV for Pomurje
Developing business ideas in rural areas and workshops* (Orderer: MERD Ljubljana)	RDA Mura, SIV and Local Initiatives	SIV for Pomurje and Local Development Initiatives
Information bulletin and information exchange* (Orderer: MERD Ljubljana, Central Information Office, MSET Ljubljana, SBDC Ljubljana)	RDA Mura and expert-associates	founders of the RDA Mura
Business incubator (project management)	RDA Mura and the Murska Sobota municipality	Murska Sobota municipality and Phare CBC Office
Educational Centre "castle Rakičan" (participation in the project) (Orderer: M. Sobota municipality)	RDA Mura, SIV and partners	Murska Sobota municipality, SIV for Pomurje and Phare CBC Office
Cross-border contacts* Hungary (Szombathely, Zalaegerszeg) Croatia (Čakovec) Austria (Graz) (Orderer: MSET Ljubljana)	RDA Mura and Chambers	COE COE Association of Development Agencies (Austria, Hungary, Slovenia)
Educational and human resource development programme (Orderer: MEA Ljubljana)	RDA Mura, Foreign Trade Centre Radenci, PAC Triglav, other participants	Insurance company Triglav, COE, Regional Chamber of Crafts M. Sobota, Foreign Trade Centre Radenci
Revival of part of the Foundation for talented pupils and human resources from the region (private initiative)*	Foundation	Previous founders and individuals from the region
Problems of the company Lendava and influences on area development (Orderer: MEA and the Lendava commune)	Ministries and Nafta Lendava	COE, the Lendava commune
Planning of the inter-linkage of small enterprises in the field of technological development and marketing (Orderer: MSET Ljubljana)	RDA Mura in Regional Chamber of Crafts Murska Sobota	Regional Chamber of Crafts Murska Sobota

Source: Annual Report of the RDA Mura, 1998

Remark * it is an initial programme that has grown to a continuous activity

V. DEVELOPMENT AND SUPPORT ACTIVITIES AT THE LOCAL LEVEL

Frequent changes, alternation of industrial society to information society, investment in human potentials, globalization of economy, quick obsolescence of existing knowledge and rise of new fields are characteristics of the present development. Such circumstances necessitate creativeness which is related to an individual and its initiativeness.

Progress can be understood as (M. Senjur, 1991, page 20):

- material progress improving material circumstances (technology, know-how);,
- social advance enabling better managing of the society. It brings higher degree of impartiality, freedom and equality among people.
- personal improvement in the sense of better character and psycho-physical abilities.

A completely new development concept is being established. The new mentality is based on innovativeness, enterprising abilities, endogeneous and permanent development. The small business can play an important role in the development process. The economy as a whole is strengthened by the small business development. Competition, creativeness, innovativeness and investments are increasing. New jobs are created, social problems are decreasing and the purchase power of the population is increasing. The economic development leads to better welfare and quality of living in a certain area. Investments in the promotion of small business yield through higher economic efficiency, larger scope of taxes paid and decreased needs for investment in the field of social affairs.

Factors of economic development

There are great differences among individual areas as regards knowledge, education of the population, development level of the area and quality of life in general. Experiences have proven that the pace of development is achieved in those areas which wilfully accelerate the development of key factors of innovativeness and entrepreneurship. (A.Gulič -S. Kukar, 1997, pages 29-50). The attitude of environment towards entrepreneurship, access to business information, capital, education, consultancy etc. are gaining their importance.

Everything practically starts with a man and his potential. The creativeness of an individual depends on intellectual and cultural environment. It is increased by cooperation among people, internal and external communication. It signifies that the information flow and their transformation into business opportunities are important. Historical, cultural, sociological and other circumstances in individual areas affect self-confidence and determination of people. Human potential is incited by business policy and general activity in the area. The research potential influences innovativeness of enterprises. The supply of qualified labour and business premises has influence on the decision of potential investors whether to invest in certain areas or not. The latter compete with each other with the aim to become more interesting for investors. The choice of location is dependant on the development level of physical infrastructure as well as on natural resources, economic policy and political situation (M. Glas, 1997, page 3). Under such circumstances also the role attributed to the State differs from its role in the past. The State role is important in ensuring the economic growth by the following factors: know-how, technology and organization. Furthermore it is important to encourage the technological development and innovativeness.

The general social support does not engender the increase in business activities leading to higher standard of living, purchase power and demand. The State should stimulate entrepreneurial initiatives by various forms of incentives. The latter should be oriented towards different target groups. The economy as a whole is expanded and developed jointly with the development of enterprises. The nucleus of development process is establishing and growth of enterprises. (Senjur, 1991, page 183). The development should bring higher quality of life which can not be achieved without job creation. Enterprises are concerned with job creation. Enterprises which reach the growth stage and create a larger number of jobs are particularly important. Thus the entrepreneurship becomes a generator of local and regional development. And just due to that the entrepreneurship deserves to be supported by Local Communities and the State. Local Communities are in charge of activation of the local entrepreneurial potential and attraction of investors from other areas.

