STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   1.1 Désirée Number: SI0004.03
   1.2 Title: ECONOMIC RESTRUCTURING OF ZASAVJE REGION
   1.3 Sector: Economic and Social Cohesion
   1.4 Location: SLOVENIA, REGION OF ZASAVJE, Municipalities: Trbovlje, Hrastnik, Zagorje, Litija, Radeče

2. Objectives
   2.1 Wider Objective:
      To develop SME infrastructure and to improve conditions for job creation in Zasavje region.

   2.2 Immediate Objectives:
      • Reinforcement of an existing guarantee fund and thus increasing the number of SMEs and creating new job opportunities

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 of Slovenia (Economic reform and Economic policy) and Annex 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, increased FDI.
   Facilitate and stimulate new entries and growth (fast growing, innovative and export oriented small enterprises)
   .Encourage job-creation and reduce skill mismatch

2.4. Contribution to the National Development Plan:
   The project is in line with the following objectives of the National Development Plan (Chapter 3):
   • 3.1.1. Priority 1: enhance productive capacity of the enterprise sector (sub-priority No.4: stimulation of development of SMEs)
   • 3.1.5. Priority 6: regional development (sub-priority No.1: institutional support to the implementation of the regional policy)

   Contribution to the strategy of the target region of Zasavje
   The objectives will be achieved through activities identified in the Regional Development Strategy (Chapter Entrepreneurship) and its action plan-Program of Development Restructuring of Zasavje region due to gradual abandoning of energetic (Chapter Development Program from 2000-2004, Chapter 4.2.2. Infrastructure for Development of Entrepreneurship, Chapter 4.2.2.4. Sub-program: Up-grading Guarantee Fund, Chapter 4.2.2.4.1: Zasavje Guarantee
3. Description

3.1 Background and justification:

Regional Development Strategy (RDS) as a base of this project is one of the outputs of Phare technical assistance in 1995 (Phare SI 9302/0101, Title:Zasavje Regional Development Service Contract 95-0310.0101). Action plan of RDS suggests up-grading of the existing Zasavje Guarantee Fund (ZGF) as an instrument providing financial support to SMEs. The existing ZGF includes all 5 municipalities from Zasavje which has approximately 70 000 inhabitants. Members of ZGF are companies (entrepreneurs) from the sphere of small business whose location of the registered office is in Zasavje. To get membership in ZGF the initial membership fee has to be paid by each enterprise. In 1998 ZGF was established by funds of Ministry for Economic Affairs, municipalities, donators and membership fee. The initial capital was 0.55 MEUR. In 1998 classical guarantee fund was expanded with two new financial schemes: Microcredits with initial capital of 0.15 MEUR and GF for Zagorje coal-mine in closure (eligible only for Zagorje municipality with approx. 20% of the total population in the area) with initial capital of 2 MEUR. (please indicate if those two funds are parts of ZGF assets or are only operated by RDC) Microcredits scheme was established to accelerate self-employment i.e. creating new work-places and the GF for Zagorje coal-mine in closure to tackle the problem of massive unemployment due to closure of coal-mine in Municipality of Zagorje. The funds collected in above mentioned schemes generated in the year 1999 5.5 MEUR of available funds for credits and guarantees. The interest rates for those funds were between BIR +2% to BIR +4.3%. This interest rates are up to 50% lower then those obtainable by commercial banks. Funds from above mentioned financial schemes are, in comparison to the bank's credit funds, available to all entrepreneurs regardless of their credit rating. Creating new jobs, especially direct jobs, is namely not the only GF effect. With the exception of microcredits, the most important investments accelerated through credits are investments in equipment, objects and technological improvements which result in development of companies and progress of the region as a whole.

The ZGF provides low interest rate, premium, moratorium, long pay-back period, partial return of commission and guarantee. In 1998 ZGF approved 68 credits, in 1999 72, which gives the total sum of 140 credits. At the same time the number of new ZGF members rose steadily. In 1997 ZGF had 52 members, in 1998 the number of members was 107, by the end of 1999 it rose to 190. Until March 2000 ZGF gained 19 new members, which gives the total number of 209 members (companies). The average credit amounted 37.500 EUR. In 1998 the sum of all credits approved amounted 1.25 MEUR and in 1999 4 MEUR (half of them were guarantees). This indicates a considerable raise on demand side. From 1998 to 2000 ZGF carried out several public official invitations for tenders. Interest rate for credits has been steadily falling. Interest rate for credits of classical GF has fallen from basic interest rate (BIR) + 6% to BIR +3.8% or BIR + 4.3% (it depends on the pay-back period). In order to accelerate small business interest rate would have to be even lower. For that reason ZGF would need more capital in order to achieve bigger multiplicator and thus smaller interest rate. We believe that interest rate BIR + 2.5% or less would be favourable. We also believe that the pay-back period for credits should be prolonged (from the current maximum 7 years to 10 years or more). Approximately 50% of approved credits (guarantees) were

