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1. INTRODUCTION

1.1 Context

Policies designed to encourage and facilitate cross border co-operation (CBC) are particularly important for border regions, which are typically economically as well as physically peripheral to their national territories. In an EU context, there is an additional supranational dimension, since many new external border regions are now peripheral to an enlarged EU internal market in which regional disparities have been widened as a result of the enlargement process. Within the EU, the increasing role of regional and local authorities in policy making with respect to economic development, increases the scope for CBC to be used as a potential regional development tool in border regions. Such policies need to be viewed in the wider context of increasing internationalisation forces, which are presenting new sources of threats and opportunities, for businesses of all sizes. In this context, policies to encourage and facilitate entrepreneurship in border regions can potentially contribute to the competitiveness of businesses (particularly SMEs) in border regions and thus to the competitiveness of the regions themselves.

The CBCED project is concerned with entrepreneurship development in EU border regions, focusing on cross border co-operation (CBC). In this context, the purpose of this paper is to identify the policy implications arising from the analysis of the empirical findings gathered from the 12 case study regions (CSRs) in Finland, Germany, Greece, Estonia, Poland and Bulgaria. The empirical data were gathered from a combination of primary and secondary sources. In analysing these data, the overall aim is to identify and assess the extent to which the state (at different levels) represents an enabling or constraining influence on entrepreneurship development, in general, and CBC in particular. Since a broadly based view of the role of the state is adopted, the paper considers three interrelated areas of state influence:

- (i) Types of Institutional CBC present in the case study regions, focusing on the involvement of local authorities in CBC, their varying responsibilities for economic development and the governance issues associated with this. This chapter also deals with governance issues related to the level of engagement of entrepreneurs in policy processes.
- (ii) The environment for entrepreneurship development in border regions, including the regulatory environment for business, border specific issues and the implications for cross border entrepreneurship.
- (iii) Policies for entrepreneurship development and the business support infrastructure in the case study regions, including its effectiveness in meeting the support needs of entrepreneurs.

After this introduction, the following chapters deal with the three themes listed above. The final chapter presents policy implications of the overall analysis for entrepreneurship development and cross border enterprise cooperation in EU border regions.

1.2 Methodology and Data Sources

The data utilised for this paper have been collected from two main sources in each CSR: firstly, the regional summary reports; and secondly, the interviews with key informants, entrepreneurs and households. The approach to primary data collection and analysis was qualitative. Six distinct data collection activities were undertaken in each CSR, with individual topic guides produced for each:

1. Secondary data based profile of Case Study Regions (CSRs)
2. Interviews with key informants (10-15 in each CSR)
3. Interviews with 5-8 business support organisations in each CSR
4. Expert meetings in each CSR
5. Interviews with 20 enterprises in each CSR
6. Interviews with 15 households in each CSR

The key informants interviewed were chosen from a wide range of organisations, including local/regional authorities, Chambers of Commerce and Industry, regional/local development agencies, universities, NGOs etc to provide an informed view on entrepreneurship in the region, regional/local development and CBC. Enterprises and households were selected based on the criteria of current/previous involvement in CBC. The profile of enterprises and households by regions is presented in Table 1.1.

Interviews were semi-structured to ensure consistency across the 12 CSRs. The interviews were undertaken by the relevant local teams, participating in the CBCED project. The data from the interviews was translated into English and entered in the qualitative software NVIVO for analysis. The qualitative analysis consisted of developing a 'typology of themes or categories' (Huberman and Miles, 1994). Although there are some controversies amongst qualitative researchers as to how the researcher should identify these themes (deductively or inductively), both are accepted types of data analysis in qualitative research. For this paper, the analysis of qualitative data was made based on predefined and emerging themes, combining inductive and deductive logic in the data analysis.

Table 1.1: The characteristics of enterprises and households interviewed for this study by CSR

	Biala-Podlaska	Zgorzelec	Serres-Drama-Thessaloniki	Florina-Edessa-Thessaloniki	Gorlitz	Hochfranken	Kyustendil	Petrich	Ida-Viru	South East Estonia	South Karelia	Tornio
Age of Interviewee												
18-35	2	4	9	16	0	1	0	0	4	4	5	3
36-50	6	4	19	19	10	10	0	0	18	21	7	10
51-65	7	7	4	4	10	6	0	0	8	5	8	5
Over 65	0	0	0	1	1	2	0	0	0	0	1	1
Gender of Interviewee												
Male	27	22	25	33	20	16	14	15	22	28	17	17
Female	6	11	7	7	1	3	6	4	8	3	4	2
Current total number of employees of enterprise												
less than 10 employees	6	4	10	8	9	3	4	6	4	4	10	5
10-49	8	7	7	7	10	3	6	7	9	4	3	5
50-250	3	6	3	3	2	8	7	5	7	13	7	4
More than 250	0	2	1	0	1	5	2	1	0	0	1	5
Firm's Age												
Less than a year	0	0	2	0	0	0	0	0	0	1	1	0
1-5 years	0	9	1	2	2	1	2	3	3	1	4	3
5-15 years	0	6	7	5	9	5	8	8	11	15	5	0
Over 15 years	0	4	11	12	11	13	10	8	6	4	11	16
Main sector(s) of activity												
Transport	1	1	0	0	0	0	1	1	4	3	1	1
Retail and distribution (i.e. trade)	14	3	4	6	3	0	5	3	0	2	2	3
Industry	0	12	10	9	13	16	10	16	5	10	9	8
Services	3	3	7	3	11	3	3	3	9	5	13	7
Other	0	0	0	0	3	0	0	0	2	1	0	0
Agriculture	0	0	0	0	0	0	0	0	0	0	0	0