5.1. Local Development Initiative and support environment

The Local Development Initiative includes the largest number of activities for the small business support. It is expected that several projects, new enterprises and investments will arise on the basis of activities of the Development Initiative. The core of these activities is trying to find solutions for local economic problems, including the unemployment. (A. Birner et al., 1997, pages 26-27)

The Local Development Initiative arises on the basis of the following reasons:

- unemployment problems,
- small business development level below the average,
- distance from economically developed centres and from political-decision making centres,
- need and readiness of the environment to become organized for development activities,
- endeavours to obtain the State support at solving local problems,
- possibilities of benefiting all the potentials available in the region.

Unemployment is a distinct symptom that the economy in a certain area is facing problems. The reasons of such situation should be stated and efficient measures for elimination of problems anticipated. The State as well as all actors in the local environment should be involved in it. Underdeveloped small business lowers the quality of life in the local area. Such situation is reflected in satisfying of the needs of local population, economic trends, purchase power, standard of living, initiativeness of the environment and worse employment possibilities. For the majority of small communes the small business represents the only economic activity in their area. The distance from developed centres means less entrepreneurial opportunities, less information, less developed cooperation and less possibilities for economic activities. Such regions suffer from underdevelopment and are therefore less interesting for entrepreneurs.

The differences among individual areas are more and more increasing. Initiativeness of local actors and the State support are necessary to start solving the problems of local environment. It is unreal to expect help from others if the environment does not wish or is not capable to help itself. The State and other actors beyond the local environment can afford help in case the professional potential is organized and ensured in the local environment in order to deal with problems systematically.

The Development Initiative is a triangle: enterprise - management - science which solve the development problems jointly and in a coordinated manner and at the same time endeavour to attract entrepreneurial resources from elsewhere. (M. Glas, 1994, page 27).

Partners in the promotion of small business development at the local level are:

Table No. 13 Partnership at the local level

Actor	Target group
communes	all citizens
enterprises as Contractors	orderers
Chamber of Crafts	craftsmen
National Employment Office	the unemployed
Agricultural Consulting Service	farmers
Ministry of Economic Relations and Development	communes
Ministry of Labour, Family and Social Affairs	enterprises
Ministry of Small Enterprise and Tourism	entrepreneurs
Ministry of Agriculture, Forestry and Food	farmers

By joint or individual activities of partners the following objectives are pursued:

- establishing new small business units,
- job creation,
- job preservation,
- human resource development,
- developing complementary activities on farms,
- attracting investors,
- raising the quality of living and development possibilities of individual areas.

The small business can considerably contribute to achieving the objectives set. And higher quality, efficiency and synergetic effects will be achieved by joint activities of all partners at the local level. These are mainly Local Communities, entrepreneurs and the State.

Consulting firms assure the quality of support activities. And for development dynamics investors are mainly necessary. Both groups should be encouraged to perform their activities also in areas lagging in development. Standards and norms can help in endeavours to provide quality services to users. And they would also be useful for providers at their own development. The supply of support environment should be such that free choice of providers is enabled to users as well as competition leading to higher quality of services.

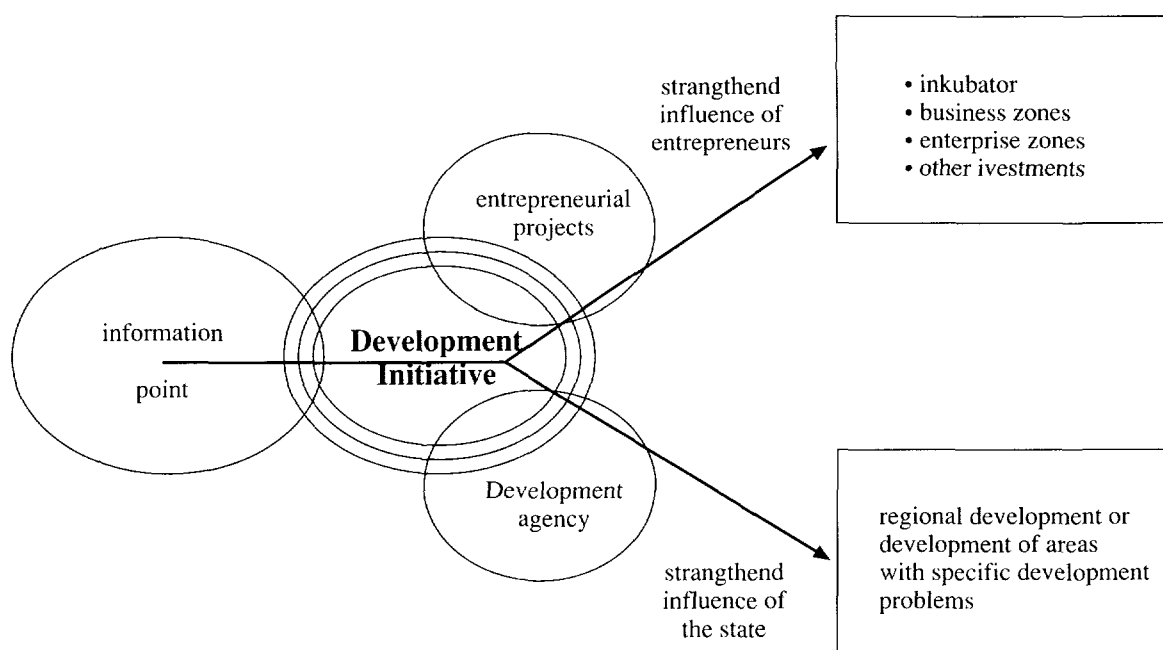
The tasks in the field of local development can be assumed by institutions and contracting companies on the basis of public authorizations if the following is provided for:

- public character of work,
- influence on creating development activities,
- competition developing among contracting companies,
- performing services in accordance with standards accepted,
- planned support environment building up and competition developing.