1 Data from Zasavje Guarantee Fund Annual Report for 1999 (see Annex 9)
invested in new equipment and technologies and 50% for investments in real estate. 15% of entrepreneurs who were approved credits work in manufacturing, 85% in services (15% trade, 70% other services).

In order to meet demands for credits in the region we plan to extend the Guarantee Fund. RDS clearly defined the interactive relationship between big (backbone) and small companies in a productive chain and their significance for economic growth, employment and increased value added. For this reason Regional Development Agency will adopt European Union criteria for SME definition, meaning that due to increased eligibility criteria from 25 to 75% of productive and service sector in the region could benefit from ZGF. Also for that reason ZGF would have to raise amount of credit from the current max. 50,000 EUR to max. 250,000 EUR.

The project is conducted by high skilled professionals which is one of the pre-conditions for successful realisation of the project. So far the selection of approved credits was very successful, since the banks so far have not drawn a single guarantee.

Within the scope of the PNDP 2000-2002 the following measure is suggested:

measure 1: Incentives and financial assistance for SME development

- up-grading the existing guarantee fund

Reinforcement of the existing ZGF is important in order to meet demands in the region and provide better credit terms. Therefore ZGF plans to:
- to adopt EU criteria for SME definition, meaning that also bigger enterprises (still SMEs according to EU criteria) could benefit from ZGF
- achieve bigger multiplicator and thus smaller interest rate (BIR+ approx. 2,5%)
- prolong the return period from the current max. 7 to max. 10 or more years
- increase max. amount of credit from the current max. 50,000 EUR to max. 250,000 EUR

3.2. Linked activities:

In the region of Zasavje so far several Phare co-financed projects completed which lead also to the formation of this project. In order to reach harmonisation with EU good practices in employment policy Regional Development Centre established:
- Labour Fund which is one of the measures of the so called active employment policy with the main objective of reducing unemployment. Within this program unemployed people, especially hard-to-place persons, are trained and motivated during the process of finding job, including self-employment. They are given professional help in job-orientation as well as the possibility for further education.
- Job Club is a program sharing the same objective with Labour Fund. The members of Job Club are taught how to write good job applications and other techniques in order to gain comparative advantages on the existing labour market.
- Staff incubator offers several workshops and training’s to existing entrepreneurs and managers focused on up-grading their management skills and knowledge in marketing, finance etc.
- Introductory Business Training for the future entrepreneurs. Candidates who are in the process of establishing their own businesses are given basic knowledge crucial especially in the first phase of running their own enterprise.
- Business consulting.
3.3 Results of the project that will contribute to achieving the immediate objectives:

- 40 guarantees for credits granted (50% guarantee share) and cca 5 new enterprises operating with the potential of creating 140 new jobs

3.4. Activities:

- tendering and contracting for the Guarantee fund
- management of the facility

4. Institutional Framework

National Level: In accordance with the PNDP 2000-2002 priority for PHARE support (Chapter 9), the contracting authority in the frame of this project will be the Ministry of Economic Relations and Development. The project will be co-financed also by the Ministry of Economic Affairs.

Regional Level: The beneficiary agency appointed for management of the project activities is Regional development agency of the Zasavje region, a non-profit institution that acts on behalf of the region i.e. of the municipalities Litija, Zagorje, Trbovlje, Hrastnik, Radeče. Final beneficiaries are local companies.

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

All assets acquired with this project using Phare funds will belong to the municipalities Litija, Zagorje, Trbovlje, Hrastnik, Radeče at the end of this project.

5. Detailed Budget: Indicative distribution of funds in MEUR

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Total Phare</th>
<th>National Cofinancing</th>
<th>TOTAL</th>
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<tr>
<td></td>
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<td>0.6*</td>
<td>1.6</td>
</tr>
</tbody>
</table>

* national funds from National Budget 2001 (Ministry of Economic Affairs)

**Contract 1:** Financial agreement for Guarantee Fund.

Indicative use of national funds is annexed to this project fiche.

