The Community Initiative EQUAL

SCS Business Support

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Compendium of Different National Support Policies and Approaches to Entrepreneurship

1st workshop
Study and compare national support policies and approaches.
Fall 2005 in Czech Republic

Analysis of Support Policies to Entrepreneurship in Sweden

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Pär Olofsson

Equal Business support

Presentation of four business support organisations within the Swedish Equal programme, Business Employment

The National Labour Market Administration

The Swedish Government and the Swedish Parliament have the ultimate responsibility for employment and the overall labour market policy in Sweden. The objective is a well-functioning labour market.

The National Labour Market Administration (AMV) has an important role in translating this policy into practice in order to facilitate a well-functioning labour market. AMV: s responsibility is to achieve the objectives and to carry out the tasks imposed by the government and the parliament. One of these tasks is to offer support to unemployed people with a business concept to enable them to start a business

Support for starting a new business

The purpose of the support for starting a new business is to give unemployment benefit, for a limited period of time, to unemployed persons who have the qualifications to start a business.

Who is entitled to support for starting a new business?

Support may be given to those, 20 years or older, who are unemployed or in danger of becoming unemployed and are seeking work at a Jobcentre. The support, which is equivalent to unemployment benefit, is granted for a maximum of six months. It may only be given to those who are judged to have the necessary qualifications to run a business that is likely to give both profitability and sustainable employment. Furthermore, the support must not distort competition. Support for starting a business may not be granted for the farming or transport sectors, with the possible exception of taxi business.

The implications of the support and how to apply

The applicant's business concept is to be described and submitted to the Jobcentre where experts will help decide whether the applicant has the qualifications to run a business and if other conditions are fulfilled. Job centres in certain parts of the country may offer information meetings, guidance and courses before the start and during the initial phase of the project. The support is granted for six months.

IFS

IFS started in 1996 and is an independent non-profit association working with and for ethnic minority businesses in Sweden. One of the most important goals for IFS is to encourage entrepreneurship among ethnic minorities. IFS represents its member companies in dealing with public authorities, organisations, banks, customers, the media etc.

Many of the new companies in Sweden are set up by ethnic minority entrepreneurs. Every fifth business is started by a person with a foreign background. Ethnic minority businesses are represented in all branches and they are the main recruiters of other persons with an immigrant background. Without these businesses the unemployment rate among the ethnic minority communities in Sweden would have been much higher.

With their strong belief in entrepreneurship and their international experience these entrepreneurs are an asset to Sweden. An increased number of companies and entrepreneurs with global contacts entail fewer subsidies and higher economic growth. In order to increase the number of entrepreneurs IFS offers help with drawing up a business plan, making financial calculations or seeking financing from banks or credit institutes.

Furthermore, IFS arranges information meetings and courses, for instance in bookkeeping, marketing, business law, computer skills & the Internet. IFS also initiates networks between its member companies.

The Swedish National Federation of Resource Centres for Women

This Resource Centre is a meeting place for women and its approach is sensitive to local conditions. The basic aim is to strengthen the position of women and to increase their influence in society so that they may become a driving force for regional development. The centres are initiated by women, and managed according to the empowerment principle on the grass-root level. The objective is to make women more visible and to increase their participation in community life and regional development.

Resource Centres operate on different levels

On the individual level RC offer personal advice and training to engage women in R&D and business development. On the group level RC offer meeting places for networking, seminars, training and projects. Finally, on the structural level RC offer cooperation with other organizations, lobbying for change and integration of gender equality in R&D programmes.

The vision of women working in Resource Centres is of an equal society, where the competence, experience and approaches of women and men are appreciated and made use of in social development.

- A society in which women and men have equal opportunity and are equally involved in the development of the regions.

- A society in which women are involved in regional development, with the same terms and conditions as men, and benefit to the same extent as men from the resources of society.

The Resource Centre organisation has grown since 1994 when the National and the Regional Centres were created. Since 1999 NRC is a registered NGO with a rapidly increasing organisation. Today there are 20 Regional and around 150 Local Resource Centres and Networks in Sweden.

