

INSTITUTIONAL ARRANGEMENTS FOR THE DESIGN AND DELIVERY OF ENTREPRENEURSHIP POLICIES

by Andy Pike

Introduction

This report notes the context of entrepreneurship policy issues, reviews the strengths and weaknesses of the current policy approach, identifies examples of good practice in Croatia and sets out recommendations for adjustments to the institutional arrangements for the design and delivery of entrepreneurship policies. Learning models concerning national and regional/local co-ordination (Scottish Enterprise and its Local Enterprise Companies), regionalisation and service provider accreditation (Business Link in North East England) and provincial and local partnership and co-operation for youth entrepreneurship (Youth Entrepreneurship Challenge in Québec) are then presented followed by the conclusions and the identification of strategic issues.

Entrepreneurship policy in Croatia reflects a context of post-socialist and post-conflict transition following the events of the early 1990s. In institutional terms, the legacy of central planning lingers in strong national central institutions. The development of regional and local institutions has been uneven albeit with some notable successes. Recent national economic growth has been steady, consumption and import-oriented, and led by the main cities, especially Zagreb, creating spatial disparities within and between regions and localities. The disintegration of formerly state-owned large enterprises, high levels of job loss and the contraction of previously well established routes into employment underpin the predominance of necessity entrepreneurship.²⁸ With few notable exceptions, small business in Croatia is overwhelmingly focused upon the domestic national market. The challenge of upgrading entrepreneurial skills faces the difficulty of engaging entrepreneurs and small business owners and managers already occupied in running existing businesses. Informal economic activity levels are high, even in a southern European context, encouraged by very low tax thresholds on business income. National level entrepreneurship initiatives have focused upon access to finance. Regional and local institutions have focused upon finance, helping business to access public programme support, infrastructures — the 'site and service' model — and connectivity to the main population centres, especially Zagreb.

Current policy approach in Croatia: strengths and weaknesses

Strengths and opportunities

The strengths of the current policy approach include:

²⁸ Singer, S. *et al.* (2006).

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- *Understanding of the problems and potential solutions.* National and regional and local institutions reveal understanding of the entrepreneurship issue and potential solutions and policy interventions. In the context of rapid economic, social and institutional change and restructuring in Croatia compressed into a period since the early 1990s, this is commendable.
- *Regional and local institutional initiative and vitality.* At the regional and local levels, there exists a rich ecology of institutions. Numerous are well established and appear to be innovative and operating close to the leading edge, often with international linkages. Others are typically small and youthful institutions with relatively limited resources and in the early stages of their development, although they are endowed with clear understandings of the issues and commitment to developing policy responses.
- *Committed staff.* Regional and local institutions often contained highly motivated, capable and committed staff engaged in further development of well founded institutions or seeking to establish the newer organisations. A healthy degree of openness to inter-institutional co-operation and learning was evident.

Weaknesses and threats

The weaknesses of the current policy approach include:

- *Fragmentation and lack of co-ordination between national level Ministries.* Responsibility for entrepreneurship and small firm policy is divided across several Ministries: Ministry of Economy, Labour and Entrepreneurship (MINGORP); Ministry of Agriculture; Ministry of Sea, Tourism, Transport and Development (MMTPR); and, the Ministry of Science, Education and Sport. Each Ministry also has arms-length delivery agencies, for example HAMAG for MINGORP. This creates administrative barriers with Ministries tending to work in isolation, raises questions for regional and local institutions of who is in charge of what and perpetuates concerns about the system's effectiveness amongst entrepreneurs and small businesses.²⁹
- *Legacy of centralism at the national level.* This is an issue common to formerly centrally-planned economies in transition. Delivery agencies and, to a lesser extent, regional and local institutions are viewed as extended arms of the national central Ministries in the field. Ministries are sometimes unwilling or uncertain at which level meaningfully to devolve resources and responsibility. This reticence is often coupled with concerns about regional and local capacity and effectiveness. For entrepreneurship policy in Croatia, the situation is further complicated by the recent incorporation of the former Ministry of SMEs into the much larger MINGORP.³⁰ In the context of a strong tradition of centralism at the national level, regional and local institutions can tend to look to and wait for the national central Ministry to act. An example is the current delay concerning the new legislation for RDAs. There is evidence, however, that the more entrepreneurial regional and local institutions have taken advantage of the autonomy provided by the legal framework of self-government to achieve 'first mover' advantages and establish an early start on the regional and local development route.

²⁹ Investment Compact for South East Europe (2005).

³⁰ OECD (2007b).