At the beginning the initiative and small business support can take place in a form of an information point recognizable in the environment. In broader area the activities pass to the Local Development Initiative assuming a mission which is ampler than the promotion of small business development. This development level is also mainly focused on investments of Local Communities and the State. Further development of Local Development Initiative is not necessary in all cases. Activities can only last for a few years until problems in the environment are solved. In case further development occurs it can follow one of the following directions:

- entrepreneurial projects and at least partial private investment in business zones, enterprise zones, incubators etc.
- strengthening the State role and setting up the Regional Development Agency where possibilities of private investments are limited. These investments are indirectly strengthened in projects arising on the basis of initial development programmes drawn up by the Agency and other interested partners.

Chart No. 5 Development stages of support institutions



5.2 Organization of Development Initiative

Activities of Development Initiative are set in the "Development Committee", which has an informal organizational form. The Development Committee includes all actors from the local area so that decisions are formulated and taken on terms of equality. These are representatives of the Local Community, economy, civil initiative, various communities and the State. Their work is not professional and without remuneration. At the local level it is recommendable to organize the Small Business Development Fund⁶ associating all forms of local development initiative.

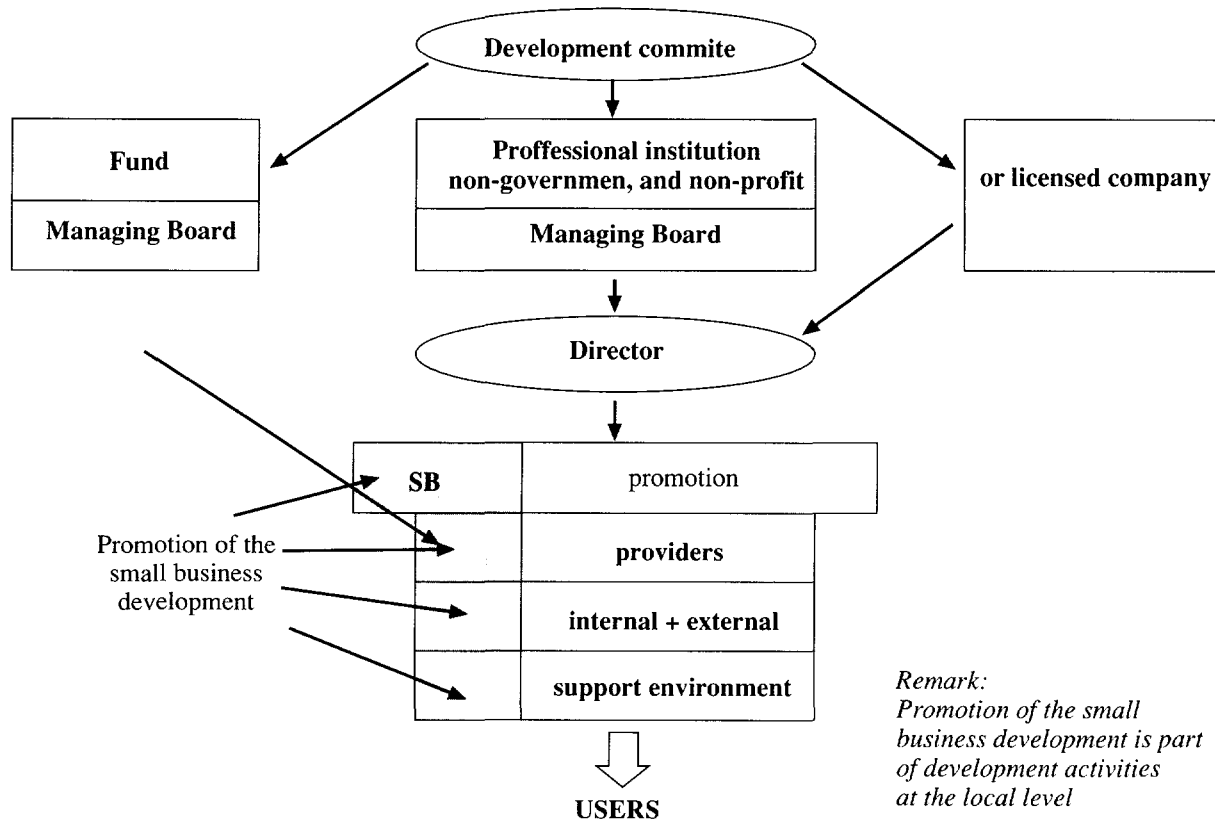
The work of Development Initiative (Committee) is operationalized through a professional institution liable for professional performing of tasks, approved by the Development Committee. Licence can be granted to an existing institution provided that public character of work, influence of Development Committee on management and on the planned mission in the local environment are ensured. It is recommendable that the role of professional institution is assumed by a non-profit and non-governmental organization. At the local level it is almost a rule that it is a non-governmental organization. The regional level of support environment requires also the formal State presence. The professional institution carrying out support activities at the regional level might be a Business Centre which gradually becomes an important part of the Regional Development Agency.

