1. Basic Information
   1.1 *Désirée Number: SI0004.01*
   1.2 *Title: Business Incubators Network in Pomurje*
   1.3 *Sector: Social and economic cohesion*  
      (Twinning n° SI2000/IB/SPP-01)
   1.4 *Location: Slovenia, Pomurje Region*

2. Objectives
   2.1 **Wider Objective:**  
      To increase activity of the productive sector in the Pomurje Region.

   2.2 **Immediate Objective:**  
      To stimulate the development of SMEs

   2.3 **Accession Partnership and NPAA priority**
   The project is in conformity with the short term and medium term priorities of the Accession Partnership of the Republic Slovenia (Economic reform and Economic policy) and Annexes 3.2 Innovation (Research and technological development, Education, training and youth), 3.5. Economic and Social Cohesion (Especially with the respect to the equal opportunities as well as Regional Policy and Cohesion).
   The project is also in accordance with the following NPAA priority fields:
   **Chapter Enterprise Sector Reform**, especially with the objectives:
   Improvement of competitive abilities of the enterprise sector, higher level of growth in manufacturing, higher return on investment, increased share of enterprise sector, investments in GDP
   Facilitate and stimulate new entries and growth (fast growing, innovative and export oriented small enterprises)
   Technological development and transfer of R&D in the enterprise sector
   **Chapter Human Factor and Labour Market**, especially with the objective:
   Encourage job-creation and reduce skill mismatch

   2.4 **Contribution to the Preliminary National Development Plan 2000-2002:**
   The project is in line with the following objectives of the Preliminary National Development Plan 2000-2002 (Chapter 3):
   - 3.1.1. Priority 1: enhance productive capacity of the enterprise sector (sub-priorities No.2 and No.4 stimulation of R&D and technological modernisation, stimulation of development of SME’s)
   - Priority 3: improve skills of human resources and employment (sub priorities No.1, No.2, No.3, No.4: raising employability of population, entrepreneurship development, adaptability of companies and employees, equal employment opportunities)

   Contribution to the strategies of Pomurje region
   The project contributes to the achievement of the objectives related to the SMEs as set within the Regional Development Strategy for Pomurje (Prekmurje and Prlekija). (see Annex no. 6.1)
   The project also contributes to the achievement of objectives set in the Strategy for the development of the Tri-D border region (PHARE CBC ZZ-9524). (see Annex no. 6.2)
3. Description

3.1 Background and justification:

Pomurje is the least developed region in Slovenia, which is shown also by the low number of SME units (32 SME units per 1000 inhabitants) and the high level of unemployment (around 10,000 unemployed people - on some parts of the region the unemployment rate is higher than 24%). (See also Annexe 6.1 “Main Strategic Development Objectives of Pomurje Region” attached to this Project Fiche).

The start of the project implementation is subject to some preparatory work to be done including assessment of the existing Feasibility Study of the Business Incubators Network in Pomurje region (with special attention to the analysis of existing incubators in other regions, justification of similar and different activities foreseen, detailed description of target groups, definition of potential candidates, analysis of available resources of the region, needs of the region, justification of the "network-approach"). Start of the project implementation is also bound to preparation of the SME Action Plan and elaboration of joint market research projects (“database of ideas”) for Pomurje region (that will provide potential business creators with market studies on possible activities to be developed). Both activities are proposed for co-financing under the Project Preparation Facility – SI9914 and should be completed before the start of the project.

In the Study (see annex no. 4.1) relating to the incubators in Pomurje (prepared by the Technology Centre of Pomurje in January 1999, approved by its Assembly) it has been stated, that the main problems to be tackled are the lack of financial means to realise business ideas and the lack of business premises. In order to enhance productive capacity of the enterprise sector, to upgrade economic infrastructure and to improve skills of human resources and employment, a Business Incubators Network will be placed on four locations in Pomurje, namely in Murska Sobota, Lendava, Ljutomer and Odranci, with its home office in Murska Sobota.

The network will start to function in the framework of the Regional Development Agency Mura, and will operate later as one single institution. Due to the specific approach of local communities, the incubator will have several dis-located units. The Municipality Murska Sobota has already bought a building which needs to be renovated; the Municipality Odranci has completely prepared premises of 100 m² which only need to be equipped; the building in Lendava, located in the industrial zone needs to be renovated; the building provided by the Municipality Ljutomer has to be renovated.

The locations in Murska Sobota and Lendava will mostly incubate companies from the productive sector (in M. Sobota linked to the restructuring of the textile company Mura and in Lendava linked to the restructuring of the oil refinery Nafta), while the incubator units in Odranci and Ljutomer will offer support mainly for companies with service sector oriented activities. Profiles of the enterprises will be defined in the preparatory study to be carried out in the framework of the Project Preparation Facility (SI9914). Activities related to joint market research projects as well as marketing and sales methods, co-finance of education and training of managers, experts and technical personnel in companies, encouraging joint presentations of the Slovenian industry abroad, stimulating IT applications in the Slovene industry, encouraging the introduction of ecological standards in companies to support enterprises in the incubator will be co-ordinated and partly carried out by the Regional Development Agency Mura.

