

ENTREPRENEURSHIP SUPPORT POLICY OF LOCAL AUTHORITIES – RESULTS OF RESEARCH IN SELECTED REGIONS OF BELARUS, FINLAND, LATVIA AND POLAND*

Aranka Ignasiak – Szulc

Nicolaus Copernicus University in Toruń

Abstract

One of the most important goals of local and regional economic policy is to help entrepreneurs develop in more effective way and encourage residents to start their own business. The purpose for it is a direct linkage between development of entrepreneurship and local and regional development. In this field self-governments belong to main stakeholders and perform their tasks by supporting entrepreneurship. The range of possible policies and programmes that can be undertaken is wide. Self-governments and other institutions that operate in business environment in regions develop their own strategy of actions, decide what instruments should be used, cooperate in order to achieve the best results etc. The necessity of performing tasks in the analyzed field is stressed also by European Union. The EU funds support not only fostering entrepreneurship and entrepreneurs (mainly small and medium – sized, SME) but also the institutions that give such a help to entrepreneurs.

The article presents some of the findings of the research conducted in 4 countries that examines the activities of self-government in supporting SME sector. The regions of Belarus, Finland, Latvia and Poland were chosen, in order to examine the strategy of local authorities in the countries representing member states of EU (both so called “old” and “new”) as well as a non-member state. The closing remarks include conclusions and advises that are the result of research conducted*.

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Keywords:

Local authorities policy, entrepreneurship support, local and regional development.

Introduction

Enterprises, especially small and medium-sized (SME), play a central role in economies of all member states of the European Union. They are a key source of jobs, a main driver for innovation, employment, social and local integration. The role of the sector of SMEs is very important for the developed countries but for the countries that transformed their economies it plays even bigger role. It is said to play a most essential part in creating the middle class and can be one of the most effective ways not only of transforming the economy in post-communist countries but even of changing the way of thinking. Entrepreneurship is a ground for business ideas and business people are more creative and can faster adopt to new economic system and its conditions. That is why the development of this sector has not only strong economic impact but also social and mental. The development of SMEs can help to

counteract some of the problems that economies face. The impact can be seen not only on the national economy level, but it can be also very important for local and regional development. It is said (see in: M. Opałło, p.243) that this influence can be particularly strong in regions that:

- cope with liquidation of traditional large-scale industry and old industry districts,
- need to transform the industry for business oriented towards global markets,
- face the necessity of changing the economy into businesses adopting new technologies, less harmful for the environment, more active in the service sector etc.

The above problems are typical for regions of transition countries, that is why the self-governments should act to support the enterprises.

The aim of the article is to compare possibilities of supporting the small and medium - sized enterprises (SMEs) by the self-governments in

selected countries and their regions. Local and regional authorities play more and more important role in modern decentralized societies. The local and regional authorities, beside fulfilling the duties can:

- promote the enterprise “spirit”,
- create educational system appropriate to actual and future needs of employers,
- offer schoolings and consulting for business,
- cooperate with employer’s organisations and business self-government etc.

This is not an enumerative listing but these are some of the examples of activities the local and regional authorities are entitled to make according to Polish Law. Other examples of actions that can be undertaken, in comparison with other countries, are included in tab. below.

Table. The examples of economic instruments of support for entrepreneurs in selected countries

Country	Instrument					
	Infrastructural equipment	Preferences in purchasing or leasing of Real estate	Tax relieves	Credit and credit guarantees	Direct financial support	Partnerships
Denmark	X		X	X	X	
France	X	X		X	X	
Spain			X			
The Netherlands	X					
Ireland	X	X	X			
Germany	X			X	X	
Poland	X	X	X	X	X	X
Portugal	X	X			X	X
United Kingdom		X		X	X	X
Italy				X	X	X

Source: U. Kłowiec – Górecka, B. Słomińska, 2001, p. 42.

One of the tasks set for the self- governments in Poland by law is counteraction the unemployment and activation of labour market. What is more, local and regional authorities must work out and adopt the long term strategy of stimulating business activity and increasing the competitiveness of the local and regional economy.

The support for entrepreneurs given by self-government according to own research

In order to compare possibilities of supporting the small and medium – sized enterprises (SMEs) by the self-governments in selected countries and their regions, the empirical research was conducted by means of interviews with international experts (the representatives of public authorities, entrepreneurs, researchers, the employees of institutions of business environment) in Belarus, Finland and Latvia and by means of questionnaires with SMEs and local authorities’ representatives in Poland. The selection of countries for research gives the opportunity to study the example of a country that isn’t a member of EU (Belarus), the "old" member state (Finland) and 2 new member states (Latvia and Poland); what is more the chosen regions of above countries are diversified in their development and give further possibilities of conclusions. Belarus is represented by 2 regions:

capital city – Minsk and Vitebsk region, Finland by the peripheral region of Lapland, Latvia by its poorest region of Latgale and Poland by Kujawsko – Pomorskie voivodeship.

