

The Role of Local Government in Local Economic Development

Slovakia

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INTRODUCTION

Cities as well as rural communities in Slovakia have faced significant social and economic changes. They could not avoid contradictory local consequences of economic transformation, which were accompanied by decreasing local economic performance due to loss of markets, closures of not enough competitive companies, or rising productivity, all leading to increase of unemployment. Although, there have emerged new entrepreneurial opportunities and new investors generating new workplaces, they could not replace all lost jobs. Spatially unequal distribution of these processes left many localities in deep troubles. Questions—How should be successfully addressed negative impacts of economic transformation and restructuring, modernisation of old production sector, support of new businesses or generation of new workplaces, they have become very acute. Despite this pressure, local economic development (LED) issues were long term overlooked, needed experiences absented, suitable environment for potential action was limited. Adequate responses were not adopted at national as well as local level for a long period. Central state started to formulate more elaborated conditions of regional and local development policy only at the end of nineties. Local self-governments also turned attention to initiatives in the field of local economic development during second half of nineties. As a result, suitable conditions and more widespread activities in local economic development have been under formation only during last years. More programmes as well as resources are available for such purposes from central state. Growing number of local self-governments are interested and initiative in this field.

Reason why it is so urgent to act in the field of local economic development can be documented on data on social and economic development. High unemployment rate is one of the most perceived consequences of economic transition in Slovakia.¹

Although last two years (2001–2002) we can consider as period of stabilisation in the field of labour market (or even slow decrease of unemployment rate), deep regional and local disparities were not reduced.² It is observable in growing differences among districts. While in some districts in East and South Central Slovakia unemployment rate exceed 30%, in districts of Bratislava it close to 5% (August 2003). While in some districts hundreds of workplaces are available (e.g. Galanta, Senica, Nové Mesto nad Váhom), in many districts especially in Central and East Slovakia there are poor tens of free workplaces available (e.g. in districts Snina, Krupina). Similar large differences are observable in the field of entrepreneurial activity, or foreign investment distribution. It is explaining quite strong need to pay more attention to local economic development.

Local economic development practices have attracted large attention among scholars in western as well as East-European transforming countries. The role of these practices is considered as important in enhancing national economy (Blair, 1999). It is strongly related to important role of governments at microeconomic level in improvement of various aspects of local economy competitiveness (e.g. Porter, 2000). This study follows more pragmatic approach to local economic development stressing crucial role of generating new jobs and businesses, or at least protecting existing jobs and businesses, as well as successful economic transformation at the local level. Although, main sources of local economic development are activities of private entrepreneurial sector, it is for longer period accepted that interest and interventions of local governments in this field are increasing (e.g. Bovaird, 1993). The most pressing it is in a case of local governments in touch with all consequences of local economic stagnation or decline. They should focus on acceleration of local economic development, activation of all local subjects, formation of co-operative local climate, mobilisation of external resources and generating of certain level of sustainable endogenous development. Studied activities include the most often LED mentioned initiatives as development planning, employment, businesses development, human resources development, shaping institutional environment, as well as more standard tools based on land and infrastructure, capital and financial incentives, marketing and promotion activities, partnership practices (e.g. according to Bennett, Krebs, 1991; Parysek, 2001; Blakely, Bradshaw, 2002). Slow progress in this field in Slovakia is reflected in less attention to this issue in research. More general conditions of local economic development addressed Žárska (1996). Large-scale research focusing on local self-government tools applied in local economic development completed Čapková (2001a-c) on sample of more than 30 cities. It brings valuable results concerning especially application of economic tools, elaboration of strategic and conceptual documents, activities in employment. Certain aspects of local economic development also addressed Kling and Pilát (2003) and Buček (2003).

Main aim of this study is to reveal role of local self-governments in local economic development in Slovakia, theirs' fields of action, applied tools, as well as to identify limits of such activities and potential improvements. However, important part of LED

related institutional and support framework is under the control of central state. As a consequence, first section addresses central state main initiatives (e.g. programmes, regulations, subventions and grant schemes), as well as state based institutional framework in this field important for local self-government. It also reflects slowly progressing decentralisation, especially fiscal decentralisation that limits activities of the local self-governments. Main issues covered include central state initiatives in industrial parks formation, support of small and medium enterprises, infrastructure development, rural development, economic development in depressed regions, as well as employment and labour market related issues. Despite important role of central state initiatives, they are strongly dependent on local self-government role in their successful implementation. However, some local economic development schemes introduced by central state are administratively too demanding, and their real application is progressing slowly. At the same time, central state activities and resources are insufficient, and they can not improve development opportunities of many communities.

Legal and regulatory framework is very important for local self-government initiatives. Despite quite large freedom of action, local self-government activities has to follow certain limits introduced in legislation, e.g. in public resources use, taxation, use of communal property, insufficient financial transfers for central state budget, public procurement procedures. Main own regulatory powers of local self-governments that they can efficiently use are rights to adopt by-laws, regulatory powers to economic activity in the city and powers in territorial planning.

Tools applied in local economic development by local self-government were of primary interest. Their diverse and often innovative approaches are well documented. Slovak local self-governments are attempting to cover each important field of action. They are active in small business support as well as in shaping local education sector. They are installing more local economic development objectives into traditional planning. More attempts for standard local economic development planning and programming is observable. Very frequently used tools are communal property (land, buildings) and infrastructure based. Despite financial scarcity various financial tools also are applied. Certain local self-governments have adjusted their organisational structure to serve better development aims. Large attention is paid to participation in formation of more efficient institutional environment active in the field of local economic development, emphasising partnership practices. Local economic development is strongly inspired by foreign experiences, many foreign subjects participate in related initiatives and various foreign assistance schemes address this issue in Slovakia. Transparency in these processes is improving substantially during last few years. The most problematic feature is that there are large differences among particular cities' in attention paid to local economic development.

Methodological approach of this study is based on collection, analyses and evaluation of relevant information on local self-government involvement in local economic

development in Slovakia. Research method included study of related legislation, official documents of central state institutions (programmes, budgets, regulations) and local self-governments (local by-laws, local council decisions, planning documents, agreements and contracts, budgets). Extensive search of relevant information focused on tracking of numerous local self-governments initiatives, as they were covered in national, regional/local or specialised printed media and electronic information resources. Large amount of information was available on web pages of local self-governments and other involved institutions. It was useful especially in identifying individual and innovative approaches. The most useful was deep study of Local/City Councils meetings' records and their decisions, as well as local by laws and local budgets. In support of these resources, group 26 local self-governments also were analysed by means of semi-structured questionnaire.³ More detailed local information were additionally completed by local printed media (often published by local self-governments), as well as by e-mailed and phone communication. Selection of observed cities was based on attempt for balanced representation of regions, size categories of cities, more or less successful in their local economic development, as well as according to information available. In total, information on 36 cities was used in more systematic way. All these information collected served for developing of extensive overview on basic framework programmes, institutions, approaches, and tools used in local economic development.

1. MAIN FIELDS OF CENTRAL STATE ACTIVITIES ADDRESSING LOCAL ECONOMIC DEVELOPMENT

Although it seems surprising when addressing local economic development issues and leading role of local level is expected, until now initiatives of the central state in this field are very important. They include setting of basic legal framework, formation and implementation of various support programmes, establishing specialised institutions, distribution of various support. This top-down activity during last years is extensively combined with growing local initiatives.

Although issues of employment, new businesses, and economic transformation were quite urgent, attention of public sphere was not sufficient for long period. Resources were limited, number of programmes small, information not easy accessible, distribution of resources with limited transparency. More initiatives started during second half of nineties, with more extensive mobilisation of central state activities following 1998 change of government coalition. However, important factor in growing activities of the central level is related to pre-accession processes to EU. It also influenced transfer of approaches, ways of implementation and financing according to western standards.

State institutions involvement in local economic development was long term reduced and it also did not offered enough space for participation of other actors, including local

self-government. Programmes addressing local economic development were minor and under the control of central ministries, with reduced access to local actors, with very limited amount of resources, passive approaches were often, transparency very questionable. Etatist, non-participatory approaches prevailed, often using own deconcentrated state institutions. Many aspects of local economic development were underestimated, inter-sectoral co-operation and partnership approaches, local capacity building overlooked. They were considered as local issues that should be effectively addressed by local self-governments. Local state administration also did not act more extensively in local economic development.⁴ It was partly caused by prevailing approaches that issues of economic development, unemployment, restructuring are tasks of state, especially central state. State was able to address certain group of large investors, but did not formed general framework for more extensive local initiatives in local economic development.

Local economic development is influenced by activities of whole set of ministries. Ministry of Interior and Ministry of Finance, they both have strong links to functioning of local self-governments, as well as general local state administration. Ministry of Economy is influencing support of small and medium enterprises, vocational training and administering certain development initiatives (e.g. industrial parks). Ministry of Labour, Social Affairs and Family is active altogether with National Labour Office in labour market issues, unemployment. Ministry of Agriculture deals with support of entrepreneurial activities in agriculture, forestry and fishing, as well as rural development. Ministry of Environment is influencing development processes especially by means of planning procedures and setting environmental standards for development process. Growing role is taking the youngest Ministry of Construction and Regional Development (MVRR).

Growing importance of these issues is reflected in adopted legislation, although industrial parks and investment stimuli legislation is valid only since 2002. The best developed from local economic development point of view are activities in support of small and medium enterprises and active employment policy. In this field various programmes were introduced, more institutions are active and resources available. Very promising should be effects of support for industrial parks establishment, with important role of local self-governments in implementation. Only very slowly expands investment incentives functioning.

1.1 Industrial Parks and Investment Incentives

These two initiatives belong to the latest and they are accompanied with very large expectations. Unfortunately, they are in early stages of their expansion. Their wide scale application was not achieved and effects delayed. Formal requirements for obtaining are too demanding, complicated and time consuming for applicants. Especially suc-

cess of industrial parks development is strongly dependent on local self-government activities.

Act on support of industrial parks development (Act No. 193/2001 Coll.) was adopted with aim to accelerate economic development, to attract new investors and reduce barriers of economic development in concrete localities. Various foreign experiences were taken into account, including experiences of neighbouring countries that introduced similar initiatives earlier.⁵ It is also reflected in cautious approach, in attempt to avoid not used industrial parks. Industrial park is territory with concentration of industrial production or services delivery, defined for this purpose in territorial plan of the community, or plan of the zone. This legislation brings up growing possibilities of local initiatives in economic development because industrial parks establish and for support apply local self-governments. Subventions can be obtained for technical infrastructure development (water, sewage, water cleaning, electricity, gas, road and railway links, waste liquidation etc.), refunding of land dispossession and purchasing (or renting, exchange) of needed land. Support can not exceed 70% of total costs that limit activities of especially smaller communities without financially strong private partner (usually at least tens of millions of SKK are needed).⁶ Besides financial restraints, main barriers in quick expansion of industrial parks' development have been limited administrative capacities of local self-governments. Extensive preparatory works as well as documentation is needed to receive support (territorial plan, prepared land issues, sound local finances, agreement on future agreement with two investors etc).⁷

Key role in management and decision-making on support for industrial parks has Ministry of Economy, in co-operation with other involved ministries and specialised state agencies, taking into account social and economic situation in regions. At the beginning of legislation introduction, it was intended that resources available should be 500 mil. SKK a year (in fact 500 mil. SKK in 2001, 452 mil. SKK in 2002), however not all available resources were allocated due to the lack of well elaborated projects during 2001 and 2002 (afterwards only 150 mil. SKK was planned for this purpose in 2003 state budget). Central state support for industrial parks attracted large attention. It is well reflected in high return of questionnaires addressing local self-governments, where they proposed 529 localities for industrial park development.⁸ From proposed localities about 350 was assessed as very suitable or suitable. It included localities for green field, brown field as well as combined location.

The Act on investment incentives⁹ defines conditions for provision of investment incentives as individual state aid in favour of regions, sorts of investment incentives and relevant procedures. Package of these forms of state aid can be used especially by localities in depressed regions as supporting argumentation in attracting new investments. Incentives are provided in relation to new investments, expansion of production activities, take-over of company in troubles, substantial changes of production processes, new assortment of produced goods or services, usually accompanied with new

work-places generation. Main forms of this state aid are tax-relief, subsidy for newly created workplaces and subsidy for workforce retraining.¹⁰ The rules for aid distribution take into account size of investment and regional social and economic differentiation.¹¹ Applications for investment stimuli are administered and evaluated individually by Ministry of Economy. Workforce based subsidies are distributed by National Labour Office field offices (district level). The tax relief is administered by Tax Office. All proposals (resulting from consultations among applicant's company and Ministry of Economy) require approval of national Office for State Aid. Government of the Slovak Republic is adopting final decision. As a result of adoption of this law, it is estimated growth of employment about 8–10 thousand new workplaces a year.¹² However, only one pilot project was approved in 2002 until September 2003. From known large corporations that ask for such support there are e.g. SCA Hygiene Products Gemerská Hôrka, Siemens Automotive Michalovce, Osram Slovakia Nové Zámky, Johns Manville Trnava, SCP Ružomberok, Matador Púchov, Embraco Slovakia Spišská Nová Ves.¹³

1.2 Small and Medium Enterprises Support

Small and medium-sized enterprises (SMEs) development is one of the long-term pressing tasks since beginning of the transformation period following 1989. It is considered as one of the key factors of economic development of the country. World-wide experiences confirm vital role of SMEs in creating jobs and encouraging growth (e.g. Henry, et. al., 2003). SMEs have sometimes even more important role in local economic development, especially in localities where large investors are not present and not easy to attract. Leading Slovak central institution in this field is Ministry of Economy, although similar programmes also administer other sectoral ministries (e.g. in agriculture, construction and regional development). Number of current programmes and institutional framework in support of SMEs seems quite impressive, but on the other hand, it is too fragmented and diverse, not easy to orient, capacities of each programme and institutions are not very large, conditions often very strict and different, ability of massive support questionable. Questionable also is support and its accessibility for the smallest entrepreneurs and entrepreneurs in peripheral and small local centres.

Key co-ordinating institution in this field concerning all levels (national, regional and local) is National Agency for Development of Small and Medium Enterprises—NADSME¹⁴, affiliated to Ministry of Economy. Core activities are in developing credit and guarantee schemes stimulating SMEs development and support of managerial, marketing, financial and technical skills of entrepreneurs by means of advisory and information centres. It also is responsible for state policy formulation in this field, identifications of barriers of entrepreneurial activities, support SMEs establishment and growth in regions and localities throughout the country. It serves as implementation

agency for PHARE projects in support of SMEs. Organic part of NADSME is Euro Info Centre (EIC) serving as information centre for SMEs, focusing on international co-operation, search for partners abroad, international programmes, tenders etc. Seed Capital Company (SCC) was established by NADSME as business entity oriented on administration of Fund of Starting Capital aimed on support of starting entrepreneurs mostly by direct capital entry into their companies. SCC has regional branch in Banská Bystrica.

Central state represented by Ministry of Economy and NADSME supports entrepreneurial activities throughout the country by co-ordinating and supporting of Regional Advisory and Information Centres (RAICs), Business and Innovation Centres (BICs) and First Contact Points. Main aim of this support centres network is in assisting SMEs to start or expand in their regions and localities by providing advisory, information and educational services. This network supplements slowly growing number of business incubators.

Small and medium enterprises can exploit quite large number of programmes and supporting financial schemes.¹⁵ They offer advantageous conditions comparing to commercial credits. They are administered and distributed by numerous institutions with leading role of NADSME and financial institutions. Important role has NADSME own financial support programmes—Support Credit Programme, Micro-loan Programme and Fund of Starting Capital, administered jointly by NADSME, RAIC/BIC and Seed Capital Company. Other, more specific programmes include e.g. Programme of technology transfer and quality management, support of advisory activities and training for SMEs, support of incubators and spin-off, information centres etc. Among financial institutions, key role has Slovak Guarantee and Development Bank. It was established as state financial institution, later transformed to share holding company (Ministry of Finance as the only shareholder). It is specialised on support of small and medium enterprises. It is important by its support activities focused on SMEs by means of 11 guarantee programmes, 8 contribution programmes and 3 credit programmes. Its resources are from state budget transfers, resources obtained from international financial institutions and own resources. It has 7 regional branches in Slovakia. Slovak American Enterprise Fund (SAEF) offers financing altogether with technical and advisory support to prospective Slovak small and medium sized companies. It is based on commercial principle, using resources allocated by U.S. Congress. It is case of venture capital available in two forms—direct investment of SAEF and small credit programme. Small and medium enterprises can obtain soft credits from resources of European Investment Bank (EIB) and Japan Bank for International Co-operation (JBIC) borrowed through group of selected Slovak commercial banks. Certain sectoral ministries also administer many other support programmes and financial schemes addressing SMEs development.

1.3 Environmental Infrastructure and Village Restoration

Ministry of Environment belongs to ministries influencing certain aspects of local economic development, although its priority is in application of sustainability principles in development and planning. It is important partner for local self-government initiatives in the fields of rural development, infrastructure development and development planning. Main tools include subventions available within “Programme for support of realisation of environmental measures” and previously separate “Programme of restoring village”. Announced compensation of credit rates for environmentally based projects has not been applied yet. Important resources are available for environmental infrastructure development in pre-accession assistance ISPA programme. Ministry also influence general conditions in planning by its powers in setting territorial and landscape ecological planning legislation.