Legal status of enterprise												
Sole trader	12	6	4	7	4	0	5	7	0	1	0	2
Partnership	0	3	4	2	1	1	0	0	0	0	0	1
Limited liability company	3	7	2	3	13	12	12	10	9	7	20	12
Joint stock company	0	0	11	7	1	5	3	1	11	13	0	0
Other	0	2	0	0	1	0	0	1	0	0	1	4
Ownership												
Private	17	16	21	19	22	19	18	18	18	21	17	13
State/public owned	0	3	0	0	0	0	0	0	0	0	1	0
Mixed ownership	0	0	0	0	0	0	1	1	1	0	2	5
Ownership												
Majority foreign owned	2	0	0	0	0	2	0	1	0	3	2	3
Minority foreign owned	0	0	0	0	0	0	0	0	0	1	1	3
Equally owned	0	0	0	0	0	0	0	1	3	0	0	0
Wholly domestically owned	15	19	21	19	21	17	19	17	17	17	18	11
Employment change over last 12 months												
Increase	0	2	1	1	10	11	11	11	14	3	6	7
Same	1	14	15	15	2	5	4	7	4	11	10	7
Decrease	0	2	1	1	0	0	3	1	2	7	2	5
Total sales turnover in last 12 months or 2006												
More than 50 million	1	0	1	0	1	6	0	0	0	1	1	6
10-50 million	1	3	2	2	2	5	0	0	1	5	3	1
2-10 million	5	3	6	4	4	4	1	4	5	4	5	5
less than Euro 2 million	5	6	7	12	5	3	14	14	14	9	5	3

2. POLICIES AND GOVERNANCE FOR CROSS BORDER ENTREPRENEURSHIP-A CONCEPTUAL FRAMEWORK

The process of EU enlargement is redrawing the political map of Europe with the status of many border regions changing from external to internal of EU or from peripheral to their economies to core of the EU market which has implications for cross border entrepreneurship too. In simple economic terms, cross border entrepreneurship is an attractive option for international entrepreneurship since it may benefit from closer proximity of markets and lower transportation costs, economies of scale as a result of pooling resources together and jointly delivering public services. A larger market area will boost certain economic sectors and a number of activities of a logistic nature might be redesigned around these sectors creating positive externalities in the whole cross border region (Neibhur and Stiller, 2004, Hijzen et al., 2006). However, in the case of external borders of the EU this presents entrepreneurs and businesses with new sources of threats and opportunities, which in turn have implications for regional development. For firms in the border regions, low domestic purchasing power can limit the scale and scope of domestic markets, encouraging those with ambitions to grow to look abroad to identify and develop new market opportunities. In such circumstances, subcontracting and other forms of collaborative arrangements with foreign firms offer certain advantages, compared with more independent strategies for penetrating foreign markets, since they can reduce market entry costs and barriers, with lower associated business risks.

Part of the European reality is also household level cooperation, which can present opportunities for entrepreneurial people to engage in trading activities, which although at the outset may typically be a means of survival, can also offer a stepping stone towards the development of more substantial enterprises. Additionally, institutional co-operation can be instrumental in facilitating sustainable cross-border partnerships between enterprises, contributing to enhanced competitiveness for participating regions. Whilst the economic rationale for involvement in cross border entrepreneurship is quite straightforward, it has been also recognised that the heterogeneity of border regions, in terms of relative levels of economic development, formal and social institutional structures, linguistics and ethnicity are all factors that influence economic processes long after the demise of formal and physical borders (Dimitrov et al., 2003; Huber, 2003, Paas, 2003; Perkmann, 2005, 2003) which have different policy implications.

2.1 Institutional based CBC and Governance Issues

In an EU context, governance is interpreted as a dense network of policy actors involved in the policy process to carry out social functions (OECD, 2005; Hooghe and Marks, 2004, Adshead, 2002). Increasing emphasis on the principles of good governance has been associated with a strengthened role for regions in economic development. This is particularly important for entrepreneurship development, since it is at the sub-national level that entrepreneurs are most likely to come into contact with the state. Two governance issues are particularly relevant to the promotion and facilitation of successful cross border entrepreneurship (CBE). The first relates to the suitability of the governance structures, at different levels, in place to achieve this; the second to the nature and extent of the involvement of entrepreneurs in the policy

process. In recent years, the EU has played an important role in the establishment of governance structures at the national regional and local levels, particularly in new member states in Central and Eastern Europe. It has also encouraged a process of administrative restructuring and enhancing institutional capacity, involving more power being delegated to the regional and local levels, as well as shaping the relations between the public and private sectors, by promoting the creation of networks and partnerships.

