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C o u n t r y   R e p o r t s

UNITED NATION INDUSTRIAL  
DEVELOPMENT ORGANIZATION

Validating the Guide to Best Practice  
for Business Incubators  
against Experience of  
Bulgaria, Rumania, Turkey  
and Yugoslavia

... the process of development ...  
... February 1992 ...

International Company ININ Ljubljana

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## 1. INTRODUCTION

- 1.1 This document supplements the Report entitled "Validating the Guide to Best Practice for Business Incubators against the Experience of Bulgaria, Rumania and Yugoslavia" and has been prepared on behalf of the United Nations Industrial Development Organisation (UNIDO) as an input to its programme "Entrepreneurial Small and Medium Industries in Rural and Urban Area".
- 1.2 The main objective of this report is to present different stages of the SME and business incubator development in respective countries focusing on their specific problems.
- 1.3 In order to clarify the issues proposed by the Guide we addressed some questions to the focal points in the form of a short questionnaire. By the date this report was submitted, we received the answer from the Rumanian focal point (See Appendix).
- 1.3 The structure of the report is as follows :
  - 1.3.1 Section 2 discusses the actual situation, first experiments and the problems faced in the process of introducing and fostering the entrepreneurship development in Bulgaria.
  - 1.3.2 Section 3 deals with the factors which are impeding a more rapid SME development in Rumania with emphasis on the organizational structure.
  - 1.3.3 Section 4 presents the coherent strategy of SME development in Turkey.
  - 1.3.4 Section 5 discusses the specific aspects of the business incubator development on the territory of Yugoslavia focusing on the business incubator development in Slovenia.

## 2. B U L G A R I A

- 2.1 The comparison of the average size ( i.e. number of employees) of Bulgarian enterprises to that of other Eastern European enterprises shows that it ranks immediately after the size of the USSR enterprises (Figure 1).
- 2.2 The negative economic consequences of the unbalanced industrial structure and striking disproportions on the domestic market are typical of a centrally planned economy and have already been discussed in the final Report.
- 2.3 Perhaps not so evident but still very relevant to the entrepreneurship development in Bulgaria are the social aspects of the overconcentrated industry such as deformation of the natural migration processes between towns and villages, the absence of tradition in craftsmanship and the relatively underdeveloped "shadow economy".

### P r i v a t e s e c t o r

- 2.4 According to the statistics 55.000 private firms had been established in Bulgaria by December 1991 (Figure 2). Mr.Puchev of Bulgarian Industrial Association estimates however that their real number today is about 70,000.
- 2.5 Most of private firms are registered in court but in fact do not function, according to some estimates only 20% really operate.

### P u b l i c s e c t o r

- 2.6 It is evident that the impressive figures of newly established private firms do not imply the growing influence of the private sector. Large state-owned enterprises still possess the main fixed assets, the current assets and generate most of the jobs.
- 2.7 The deep crisis of so called large (post) socialist industry calls for urgent product restructuring, financial restructuring and ownership restructuring.

- 2.8 The Bulgarian experiment of 1980 proves that the intrapreneurship can be applied only under certain socio-economic and political conditions (See final Report, p.8). The experiences gained in 1980s will serve as a starting point for the preparation of new legal basis for restructuring of the public sector.
- 2.9 It is expected that the privatization process and the demopolization of the state manufacturing as well as that of the centralized foreign trade, will create the favourable conditions for the restructuring of the inefficient large state industry.

#### T e c h n o l o g y   C e n t r e s

- 2.10 In 1987, first technology centres were established in Bulgaria in order to intensify the R & D impact on the economy.
- 2.11 In spite of the positive results the experience clearly shows that the reorganization i.e. breaking down of the scientific institution does not necessarily lead to the creation of new research market oriented enterprises (See final Report, p.15).