“Programme for support of realisation of environmental measures” distributes subventions, predominantly to local self-governments. From local development point of view, the most important are its two sub-programmes that improve potential of local self-governments for development or assisting in overcoming certain development limits. First sub-programme—rational exploitation of waters—serves for support of investments in water distribution, sewage, water cleaning stations, etc. Their non-existence or insufficient capacities prevent acceleration of development in some localities. Second sub-programme addresses territorial planning, revitalisation of the territory and Programme of restoring village. Decisions on subventions are adopted by advisory organ of the Minister “Board of the Programme of environmental measures” (members nominated by Minister). The Programme administers Section of Environmental Programmes Realisation at the Ministry. The total demands for subventions from this Programme were 8,9 mld. SKK, however only 1,4 mld. SKK could be distributed (2002). Total majority addressed infrastructure projects, only minor support elaboration of planning documentation (about 8 mil. SKK). Own resources of applicants that are predominantly local self-governments, or their micro-regions supplement these resources.¹⁶ Important local development consequences have already approved or prepared projects within ISPA framework substantially improving environmental infrastructure (water and sewage network, water cleaning stations) in large cities and their hinterland (for example Trenčín, Nitra, Banská Bystrica, Martin, Liptovský Mikuláš, Žilina, Michalovce). They are important economic “engines”, and their development was strongly circumscribed by absence or insufficient capacity of this infrastructure. Size of support was 4-5 mil. EURO for first group of projects, but for example 16 mil. EURO support for Michalovce region.¹⁷

The most important program explicitly addressing development in rural local communities is Programme of restoring village (Program obnovy dediny—POD). This programme was firstly introduced in 1991, and revitalised again since 1997. It has

been mostly perceived as grant scheme that offers resources to rural local communities. Administrator of this programme is Ministry of Environment, in co-operation with Ministry of Agriculture. Crucial roles in its implementation have local self-governments that use support from state. Number of participating rural local self-governments is about 700 to 800 a year. Applications for resources from this programme grant scheme by far exceed its possibilities. Amount of resource is unbelievable small (20 mil. SKK in 2002), when taking into account that there are more than 2600 rural local self-governments in Slovakia. As a result of very limited resources, only minor part of projects obtained financial support (e.g. it was 314 in 2002). Participation of rural local self-government in this programme also has been important in obtaining other forms of support. Final effect of this programme is not in extensive change in rural environment, it is especially in mobilisation and motivation sphere at the level of local communities and local self-governments. It also started numerous other activities that are working in parallel to this programme. Besides large interest to improve situation in own rural community, big interest to participate is also related to very limited resources of small local self-governments. So even small grant support is helpful.

Programme also has its local economic development aspects in preparation of programme of village restoration for individual village or micro-region, elaboration of territorial planning documentation, support in the field of technical infrastructure, SME support and support of employment, and promotion and marketing initiatives.¹⁸ Largest share on financial support (12 mil. SKK in 2002) addressed elaboration of various types of planning and development documents. Small investments can address technical infrastructure and public facilities construction or renewal. In the field of employment, it supports formation of information and advisory centres, support in starting new local businesses, development of space available for renting to entrepreneurs, support of crafts, tourism. Besides administrative structures at the Ministry of Environment, specialised body Slovak Environmental Agency—Centre of Territorial Development (based in Banská Bystrica, but having centres in regions) serves as professional body involved in methodical sphere, consultancy, monitoring and positive cases dissemination, especially related to POD (serves as Secretary of the Programme).

1.4 Support of Entrepreneurs in Agriculture and Rural Development

Among central level institutions involved in local economic development, it is important Ministry of Agriculture, especially in the field of rural areas development and support of entrepreneurial activities in agriculture, forestry and fishing. Its role is very important when taking into account still prevailing rural character of the country and large share of population living in rural environment. Development initiatives in rural areas also should

address support of transformation processes, including support of new entrepreneurs in agriculture, forestry and fishing, its labour productivity and market structures. Important is support of new production and service activities generating new jobs outside mentioned sectors but in rural environment. Main tool used by this Ministry is subventions to entrepreneurial subjects. Other forms of support are advisory activities, support by means of Fund for Rural Development—non-investment fund, activities of Agency for Rural Development, subventions to civic associations, foundations and associations of legal subjects. Important tool also is support within the programme SAPARD. Access to some of mentioned resources for a various activities also have local self-governments. Financial amount of support of subjects in agriculture, forestry and fishing is by far the largest comparing to support addressing other subjects in Slovak economy.

Ministry of Agriculture administers large-scale resources distributed as subventions. These resources mean substantial support for survival of subjects active in these fields, as well as for social and economic conditions in rural areas. Important part in its budget is composed by non-investment (8,6 mld. SKK) and investment (2,7 mld. SKK in 2003) subvention and compensations to various subject in agriculture, food processing, forestry, water distribution and management (including transfers to own institutions). From the programme budgeting point of view majority of these resources are spend on activities addressing support of employment in rural areas by improvement of economic and social conditions (programme—Agriculture and food processing—9,2 mld SKK in 2003). Ministry having responsibilities in water management also administer Programme of water management with 850 mil. SKK resources allocated, serving for water distribution, sewage (including providing water for industrial parks). From local economic development point of view, important also are resources allocated for Programme of forest economy (600 mil. SKK).¹⁹

Ministry of Agriculture has well-established institutional structure administering mentioned large amount of public resources. For its activities in regions, it uses well-developed network of own 36 Regional Departments covering whole country (located in large district cities, as they were district cities already before 1996 territorial division reform). They are important tools in implementation of all policies and communication with numerous subjects active in this sector, having strong ties to this ministry. Role of this Ministry also is strengthened by important roles executed in relation to integration of the Slovak Republic to European Union and related tasks and resources.

Ministry of Agriculture pays large attention to formation and functioning of professional advisory services. They are focusing on support of entrepreneurial activities according to approved regional priorities. Since the end of nineties, large effort has been developed in institution formation and co-ordination of such activities. As a result 22 advisory centres were formed during 1995–1999, however with main role in information services, including information on database of advisors. At present, differentiation of advisory centres is in progress in two directions. “Information centres” (IC) will

work affiliated to regional chambers of SPKK—Slovak Agricultural and Food Processing Chamber serving as information resource centres to enterprises, as well as advisors. More wide scope of activities (information, training, advisory services) will be offered in “Advisory, education and information centres”. They are based at research institutes and other accredited institutions, without involvement of state. Leading role in advisory activities has Agroinstitute Nitra²⁰, which co-ordinate, monitor and evaluate advisory activities, as well as introductory training of advisors. Agroinstitute altogether with specialised information centre serving agriculture sector (UVTIP—Institute of Scientific and Technical Information for Agriculture, located in Nitra) co-ordinate activities of Information Centres. Besides managing of framework activities, Ministry of Agriculture is supporting advisory activities in agriculture and food processing by their refunding to entrepreneurs up to 30% of annual cost within approved development priorities, and up to 10% of annual costs in advising outside development priorities. Resources available for subsidising advisory services were almost 15 mil. SKK for year 2002.²¹

Specialised professional body addressing rural development is contributory, not for profit organisation of the Ministry of Agriculture—Agency for Rural Development (ARVI), located in Nitra. Its main aims are in supporting balanced sustainable development of rural settlements, support in generating employment and additional incomes for rural population, support in elaboration of planning, programming and project documents in mentioned fields, support of potential and existing entrepreneurs active in rural environment. Prevailing forms of support are advising, training, information support, elaboration of programmes, plans and projects of rural development. Large attention pays to support of small and medium enterprises development (more final products, more value added production, use of natural resources, alternative production, support of rural tourism and agro-tourism, support of services in rural areas). Its activities include training in rural development programming and training in writing projects for support in other programmes of rural development. Important role has played ARVI by its facilitating and advisory activities in formation of micro-regions throughout Slovakia.

Processes of accession to European Union also were reflected in the field of rural local economic development. Framework of such support is included in Programme for agriculture and rural development SAPARD for the Slovak Republic, based on Agricultural and Rural Development Plan of the Slovak Republic. Within programme SAPARD, support will focus of various development aims. Besides support of subject in agriculture, fishing and forestry, support of other activities in rural areas also is possible. It is included in Priority 2, Measure 4 “Diversification activities in rural space” having two sections: 4a—non-infrastructure investments, 4b—infrastructure investments (not bringing substantial yields). It reflects reality that agriculture and forestry does not offer enough workplaces in rural areas, resulting from transformation process in economy. Improvements of economic opportunities and social conditions of rural population

are the main aims. Key element in protection of sustainable development in rural areas and sufficient employment is considered diversification of economic activities in rural areas. Support of more final productions, more services and craft production, support of business in rural tourism and agro-tourism should achieve it. Measure 4a supports production of traditional products and materials, small craftsmen, services in tourism, tourist facilities, reconstruction to tourist purposes, support of recreation and relaxation activities, including technologies and equipment. Measure 4b address small public investments supporting services in locality, as well as support of public investments in infrastructure. Activity 4b is open to local self-governments, micro-regions, and association of self-governments with NGO's. For this activities only 25% of national co-financing resources are needed (as so-called not for profit projects). Implementation of SAPARD activities is supported by existence of Regional Offices of SAPARD Agency, located in centres of administrative regions (not in Bratislava).²²

Part of pre accession processes in agriculture was activities of "Fund of rural development". It was formed under the programme PHARE as a pilot project for rural development simulating implementation of SAPARD programme. Resources from this fund were used in three districts with total size 45 mil SKK. Allocation of financial resources was in consent to priorities formulated in Agricultural and Rural Development Plan of the Slovak Republic. Most of resources were spent on activities 4a and 4b (almost 80 %). Importance of these priorities for rural local self-governments is expressed by fact that they composed 58% of total recipients.²³

Despite the fact that there is systematically growing number of rural development initiatives within the third sector, they are not explicitly oriented on generation of new businesses or new workplaces. Nevertheless, they can be starting point for later conversion of these more widely perceived approaches to local development to activities with important direct effect on local economy. Most important effect is in mobilisation of local population, formation of its leaders, formulation of needs, as well as their effort to place their development plans and programmes into programmes of economic and social development of their respective regions. Rural Parliament belongs to the most relevant third sector bodies focusing on rural development.²⁴ It promotes in the field of local economic development participation of citizens in development initiatives, access to financial resources (including small amount), support of business activities (crafts, traditional products), and development of volunteering, including training in development projects' elaboration. Grant schemes offering small amount of resources for rural development offer VOKA (Rural Organisation for Communitarian Activities) and consortium ETP-Ekopolis Slovakia, however they are oriented on small improvements, environmental activities, and reconstruction of historical rural architecture. Advisory services to micro-regions in the field of economic development and development programmes elaboration offers for example non-profit A-project (based in Liptovský Hrádok, northern Slovakia).

1.5 Development in Depressed Regions and Development Agencies

Long-term institutional instability and absence of well-working central level institution addressing spatial development issues were among causes of slow progress in formation of economic development related policies at the regional and local level during nineties.²⁵ There were very few programmes and resources available in favour of local economic development even in economically underdeveloped regions and localities. No initiatives for more elaborated local economic development planning and policy were existing. Since establishment of *Ministry of Construction and Regional Development* (MVRR) in 1999, it is influencing local development issues in growing scale, although it is overshadowed by its activities in regional development policy and housing. Two initiatives have larger impact from local economic development point of view—“Program of state aid for the development of districts with high unemployment” and establishment of Regional Development Agencies (RDA). More important is role of local self-governments as partner in establishing and functioning of RDAs.

“Program of state aid for the development of districts with high unemployment” initially integrated more tasks—support of small enterprises in defined districts, establishment of regional development agencies and transfers to local self-governments. Later it was reduced on support of small enterprises only. Resources available for this program have been about 100 mil. SKK a year (95 mil. SKK in 2002). Key role in application process as well as evaluation process had state administration. Insufficient and unprepared capacities caused limited exploitation of this program in many districts and localities, due to administrative incapability to prepare acceptable project applications (by state administration officials, as well as local entrepreneurs). It was adjusted to “Program of aid de minimis for the development of districts with high unemployment rate” (since 2003) also introducing modified conditions. It is now in agreement to State Aid legislation (Act 231/1999 as amended), more clear and more partnership based. Support is focusing on entrepreneurs with up to 50 employees. At least three new workplaces are required, and new workplaces should sustain for at least five years. Investments have to be used for original purpose at least for five years. Aid per one subject can not exceed 3 mil. SKK a year and 100 thousand EURO during three years. Important is requirement for co-financing from applicant’s side, ranging from 50% to 75% of total costs of the project (depending on nature of the project). Available resources are distributed according to limits calculated for each district (based on number of population and unemployment rate), however eventual redistribution among districts is possible, depending on number and quality of projects submitted. Applications collect District Offices, which also initiate establishment of assessment commission (5 members) respecting principle of partnership (representatives of state administration, entrepreneurs, National Labour Office, NGO’s, self-governments). They rank submitted projects and propose for receiv-

ing financial assistance to the ministry. There are again evaluated by partnership based Commission representing key ministries and associations at the national level. Final decision adopts minister and informs Office of the State Aid.²⁶

Although regional development agencies are mostly perceived as tool of regional development, they have strong impact on acceleration of many local economies, as well as linking together many local and regional development initiatives. They closely co-operate with concrete local self-governments in implementation of particular development projects. There are also RDAs located in small urban centres, so their impact will be local. Regional Development Agencies (RDAs) were formed in two stages in Slovakia. First attempt to build RDAs during 1997-1998 was not successful, when only minor of them remained really active in the field of local and regional economic development when support from state budget was cut down. Second stage, again initiated by central state (MVRR in 2001), has been more successful, since integrated network of 24 RDAs is functional (Table 1). Total number of internal RDAs staff was 45, and external staff was 90 (in 2002). Their status is association of legal entities based on partnership principles, according to Civil Code. It is non-profit organisation serving as a tool in managing and co-ordination of social and economic development in regions. Main activity of RDAs is in projects and programmes preparation. They should be able to prepare by own capacities, or in co-operation with external partners, quality projects to gain resources for own region. They also should participate in Regional Operation Plan elaboration within National Development Plan of the Slovak Republic. Most of them also are able to prepare business plans within the framework of SMEs support, and offers advisory services to starting businesses. Such activities are quick source of own resources of RDAs in some cases.²⁷ More active they should be in serving as advisory centres in the field of pre-accession and structural funds of EU, methodical centres for local and regional self-governments, training activities in local and regional economic development also should organised, serving as prolong hand of MVRR—information centre on its activities. They should also prepare regional information databases.

Table 1.

Integrated Network of Regional Development Agencies (September 2003)

Banská Bystrica, Čadca, Dolný Kubín, Galanta, Humenné, Komárno, Kežmarok, Kráľovský Chlmec, Lučenec, Malacky, Moldava nad Bodvou, Nitra, Prešov, Prievidza, Rimavská Sobota, Rožňava, Senec, Spišská Nová Ves, Svidník, Šahy, Trenčín, Trnava, Želovce, Žilina
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Source: Ministry of Construction and Regional Development, 2003.

RDAs are financed from two main sources—own resources and from state budget. Own resources are membership fees, payments for services offered, resources from

projects RDA is serving as contractor or subcontractor. Especially new RDAs have small portion of resources from development projects they manage. It is due to the fact that processes of projects' elaboration, evaluation and final realisation are often quite long. From this reason, important part of their resources is coming from state budget. Relation between MVRR and RDAs is based on agreement principle for the period of one year. They receive resources after submission of annual plan of activities for respective year, and after signing agreement with Ministry of Construction and Regional Development. State subventions are differentiated depending on priority regions, defined priorities in activities. It is supposed that state subventions will be decreasing in following years. RDAs in defined priority regions can obtain up to 90% of expenditures form state budget, while other up to 40% of expenditures (all depending on resources available). RDAs received in year 2000 5,3 mil. SKK, and in year 2001 16,7 mil SKK for current expenditures. New RDAs can receive small subvention for capital expenditures (4,55 mil SKK in total for 2000 and 2001). Average share of resources from state budget per one RDA is 65 % (the lowest share was 11 %, the highest 100%). It is expected that each RDA will prepare 3 to 4 large development projects each year (expected since 2002). Some of longer working RDAs were able to receive funding from foreign resources, including EU, already earlier. RDAs relations (but not only financial) to regional and local self-governments in their activity regions are not stabilised until now, although they are the main contractor to RDAs. It seems logical that in future more resources should be based on similar links to regional and local self-governments.

Among regional development agencies we can find agencies that have been established as local initiatives, mostly with important role of local self-governments, leading local corporations and various associations. This is the case of Regional Development Agency Levice, non-profit association of legal entities, or Regional Development Agency Senec—Pezinok (later included into integrated network).

1.6 Employment and Labour Market

High level of unemployment rate and its large differentiation across the country are among the most pressing consequences of economic transformation in Slovakia. Employment policy and labour market services are of crucial importance in efficient addressing problems of unemployment. Main forms of employment policy include employment services, together with advisory services, support of new workplaces creation, sustaining of existing workplaces, support to conditions of professional and spatial mobility, adjustment of employees' structure to labour market requirements, mitigating negative consequences of structural changes, as well as distribution of unemployment benefits.²⁸

Distribution of unemployment benefits is by far the largest expenditure in this field. Unsuitable and unstable proportion between passive and active policy should be more extensively changed since 2003. Although main responsibilities in the field of employment are under the control from above, the role of local institutions (especially local self-governments) is growing within last years. It is caused by participation on public works workplaces organisation addressing mainly long term unemployed (more than 12 months) and unemployed with low qualification, that have the worst chances to find work. Local self-governments should obtain more active role in shaping employment policy according to the needs of their local economies. Extending co-operation of local self-governments and district labour offices in active employment policy is promising initiative.

Main institutions active in this field are Ministry of Labour, Social Affairs and Family and National Labour Office. Ministry is responsible for formulation of labour market policy, its priorities, legislation and programmes in support of employment. National Labour Office besides its participation on setting policy framework, it is especially executive institution in the field of labour market. It includes initiatives in the field of active labour market policy, labour market information and employment services, distribution of financial resources on specific programmes, advisory services of various natures to various actors active at labour market. Its activities are organised within the network of regional and district offices, corresponding to administrative division of the country. Supervisory organs of National Labour Office, as well as its regional and district offices are respecting tripartite principle (representatives of state, employers and employees). From local economic development point of view the most important is efficient functioning of district offices and their supervisory boards. It can influence priorities of labour market policy, its strategy, define target groups, contributions to active employment policy, budget of district labour office. National Labour Office and network of its offices are crucial actor in successful implementation of active labour market policy.

Main tools of active labour market policy (see Table 2) are especially retraining, support of new workplaces generation (including support of self-employment), support to sustain workplaces, support of employment revitalisation projects, public works workplaces, as well as support addressing specific groups of citizens (young, school graduates, older, long-term unemployed etc.). The variety of support is very high even within these main group of support. Main forms of support depend on its character, but they are distributed to recipients as financial contribution according to number of employed, contributions on salary of employed persons, contribution on travel costs, retraining etc.