- *Programme-driven approach to policy.* Programmes are typically developed separately in response to specific entrepreneurship policy issues as they arise or are perceived and recognised by policymaking institutions. This emphasis on the supply-side of programme delivery does not always or necessarily connect strongly with the needs of the demand-side of entrepreneurs and small businesses. This is a case of market failure because the understanding of the demand side needs of entrepreneurs and small business is limited and under-developed.³¹ The result is a large range (ca. 40 in MINGORP alone) of disconnected, fragmented and inconsistent programmes divided across different Ministries.³² In addition, consistent methodologies and techniques for policy development are not systematically deployed at the national or regional and local levels, for example the policy cycle model of problem definition, design, delivery and, connecting through feedback to the earlier stages, evaluation.³³ Such outward looking approaches could better take account of and link with existing programmes across Ministries.
- *Fragmentation and duplication amongst regional and local institutions.* An expanding multitude of regional and local institutions has created a crowded arena for business support. It is often not clear exactly who has responsibility and lead for which services amongst the institutions involved and, critically, amongst regional and local entrepreneurs and small businesses. Such regional and local initiatives — including business incubators, Centres for Entrepreneurship, Entrepreneurial Zones, and Technology Centres— are important and can perform vital roles. In the absence of a clearer strategic and institutional framework, however, they risk adding to the organisational complexity at the local level, overlapping and competing for customers and compromising the quality of available services. Such issues on the supply-side further confuse and potentially alienate entrepreneurs and small businesses from engaging with the business support network for specific support and advice further to develop, innovate and grow.³⁴
- *Lack of systematic evaluation of programme and project effectiveness.* Assessment of programmes and projects is limited or non-existent. Lack of knowledge and understanding about what works in policy and delivery terms hampers learning, innovation and the ability better to design effective policy and institutional delivery arrangements at the national, regional and local levels.

Examples of good practice in Croatia

We encountered several examples of ‘good practice’ in Croatia:

- The *HITRO.HR* business registration service utilises the ‘one-stop-shop’ principle and provides national coverage in a timely and effective way. Significantly, this is a relatively new institutional innovation operating from the Finance Agency at the centre of government rather than any particular Ministry. In addition, its core registration database could provide a resource to feed into the evidence base for analysis of entrepreneurial dynamics within the Croatian economy.

³¹ Potter, J. (2005).

³² Singer, S. *et al.* (2006).

³³ Prime Minister’s Strategy Unit (2004).

³⁴ Investment Compact for South East Europe (2005).

- *Local initiative and innovation.* The leadership of public sector entrepreneurs was especially evident in several of the more dynamic regional and local institutions. Against a backdrop of national level uncertainty about the legal framework for RDAs and regional development, the Regional Development Agency Varaždin (AZRA) was established as a public interest company to undertake development tasks for the County and is not driven solely by the need to chase project funding to achieve a self-sustaining financial position in the short term. The agency has a usefully broad remit around sustainable development allowing it to develop innovative projects that integrate economic, social and environmental dimensions, for example in the field of health and quality of life. AZRA has established an inclusive partnership with regional and local bodies based upon dialogue and consultation. Other good examples regionally include the co-location of Development Agency North (DAN) and the Varaždin Technology Park which is especially useful in the early start-up phase of both organisations and was complemented by their outward looking approach, for example supporting SME participation in EU RTD (Research and Technological Development) Framework Programme projects.
- *County Development Plans.* The EU-funded pilot County-level plans were drawn up in co-operation with cities and municipalities, civil society and national government Ministries. New County Partnerships were established involving representatives from the public, private and civil society sectors to develop the plans and to encourage co-operation and partnership working with an eye to future EU Structural Funds requirements. Assessment and evaluation of these pilot initiatives will be important for the future development of regional and local institutions and for their relationship with the national level institutions.
- *Cross-County institutions.* Development Agency North — established by 3 cities (Bjelovar, Varaždin and Virovitica) and 2 Counties (Medmurje and Koprivnicki poduzetnik) – has taken a ‘bottom-up’ approach to establishing co-operation and working across administrative boundaries. The agency involves appropriate stakeholders in education, business and public authorities and provides an opportunity to garner a closer understanding of business needs and to develop more effective and efficient business support provision. While at a relatively early stage of development, DAN’s experience will be instructive given the need for co-operation amongst the high number of relatively small Counties with low tax bases in Croatia and the context of the forthcoming national framework for RDAs and EU regionalisation.
- *Mechanisms for sharing experience and knowledge exchange.* At the national level, these were evident in HAMAG’s link with an equivalent agency in Austria and, internationally, in AZRA’s lead for the Brussels offices for regional agencies in Croatia and DAN’s connections with agencies in Slovenia. Across the regional and local levels within Croatia, mechanisms were evident through the National Association of Institutions for SME Development and the ‘bottom-up’ County Development Agencies network.