In order to interpret the results of research properly it is important to characterize the systems of local and regional authorities and take into account differences between them.

Belarus is a unitary country that used to be a soviet republic of former USSR. Its territorial division is accompanied by the 3 – level regional and local administration system introduced in 1991. Because of a very high level of centralization, the system of local authorities can hardly be called self-government. One of the example of it is that although the representatives in local Councils of Deputies are elected by citizens, but the heads of the local executive and management bodies are appointed and dismissed by the President or in the order established by him, and approved by the respective local Councils of Deputies (V. S. Fatiejew, 2003, p.151). The Constitution establishes the exclusive competence of local Councils of Deputies on the following issues: approval of programs of economic and social development, local budgets and report on their execution, imposition of local taxes and duties in conformance with the law, determination, in

conformance with the law, of the procedure of managing the communal property, appointment of local referenda.

The selected regions of research in Belarus – Minsk capital city region and Vitebsk region are quite different in its character. Capital city of Minsk is a 1.729 mil citizen metropolis and the largest political, economic, scientific and cultural centre of the Republic. Region of Vitebsk (Vitebsk Oblast) is located in the North-east of the country and it boasts with a unique natural complex (it can be even called the lake district) and in future one of its opportunities of development should be great interest for the developing tourism and recreation facilities. The region possesses advantageous transportation potential, as its territory is crossed by two trans-European corridors and Yamal-Europe gas pipeline.

Nordic Finland is a country with system of authorities and territorial division that was formed through the complicated history and geo-political location. Finland is a unitary state, divided (since 1997) into 6 provinces and 20 regions. The regions are highly differentiated, with the biggest one (Lapland) covering 29,5% of the country area (Statistical Yearbook of Finland, 2003). Regions are divided into sub-regions and communes – municipalities, that are self-governmental territorial units. Local self-government is guaranteed in Finnish Constitution. Local authorities have the right to tax residents. Local authorities co-operate in the area of services that separate municipality can not provide. In some way such a co-operation replaces the self-governments of a regional level. The examples of those areas are: hospitals, regional development and planning. Some of the tasks are run by joint municipal authorities compulsory, some are voluntary.

From the regions of Finland to the research the region of Lapland was selected. The biggest region is also the most sparsely populated. It has long suffered from its location on the periphery, but in fact the business and industrial structure has seen rapid modernization in the last few decades. Some problems were coped with the help of EU funds. But still economic decline is a very real problem in areas where people live on primary production, and where there is no industry or substantial extra revenue from tourism. These areas also record the worst unemployment figures in Finland. Unemployment is long-term and thus structural.

In Latvia, the former soviet republic, since restoration of the Republic of Latvia in 1991, the implementation of local self – government legislation had started. The territorial administration was introduced in a democratic way, but because of quite high level of centralisation there is still the need of reform and empowering territorial authorities. Latvia is a unitary state divided into 4 historical lands. The

administrative division includes 5 regions but they are just connected with planning of the regional development and official statistics. On that level there are no regional authorities. Those regions are divided into 26 administrative districts and 7 biggest cities. Those major cities have the functions of both local and regional self-governments. The local units are 453 rural municipalities. According to the law there are 17 permanent functions of local governments and only 4 of regional (Local and Regional Governments of Latvia, 2004).

The selected to the research region of Latgale is situated in the Southeastern part of Latvia, and has a long external border with Russia, Belarus and Lithuania. Latgale faces the unusual situation of its ethnic Latvian's being in the minority in the region. Taking into account the level of GNP per capita it was the poorest NUTS-3 region in EU in 2002.