Figure 1

**Average number of the employees in the major industrial  
sectors in Bulgaria**

No.	Industrial sector	1980	1981	1982
1.	Machine-building and metal-processing	529	515	512
2.	Electrical engineering and electronics	843	832	854
3.	Chemical and rubber industries	1096	1051	931
4.	Construction materials	447	472	464
5.	Pulp and paper industry	770	813	846
6.	Glass and china production	1268	1214	1233
7.	Leather, fur and shoe industry	935	930	941
8.	Printing industry	312	316	306
9.	Foodprocessing industry	495	473	472
10.	Average number of employees in one enterprise in all industrial sectors	604	580	604

## Firms registered according to Decree 56

Types of firms	Dec.1989	Dec.1990	Dec.1991
<b>I.State-owned, communal and other firms, namely</b>			
1. State-owned firms	401	762	791
2. Communal firms	483	719	783
3. Firms of public organisations	47	132	166
4. Joint-stock companies	53	79	112
5. Limited liability companies	82	332	354
6. Unlimited liability companies	2	13	15
<b>Mixed companies:</b>			
7. Joint-stock companies	3	19	20
8. Limited liability companies	14	112	112
9. Foreign subsidiaries	12	78	78
10. Co-operative companies	3	244	244
<b>II. Private firms, namely:</b>			
1. Partnerships	2221	13582	13811
2. Firms of individuals	10684	38762	39297
3. Joint companies	147	873	926
4. Co-operative farms	12	940	957
5. Farms of individuals	2	9	11
<b>TOTAL:</b>	<b>14166</b>	<b>56656</b>	<b>57677</b>

### 3. R U M A N I A

- 3.1 The industrial structure is typical of socialist economies, characterized by an extremely large and concentrated manufacturing sector and lack of entrepreneurial climate.
- 3.2 The resistance to the entrepreneurship development is coming mainly from ministerial bureaucracies and from the management of state-owned enterprises.

#### N e w   s m a l l   e n t e r p r i s e s

- 3.3. Despite the unfavourable conditions, there is a mass registration of private firms. According to the data provided by the National Agency for Privatization 230.880 private businesses have been registered in Rumania by December 1991. 50% of them are trade companies, 80 % were established as limited liability companies.

#### I n s t i t u t i o n a l   F r a m e w o r k

- 3.4 The actual institutional framework of the entrepreneurship development implies the necessity of placing the political responsibility for the SME development at higher level in the government in order to coordinate the existing agencies involved in the SME development.
- 3.5 It seems that Rumania lack completely the regional and local development strategies and industrial policies, although the system of Judets (39 Districts) could be a good starting point for the promotional activities aimed at SME. The same goes for the territorial chambers of commerce which are placed in each of 39 districts (Figures 1 and 2).

#### B u s i n e s s   I n c u b a t o r s

- 3.6 The business incubator concept has not been yet implemented in Rumania. The first incubator project has just been started taking as a model the European BIC (Business Innovation Centre). In designing and promoting the project, the National Agency for Privatization and the Department for Small and Medium Enterprises, are supported by the UN Consulting and Services Centre.



3.7 The business innovation centre concept has been promoted by organizing a number of conferences and courses.

3.8 The setting up of the first pilot BICs will be financed by the government.

#### I n t e r n a t i o n a l P r o j e c t s

3.9 In December 1991, C.N.A. Veneto submitted to the government of Rumania a comprehensive study-work on the strategy and the measures for the promotion of the small and medium sized enterprises in Rumania (PHARE Programme), introducing a number of industrial policy instruments such as production districts, development centres, technical assistance centres, technology centres, etc. (Figure 3).

3.10 The Irish Development Agency is involved in the project of Rumanian Development Agency, responsible for the co-ordination of the international help.

3.11 SME Department of the National Agency for Privatization has at present technical support provided by UNDP and the Washington State University for the creation of a net of small business development centres.

3.12 It would be recommendable that all international organisms promoting the SME development would place their interventions within the frame of the general strategy of the SME. They would need a general monitoring of the interventions in progress and results achieved in order to complete the general frame.

MAP OF THE ACTORS INVOLVED IN THE SECTOR OF SME - PRESENT SITUATION (30.11.91)