Table 2.
Main categories of labour market policy expenditures [Thousand SKK]

	2000	2001	2002 (First half)
Expenditures total	7,752,873	7,024,121	3,999,268
Passive policy total	6,182,429	4,789,198	2,913,455
Active policy total	1,570,444	2,234,923	1,085,813
Retraining	62,059	196,840	190,287
Travel costs repayment	—	—	7,767
Supported workplaces	1,356,458	1,808,170	689,768
of which public works	1,201,391	1,390,473	92
Specific groups of citizens	—	—	28,839
Changed work abilities	151,927	229,913	142,038
Other	—	—	27,114

Source: Analysis of development in the field of employment and unemployment based on indicators on evaluation of National Action Plan of Employment Measures used in European Union. Ministry of Labour, Social Affairs and Family, 2002.

One of the most widespread forms of support in unemployment that can have direct effect on local level of unemployment is public works (up to 12 months). It offers large opportunities for various public and non-governmental institutions to participate on generation of such workplaces. It is based on contract between district labour office and employer. Employers receive on this base contribution to wage of employees, contribution to all insurance payments, as well as coverage of some other costs. More suitable conditions are offered if such workplace allows employment of long term unemployed (prolonged employment). Within the last years, especially the role of local self-governments expanded this field. They have become large employers within this scheme. Latest Employment Act amendment strengthened status of local self-governments in relation to local employment, as well links between them and district labour offices. Local self-governments are now considered as institutions with competencies in the field of employment policy. Active employment policy success is to large extent depending on local self-governments involvement. The latest initiatives should bring up to 80 thousand of new workplaces in public works organised by local self-governments.²⁹

2. LEGAL FRAMEWORK AND REGULATORY POWERS OF LOCAL SELF-GOVERNMENT IN LOCAL ECONOMIC DEVELOPMENT

Roles of particular levels and lines of government in local economic development are strongly depending on existing legal framework and regulatory powers. It is one of reasons

that caused reduced role of local self-government in this field during nineties. Thanks to latest progress in decentralisation and public administration modernisation, its role also is growing in this field. Nevertheless, opportunities offered by legal framework and regulatory powers are not sufficiently exploited by Slovak local self- governments for local economic development purposes.

Positive development confirms large number of related laws that have been firstly adopted or amended especially during years 2001-2002. According to current distribution of powers, local self-governments control competencies that are influential from local economic development point of view, their legal position in particular activities was clarified. Acceptable conditions of local self-government autonomy in decision-making that allow quite free, initiative and innovative approaches to LED are strongly undermined by lack of resources available for development initiatives. Main regulatory powers of local self-governments include powers in supervision over economic activities on its territory, adoption of local by-laws and various types of planning.

2.1 Administrative and Legal Position of Local Self-Government in Local Economic Development

Well-established and autonomous local self-governments and steadily improving legislation determine basic condition of local self-government functioning in local economic development. Set of acts address explicitly local self-government, or local self-government issues within legislation addressing public sector functioning. They cover main powers, procedures and institutions of local self-government. More specific legislation covers e.g. property, tax and budgetary issues, or rules for their activities involved in state aid legislation and public procurement. At present, they offer more elaborated, although frequently changed framework also for local economic development oriented activities of local self-government.

Slovak public administration is of dual nature, with relative separate lines of self-government (local and regional) and state administration (district and regional general state administration, specialised state administration). Current development is typical by strengthening of self-government line of administration and reducing the role of state administration. Within the processes of public administration reform, more powers are transferring to local and regional self-government since 2002. District Offices of state administration should be cancelled since 2004, however network of specialised state administration field offices will be working at the district level (although in some cases not in all current districts).

There are not any relations of subordination among local self-government and state administration. Local self-government and regional self-government also are two independent levels of self-government having own legitimacy. As a result, local self-gov-

ernments can act independently in local economic development, respecting legislation, without any direct intervention from other public administration bodies. They can co-operate as equal partner to other public administration institutions. Slovak local self-governments can co-operate with private, as well as third sector bodies. They also can use own resources and property for entrepreneurial purposes, and combine resources with other self-governments as well as other legal entities.

The principal legislation concerning local self-government is The Communities Act (369/1990 Coll. as amended). Basic task of local self-government is taking care on the development of its territory and needs of its citizens. It also defines basic framework for local economic development activities. Main powers and functions of local self-government the most relevant to local economic development include—administration of communal property; preparation and adoption of local budget and final account; local fees and taxes administration; supervising of economic activities (including adoption of binding decisions on investment activities and starting of entrepreneurial activities); construction and maintenance of local roads, public spaces, cemetery, and other municipal facilities; organisation of public services provision (waste disposal, public lighting, water distribution, sewage, public transport etc.); own investment and entrepreneurial activities; adoption of territorial planning documents, as well as development documents concerning particular spheres of local life; establishment and control of own budgetary and contributory organisation and other legal entities. Local self-government also can execute certain powers of state as transferred powers. Since 2002 started transfer of important powers related to local economic development to local self-government. It includes powers in territorial planning and building order, regional development (including programming and implementation of development strategies and plans, co-ordination of legal entities co-operation in programming activities) and tourism (programming and co-ordination of legal entities co-operation). As a result, local self-governments role is strengthening and more influential in the field of local economic development.

Act 369/1990 defines basic regulatory spheres of local self-government in local economic activity. Main tools are adoption of local by-laws, decisions on economic activities in locality and adoption of planning documents. Basic sources of income are defined as well as local budget as basic fiscal document of the local self-government. Property of local self-government can be used for public purposes, activities of local self-government, as well as for entrepreneurial activities. Local Council decides on main issues of local life including rules on communal property administration, planning documents, local taxes, founding of communal enterprises or participation in other legal entities. Mayor can penalise entrepreneurial subjects by fines in specified cases. Local self-governments can establish association of communities. Basic rules for international co-operation of local self-governments also are defined.

Whole set of legislation determines financial aspects of local self-government functioning. They predominantly cover rules concerning use of financial and property resources. They include certain limits of local self-government financial involvement in development. Quite acceptable level of freedom in decision-making over fiscal issues (incomes and expenditures) is counterbalanced by lack of resources and appropriate property for LED. Main problems are in limited opportunities to generate sufficient and regular autonomous own incomes, too large dependence on transfers from state budget and large extent of obligatory expenditures. It leaves very minor amount of resources available for LED initiatives.

Financial incentives in the field of local economic development are strongly influenced by more detailed financial rules that must local self-governments follow according to Budgetary Rules Act (No. 303/1995 Coll. as amended). Respecting this Act, local self-government can provide subsidies and returnable financial support from local budget to legal entities established by community, for concrete tasks, in public interest and in favour of the development of the city's territory. Similar financial relations to other companies are more restricted. Subventions or returnable financial support they can obtain if they are companies located in the city, it can be support only from own incomes and for support of public beneficial services, entrepreneurship and employment. Financial assistance to these subjects must be approved within local budget and fulfilling conditions defined by local by-law. Such support also can not lead to increase of local self-government debt. Local self-government also can not guarantee credit obtained by legal entities it is not founder.

As a result of financial troubles of more heavy indebted local self-governments, fiscal autonomy of local self-government is reducing, influencing their possibilities to use external resources for LED financing. More restrictive environment is expanding in the field of borrowing. Such resources can be used only to cover capital expenditures. Credits exceeding 75 mil. SKK for one city, in one year, they must be approved by Ministry of Finance. Permission is also needed in a case of communal bonds issuing. More limits in borrowing will be applied since 2005.³⁰ Despite these limits, it allows quite wide space for financing various development initiatives.

Very important portion of local incomes generates shared taxes and state subventions. They are fully dependent on central level decisions within state budgeting processes. Shared taxes are decided on annual principle and included within State Budget Act for particular year.³¹ Similar situation is in most of other central state subventions. The most important are subventions for support of self-government in small communities (with less than 3,000 population) and mass transport in selected cities. Local self-governments also obtain large amount of resources as decentralisation subvention (especially for education sector), however they must be spent on predefined purposes (within uncompleted decentralisation process). State budget acts also define distribution rules. While share on personal income tax is distributed according to population

number, share on legal entities' income tax is distributed in 60% according to population number and in 40% according to location of taxpayer. It is certain motivation of local self-governments to support business development in their community. In fact, transfers from state budgets stagnate in relation to inflation rate and tasks executed by local self-governments. As a result, there is strong pressure to mobilise resources from own incomes of local self-governments.

Local self-governments are administering local taxes and fees. Initiatives of local self-governments in this field influence certain level of uniformity fixed in related legislation, nevertheless they have certain level of freedom in using local taxes for development purposes. Basic framework is expressed in Local Fees Act (No. 544/1990 Coll. as amended) and Real Estate Tax Act (No. 317/1992 Coll. as amended). Taxable activities/items (for example fees for public space use, from accommodation capacity, fees from selling tobacco products and alcoholic drinks, from advertisement, waste collection etc.) are explicitly listed, as well as upper limits of related taxes and fees. Such conditions reduce chances of local self-governments in adopting more diverse and individual incentives in support of local economic development. It also is influenced by intention to prevent unwanted potential inter-communal competition in this field. Local self-governments are free in determining (including tax relieves) of this large variety of local fees within mentioned limits. Similar nature has legislation in the field of property tax (real estate tax). Basic tax rates categories are listed, general conditions of tax reduction also are mentioned precisely, and no special pro-development measures are included in legislation. Local self-governments adopt for administration of local taxes and fees local by-laws, which include all conditions of their collection.

Local self-governments especially in large cities are large real estate owners. Besides new property, they were involved in transfer of property of communal enterprises located on their territory at the beginning of transformation period, restitution of historical communal property, participated in privatisation processes during transition processes.³² All property resources can be suitably exploited in support of local economic development. Use of communal property is sufficiently free. According to Act 369/1990 Coll. it can be used for public purposes, entrepreneurial activity and for local self-government purposes. It must be in agreement to principles of communal property use adopted by City Council and main transactions must be approved by City Councils. Property of the city can be used as capital in communal enterprises or for other entrepreneurial activity. Certain limits in exploiting communal property are related especially to property transferred to local self-governments within processes of decentralisation. Facilities as schools, hospitals must remain to serve original purpose, or change of their function must be negotiated with relevant central state institution (Act 416/2001 Coll.). Current conditions allow quite flexible use of communal property in local economic development initiatives. However, property of many communities is very small or absenting, often in poor state requiring costly reconstruction works, being quite heavy burden for local budget and hardly available for direct use in LED.

Legal framework in founding other institutions, especially local public companies of local self-governments (local self-governments maintain control over activities of the company), as well as participating in other legal entities, is very important for organisational framework of their local economic development initiatives. From large possible forms, prevailing institutions with communal participation are budgetary and contributory organisation, limited liability companies (s.r.o.) and joint stock companies (a.s.), as well as associations. While budgetary and contributory organisations follow rules defined in Budgetary Rules Act, limited liabilities companies (s.r.o.) and joint stock companies (a.s.) follow principles according to Business Code (Act 513/1991 Coll. as amended), and associations Civil Code (Act 40/1994 Coll. as amended).

Budgetary and contributory organisations/companies are established by decision of Local/City Councils. No permission from state administration for establishing of budgetary or contributory organisation is required. Local self-governments as their founder guarantee and supervise activities of budgetary and contributory organisations. Budgetary organisations are managed independently according to approved budget, with resources determined by the community within local self-government budgets. Budgetary organisation can not execute entrepreneurial activities. Contributory organisations are legal entities of the communities, which are linked to the budget of the local self-government by contribution. They must follow financial relation defined within local budgets. Its activity is managed according to own budget. Contributory organisation can execute entrepreneurial activity only with permission of its founder (i.e. local self-government).

Local self-government can participate in business based subjects in various extent (as well as s.r.o. and a.s. are only the most frequent), according to decision of local councils. While in some of them character of public companies is very clear, in many cases the capital involvement of local self-governments is marginal and private partners dominate in such companies. Very often legal form combining many partners from various sectors (state, public, private, non-profit) in one subject is association of legal entities.

Activities of local self-government in support of local economic development have to respect state aid legislation. Although main focus of this legislation is on central state based support programmes, according to State Aid Act (No. 231/1999 Coll. as amended) local self-government belong to legal entities considered as provider of state aid. Each aid provided from local budget or own resources directly or indirectly to entrepreneur is considered as state aid. Whole sets of tools as well as limits are defined. Direct forms of aid are subventions, credit rate refunding, covering of part of credit, bank guarantees realisation, returnable financial assistance. Indirect tools are taking over of bank guarantee, fines or other sanctions reductions, sell of property below market prices, advisory services for reduced price or free of charge, delayed tax payments. It touches support activities in fields of support addressed by local self-governments like SMEs, employment, advisory services. Nevertheless, the influence of this legislation is

reduced by small financial capacities of local self-government. Only in a case of larger cities there is threat that support will exceed 100,000 EURO in total within three consecutive years for entrepreneur, under which such support is allowed (if it is not in listed sensitive industries). Otherwise, such support must follow limits set up in this legislation and supervised by State Aid Office. Especially in a case of larger development projects, with many partners, various sources of support, limits set by this legislation have to be carefully followed.³³

Local self-governments, local public companies, as well as association of legal entities whose include local self-governments, they are obliged to act within Public Procurement Act (Act 263/1999 Coll. as amended). Any services, goods, works must be acquired within framework of this legislation, supervised by national Public Procurement Office. Mentioned institutions with local self-government involvement must follow specified procedures according to defined conditions (depending especially on price level of expected expenditures and sectors). These approach limits for example direct providing of contracts by local self-government to local companies in support of local economy without any tendering.

2.2 Local Self-Government Main Regulatory Powers Related to Local Economic Development

Main regulatory powers of local self-governments in Slovakia include—decision making over economic activities in the city, local by-laws and local planning documentation. However, current experiences confirm that cities rarely formulate detailed and clear conditions for economic activities functioning. More elaborated economic development oriented initiatives formulated in local by laws also are quite exceptional. More attention is paid to standard planning documentation adoption and its actualisation (binding part of territorial plans is also adopted as by-law), often considered as sufficient. However, territorial planning documents, although very good in land use planning issues, they do not address direct implementation and financial measures. Considering territorial planning documents as sufficient also in the field in LED, it reflects “reductionist” perception of local self-government role in the field of local economic development planning. Standard local economic development planning and programming started to expand in Slovakia only within last few years.

Local self-governments can efficiently use their powers in regulating local economic activities (according to Act 369/1990). They regulate economic activity on theirs’ territory, and according to legislation adopt agreements, binding statements, statements or proclamation to entrepreneurial and other activities of legal and physical entities, as well as location of their production units on community territory. Local powers strengthened transfer of powers in the field of building order (serving as building of-

fice), including building permissions', but excluding powers in expropriation.³⁴ Mayors also can punish entrepreneurial physical or legal entities by fines up to 200,000 SKK if local regulation was not respected, or if local environment is damaged, public spaces devastated. Local self-governments use their powers to specify conditions of businesses functioning on communities' territory. Local self-governments extensively use these powers, and they attempt to clarify and speed up related procedures. One of the more specific approaches to regulation of local economy is expressed in local by-law issued by City of Pezinok on categorisation of business activities within the city in relation to interests of the City and its citizens. For selected activities more preferential treatment is adopted by the city (e.g. in a case of administrative, local taxes/fees and commercial relations to the city).

Practice of Slovak cities confirms very limited use of local by-laws (local regulation adopted by local self-government and valid on the local self-government territory) for setting conditions and clear framework for initiatives in local economic development. No one from analysed local self-governments formulated explicit by-law extensively addressing economic development issues. It is surprising because we can find in many cities explicit by-laws that include rules for support (mostly subventions) of local culture, sport, education, health and social affairs. Most of them have not used this form even for setting rules for certain for example sectoral economic development related activities. Local economic development under such conditions has remained unsystematic, without any stable framework and defining of motivating environment from local self-government side, leaving LED on more or less unintentional and case by case approach based activity. As an exception, development issues were more explicitly reflected in by-law adopted in city of Trnava, defining principles of future development of the city, setting detailed lists of priorities related to local economic development, especially in the field of preparation of land for future development.

At the same time, measures for support of local economic development also are rare in rest of local by-laws (addressing other local affairs). They are marginally touched in by-laws addressing programmes of subventions from local budget, and rules for communal property use (e.g. selling and renting). It is the case of city of Skalica, which has within its by-law addressing use of communal property also rules for financial support of entrepreneur (subventions, borrowing). More general by-law in Ružomberok do not explicitly mention areas suitable for subvention or returnable borrowings, but declare that city can provide subventions and returnable financial assistance only from own resources and for support of public beneficial activities, entrepreneurial activity and employment. Similar opportunity for financial assistance and subvention for public purposes applied also in city of Partizánske. Some other self-governments, they have mentioned opportunity to borrow resources in general as more suitable in times of financial scarcity of local self-governments, when sub-

ventions to business sector could be disputed. Some cities attempted to specify in their by-laws conditions and procedures for selling and renting communal property.

Planning at the local level in Slovakia is long-term dominated by the traditional and well-established territorial planning. Within the last decade, quite strong position also obtained environmental aspects of planning—landscape ecological planning. Until now, these two aspects of planning have had the strongest impact on local economic development. Their legal position is very solid (The Building Act No. 50/1976 Coll. as amended). Any activity has to be in consent to basic regulations set up by territorial planning documentation. However, these lines of planning were not addressing economic development directly and efficiently, being more oriented on defining framework and limits of local development, urban physical structures, including their land use spatial perspective. There are absenting more elaborated economic development issues, financial measures, as well as any implementation strategies, or responsible management structures. On the opposite side system of regional planning is newly introduced, which include requirements for local social and economic planning (Act on Support of Regional Development No. 503/2001 Coll.). Its procedures are under formation, more detailed guidelines and requirements in preparation. Its legal position is still questionable, processes of elaboration of plans according to this legislation are only starting. Besides these mainstream planning systems based on legislation, various specific development plans were elaborated. They were mostly based on or inspired by foreign experiences and often prepared in co-operation of specialised foreign consultants.