In any case transparency of business operations, public character of work, possibilities of influence on programme and business decisions, explicit programme for the promotion of small business development and compliance with criteria for the support environment quality should be provided for. As regards the mission it is important that competitiveness and support environment developing are encouraged. If there are no other possibilities a company in charge of professional work in the local development is set up and acquires public authorizations and licenses necessary for this purpose. Retaining of licences acquired is dependent on the service quality and results achieved. Tasks are performed by the staff of a selected institution and expert associates forming the support environment. Thus the supply in compliance with the criteria for a quality support environment is set.

Activities of the Local Development Initiative are not conditioned by establishing new institutions if other solutions and agreements between partners are possible. The possibility and ability of making arrangements represents the basis of Development Initiative which signifies that new institutions are in most cases unnecessary.

⁶ The Small Business Development Fund can be set up on the basis of the Act on Small Business Development in the Republic of Slovenia (Official Gazette No. 18/91). The Fund has proven to be useful at the local and regional level functioning.

Chart No. 6 Organization of Local Development Initiative



The support environment for the promotion of small business development provides the necessary services and know-how for:

- design and management of initial development projects,
- performance of services for setting up and developing the small business units,
- work in the field of active employment policy,
- support environment development.

Various forms of financial incentives, i.e. guarantees, subsidized credits, consultancy co-financing, education co-financing, providing business premises and locations under favourable terms and other incentives enable the support environment to assure successful results for initial projects, entrepreneurs and potential entrepreneurs - namely efficient investments, jobs created and successful small business units. The support environment supply is built up on the basis of services, capacities and know-how of the institution playing the role of principal actor and external members of the support environment.

The small business support environment deals with initial development projects of the local territory. It is in charge of transforming the ideas into formulated proposals on the basis of which decisions are made by the Development Committee as regards their implementation and further activities. The support environment is liable for project implementation and its resulting in the anticipated objectives. It is responsible for professional correctness and efficiency. The objective of Local Initiative can be achieved already at the point at which other investors join the project and start to provide for its implementation. Beneficiaries of support environment services are enterprises, potential investors and the unemployed who decides to become self-employed. The State is one of support environment partners and benefits its capacities for performing the promotional tasks at the local level.

By its services the support environment provides the inter-linkage of business opportunities and needs of entrepreneurs on the one hand and on the other hand the supply in the field of financial and other incentives. Promotional projects, tools, information and financing advantages for users of support environment services are required for efficient functioning. Physical space and business premises,

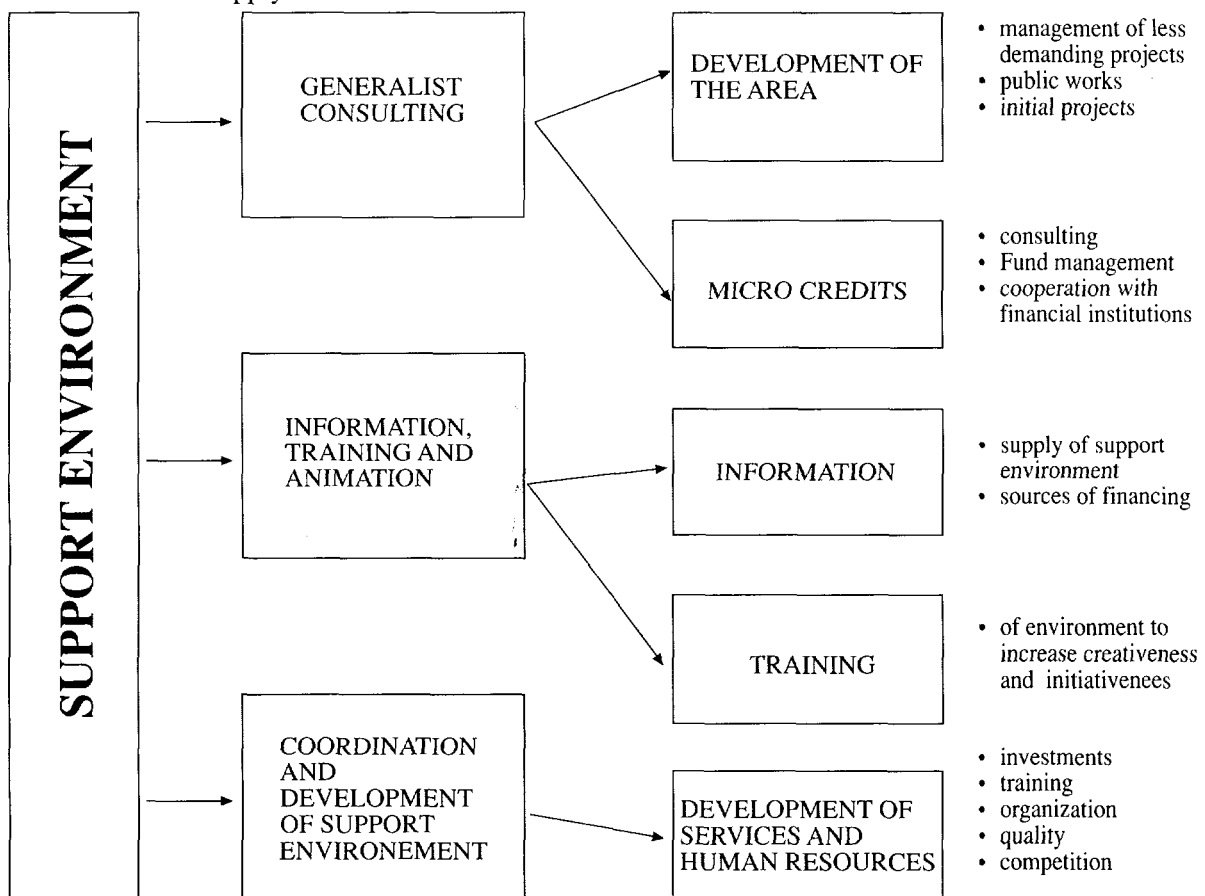
suitable for entrepreneurial activities, are a special stimulus for small business development at the local level. Tailored educational and training programmes for the local population are indispensable to increase initiative and entrepreneurial culture as financial incentives are not enough. It is important to combine “hard”⁷ and “soft”⁸ forms of the promotion of small business development (M. Glas, 1995).