6. Implementation Arrangements

6.1. *The Implementing Authority will be:*

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
dom: ++386 61 13 13 360
6.2. **Implementing Agency** in charge of tendering, technical project implementation, management and control as well as for the signing of the contract is:

Ministry of Finance  
Central Finance and Contracting Unit (CFCU)  
Bethovnova 11, 1502 Ljubljana  
Mr. Peter Skofic, PAO  
tel: ++386 61 178 62 05  
fax: ++386 61 178 62 04

6.3. **No non-standard aspects**. A financial agreement will be the instrument for transfer of funds to RDC. The funds will be released in two tranches.

6.4. **Contracts**

Expected number of contracts: 1  
Their estimated values (only Phare component included): **1,0 MEUR**

7. **Implementation Schedule**

7.1 **Start of tendering**  
Not applicable for this project.

7.2 **Start of project activity**  
3-4 months after signing FM.

7.3 **Project completion**  
Last payment: 2 years after signing the FM.
Start of disbursement: 7 months after signing FM.

8. **Equal Opportunity**

The project provides equal benefits to men and women. Majority of activities are oriented in building and provision of service by the companies that equally employ both genders.

9. **Environment**

The project will support only activities which will support EU and national environmental standards.

10. **Rates of return**

Guarantee fund is a revolving fund, no return rates apply it.

11. **Investment criteria**

11.1 **Catalytic effects:**

Following are the catalytic effects of the project:

- Improvement of economic competitiveness of the region,  
- increased investment activities in the area,  
- stimulating growth of service oriented activities,

11.2 **Co-financing:**

Several actors are involved in co-financing the project activities: Ministry of Economic Affairs, Ministry of economic Relations and Development, Ministry of Labour, Family and Social Affairs and municipalities.

11.3 **Additionality:**
Public and private financial resources already allocated for this project. However, Phare funds could attract other investors at any later stage by making investment conditions more attractive as additional resources in this project.

11.4. Project readiness and Size:
This project will up-grade the existing Zasavje Guarantee Fund and will be ready for implementation when FM will have been signed. Please note that the project will be ready for the implementation only when the feasibility study is made.

11.5 Sustainability
Not applicable. Please indicate that sustainability will be proved through the successful implementation and presentation of the feasibility study.

11.6 Compliance with state aids provisions
State funds used in the project will be committed following the public procurement law that is being aligned with the Accession Partnership Agreement on regulation of State Aid.

11.7. Contribution to National Development Plan
The project is a feasible part of an overall regional development strategy, as defined in the National Development Plan in particular with the objectives as described in chapter 3 (see point 2.4. of this project fiche) and with priorities as described in chapter 6 (6.1. Productive capacity of the enterprise sector, investment promotion, stimulation of the development of SME, 6.3. Raising employability of population, entrepreneurship development, 6.4. Regional development)

12. Conditionality and sequencing:
- feasibility study will be undertaken before the signing of the FM and the results of feasibility study will be a basis for the signing of financial agreement and will further on serve as criteria for allocation and approval of funds granted through guarantee fund
- the feasibility study will cover the following questions:
  - justification of the need for additional funding of the Guarantee Fund
  - analysis of absorption capacity in target group
  - analysis of the economic effect, with emphasis on the project's capability to satisfy the needs of subjects that cannot be served by other financial institutions
  - detailed description of existing alternatives
  - coherence with other existing schemes
  - development of criteria for selection of beneficiaries in order to highlight the comparative advantage of Phare contribution
  - analysis of transparency in the selection of beneficiaries (criteria, procedures)
  - relation with the EBRD project "Financial facility for SME"
- the feasibility study will have to be positively assessed by the Commission.