Co-operative development agencies

To promote cooperative development in Sweden there are 25 CDA: s. They form a support structure of around 80 professional advisers combining knowledge of broad social needs and small business requirements with unique competence regarding democratic entrepreneurship and local development in sparsely populated rural areas as well as in urban areas. The focal point of the development agencies' services (advice, information and training) is people creating their own solutions through joint enterprises in the public, private and voluntary sector.

The development agencies offer free information and advice. The state provides funding and depending on local conditions this funding is 25 – 50% of the local CDA: s total turnover.

Many of the people the cooperative advisers meet can be described as non-traditional entrepreneurs. They may be private or public employees, unemployed, consumers, users of health and/or care service, parents, relatives, on long term sick leave, residents in rural or city area. There is an increase in the demand for cooperative advice from people with a background in cultures other than the Swedish one. This applies, for example, to the starting up of preschools and care for the elderly. Furthermore, many groups that the development agencies meet consist of more women than men. The business concepts presented and the methods applied are also non-traditional. This requires extensive mobilization and development work. The advisers inform, give advice and training, but it is the joint company owners that start the cooperative enterprises.

Development agencies often play an important part in the local development support structure. The obvious starting point is the local community. The development agencies participate in European, national and local efforts to stimulate growth and local development. They are often involved in meeting the needs identified in regional plans for development and growth.

An important task of the development agencies is to tackle attitudes and raise knowledge of entrepreneurship. It is about the readiness and ability of people to satisfy common needs through joint enterprising. The goal is to get more people to put their ideas into practice, starting or developing companies.

Analysis of Support Policies to Entrepreneurship in Spain

ARIADNA: INNOVATION IN COOPERATIVE ENTREPRENEURSHIP WITH DISADVANTAGED GROUPS

SUMMARY OF NATIONAL SUPPORT POLICIES, ACTORS AND APPROACHES TO ENTERPRENEURSHIP

A bit of history first

Spain as state, from the institutional point of view, is divided in 17 different autonomous regions called *Comunidades Autónomas*, each one with their own legislative, judicial and executive branches. Basque Country or *Euskadi* (name in Basque language for the region) is the name of the autonomous region where Ariadna evolves.

Institutional organization on innovation and entrepreneurship

This administrative structure means that each autonomous region is got transferred the competences on legislation and are entitled to issue all kind of legislative initiatives, in our case, accompanying measures, programs and funding on behalf of innovation and entrepreneurship. All theses initiatives are managed through the Department of Industry, Trade and Tourism of the Basque Government.

This said, next step is to introduce the SPIR (Society for Promotion and Industrial Restructuring) which is the entity where Department of Industry, Trade and Tourism has concentrated all the resources on innovation and entrepreneurship. SPIR is head of a group of societies that tries to give answer to all needs that an enterprise project requires from its birth (idea) to its implantation. In addition to this, SPIR has also instruments that allow and facilitate to our SMEs the adoption of Information Technologies, spread outside with internationalization projects, the location in suitable enterprise surroundings to the particular necessities of each sector, and the financing through capital risk funds for innovating and strategic projects.

Amongst this group of societies SPIR is made up, issues related to entrepreneurship are managed by the so-called Business Innovation Centers – BICs. Their mission is to encourage and promote the creation of new entrepreneurial activities, preferably on innovative fields, to foster and enable the creation of non-easy-offshore jobs. There exist five BICs all over Basque Country and one of them, SAIOLAN, is integrated in ARIADNA's DP on the role of generating business ideas and making them become productive realities. See Figure 1 below.