The result of functioning of the support environment and Local Development Initiative are jobs created, new enterprises and greater initiative of the environment, which contributes to the development as well as to a higher quality of life in a certain area. An efficient and well organized business infrastructure represents in itself a considerable acquisition of the local environment.

5.3. Service supply

At the local level a quality support environment is ensured by means of services performed by authorized and newly set up professional institutions and Contractors of the Small Business Support Network. The first step is to establish the generalist consulting for entrepreneurs and potential entrepreneurs. Managing and professional work for the initiated development projects in the environment are of significant importance as well. It is recommendable that the funds independent from annual budgets of Local Communities are provided already at the very beginning. It is suitable to set up the Small Business Development Fund and to associate therein the existing forms of financial incentives in the local area. The second step is systematic training of the environment in order to increase initiative and motivation. In this development stage it is necessary to provide for a quality information system, education, training and animation. The third step is to care for developing the support environment and quality of services needed by the local area. These activities include: following up the achievements of the Local Development Initiative and support environment as well as competition among providers of services.

Chart No. 7 Supply at the local level



⁷ hard incentives: finance, premises

⁸ soft incentives: consulting, education, information

Gaps in the local area as well as orientations of support environment activities are identified in the development programme. In the annual working programme the type and scope of services of the whole support environment with regard to demand and sources of financing are specified. The possible scope of expenditure for the professional institution functioning is limited. Investments in support environment development, mode of allocating the works to other members of support environment, priority projects and results to be achieved are constituent elements of the annual working programme.

When the local professional institution achieves the scope of supply presented as well as the quality in service performing and the results anticipated it can assume more demanding tasks in the region, provided that the critical mass of potential beneficiaries and the interest of environment exist.

5.4. Criteria for developing activities at the local level

Stage I - Promotion of the small business development

- a) Space (20-30 sq.m.) of equipped premises for 2 providers
 - information point for entrepreneurs and potential entrepreneurs (one workplace equipped with computer)
 - providing generalist consulting at the same location (one equipped workplace)
 - organizing of providers of specialist consulting (possibly at different locations)
 - co-usage of premises for education and training
- b) Equipment
 - one set of computer equipment with software package for information service
 - co-usage of photocopying machine
 - one set of office equipment adjusted to information needs and contacts with entrepreneurs
- c) Human resources
 - business and local development consultant available to provide information services and generalist consulting to entrepreneurs at least 4 hours three times per week (recommended one full-time provider)
 - network of providers of various business services and specialist consulting
- d) Financial conditions
 - licences acquired from at least two Ministries and Local Community
 - cooperation of the Chamber of Crafts
 - scope of services and resources for one provider
 - supply of support environment to users set (who, what, when, at what price)

Stage II - Acting in the Local Development Initiative

- a) Organization and relations
 - setting up the Development Committee with a convenient structure of members
 - acquisition of licences from at least three Ministries or Government institutions
 - cooperation of broader local area with approx. 30,000 inhabitants
 - definition of problems and development objectives
 - ensuring at least five-year acting and financing
 - assuring a professional institution to carry out part of activities and integration of providers in a quality support environment
 - rules of acting which will enable influence of the Development Committee, public character of work, results' achieving and competition among providers
 - it is recommendable to set up the Small Business Development Fund
 - activities in the field of promoting the small business development should be transparent, recognizable and measurable
- b) Premises
 - recognizable point for services to entrepreneurs always available to users. The minimum conditions are identical to those in stage I, but they are earmarked

- only for these activities. At least 50 sq.m. of equipped premises for two providers are recommended.
- co-usage of premises for education and training
- c) Equipment
 - two sets of computer equipment with a package for information support and consulting
 - office equipment for direct work with customers
 - communication equipment
- d) Human resources
 - licensed local development consultant
 - licensed business consultant
 - at least one full-time employed
 - network of providers
- f) Financial conditions
 - financing assured for a minimum period 3 - 5 years (Local Community and the State)
 - maximum financing limit for Local Initiative functioning is 10 mio SIT/year
 - efficiency criteria (number of jobs, enterprises dealt with, participants to training) set for other revenues
 - licences for individual providers in the support environment
 - agreement on programmes to be implemented in the stated period (approximately for the whole period, precisely for each year)
 - working conditions are provided by the Local Community
 - education and training of providers are assured by the State
 - combined financing (by all involved) of the functioning and individual programmes