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Policy recommendations

Improve the systematic collection and analysis of evidence. Understanding regional and local needs is currently hampered by the uneven availability of appropriate statistics, analysis and knowledge about local and regional economies, for example in terms of the business base, sectoral composition or workforce skills. Better tailoring of policy and service programmes to regional and local needs requires deeper understanding and knowledge of the local customer base of entrepreneurs and small businesses. More systematic and rigorous analytical approaches will also be required to demonstrate capacity, understanding and preparedness to develop programmes and projects for EU

funds, for example in undertaking *ex ante* appraisals of regional and local conditions. Greater and regular consultation with appropriate stakeholders, especially intended users and beneficiaries, can enhance strategy and policy effectiveness too and ensure the appropriateness of local institutional structures.³⁵ Regional and local institutions are currently involved in relatively small scale local survey and evidence collection work to assist local analysis and policy development. Such efforts should ensure consistent use of methodologies and standards to allow longitudinal and comparative research and analysis to proceed from a solid evidence base.³⁶ Utilisation of existing national level studies³⁷ and dialogue with the national statistical office to improve the quality and coverage of sub-national statistics is also important.

Enhance co-ordination and integration at the national level. Establish a clear division of labour and distinct spheres of responsibility between the analysis, strategy development, policy design and evaluation role of the Ministries and the operational and delivery functions of the arms-length agencies. For example, the MINGORP should focus upon strategy, policy framework and programme development and more readily and quickly devolve programme delivery to HAMAG. In addition, the horizontal cross-departmental institutional mechanisms (i.e. Task Forces³⁸, Working Groups) at the Ministerial level already in place in some policy areas should be extended to the entrepreneurship field.³⁹ Strategy and policy development processes could also be further opened up to dialogue and consultation with relevant user associations and groups such as the Croatian Employers' Association, Chamber of Commerce, Chamber of Crafts, UHIPP (Association of Croatian Institutions for Enhancing Entrepreneurship), trade unions and CEPOR.⁴⁰ The aim would be to increase dialogue and, understanding and to identify opportunities for co-ordination and integration of activities, especially at the national level.

Incorporate regional and local perspectives into national strategies. Better connection between the aims of national and regional and local strategies can be achieved through the incorporation of regional and local perspectives in national strategies. This process of vertical integration between levels can help to tailor and differentiate policy for different types of regions and localities — helped by the finer grained analysis of regional and local needs from the strengthened evidence base (see the first recommendation above). Where this link is not present a degree of disconnection is evident, for example the national science and technology strategy lacked a regional or local dimension. International good practice suggests the sub-national dimension to science and technology strategy and policy delivery is increasingly important in the creation of effective territorial innovation systems.⁴¹ Practical guides to support the cross-checking of the regional and local dimensions of national strategies and policies — so-called 'region-proofing' — are available.⁴²

³⁵ Pike, A., A. Rodríguez-Pose and J. Tomaney (2007).

³⁶ The OECD Statistics Directorate (www.oecd.org/std) provides economic statistics on a comparable basis for the analytical work of the OECD, promotes and develops international statistical standards and co-ordinates statistical activities both within the Organisation and with other international agencies.

³⁷ See, for example, the Investment Compact for South East Europe (2005).

³⁸ Pike, A. (2002).

³⁹ Singer, S. *et al.* (2006) and Investment Compact for South East Europe (2005).

⁴⁰ OECD (2007b).

⁴¹ Perry, B. (2003).

⁴² Cabinet Office (2002); Regional Futures (2003).

Enhance connection and consistency between the aims and purpose of strategy, policy, programmes and projects. Strategy builds on analysis to set out and justify the aims, objectives and priorities. Policy sets the framework, instruments and measures through which such aims are to be achieved. Programmes are the sets of interconnected projects that will deliver the policy and strategy. More integrated approaches need to be deployed to ensure that connections and consistency are embedded within the policy process in the round. This then provides a means of countering the problems of fragmentation and underpins greater co-ordination and effective policy development and delivery. For example, aims and priorities need clear identification and articulation throughout the policy process. Given Croatia's stage of economic development, the quantity of new start-up businesses is understandably a concern but issues of quality — for example survival rates, growth potential and innovativeness — need also to be incorporated into the analysis and strategy development. Similarly important is the relative weight in entrepreneurship policy given to participation and the targeting of particular social groups (e.g. disadvantaged, ethnic and religious communities, war veterans, women and youth), ownership structures (e.g. co-operatives, public interest companies and social enterprises) and places (e.g. Areas of Special State Concern, highland-mountain areas and islands).