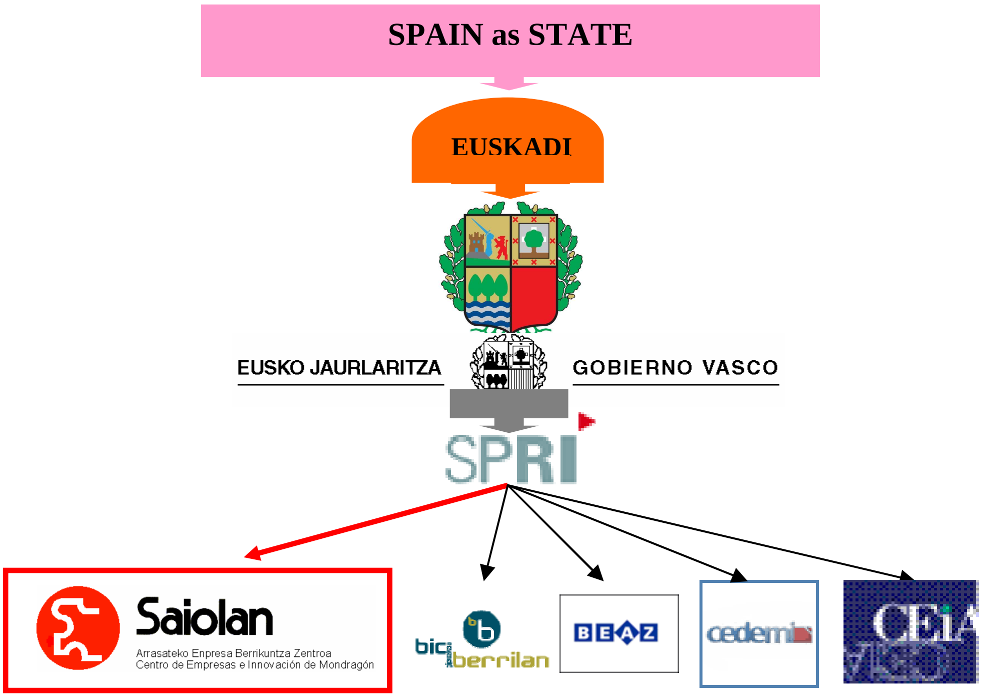

Figure 1, Institutional organization to support entrepreneurship

Programs on innovation and entrepreneurship

There exist two main programs fostered by SPIR with the objective of facilitate entrepreneurial activities in the Basque Country in a way that actively promotes Equality and Diversity. These programs are called Entrepreneur Program and Intra-entrepreneur program. We will go through the main features of each of them.

Entrepreneur Program

The entrepreneur program supports measures for projects carried out by entrepreneur individuals supervised through the BICs. It's got two different levels of support:

- Type A) Free of charge accompanying measures (training and tuition fees, viability plan guidance, Benchmarking activities, etc.) to the individual or promoter team when maturing the idea, the enterprise plan and the initial up and running of the business.

- Type B) Financial support for new enterprise projects focused on the field of industrial innovation and services.

Apart from this, it gives support for the bureaucracy and administrative stuff to access financial support from other administrations or institutions at European, Spanish or local levels.

Requirements for Admission on both levels are as follows:

- Generate at least 3 (three) jobs in a period of 3 (three) years.
- Have a maximum of 2 (two) years of activity from date of constitution, when the beneficiary is a judicial entity.
- Have no debts with local administrations.
- Be a micro-enterprise, which means to have less than 10 (ten) workers and no more that 2 (two) million euros turnover.
- New project enterprise can only be participated up to 25% by another company or companies.

Accompanying and support measures can last only for a maximum of 18 months and to access the financial support the project has to be carried out in a maximum of 3 (three) years, if the last requirement is not accomplished money has to be reimbursed.

Valuation and selection criteria of projects are done upon following premises:

- Quality and content of the enterprise project.
- On the one hand high standard of innovation and on the other hand realistic technical and economical viability.
- Probed technical competence and experience of the team / individual in the related field / fields of the new project.
- Education or experience in Business Management of the team / individual.
- Contribution with self-resources of the entrepreneur to the start up and running of the project.
- To be a project cored in one of the economic areas pointed out as strategic for the country by the Basque Government. Some of these areas are: Information and Communication Technologies, Technologies for materials, Advanced Propulsion Technologies, Biotechnology, Biomedicine, Renewable energies and so on.
- Potential number of jobs to be created as a result of the project.
- Pay attention to environmental and sustainability issues.