In the literature review, two distinct forms of governance structures were identified: Type I and Type II structures. According to Hooghe and Marks (2003), Type I governance is characterised by territorial jurisdictions that are stable over a long period of time. The unit of analysis in this type of governance system is the individual government. Decision making is dispersed across jurisdictions but bundled in a small number of packages, which means that each of these jurisdictions is general-purpose and exercises a wide spread of functions. In Type I governance structures, the membership of jurisdictions at different levels does not overlap. Moreover, they are usually organised into a few levels, such as national, intermediate and local government. The basic structure is the same at every level but institutions are more elaborate in larger jurisdictions.

In Type II governance systems, Hooghe and Marks (2003) include those jurisdictions that are created to deal with specific tasks rather than to address general issues. These structures are typically more flexible to functional requirements, which may overlap and even compete with each other. These structures usually take the form of interregional commissions, task forces and intercity agencies. This type of governance is more flexible than Type I structures, possibly including a range of public and private bodies that compete and collaborate in shifting coalitions. It is a form of governance that appears well suited for facilitating institutional co-operation in a cross border context.

The significance of governance structures to CBC may be demonstrated with reference to the operation of cross border programmes, which are functionally specific, yet try to solve collective problems under existing Type I governance structures. This can make co-operation difficult when regional and local authorities, on the two sides of a border, have different competencies and resources (Bache and Flinders, 2004) and/or different levels of devolved responsibility. From a policy perspective, it raises the question of the ideal type of governance for the co-operation in a Euroregion structure. The empirical literature suggests that rapid movement towards full formalisation of co-operation may not contribute much to the process of institutional capacity building. Instead, a combination of a number of initiatives aiming to promote cultural exchange may be a better way for local authorities to learn how to co-operate effectively on an incremental basis (Scott, 2002; Houtum and Scott, 2005). In addition, there is a need to create policy networks with actors at various levels of government on both sides of the border, so as to share ideas and to find solutions for collective problems (Blatter, 2000).

The form these governance structures take in different countries, as well as the level of involvement of the different sets of actors they induce, act as enabling or constraining forces for CBC that need to be investigated further, especially

considering the wide scope for CBC that a number of EU initiatives such as INTERREG, PHARE, CARDS or Euroregions offer.

2.2 Policies with Indirect Effects on Cross Border Entrepreneurship

The range of government policies that influence the nature and pace of SME development is wide. Some are specifically aimed at encouraging and facilitating SME development, whilst in other cases; such effects may be inadvertent and unintended, on the part of policy makers. Referring specifically to transition economies, Smallbone and Welter (2001) have identified six main ways in which (national) government can affect the nature and pace of SME development: firstly macroeconomic policy, since the macroeconomic environment affects the willingness and ability of entrepreneurs (and potential entrepreneurs) to invest; secondly, the costs of legislative compliance, which can fall disproportionately heavily on smaller enterprises; thirdly, taxation policies, which includes the total tax burden but also the frequency with which changes are made to it and the methods used for collection; fourthly, the influence of government on the development of a variety of market institutions; fifthly, the influence of the government on the value placed on enterprise and entrepreneurship in society, which is affected by the curriculum and methods of teaching in the education system (at all levels), but also by the stance of government towards business and property ownership and the behaviour of politicians and government officials in their dealings with private firms; and lastly, direct intervention, designed to assist small businesses to overcome size-related disadvantages.

The impact of policy in practice is strongly affected by the effectiveness of the delivery methods used to implement it. In order to effectively deliver policy measures targeted at encouraging and facilitating cross border co-operation, priority must be given to the development and operation of effective business support networks in border regions. Evidence from mature market economies demonstrates that the markets for information, advice, training and consultancy often do not work well as far as small firms are concerned (particularly start-ups) and market failure is a commonly used rationale for intervention. In transition and developing economies, and many of the new member states in the EU, the market for business services is still in the early stages of development, which means that the support infrastructure is often not in place to promote and deliver CBC support or more generic business support policies effectively.

2.3 Policies focusing directly on Cross Border Entrepreneurship

Policies that are specifically targeted at encouraging and promoting cross-border enterprise-based co-operation should aim to facilitate the development of mutually beneficial co-operative arrangements, appropriate to the needs of participating firms and their regions. This is an important emphasis because some forms of enterprise partnership can involve highly dependent and/or exploitative relationships. In a situation of scarce public resources, there is a case for selectively targeting these interventions on growth-orientated firms that are seeking either to enter, or to increase, their penetration of foreign markets; and/or seeking to increasingly internationalise their supply base; and/or seeking to access new sources of capital, technology or know-how, whilst lacking the internal resources to achieve this independently. The case of Central and East European countries has shown that

firms in these countries have usually pursued a reactive strategy towards internationalisation with a majority cooperating with international firms from developed countries investing there, illustrated by the case of inward investing automotive firms in the Czech Republic and Slovakia. Although there are potential learning benefits for local SME suppliers, there are also risks associated with such a strategy to be managed, associated with these firms ending up at the lower end of the supply chain (OECD, 2005). In this regard, the international experience shows that business linkages have been widely used as a mechanism for small firms to remain competitive in the face of increasing globalisation. In less developed and transition economies, supply linkages offer a possible route to access international markets, as well as potential access to finance, technology and specialised knowledge. They can also be difficult to establish unaided because small firm suppliers may not fulfil all the requirements of potential clients in terms of quality, delivery and/or prices.