Achieve a clear and effective balance in the decentralisation of authority and resources to the regional and local level. A more effective balance needs to be found between the national centre and regional and local levels in developing and delivering entrepreneurship policies. Such issues are important internationally and analysis and good practice exist.⁴³ In a relatively small state such as Croatia the roles and balances between the various levels is critical, particularly since shared responsibilities between levels of government are not clearly defined.⁴⁴ In addition, over-burdened central Ministries could devolve more responsibilities and achieve greater levels of effectiveness⁴⁵, for example through extending the current arms-length relationships and particularly enhancing the delivery and implementation role of agencies such as HAMAG. A first practical step could be a review of who does what and at which levels accompanied by reflection on the fundamental questions of what is the appropriate geographical scale at which to design and deliver entrepreneurship policy. The current context may be timely for such an exercise given the ongoing discussions regarding EU regionalisation and the potential establishment of 3 new regional entities at NUTS II level or the further deconcentration of functions to the NUTS II level.

Critically, regional and local level institutions have the potential better to understand regional and local level needs and are more able to tailor policy effectively to address them. Disparities in entrepreneurial performance across Croatia⁴⁶ suggest the need for differential approaches in addressing the issues. Such differentiation in policy development also needs to balance the need for scale economies and efficiency. Developing wholly unique place-specific programmes is ineffective and more specialised services can effectively cover wider geographical areas. Promoting a degree of specialisation in the business support network removes the need for many small institutions to attempt to offer the full range of services locally. They can more effectively signpost entrepreneurs and small businesses to the most appropriate source of advice and support within the broader network. The aspiration for the support network may be fewer, more specialised centres with better qualified and more experienced staff, linking to universities and graduate students where possible. With greater decentralisation, co-ordination and integration between national and regional and local levels needs to

⁴³ OECD (2007a).

⁴⁴ OECD (2007b).

⁴⁵ OECD (2001).

⁴⁶ Singer, S. *et al.* (2006).

be thought through. Greater and regular communication and consultation can promote dialogue and understanding between the different levels.

Improve co-ordination and integration amongst regional and local agencies without losing local institutional diversity, initiative and innovation. Co-ordination and integration between regional and local agencies can be improved but this must not be at the expense of the strengths of local institutional diversity, initiative and innovation. Regional and local institutions should not be subsumed into a universal, 'one-size-fits-all' model, especially given potential EU pressure toward the regionalisation of institutions at the NUTS II level. MMTPR is taking the right approach in seeking to establish minimum framework guidelines on what RDAs should do, their service quality levels and so on but, crucially, it should leave room for regional and local discretion and diversity in specific institutional solutions. This is especially important given the current organisational diversity and unevenness in stages of development amongst existing regional and local institutions.

There are several practical ideas to improve co-ordination. First, utilisation of the 'single gateway' or 'one-stop-shop' concept may provide a means of enhancing co-ordination. The idea is to establish a single entry point for entrepreneurs and small businesses to access the business support network and be signposted to appropriate services. The concept does not necessarily imply the consolidation of institutions into a single 'full service' provider organisation all under one roof. Instead, it suggests a single gateway to the wider network of service providers including public, public/private and private bodies. Greater co-ordination and integration can temper the further introduction of the creation of yet more local institutions at the city, municipality, local and county levels – especially since economic development is explicitly a legal task only for counties.⁴⁷ Duplication, overlap and competition for customers and projects and programmes can be minimised. Limited financial and staff resources may be more effectively pooled together through institutions working across administrative boundaries at relatively higher geographical scales.⁴⁸ Size and capacity can be enhanced, for example in preparing project proposals for EU funds.

Second, the standardisation and accreditation measures delivered by HAMAG to ensure service provider quality and consistency, especially for specialised consultants, should be rolled-out more fully and quickly. This will encourage consolidation and rationalisation within the institutional network as weaker providers will be forced to upgrade to meet appropriate quality standards or withdraw from the market.