13. Important project milestones:
- start: 3-4 months after signing FM (March 2001)
- tendering and contracting of ZGF (March 2001 – December 2002)
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Cumulative contracting schedule
4. Cumulative disbursement schedule
5. Cumulative contracting and disbursement schedule
6. Reference to feasibility /pre-feasibility studies.
7. List of relevant Laws and Regulations
8. Reference to relevant Government Strategic plans
<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
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<tbody>
<tr>
<td>To develop SME infrastructure and to improve conditions for job creation in Zasavje region</td>
<td>· Increased GDP for the region to 90% of the Slovene average until 2005</td>
<td>· State statistics data for EUROSTAT</td>
<td>· Commitment of the national and regional partners to the Zasavje 2000+ strategy</td>
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<td>· Increased number of employed labour by 3-5% until 2005</td>
<td>· Employment statistics</td>
<td>· Continued commitment of the government to the regional employment policies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Education statistics</td>
<td>· Local elections</td>
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<td>Immediate Objectives</td>
<td>Indicators of Achievement*</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
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<td>Reinforce of an existing Guarantee Fund</td>
<td>· 40 guarantees approved until 2003</td>
<td>· Annual Employment statistics</td>
<td>· Commitment to the local and national SME development strategies</td>
</tr>
<tr>
<td>Increase number of SMEs</td>
<td>· 5 new firms (SMEs) until 2003</td>
<td>· Economic Statistics produced by Chambers, International Economic organisations</td>
<td>· Lack of risk capital and incentives for new and already developed companies</td>
</tr>
<tr>
<td>Create new job opportunities</td>
<td>· 140 new jobs until 2003</td>
<td>· Sectoral, Regional, State and CEC/EU Researches, Feasibility Studies, Reports</td>
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<tr>
<td>Outputs</td>
<td>Indicators of Achievement*</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
<td>Assumptions and Risks</td>
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<td>40 guarantees for credits</td>
<td>· Number of newly developed companies (business performance indicators)</td>
<td>· Reports of the Implementing Agencies</td>
<td>· sufficient demand on incentive schemes</td>
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<td>5 new firms with 140 new jobs created</td>
<td>· Number of new ZGF members</td>
<td>· Financial and business results of companies</td>
<td>· establishment of risk capital funds</td>
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<td>increased entrepreneurial culture</td>
<td>· Number of new jobs</td>
<td>· Employment statistics</td>
<td>· development of the so called angels</td>
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<tr>
<td>Inputs</td>
<td>Adequate resources (financial, human and material)</td>
<td>Reports of the Implementing Authority</td>
<td></td>
</tr>
<tr>
<td>Adequate resources (financial, human and material)</td>
<td>· quantity of financial resources acquired</td>
<td>Reports of the contractors</td>
<td></td>
</tr>
<tr>
<td>Skilled human resources for implementation and management willing to be employed in the area</td>
<td>· quality and quantity of activities implemented</td>
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<tr>
<td>buildings and sites communally equipped</td>
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<tr>
<td>office equipment and committed staff for project management in place</td>
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**Project Number:** SI0004.03

**Programme name and number:** SI-2000

**Date of drafting:** 25.2.2000

**Contracting period expires:** December 2002

**Disbursement period expires:** December 2003

**Total Budget:** (1.6 MEUR)  

**Phare contribution:** (1 MEUR)
Annex 2

Implementation time chart for the project - SI0004.03

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<th>2000</th>
<th>2001</th>
<th>2002</th>
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Technical document. Approval Contracting Provision of supply
CUMULATIVE CONTRACTING SCHEDULE:
Duration of FM: December 2000-December 2002

(EUR million)

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### CUMULATIVE DISBURSEMENT SCHEDULE

Duration of FM December 2000-December 2002

(EUR million)

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<tr>
<td>TOTAL</td>
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CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (EUR million)

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</tr>
</tbody>
</table>

NB: 1. all disbursements must be completed within 36 months of signature of the FM
Annex 6

Feasibility studies for Guarantee Fund are available at Regional Development Agency in Zagorje:

Regional Center za razvoj (RDA)
Cesta zmage 35b
1410 Zagorje ob Savi
Mr. Tomo Garantini, director
   tel: ++386 601 68 333
   fax: ++386 601 68 330
Annex 7

List of relevant Laws and Regulations:

1. Law on Copyright (Official Journal of the Republic of Slovenia, No. 21/95)
2. Law on business (Official Journal of the Republic of Slovenia, 30/93)
3. Law on industrial ownership (Official Journal of the Republic of Slovenia, 13/92)
4. Law on preventing the limitation of the competition (Official Journal of the Republic of Slovenia, 56/99)
5. Law on small business development (Official Journal of the Republic of Slovenia, 18/91)
6. Law on the protection of the competition (Official Journal of the Republic of Slovenia, 18/93)
7. Law on foreign trade procedures (Official Journal of the Republic of Slovenia, 13/93)
8. Balanced Regional Development Act (Official Journal of the Republic of Slovenia, 60/99)
Annex 8

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 9

Summary from Zasavje Guarantee Fund Annual Report for 1999

Zasavje Guarantee Fund (ZGF) was established in 1997 as one of the activities of Regional Development Agency (RDA). The purpose of ZGF is to accelerate regional small business development, investments and creation of new jobs. ZGF assures guarantees for credits and subsidises interest rates. High skilled staff and technical conditions are provided by RDA.