One of the key factors influencing the possibility for enterprises to develop CBC and/or wider internationalisation effort is access to information. General information on the potential benefits and risks of internationalisation and/or business partnerships is necessary to raise awareness of the operations presented by different forms of CBC and to facilitate the informed decisions of enterprises. At a general level, information support may include information concerning the regulatory and/or trade regimes of the destination countries. The most immediate and widespread technique used to stimulate SME partnerships is simply to bring potential SME partners together, by fostering business-to-business contacts. Information failures often mean that potentially good SME partners have no knowledge of each other's activities and potentials. UNIDO's long-running SPX programme is an example of a tool to support SMEs operating in developing countries wishing to internationalise and move into cross-border partnerships, particularly sub-contracting relationships. The SPX programme facilitates contact between SMEs in emerging markets and those operating in mature market economies, where sub-contracted components are a routine feature. SMEs in emerging markets are introduced to potentially suitable partnership enterprises in the mature market economies, through participation in the main annual international sub-contracting fairs and through the creation of appropriate databases.

Programmes to improve the flow of information available to SMEs can be found within EU also. In Estonia, for example, Aktiva is the main online business information portal for both start-ups and established businesses, aiming to increase the availability of information to entrepreneurs/potential entrepreneurs in the country. It is a G2B gateway to information and services necessary for business activities and development. The website is designed as an easy-to-navigate directory of useful information and links supplied by a great number of public authorities and NGOs. By 2005, 43% of SMEs in Estonia already knew about it (COM, 2006). Although Aktiva is targeted at Estonian SMEs (and only available in Estonian and Russian), the format and concept is potentially transferable to the CBC context. This could contribute to enhancing information flows and act as a window of business opportunities for the local enterprises. The concept could be developed further to involve the posting of lists of enterprises looking for foreign partners with their particular requirements, but it could also include a chat-room facility for initial

exchanges of information between potential partners. It might be best facilitated through prominent 'regional' bodies, in order to increase its profile and potential coverage.

3. INSTITUTIONAL CO-OPERATION AND CROSS BORDER ENTREPRENEURSHIP

It may be argued that cross border co-operation between institutions is an important potential mechanism for laying the basis of long term and sustainable co-operation between border regions, which might outlast co-operation between individual enterprises. It can also provide a framework to facilitate contacts, in the short term, and provide enabling mechanisms for businesses to identify potential partners and possibly to access resources for developing these partnerships.

3.1 Involvement of Institutions in Cross Border Co-operation in the CSRs

Co-operation between local authorities in the CSRs differs in its intensity and longevity. For example, in cross border regions such as Tornio Haparanda on the Finnish-Swedish border, co-operation is in an advanced stage, but in Bulgarian border regions, by contrast, CBC is limited in nature and spread over a shorter period of time. In the case of Tornio Haparanda. Finland and Sweden have been members of the EU for a long time and have cooperated successfully in many projects benefiting the whole cross border area. This includes a sewage treatment plant, co-financed by the government of Sweden (70%) and the cities of Tornio and Haparanda (15% each).

The following quote from a key informant in Haparanda and a business support organisation in Tornio summarise their long lasting and successful cooperation and the importance of time dimension in the sustainability of the cooperation process as shown in Table 3.1:

"The general attitudes towards the development of CBC have improved. It is a long process and in the beginning it was a bit difficult to get people to believe in CBC. Today, there is no one who would be against the development of CBC; on the contrary, people see a lot of potential in it. The cooperation with the Finnish side is very smooth and active." (Haparanda, KI, 8).

"Cooperation is everyday activity and very concrete. Actually, it is so common that people no longer even think about it as cross border cooperation. It's just a normal way of doing things. We have meetings very often with the Swedish partners and if there are some issues that need to be discussed it is easy to make a phone call and discuss about things...Of course the national borders are acknowledged in the sense that both countries are sovereign nations and both have national legislation. In the everyday life we aim at obeying these laws but still we are trying to make cooperation as smooth as possible." (Tornio, BSO, 4)

Table 3.1: Density and Types of CBC initiatives¹

Local government level CBC initiatives		
	Long term co-operation	Project based cooperation
Comprehensive cooperation between administrative bodies	Council of Cooperation of Border Regions (South East Estonia)	Twin city cooperation (INTERREG IIIA) (Zgorzelec)
	Twin City Cooperation Secretary (Tornio)	Association of local councils of the Bug Euroregion (Biala Podlaska)
	Provincia Bothniesz (Tornio)	Union of Ida Viru County municipalities (Ida Viru)
	Cities Cooperation Agreement (South Karelia)	Twin city cooperation Serres-Veliko Tarnavo (Serres)
Culture/architecture/sports	Common municipal body Europe City (Zgorzelec, Gorlitz)	
Business	Provincia Bothniesz (Tornio)	EstRuCom (PHARE) (Ida Viru)
	Cities Cooperation Agreement (South Karelia)	Union of Setomaa municipalities (South East Estonia)
Non governmental CBC initiatives		
Business networking	Regional Organisation of the Federation of Finish Enterprises (Tornio)	
	Technopolis Technology Centre (South Karelia)	
	Chambers' cooperation (Zgorzelec; South East Estonia; Hochfranken; Serres)	