System of planning at the local level, despite changes, it still favours territorial planning. This has been the most developed system of planning, with full hierarchy of plans, at the local level including the most important binding Master Plan (territorial plan—Územný Plán—UPN). This system was originally formed without any special reflections to economic and market based nature of development processes. After adjustment, it is still the main framework document, indispensable for any progress in local economic development. Any development activity has to be in consent to regulatory conditions expressed in planning documentation (UPN). As a consequence, having too precise and specific or too unrealistic “visionary” UPN, it makes obstacles to effective management of local economic development, acting as an important barrier of expansion of economic activities. Even more realistic UPN can not predict requirements of potential investors, so very flexible and open UPN are needed. Under current situation, local self-governments facing concrete interests of entrepreneurs and investors very often immediately change existing UPN. In order to be better prepared to investors’ needs, many of them turned to large-scale actualisation of already adopted UPN in advance. According to valid legislation each community larger than 2000 population is obliged to have UPN until June 30th 2005. It is important deadline that will improve conditions of local economic development. It means that each

larger community in Slovakia will be much prepared to deal with various economic activities (by far the worst alternative is to have not any UPN). Pressure addressing progress in territorial planning is supported by various resources available for subsidy to UPN elaboration (State Environmental Fund, SAPARD, PHARE).

System of territorial plans was during early nineties completed by elements of environmental planning. It also developed into hierarchy of landscape ecological plans, including elaboration of local systems of ecological stability. Their main aim is to define limits of human activities within the context of sustainable development. These plans define limits to economic development and are important tool of development regulation. As a result, indispensable part of UPN preparation at the local level is elaboration of landscape ecological plans. Each important investment in Slovakia also has to be evaluated within the procedure of environmental impact assessment (EIA). Position of environmental planning aspects is strong and influenced certain development initiatives and projects e.g. in hinterland of Bratislava. Projects related to green-site investment of VW Bratislava subcontractors or Záhorie industrial and technological zone (“Euro-valley”) were adjusted according to environmental requirements causing delay in these investments/projects completion.

Local development planning is following two diverse directions—local development planning in rural areas (development of communities and micro-regions—group of rural communities) and local development planning in cities. After years of lack of any standardised development planning (outside certain development aspects included within territorial planning), it was introduced by means of Act on Support of Regional Development. Its introduction only in 2001 caused that only in 2002 and 2003 pilot programmes and works on more detailed planning guidelines have been realised. They should allow real preparation of these plans in near future. These works are progressing more quickly in the field of rural communities comparing to urban areas. Besides this central state initiated development planning, there already exist various initiatives of individual cities in this field. They were useful in managing economic development issues. Similar activities have done rural communities under the framework of Programme of Village Restoration.

Mentioned Act addressing especially regional development, it defines new hierarchy of programming documents, including—Programme of economic and social development of community (rest of them are at national, NUTS 2 and regional level). Mentioned act defines such programme as mid-term programming document containing especially analyses of social and economic development of community, its main trends and needs, needs in the fields of technical infrastructure, social infrastructure, human resources, education etc. In comparison to territorial planning documentation plans, it has to include proposal of financial and administrative measures. It should be main local economic development document prepared by local self-governments or their associations.

Current stage in development planning in rural areas is well documented by “Handbook for micro-regions and communities for elaboration of Programme of economic and social development—Proposal” (December 2002). This handbook was prepared in co-operation of Slovak and British institutions. It has been activity organised in effort to proceed in implementation of Act 503/2001 in the field of local economic development planning. Experiment planning procedure was realised on two pilot micro-regions in central Slovakia. Approach was based on interactive planning which included representatives of local self-governments, state administration, third sector and informal groups, entrepreneurs and external experts (facilitators). Participation of citizens also was respected. Proposal emphasises formation of formal partnership, Programme of development and executive management. Main steps in planning included formation of vision, audit of resources, SWOT analysis, analysis of problems, formulation of aims and priorities, action plans elaboration and budget. Foreign partner supports pilot micro-regions also in phase of implementation of their programmes by grant resources.

3. FIELDS AND TOOLS OF LOCAL SELF-GOVERNMENTS ACTIVITIES IN LOCAL ECONOMIC DEVELOPMENT

Local self-governments are active in various fields and use diverse tools in supporting local economic development. From sectoral point of view the most usual are activities in support of business development, employment and tourism promotion. Local self-governments apply quite wide scale of generally known development tools. However, many of them apply only very narrow scope of tools or have remained passive in this field. The most frequently used are land-based tools, including participation in technical infrastructure development. Almost each city is active in local marketing and promotion initiatives. Due to limited financial resources of local self-governments, less extensively used and less elaborated are financial measures in support of local economic development. Activity in territorial planning belongs to the most standard, however more efficient focus on economic development is observable in planning documents actualisation only during last years.

Local self-governments also have been motivated to growing activities in economic development by expanding central state and international schemes applicable to this field. As a result, they are frequently participating, and not being major initiator of own schemes in local economic development activities. However, even these activities' implementation strongly depends on local self-government activities.

3.1 Business (SMEs) Development

Local social and economic situation is primarily depending on sustaining existing businesses, as well as generating and/or attracting new entrepreneurial subjects. Local economies dominate large number of small and medium enterprises in most of Slovak cities at present. Chances of all local self-government to attract large companies are minor and less frequent. On the reverse, suitable addressing of SMEs needs sector is task for each local self-government.

Most of current activities address support in new businesses' start and attempts to attract new companies. Support in sustaining and expanding already existing local companies also is more considered as before. Support of innovations and technological upgrading of local economy are rare. Local self-governments have played important role in transforming of local economies in some cities. Nevertheless, local self-governments are less efficient in shaping of local business environment. Compact approach to local economy support and well-elaborated schemes in support tools application are in most cases missing.³⁵

Local self-governments play important role in establishing small and medium enterprises support institutions. These activities are often initiated by external actors (e.g. state, local associations of entrepreneurs), but with important involvement and implementation role of local self-governments. They have crucial roles in delivering information and assistance on business start and expansion, as well as local access to detailed information on various programmes and resources available for support of SMEs. All these institutions have important role in generating and sustaining new businesses at the local level. However, their networks' institutions have been concentrated to large urban centres. Until now, they do not sufficiently address localities facing social and economic decline. The only exception is long term expected establishment of First Contact Points in selected smaller and peripheral centres. It is really local SMEs development addressing initiative.

The most widely used tools in SMEs development are (some of them discussed in details in next sections):

- Transparent local regulatory framework
- Advisory, consulting services within local self-government
- Regional Advisory and Information Centres
- Business Innovation Centres/Business Incubators/Incubator Houses
- First Contact Points

Local self-government in order to simplify conditions of business start formulated clear conditions and procedures related to their regulatory powers towards local business sphere. Such transparent and easy to understand environment allows shortening of time needed for submitting of all needed information and quick adoption of decisions

concerning particular company by local self-government. Local entrepreneurs can easily and quickly obtain all needed information and application (including electronic versions in some cities) needed for final decision.

Particular local self-governments decided to provide basic advisory and information services for small and medium enterprises. They are oriented on assistance in business start, information on financing opportunities, state support programmes, advising in business plan or project application preparation etc. Services provided within particular office of local self-government are the first form. It is for example the case of Trnava where project manager serves for such purposes.

Leading institutional forms in supporting SMEs with involvement of local self-governments are Regional Advisory and Information Centres (RAIC), Business Innovation Centres and Business Incubators (BIC/BI). Both of them provide advisory and information services for entrepreneurs. First RAICs started to function already in 1992 (pilot RAICs in Nitra, Martin, Poprad and BIC in Bratislava). At present network of RAIC/BICs consists of 13 RAICs and 5 BICs (April 2003). There were 67 internal and 133 external employees working at RAIC/BICs in 2001.³⁶ They are funded from Slovak, as well as foreign sources. Most of resources allocated is related to services and training provided to entrepreneurs, or potential entrepreneurs. Part of services provided is supported by 50 % subvention from state budget (40 hours a year, for two years). Special contracts on co-operation, particular projects realisation, other services' provision are adopted for each year between individual RAIC/BIC and NADSME. Average dependence on state budget exceeded 60 % in 2001. RAICs are not for profit institutions, with legal status of association of legal entities, based on public private partnership, with local self-government usual participation. They focus on beginning entrepreneurs and entrepreneurs seeking advice in expansion of their businesses. Preparation of business plans, consulting services (management, marketing, taxation, accounting, legislation), search for partners, training for potential entrepreneurs among unemployed are the most usually provided services. Of course, they also provide commercial consulting services, fully paid by entrepreneurs.

BICs and business incubators are usually business companies. They offer similar advisory services as RAICs, but they also offer entrepreneurial premises for innovative companies and work with them for period of 2-3 years. They serve as incubator for new small innovative firms, reducing their initial risks and costs. Scope of local self-government participation has varied. For example city of Spišská Nová Ves is 100% owner of Business Innovation Centre in this city since 1998 (earlier it was mixed company). It serves for training and managing financial support programmes. It also elaborated special conceptual material in this case oriented on small and medium enterprise development, it also runs business incubator. Often participation on programmes is supported by more easy access to micro-loans (after taking training in entrepreneurship).

Progressive forms of activities include establishment of business incubators. There were three business incubator in 2002—in Banská Bystrica, Martin (Martin-Flemish business and incubator centre), and incubator in Prievidza. Five new incubators started to operate in 2003 with help of PHARE funds (see Table 3). Under construction is incubator in Malacky.³⁷ Incubators in larger cities are more technology and innovation oriented, while incubators in smaller cities (e.g. Spišská Nová Ves, Rožňava) are not so selective and they support small and medium enterprises in general. Incubators usually include administrative as well as production spaces. They provide basic information and telecommunication services, as well as meeting and training rooms. Basic services are at affordable prices, renting is reduced to 50% of local prices. Some local self-governments attempt to develop smaller incubators—incubator houses in their cities (e.g. Moldava nad Bodvou project of incubator house). Local self-governments participate in establishing business incubators by land, buildings and financial participation (as capital input, subventions). For example, city of Martin participated in foundation of mentioned business incubator by land and financial participation about 14 mil. SKK, city of Banská Bystrica by unfinished building.³⁸

First Contact Points (Centrá Prvého Kontaktu) formation is new initiative. This multiparty initiative is oriented on further strengthening of SMEs support network and its better accessibility. These centres are located in selected smaller and peripheral centres, in localities with absence of similar institutions, addressing really very local needs. Nine “points” were established in Banská Bystrica, Košice and Prešov regions with support of PHARE funds for starting period of their functioning. Their main role is in providing advisory and information services to SME’s, e.g. business start, training, project elaboration in SME’s support, promotion, co-ordination of certain local entrepreneurial activities etc. They are associations of legal entities, with leading roles of local self-governments and RAICs. Their professional activities are co-ordinated by RAICs from their region. They are affiliated to offices of local self-governments. Self governments provide office space, cover running costs, later they will be participate in covering salaries of usually two employees working at such centre.

Small and medium enterprises support centres also have been initiated outside main nation-wide networks by specific local initiatives. Main tasks of such centres’ activities are similar. Initiative of three cities in Orava region (Dolný Kubín, Trstená, Námestovo) led to formation of Regional advisory and business innovation centre in Dolný Kubín, later transformed into private business company. Local initiatives in this field also represent “RESIL—Regional network for support of business and innovation activities in region of Levice”, with core role taken by one local research institute.³⁹ Support of SMEs is main task of “5P—Hron region business advisory centre for professional entrepreneurship” in Žiar nad Hronom, established in 1997 as joint initiative of cities in central Hron river region (Žiar and Hronom, Banská Štiavnica, Kremnica, Žarnovica, later also Nová Baňa) and leading corporations, with support of British Know How Fund.⁴⁰

Table 3.
Current Network of Decentralised SMEs Support Network (April 2003)

<i>Regional Advisory and Information Centres</i>	Bratislava, Dunajská Streda, Komárno, Košice, Lučenec, Martin, Nitra, Poprad, Považská Bystrica, Trenčín, Zvolen, Trebišov, Prešov
<i>Business and Innovation Centres</i>	Bratislava, Prievidza, Banská Bystrica, Spišská Nová Ves, Košice
<i>Business Incubators</i>	Banská Bystrica, Martin, Prievidza, Bratislava, Košice, Prešov, Rožňava, Spišská Nová Ves
<i>Centres of the First Contact</i>	Bardejov, Brezno, Levoča, Medzilaborce, Michalovce, Poltár, Sabinov, Snina, Veľký Krtíš

Source: NADSME, 2003.

3.2 Employment and Labour Market

High unemployment rate has forced local self-governments to expand activities in the field of employment and labour market. Most of activities address unemployed and local education/training sector. It should increase employment opportunities and improve labour characteristics of local population. The most successful initiative of local self-governments is massively used chance to generate new workplaces for unemployed within active employment policy framework. Minor is their role as direct employers in public companies they established. Despite being not directly responsible for secondary and university education, they play large attention to their support in locality.

The most frequent tools local self-government apply in support of employment and labour force include:

- Employment generated by means of participation in active employment policy programmes;
- Employment within public companies established and controlled by local self-governments;
- Participation in local education sector shaping ;
- Secondary education/vocational training;
- University education;
- Retraining of unemployed;
- Protecting easy access to centres of employment by support of public mass transport;
- Subsidies to local mass transport companies;
- Subsidies to regional mass transport companies;
- Regulation in mass transport operation, including fare.

Local self-governments are one of the key participants in active employment policy implementation. During the last period, their role has been strengthened by agreements between district labour offices and local self-governments on co-operation in sharing information from registry of unemployed, as well as in creation of conditions on participation of local unemployed in local public services. Various activities are organised by local self-governments and extensively financed by district labour offices from active labour market policy resources. There have been signed 2,325 such agreements, representing about 80% of local self-governments.⁴¹ It is one of the major initiatives in labour market policy within last years with potential effect to employ 65–80 thousands unemployed. Local public works are usually used for small improvement works, activities in development and maintenance of communal property, smaller local services.⁴² They also were used in clearing of devastated land and buildings. Such work allows employment of long-term unemployed with less education having the largest difficulties in finding stable workplace. This new initiative overcome certain imperfections of previous similar schemes—number of such new workplaces was small, they were organised for a few months, they required high accompanying supplementary costs within local self-governments that prevented expansion of such activities.

Less important is role of local self-governments as direct employer in communal public companies, or in city office. Companies established by or under the control of local self-government having various legal forms usually deliver typical public services, related to local self-government powers. Their employment activities also are related to communal property exploitation and maintenance (e.g. buildings, forests). Particular local self-governments public companies are active in more business oriented activities. They are predominantly activities having certain product and service traditions in their community, partly as a consequence of transfer of former communal enterprises, as well as in tourism and free time activities. Such small public companies usually protect employment and generate small income to local budgets. Nevertheless, the role of local self-governments as direct employer can not substantially change situation in local employment.

Local self-governments are not directly responsible for general secondary, vocational and university education, or training and retraining of employed and unemployed, the most important for local economic development. Secondary education and vocational training is under the control of regional self-government and state administration. Situation in training of secondary students improved wide scale introduction of teaching subject focused on entrepreneurship and applied economy into their curricula. The influence of local self-government as well as local business sector in education sector is only slowly expanding by means of school boards and local school boards⁴³, where representatives of local self-government as well as other local subjects are included. More efficient linkages especially among vocational training schools, local businesses and local

self-government are in fact absenting.⁴⁴ Vocation schools often prepare students without co-operation and feedback from employers. Local self-governments have supported secondary schools by offering various local grant schemes or by providing subventions for various projects initiated by school, especially in improvement of their education facilities, equipment and international activities.

Education and training activities also cover many institutions under control, or with partial involvement of local self-governments like Business Innovation Centres, Regional Development Agencies. They address specific skills needed at local labour market. For example in city of Humenné (Prešov region), Regional Education Centre was established with important role of local self-government (in co-operation with local Regional Development Agency and one of local leading corporations—Chemes). It is an attempt to integrate activities in the field of education, training and retraining. Besides educating and retraining of unemployed, it is addressing upgrading of qualification of workforce for local companies.

Local self-governments in many larger cities are very active in support of local university education. The second half of nineties was typical by decentralisation tendencies in university education. It was typical by establishment of new universities outside existing university centres (e.g. in Trenčín, Trnava), reorganisation and expansion of some older regional universities (e.g. in Prešov, Banská Bystrica). As a result, all centres of administrative regions now have university. Although university education is under direct control of central state⁴⁵, many cities have been permanently active in attracting university education. It has obtained strong additional support from local political and intellectual elite, leading corporations, business association etc. Very positive sign has been effort to form new universities reflecting needs of particular regions and their economic profile (e.g. technological orientation at Trenčín University).

In all “young” university centres, university initiatives have been grounded in very strong attention from local self-governments side. They developed large effort to find suitable conditions of their functioning. It included, for example preferentially arranged buildings, accommodation for students, housing for new teachers and researchers. They have rented needed spaces at favourable prices, cover running costs of local university education centres. Representatives of local self-governments and management bodies of universities frequently consult development plans of universities, and the role of local self-governments in their support. Self-Governments in many other cities support small branches of universities with centre in other cities. These deconcentrated branches usually deliver lower BSc. university education (e.g. in Prievidza, Lučenec, Spišská Nová Ves). There also are tendencies to form these branch centres according to local economy needs (for example education oriented on tourism in Poprad).

Local self-governments are becoming more involved in mass public transport. It allows shaping mass transport to local needs, including the most important daily travel to work. It is expressed especially in their intervention into certain fields of operation

(time-tables) and financial transfers to mass transport providing companies. Local self-governments in five large cities can influence mass transport services as owner of such companies in much larger extent. Besides of group of cities where local mass transport is under direct control of local self-governments, many other larger cities also expanded subsidies to protecting extent of services (e.g. Nitra).

The latest development has been influenced by progressing privatisation of mass transport companies and transformations in bus and railway transport. In both cases, it was accompanied by pressure for their more effective operation and reduction in services. Decision on full reduction of operation on certain regional and local railway lines (later modified), it mobilised touched local self-governments to protect their operation in order to save own citizens more flexible access to larger labour market centres. Good case of such co-operation is protection of operation on 20 km long regional railway between Žilina and Rajec (north Slovakia). After short break in its operation, it returned back to operation. The role of local self-governments in regional mass transport is under formation. An alternative to run operation on selected lines by joint transport companies owned by involved local and regional self-governments, with potential private partners' involvement.

3.3 Marketing and Promotion

Marketing and promotion activities organised by local self-governments are becoming very frequent tool for strengthening of local economy. They mostly are oriented on "selling city" to external environment. Most of activities address attracting of tourists and to less extent potential investors. However, in many cases, they often lack sufficient marketing base, have character of more general place promotion, not sufficiently focused and segmented on potential "customers"—visitors, agencies, investors. Prevailing is distribution of information on local amenities and tourism infrastructure. Promotion activities offering local economic and development potential are less frequent and less elaborated. While part of such activities have organised individual local self-governments by themselves, most of these activities are inter-communal and/or public-private partnership based, in minor extent executed by specialised external subjects.