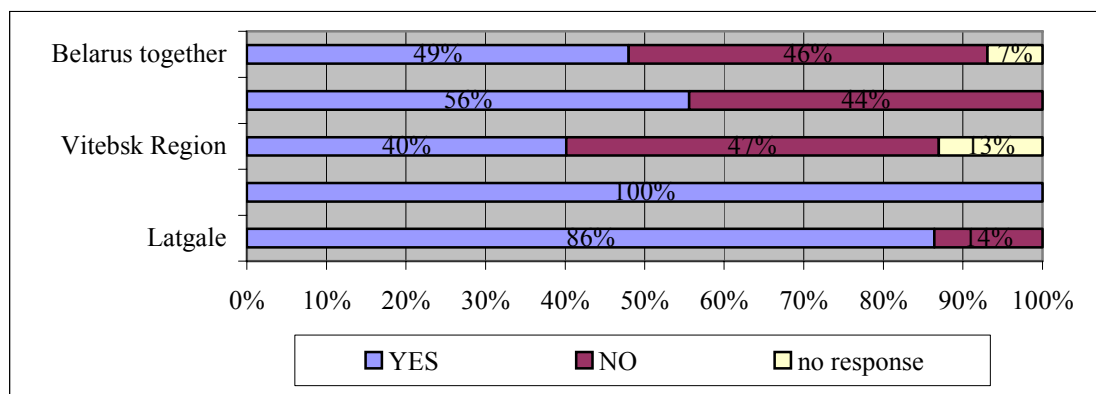
Poland is a unitary state with self – government on 3 levels: 16 regions (voivodeships), 314 counties (and 65 cities with county status) and 2478 communes (municipalities). The system of local and regional authorities is based on subsidiarity rule with the wide range of competences assured by the law (e.g. communes: local taxes, public transport, social services, housing, culture, health, pre-primary and primary education; counties: road building and maintenance, secondary education, civil protection, employment; regions: economic development, higher education, social policy, regional roads management).

Selected to research Kujawsko-Pomorskie Voivodeship is located in the North-central part of Poland. Strong points of the region are: favourable distribution of settlement network; institutions supporting business located in centers of regional government; high quality of the natural environment, creating favourable conditions for the development of agriculture, industry and tourism; significance of the region in domestic agricultural and industrial output; main urban centers of the region are important junctions of domestic transportation routes – road, rail and air; significant cultural activity and renown cultural and artist events. Weak points of the region are: low level of education and professional qualifications of population; high level of unemployment, particularly among youth; low level of incomes of the population; poorly developed technical infrastructure, particularly concerning water-sewage and waste storage management; inadequate network of high capacity roads and bridges; inadequate potential and technical level of health service infrastructure; relatively limited implementation of modern technologies and other.

The main task of self – government in Poland is to fulfil the needs of local/regional community. The experts in Belarus, Finland and Latvia were asked if the self-government in their countries is able to

influence the level of life of territorial community. The self-government is being regarded as the very important subject having an influence on the standard of living of inhabitants in regions of Latvia and in Finland. The possibilities of such action were found scarce in Belarus (only 12% of experts were positive about it). It seems to confirm the thesis about the insufficient level of decentralization of public authorities system in this state.

Within the limits of European law public authorities in member states of EU support the development of SME sector. Results of the survey among the local authorities in Kujawsko – Pomorskie showed that 64% of all respondents (communes and counties) offered support for SME sector in the period 2001 – 2005. Respondents in selected regions abroad were asked about possibilities of supporting small and medium – sized enterprises (Graph 1).

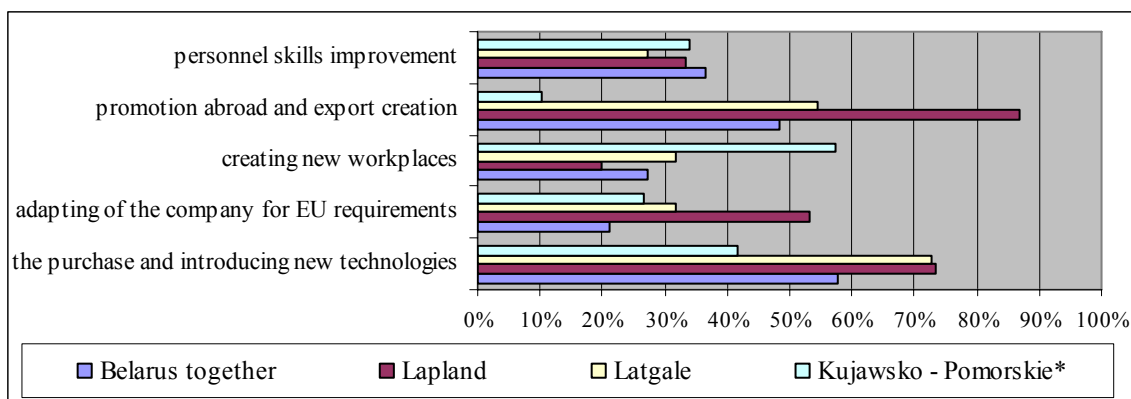


Graph 1. Opinion whether the self – government has the opportunity to support SMEs, in % of respondents in selected regions

Source: results of own research.