Source: Jaakkola (2007); Rogut et al. (2007a; 2007b); Schweitzer an Hack, Veleva and Welter (2007a; 2007b); Todorov and Kolarov (2007a; 2007b); Venesaar (2007a; 2007b); Vogiatzis (2007a; 2007b)

Successful examples of cross border cooperation involving institutions at the local level were also mentioned by informants in the Görlitz-Zgorzelec cross border area where city councils have been very active in various types of co-operation, with a variety of actors participating: (...regional authorities, institutions of local self government, associations, volunteer fire fighters and schools. It would be easier to enumerate those institutions which are not involved in CBC than those that are (Zgorzelec, KI). These examples show that co-operation can work well in cases where actors on both sides of the border perceive benefits from it; where they feel equal in the co-operation process; and are eager to exploit the funding opportunities to benefit their areas. Another aspect captured in the Table relates to the varying intensity of institutional CBC. This may be related to the nature of the borders, which in some cases involve an old member country of the EU, such as Germany or Greece cooperating with new member states of the EU, such as Poland, the Czech Republic and Bulgaria. This kind of cooperation benefits from an exchange of information, experience and also assistance with EU funding applications.

In the Bulgarian border regions the level of awareness of the potential benefits of CBE appears to be low, both among social actors and also in the population as a

¹ For information describing the functions and activities of organisations, refer to Jaakkola (2007); Rogut et al. (2007a; 2007b); Schweitzer an Hack, Veleva and Welter (2007a; 2007b); Todorov and Kolarov (2007a; 2007b); Venesaar (2007a; 2007b); Vogiatzis (2007a; 2007b).

whole. Combined with weak local government and limited resources, this lack of awareness contributes to passivity with respect to CBC. A similar problem was also evidenced in the Biala Podlaska region in Poland and in South Karelia in Finland, bordering Belarus and Russia respectively. In the former case, problems have occurred with regard to the co-ordination of efforts of different local actors and also the predominantly negative perceptions about cooperation with the Eastern partner (Belarus) and Russia, in the case of authorities in South Karelia.

“Co-operation experiences are always positive but very difficult. The Poles generally do not like our neighbours from the east. However, they are quite decent people; they live in different conditions but we also lived in such conditions and that is why we feel so important now.” (Biala Podlaska, KI)

“Young people do not trust them and do not believe that Belarusians can be attractive partners for international exchange. Maybe we underestimate them because they live so close. Unfortunately, Polish young people think they know everything about them because things are worse there than in Poland. The further from the border, the greater interest a country attracts... Young people treat partners from Western Europe better than those from Eastern Europe.” (Biala Podlaska, AM)

“The border hampers initiating cooperation. Anybody who goes there for the first time will think it over ten times before he does it again...Along with the integration with EU are neglecting our neighbours and it hinders normality. For too long the border has been something sick and inhuman and when people are not in touch it makes them believe stereotypes easier.” (Biala Podlaska, KI)

Some scepticism towards the benefits of cooperation with the Eastern border is in evidence in South Karelia also:

“People don’t believe in this progress. People don’t believe that anything will happen when working with Russia. This won’t happen and this won’t work. It is not easy as they need all the time pushing and activating and motivating.” (M.N. / regional authorities).

Finally, variations in the level of powers and responsibility for economic development have affected the nature and extent of cooperation, because of differences in administrative structures and responsibilities on each side of the border. Cross border organisations do not have a legal status and every decision made has to be approved later by both municipalities. (Tornio, KI, 7). Particularly problematic is cooperation across hard borders of the EU, such as with Russia, Belarus and Macedonia. Their centralised systems of governance were mentioned as barriers, with a need for local authorities to consult central authorities for every single decision. When combined with political tensions between countries, different governance structures contribute to a particularly difficult environment for cross border initiatives that are substantial and long-lasting. Differences in governance structures were also evidenced in the Gorlitz-Zgorzelec cooperation at an institutional level as this Polish key informant states:

“In Germany the situation is different - lands (states) have their own local governments, which often do not overlap (politically) with the Federal Government. The bond between the central Government and the Land (State) Government is weak. In Poland, the governor is subject to centralized politics.” (RB)

The CSRs featuring in the study included examples of various EU programmes providing resources to encourage cross border cooperation at local/regional

government level, with the INTERREG², PHARE³ and SAPARD⁴ programmes all representing potentially powerful tools for mobilising actors at different levels of government. Cross border initiatives between local governments were the most cited forms of institutional cooperation in the CSRs, taking the form of co-operation agreements between cities, associations of county councils and/or associations of municipalities (see Table 3.1). Although in the majority of cases these initiatives are oriented towards soft aspects of CBC, such as culture, education or infrastructure, in theory at least, they can provide a mechanism for laying a foundation for long term and sustainable cooperation between border regions which might outlast co-operation between individual enterprises. Institutional CBC can also provide a framework to facilitate contacts in the short term and, in some cases, for tangible projects, such as the organisation of training courses. The training in handicraft industries project in South East Estonia, organised by the Union of Municipalities⁵ or the employment centre in the Görlitz Zgorzelec cross border area are examples of this.