Third, the good practice knowledge exchange should be developed and built upon amongst the National Association of Institutions for SME Development and the County Development Agencies network. Examples include formal mentoring systems, helping to orientate institutions in their relationship to the national, regional and local levels, sharing good practice in developing programmes and drawing down EU funds. Such inter-regional and local co-operation mechanisms are crucial to building capacity, encouraging open dialogue and 'learning by monitoring' to address shared challenges and reflect upon both 'good' and 'bad' practice.⁴⁹ They will be particularly important for upgrading and advising the Counties and localities with agencies at earlier stages of development and embedding a culture of continuous learning and improvement to raise the capacity of staff and organisations. Stronger and more developed regional and local agencies should be supported to perform this role.

⁴⁷ OECD (2007b).

⁴⁸ Pike, A. *et al.* (2006).

⁴⁹ Sabel, C. (1996).

Introduce more systematic assessment and evaluation of policy interventions. More proactive and searching evaluation mechanisms need to be introduced and embedded into the policy design and delivery cycle with the aim of learning lessons and making subsequent strategy and policy more effective. The current approach of functionally checking outputs is limited and risks squandering opportunities for learning and development from policy design and delivery experience. Appropriate and consistent indicators of programme outcomes can be developed to support comparative and longitudinal analyses. With a more rigorous and robust assessment framework, more policy pilots and experiments could be undertaken supported by a systematic means to evaluate exactly what is effective and ineffective policymaking.

International learning models in OECD countries

Scottish Enterprise and its Local Enterprise Companies – National and regional/local co-ordination

Description of the approach

The purpose of this learning model is to illustrate the dynamics and tensions between national and local delivery of economic development services, and how these can change over time. Scottish Enterprise (SE) was established in 1991 to provide a full range of economic development support to lowland Scotland. SE succeeded a number of predecessor organisations that had existed in Scotland since the 1950's to stimulate economic restructuring and growth. SE's current annual budget is around £450 million, and it is responsible for a very full package of economic development interventions: support for new starts and SME growth; attraction of FDI; workforce development; and urban regeneration. Around 70-80% of SE's budget is delivered through a network of 12 (originally 13) Local Enterprise Companies (LECs) covering the main regions of Scotland. These are now subsidiaries of Scottish Enterprise, though were originally established as separate, albeit publicly-funded, companies. Each LEC has its own Board, chaired by a local business person and with a majority of private sector representatives.

The overall structure therefore comprises a national agency, SE, which holds the overall budget and is accountable to the Scottish Executive devolved government, and a series of subsidiary companies that draw from the national budget to deliver services in their local areas. SE nationally sets the overall strategy, priorities and targets as well as retaining responsibility for delivering certain activities. The LECs must commit to agreed contributions to national targets, work consistently within nationally agreed priorities and service standards, while tailoring their services to the particular needs of their local area. In addition, each region of Scotland has other local agencies that deliver services relevant to economic development. These include the local authorities, Chambers of Commerce, and private sector agencies. It is common for the LECs to contract with such local agencies to deliver certain of their services, for example SME support. There is therefore an additional, local dimension of interaction between different agencies.

Rationale for the policy intervention

The establishment of Scottish Enterprise was primarily driven by political factors, and reflected the then Conservative UK government's dissatisfaction with SE's predecessor, the Scottish Development Agency. The business rationale given at the time in 1991 was that SE would integrate economic development with workforce training (the national training agency was also incorporated in the new organisation), enable more private sector participation and leadership in economic development, through the structure of the LEC Boards and bring a greater degree of local knowledge and focus to economic development, through delivering services primarily through the LECs. It is the third of these that we concentrate on here, to provide a comparison with the Croatian situation.

Why the approach is relevant to Croatia

The rapid increase in interest and activity in the general area of economic development in Croatia has been accompanied by the establishment of a wide range of organisations involved in the process. These are active at national, regional and local level. Improved connections and consistency between them have been identified as important areas for improvement going forward. The Scottish experience provides a relevant comparison. The countries are of similar scale in terms of population, and have faced similar economic challenges in relation to restructuring, modernisation and growing a more innovative SME sector. The specific relevance of the SE network lies in how it has dealt with the interconnection between national, regional and local delivery of SME and other economic development services, balancing national and local priorities, determining what services should be best delivered at each level, and managing the organisational challenges of the wide range of agencies involved. This links to the main report's policy recommendation to achieve a clear and effective balance in the decentralisation of authority and resources to the regional and local level.