Kind of expenses covered:

Type A) Accompanying measures:

- 100% of subsidized expenses up to 30.000 €.
- BICs advise and facilitate a physical place to set up the project in the initial stage.

- Horizontal education (Accountancy, Business Management, Market Research, etc.) are provided by the BICs, other kind of education on very specific fields are outsourced and financed.
- BICs manage payments on the following issues, as long as the expenses are justified: Training, Consultancy, Benchmarking, Initial prototyping, Demos, Study Tours, etc.

Type B) Financial support for:

- Tangible fixed assets such as Machinery, Refurbishment, Tools, Equipment, Industrial vehicles, Furniture, etc.
- Intangible fixed assets such as Software, Intellectual or Industrial property rights, Franchise, expenses of bureaucracy for up and running the business.
- Ground and building construction support are excluded.
- Loan conditions:
  - A minimum of 40.000 €
  - A maximum of 180.000 €
  - Interest rate: EURIBOR + 0,4 €
  - Time for amortization: 7 years with 2 (two) years of cadency.
  - The demanded guarantee is the commitment to up and run the already validated enterprise project.

Intra-entrepreneur Program

The intra-entrepreneur program supports measures for enterprise intra-entrepreneurship supervised through the BICs.

Requirements for Admission are as follows:

- Have legal and financial address registered in Basque Country.
- Not to be a Public sector Company or to be participated / shared by any Public Administration.
- Have no debts with local administrations.

Valuation and selection criteria of projects are same as for the entrepreneur program.

Kind of expenses covered:

- 75% of subsidized expenses up to a maximum of 30.000 €.
- BICs manage payments on the following issues:
  - Consultancy expenses and External Technical Assistance.
  - Viability Plan, Market Research and Study Tours.
  - Attendance to trade fairs.
  - Initial prototypes, demos and dummies.

Analysis of Support Policies to Entrepreneurship in the Czech Republic

ANALYSIS OF SUPPORT TO ENTREPRENEURSHIP UNDER THE "SUPPORT TO EMPLOYMENT IN RURAL AREAS" PROJECT

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1. Types of support provided

The Czech Republic provides to entrepreneurs the following types of support:
- financial
  - subsidies, loans, guarantees for loans
- non-financial
  - education and training, consulting, tutoring, mentoring

Combinations of individual non-financial assistance with financial assistance as fairly common and popular in Western Europe have not been established in the Czech Republic yet.

A certain start are programs funded under the Operační program průmysl a podnikání (OPPP; *in English*: Industry and Business Operating Program) both on subsidy and loan bases, which usually provide to loan/subsidy applicants initial consulting for free (or for subsidized price). The best example would be the START program but also this program is a mechanical overlap rather than intentional special support combining both types of supports – a loan applicant under the START program must present a "Essentials of Enterprising" program completion certificate where the applicant's participation is partially funded from the PORADENSTVÍ (*in English:* CONSULTING) program. In vast majority of programs financed under the OPPP, assistance is directly content-addressable to the provision of the loan/subsidy and thus associated with the preparation of application and making the business plan. After granting the loan/subsidy, there is no consultancy that would be provided free of charge to the starting entrepreneur in order to sustain and develop his/her business (taxes and insurance duties, legal, marketing, planning and financial management).

Institutionally, support to entrepreneurship is provided based on Act No. 472001 Coll., regulating support to small and medium-sized businesses.