3.2 Euroregions

A specific form of CBC found in the CSRs was Euroregions, which aim to formalise and institutionalise CBC. They have been described as a form of 'policy entrepreneurship' (Perkmann, 2005; 2003). The EU established the concept of the Euroregion in order to provide a legal framework for interventions designed to promote cross border co-operation. Euroregions are a form of transnational co-operation structure between two or more territories located in different European countries. They do not correspond to any legislative or government institution, but rather their activities are limited to the competencies of the local and regional authorities that make them up. Within the designated region, arrangements are specified for co-operation between the units of local and regional governments across the border, with the broad aim of promoting common interests and enhancing the standard of living of border populations.

Although Euroregions represent one of the EUs main policy tools for promoting CBC involving entrepreneurship, they have typically not involved the business sector to any great extent. In our CSRs, a number of designated Euroregions exist, including the Euroregion Nestos Mesta in the Greek Bulgarian border, which has operated for a period of 16 years; the Euroregion Pskov Livonia on the Estonian Russian border; the Euroregion Neisse-Nisa-Nysa on the German Polish border; the Euroregion Egrensis on the German Czech border; and Bug on the Polish Belarusian border (see Table 3.2).

² A European Community Initiative designed to strengthen economic and social cohesion in the European Union.

³ PHARE (Poland and Hungary: Assistance for Restructuring their Economies programme), is the main pre-accession assistance, concentrates on the preparation of candidate countries for membership. Phare helps candidate countries to align themselves with the *acquis* and to prepare for structural funds. It has two priorities: institution building and investing in the *acquis*. Phare funds are allocated to projects that correspond to Phare types of programmes: national, multi-beneficiary, regional and horizontal programmes, cross-border co-operation and other specific programmes

⁴ Support for Pre-accession Measures for Agriculture and Rural Development. (SAPARD) is designed to support actions in candidate countries regarding priorities and problems in agriculture and rural development such as structural adjustment and infrastructure strengthening. It also focuses on the implementation of the *acquis* concerning the Common Agricultural Policy.

⁵ See Venesaar and Pihlak (2008a: 11), for more information.

Table 3.2: Euroregions in CSRs

CSRs	Bulgaria		Estonia		Finland		Germany		Poland		Greece	
	Kyustendil	Petrich	Ida Viru	South East Region	Tornio	South Karelia	Hochfranken	Görlitz	Zgorzelec	Biala Podlaska	Florina	Serres
Euroregions	Euro Balkans		Pskov Livonia		River Valley Council North Calotte Council		Egrensis	Neisse-Nisa-Nysa		Bug	Prespa Transboundary Park	Nesta-Mestos

Source: Jaakkola (2007); Rogut et al. (2007a; 2007b); Schweitzer an Hack, Veleva and Welter (2007a; 2007b); Todorov and Kolarov (2007a; 2007b); Venesaar (2007a; 2007b); Vogiatzis (2007a; 2007b)

Analysis of a combination of secondary and primary data points to a number of issues affecting their impact on cross border entrepreneurial activity:

(i) Euroregions are created to access EU funding and deal with issues of common interest on both sides of the border. However, the fulfilment of these objectives is dependent on networking capacities on both sides of the border for the creation of policy alliances around concrete objectives. Well grounded development initiatives were not well represented based on interview data. Additionally, the different competencies and resources of the local actors on the two sides of the border make cooperation more difficult. This is associated with a need to move from the use of Type I governance structures that are territorially organised to Type II structures that are task specific (Hooghe and Marks, 2004).

(ii) The status of borders, and the perceptions of them on either side of the border, has a distinct influence on the forms of cross border cooperation that develops and on the level of institutionalisation. In the case of Euroregion Nestos Mesta, it was difficult to sustain co-operation until Bulgaria joined the EU, because of the visa regime and because of the different funding regimes that applied to the EUs internal and external borders. Eventually, the administrative structures that have been created on each side of the border to access EU funding are different and share different responsibilities. The softer problems of cooperation between border regions have been related to feelings of suspiciousness and exploitation (in the Greek Bulgarian border) or superiority (in the Polish Belarusian border).

(iii) Euroregions have typically not been able to create strong horizontal and vertical coordination networks in the CSRs. As discussed in the literature review, state traditions influence the extent to which each country moves towards self governing organisations and partnerships involving the state and the private sector. In Greece, for example, Euroregions have failed to establish good vertical links with central government, because of different policy agendas of the national state and the Euroregions. In the case of Euregio Egrensis (Czech Republic) local government reform during the lifetime of the Euregio created further difficulties in the cooperation with the German side because of the inconsistencies in staff.

(iv) In most cases, Euroregions have only made modest efforts to create horizontal links with business support organisations or business associations, which are the

organisations having direct contact with enterprises. A number of Euroregions have the development of tourism as one of their objectives. Only in the case of Euroregion Egrensis, *“companies/entrepreneurs who are willing to tackle a project with the Czech Republic address the Euregio Egrensis for help because it does not only dispose EU subsidies but also know how in the area of CBC. It is often the case that employees from the Euregio act as consultants”* (Hochfranken, KI 2)

(v) Not surprisingly, Euroregions were not mentioned at all by the entrepreneurs participating in the study, suggesting that they are not playing a role in providing contacts or information to initiate CBC. If Euroregions are to fulfil a role in supporting entrepreneurship, they need to promote the benefits of cross border cooperation more actively and to wider audiences.