5.5. Best practices: Development Initiative of the communes - Lendava, Črenšovci, Turnišče, Odranci and Kobilje

The public institution for the promotion of small business development was set up in 1993 by the Lendava commune. On the basis of development programme⁹ it was stated that the area needs an institution which will develop the support environment for promoting the small business development and participate in performance of support activities. In 1994 the Lendava commune was split to five new communes. It was estimated that the mission of institution had been successfully performed. The ascertainment were accepted and the action plan for further development of initiative approved. It was agreed that the tasks set forth will be jointly performed and that they will be co-founders of the "Centre for the promotion of small business development" Thus they assumed the founders' rights (representative in the Managing Board, creation of working programmes and business policy) and liabilities (care for operating of the Centre and financing of annual working programmes).

Table No. 14 Presentation of founders Commune

Data	Lendava	Črenšovci	Odranci	Turnišče	Kobilje
Number of inhabitants	13,435	6,056	1,746	3,669	632
Part of population with university and college education	6.13	2.62	1.69	2.11	1.65
Number of the unemployed	1,030	437	104	233	44
Number of companies	144	26	7	6	-
Number of sole proprietors	341	169	53	70	10

Source: Development programme of the communes: Lendava, Črenšovci, Kobilje, Odranci and Turnišče, 1998, pages 25-30

⁹ Development programme of demographically endangered area of the Lendava commune, dated 1993 and its amendment in 1997, on the basis of which the work of Development Initiative is being carried out at present.

Guidelines for the management of small and medium enterprises support network in Slovenia

Development of the stated area was dependent mainly on the company Nafta Lendava as well as on other Slovenian companies having their displaced industrial plants in this area. After the year 1990 the staff number was reduced in these companies as jobs were cut in creative business functions, i.e. marketing, development, finance. The rehabilitation of the company Nafta has not been realized yet and consequently the small business has become more and more important segment..

From the stated source we resume that in the entire area there are 9,115 employees, 5,083 thereof in economy, 793 in non-economy, 2,939 on farms and the category of others - 300.

- Trends in the period 1991-1996:
- the number of inhabitants has been decreasing,
- the number of active population has been diminishing,
- the number of farmers has been decreasing,
- the number of small business units was 812 (at the end of the year 1996), 526 thereof with the status of craft business,
- in 1991 the number of the unemployed amounted to 1,887, until 1995 it decreased to 1,550 and until 1997 increased again to 1,848 jobless people. During the years 1996 in 1997 there were some additional bankruptcies and decreases in the number of people employed in large-size companies in this area,
- until 1998 three hundred people decided for self-employment and created the additional eight hundred jobs and that compensated to a large extent the jobs lost in the large- size company and medium-size enterprises.

The activities of support environment were developed in three directions. The first is oriented towards financial consulting to small- and medium-size enterprises. The scope of financial incentives has increased from 20 mio SIT in 1994 to 100 mio in 1997. Every year there are more than 50 commercial entities benefiting the financial support in a form of favourable credits and guarantees. Consultancy is provided to approximately 150 small- and medium-size enterprises per year. This segment of activities is organized at the Head Office of the Chamber of Crafts in Lendava. The second direction is the promotion of tourism and complementary activities on farms. Two projects, namely the "wine road" and "Tourist Information Office" can be ranged among considerable successes and results of initial development programmes. This set of activities comprises also work with the unemployed and managing of "public works". The third direction of activities is the technological development encouraging which mainly takes place at the regional level and in collaboration with Nafta Lendava and some other companies. Results are evident in the revival of development-research work and obtaining of subsidies for these purposes.