The most frequent tools are:

- Local promotion—image making;
- Participation on specialised fairs, conferences, investment forums;
- Elaboration of local economic development information package;
- Dissemination of local economic development framework information;
- by own means;
- their inclusion in specialised external databases.

Local promotion—image making is mostly oriented on attraction of tourist, new investors into tourism and strengthening of related service segment of local economy. The most standard approaches use printed materials (books, brochures, guidebooks, leaflets), small presents and their distribution (some of them sold). For example, expenditures on such materials were estimated at about 1,5 mil. SKK (later reduced) in City of Trenčín 2003 budget. In a case of larger cities and more important tourist regions, promotion and information packages on CDs and videotapes also are available. Rising is use of electronic promotion—more elaborated use of web-pages, which are more informative, having more information in foreign languages, better updated, with links to many other local opportunities. Minor attention is paid to presenting of local good business climate or city as good place of living.

Participation on specialised fairs is usual form of city promotion initiatives. The most frequent is participation on tourism fairs. Cities present themselves not only in Slovakia, but in neighbouring countries as well, addressing countries most of tourists are coming from (Czech Republic, Poland, Hungary, Germany). Often such participation is organised in co-operation with neighbouring local self-governments (micro-regions, or regional associations of communities), private partners (travel agencies). Joint presentation of partnership cities/regions is also frequent (for example Trenčín and Czech city Zlín). Not so frequent are specialised presentations of cities in abroad, in partnership cities or at Slovak diplomatic missions/cultural centres and international institutions.

Participation on specialised real estate and investment opportunities' fairs also is worth of mention. Nevertheless, such participation in a case of larger cities or larger investment intentions was prepared in co-operation with specialised state and private agencies. More popular is presentation of local investment opportunities on specialised development conferences, investment forums. They are organised especially in west European countries and USA and besides general investment climate presentation, success companies' cases presentation, there are offered particular local investment opportunities.

Efficient promotion initiatives addressing attraction of new businesses from outside require well-elaborated set of information to persuade potential investors to come. Particular cities progressed in this field and offer well-shaped information packages (in various forms). They include basic information on local economic environment, as well as detailed information on available land, buildings, brown field location for investment, with all important location and concrete site characteristics (transport connections, infrastructure) and planning regulation information (example of such document is "Kežmarok is expecting you").⁴⁶

Local self-governments attempt to disseminate information on their local economic development potential and policies by various possible means. The most easily accessible is becoming use of official local self-government web pages. Good case of well-elaborated

web-page offering lot of useful information related to local economic development and useful for potential investors is web page of city of Senica. Passive “waiting” for investors is being replaced by more active search for potential partners in some cities. Local self-governments also search for specialised partners in dissemination of their development potential. They recognised limits of their own abilities to find especially foreign investors and have turned to co-operation with specialised state and private agencies. Local self-governments place their development information packages in such specialised databases. It improves chances to find new investors.

3.4 Locality, Land, Buildings and Infrastructure

Local self-governments have recognised their important role in preparing suitable localities for economic development, focusing to land and infrastructure issues. It is one of principal and the most extensively applied tool of local self-governments in local economic development acceleration in Slovakia. It also is reaction to previous experiences when many investors moved to another cities, even in other countries, where they found suitable, prepared and quickly available development locations.⁴⁷ At that time, development locations were not identified in local planning documents, they had usually numerous small owners and absenting technical infrastructure. Passive approach is changing in favour of active development location formation policies in many cities since end of nineties. Besides many individual tools applied, the most visible effort has focused to form more complex industrial parks.

The most frequent tools used by local self-governments are:

- Landbanking and support of economic development locations formation;
- Local self-government property register and urban geographical information system;
- Finding of suitable economic development locations and their delimiting in local planning documents;
- Purchasing of land for future development from private owners;
- Concentration of dispersed land ownership;
- Acquiring of land/buildings of former state enterprises and state institutions;
- Acquiring of “old economy” premises (brown field locations);
- Clearing of devastated and functionally obsolete locations with potential for future development;
- Participation in land use intensification;
- Purchase of land at favourable prices instead of land repossession in public interest;
- Investment in technical infrastructure (transport, energy, etc.);
- Capital participation by land and buildings;

- Locality, land and infrastructure based support of privately based economic development localities formation;
- Selling and renting of land/other real estates (buildings, administrative and production spaces);
- Selling/renting of land/other real estates at favourable conditions;
- Price reductions ;
- Selling land in more instalments;
- Exchange of land between city and other subjects for economic development purposes;
- Involvement of local self-government in infrastructure development;
- Local self-government upgrading and extending capacities of infrastructure;
- Complex and larger scale local economic development areas;
- Industrial/science technological parks.

Transparent communal property (land and building) registry and well working urban geographic information systems are very helpful in support of local economic development. It allows more flexible, easy to access and actual information on location opportunities, including very detailed characteristics on each location for potential economic exploitation. Identification of suitable economic development locations and their delimiting in local planning documents is inevitable step for their future use in local economic development. It also serves for better focusing of following local self-government activities in this field. They can adopt needed development oriented decisions and transactions in advance.

Land-banking as acquiring and improving contiguous parcels of land (Blakely and Bradshaw, 2002) is expanding strategy. Local self-governments in their support of economic development usually have attempted to use their already owned land/buildings as the first.⁴⁸ Their land resources however were often not enough suitable for potential businesses. More active cities have turned to policy of acquiring new suitable land, and/or concentration of dispersed land ownership into contiguous parcels using especially its purchase from private owners, or by exchange of parcels.⁴⁹ Besides buying land from private owners in advance (to unknown investors), they also buy land for known investor as own incentive. Local self-governments also have been successful in acquiring land within transformation and privatisation processes. Local self-governments have been able to obtain large property in land and building in privatisation of state enterprises, liquidation of various state institutions, or reduction of their local activities (e.g. military installation). Such property can be used for local development incentives.

Some local self-governments have participated in revitalisation of old production premises (mostly closed, bankrupted companies' sites). In some cases, such locations needed clearance works and basic adjustments done at local self-government expenses, in order to prepare more suitable location and reduce costs of potential future investors.

They have tried to offer them as brown field location afterwards. Similar are activities in intensification of land use on extensively used premises. There are companies that historically control large areas they are not able to use at present. They were in co-operation with local self-governments divided into more parcels, and converted into more intensive and flexible land use patterns, suitable for more companies, at more reasonable costs, often having all types of technical infrastructure available.

Land repossession in public interest also can be used for development projects in public interest. Due to low prices under such procedure of acquiring land (defined in legislation), local self-governments can face problems with landowners expecting high prices, unwilling to sell their land, and waiting with selling of their respective land plots for more favourable conditions. As a result, more favourable prices are proposed in a case of larger projects to avoid problems when applying repossession in public interest procedures and prices (for example in a case of PSA Peugeot/Citroen investment in Trnava).⁵⁰

Very frequent are local self-governments initiatives in upgrading of suitable location by investment into technical infrastructure. Depending on their financial situation and position in investors' attraction, they invest in roads, electricity network, water and sewage etc. Such prepared location can be easily adopted and used by potential investors into quickly producing units.

Local self-governments usually sell or rent land/facilities to private investors for their businesses. According to Čapková (2001), it is the most frequently used tool for support of local economy by local self-governments. Besides very competitive locations, usual approach is to sell or rent land/facilities in reasonable or even favourable prices in order to sustain or attract investors (in some cases also donation). Many local self-government are very keen to attract investors, or to support expansion of already located companies. Resulting from this effort, they also accept selling property in more instalments (three to five years, but even longer) reducing high immediate costs, especially to starting or growing companies. Exchange of land parcels allow to expand especially existing companies on their current place into neighbouring areas, to complete land suitable for development into larger plots, or to acquire land needed for infrastructure development related to their activities.

For large number of local self-governments, the most efficient is support of expansion of already located investors' activities, or privately organised development initiative. Besides land demanding support, important is involvement in completion of technical infrastructure. It is usually multi-party co-operation with private investors' resources and/or with assistance of state resources. Participation in upgrading and extending of existing capacities of infrastructure for expanding business activities is frequent.

The role of local self-governments in development locations' formation and land related issues have documented their role in elaboration of more complex development location in form of industrial/science technological parks establishment. Besides

the largest activity mobilised by industrial park legislation (Act 193/2001), there are cases of private public initiatives in this field initiated earlier and outside central state support.

Motivated by central state support scheme, many local self-governments have mobilised their capacities in elaboration of industrial parks proposals requiring quite complex activity of local self-government, as well as their partners from private sector. Their activity is crucial and must fit into tight central state administrative and evaluation criteria. They are the only eligible subjects to ask for support from central state. They are inevitable in basic planning framework approval and concrete project elaboration. They must have resources to cover their share on industrial park related investments.⁵¹ Very often is their important role in completion of needed land usually from previous owners, including buying of older industrial sites from own resources, not only from state support (e.g. Spišská Nová Ves, Michalovce, Gabčíkovo, Humenné). Such land often is local self-government asset put into usual industrial park development/administration companies. They also have to attract potential investors needed for application for central state support.

Number of industrial parks that were already approved for support is not high (8). It includes industrial parks that obtain support from EU programme PHARE, and industrial parks with support based on mentioned legislation. There are next 6 industrial parks projects registered at the Ministry of Economy already asking for support (Table 4).⁵² It includes projects from Gabčíkovo (district Dunajská Streda), Michalovce, Poprad, Kysucké Nové Mesto, Lučenec and Bardejov. Other projects are only in phase of preparation. Among them, by far the most ambitious is the project of industrial and technological park Záhorie (PTP Záhorie, often called “Eurovalley”) located alongside highway D2 (Bratislava–Brno–Praha), 20 km from Bratislava (near Malacky). It is planned as science industrial village on the territory of 1300 ha, with complex production, research and living infrastructure. Development is planned for period of 15 years (2002–2017) and 18000 new workplaces should be generated in technologically progressive industries at the end of this period. Total investments within PTP Záhorie are estimated on 80 mld. SKK.⁵³

Not all industrial parks are planned as green field investments. There are numerous brown field localities, mostly residuals of older industry in Slovakia (with not suitable built physical structure). Their advantage is in already available main infrastructure. While industrial parks e.g. in Kechnec, or planned PTP Záhorie are typical green field projects, industrial parks in Rožňava, Spišská Nová Ves, Levice, or planned in Myjava, Liptovský Mikuláš are brown field locations.⁵⁴ There are specific works needed to prepare such location not included within basic industrial parks support legislation. Theirs’ cleaning or adaptation costs are not subject of support. Large number of local self-governments could cope in this way with not used and functionally outdated production sites, often facing devastation, and prepare them for potential investors.

Table 4.
Approved and Prepared Industrial Parks Projects and Size of Support
from External Resources

Humenné	2 Mil. EURO (PHARE)
Rožňava (interim stopped)	2.4 Mil.EURO (PHARE), 163 Mil. SKK (state budget)
Spišská Nová Ves	2 Mil.EURO (PHARE)
Lozorno	255 Mil. SKK (state budget)
Bratislava—Devínska Nová Ves	84 Mil. SKK (state budget)
Vráble	29 Mil. SKK (state budget)
Kechnec	184 Mil.SKK (state budget)
Záhorie technological park	45 Mil. SKK (Fund of National Property)
Poprad (prepared)	142 Mil. SKK (state budget)
Gabčíkovo (prepared)	28 Mil. SKK (state budget)
Lučenec (prepared)	146 Mil. SKK (state budget)
Michalovce (prepared)	160 Mil. SKK (state budget)
Bardejov (prepared)	23 Mil. SKK (state budget)
Kysucké Nové Mesto (prepared)	178 Mil. SKK (state budget)

Sources: National Strategy for Support of Investments—adjusted version (2003). Slovak Republic Government Office, Sobinkovič (2002, November 11),

Industrial parks development is not only state-based initiative motivating local actors by related resources available. First industrial parks initiatives emerged already earlier, combining private and local self-government initiative. Such cases have been industrial parks in Vráble (later also obtained state support) and Námestovo (northern Slovakia). Current activities in industrial parks establishment are based on initiatives of various actors. There are industrial parks with leading role of private sector (e.g. in Devínska Nová Ves, Levice),⁵⁵ with leadership of local self-government (Kechnec),⁵⁶ or under the control of central and local state administration (PTP Záhorie). Private companies operating in Slovakia in parks field as individual investors or partners in joint companies are Slovak (IPEC in Gabčíkovo and Michalovce, R.B.M. in Rimavská Sobota, Avant in Lučenec), as well as foreign (e.g. Italian Immobiliare Vidor and Dieffe in Sládkovičovo and Malý Krtíš).⁵⁷

3.5 Local Economic Development Planning

Local self-governments extensively use in economic development their powers in planning. Most of them try to reduce limits to development related to absence or not enough flexible territorial planning documents. Some of them very actively have ad-

justed their territorial planning documents for development purposes during last years. Attempts for more explicit local economic development planning in form of various development strategies, development plans, action plans, etc. existed already during nineties. However, they were rare, in many cases they can be only hardly considered as complete and fully elaborated documents of local economic planning. They were often more close either to visions or action based documents, emphasising sectoral measures, with lack of deep analyses, very blurred implementation sections. Only rarely were prepared in co-operation with specialists⁵⁸ and followed by more detailed implementation programme. More executive and economic based planning is expanding since the end of nineties, using foreign experiences and partly initiated by legislation. Nevertheless, local economic development planning will expand in future due to the requirement to prepare “Programme of economic and social development of community”. Certain uncertainty related to their elaboration is related to absence of experiences with such approaches in Slovakia.⁵⁹

Main approaches within planning processes include:

- Local economic development aims included into standard territorial planning documents;
- Sectoral local development strategies and concepts;
- Short term local development strategies and concepts;
- Local economic development strategies/plans.

Strong legal position of territorial planning means that prime attention of local self-governments focus to elaboration of basic territorial planning documents. It is basic framework needed for any economic activity approval and development. Most of cities recognised the role of economic development and have turned to elaboration of more actual and especially flexible territorial plans. They identified and delimited whole set of development locations for various purposes, collected information on infrastructure. This trend is reflected in large number of new territorial plans being actualised in large extent within last years or in often changes in planned land use by supplements to existing territorial plans.

Particular cities progressed further and in addition to main territorial planning documents, they have prepared sectoral development studies/strategies/concepts. This is for example case of city of Martin that prepared study of “Eastern Industrial Park” including detailed information on particular sites, as well as EIA on territory exceeding 300 ha of land planned for economic development. They were prepared within own territorial planning unit. Other sectoral development programmes are mostly tourism addressing strategies and concepts, or other sectoral strategies and concepts prepared according to local economic profile.

Very frequent activity of local self-governments is preparation of more complex, but short term development documents. They are political documents adopted by local

councils for one electoral period of local self-government (4 years). These programmes of social and economic development, complex development of the city etc., are executive expression of electoral campaign promises as programme of main tasks and priorities, list of main investments. Their preparation was partly induced in relation to new legislation mentioning such documents on social and economic development at the local level, but without more specific guidelines for their elaboration.

Various development strategies and concept of the development were adopted in Slovak cities. They are more generally oriented on total development of the city, not only on local economic development issues. Broader perception of strategy of development present strategy that has been adopted for Bratislava.⁶⁰ It is more close to vision, collection of good ideas and innovations, not dealing too much with implementation, resources and time aspects. It is conceptual document serving as starting point for elaboration of other planning development documents (especially UPN). It addresses local economy in its analytical as well as strategic goals' sections. Analytical section is more of forecasting character, presenting eventual alternatives of economic development. Strategic goals' section formulates strategic goals in general terms, strategic goals for particular sectors of local economy, as well as development tools. This document supposes elaboration of city economic development plan, respecting this strategy. Conceptual document of similar nature adopted also in Nitra⁶¹. This concept of development addresses especially development of the territory, various types of infrastructure, environmental issues, investment intentions of the city, development priorities in short term and long term perspective. Economic parts address entrepreneurial activities of the city, intention to support conditions SME's activities in the city, indicate potential investment opportunities for private investor in service sector, identify certain barriers of local economy and business sector development. Similar broader approach to strategic development planning adopted in Komárno.⁶² As a positive step forward, in this case strategic goals were converted into detailed implementation priorities and financial measures (e.g. expressed in each local budget).

Among the best cases, series of local economic development strategic plans prepared with support of USAID project "Slovak Local Economic Development" should be mentioned.⁶³ They were prepared for four Slovak cities (Trnava, Prešov, Šaľa, Humenné) following practices developed in western, as well as Czech cities. They are based on initiation of local public private partnership in planning economic development. Main steps included analyses of local conditions (e.g. city profile, business environment inquiry, SWOT analysis), formulation of critical areas for future economic development, formulation of strategic vision. Strength of these development plans is in their attention to implementation—their conversion to action plans with detailed tasks. More attention is paid to implementation by means of Commission for management of strategic plan implementation (e.g. in Trnava).⁶⁴ It also introduced local economic development planning as permanent and repeated process.

Features of local economic development planning in rural communities we can find already in many earlier specific planning activities. Programmes addressing village restoration and sustainable development have included certain development aspects, however they could not substitute development planning and programming. Planning activities organised within framework of these programmes followed the territorial planning principles, physical structure and environmental issues. However, in solving these issues primary problems also have to be addressed—absent infrastructure, employment, as well as functioning of local self-government. Existence of programmes and other planning documentation is inevitable for application of other support. They were elaborated in co-operation of local self-government and state administration, experts, various local subjects (entrepreneurs, farmers, owners).⁶⁵ The most often stressed issues are attempts to use own resources, follow principle of endogenous development, developed activities in agriculture, tourism, crafts. Infrastructure and mobilisation of local citizens are also often mentioned as important development factors.