To conclude, Euroregions in the majority of CSRs do not act as major platforms of institutionalised cooperation that can tackle the problems of cross border regions. At the moment, their activities are mainly of a soft nature, concentrated in furthering cooperation between local authorities. In order to address the problems of their border regions they need to engage more in developing vertical and horizontal capacities and local synergies which will empower the local regions and mobilise all interested parties in developing proactive cooperation initiatives.

3.3 Local/Regional Responsibilities for Economic Development

One of the factors influencing the sensitivity of policy interventions to the needs of a region is the nature and extent of devolved responsibility for economic development. In countries where regional and/or local government have little autonomy, there is typically less scope for their involvement in regional development and active policies to promote cross border entrepreneurship.

Primary and secondary data from the CSRs has been used to classify regions on the basis of the level of autonomy of regional/local governments (Table 3.3). The classification involves two elements: firstly, the level of autonomy of regional/local authorities in taking decisions and setting economic development priorities for their regions; and, secondly, the type of border in terms of whether it is a hard or soft. This in turn is divided into established EU borders and newly created ones, resulting from recent enlargements. These two factors have implications especially for the governance structures on the two sides of the border and their institutional capacities to engage in CBC. As Table 3.3 shows, the CSRs are evenly divided on this basis with local authorities in the German, Polish, Estonian and Greek CSRs appearing to have more delegated decision making powers for economic development than those in Bulgaria and Finland.

As shown in Table 3.3, the decision making autonomy of regional/local authorities is not the only factor influencing the propensity of institutions to engage in CBC. In Tornio, for example, the key influences appear to be the established soft border with Sweden; a proactive local government; long lasting cooperation; and wide awareness of the benefits of cooperation. By contrast, the other Finnish region of South Karelia has only limited cooperation across the hard border with its Russian neighbour.

Table 3.3: The intensity of CBC by autonomy of local government and status of borders

Degree of autonomy of regional/local government	Intensity of cooperation		
	Established co-operation	Emerging co-operation	Limited cooperation
Autonomous regions		Görlitz Hochfranken Zgorzelec Serres	Biala Podlaska South East Estonia Ida Viru Florina
Limited autonomy regions	Tornio	Petrich	South Karelia Kyustendil
Status of borders	Intensity of cooperation		
	Established cooperation	Emerging cooperation	Limited cooperation
Soft-Soft	Tornio		
Soft - Newly soft		Görlitz Hochfranken Zgorzelec Serres Petrich	
Soft-Hard			Florina South Karelia
Newly soft – Hard			Ida Viru Kyustendil

Source: Jaakkola (2007); Rogut et al. (2007a; 2007b); Schweitzer an Hack, Veleva and Welter (2007a; 2007b); Todorov and Kolarov (2007a; 2007b); Venesaar (2007a; 2007b); Vogiatzis (2007a; 2007b)

(i) Regions with Limited Autonomy with Regards to Economic Development

Bulgarian regions have a limited freedom to make decisions. They were characterised by regional informants as implementers of policies designed at the national level, although the process of decentralisation is reported to have started in Bulgaria. Not surprisingly, a lack of delegated responsibility for economic development is associated with a lack of capacity to fulfil this function. Interviews with key informants in the Bulgarian regions show that local authorities typically lack staff with the appropriate skills to develop co-operative initiatives and most importantly to set clear and strategic objectives. This also affects their willingness to coordinate their activities with those of other local actors that operate in the region, as mentioned by this business support organisation in Petrich:

“There are few CBC project proposals that fail to be funded because of lack of support of the local administration. Unwillingness to cooperate is due to the inadequate professional skills of municipal servants concerning project development and management and lack of skilled team for preparing and implementing projects. Cooperation with the municipality is a necessary precondition for ensuring the sustainability of the projects. Our organisation does not have the resources needed to ensure sustainability”

By bordering a non EU member, the Bulgarian region of Kyustendil is in a particularly difficult situation, since the exchange of information and experience is limited across the border with Macedonia.

In the case of **Estonia**, local authorities lack competences to deal with border issues. More fundamentally, however, they lack financial and human resources to perform their role as implementers of national policies. Another issue identified in the Estonian CSRs was that national policies do not affect all the regions equally. This tends to leave border regions in a disadvantaged position, with limited power to affect decisions at the national level. Nevertheless, the willingness of individual actors in local municipalities to cooperate across the border (often utilising informal contacts) has been a positive factor in developing CBC initiatives with the Russian side at a local level.

In **Finland's** border regions, fulfilling the requirements of the national legislation leaves very limited scope for influencing decisions on regional development in general and cross border co-operation in particular. Key informants pointed to the difficulties related to national legislation. However, the proactiveness of local authorities and the long lasting cooperation in the case of Tornio Haparanda are factors that have influenced positively CBC.

(ii) Regional/Local government with Greater Autonomy with regards to Economic Development

Germany is the only federal country involved in the CBCED project and as such, German regions have the highest levels of autonomy in the study. Although the economic policies of the states may support some districts more than others, districts (such as border regions) have full autonomy to acquire necessary funds for their development from other sources, such as the EU, through being active and entrepreneurial in policy terms.