Co-operation between enterprises in the incubator and their integration into a favourable industrial environment as well as co-operative support from science (universities, institutes) and development institutions will create suitable conditions for innovation actions. Incubators will be a springboard for enterprises for their future integration into the international economic area. For the purpose of gaining entry to or support from the Incubator, an enterprise will be considered new if it has been operating less than 3 years.
The enterprise will stay in the incubator for, at most, 5 years and pays rent as follows: 30% of entire price in 1st year, 50% of the entire price in 2nd year, 80% of entire price in third year and 100% of the entire price in 4th and 5th year.

The mentioned feasibility study analyses the functioning of the Styrian Technology Park and of the Ljubljana Technology Park (page 6), which offer mainly business premises under favourable conditions to entrepreneurs, while in our case – on the basis of the statements of the Small Business Development Strategy – besides the favourable premises offered by local communities, also a complete business service (consultancy, preparation of business plans, favourable financial sources, transfer of know-how from universities and institutes to companies) will be offered to enterprises in the incubator. This activity will be linked to the already functioning Technology Parks – their experiences from the field of co-operating with scientific institutions will be taken into account. Enterprises in the incubator will have the possibility to establish co-operation with other companies in Slovenia and abroad, especially in the wider border region like the Industrial park Szentgothard-Heiligenkreuz in Hungary. Development of Incubator’s linkages with technology parks, universities and institutes for innovations actions as well as with other on-going projects or foreseen funds (SBDC, Labour fund etc.) will be subject of the above mentioned SME action plan (PPF. SI 9914).

Good practices will be taken into account, i.e. the pattern of European institutions like business innovation centres – see Green Paper of the EU from 1996, which point out that the establishment of the physical business infrastructure is an indispensable motivator of the faster development of the region.

The Incubators network will also act as a spin-off in the development of the entrepreneurial spirit and of human resources. Special attention will be given to innovative and high technology production and services related enterprises. (ex. enterprises developing software)

**3.2 Linked activities:**

1. Guarantee Fund of Pomurje;
   The Guarantee Fund of Pomurje is operated by Regional Development Agency Mura and started to operate in 1998, with a guarantee potential of 650,000 EUR, with the aim to support the development of SMEs in the region. The Fund has 177 Members to date and with its help 1,085,750 EUR of favourable loans have been granted to entrepreneurs. The Fund will offer favourable loans (at low interest rates) to companies in the incubator, to realise their business plans.

2. Micro-credit scheme is operated by the Regional Development Agency Mura, in co-operation with the National Employment Office. Since its start in 1998 to date, 216 new jobs have been created with the support of microcredits. Enterprises in the incubator will also have the possibility to receive co-financing for the creation of jobs with high added value.

3. Training Centre for Agriculture and Regional Development Rakičan (Phare CBC 1996, programme no. ZZ9621); The project is on-going and some partners involved in the preparation of the Project Fiche are also involved in the programme preparation and definition of the centre’s profiles. The expiry date of the project is November 2000. One of the project’s aims is to train trainers who will implement counselling services to entrepreneurs in the incubators.

4. Phare CBC Slo/Au/Hu - Project “Tri-D” (programme no. ZZ9524); The Action Programme of this project – approved by all 3 border regions - contains a project proposal relating to the improvement of the industrial networking, which might be implemented in the framework of the present project (Project proposal ECO-7). The objective of the project is to contribute towards maximisation of the region’s industrial potential, by improving the networking of regional industrial enterprises. This will be
achieved by setting up a trilingual Internet information exchange database, providing a matchmaking service between producers and purchasers of goods and services in the Tri-D region.

5. At the end of the year 1999, the Regional Development Agency Mura, in co-operation with the Technology Centre of Pomurje has acquired the status of regional technology centre, which will offer services from the field of technical development and technology transfer.

6. In 1997-98 RDA Mura has implemented the project of the creation of a technological cluster, where also a marketing programme for co-operating small enterprises has been elaborated. The project has been implemented in co-operation with the Chamber of Crafts in Murska Sobota and with the support of the Ministry of Economic Affairs, in the framework of the projects of international technical support.

7. In accordance with the restructuring of the textile industry in Slovenia, the company Mura is establishing its own research unit, the experts of which will be if needed involved in the operation of the companies in the incubator.

8. Project “Encouragement of innovative performance of Pomurje” (no. 97-PP/SI02 (CO. NO. 99-0270)), in the framework of Phare Partnership Technical Assistance is in the phase of implementation. In the framework of this project training seminars are foreseen, which are appropriate for people, who will implement services in the incubator.

9. Potential candidates for the incubator will come also from the “Labour Fund”, being in establishment phase in Pomurje region at the moment. The fund will be established with the support of the Ministry of Labour, Family and Social Affairs, with the aim of training unemployed people in order to find new jobs as well as to motivate them for self-employment.