3.6 Local Self-Government Organisational Responses and Personal Leadership

Organisational, personal and leadership capacities dealing with local economic development within local self-government are important factors especially in preparation and implementation of local economic development policies. While in some cities, more or less blurred local economic development oriented structures exists, in growing number of cities specialised officials and organisational units are formed. They communicate with local business sphere in order to identify and satisfy their needs from local self-government side and assist to potential investors. Nevertheless, successful local economic development stories are accompanied by deep personal engagement of active and reliable leaders backed by well working organisational structures, with good ties to local business sphere. It also is especially the case of initiative mayors, or experienced professional managers involved in local economic development working within local self-government.

Main approaches related to this field of local self-government internal organisational response include:

- Local economic development issues are dispersed across various departments within city office;
- Selected officials deal exclusively with LED, or specific LED oriented organisational unit are established;
- Specific local economic development issues oriented commissions of Local Councils are working;
- Deep personal involvement and leadership.

In a case of local economic development's issues dispersed across various departments within city office, local development issues are among more tasks they administer or control. It is often the case of smaller cities, or cities not deeply involved and less focusing to local economic development. Partly it is influenced by smaller size of their city office and reduced number of officials in general leading to integration of their tasks. Such issues are usually dispersed within local office departments dealing with entrepreneurial activities, planning and investment development issues, financial and communal property etc. It is partly related to regulatory powers' distribution of local self-government. Local economic development under such organisational conditions is not permanent activity and less efficient. Nevertheless, it allows interim mobilisation to address certain minor economic development initiatives and projects, as well as partial policy development and implementation.

Higher priority given to local economic development is expressed in appointment of officials addressing LED as sole responsibility, or formation of specific LED oriented organisational unit within local self-government. There are especially larger cities that have own officials responsible for specific tasks related to economic development (with various names). Such officials are responsible for direct communication with potential investors (manager for regional development in Bánovce and Bebravou), or industrial park development (Spišská Nová Ves). Local economic development issues are expressed in organisational structure of large cities where specific divisions are working (Trnava). They are addressing not only planning approaches, but implementation and partnership building as well. Specific is e.g. position of small managerial unit on economic strategy and grants directly subordinated to mayor in Prievidza. Such units work across city office departments, try to co-ordinate their activities related to LED, permanently analyse situation in local economy, are involved in planning and project elaboration, participate in implementation of development project or particular investments. These officials also serve as project managers for concrete development projects.

In some cities, local economic development issues obtained high priority. It has been confirmed by establishment of specific development oriented commissions of local councils (otherwise such issues are dispersed among various commissions of Local Council). They are either commissions, dealing with important sector of local economy, or commissions addressing all aspects in development of business sphere and investment, local business environment and its support. Such approach is well observable in Pezinok where is functioning Commission for economy and entrepreneurship, as well as Commission for wine yards, wine production and tourism, accompanied by Commission of territorial development and environment. It should be mentioned that such commissions obviously include non-elected representatives of local elite and local specialists in related fields (living in the city).

Extent of personal involvement and ability to take leadership role, they are among the key factors of local economic development.⁶⁶ Leadership capacities are very impor-

tant and not enough recognised. They are behind success or at least progress in some localities, as well behind stagnation in the other. Local economic development activities can be only hardly considered as routine activity in well defined activity space. Success is strongly dependent on availability of local leaders with deep personal involvement, complex skills, creativity, ability to attract partners, co-ordinate joint effort etc.

Current experiences in local economic development have confirmed important role of local leaders in accelerating local economic development. They are especially leaders representing involved local institutions that take over leadership role according to their personal commitment, abilities and organisational strengths. We can find among successful leaders state administration officials (e.g. District Office in Malacky), leaders working at local RDA's, as well as local business community/associations leaders that also can take dominant position in LED. However, crucial seems the position of mayors (e.g. in Kechnec, Trnava, Spišská Nová Ves). Their position is strengthened by direct mandate from citizens, being respected and reliable representatives of local community. They also can use capacities of Local Council and Local Office. They are very suitable for taking important leading role and act as catalyst in local economic development initiatives. The most visible has been deep personal involvement of mayors in preparation and implementation of development projects for example in Trnava and Kechnec. Important role also can have leading local self-government officials that have enough capacities, skills and freedom of action in this field.

3.7 Financial Tools and Financing

Financial incentives of local self-governments can have very important impact on acceleration of local economic development. There are many techniques and tools of such character available in general and with good experiences from many countries. Nevertheless, besides legal limits, it is especially insufficient resources available that limit their use in Slovakia. Two main aspects are important—financial tools applied in support of local economic development, and role and techniques of local self-government involvement in financing local economic development. As it was confirmed already by Čapková (2001b), the most standard and frequent tools in this field concern local taxes and fees—exemptions, abatements, payments postponing etc. Capital participation of local self-government in various legal entities is also frequent. Important part of tools address legal entities established by local self-government. Application of such tools is mostly decided on individual cases. Most of local self-governments also are not prepared to enter into more complicated and more expertise requiring tools, having no specialist available (especially in smaller communities). Almost no elaborated support financial schemes are applied e.g. in relation to SMEs.

Potential for more active intervention into local economic development processes is negatively influenced by long-term financial scarcity. This situation has been typical for whole period since 1989 and it remains valid at least in short-term perspective, until fiscal decentralisation will be completed (2004–2005). Due to the fact that financial scarcity is long term, potential internal reserves and mobilising steps in addressing such situation were already exhausted. As a result of transformation processes, many of local self-governments have been large real estate owners (land, buildings, forests), although differences among them are very deep in the field of property. Large portion of such property has been sold to private owners due to the lack of resources in local budgets during nineties. When this source of revenues diminished, local self-governments often turned to borrowing and municipal bonds as another possible alternative to finance their development projects especially since second half of nineties. However, scope of borrowing can not expand too much, in order not to threaten basic functioning of the communities. As a result, potential to mobilise financial resources from own property, or from borrowing substantially diminished in a case of many cities. Similar pressure existed on expenditure side of local budgets. Delivery of obligatory functions has caused permanent pressure on local budgets (basic local public services required more than 3 mld. SKK in 2001 and environmental services 2,3 mld. SKK). Spending on local development activities also was influenced by high share of direct spending on self-government (e.g. it was more than 10 mld. SKK in 2001, of which 4,4 mld. SKK are wages). Total capital expenditure composed minor part of local budgets (see Table 5). Although financial resources provided to support of local economic development are not known from existing budgetary data aggregations, they are not high.

Table 5.

Incomes and Expenditures of Local Self-Governments in 2000 and 2001 [Thousand SKK]

Incomes	2000	2001
Tax incomes	12,799,234	13,992,344
Non-tax incomes	10,691,602	10,924,787
Grants and transfers	3,739,382	4,773,333
Credits, sell of shares	124,345	297,105
Credits obtained	6,302,800	2,730,491
Total incomes	33,657,363	32,718,060
Expenditures	2000	2001
Current expenditures	18,747,630	19,873,281
Capital expenditures	7,366,417	8,754,058
Credits, capital investments	5,495,670	1,958,427
Total expenditures	31,609,717	30,585,766

Source: Proposal of state final account of the Slovak Republic for year 2001 (Slovak Republic Government Office, 2002).

The most frequent taxes/fees and property based financial tools used by Slovak local self-governments include:

- Taxes and fees based tools
 - Setting tax rates in reasonable level;
 - Tax/fees abatement;
 - Tax/fees free period;
 - Tax/fees free period compensated by investments;
 - Tax/fees payments postponement;
 - Tax/fees debt covered in instalments;
 - Tax/fees debt covered by works/services for local self-government;
 - Tax/fees penalties abatements/exemption/instalments;
- Property based financial tools
 - Selling property at favourable prices;
 - Selling property on more instalments;
 - Rent reduction depending on activity;
 - Rent reduction in exchange for investment;
 - Long term rent and interim rent reduction in exchange for investments;
- Financing of local economic development include:
 - Internal financing and mobilisation of internal resources;
 - Contributions, subventions, grants local businesses or development institutions;
 - Capital participation in new companies/associations;
 - Loans;
 - Loans for development activities/help companies facing interim troubles;
 - Loan guarantees for development activities;
 - Contracts to local companies;
- Accessing external resources (domestic, foreign);
 - Commercial credits and guarantees;
 - Government development programmes;
 - Foundations grants;
- Funding mix formation.

Local tax/fees policy follows objectives in local economic development in many cities. Cities carefully design their tax/fees rates in order to protect their income bases and do not threaten functioning of local businesses. Taxes/fees are selectively used for exemptions and abatements. Especially the most typical local tax—property (real-estate) tax is not used for any extensive tax relief. Cities try to avoid massive pressure for exemptions and abatements threatening stable part of their budgets' incomes. More general schemes on tax/fees reduction are realised very sporadically and on short-term (one-year) basis. More often City Councils adopt individual tax/fees holidays for selected legal entity

and for defined period. They often prefer more cost—benefit based approaches, when exemptions and abatements in taxes/fees are compensated by certain development benefit (more employment, larger investments, investments in public interests, e.g. in public spaces). Some self-governments also accept postponing of taxes/fees payments during initial period of certain companies functioning. It also is known that there is lot of companies with taxes/fees debt to local self/governments. City Councils usually carefully investigate reasons of these debts, and in justified cases (e.g. documented difficulties of local company) agree with their postponing or payments in instalments. In exceptional cases they also agree with compensation of debt by works or services realised in favour of local self-government. After careful consideration penalties (e.g. related to taxes/fees debt) similar approaches also are adopted.

City property is frequently used not only for mobilisation of financial resources but at the same time also for creating financially favourable conditions of local economic development. City Councils often decide on selling communal property at favourable prices (or donations) when such deal will have positive effects on local economy, especially employment. Similar logic is behind selling property in more instalments, reducing capital needs of investor at the beginning/expansion of its investment project. Many cities also use renting of their property to achieve their local economic development objectives. City Councils often agree on rent reduction according to effects of activities in rented property. Local self-governments in many cases reduce rent in exchange for investment into own property. They also accept long-term rent and interim rent reduction balanced by investments in public interests (e.g. technical infrastructure). Local self-government sometimes took into account large development activities of certain companies in related infrastructure reducing their financial duties to local self-governments.

Local self-governments are able to finance certain development activities from own internal resources. In various extents, they also financially support economic development projects, or development institutions by subventions, contributions, grants. Capital participation in development projects, new companies, associations is less frequent in larger scale (e.g. in industrial parks, incubators). Loans for development activities or companies in difficulties, as well as loan guarantees for development activities belong to rare forms of support. Local self-government has bad experiences with such activities from previous decade, as Kling and Pilát (2003) mentioned, some of them had to take over private companies' debts and lost property use as collateral.⁶⁷ Loans, guarantees for credits they preferably use in favour of own companies, or companies with local self-government capital participation.⁶⁸ Local self-governments also are not providing or managing micro-loans programmes. Due to the public procurement legislation direct contract to local companies are limited in a case of costly contracts, however local companies have larger opportunities to be successful even under such conditions. Local companies have larger chance to obtain contract from local self-government in a case

of smaller size of contract where more simple procurement procedures are applied. It gives chance especially to local SMEs.

Local self-governments have chance to finance its local economic development intention from external resources. For certain local economic development activities local self-government also used commercial credits, or took guarantees for such activities done by own communal companies. Important roles have local self-government in accessing to central government development schemes, as well as other EU funds or other governmental or international institutions, foundations and grant schemes. In many cases local self-government took position of managing economic development funding mix—combining resources of many participants for one project financing. It reflects more advanced approach to financing local development in formation of multi-source financing schemes for development projects. Special division with such orientation is working within City Office in Trnava. Information on various potential sources of financing is available to other local institutions and entrepreneurs, including advising in this field.

3.8 Institutional Environment Formation

Local self-governments institutional involvement is belonging to the most serious expressions of their real interest in local economic development. Positive is their role in new institutions building resulting in diversification of development activities, usually accompanied by increased specialisation, more expertise and more resources availability. Institutional environment active in local economic development outside central level seems quite rich and focusing on various activities at present. However from country-wide point of view, there are large differences. Although, this environment is still under formation, initiative and participatory role of local self-governments in each locality is unavoidable. Local self-governments beside theirs' own capacities and initiatives, they are involved in many other institutions specialised to certain activities in economic development. They have been established under full control of local self-government or in partnership with partners from other sectors. Although partnership principles are often mentioned in this framework, relations among local self-government and other partners in local economic development are of various characters.

Institutional environment is among crucial factors influencing local economic development. According to Amin and Thrift (1995) local institutional thickness can have decisive influence on economic development and companies gravitate towards localities which offer the best institutional milieu to support their needs. Table 6 documents existence of quite rich and specialised institutional environment focusing on local economic development issues (roles of particular institutions were mostly already mentioned). However, functioning and effects of these institutions are matter of discussion. Most of involved institutions are not always easy accessible, available in each city or larger rural community that can serve as more important centre of employment and business activity.

Many of them are of reduced capacities. Efficiency of co-ordination of their activities has varied. Some of them are only in stage of clarification of their core activities, and on the other hand, another attempts to combine more functions into one institution. Certain co-ordination, hierarchy, natural links and effective communication among them according to special tasks are only under formation. Many institutions are with not accredited and inexperienced staff, some of them even voluntary, or on the reverse doing as main task different activities and having LED as part time task.

Attitudes of local self-governments to local economic development institutional environment building, as well as relation to other institutions involved in local economic development are very important. There are of course differences among localities, but main forms of involvement can be identified. I have to admit that institutions can not be perceived only as real institutions—organisations, but important also is normative perception of institutions as culture of relations, values, practices, traditions, routines, unwritten rules etc. (based e.g. according to Weinberger, 1995; Blažek and Uhlíř, 2002). Successful activities of local self-governments in shaping less formal, softer local rules and social practices that influence local economic development are not easy task. Nevertheless, it seems that institutional efficiency, reliability and trust in relations, transparency, also are behind success of certain cities in local economic development and local self-governments have important role in shaping normative aspects of relations in their cities.

Local self-government institutional—organisational involvement in support and managing of local economic development can takes various forms, from direct local self-government involvement to purely procedural competencies' based positions to particular local economic development initiatives:

- activities of local self-government and its internal bodies;
- activities of organisations established by local self-government
- networking initiated by local self-government;
- co-operation and support relations;
- non-organisational and organisational partnership;
- activities of other legal entities within local self-government regulatory powers.

The most frequent involvement of local self-government in local economic development is based on its direct activities. Besides decisions adopted by its main organs (City Council, Mayor), specific related tasks execute its departments or specialised internal bodies. For better addressing of certain fields of actions, or application of certain tools, local self-government also use separate organisations established by local self-government in various legal forms. It depends on decision of local self-government, but many information and advisory centres, business incubators, development agencies, etc. they are budgetary, contributory or 100% local self-government owned business companies. So they are under full control of local self-government, with other extensive, for example financial relations to this entities.

Table 6.
Local Economic Development Related Institutions Outside Central Level

Self-Government

- Local self-governments
 - Joint offices serving more self- governments
- Regional self-governments

Local state administration

- District Offices
 - district (or sub-regional) offices—specialised (e.g. in agriculture)
- Regional Offices
 - regional state administration—specialised offices

Public law institutions

- National Labour Office district offices

Education and research institutions

- Secondary/vocation training
- Private training/retraining institutions
- Research and development institutes
- Universities

Local economic development related institutions (mostly mixed public/private)

- First Contact Points
- Tourist Information Centres
- SARIO offices in regions
- Advisory, education and information/communication centres (rural development)
- Regional Development Agencies
- Regional Advisory and Information Centres
- Business Innovation Centres
- Business Incubators
 - planning and programming bodies (e.g. Regional Monitoring Committees, SAPARD offices)

Private subjects

- Individual entrepreneurs/companies
- Financial institutions (banks)
- Developers, real estate companies
- Companies active in planning, consulting, advising

Associations/interest bodies/voluntary third sector bodies/informal bodies

- Associations of local self-governments
 - microregional
 - regional
- Business associations
 - Regional Chambers of Commerce and Industry
 - Regional Chambers of Agriculture and Food-processing
 - Local Associations of Entrepreneurs/Clubs of Entrepreneurs
- Other specialised 3rd sector bodies—civic, education, communitarian, etc.
- Local development clubs, local patriots clubs, etc.
- Euroregional institutions (Secretariats, Councils)

Less developed local self-government relations to other organisations/companies (comparing to co-operations and partnerships) in local economic development are informal networking activities. They are perceived as important tool for occasional or permanent communication with local economic development oriented institutions and local business sphere. The most typical are meetings of local self-government representatives (mayors) with local entrepreneurs, managers of leading local companies and other LED oriented institutions. They serve as opportunities for exchange of opinions on important joint issues—mostly on support of particular activities organised by the local self-government by local businesses, presentation of needs of local business sphere to the local self-governments and improvements needed in local development environment. Networking is starting point of many suitable adjustments, development projects or partnerships in economic development.

Local self-government with partners from other sectors can follow economic development tasks by means of less ambitious co-operation and support relations. It is more reduced form of inter-organisational co-operation comparing to partnership, because it is based on individual, occasional, short-term ground. It can be execution of certain projects based on short-term contract, individual short-term support (e.g. subsidy from local budget), inter-mediation in certain activities. It can be documented in industrial parks development in some cases. Some of them have been private investors' initiative (e.g. IGP in Vrábce), or one company participating in industrial park development prepared site also for other investors (DaK Küster took this role in Bratislava—Devínska Nová Ves). Local self-government participated in this project for example also as inevitable partner for obtaining of state support for industrial park development.

Most of current local economic development activities are based on inter-sectoral partnership, especially public-private partnership in various joint organisations and development projects. Partnership based approach combine advantages of all involved partners. Main feature of partnership is that it exceeds simple exchange of information and services by working fully together, on longer-term bases, with active participation of partners, focusing on common outcomes, based on firm agreements of agents to work together (according to Cameron and Danson, 2000). Private partners are bringing know-how and experiences (e.g. based on earlier projects), as well as access to private resources (including commercial credits), while third sector bodies for example reduced costs, voluntary work, enthusiasm, or experiences. Both are important to sometimes inexperienced, under-financed, often overloaded local self-governments that are interested in particular local economic development initiatives. Forms of partnership include long term contracts, agreements, development projects, as well as organisational expression of partnership in various new joint companies or associations.