Possibilities of supporting the SME sector by the self – government are waking up no doubts in Finnish Lapland. In Latvian Latgale opinions on the fact that self-government authorities can offer such a help are very popular, however not all of the experts share them. In Belarus almost half of experts (46%) agreed that there are no such possibilities and the actions undertaken are mostly duties.

Respondents were also asked what results entrepreneurs would like to achieve thanks of the support from the self – government. The replies should let to identify effects which will turn up at the local or regional economy. Findings of foreign examinations were compared with results from Poland (Graph 2).



Graph 2. Opinion what results can be achieved by SMEs thanks to support from the self – government, in regions, in %

*Data worked out on the base of averaged results of questionnaire forms to self-government bodies and small and medium- sized enterprises.

Attention: it was possible to mark more than one reply so the results do not sum up to 100. Source: as Graph 1.

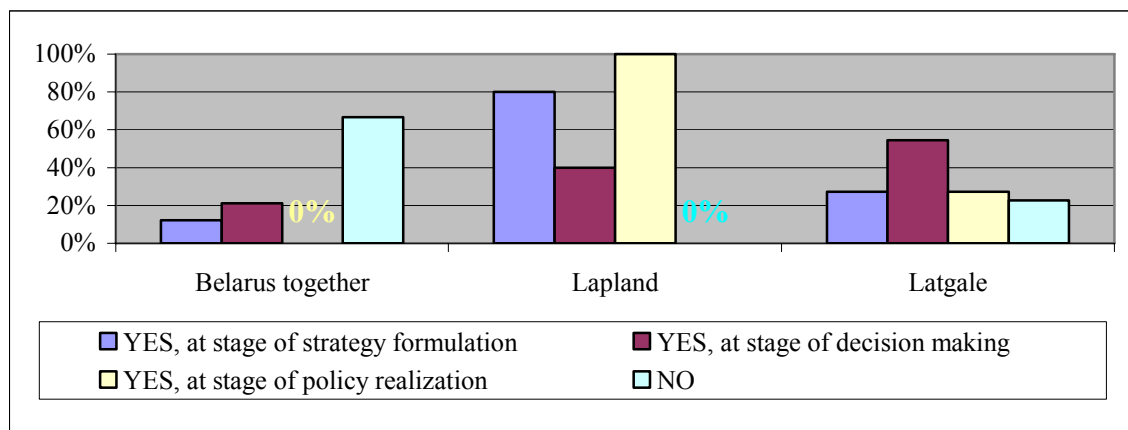
In Lapland entrepreneurs would like to allot the support from the local government to the goals connected with the promotion abroad and increasing

export. However experts understood this purpose more widely than it is formulated in the questionnaire form. They have most often seen it as the need of

company internationalization, that is of adapting the organization and its activity to requirements resulting from processes of globalization and of international economic integration. In Lapland more often than in different examined regions, also a need of assigning more distant means of adapting the company to requirements of the EU is being discerned. On the other hand, In Lapland they most rarely plan to support directly the creation of new workplaces, while in Kujawsko – Pomorskie it was a priority. It is resulting from serious problems connected with the unemployment in Poland. However towards the fact, that rate of the unemployment in Lapland is twice higher than average for Finland, justified a proposal seems that in this Finnish region increase in employment is suppose to be achieved indirectly, e.g. thanks to building up the position of supported companies in the international markets and their innovative potential improvement. A fact is remarkable that the purchase and introducing new technologies as a goal was the most rarely pointed out in Poland, more rarely even, than in both Byelorussian regions. Participation of the statements of workers skills improvement was developed on average, similar

in all regions level. It must be underlined that the above evaluation is just an opinion of respondents and do not illustrate the actual results that are achieved in regional economy. In fact it is very hard to evaluate them.

One of the important factors that rises the chances for succeeding and achieving results needed for local and regional development is the satisfaction of beneficiates. That is why the policy of self – government in the field of enterprise support must be conducted on the base of strategic plan and with the active participation of all the parties involved. So, entrepreneurs should be involved in the process of strategy formulation and realization. In Poland self – government is aware of this need and authorities often try to invite the business people representatives to initiatives addressed to SMEs or aimed at improvement of the quality of life in the territorial unit or its competitiveness. However, there are still not enough examples of such participation or public – private partnerships. The foreign experts were also asked if the idea of entrepreneurs' participation in the economic policy making and realization is popular in their countries and region (see Graph 3).