3.3 Results:
1. Incubator with 4 fully operational and equipped units established. The Business Incubator will have four units and will be spread across the Pomurje region with the following premises: 1375 m² in Murska Sobota, 500 m² in Lendava, 400 m² in Ljutomer and 100 m² in Odranci.
2. Management Plan prepared and incubator management structure provided
3. Industrial information database established
4. Approximately up to 15 entrepreneurs trained annually

3.4 Activities:
Construction works at the buildings: it has to be stressed, that only incubators units in Murska Sobota and in Ljutomer will be renovated with the Phare funds (the incubator unit in Odranci will be within new building, financed through the municipality, the incubator unit in Lendava will be financed through national and regional aid). The buildings in Murska Sobota, Ljutomer and Odranci are owned by the municipalities involved and will stay their ownership also after the completion of the project proposed. It is expected that Lendava Incubator ownership will be turned over to the municipality before the implementation of this project starts.

Purchase and installation of the equipment (furniture, communication equipment, equipment for productive and service sector for enterprises). The foreseen equipment will be purchased according to the Public Procurement Law and will not be financed from Phare funds. The equipment is needed for the functioning of incubator network and will stay a property of new established Institution (in the meantime the municipalities will be the owners). Neither in whole nor in a part the equipment will become the ownership of the entrepreneurs, using the incubator facilities. The entrepreneurs will be able to obtain
the equipment through loans or leasing. This issue will be addressed in the previous mentioned feasibility study. The equipment will be financed through the national funds.

**Twinning**

The twinning component will concentrate efforts in the management of the incubators and the network which is crucial point for the success of the overall project. The financing of feasibility studies and business plan development for new companies, which is one of the recommendations derived from the experience of incubators in the EU, will be financed through a special fund.

The project team will consist of a pre-accession advisor and short term expert. They will support in the day to day management of the Incubator network. They will also support in:

- Preparing of the management plan (to specify the short and long term duties of the Incubator network and specify clear inputs, outputs and activities after the expiry date of the present project to assure the sustainability of the project. The crucial task will be to provide the programme and assure the future co-financing of the Incubator)
- Providing industrial information database for the trilateral region (the activity is described under Phare CBC SLO/A/H, ZZ-9524 TRI-D Strategy, Action plan, http:www.tri-d.org) through a sub-contract
- Providing training for new entrepreneurs (it is foreseen that relative young people (right after their studying period) will start as entrepreneurs in the Incubator and they will need a guidance, which could be best supported also through the training). However, the further assessment of the training needs is foreseen under the on-going Phare Partnership project “Encouragement of innovative performance of Pomurje” (no. 97-PP/SI02, CO. NO. 99-0270).
- Establishment of the Co-operation Facility Fund for SMEs – shortly CFF. CFF will be established with the Phare funds. However, its activities (support to co-finance the implementation of SMEs project ideas and ideas of the “database of ideas”, aiming to facilitate co-operation between companies (large and small ones) in Slovenia and across the borders) will be co-financed by the Ministry of Economic Relations and Development and the Ministry of Labour, Family and Social Affairs. CFF will have its own guidelines with clear description of the financing possibilities, eligibility and selection criteria. However, also the institutional aspects of CFF functioning will be part of the guidelines, to be approved by the ministries involved. This issue will be addressed also under the proposed feasibility study, financed through PPF SI-9914,
- Promotion activities (on the basis of the database of ideas) The promotion activities will assure that the new entrepreneurs will decide to join the Incubator after the previous one will leave the incubator. However, the main point is, that the new “ideology” among the entrepreneurs as using common facilities etc. is indispensable vehicle of new SME era in the region. The detailed specification of needed promotion activities will be addressed under the feasibility study, financed through PPF SI-9914.

The project will be split into the works, and twinning component.

**Works Contract(s) - components**

The Works Component will consist of the preparation of the tender documentation, tendering and contracting and implementation of 4 incubators units. As mentioned above, the Phare funds will be used for the renovation of the building of incubator houses in Murska Sobota and Ljutomer. The plans for the construction are available.

**Twinning**

To provide the know-how and experience in the establishment and the maintenance of the similar institution in the EU Member State, a twinning is foreseen.

The following are the indicative components of the Twinning covenant:
The long-term Pre-Accession Advisor will be assigned to the Regional Development Agency Mura. The short-term twinning assignments and the relevant tasks covering the needs of the incubator entrepreneurs should be elaborated within the feasibility study in PPF, SI-9914.

The long-term twin will provide strategic advice on the implementation and monitoring of an integrated incubator network in accordance with the real experience and requirements elaborated under the foreseen feasibility studies.