Reasons for the success or failure of the approach

In the early stages of SE, the LECs were afforded a large degree of autonomy. They prepared their own annual strategies and bid competitively to SE for budget allocations. SE retained responsibility for national strategy, FDI attraction and impact monitoring. But it exercised this responsibility with a relatively light touch. As a result, the LECs were able to build their own reputations, contacts and, in some cases, brands within their regions. This brought a number of benefits: clear identification of local needs and priorities; partnership working with other local agencies; strong visibility within their regions, making contact and access to services relatively easy; and, ability to focus on projects and activities of most relevance to their area. Some disadvantages were also evident, however, including difficulties in agreeing the right balance between national and regional priorities, development of duplicating and overlapping services in each region, causing confusion for the businesses being supported, inconsistent quality and terms of service, inefficiencies in administration budgets and tensions between national and local management.

From around 1999 onwards, more control began to be exercised from SE nationally. The LECs became subsidiaries of SE, rather than separate companies. Their budgets were allocated centrally, rather than negotiated annually. Performance targets and measures were set by SE nationally, and common standards enforced for organisational structure, products and services, and branding. Shared administrative services were established. On the positive side, this led to a more strategic, national approach. Common standards of service and more consistent communications were possible, and customer expectations were clearer. Less positively, the change reduced local innovation and sensitivity, reduced the influence of LECs (and therefore economic development) in local partnerships, increased many aspects of administration through more detailed monitoring and performance measurement, and caused tensions over responsibility for major projects or programmes that had a national impact but a local presence.

In summary, the experience of SE and the LECs illustrates that there is no single 'correct' balance between national and local delivery. The pendulum will swing from one to another, depending largely on political factors. A broad framework of a clear national strategy and consistent quality standards combined with local knowledge and partnership capacity does however offer a potentially powerful delivery model for economic development interventions.

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The obstacles faced in implementation and the quality of the response taken

In the early stages of SE and the LECs, it proved difficult to recruit local business people to join their Boards, particularly those who could operate effectively in a non-executive capacity. It also proved challenging to recruit staff of a consistently high quality across all regions, with the larger cities and regions proving more attractive. Building local partnerships also proved difficult in some areas, with many local authorities mistrusting what they perceived to be unelected and unaccountable agencies. These challenges were met only in part in most regions, and continue to be evident even 15-16 years on from SE's establishment. In the later years, with the shift to more central control and direction, the process of change was hindered in many regions by political disputes over control and responsibility. The scale of change in itself became a major bureaucratic exercise, and diverted considerable time and resource from service delivery. This demonstrates the risks of allowing too inflexible and entrenched an approach to delivery to become established, as the timescale and cost of change detract from the core purpose of supporting economic growth and can alienate the business community that is seeking support.

Considerations for successful adoption in Croatia

The Scottish experience suggests that no single, fixed model is appropriate when determining the correct balance between national, regional and local delivery. It is however advantageous to have a clear national strategy, which each region takes responsibility for making a contribution to. It is also beneficial to design consistent services to business at a national level, so that SMEs and others know what to expect and that wasteful competition across regions is avoided. Actual delivery of SME services tends however to be more effective when driven at the local level. Knowledge of local businesses and their needs will be better, access for SMEs will be easier, and the building of the partnerships needed with other local agencies will be more effective. Combining the best of national strategy and consistency with local delivery and accountability, within structures flexible enough not to require disruptive change when adjustments are necessary, is a challenging objective but a potentially powerful approach to SME support. Many of the components of such an approach are already evident in Croatia, but they lack as yet the linkages that would enable them to work more effectively and consistently.

Contact details and website for further information:

Scottish Enterprise:

Web-site: www.scotent.co.uk

Address: 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU, U.K.

Telephone number: Tel: +44 141 248 2700, Fax: +44 141 221 3217

Business Link in North East England – Regionalisation and service provider accreditation

Description of the approach

The North East Business Support network was established in 2004 to integrate and co-ordinate business support through a new 'regionalised' delivery model. Under the 'Business Link' brand, governance and funding was moved from the Small Business Service to the Regional Development Agency and the geographical policy delivery focus transferred from the local to the sub-regional level. Business Link acts as a broker and 'one-stop-shop' single entry point and seamless connection to the

wider network of service providers. A new service provider accreditation and registration system has been introduced to improve quality and consistency of business advice.

Rationale for the policy intervention

North East England suffers from acute entrepreneurship problems including low rates of business start-up, limited business stock, significant business failure rates, under-representation of women and disadvantaged community entrepreneurs, low cultural valuation of entrepreneurship and limited support for high growth SMEs. Research and consultation concluded in 2001 identified an overly complex, fragmented and poorly co-ordinated business support network with uneven quality and inconsistency amongst service providers and actual and perceived administrative barriers as significant constraints upon entrepreneurship and SME development in the region.