The primary agency is the CR Ministry of Industry and Trade. The Ministry closely cooperates with other organizations that it has either established or participated in establishing them:
- CzechInvest – CR business supporting agency. As far as the small and medium-sized business segment is concerned, it is responsible for the

provision of subsidies under the Industry and Business Operating Program (OPPP), financed from the ERDF;
- CzechTrade – assists to Czech companies in penetrating foreign markets and primarily uses the CR budget funds for these purposes;
- Českomoravská záruční a rozvojová banka (ČZRB; *in English:* Czech-Moravian Development Bank) extends soft loans (i.e. subsidized loans) under the OPPP;
- Design-centrum ČR – provides subsidies to support the development of Czech product designs.

There are the following support programs for small and medium-sized businesses in the Czech Republic:

A. Programs financed from the national budget

ZÁRUKA (*in English:* GUARANTEE)
The purpose of this program is to facilitate the implementation of business projects of small and medium-sized entrepreneurs, aimed at making investments and enhancing the competitiveness of such entrepreneurs through bank guarantees for bank loans, lease purchases, venture capital, guarantees for tender bids and guarantees for operating loans.

TRH (*in English:* MARKET)
The purpose of this program is to:
- support ISO certifications for small and medium-sized businesses carrying out business within the territory of the Czech Republic in order to enhance their competitiveness;
- support investment-focused projects for starting and small businesses within the territory of the Capital of Prague, possibly its pre-selected parts, that are in aggravated conditions to receive external financing as a result of low equity or limited potential to come up with a loan collateral.

PROGRES (*In English*: PROGRESS)
The purpose of this program is to facilitate through support in form of subordinated loans for the purpose of improving the business' capital for up to 5 years the implementation of extensive development business projects of small and medium-sized businesses impeded from external financing due to lower equity level or limited potential to come up with a loan collateral, with special emphasis on the development of businesses in municipalities with population of 5,000 or less.

DESIGN (In Czech: DESIGN)
The purpose of this program is to give support to small and medium-sized businesses for integrating design in their business strategy, assist in choosing a suitable designer, create environment for efficient co-operation of the designer with the business, contribute towards the financial costs of creating author craft and promote such newly created quality design products.

ALIANCE (*In English:* ALLIANCE)
The purpose of this program is to enhance the competitiveness of small and medium-sized businesses in foreign markets by means of:

a) support to international marketing activities of the alliance (the grouping of the minimum of 3 small and medium-sized businesses that have complementing production programs or product lines);
b) enforcement of the idea of strengthening co-operation of small and medium-sized businesses abroad.

This program provides financing for the following activities:

a) execution of a study for the alliance entering a particular foreign market with the resulting particular activities and potential customers,
b) preparation of foreign-language marketing materials for the alliance,
c) presentation of the alliance in trade fairs and exhibitions.

B. Support programs under the Industry and Business Operating Program, financed from the European Regional Development Fund (ERDF)

START (*In English*: START)
The purpose of this program is to provide for the implementation of entrepreneurial ideas by natural persons or legal entities commencing a business for the first time or after a long period. The program supports the purchasing of tangible as well as intangible assets and, to a lesser extent, the financing of inventory and operating costs. Such support is provided in form of soft loans.

KREDIT (*In English:* CREDIT)
The purpose of this program is to provide for the implementation of development business projects of small companies with short history. The program supports the purchasing of tangible as well as intangible assets and, to a lesser extent, the financing of inventory and operating costs. Such support is provided in form of soft loans.

ROZVOJ (*In English:* DEVELOPMENT)
The purpose of this program is to assist in the development the competitiveness of SME in the growth phase. This primarily involves the improvement of the standard of their technology as well as refining the company’s management processes. Such support is provided in form of subsidies. New wording of the program was announced on March 30, 2005 and the application process takes place from May 1, 2005 to July 29, 2005.

INOVACE (*In English:* INNOVATION)
This program is aimed at supporting projects focused on the improvement of technical and utility value of products and services or improved efficiency of production processes or service provisions, or on the introduction of progressive management methods, substantial organization restructuring or changes in the strategic orientation of the business or other non-technical innovations.

The eligible support beneficiaries are entrepreneurial subjects. The support is provided in form of subsidies and for SME also in form of soft loans.