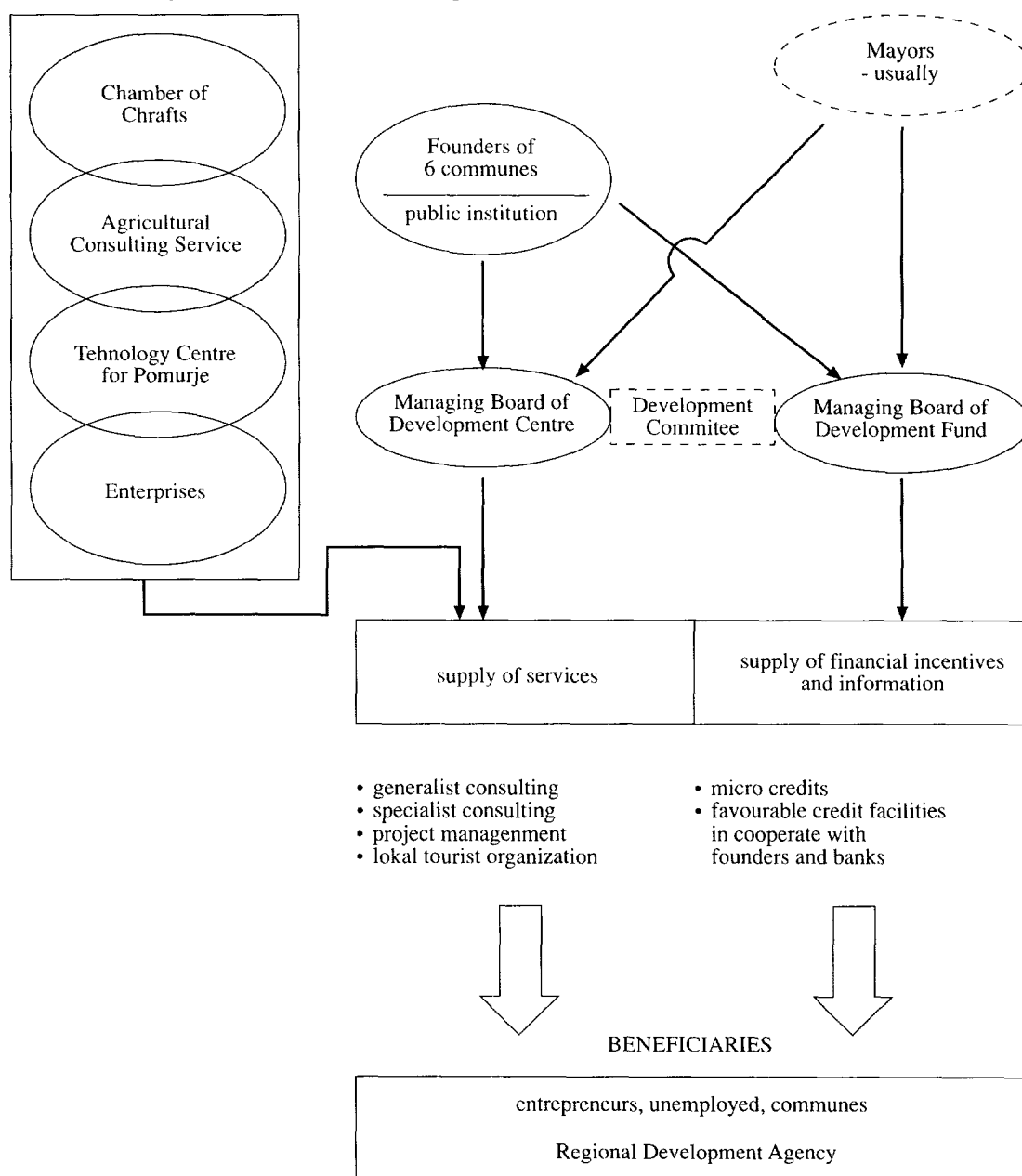
Table No. 15 Activities and structure of financing in 1997

Field of activity (in million SIT)	Annual scope of reventus partnerjev v prihodkih	Share of founders and partners in reventus	Market and other financiers in reventus
Financing and specialist consulting	16	20 % (free of charge premises and part of material costs)	80%
Technological development encouraging	30	-	100%
Rural development encouraging	25	50%	50%
Developing the support environment and other programmes	10	80%	20%

Source: Reports on support environment activities, the Lendava commune, 1997

The driving force in the Local Development Initiative is the Development Centre Lendava to whom the implementation of the annual working programme (business plan) is co-financed by communes - founders. And through the Development Fund they provide financial incentives for faster small business development. The Regional Chamber of Crafts is an important actor in the support environment and it assures part of resources necessary for the Development Fund operating (equipped premises, co-financing of Director's salary). The Agricultural Consulting Service, Regional Development Agency, Technology Centre for Pomurje and some consulting firms are involved in the work of Local Development Initiative. The Local Development Initiative that has been developing since 1993 is an important actor in development activities in the environment. The State support is not provided so that the working programme should be adjusted to the system of financing (Invitations to Tender published during the year). Financing from the part of Local Communities is otherwise continuous but is not sufficient for all activities anticipated in the business plan. The function of "Development Committee" is assumed by Managing Boards of the Development Centre and of the Development Fund. However the requirement to set up a common body for directing all development activities in the area dealt with is obvious. At present this role is indirectly assumed by Municipal Councils and mayors of communes who are usually also members of Managing Boards.

Chart No. 8 Organization of Local Development Initiative



Supply of the Local Development Initiative

Continuous supply of the Local Development Initiative includes generalist consulting and partially specialist consulting in legal, financial and technological field. The key activity of the Development Initiative is drawing up and implementation of initial development programmes.

Table No. 16 Providers and beneficiaries of services

Type of services	Providers	Beneficiaries
consulting (generalist) for entrepreneurs and the unemployed	Development Centre, Chamber of Crafts, and Development Fund Lendava	entrepreneurs, communes, the unemployed
specialist legal consulting	Development Centre Lendava	small- and medium-size enterprises
specialist technological consulting	Technology Centre for Pomurje	enterprises
project management and drawing up the initial development programmes	Development Centre and consulting firms in the environment	communes
information	Chamber of Crafts and the Lendava commune	craftsmen, citizens

Source: Development Coalition, 1998

Despite successful Local Initiative activities the problems in environment are getting more strained due to pending problems in the company Nafta Lendava which is almost 50% owned by the State. The demand of local area for a development programme covering several years is justified as the State would thus compensate the jobs lost and encourage investments in this area. The Local Initiative would play an important role in the implementation of such restructuring programme and would undoubtedly be successful.