Graph 3. Whether and on which stage, the SMEs representatives have the possibility to participate in economic policy formulation and realization, in regions, in %

Attention: it was possible to mark more than one reply so the results do not sum up to 100.

Source: as Graph 1.

As it can be seen, entrepreneurs in the regions of research generally have some opportunities to participate in the process of economic policy formulating and/or realization. These possibilities were most rarely noticed in Belarus. In Lapland all experts pointed out the possibility of participation of SMEs in economic policy realization, most often in the form of public – private partnerships.

The respondents were also asked to evaluate the importance of support instruments (the scale was from: 1- unimportant, 2 – very little important, 3 – important, 4- very important). The results were diversified. Noticeable is the difference in a meaning of taxes relieves. Even though a local income tax is in force in Finland only, the relieves or remitting in taxes

and local payments was judged as unimportant there (1,43). Meanwhile in Latvia, Polish and both Byelorussian regions (particularly in Vitebsk region), where local taxes have the smaller participation in total fiscal loads relatively, assessments of this instrument were very high (from 2,91 in Belarus to 3,55 in Latvia). A help of advisers and an organization of training courses were assessed as the highest in Finland (3,73), next making the economic information available (3,07) and help of promotional character (3,00). Slightly smaller note (2,93) was given to creating the incubator of the enterprise or the technological park; it was the highest assessment granted to this instrument by all experts however. In Latgale, apart from tax price concessions (3,55), a

help in arming the land was valued high (3,05). In Belarus biggest meaning (for both regions together) was granted to administrative service in offices improvement (3,03). Quite big diversification in assessments were noted in both Byelorussian regions, e.g. while in the Vitebsk region the meaning of credit guarantees was appraised very much (3,15), whereas in capital city low (1,76). Generally speaking Byelorussian experts granted relatively low assessments what is particularly visible in the case of Minsk. This judgement proves that the meaning of self - government as the subject supporting the SMEs' development in this country is generally low. Comparing notes of foreign experts and Polish local governments, it is possible to state that, with the exception of assessments of the help in arming the land (3,15 in Poland – the highest among all respondents), the Polish notes were lower than these in Latvia and Finland.

Conclusions

On the base of analysis of the presented findings of examinations, it is possible to express some concluding remarks and proposals concerning the regional politics of explored states and their regions in the fields of entrepreneurship support offered by the local and/or regional government in selected countries.

Belarus. In spite of introducing the self – government in this country, central authority is still playing the main role in the process of creating and the realization of the regional policy in Belarus. Many matters of regional and local meaning are still taken in the form of central decreeing, the local authorities are dependent and they are lacking the financial autonomy. Local authorities perform required tasks mainly, they rarely operate freely. Experts stated that self-governments had very few possibilities to influence the standard of living of inhabitants.

Finland. A multitude of connections of equal partners between local governments is a characteristic feature of the model of the functioning local government in Finland (called regional advice particularly in frames of self-government associations) and between these self-government bodies and institutions of surrounding the business. This cooperation, in a way, is replacing self-government authorities of the regional level. The idea of participation of entrepreneurs in public life is a reality in Finland, especially in form of public – private partnerships. In Lapland, the peripheral region, entrepreneurs must be oriented at international markets and that is why they expect to get support that serves the realization of the purposes connected with the internationalization of the activity of enterprises. Highly appreciated is also supporting the improvement of innovative potential and personnel

skills. In Lapland, representing the region of highly competitive economy, highly appraised are also instruments of the advisory help and the organization of training courses, workshops and the like. To quite essential help also count: enabling the development through enterprise incubators and technological parks.

Latvia. The local government functioning in Latvia is being regarded as the essential subject being able to have an influence to improve the standard of living. Very important of the development of the SME sector in Latgale are outdated technologies and therefore entrepreneurs would like to allot the help received from the local authority to the purchase and introducing new technologies. Support is often also needed for promotion abroad and export increase as well as adapting the company for EU requirements. Entrepreneurs would like to receive tax relieves.

Poland. Support received from the local government most often in Poland is allotted to creating new workplaces, too rarely however, comparing with other examined countries, is used to promotion abroad and export increase, as well as purchase and implementation of high technologies.

Based on all international analyses and conducted research in the area of self – government's support for SME sector, it is possible to form some conclusions of more universal character, namely: that an immediate association exists between support given to fostering innovation, internationalization and technological progress and the country and region competitiveness. In Lapland, representing competitive Finnish economy, instruments of SME support connected with technologies improvement are highly appraised. In regions of states developed not so well as Finland there was rather the need for temporary support seen, for example tackling the unemployment problems.

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