OBNOVITELNÉ ZDROJE ENERGIE (*In English:* RENEWABLE ENERGY SOURCES)
Under this program, support is provided to projects for introducing production of electric power or heat from renewable energy sources, such as projects for the building, renovation or restoration of installations for the use of renewable energy sources, combined electricity and heat production projects using renewable energy sources for such production, etc. The eligible support beneficiaries are small and medium-sized businesses in the sector of processing industry or entrepreneurial subjects that carry out business or intend to carry out business in the field of electric or heat energy from renewable sources within the CR territory. The support is provided in form of subsidies.

ÚSPORY ENERGIE (In English: ENERGY SAVINGS)
This program supports projects leading to the reduction of energy consumption intensity in industrial companies by means of reducing the energy consumption need of processes connected with production, transformation and distribution of energy, new technologies for the processing of energy feedstock, introduction of electricity and heat cogeneration, etc.
Eligible support beneficiaries are SME in the processing industry sector. The support is provided in form of subsidies.

KLASTRY (*In English:* CLUSTERS:)
This program supports projects for the location of suitable companies for clusters, establishing and development of clusters at the regional and multiregional or cross-boarder levels. The purpose is to support mutual cooperation of the cluster members on common projects in the field of research and development, purchasing and sale, joint promotion, market and competition research and to extend cooperation with research organizations and institutions of tertiary education in order to improve competitiveness, innovation and economic growth of the cluster members. Eligible support beneficiaries are clusters - legal entities. The support is provided in form of subsidies.

MARKETING (*In English*: MARKETING)
This program supports the increasing of the competitiveness of Czech companies in foreign markets in form of support to gaining marketing information, creation of promotion materials, participation in exhibitions or trade fairs abroad, etc.
The eligible support beneficiaries are entrepreneurial subjects that have already established some export activities. The support is provided in form of subsidies.

C. Programs under the Společný regionální operační program (*in English:* Joint Regional Operating Program)**, financed from the European Regional Development Fund (ERDF)**

PRIORITY 1 – SUPPORT TO BUSINESSES
The Joint Regional Operating Program (SROP - Společný regionální operační program -) is oriented on supporting small and medium-sized businesses with emphasis on the creation of jobs in pre-selected deficient regions with focus on region-specific problems that cannot be addressed on the national level. This support is exclusively intended for existing minor, small and medium-sized businesses.

PRIORITY 4 – SUPPORT TO TOURISM DEVELOPMENT
The following measures are financed under this priority:

- **4.1 Development of services for tourism** shall support such entities that purchase services concerning the tourism area (such as consulting and information activities, securing of exchange and proliferation of integrated information, support to the creation of promotion materials, support to marketing activities, etc.); the support will be provided in form of non-investment support to pay costs connected with the provision of the above services,
- **4.2 Development of infrastructure for tourism** involves investment projects aimed at the development of infrastructure needed for tourism. Support may be primarily used for the purchasing of buildings, constructions, machinery and equipment, renovation and modernization of existing tourism facilities. Such support should be intended for investments generating income for the region, attract tourists and are part of integrated regional or national tourism development plans.

2. Soft (Subsidized) Loan Programs

This analysis primarily focuses on loan programs available in rural areas, as these are the potential competitive product of the micro-loan scheme in preparation.

In respect to the potential competitiveness of the scheme in preparation, which should primarily serve as a tool for controlling unemployment in economy-disadvantaged rural regions, the most significant are programs administered by ČMZRB under the Industry and Business Operating Program, primarily the START and partially also KREDIT programs.

2.1. Českomoravská záruční a rozvojová banka (ČMZRB, English translation of the name: Czech-Moravian Guarantee and Development Bank) – programs funded under OPPP

At present, ČMZRB is the only institution extending loans to businesses based on the use of public resources, i.e. funds of the national budget and EU SF. The Industry and Business Operating Program is funded from the ERDF sources and contains two basic loan schemes:
START (*In English:* START),
KREDIT malý úvěr (*in Enlgish:* CREDIT –small loan).