ZGF carries out public official invitations for tenders and is linked with co-operating banks. Each enterprise that candidates for credit first has to become a member of ZGF by paying a membership fee. The members have to make an application for credit and prepare a business plan. The basic information about ZGF and its application forms are available at ZGF or at local business centres.

There are two Committees, one within a co-operative bank and another within ZGF which separately decide about approval of credits. Final decision is then taken by a Common Credit Committee where both the bank and ZGF have representatives. Candidates are informed about the decision within 30 days. ZGF and co-operative bank have a common procedure of recovery. GF can also give guarantee for a credit approved to certain enterprise. The bank can draw the fund’s guarantee in case that the enterprise does not pay its duties in 90 days.

ZGF partners that contributes the initial financial means are state (Ministry of Economic Affairs through Small Business Development Centre) and regional municipalities. One source of means are also Fund’s members (membership fee) and donators.

Results in 1999

The first official invitation for tenders was carried out in November 1997, first guarantees were approved in January 1998. ZGF tendered amount of 1.5 MEUR. Entrepreneurs applied for 2.1 MEUR and ZGF approved the credit amount of 1.25 MEUR., half of that were guarantees. Meaning that demand side exceeded the supply side by 1.4 times.

In February 1999 the second public invitation for tenders was carried out. ZGF tendered 750.000 EUR. The amount was lower compared to that in 1997 because the state did not give the foreseen and already assured financial support as it did In 1997, when it contributed 500.000 EUR.

In 1999 the demand side even exceeded 1 MEUR and the credit amount approved to the candidates/enterprises was 650.000 EUR. However, at the same time ZGF was expanded with two new projects: Microcredits and Guarantee Fund for Zagorje coal-mine in closure. The main objective of the project Microcredits is to accelerate creation of new jobs. For each new job an entrepreneur can namely get credit of 5000 EUR. The project was launched in May 1999 and will be continued also in the year 2000. Within
this Guarantee Fund (Microcredits) 500.000 EUR were tendered, 330.000 EUR were applied and 250.000 EUR of credits were approved.

Guarantee Fund for Zagorje coal-mine in closure was established in order to help tackle the problems of massive redundant workers due to closure of Zagorje Coal-mine. Users/beneficiaries of this fund could, however, only be enterprises which invested in Municipality of Zagorje. Financial support was given to all enterprises, regardless of its size. Within Guarantee Fund for Zagorje Coal-mine in closure 5 MEUR of credits were tendered, 3.7 MEUR were applied and 3.45 MEUR of credits were approved. Considering all three projects within ZGF the total amount of approved credits in 1999 was more than 4 MEUR.

Current situation and foreseen further development of the project

In 2000 ZGF tendered 700.000 EUR and Guarantee Fund for Zagorje coal-mine in closure tendered 2 MEUR. Compared to 1999 tendered amount is lower, for ZGF lacks financial means because of unavailable liquidity funds. If we increased multiplicator that would raise the credit mass but it would also result in higher interest rate. Higher interest rate would eventually lower competitiveness of Zasavje Guarantee Fund and would not reach its purpose and objectives.

In the year 2000 (from January 1 to March 31) the number of ZGF members arose for 19. The total number of ZGF members is thus 209 at the moment.

According to statistics above credit demand in the region has been increasing. Demanded amount has increased from 2.1 MEUR in 1997/1998 to 5 MEUR in 1999. Beside that a very important fact has to be taken into consideration. Guarantee Fund for Zagorje coal-mine closure has only been available for one municipality (Zagorje). If it included also other four Zasavje municipalities the demand for credits would increase. Since ZGF lacks financial means we will not be able to meet demands of regional enterprises in the year 2000. For that reason we had to decrease the tendered amount from 6 MEUR in 1999 to 2.7 MEUR in 2000.