Why the approach is relevant to Croatia

Croatia is experiencing problems similar to North East England concerning institutional co-ordination and integration. The diversity of regional and local institutions is creating issues of duplication, overlap and competition for customers, projects and programmes. Its business support system is searching for a more effective framework structure but it needs to undertake any reform without undermining local initiative. The approach in North East England connects directly to the main report's policy recommendation seeking to improve co-ordination and integration amongst regional and local agencies without losing local institutional diversity, initiative and innovation. In common with North East England, standardisation and accreditation is being sought through HAMAG to improve business support service provider quality and consistency.

Reasons for the success or failure of the approach

The regionalisation delivery model has been a relative success in North East England because it has simplified the routes into business support for entrepreneurs and SMEs throughout the region and the sub-regional focus has reduced fragmentation and duplication at the local level. In addition, the local delivery model has been maintained but is now backed up by regional level resources. Given the deep rooted entrepreneurship problems in the North East, however, only in the longer term will the success of the business support network in improving entrepreneurship outcomes be judged.

The obstacles faced in implementation and the quality of the response taken

The new regionalised Business Link system has had to balance increased targeting (e.g. sectors) with participation issues (e.g. women, ethnic minorities, disadvantaged areas) and cope with increased intensity of relationships with customers as part of its shift toward a value adding service based upon proactive, in-depth understanding and coaching and away from simple provision of funding.⁵⁰ In addition, the new network has had to increase the number of access points for new customers and increase its use of ICT in service provision. Amidst these new challenges, the new network has coped well, although the benefits of the new service provider registration system are expected to take longer to filter out weaker suppliers and feed through into improvements in the overall network.

Considerations for successful adoption in Croatia

This learning model highlights the need to think through and establish the most appropriate and effective scale for the delivery of business support services for entrepreneurs and SMEs. Too many

⁵⁰ Clark, N. (2007).

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local institutions led to fragmentation and complexity in North East England. Similar problems in Croatia might warrant exploring the potential of a more regionalised approach with fewer, more specialised business support institutions linked within networks. Clarification of the legislative framework for RDAs in Croatia should provide a clearer framework for undertaking this task. The service provider and accreditation system could be cross checked with the current scheme to ensure good practice policy learning and transfer.

Contact details and website for further information:

Business Link North East:

Web-site: <http://www.businesslink.gov.uk/bdotg/action/home?r.11=1073909872&r.13=1074537135&r.12=1074537118&r.s=m>

Address: Spectrum Business Park, Seaham, County Durham, U.K.

Telephone number: Tel: +44 0845 600 9 006

Youth Entrepreneurship Challenge in Québec – Provincial and local partnership and co-operation for youth entrepreneurship

Description of the approach

The Youth Entrepreneurship Challenge is an action plan that aims to promote the spirit of entrepreneurship in Québec and to foster entrepreneurial values amongst Québécois youth⁵¹. The programme is organised around three themes: inviting schools to participate, creating a favourable environment and disseminating effective strategies to young entrepreneurs. The programme involves a range of measures that are directly targeted and participatory in nature, for example the development of learning materials for integration into educational curricula, the deployment of collective entrepreneurship promoters in regional development co-operatives and the establishment of 'environmental micro-business schools' in elementary level schools. A total of C\$38mn has been allocated to implement the programme between 2004 and 2008. The programme is implemented by local partner organisations and co-ordinated by the *Secrétariat à la jeunesse*⁵².

Rationale for the policy intervention

Relative underperformance in entrepreneurship amongst young people in Québec and the importance of entrepreneurship for the establishment and growth of new and existing small businesses prompted the provincial Government of Québec to develop the programme. Young people are seen as providing the creativity, dynamism and vitality necessary to promote innovation and new ideas for socio-economic regeneration. The programme seeks to work with local partners on measures that promote entrepreneurship attitudes, values and skills – including creativity, autonomy, leadership, responsibility and solidarity – beneficial to tomorrow's entrepreneurs.

Why the approach is relevant to Croatia

The programme provides an example of how two key Provincial level government departments (*Ministère de l'Éducation* and *Ministère du Développement économique et régional*) can work with as

⁵¹ Secrétariat à la jeunesse, (2004).

⁵² The Secretariat for the youth refers directly to the Prime Minister and the General Secretariat.