4. Institutional Framework

National Level: In accordance with the PNDP 2000-2002 priority for PHARE support (Chapter 9), the contracting authority for this project will be the Ministry of Economic Relations and Development. The project will be co-financed by the Ministry of Small Business and Tourism Ministry of Economic Affairs, the Ministry of Science and Technology, the Ministry of Labour, Family and Social Affairs, the Ministry of Environment and Spatial Planning and the Ministry of Economic Relations and Development.

Regional Level: The main project partners are: the Municipality of Murska Sobota, Municipality of Lendava, Municipality of Ljutomer, Municipality of Odranci, where the incubators network will be located.

Within this project a Steering Committee will be established including representatives from the ministries as well as regional authorities involved.

The project will be supported with the services of the Regional Development Agency Mura, the founders of which are 26 municipalities of the region. This regional institution, in co-operation with the local development initiatives (Development Agency Sinergija Moravske Toplice, Development Centre Lendava, Prlekija Development Agency, Business Support Centre Murska Sobota and Development Initiative Gornja Radgona) will be the catalyst for the offer of services in the incubator.

The Technology Centre of Pomurje as common development unit of the companies Nafta, Varstroj, Varis and others operates already efficiently in the area of Lendava and through the regionalisation of the TCP (its linking with RDA Mura – see 3.2.5.) this good practice of the common implementation of development activities, in co-operation with universities and institutes, will be transferred to regional level and will involve the whole area of Pomurje region. The regional technology centre, in co-operation with large companies’ research units, will offer the implementation of R&D activities for companies in the incubator.

In the framework of RDA Mura, with the support of the Ministry of Science and Technology, an innovation centre is operating. With its support, the Association of innovators and inventors of Pomurje has been established in 1999, the role of which is to support young entrepreneurs who will produce their products on the basis of the innovative ideas of the Association’s members.

Other members of the Steering Committee could be also:
- the Chamber of Commerce of Slovenia – Regional Chamber for Pomurje,
- the Chamber of Crafts of Murska Sobota,
- the Association of Entrepreneurs of Pomurje,
- Technology Center of Pomurje - co-operation in implementing business services.
- the Delegation of the European Commission in Slovenia (as observer).

The engineer will be selected before the works contract is signed according to the National Regulations (see Public Procurements Law). This is the duty of the Contracting Authority.

In the first phase of its functioning, the employees of the incubator will be hired through the research unit of the Regional Development Agency Mura, on the basis of a public competition. Later, a legal subject will be established to handle the incubator's affairs (employment, day-to-day running). This newly established institution would become the owner of equipment. Until the institution is not established, the ownership of assets belongs to municipalities.

5. **Detailed Budget (MEUR)**

<table>
<thead>
<tr>
<th></th>
<th>Phare</th>
<th>Total Phare (=I+IB)</th>
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<tr>
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<tr>
<td>Total</td>
<td>1,0</td>
<td>1,0</td>
<td>2,0</td>
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</tbody>
</table>

The Phare funds under the works component will be split on 650,000 EUR for Murska Sobota unit and 350,000 EUR for Ljutomer unit. After the project completion the buildings will stay the property of municipalities involved.

The works in the Lendava incubator will be financed through the national and regional aid.

6. **Implementation Arrangements**

6.1 **Implementing Agencies**

The Contracting Authority will be the Ministry of Economic Relations and Development. *Ministry of Economic Relations and Development, National Agency for Regional Development (NARD)*

Kotnikova 28, 1000 Ljubljana, Slovenia – Mr. Ivo Piry, Director
tel: +386 61 178 36 70, fax: +386 61 13 13 360

The Implementing Agency responsible for contracting and financing following the Phare Decentralised Implementation Procedures will be the Central Financing and Contracting Unit of the Ministry of Finance.

*Ministry of Finance, Central Finance and Contracting Unit (CFCU)*

Beethonova 11, 1502 Ljubljana – Mr. Peter Skofic, PAO
tel: +386 61 178 62 05, fax: ++386 61 178 62 04

6.2 **Twinning**
The twinning in the amount of EUR 1.000.000 Phare funds will be implemented under this project. As stated before, it is expected that at least one EU Member state organisation will provide the know-how and real experience to the Incubator network to stimulate the success of the project proposed (see point 3.4).

6.3 Non-standard aspects
No non-standard tendering procedures are foreseen. All procedures will strictly follow the DIS procedures that apply for the Phare programme.

6.4 Contracts
- Expected number of contracts: 2
- Their estimated values (only Phare component included):
  - Works contract: 1,0 MEUR
  - Twinning: 1,0 MEUR

7. Implementation Schedule*

Start of tendering
Works contract tendering - 1 month after signing the FM

Start of project activity
Preparation of Covenant – right after signing the FM
Twinning activity – 4 months after signing the FM
Start with executing works contract 8 months after signing the FM

Project completion
Last payments: not more then 2 years after signing the FM
*These calculations are based on prediction that FM will be signed by December 2000 at latest.

8 Equal Opportunity
The project provides equal benefits to men and women.

9 Environment
It is proposed that enterprises in the incubator develop and produce environment and user friendly products of natural or recyclable materials, which will save energy and for which also after-sales service will be provided. The Incubators network will meet the requirements of the EU standards. No EIA are required for the works foreseen.