Figure 1

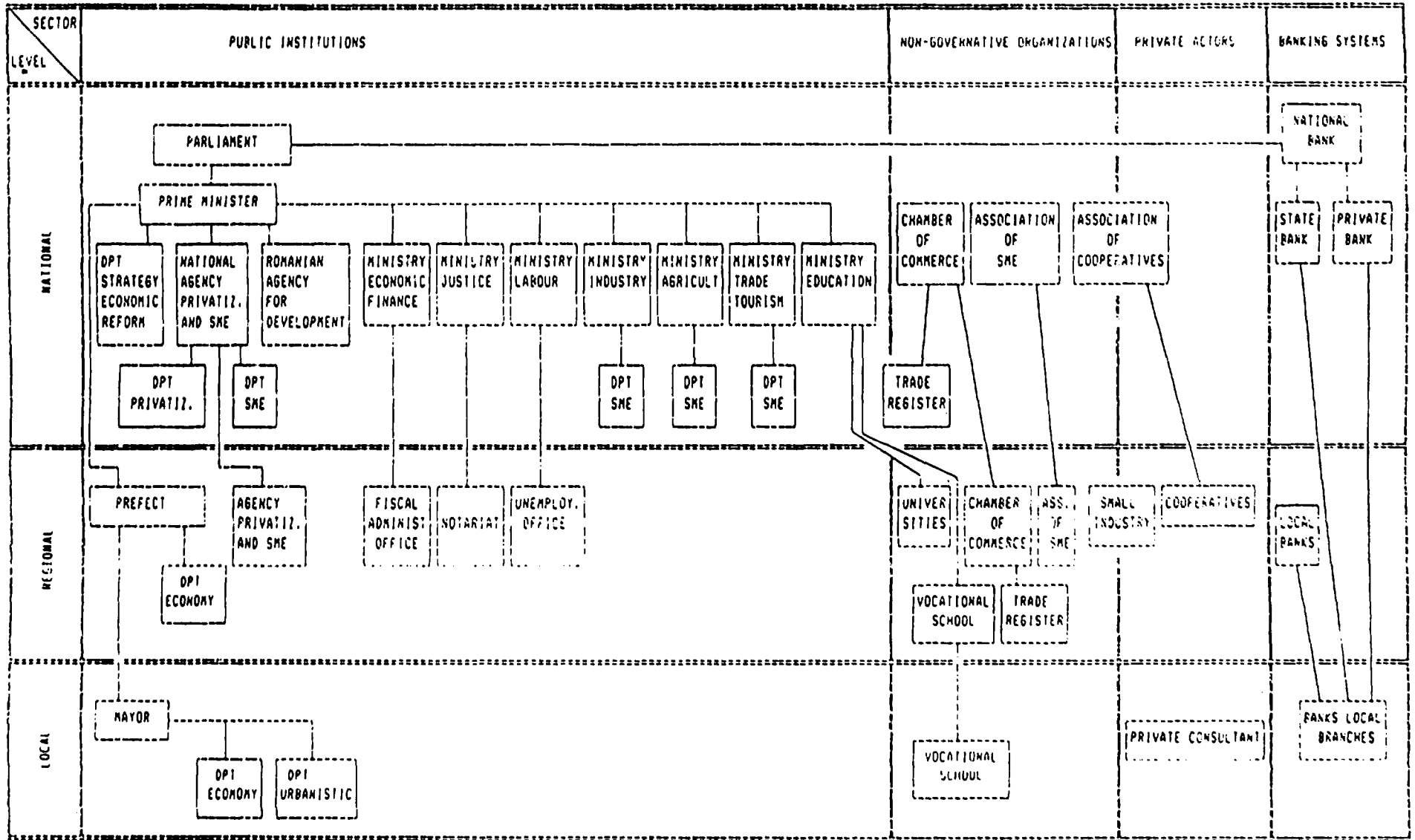


Figure 2

MAP OF THE