From many cases of partnership observable in local economic development, it is worth of mention widely extended partnership between local self-governments and National Labour Office in employment issues. Regional Development Agencies also are

typical example of partnership principle application. One of the latest cases is foundation of First Contact Points serving to SME's support. Organisational partnership also well document industrial parks development projects that often follow model of foundation of joint "management" company representing more partners.⁶⁹ Ownership structure is usually depending on local conditions. For example in Lučenec industrial park it is 20% local self-government and 80% privately owned (Primpark a.s.).⁷⁰

Important issues in this field concern partnership formation, leadership role in partnership, and differences in partnership institutional environment in urban and rural environment. At present there exist quite large numbers of potential partners for co-operation in local economic development in Slovak cities. The largest problem is in their attraction into closer co-operation and partnership in this field in some localities (e.g. unwillingness to co-operate in some development activities of local self-government from business sector in Liptovský Mikuláš).⁷¹ Leaders in partnership are different. It has been well observable in a case of known development initiatives as well as planning procedures in cities, as well in a case of rural strategies. Crucial roles in these activities usually have local self-governments. They have important co-ordinating position, reflecting especially their competencies in planning and managing development, as well as its capacities and stability, primary interest in locality. However, in many concrete projects and activities leading role often took over private partners (investors, developers, entrepreneurs), specialised bodies (development agencies), non-governmental bodies, or even state administration. It is often related to theirs' initiator position in certain activities, their specific know-how, or weight of partners in financing development activities.

Partnership is widely accepted as inevitable also in a case of development initiatives in rural areas. However it has certain specific features. Existence of partnership group of participants on the programme is inevitable for the beginning, as well as progressing in the local programme within Programme of Village Restoration framework. Without achieving of general consensus on the Programme of village restoration as the basic vision, it will not be formulated. Such partnership is also crucial in implementation of the programme in the village. The most frequent partners are local self-governments, entrepreneurs, local associations, volunteers, citizens, state administration. Main role in majority of rural communities have their local self-governments (mayors, councils) and external non-local institutions. They are in some communities supported by local third sector bodies, or individual entrepreneurs. Rural local self-governments and their offices are rather small bodies, with absence of specialised staff, with many tasks to do (e.g. in delivering public services). They often attempted to overcome limits of size and insufficient capacity in individual communities by formation of micro-regions, and at present by formation of joint offices. Nevertheless, external institutional support and external partners involvement is very important. Most active rural local self-governments and micro-regions established links to various other bodies active in rural development.

4. THE ROLE OF FOREIGN SUBJECTS IN LOCAL ECONOMIC DEVELOPMENT

The role of foreign subjects in local economic development is important. By far the most important is their role as investors generating new workplaces and transforming local economies. They already significantly penetrated and modernised some local economies. As a result, many current activities and tools used in local economic development are addressing foreign investors. However foreign investors can not generate all “lost” and needed workplaces. They often prefer higher productivity without extensive new workplaces generation. Important roles also have various consultants, advisors working in various institutions oriented on local development issues (mostly central government, local self-governments). Large share of them is working in Slovakia within bilateral co-operations and technical assistance within EU pre-accession programmes (PHARE). Many of foreign consultants activities have been funded from multilateral or foreign governmental resources—USAID, British Know How Fund, World Bank etc.). Foreign assistance focusing on certain aspects of local economic development also have flown to Slovakia through various private initiatives, venture capital schemes and third sector bodies. Support is often more of pilot character, recommendations resulting from consulting from time to time are not easy to apply, financial schemes are minor in extent. Foreign subjects can not replace initiatives in local economic development that should be developed in Slovakia by all related actors. They often have important innovation and initiation effects, when follow up activities should be developed based on such experiences. In near future the largest amount of resources that will impact local economic development will be coming from delayed pre-accession projects implementation (e.g. in technical infrastructure) and funds that will be available after accession to EU.

Specific mixture of national and local conditions influences presence of foreign investors in concrete localities. For longer period, vaguely profiled institutions, underdeveloped support tools and capacities at the central as well as local level, they could not influence substantially inflow of foreign investments (with exception of a few, mostly larger cities). It left Slovakia far behind their neighbours (especially Hungary and Czech Republic) in presence of foreign investors in general. Local economies deeply differentiated themselves in ability to attract and host foreign investors. Spatial distribution of foreign investments in Slovakia follow model valid in most East European countries. They are concentrated in capital cities, large cities in general and western parts of countries (Turnock, 2001). Dominant position of Bratislava from this point of view is long term stable, growing is presence of foreign investors in Košice. Two administrative regions that include these two the largest Slovak cities concentrate three fourth of all foreign investors (in 2000). Majority of all other foreign investors is in fact located in hinterland of these cities. Despite these principal features, we can find intensively internationalised local economies at all level of settlement/urban hierarchy. Such local economies without

larger development problems, with lower unemployment rate, local economies that successfully cope with needed structural transformation are for example in Bratislava, Trnava, Skalica, Bánovce nad Bebravou.⁷² It seems that in Slovakia already exists localities with wise and initiative local elite and efficient local self-governments that already have own know-how in addressing foreign investors, their attraction, support of their long-term expansion in own locality. From the opposite point of view, it seems that foreign investors have their preferred locations in Slovakia, following mostly references of their already located predecessors. Here we can find clusters of foreign investors, often across more sectors in one city. They have found responsive and flexible local environment, also efficient in support in access to national and multinational support programmes, and many other features reducing their potential business risks.

From central state based institutions important position in strengthening of foreign investors' role in local economic development has Slovak Investment and Trade Development Agency (SARIO). It was transformed into contributory organisation established by Ministry of Economy in 2001. It was result of not fully satisfactory previous operation of this institution causing weak position of the Slovak Republic in international competition for investments. It suffered by unclear institutional position, profile of activities, financial backing, strong centralisation and passivity.⁷³ After change of its status accompanied with other reorganisation, its efficiency improved and activities revitalised. New strategy for support of foreign investments was adopted, its activities in abroad expanded, their Slovak activities were regionalised.⁷⁴ Nevertheless, efficiency and priorities in its activities were again discussed after change of government in 2002, accompanied with changes of its director.

SARIO's main tasks are in provision of wide range of information and consulting services in support of investors in Slovakia and providing of support to Slovak exporting companies. Its assistance is oriented on implementing green field projects, joint ventures establishment, support of investment project since its initial to final stage, arrange access to investment incentives and retraining programmes, search for subcontractors etc. They run database of land and property available to investors, database of investment opportunities, offer various economic and regional analyses. At present, it should be more active in search for new investors and paying more attention to expansion of activities of already located investors in Slovakia.

Specific is role of local self-governments in attraction of foreign investors. They feel need to be active in this field, but they usually have not experiences and resources for wide scale initiatives in attraction of foreign investors and presentation of their own development potential. Currently, they mostly prefer to co-operate with all potential Slovak as well as foreign partners specialised in this field. They submit their profiles, land and building available, technical infrastructure capacities to their databases. Some of them try to develop with them more focused marketing for local economic development initiatives. Besides of SARIO (which is their primary partner), they try to improve

their chances in co-operate with private companies/agencies. Important roles in communication to potential foreign investors have sectoral professional association. They are involved in attraction of foreign investors as well as in assisting them in expanding their activities in Slovakia (for example Association of Automobile Industry, Association of Electrotechnic Industry). Slovak Chamber of Commerce and Industry, and its regional chambers also organise trade missions of potential investors to Slovakia, including presentation of concrete projects and locations.

Local self-governments are quite active in various other forms of international relations. The most typical form is partnerships of cities from various countries. Almost each city formed group of partnership cities, mostly from neighbouring and west European countries. However, under these co-operations, they do not pay too large attention to local economic development, except discussion concerning experiences in this field. Unfortunately, even during the formation of such partnerships, local economic development issues have not been taken into account more seriously. Search for partner suitable also for potential economic co-operation, for example according to similarities in local economies, they have not been among primary reasons for co-operation (many of them are already very long). The most frequent joint activities of partnership cities are in the fields as culture, sport, education and youth activities, local self-government experiences' exchange. The most usual forms of such co-operation related to local economic development are in discussing tools and approaches used in partnership local government in addressing local economic development (but in different legal and support environment, which limit direct transfer). Pinnacle activities are visits of local entrepreneurs in partnership cities, organised with help of local self-government. Inspirative cases are city of Martin activities in acquiring experiences on industrial parks development and attraction of new businesses in Brno (Czech Republic) and Jena (Germany), or city of Šamorín co-operation with Italian region Vicenza in setting industrial park.⁷⁵ Local self-governments do not consider their international partnership relation as important in the field of local economic development.

Local self-governments in Slovakia also use various interim foreign consultants and advisors. As mentioned Baldersheim et al. (2002), referring to their research among Slovak mayors, almost one third of mayors indicated presence of foreign experts. From them, 51 % consider their work as useful (however it concerns all fields of local life). It is clear that such assistance also have focused on various aspects of local development. It includes growing transfer of local economic development techniques as well as planning approaches. Suitable case of relevance of such activity is related to involvement of foreign consultants in developing local economic development strategy for group of Slovak cities (USAID). It was probably one piece of successful approach of local self-government in Trnava that led to location of large PSA Peugeot-Citroen new car plant investment in this city. The activity of Slovak local self-governments in use of various international opportunities for training and consulting is still growing only slowly

(foreign funds, resources, etc.). Local economic development issues addressed know-how transfer project prepared by Iowa State University for three Slovak cities (Piešťany, Senica, Lučenec).⁷⁶

5. TRANSPARENCY AND DEMOCRACY IN LOCAL ECONOMIC DEVELOPMENT

Trends in development of transparency and democracy in local economic development are positive especially since 2000. More information is available, it is more easily accessible. Visible progress is observable in defining clear rules and transparent procedures within the central level policies addressing local economic development (programmes, grant schemes, subventions). Important obligatory information and participatory rules are set up by legislation within the framework of territorial planning documents adoption. However, conditions of transparency and citizens' participation are not well explicitly defined in a case of local development planning and programming, maybe reflecting its early stage of development. Despite basic obligation for transparency and information accessibility within local self-government legislation, there emerged disputes over the nature or concrete decisions in local economic development in some cities. It is often caused by absence of well-elaborated and clear information/communication policy of local self-governments to citizens, as well as absencing clear rules and procedures concerning decision-making over important local development issues. Although, certain level of secrecy is acceptable in a case of large investments (until certain time point). Important shift in clarifying conditions is related to adoption of Act on free access to information. We can not forget activities of the third sector bodies and local media that strongly influenced positive development in this field.

Issues of transparency, democracy and citizens' participation in local economic development are addressed in two main directions—in main legislation influencing local level (1) and in explicit legislation addressing free access to information (2). More traditional framework is included within basic legislation concerning local issues. It is especially The Communities Act (369/1990) that defines requirement to make local budget, local final account available to citizens 15 days before its adoption. It is also the case of programme of local council meeting (3 days before). However, they are often presented in very brief form. Local council meetings are open to citizens, however it can be non-public meeting from reasons mentioned in legislation (including decisions on business issues, financial issues according to legislation). Important issues can be discussed with citizens in a form of public assemblies. Nevertheless, the amount of information available to citizens is often not sufficient, often are delivered ex post, details are not known, meetings of local councils do not allow more citizens to be present.⁷⁷

Legislation concerning territorial planning includes important obligations for information of citizens and time period for expression of their views. Conditions in this field are the most important space for citizens' participation and expression of opinions also relating local economic development. The assignment proposal for territorial documentation shall be available for a period of 30 days. Local self-government as the territorial planning authority that procures the territorial and planning documentation also inform on the public discussion of the concept. The concept also shall be available for public for the period of at least 30 days within which the public may raise comments to the concept as well as provide comprehensive interpretation to the concept at the public meeting. Local self-government that procures the territorial planning documentation shall notify the public on the discussion about the proposal for territorial planning documentation. The proposal for the territorial planning documentation shall be available for a public view and to raise the comments on the proposal within 30 days from the day of the announcement. It finally takes form of local by-law. Similar are rights during territorial proceeding. Weaker points in territorial planning decision-making are changes in territorial planning documentation that can be adopted within any local council meeting. They are often very quickly prepared and adopted, for example in effort to satisfy potential investor.

Issues of citizens' participation, transparency are not enough developed in a case of the Act on support of regional development. Clear procedures with required participation of citizens are not formulated, only the role of local self-government is mentioned in adopting, implementation and monitoring of plan of social and economic development. However, the position of citizens in defining development priorities and their financing should be clarified. Other planning approaches not expressed in Slovak legal environment (development strategies, action plans) and elaborated by various specialised companies for local self-governments are with various extent of local citizens' participation. It is a matter of fact, that situation in local development planning bears signs of democratic and transparent processes thanks to the prevailing participatory planning and partnership based development approaches. Majority of development planning approaches is based on very extensive participation of public or participation of very large group of local experts and representatives of various local interests groups. It is recognised in many cities that successful local economic development is not based on elaboration and delivery of planning documents by external experts or agencies, but in formulation of development documents in collaboration with local institutions and citizens, improving their capacities, their training, formation of own implementation strategies. Local citizens and leaders, institutions are mostly deeply involved in all stages of local economic development—analyses, diagnoses of situation as well as in formulation of development strategies and implementation. It should be mention that in most cases, within implementation processes of results of such planning are introduced into binding territorial planning documents.

The second most important aspect concerns influence of The Free Access to Information Act (211/2000). It set up obligations for all public administration institutions in providing information to citizens. As a consequence of this legislation adoption, each institution introduced system that allows access to information. Situation at the central level much improved within last years. Main legislation and programme documentation are presented in advance, adopted in co-operation with leading partners, including representatives of associations of self-governments or representatives of entrepreneurs' associations. Main programmes initiated at the central level already have clear rules, procedures, managing committees and commissions set up often with involvement partners outside central state administration. List of local self-governments, offices, agencies or companies that received subventions are available mostly at web pages of relevant ministries or managing agencies. On the other hand, it is not surprising that main decisions concerning negotiations on attracting of leading foreign investors are partly without information available to public. Mostly it is consequence of strong competition on foreign investments in general. Nevertheless even such investments are going within all procedures required, and e.g. basic requirements related to state budget and local budgets, organisational changes, framework etc. were available to public (e.g. in a case of PSA Peugeot-Citroën investment in Trnava).

Local self-governments used usually special information offices, contact persons, as well as own web pages for information provision. Specific information is provided on request.⁷⁸ Local self-governments in cities are obliged to provide information in ways that allow mass access. The act does not specify for local self-governments which information should be available, when and how long. So there are big differences in providing information on local self-government activities among them. It is also related to penetration to information technologies into local self-government, personal capacities related to e-government, as well as costs needed for running such services in larger extent. The most urgent problem is information of citizens on prepared and actual decision-making processes. Information on programmes of City Council and City Board meetings is often very reduced. As a result, public discussion on important issues before taking decision is often absenting.

Transparency and democracy in decision-making on local economic development issues has certain specific features. Such decision-making is quite often on the edge of public and private interests. Accepting fact, that most of local economic development is based on private initiatives and there exist competition e.g. for investments, certain business secrecy is acceptable in early phases of preparation. Problem is that in most of local self-governments transparent rules of the game—the scope of involvement and support framework of local economic development are not adopted. Development issues are decided on case by case approach. This also is the case of application of main tools in development (land, infrastructure, financial measures, etc.). Citizens would accept if they knew that their representatives would act within certain limits, potential

investors as well as partners in development they also could calculate within certain framework. Local self-governments are adopting local economic development related decision without relevant development strategy or policy, absents long-term vision. Various decisions are not evaluated from local economic development point of view. Under such conditions many decisions can be considered as controversial, in favour of certain entrepreneurs, having different short term and long term effects. Decisions adopted within certain clear local development framework would reduce suspicions among citizens or business community.

6. LIMITS OF LOCAL SELF-GOVERNMENT INVOLVEMENT IN LOCAL ECONOMIC DEVELOPMENT AND POLICY RECOMMENDATIONS

It is often concluded that local self-governments in Slovakia have no significant options for influencing local economic development (e.g. Kling and Pilát, 2003). It is not always true. Cases of many cities, their experiences and innovative approaches confirm potential in this field even under existing legal and financial framework. Large differences among cities result from lack of interests and initiative to use even possible techniques and tools; as well as unintentional and non-coherent approach to various decisions in fact influencing local economic development. Many mayors, local councillors are not fully aware that they can and should act in this field. Although more adjusted legal and financial conditions can improve impact of local self-government role in local economic development, the most important factor is mobilisation of their interest and initiatives.

Activities of central state should be more framework oriented, with less decision-making over concrete local projects and better financed. Central state institutions are often involved in whole process of support (since legislation to decisions over each project). Their activities should be oriented on setting basic framework and criteria, with minor role in direct implementation. Decentralisation of decision-making over concrete local projects in certain programmes could be reasonable step (regional, district level). Many central state programmes also are poorly financed. Huge activity is sometimes spent on distribution of small amount of resources for small number of projects. They are in fact very selective and can not lead to wider effects.

Central state initiatives should be more quickly and more efficiently introduced into praxis, as well as regularly evaluated. The period from legislation preparation, through its adoption, more detailed regulation approval, pilot projects testing, and finally more extensive application is too long. It is later supplemented by complicated application procedure, exhaustive completion of documentation required, needed extensive communication with responsible agencies or ministries, more rounds of evaluations. Many legislation, programmes and institutions introduced are for long period expression of “symbolic policies” documenting interests of central state but in fact do not

functioning. As such they can not lead to acceleration of development processes and cause loss of time. Mobilisation of capacities for quick application of already adopted and planned initiatives is needed. Frequent changes in managing institutions, conditions, procedures, financial rules also should be reduced.

Sectoral approaches, parallel or overlapping of initiatives, their fragmentation should be reduced. This study documents extensive LED related activities of many ministries. They have in some fields similar or overlapping programmes (SMEs support, rural development, territorial planning). Better co-ordination of these activities is needed. Central state initiatives also suffer by their fragmentation to large number programmes and support schemes. Programmes are often small, they are accompanied by less transparency to applicants, require numerous management bodies, schemes have reduced financial resources for distribution. They are not sufficiently supported by trained advisors and do not obtain enough good applications. Combination of existing small support schemes into larger ones could be one of possible solutions. Such programmes should be procedurally and formally more simple, better financed, having better marketing, well-trained advisors accessible at the local level and lead to much larger impact.