10 Rates of return
Rates of return are to be defined during the preparation work (to be done in the framework of PPF SI9914).

11 Investment criteria
11.1 Catalytic effect:
The Phare contribution will promote the development of the region’s economy, first of all it will contribute to the increase of the number of SMEs. Without Phare support, this development would take place much later.

11.2 Cofinancing:
The national co-finance contributions will be 3,1 MEUR of total project costs. The Municipalities involved will provide the necessary land and buildings.
The state will provide co-financing in accordance to the financing instruments offered by national ministries.

**National co-finance for services:**
a. Ministry of Labour, Family and Social Affairs: co-financing of the creation of new jobs is particular instrument to stimulate creation of new jobs. For each new employee the ministry is assuring approximately 1 million Slovene tolars (5,000 EUR) pro year. The ministry also co-finances the taxes of entrepreneurs. However, it is expected that in the case of project concerned, the Ministry will finance the activities of the CFF. The contribution in the amount of 200,000 EUR is expected.
b. Ministry of Economic Relations and Development stimulates the sustainable regional development also through financial support for the creation of new SMEs. It supports the linking of small and large companies, promotion of technological and product development in companies, co-financing of the education in fields with shortage of know-how. It is expected that the co-finance will be in the amount of 200,000 EUR.
c. Ministry of Small Business and Tourism will support the preparation of the business plans of incubator's entrepreneurs, introduction of ISO standards (ISO 9000 and ISO 14,000) and EU directives (CE sign), as also stimulate joint activities on fairs abroad. The co-finance in the amount of 100,000 EUR is expected.

**National co-finance for works:**
a. Ministry of Economic Affairs will finance the preparation of Tender Documentation for Murska Sobota, Ljutomer and Lendava unit and also the building renovation in Lendava. The expected co-finance is in the amount of 300,000 EUR.
b. Ministry of environment and spatial planning will co-finance the renewal of existing sewage systems in the incubator units. The expected amount is 200,000 EUR.
c. Ministry of Small Business and Tourism will co-finance the renovation, which will assure the flexible use of premises in accordance to the needs of incubator entrepreneurs. (400,000 EUR)

**National co-finance for supply:**
Ministry of Sciences and Technology will co-finance the equipment needed for entrepreneurs in incubator (300,000 EUR).

11.3 **Additionality:**
No other finances will be displaced by the Phare intervention.

11.4 **Project readiness and Size:**
To start the project implementation, the pre-conditions have to be fulfilled. Phare Contribution is foreseen for the incubator units in Murska Sobota, Lendava, Ljutomer and Odranci. The buildings are provided yet, however, in Ljutomer and Murska Sobota they have to be renovated. All four units have to be equipped.
The total amount needed for project implementation in whole is 5,1 MEUR. The maximum size of Phare Contribution is 2 MEUR. The amount is respected in the project.

11.5 **Sustainability:**
The sustainability (financing of costs) will be assured partly from the incubator's own incomes (services), co-financing will be provided by the Regional Development Agency Mura, by municipalities and from national sources (ministries). It meets also the requirement of the EU sector policy acquis (see page 1).

11.6 **Compliance with state aid provisions**
Each state grant allocated by Slovenia, as stipulated in Article 65 (4) of the European Treaty, is to be taken into account in the first four years of the treaty validity that
Slovenia is to be considered as an area which is equal to Community areas, described in item 92(3)a of the Treaty on the European Union (TEU).


Project is in accordance with priorities, written down in Preliminary National Development Plan 2000-2002, and matches the first priority “Productivity in the entrepreneurial sector”, where the following sub-priorities are listed: modernisation of Slovenian companies, promotion of R&D and technological modernisation, promotion of investments and stimulation of the development of SMEs. The Project is in accordance with the PNDP 2000-2002 proposed projects for economic and social cohesion in the Pomurje Region, where Entrepreneurial-innovative incubator is also mentioned (chapter 9.2). In general, this project is strongly correlated with human resource development and development of the economic infrastructure in the region.

**12. Conditionality and sequencing**

The implementation of the project, especially the works component, will start once the pre-conditions are satisfactorily fulfilled and the preparation phase will have been positively assessed by the Commission.

The studies foreseen include analysis of existing incubators in other regions, justification of similar and different activities foreseen, detailed description of target groups, definition of potential candidates, analysis of available resources of the region, needs of the region, justification of the network approach, define whether the capacity which will be created for the enterprises is adequate to the needs, as also preparation of the SME action plan and elaboration of joint market research projects for Pomurje region.

Furthermore, the feasibility study should give an estimation of the financial needs for the works in each of the 2 incubators unit (Ljutomer and Murska Sobota). If the funds proved to be insufficient the difference will be covered by national and/or local sources. The start of the works will be made conditional of the results of the study and the availability of building permits. It is expected that the necessary procedures for building permits will be finalised by the end of the year.