ACTORS INVOLVED IN THE SECTOR OF SME IN ROMANIA - FUTURE SITUATION

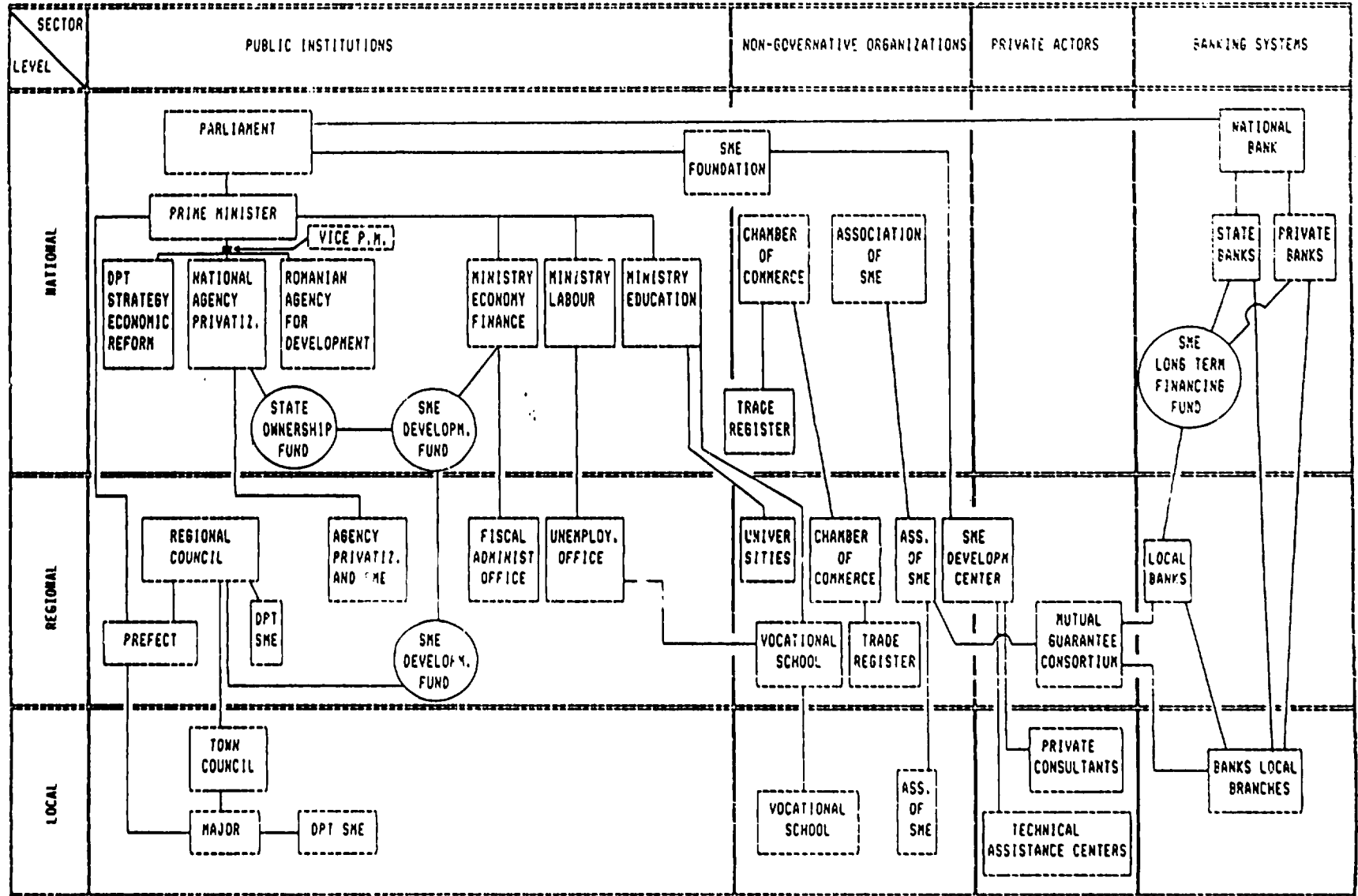
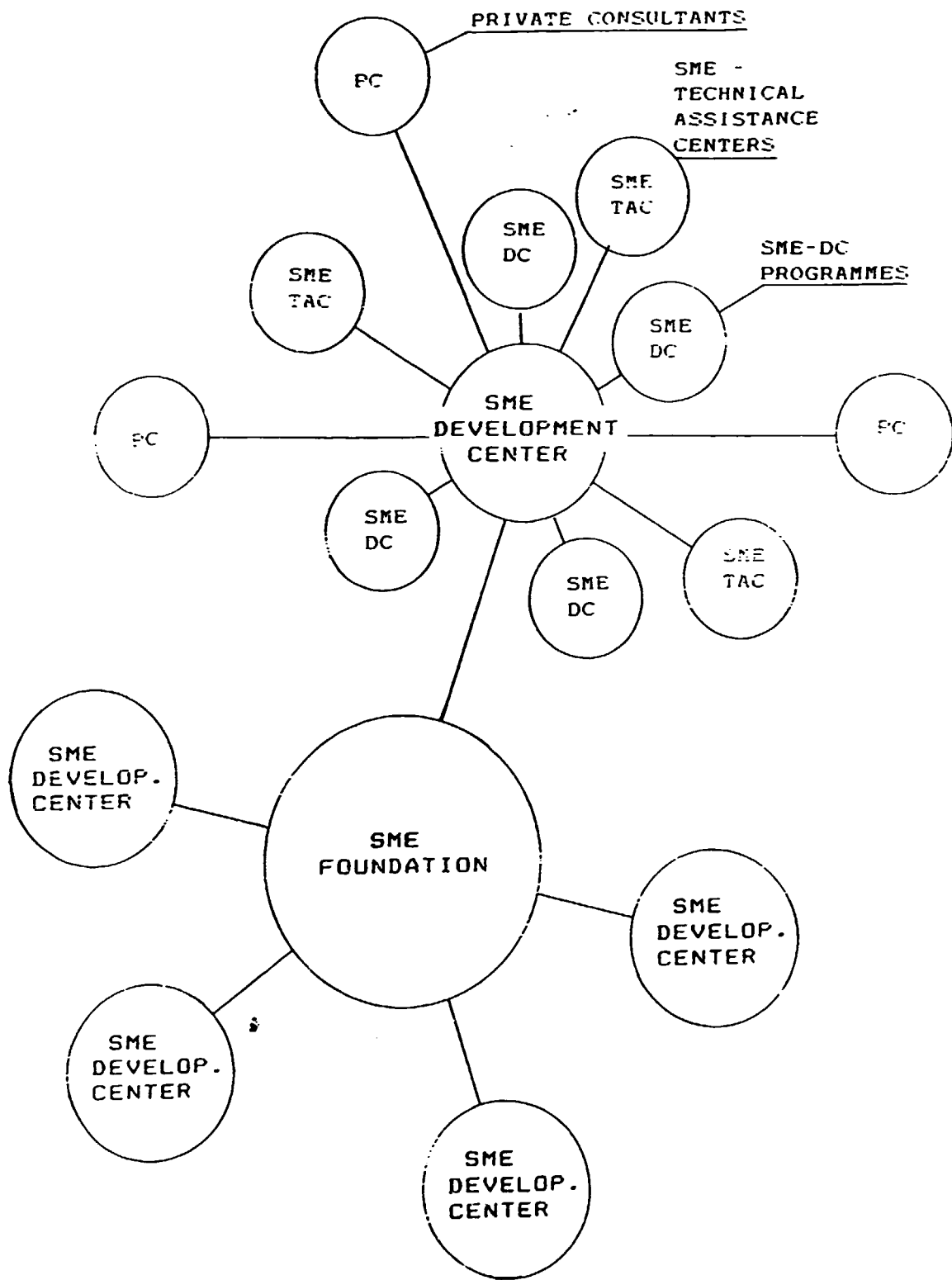