Loan products funded under the OPPP are managed by ČMZRB sometimes in co-operation with other agencies such as: BIC/RPIC (Poradenství program – actually the completion of "Essentials of Enterprising" as a condition to the participation in START), CzechInvest, CzechTrade and Design Centrum ČR, usually by means of informal cooperation and consultations provided to the loan scheme clients.

2.1.1. START – basic conditions

A project must meet the following specifications:

- It must be of business-like nature, listed in the economic activities sector calssification (OKEČ – odvětvová klasifikace ekonomických činností) and must not be intended on the production, processing or releasing for the market of new products listed in the common Amendment I to the EC Treaty,
- it must be implemented within the Czech Republic territory,
- it must project and make certain that at least the minimum of 50 % of the soft loan be used for the purchasing of long-term tangible and selected intangible assets, or for the renovation of long-term tangible assets.

Eligible beneficiaries

- Natural persons – entrepreneurs or partnerships or cooperatives (except for stock companies and housing cooperatives).
- Entrepreneurs who registered as income tax payers with the Revenue Authority in the year of submitting the application for support or in the previous year, either the first time or at least seven years after the first termination of such registration, and for those 7 years such natural person was not a partner

in any partnership or a member of any cooperative (with the exception of a housing cooperative).

- As part of the application for support, they must present the minimum of one certificate of the Národní asociace pro rozvoj podnikání (NARP; *in English*: National Association for the Development of Businesses) or of successful completion of the “Essentials of Entrepreneurship” educational program for starting entrepreneurs.

Form and amount of support

- Such support is provided in form of soft (subsidized) interest-free loan for the funding of up to 90 % projected total costs of the project implementation.
- The minimum amount of this loan is CZK 0.1 million. The maximum amount is CZK 1 million.
- The maximum repayment period for an extended loan under this program is 6 years while the first instalment payment can be delayed for up to 12 months.

Collateral

- Such a soft loan is secured with a bill of exchange issued by the support beneficiary.

2.1.2. Small loan KREDIT (CREDIT) – basic conditions

A project under this program must meet similar specifications as for the START program.

The creditworthiness of the project is assessed based on the following criteria:
- potential for the generation of cash-flow (added value – personal costs / sales)
- owner’s equity ratio (owner’s equity / liabilities + owner’s equity),
- liquidity (financial assets + short-term receivables / liabilities).

Eligible beneficiaries and amount of support

This support is intended for entrepreneurs with the maximum of 7 completed, subsequent taxable periods immediately preceding the date of support application submission. Such support is provided in form of:
- soft loan at the amount range CZK **0.2 – 2 million** with repayability period up to 5 years, fixed interest rate of 4 % p.a., up to 90 % of the projected total costs of the project,
- soft loan at the amount range CZK 2 – 5 million with repayability period up to 6 years, fixed interest rate 4 % p.a., up to 80 % of the projected total costs of the project,
- soft loan at the amount range CZK 0.5 – 7 million with fixed interest rate of 3 % p.a., up to 50 % of the projected total costs of the project. The loan repayability of extended loans may be set to the maximum of 8 years with 5-year delay of the first instalment payment.

Collateral

- Such a loan shall be secured with a bill of exchanged issued by the support beneficiary.

2.1.3. Structure of ČMZRB Program Beneficiaries

In view of the size of businesses drawing loans of the START program, 99 % are self-employed natural persons (usually without any employees). Only 1 % are limited liability companies though they are fully eligible for the support.

The greatest share of support beneficiaries in the ČMZRB programs for the last two years have been[1]:

trading companies – under the START program – 27 % in 2004 and 33 % in 2005
accommodation services – under the START program – 23 % in 2004 and 21.8 % in 2005
processing industry (total 26 % and 22.3%), of which the most frequent were:

- o wood-processing – 5.7 % and 4.6 %
- o metal-working – 4.5 % and 6.2 %
- o food-processing – 3.6 % and 2.5 %

Types of economic activities that are hardly present among the supported businesses though they are eligible for support:

- manufacture of machines and precise equipment (office equipment, motorized vehicles, optical, measuring, etc.),
- sophisticated services (legal, economic, estate agency, research and development, engineering, technical, etc.),
- education and training,

in spite of the fact that these sectors show the highest added value and, among other, are well preferred by the Lisbon Strategy and are projected to be primarily supported from the EU Structural Funds in the 2007-2013 programming period.