The above studies might be funded under the Project Preparation Facility – SI9914 which will be implemented before the implementation of present project. However, the preparation of tender documentation can go on parallel to the implementation of above mentioned pre-conditions.

It is expected that the selection of the twinning partner will initiate before the signature of the Financial Memorandum. The results of the feasibility studies will feed the discussions between the twinning partners for the preparation of the covenant.

After the expiry date of project, the partners in project are assuring the ongoing process and development of the Business Incubator Network.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. Reference to feasibility /pre-feasibility studies.
   4.1 Short summary of the Feasibility Study of the Incubators Network in Pomurje
5. List of relevant Laws and Regulations
6. Reference to relevant Government Strategic plans and studies
   6.1 The main points of the Regional Development Strategy of Pomurje Region
   6.2 Main points of the Strategy for the Development of the Tri-D border region
7. Detailed breakdown of project costs
<table>
<thead>
<tr>
<th>Project Number: SI0004.01</th>
<th>Total Budget: 5.1 MEUR</th>
<th>Phare contribution: 2.0 MEUR</th>
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<tbody>
<tr>
<td><strong>Wider Objective</strong></td>
<td>Indicators of Achievement*</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
</tr>
</tbody>
</table>
| • Increased activity of the productive sector | • increased value added  
• innovative capacity improved  
• new technologies implemented | • National Statistical Office’s data  
• Statistical data at the Regional Chamber of Commerce |
| **Immediate Objectives** | Indicators of Achievement* | How, When and By Whom Indicators Will Be Measured |
| • Development of SMEs stimulated | • 20-40 new SME units established in 1 year after the incubator starts to operate  
• 30-100 new jobs created in the first year of operation  
• 2 graduates per year employed | • Data of the National Stat. Office  
• Statistics of the National Employment Office |
| **Outputs**               | Indicators of Achievement* | How, When and By Whom Indicators Will Be Measured |

Assumptions and Risks

• National instruments for improvement of economic restructuring suitable for the region
- Incubator network fully operational
- Incubator management structure provided
  - Industrial information database established
  - Management Plan prepared
  - Training of entrepreneurs implemented
- Twinning provided

- Incubator built up and functioning, with 20-40 enterprises
- Facilities including municipal infrastructure and supporting services for the start-up of enterprises provided
- Number of home page visits
- 20 entrepreneurs trained in the first year of operation, 5-10 new entrepreneurs trained yearly during the following years

- reports provided by the implementing organisation: inception, interim, final report, brief monthly reports
- Steering Committee Meetings

- financing not sufficient to maintain
- price of services not attractive

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide funds for the construction works of the building</td>
<td>Works</td>
<td>1.0 MEUR</td>
<td>• target group does not make use of the provided facilities and services (public awareness raising campaign not sufficient)</td>
</tr>
<tr>
<td>• Project Management</td>
<td>Twinning Covenant</td>
<td>1.0 MEUR</td>
<td></td>
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<tr>
<td>• assure the personnel for the needs of the incubator (to implement common services provided for enterprises, basic and advisory activities)</td>
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</tr>
<tr>
<td>• workshops and training for entrepreneurs</td>
<td></td>
<td></td>
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<tr>
<td>• preparation of industrial database</td>
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<td>• fully operational Co-operation Facility Fund for SMEs</td>
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<table>
<thead>
<tr>
<th>Pre-conditions</th>
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<tr>
<td>• Phare and national funds available</td>
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<td>• Technical permits available</td>
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<td>• Preparatory studies implemented</td>
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Annex 2
SI0004.01

Detailed implementation chart
Implementation time chart

Phare and National Funds
TOTAL: 5,1 MEUR

<table>
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<tr>
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<th>2002</th>
<th>2003</th>
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<td>2</td>
<td>3</td>
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<tr>
<td>Preparation and completion of Technical Specification</td>
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<tr>
<td>Contracting</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction/Reconstruction of buildings</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Preparation of Twinning Covenant</td>
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### Phare FUNDS: 2 MEUR

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<td>Reconstruction of buildings</td>
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<td>X</td>
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<td></td>
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Annex 3
SI0004.01

Cumulative contracting and disbursement schedule (MEUR)

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<tr>
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<td>1.65</td>
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Annex 4

Reference to feasibility /pre-feasibility studies

1. Feasibility study for the Business Incubator in Murska Sobota, Municipality Murska Sobota, 1998 – in Slovene
2. Preparation of the project plan for the industrial-business zone in Lendava, Development Fund Lendava, 1999 – in Slovene
ANNEX 4.1 SHORT SUMMARY OF THE FEASIBILITY STUDY OF THE INCUBATORS NETWORK IN POMURJE

(Prepared by the Technology Centre of Pomurje, in January 1999)

On the basis of the Regional Development Strategy for Pomurje (Prekmurje and Prlekija), (Ljubljana, 1998), and other analyses and surveys relating to the region, it has been stated, that the main problems are the lack of self-initiative (lack of entrepreneurship, lack of capital, low-tech and labour intensive industry), and also the ageing population and the out-migration of educated people.