Location of support institutions should shift in favour of smaller centres. Until now, most of various support institutions (RAICs, BICs, RDAs, business incubators) are located in larger urban centres, creating suitable diverse institutional environment there. At the opposite side, they are absenting in many cities in regions facing economic development problems. Under such spatial distribution they do not fulfil one of its key task—transferring programmes and support into localities that really need such assistance. Their services are not easy accessible to potential clients in localities, where their active involvement is strongly needed. Their location could be adjusted according day to work travel regions, being located in centres of such functional regions. Local self-government should actively enter into the processes of state initiated institutions location and attract them by their active participation.

Activities' profiles, linkages or hierarchy should be clarified in a case of growing number of LED related institutions. It seems that institutional structures involved in local economic development are sufficiently developed. However, there are activities realised by all of them, while other activities are absenting. Understanding of one another roles will be helpful, followed by better distribution of concrete development initiatives and well minded joint shaping of tasks for each of them. Character and scope of services needed at local level also should be identified. It could be less specialised offices in smaller centres, while in larger centres more specialised agencies should work in contact with more local agencies.

Progress in local economic development is strongly dependent on expansion of more elaborated local economic development planning. Until now, local self-governments only exceptionally adopted relevant conceptual and development planning

documents. Its more priorities based, participative, implementation oriented approach, related management processes and structures, financial schemes generate much larger effects than existing territorial planning documents. Shift toward extensive planning of local economic development (as strategies, local sectoral development concepts etc.) is urgently needed, in order to avoid often existing blurred, unintentional and not efficient economic development initiatives. Besides local action in this field, external resources should offer grants addressing support elaboration of such documents. Local self-governments should not be allowed very free interpretation of Programme of social and economic development of community (e.g. as political action plans related to electoral promises). This legislative initiative should be used as tool to introduce into praxis really local economic development planning documents. Brief guidance on content of such plans could be defined in joint of effort of related ministries and local self-governments. Their relation to other lines of planning should be clarified.

More professional and elaborated local economic development oriented activities are needed in the field of local promotion and marketing. Current activities often address more simple objectives (tourism, local image presentation), not sufficiently focusing on certain target groups. Marketing and promotion activities should be adjusted in favour of local economic development objectives. Well-established link among local economic development priorities and their subsequent marketing and promotion is needed. Invited external experts in marketing and promotion can improve efficiency of such activities, if internal specialists are missing.

More financial resources should be available for local economic development in local budgets. Local self-government involvement in local economic development is restricted by lack of resources. Small amount of own resources and large dependence on transfers from state reduce more extensive application of financial tools. Especially transfers from state budget should be enlarged by increase in shared taxes, as well as in larger allocation of resources to local economic development programmes.

More freedom in local taxation and use of local property could strengthen position of local self-governments in local economic development. Increased differentiation of local taxes and fees (higher upper limits) in legislation should allow more focused approach to local businesses and more influential position of local self-governments. Larger freedom in use of local property transferred within decentralisation could improve capacities in development related activities. Legal limits concerning relations to other entities (e.g. in taking guarantees) moves local self-governments into more preference given to establishing own budgetary and contributory organisation addressing certain services in local economic development or capital participation. It limits risk of financial transfers addressing LED to outside environment.

More clear rules in financing local economic development can have positive impact. Although many cities already have basic rules in use of communal property, taxation, economic development oriented financial tools are predominantly used on individual

basis. More precise strategies and rules of financial assistance can serve local economic development in building trust between local self-government and local business sphere. Local self-governments also should reconsider their potential in establishing more explicit grants' schemes in support of local economies, which are absenting now.

More information, communication and participatory practices are needed in local economic development and development planning. There should be achieved at least informal agreement on standardised information provided by local self-governments, including information related to local economic development (e.g. City Council meeting records, City Council decisions, its programmes, future activities, planning regulation, etc.). It should reduce scope of information provided on request to more specific issues. Basic rules in providing information, decision-making processes, criteria and tools applied in local economic development should be formulated and introduced into praxis. It can be done by adoption of framework documents and by laws. More careful attention should be paid to territorial planning documents changes, where participatory practices are reduced.

More transparency and regular evaluation is needed in local economic development institutions with local self-government participation. While local self-government activities' transparency is improving within last years, it is not always the case of various affiliated companies, including institution active in LED. Systematic evaluation, auditing, accreditation, pressure for efficiency, is not so well developed and citizens are not enough informed. They should be matter of Local Council supervision and results available for public.

Local self-government and local business sphere should have larger opportunities to shape local education sector. Despite existing influence of local self-governments in local education sector, it is insufficient from local economic development point of view. Local self-governments could facilitate and support narrower co-operation between local education and business sector. It should reduce generation of workforce/professions not suitable for local labour market. Local linkages among local self-government, labour offices, local business and education sectors should be strengthened and lead to more localised education sector profile. Active employment policy support from labour office or local self-government initiatives (grants, subventions) could address companies that establish more direct links (e.g. practical training) to local schools. It also the case of entrepreneurship education and training. It should overcome academic education on enterprise, by training for enterprise and in enterprise (last category focusing on growing or established entrepreneurs).⁷⁹

Employment strategies should be prepared also for local level. Although local self-governments are interested in local labour market (situation on the local labour market is often discussed in some City Councils), possibilities of more efficient action should be considered. It could help develop more efficient active local labour market strate-

gies elaborated according to local needs, with more local participants and more local knowledge exploited. They can influence, for example, priorities in retraining, public works and expansion of such activities.

Local self-government can contribute to simplify processes of business start related to their regulatory powers, as well as to provide basic business information and advisory services in form of one stop business assistance centres. They usually provide most of local information concerning all regulations, land, finance and financial assistance related to local self-government powers. However, it also could be centre of useful information on business start, as well as orientation point in other business related issues. Such one-two person service centres could be formed at least in each city. As Blakely and Bradshaw pointed out—such centres provide valuable services to local self-government. This centre data give many useful information on local business environment, short term trend and potential problems. Experiences with First Contact Points centres will be important in expansion of such services.

Personal capacities addressing local economic development in local self-governments should be strengthened. Lack of local economic development initiatives is also related to absenting or reduced staff in many local offices active in this field. Their expansion and quality can improve chances of local governments to address successfully LED and participate in many existing programmes. Current approaches in local economic development planning and programming are extensive activities that require full time professional involvement. In a case of small local self-government services provided by accredited agencies can be used for certain activities.

Quality of local self-governments' professionals dealing with local economic development planning and management should be improved. Current situation confirms that there are often not enough well prepared and experienced professionals working in this field. It strongly influences efficiency of local self-government in local economic development. In most cities, it has been in fact learning by doing, unfortunately also learning from unsuccessful cases. Opportunities for well-established and more practically focused training in local economic development, its planning, financing and management should be improved.

Motivation for expanding local self-governments activities in local economic development should be invented and applied. It seems that local self-governments are not enough motivated to act efficiently in this field. Active cities and their representatives should be rewarded. It should be not only motivation to participate in central state initiated programmes, but motivation to mobilise all own capacities and potential. Besides financial motivation, media should more extensively inform on such activities and influence public opinion turn to higher attention to such activities. Public pressure can afterwards mobilise local politicians' activity in this field.

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NOTES

- ¹ Due to the lack of reliable social and economic data at the level of individual cities and communities, districts are suitable for documentation of social and economic differences in Slovakia. It is especially the case of smaller districts, having usually one or two larger centres of employment.
- ² Although unemployment rate in Slovakia decreased from 17,7% in January 2003 to 14,3% in August 2003, there is still 19 districts of total 79 exceeding 20% unemployment rate (Basic statistical data on labour market in Slovakia—January 2003, August 2003; National Labour Office).
- ³ This part of research was realised with help of students (specialised in geography and public administration) prepared for information collection and primary evaluation of LED initiatives in individual cities.
- ⁴ Rare direct activity of local state administration was District Office in Trnava help to local SONY production plant by clearance of old industrial premise (Kremský, April 11, 2001).
- ⁵ Absence of such initiative was one of the competitive disadvantages of Slovakia in competition for foreign investments. Large number of industrial parks were developed in Hungary, Poland and Czech Republic especially since mid-nineties (e.g. Šipikal, April 20b, 2001)
- ⁶ Local self-government inability to cover its share on total costs prevented progressing in industrial park development in city of Rožňava, despite already approved other resources. It opened chance for city Lučenec to attract these resources for their project (Novohradské, March 10, 2003).
- ⁷ E.g. Kremský (May 10, 2002).
- ⁸ Taken from—Report on procurement of elaboration “Study on location of industrial parks in selected areas of the Slovak Republic” (Slovak Republic Government Office, 2002).
- ⁹ Act No. 565/2001 Coll. adopted in Slovak Parliament in December 2001 is valid since January 2002. Details on application for investment incentives include Regulation of Ministry of Economy No. 235/2002 Coll.
- ¹⁰ The latest initiative supposes extending of incentives also to direct subventions for particular investment property procurement (according to “Proposal of Investment Incentives Act amendment”, Slovak Republic Government Office, 2003).
- ¹¹ If it is investment in regions with unemployment level higher then 10%, total sum of investment can be only 200 mil. In each case, half of demanded resources have to be covered by own assets of the applicant for stimuli. In a similar way, subsidies for one work place created depends on unemployment level (160,000 SKK in regions with unemployment level higher than 30%, but only 30,000 SKK in

regions with unemployment below 10%). Allowance for retraining will not exceed 10,000 SKK per one employee. Tax relieves are possible up to ten years.

- ¹² Such expectations were mentioned in draft proposal of this Act—Ministry of Economy, 2001, but in fact not achieved in 2002 or 2003.
- ¹³ There were total 28 applicants for incentives, however 4 applications were already refused and 1 application withdrawn until September 2003. Approved was support for production expansion and modernisation of HOLCIM, large construction materials producer (according to “National Strategy for Support of Investments—adjusted version”, Slovak Republic Government Office, 2003).
- ¹⁴ Form details on main activities of NADSME see e.g. www.nadsme.sk.
- ¹⁵ Various schemes are presented in “Support of small and medium entrepreneurship in Slovak Republic (NADSME, 2002).
- ¹⁶ According to “Requirements for provision of resources for environmental programmes in 2002.” Ministry of Environment (2001).
- ¹⁷ Information on ISPA in this section are based on “Memorandum of Understanding—Agreement on adjustment of ISPA environmental strategy to national policy of water management” and “ISPA Projects approved in 2000–2002”. Ministry of Environment (2002).
- ¹⁸ Main programme objectives for 2003 indicate “Programme of Village Restoration for the sixth time” and related methodical guidance, Ministry of Environment (2003).
- ¹⁹ According to “Proposal of the budget chapter of Ministry of Agriculture for year 2003”. Ministry of Agriculture (2002).
- ²⁰ Training, advisory and congress centre of the Ministry of Agriculture; contributory organisation of Ministry of Agriculture oriented on human resources development in agriculture and rural areas.
- ²¹ According to “Advisory activities in year 2002”, Ministry of Agriculture (2002).
- ²² Very detailed information provide “Information on implementation of SAPARD Programme in Slovak Republic”, Ministry of Agriculture (2002).
- ²³ According to “Information on activities of Rural Development Fund, non-investment fund in year 2001.” Ministry of Agriculture (2002).
- ²⁴ Some activities of Rural Parliament observed Olach (July 16, 2002).
- ²⁵ More details on formation of central level institution responsible for regional development see Buček (2002).
- ²⁶ Based on “Criteria for implementation of Programme de minimis for development of districts with high unemployment rate for year 2003”. Ministry of Construction and Regional Development (2003).
- ²⁷ More details on their functioning provide “SWOT analysis of RDA and RPIC/BIC networks”, Ministry of Economy (2002).
- ²⁸ Main tasks, responsibilities, fields of activity of various institutions are defined in The Employment Act 387/1996 (as amended).
- ²⁹ According to interview with Director of National Labour Office (Obecné Noviny, January 14, 2003).
- ³⁰ They were introduced as a reaction on financial difficulties of certain cities. Since 2005 local self-government can take returnable resources only if total sum of debt to the end of budgetary year do not exceed 60% of real current incomes of previous year, and total sum of annual debt payments including rates do not exceed 25% of real current income of previous budgetary year.

- ³¹ For example—according to State Budget Act for year 2003 No.750/2002 Coll., transfer to local budgets 7.8 mld. SKK from physical person income tax, as well as 5.18% of legal entities' income tax.
- ³² For details see Communal Property Act No. 138/1991 as amended.
- ³³ For comments on state aid legislation in relation to local self-governments see *Obecné noviny* (May 6, 2003).
- ³⁴ It is supposed that expropriation powers will be transferred to local self-governments in near future.
- ³⁵ Besides typical tools mentioned in this section, local self-government use for SMEs support also more general tools characterised in other sections.
- ³⁶ According to “SWOT analysis of RDA and RAIC/BIC networks.” (Ministry of Economy, 2002).
- ³⁷ For more information see www.malacky.sk; *Malacký hlas*, 2003. Vol. 13, No. 5, p.3.
- ³⁸ Benka (February 20, 2003).
- ³⁹ According to RESIL (2003).
- ⁴⁰ Good overview on various initiatives contains “Support of small and medium entrepreneurship in Slovak Republic.” (NADSME, 2002).
- ⁴¹ As presented on National Labour Office press conference hold on 11.2.2003. This process progressed further, although probably not each local self-government enter into formal agreement.
- ⁴² For details on local public works and smaller local services see e.g. Franzenová, (February 18, 2003).
- ⁴³ Basic rules of their functioning are defined in Act on School Administration and School Self-Government 542/1990 Coll. as amended.
- ⁴⁴ See for example Horníková (May 8, 2003).
- ⁴⁵ Non-state universities' sector is still very marginal in Slovakia.
- ⁴⁶ This document is available at www.kezmarok.sk.
- ⁴⁷ It is their crucial tool even from macroeconomic point of view. According to opinion poll among foreign investors in 2001, they considered as the most important factors in location of their production unit in Slovakia suitable buildings, land and sites with infrastructure (Šipikal, April 20a, 2001).
- ⁴⁸ City of Senica used their land as 5% share in joint stock company that prepared site for foreign investor (Kremský, April 25, 2001), or City of Krompachy put their forests as 5% share in company running ski centre.
- ⁴⁹ E.g. in Trnava large foreign investor did selection among three proposed potential locations (Kremský, January 23, 2003).
- ⁵⁰ As it is explained in “Proposal of tasks procurement resulting from agreement on investment co-operation between Slovak Republic, City of Trnava and PSA Peugeot Citroën”. Ministry of Economy (2003).
- ⁵¹ Large interest in industrial parks is limited by lack of resources in many local self-government e.g. in a case of Nová Dubnica (Kremský, April 24, 2002).
- ⁵² Based on National Strategy for Support of Investments—adjusted version (Slovak Republic Government Office, 2003; Sobinkovič, 2002). State support and future of Rožňava industrial park is unclear due to lack of city's own resources and unprepared land (Špáni, October 21, 2003).

- ⁵³ More details contains “State of realisation of industrial-technological park Záhorie and proposal of preparation works schedule”. Slovak Republic Government Office (2002). Currently allocated state resources to this project cover only minor, initial part of total costs for its development.
- ⁵⁴ Kurtanský (February 28, 2001); Hudec (February 7, 2003); Trend (January 30, 2003).
- ⁵⁵ According to “Submitting Report—Application for support on industrial parks establishment in Devínska Nová Ves”. Ministry of Economy (2002).
- ⁵⁶ Details on this industrial park development near Košice are available e.g. in “Technical infrastructure development in Kechnec” (Slovak Republic Government Office, 2002), Sobinkovič (May 10, 2003).
- ⁵⁷ According to Kremský (July 17, 2002); Sobinkovič (November 29, 2002); Zverková (October 29, 2002); Trend, (March 19, 2002).
- ⁵⁸ It was the case of strategy of development prepared for city Trenčín by IROMAR Banská Bystrica in mid-nineties—Strategic plan of City of Trenčín. City of Trenčín (1996).
- ⁵⁹ Existing short term tendency confirm attempts to prepare such documents by own capacities of local self-governments and in co-operation with companies having experiences mostly only in territorial planning. Due to expected large financial support in elaboration of such plans (e.g. from Phare funds), foreign assistance should be very useful in order to avoid potential wasting of resources for documents of varied and problematic quality.
- ⁶⁰ According to “Strategy of the development of the capital city of Slovak Republic Bratislava” City of Bratislava (May 1999). Strategic goals were adopted by City Council, their elaboration should follow in future.
- ⁶¹ “Strategy of the development of the City of Nitra”. (City of Nitra, 2001).
- ⁶² According to “Plan of main strategic objectives”. (City of Komárno, 2003)
- ⁶³ The Berman Group, a Prague-based Czech-American firm was the project consultant providing the participating cities assistance with their strategic planning processes. Slovak partner was independent non-governmental mostly advanced training and planning providing Academia Istropolitana NOVA. *Obecné noviny* (June 11, 2001).
- ⁶⁴ Based on “Strategic plan of economic development of City of Trnava.” City of Trnava (2002).
- ⁶⁵ See e.g. microregion Ptava in eastern Slovakia addressed by Spišiak et al. (2002).
- ⁶⁶ See e.g. commentary of Kremský (May 3, 2002) and Slivenský (December 10, 2002).
- ⁶⁷ For example Žoldošová (September 12, 2000) mentioned such guarantee in city Trebišov.
- ⁶⁸ According to Budgetary Rules Act amendment, taking guarantee for private entities is forbidden.
- ⁶⁹ Velecký. May 29, 2002.
- ⁷⁰ Novohradské. March 10, 2003.
- ⁷¹ TREND. January 30, 2003.
- ⁷² For example, documented by Hrúz (January 23, 2003) on a case of city Bánovce nad Bebravou.
- ⁷³ Discussed e.g. by Kremský. May 16, 2001.
- ⁷⁴ For details see e.g. SARJO. 2002.
- ⁷⁵ *Hospodárske Noviny*. May 12, 2003.
- ⁷⁶ Haluška. January 27, 2003.

- ⁷⁷ In fact, council meeting rooms are not always suitable for large number of citizens to be present. In many cases council meetings are recorded and later presented in local TV, full records are available at their web pages.
- ⁷⁸ Local self-governments adopted special regulations concerning information providing. Price of information provision covers only direct costs (usually copying, printing of materials, usually free of charge if delivered electronically or by phone).
- ⁷⁹ According to Jamieson in Henry, et al., 2003.