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well as devolve responsibility for youth entrepreneurship development to the province-wide *Secrétariat à la jeunesse* to co-ordinate the programme with local level school, vocational and university educational institutions and other socio-economic organisations. The programme connects to the main report's policy recommendation concerning the need to achieve clear and effective balances in the decentralisation of authority and resources to the regional and local level. In addition, the programme's openness to economic and social entrepreneurship can potentially contribute to the stimulation of economic activities and the meeting of unmet social needs. The collective ethos in the programme also connects with Croatia's historic traditions of co-operation and collective ownership. Working across the province, the programme has supported experimental entrepreneurial activities across the regions of Québec and has the potential to contribute to lessening spatial disparities in entrepreneurial and economic performance across Croatia's counties.

Reasons for the success or failure of the approach

The programme has been highly successful in terms of increased outcomes, for example dramatic increases in the numbers of student entrepreneur clubs and in participation in the Québec Entrepreneurship Contest, and its funding has been twice extended for 2007 and 2008 and, most recently, to 2009. Crucially, the programme has had top level support. Youth matters are one of the Québec Government's priorities and are overseen by the Premier. The programme's success has been attributable to the wide ranging role and dynamism of the Youth Entrepreneurship Outreach Workers enrolling and supporting agencies to develop and implement projects

Comment [C7]: What is it?

The obstacles faced in implementation and the quality of the response taken

The main obstacle has been the identification and recruitment of the Youth Outreach workers since these are pivotal to the success of the programme.

Considerations for successful adoption in Croatia

This learning model requires several key elements to work successfully. First, it requires national ministry co-operation and commitment to co-funding in making youth entrepreneurship promotion a key priority. Second, it needs a focused agency at arms-length from the key ministries to co-ordinate and involve key local partners in programme implementation. Third, it requires robust evaluation frameworks in order to assess the value of experimental and small scale local versions of the programme measures that could be rolled out in the first instance.

Contact details and website for further information

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Conclusions

Overall, the strengths of the current entrepreneurship policy approach include understanding of the problems and potential solutions, regional and local institutional initiative and vitality and committed staff. Examples of good practice include the *HITRO.HR* business registration service, local initiative and innovation, county development plans, cross-county institutions, mechanisms for sharing

experience and knowledge exchange. Weaknesses with the current policy approach include fragmentation and lack of co-ordination between national level ministries, legacy of centralism at the national level, programme-driven approach to policy, fragmentation and duplication amongst regional and local institutions and lack of systematic evaluation of programme and project effectiveness. Key recommendations comprise improve the systematic collection and analysis of evidence, enhance co-ordination and integration at the national level, incorporate regional and local perspectives into national strategies, enhance connection and consistency between the aims and purpose of strategy, policy, programmes and projects, achieve a clear and effective balance in the decentralisation of authority and resources to the regional and local level, improve co-ordination and integration amongst regional and local agencies without losing local institutional diversity, initiative and innovation and introduce more systematic assessment and evaluation of policy interventions.

Several strategic issues for entrepreneurship policy that impinge upon broader approaches to local development arise from the analysis. First, Croatia has had to travel far in a very short period of time in the post-socialist transition and post-conflict context. This background places a premium on dialogue, learning and innovation to develop entrepreneurial policy and institutional frameworks tailored to Croatia's particular needs and able to avoid the common pitfalls experienced elsewhere. To date and, given the run up to EU accession, into the future economic development strategies and practices have been shaped by external agencies. Croatia needs to find ways to utilise enduring traditions and strengths from its past in productive new ways, for example co-operation and collective and mutual learning, in its transition to a more liberalised market economy. The introduction of VAT thresholds beneath which fledgling businesses, perhaps with co-operative ownership structures, would be exempt might be one step toward formalising 'grey economy' businesses. Second, Croatia's spatial disparities in economic and social conditions – including levels of entrepreneurship and small business formation - are wide and deep between and within counties, fuelled by the concentration of growth and economic activities in the main urban centres of Zagreb, Split and Rijeka and depopulation in the periphery. The national commitment to regionally balanced development is therefore under pressure and will be tested in future in the context of increased competition in the Croatian market in the context of the Single European Market and the need to create value-adding and internationally tradable economic activities, perhaps with a more sustainable flavour that balances economic, social and environmental concerns. Last, in the context of pre-Accession pressures toward regionalisation at NUTS II level — perhaps creating only 3 regions for Croatia – there is a need to reflect and think carefully about how to amalgamate the counties and negotiate locally appropriate structures that encourage the existing successful institutions to flourish and not be discouraged by what might be understood as 'top-down' initiatives.

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