Pomurje is the least developed region in Slovenia, which is shown also by the low number of SME units (32 SME units per 1000 inhabitants) and the high level of unemployment (around 10,000 unemployed people - on some parts of the region the unemployment rate is higher than 24%).

The region consists of 26 small municipalities. Some of them used to have a strong industry in the past, but with the transition and the restructuring several industries disappeared. That lead to the increase of the level of unemployment. Unemployed people do not have a possibility to find a new job, as there are no newly established companies (or very few of them), some of these people might think of creating their own businesses, but the lack of financial means (subsidies, loans, guarantees) and the lack of business premises (the high price / rent of premises) represent a very serious obstacle for the realisation of creative business ideas.

To tackle these problems, to promote the creation of new businesses and of new jobs a business incubator has been planned in Murska Sobota (1998). It has been stated in a very early phase of planning, that needs might be higher then the space available and that one location might not be favourable for the whole region. People from other municipalities might not want to establish and run their companies in Murska Sobota – on one hand because of the distance, on the other hand because of their way of thinking, namely that they do want to work close to their home and are not mobile at all.

As there are several empty industrial buildings in other municipalities as well (which used to belong to former, failed companies), it is reasonable to establish a network of incubators in the region, at 3-4 locations, in order to enable people to stay at their villages and to have the possibility to run businesses close to their home.

The network will function as a whole unit, with common management located in the largest incubator in Murska Sobota, where other common services (accounting, training, advising, etc.) will also be available.

The target groups for the incubators are unemployed people, people employed in large companies facing to be restructured in the near future (Mura, Nafta), and creative students. In the preparation phase a survey will be implemented on the real needs of the population. Though the experiences (projects Guarantee Fund and Micro credits at RDA Mura) has been proven, that there is a need for this kind of support.
Annex 5

List of relevant Laws and Regulations:

1. Law on Copyright (Official Journal of the Republic of Slovenia, No. 21/95)
2. Law on economic zones (Official Journal of the Republic of Slovenia, 45/98)
3. Law on business (Official Journal of the Republic of Slovenia, 30/93)
4. Law on industrial ownership (Official Journal of the Republic of Slovenia, 13/92)
5. Law on supporting companies in the development of new technologies and the establishment and functioning of development units in the period 2000-2003 (Official Journal of the Republic of Slovenia, 99/99)
6. Low on preventing the limitation of the competition (Official Journal of the Republic of Slovenia, 56/99)
7. Law on research activities (Official Journal of the Republic of Slovenia, 8/91)
8. Law on small business development (Official Journal of the Republic of Slovenia, 18/91)
9. Law on the protection of the competition (Official Journal of the Republic of Slovenia, 18/93)
10. Law on foreign trade procedures (Official Journal of the Republic of Slovenia, 13/93)
11. Balanced Regional Development Act (Official Journal of the Republic of Slovenia, 60/99)
Annex 6

Reference to relevant Government Strategic plans and studies:

4. Strategy of increasing the competitiveness of Slovene industry, Ministry of Economic Affairs, Ljubljana, 1996
5. Review of local development initiatives and proposals for the promotion of the industrial development in Pomurje region, Regional Development Agency Mura, 1999
Annex 6.1 The main points of the Regional Development Strategy of Pomurje Region
(linked to the aims of the project proposal Entrepreneurial-innovative Incubators Network in Pomurje)

The main problems in Pomurje are connected to the human factor:

- the number of population is decreasing in the long-term;
- the age structure is worsening because of a lower addition through growth as well as the migration of the young enterprising people into other regions and abroad;
- the educational structure of the population and especially of the employed in Pomurje is unfavourable (a low share of people with university degree and secondary school education);
- the share of the unemployed is still among the highest in Slovenia.

The main priorities in order to decrease the region’s economic lag are the following:

- support to the establishment of SMEs in the region
- development of new knowledge and of the human resources;
- technological (ecological) re-vitalisation of existing companies;
- improvement of business environment and infrastructure.

Characteristics of the SME sector in Pomurje:

- The number of SME units in the region is behind the Slovene average by 44%
- Existing small enterprises does not have a potential of growth (due to the shortage of supporting measures – financial means, favourable conditions for functioning)
- Lack of financial means (to start-up and operate businesses, to purchase/hire business premises)
- Lack of highly qualified people, out migration
- No favourable business premises available (too expensive)
- Low level of co-operation between companies and with large companies, not competitive products

Development objectives for SME sector:

- Stimulation of the creation of new SMEs
- Stimulation of the growth of existing SMEs (through facilitating their functioning by offering subsidised business premises, access to favourable financial means, promoting co-operation)
- Developing financing possibilities for SMEs
- Development of human resources potential
- Development of the business environment and of business networks
- Improvement of the region’s marketing potentials
- Involvement of specific target groups (women, young people, ethnic minorities, etc.)
Annex 6.2 Main Points of the Strategy for the Development of the Tri-D Border Region (PHARE CBC ZZ-9524):

Pomurje has approximately 130,000 inhabitants [6.3% of Slovenia’s population]. The main characteristic of the population of Pomurje is that it is ageing and has no demographic reserves to fill the gap in the active population in the future. Since 1981, the decline in the population growth index was more severe in Pomurje than in any other Slovenian region.