Figure 3



NETWORK OF SMEF, SMEDCs, SMETACs COVERING ALL THE COUNTRY

#### 4. T U R K E Y

- 4.1 Although the Republic of Turkey does not go through such fundamental change of its economical and political system as the former socialist countries, as a developing country, it faces many problems and difficulties similar to those of former socialist economies.
- 4.2 The most important problems of Turkey have been determined as the struggle with the unemployment, keeping up with the rapidly improving technology and increasing the foreign market.
- 4.3 In 1990, the government of Turkey designed a comprehensive strategy of the SME development focusing on the industrial and technological development. It introduced various instruments of industrial policy to support the general strategy (See final Report, p.6).
- 4.4 The Small and Medium Industry Organization (SMIDO) was established for setting up a number of service centres which will consist of various specialized centres, listed in the final Report.

#### T e c h n o l o g y P a r k s

- 4.5 The "Programme for the Establishment of Technoparks in Turkey" is carried out by State Planning Organization and supported by UN Fund for Science and Technology.

#### I n c u b a t i o n C e n t r e s

- 4.6 The main objective of these centres is to give intensive consulting services and financial support to technology oriented start-ups (Istanbul and Ankara).

## 5. YUGOSLAVIA

### Heritage

- 5.1 The Yugoslav economy had many socio-economic characteristics which were typical of the Eastern European socialist economies. Unbalanced industrial structure, planned coordination, governmental or undefined ownership structure, absence of motivation for achievements are only some of them.
- 5.2 Within this socialist framework, the economic subjects and their management however maintained a relative independency. In spite of many negative aspects of the self-management, it certainly stimulated the personal involvement of the employees.
- 5.3 The economy being permanently "in transition", the enterprises, in order to survive constant economic experiments involving many sudden changes, became consequently more flexible.
- 5.4 It remains to be seen whether the actual political dynamics could be shaped into an economic growth potential on the long run.
- 5.5 In the present situation the majority of enterprises are suffering from having lost the rest of the former Yugoslav market.

### Business Incubator Development

- 5.6.1 In 1988, a group of developers organized in YUGEA (Yugoslav General Entrepreneurship Agency) introduced the business incubator concept to Yugoslavia while studying mechanisms for promoting new enterprises and entrepreneurship.
- 5.6.2 In 1989, the business incubator development programme was included into the federal project for restructuring the Yugoslav economy. The project had never been operational although first promotion activities and seminars were carried out.
- 5.6.3 At present, the business incubator concept is further promoted in several republics through the E.C. TEMPUS project.

- 5.7.1 In spite of the relatively good results in Slovenia in the past (See final Report, p.11, 12 and 13), the prospects are not very promising unless the government decides to play an active role in the business incubator development.
- 5.7.2 The fact that by now the business incubator has been promoted (and sold) as a "consultancy product" has certainly required a higher degree of professionalism in the business incubator development in Slovenia.
- 5.7.3 We expect this approach to prove its limitations in the nearest future. The business incubator can be successfully promoted and developed only within a coherent governmental industrial policy.

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Appendix

QUESTIONNAIRE

1. Evolution of the business concept in your country.  
Who is introducing the concept?  
At which level (state or local)?
2. Business Incubator Model in your country  
What type of premises are mainly used (existing or new built)?
3. Ownership : private, public or mixed partnership?
4. Are business incubators (supposed to be) mainly for profit or non for profit organisations?
5. Preferred type of business incubators: multi-purpose or specialised (technology/science centre)? Why?
6. Programme of work for set up of a business incubator  
Who is responsible for carrying out the feasibility study/business planning ?  
How the business incubator managers are recruited?
7. The implementation strategy :  
Outreach programmes (how the potential clients are attracted/selected?); financial support; training of the management team, etc. ? Did you identify a lack of appropriate training programmes ?
8. Performance indicators  
How do you estimate the operational efficiency and local economic impact of the business incubators?
9. Best practice in your country (cases).  
Problems in adapting Western model.

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Answers for UNIDO's Guide for Business Incubators  
in Eastern Europe.

1. Before 1990 there was not in Romania free initiative.

To be more specific, during 1948 and 1990 the business concept was abolished. In March 1990 the Decree-Law no. 54 establishes the possibility to start private business, so at the state level. At the end of December 1990 were set up 99504 different kinds of private business and at the end of 1991 the number of this, was 230,880.

2. The Business Incubator concept has not been known in Romania before November 1990. It was learned on the occasion of the second ADI conference in Berlin, at which the Romanian team took part invited by UNDP. Since then, "National Agency for Privatisation and Development of Small and Medium Enterprises," a government organism, included in its activities the spreading of the BIC - concept in several communities like universities and research institutes and we can say that the interest is improving. There are not existing premises, they are to be new built. Business incubators shall be projected as for profit organisations. Ownership: mainly commercial companies which have the state as the main share holder yet, and private partnership. We make for incubators multi-purpose but with not a very large area of activities; as a rule they will be with an established structure, because they will keep the type of the company which is the donor for the building.

3. At this stage, KAP is much involved in the programme of work to set up of a BIC, together with the partnership who decided to do that; we have also the aid of the Consulting and Services Center managed by an UN expert.

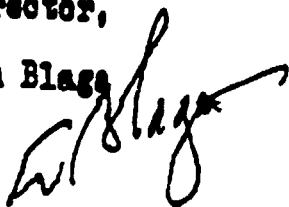
At this stage we succeed to attract clients after conferences and courses about BIC concept. In this few pilot incubators we shall have a financial support from the Government. There is a lack of programmes for financial support and training for incubator managers.

4. -

5. -

6. We know the western model from the bibliography; we have not contacted a western specialist. We have not the financial support organised for a western model.

Director,  
Lucian Blaga



Simina Dragomirescu  