VI. CONCLUSION

The State, Local Communities and entrepreneurs are interested in establishing an efficient support environment for the promotion of small business development at the local and regional level. The support environment can undertake tasks in the following fields: solving the unemployment problems, economy restructuring, initiatives increase in the environment and first initiatives in the field of regional development. In order to realize it various development stages should be passed, from first initiatives to strategic oriented partnerships. Such process can either be hindered or encouraged by the State. The incentives for setting up Local and Regional Development coalitions would be as follows:

- acceptance of the concept and Act on a more uniform regional development in Slovenia,
- ensuring the necessary sources of financing,
- developing the necessary projects and promotional tools,
- establishing the Small Business Support Network and development of support environment for the promotion of small business development,
- training of principal actors and suppliers of services,
- acceptance of standards and norms for support environment functioning at various levels,
- establishment of partnership relations and systematic work of all involved in the support environment creation,
- following up the effects and regular elimination of weaknesses,
- more intensive participation in international projects.

Different areas in Slovenia face different specific problems and needs related to the promotion of small business development. In economically more developed areas the infrastructure is usually more developed, too. In such areas development programmes which add new contents to the work (technology parks, business zones, financial incentives, tax relieves, new investments) are required. In other areas needs are similar but the support environment is not developed to such extent and therefore they have to pay more attention to this issue. Some of them will start the activities at the very beginning and for this reason they require a particular care and support. Their activity and organization will depend on problems they have been facing, their willingness to start solving them in a systematic way and on the human resources available. Such variety conditions various human resources as well as the organizational and material capabilities for development activities. There are environments where performing of activities is solved in a simple way, by licence granting and competitiveness encouraging among providers. And there are areas that need to be helped so that in future they will be able to help themselves.

The support available to the Slovenian small business at its development is insufficient. A great number of system issues is unsolved and they obstruct the development of small business and crafts. It is especially the payment indiscipline, absence of considerable tax relieves and high demands regarding the conditions for doing business. In the European countries the small business development is encouraged also by building up the support environment for the promotion of small business development. The State is involved in it as the results of these activities are reflected in the economic development, regional development and unemployment solving. A uniform concept of the promotion of small business development would engender better results in Slovenia as well. A small scope of financial and other resources is rather disseminated. Uncoordinated situation is to the greatest extent reflected in end users and at the local level where various priorities of individual Departments at the national level are obvious. These priorities are not always brought into line with the actual needs of Local Communities. Such situation prevents the systematic work, greater efficiency and information about the results de facto achieved.

The formation of Local and Regional Development Initiatives is not necessarily linked with setting up new institutions. In spite of that the corresponding organizational structure, supply of services, human resources and financing system should be established at the local level. The partner who undertakes the role of leader in the activities of Development Initiative should not play a dominant role as in the course of time it would obstruct initiativeness in the environment. He should assume the greatest possible responsibility for the support environment functioning and achieving of results expected. To encourage establishing of small business units, greater competitiveness and new investments the elementary conditions for operating of Development Initiatives should be provided as well as the possibilities for their own development.

The enterprises of the most significant importance for development are those bringing dynamics in economic restructuring and creating jobs. An important role is played by the small business segment which needs services of the support environment at the local, regional and national level. Various forms of tax and financial incentives are the most wanted. Better effects are achieved if they are linked with other forms of support activities, i.e. consulting, education and training. The small business support environment can also assume part of the tasks in the field of local and regional development. A loose model of organization is necessary in Slovenia and it will permit integration of various best practices that have been developed. It will increase initiativeness at the local and regional level. Functioning and development of the support environment system will not be possible without an integrated approach of the State (various Departments at the national level) and the policy formulated in this field. Only thus it will be able to realize its objectives indicated in the Small Business Development Strategy, establish a partnership relation with Chambers and Local Communities and enable private initiative and thus attract the necessary investments. The private initiative is important also for developing competition and support environment services.

More distinct impetuses from the State, human resources and more funds are necessary for faster local and regional development. In addition to that better organization and cooperation provided by individual areas themselves in order to be more efficient at solving their development problems are indispensable.

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LIST OF ABBREVIATIONS USED

COE	Chamber of Economy of the Republic of Slovenia
COC	Chamber of Crafts of the Republic of Slovenia
EU	European Union
MST	Ministry of Science and Technology
MEA	Ministry of Economic Affairs
MSET	Ministry of Small Enterprise and Tourism
MERD	Ministry of Economic Relations and Development
NEO	National Employment Office
OECD	Organization for Economic Development and Cooperation
Phare CBC	Phare Cross-Border Cooperation
RDA	Regional Development Agency
RS	Republic of Slovenia
SB	Small Business
SBDC	Small Business Development Centre
SBDF	Small Business Development Fund of the Republic of Slovenia
SBSN	Small Business Support Network
SDC	Slovenian Development Corporation
SVI	Stock-farming - Veterinary Institute
TRI-D	Trilateral Development Strategy for the border regions of Austria, Hungary and Slovenia
UNIDO	United Nations Industrial Development Organization