As far as support regional distribution is concerned, the distinctive trend has been that the greatest loan volumes are spent by districts of regional agglomerates that are the drives of regional economy and gradually economic activities of the entire territory move to these regional agglomerates. After some delay, this is followed by migrations from the country to centres, which leads to gradual depopulation of rural areas.

Weaker results of rural regions can be attributed to the following factors:

- regional economics in centralized regions (e.g. Plzeňský region) is concentrated in regional centres.
- in situations where the region is not dominated by such a strong centre and there is a sufficiency of viable locations of lower rank (e.g. Zlínský region), the circumstances of such rural regions are weaker but not as drastically unequal as in regions with a strong economy centre and fragmented habitation structure in its surroundings;

[1] Always according to the ratio of distributed funds, not by the number of approved applications.

- companies existent in rural areas generally have worse accessibility to information and thus to the public support to businesses; therefore these need additional support, which differs from companies established in regional centres.

A typical starting entrepreneur that uses the loan source for funding (a typical client of the START program) is:
- a self-employed person – a single entrepreneur without any employees;
- starting an undertaking in a city of population 80 thousand or more, in the vicinity of services (such as a shopping store or accommodation/boarding, possibly in production not too materials-intensive or technology-intensive;
- applying for a loan of a little plus CZK 400 thousand, with 6 year repayability and first instalment delay of 6 to 12 months.

If the general purpose of this study is to contribute to the development of economic activities in rural areas, it is necessary for the future to:
- further soften loan conditions for existing entrepreneurs in rural areas than is the existing reality of ČMZRB programs;
- substantially support the promotion and targeted marketing of the support provisions towards businesses operating in rural regions;
- supplement the loan programs with consulting and non-financial, free of charge or subsidized assistance supplementing the actual loan program. Such provision of consulting may principally influence the rural businesses' ability to utilize such support programs and act as distinctive drives in the local economy of areas that are disadvantaged compared to the regional centres.

2.3. Summary

The greatest weakness of the START program – Accompanying services (consulting, training and education, mentoring) provided to the loan scheme clients after the actual loans have been extended, at subsidized cost (or free of charge) are, so far, entirely absent in the Czech Republic.
Though accompanying assistance services are provided in close context of the loan program, the link between the financial support provider (ČMZRB) and the provider of training, education and consultancy is not very strong. Neither of these parties is entirely responsible for the success and sustainability of projects that have received such support. Loan extension aftercare (mentoring, tutoring, etc.) is not rendered at all. The loan scheme can therefore succeed primarily in economic sectors and territories where the economic and social issues are not as distinct, i.e. **it is not the most appropriate tool to support the weakest ones who exist in the market or who intend to enter it.**

ČMZRB still acts primarily as a bank that does provide market-uncompetitive (too risky) loan projects but does not behave as an institution intended for the development of businesses.

The basic facts learned can be recapitulated as follows:

a) There is a gap in the market for an organization/institution that would be involved in providing regional support to businesses in disadvantaged areas, primarily through close interlinking of the loan mechanism with consulting, education and training, as well as assistance provided to the support beneficiaries,

b) an itself-suggesting solution lays in the creation of small regional loan schemes that would be narrowly focused geographically (or on specific sectors) and closely connected to provided assistance, i.e. approach combining:
   - community dimension – intensive work in terrain where a network of local career advisors (loan agents) with thorough knowledge of local conditions would be established; such career advisors would directly organize/provide advisory assistance and training to support beneficiaries;
   - bank dimension – professional management of loan fund, including collaterals.