Young people (0 to 14 years) comprised 16.2% of the population (16.8% in Slovenia), whilst the elderly (over 65 years) comprised 14.6% (13.4% in Slovenia).

According to the 1991 census, the average years of schooling for the population above 15 was 8.7 years. Only 57% of those aged over 15 were highly educated (university education) - the lowest percentage among all Slovenian regions.

As regards economic power (value added per capita), Pomurje is the last among the statistical regions. Pomurje reaches only 53% of the national average as regards the value added per capita.

The unemployment rate in the working age population in Pomurje is the second highest among the statistical regions (12.5% in the first half of 1998).

In 1996 5,577 jobs were available or the equivalent of 4.4 jobs for every 100 residents in the Pomurje region. In 1997 this ratio worsened as only 5,497 jobs were available (a reduction of 1.4% on 1996).

Pomurje has the highest percentage of registered workers abroad among Slovenian statistical regions [7.7%]. This is strongly above the national average (3.1%).

In Slovenia an important indicator as to the profitability of is the Value Added per Employee which is only EUR 12,570 in the Pomurje region [Slovenian average 16,190 EUR].

An additional indicator which also supports the thesis of low profitability and GDP formation in Pomurje is the Return on Equity [ROE%] with its value of only –0.18. Dolenjska region with the highest VA/L also demonstrates a high ROE% [+4.75%]. This suggests that there is a correlation between VA/L and ROE which is both high and significant.

With respect to both high raw material costs [with the share of materials costs in revenue [MC/R%] being proxy for the cost of raw materials] and high total labour costs [with the share of labour costs in revenue [WC/R%] being proxy for the cost of labour], Pomurje region is one of the most disadvantaged Slovenian regions. The cumulative effect of both rising raw material costs and rising labour costs have had a significant negative impact on profitability.

The inappropriate [which in this case means overly concentrated] industrial structure of Pomurje region is evident on the basis of manufacturing structure being ranked
according to sub-sector revenue contribution: Oil producer [Nafta Lendava] and garments producer [Mura Murska Sobota] are, apart from the food producers [water, meat and milk], the most significant industrial players in region with the structure of revenue [R\%] around 70\%, structure by export [X\%] > 65\%, structure by value-added [VA\%] > 70\% and structure by employment [L\%] around 65\%.

The highly concentrated industrial structure of the Pomurje region with the dominant position of the oil refinery and textile [garment] producer is reflected also in the use of predominantly foreign and over-expensive raw materials [crude oil and all material components for “Lohn Arbeit” production]. This type of production has relatively few domestic vertical and/or horizontal links within the Pomurje region.

Food natural resources are not maximised, especially in the meat and meat product production, or the milk and milk product production, due to poor links between industry and farms and also an inconsistent government agricultural policy [which is non-supportive and also non-indicative]. The high sub-sector concentration also requires additional diversification and niche plants implementation [e.g. some industrial plants].

Objectives:

- maximisation of the industrial potential of the region
- improved networking of the region’s industrial enterprises
- establishment of an internet-based information exchange database providing a matchmaking service between buyers and sellers of the products and services of the region.
- maximisation of the human resource potential of the region
- reduction in the level of unemployment
- reduction in the rate of out migration from the region.

The above description is part of the strategy’s problem analysis chapter, where characteristics and the reasons of the main problems have been examined. In the meantime, the situation in the region has began to change – the restructuring of large companies has been started through national programmes.
### ANNEX 7

## DETAILED BREAKDOWN OF PROJECT COSTS

### LOCAL CO-FINANCING (in EUR)

<table>
<thead>
<tr>
<th></th>
<th>Municipality M. Sobota</th>
<th>Municipality Lendava</th>
<th>Municipality Ljutomer</th>
<th>Municipality Odranci</th>
<th>Local co-financing total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>35.000</td>
<td>25.000</td>
<td>25.000</td>
<td>2.500</td>
<td>87.500</td>
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<tr>
<td>Building</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>325.000</strong></td>
<td><strong>62.500</strong></td>
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### NATIONAL CO-FINANCING (in EUR)

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<td>200.000</td>
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### BREAKDOWN OF THE USE OF PHARE FUNDS

a) **Works component:**

1,000,000 EUR from Phare funds will be used for the reconstruction/adjustment of buildings in Murska Sobota in the amount of EUR 650,000 and in Ljutomer in the amount of 350,000 EUR.

c) **Twinning component:**

1,000,000 EUR