In the **Greek** CSRs, funds have been allocated by national government and from EU Structural Funds for regional development. The main problem is the lack of real understanding of the specific problems of each of these areas, which can only be achieved by a better coordination of efforts at different layers of government.

In **Poland**, the administrative reforms of 1998-1999 introduced two main levels of government: national government and local self-government (i.e. local authorities). Although the responsibilities for economic development strategies and policies lie at the province level, there was a common perception on the part of key informants that the scope for local authorities to influence government decision making is limited as this quote from a key informant in Biala Podlaska illustrates:

"In Terespol, the crossing on the Belarusian side is being upgraded. On the Polish side it is not. It depends on big politics and on whether there was or was not a meeting at the governmental level. Everything depends on talks. We can meet at the local level but not everything depends on local governments and regions. Something must be done at this border crossing. If it is going to be good money should be spent on both sides. There is the Joint Polish-Belarusian Commission on border, but it has not assembled for three years." (AK)

The countries shown in Table 3.3 with a higher level of regional autonomy have not always been successful in developing CBC for other reasons. In Greece, autonomy was said to be more declarative than real; and in the cases of Poland and Estonia their budgets and scope to influence national policy affecting cross-border activity was said to be limited. The German regions, Zgorzelc in Poland, Serres in Greece

and Ida Viru in Estonia have all developed some institutional CBC, based on EU funding through being active and entrepreneurial in seeking and utilising external resources. In this respect, the willingness of actors in local municipalities to cooperate across borders (often utilising informal contacts) has been a positive factor in developing some CBC initiatives at the local level in the cases of Zgorzelec, Ida Viru and Serres.

In summary, factors influencing the intensity of institutional include the degree of autonomy of regional/local authorities, but even more important is the status of the borders. The best prospects for CBC lie in regions that have soft external borders, able to exploit potential complementarities between cross-border regions. Regions with hard borders, such as Biala Podlaska in Poland, Ida Viru and South East Region in Estonia and Kyustendil in Bulgaria and which have weakly defined responsibilities for economic development and limited resources and institutional capacity contain more modest levels of CBC. Hard borders of older member countries of the EU are in a slightly better situation since they are more experienced in CBC initiatives.

Finally, a lack of decision making power and technical capacity can constrain institutional CBC but not necessarily prevent it. The barriers are particularly focused in hard border regions, such as Biala Podlaska, Florina and South East Estonia, which are trying to cooperate with regions across the borders that are different in size, resources and capabilities at the local level. Better prospects for CBC can be found in regions on soft-soft and soft-newly soft borders of the EU that can exploit potential complementarities between regions.

3.4 Entrepreneurs and the Policy Process

One of the key principles of good governance with respect to the development of entrepreneurship and SMEs is the establishment of dialogue between the state and the representatives of entrepreneurs at all stages of the policy process. This is important if policy is to meet the needs of businesses and enable entrepreneurship to make a full contribution to regional development.

3.4.1 Entrepreneurs Perceptions of the Policy Process

In practice, the degree to which this level of cooperation has been established in CSRs varies considerably between regions. Entrepreneurs were asked their about their view of the opportunities for engaging in policy dialogue. In all CSRs entrepreneurs felt they had little influence on policy making in practice, there was some variation in their perception of the opportunities for dialogue with policy makers. In Biala Podlaska and Kyustendil, the predominant view was one of being unable to change a situation where legislation and policies are designed and implemented without taking into account enterprises' concerns. The emphasis in the quotations from entrepreneurs in these two CSRs listed below suggests there is a need to strengthen the lobbying function of Chambers of Commerce and Industry, as well their engagement with entrepreneurs:

"Not by myself. Maybe together with non-government organizations. Some meetings would be needed, but this is a wishful thinking." (Biala Podlaska, E1)

"There is no way; single person will not change anything." (Biala Podlaska, E8)

*"I cannot and I do not even try. This would have a bad end – there were already proofs for that."
(Biala Podlaska, E17)*

"There is not much we can do." (Biala Podlaska, E16)

In the Bulgarian border region of Kyustendil although the picture is similar, entrepreneurs appear to accept that part of the problem rests in their passivity to engage themselves with local authorities or to participate actively in business associations or organisations.

"I am not aware of any mechanisms that exist to persuade the authorities to review the regulations and their implementation. This is a weak side of all the Bulgarians –they do not take interest and do not pursue their rights." (Kyustendil, E3)

"The only mechanism for convincing the institutions in charge to reconsider certain regulations and/or their application is through joined actions of all concerned. No single firm, especially a small one, is able to achieve a positive result." (Kyustendil, E4)

"When the firms are economically strong and have lobby then they would be able to influence the decision taken by local and national authorities." (Kyustendil, E5)

"There are no mechanisms that can be used by the business to make the institutions reconsider their decisions. This is because the business has not organized itself well yet." (Kyustendil, E12)

In other CSRs, entrepreneurs typically recognised the existence of the mechanisms available to them to influence policy, such as through Chambers of Commerce, entrepreneur's organisations and other lobbying opportunities, but were generally sceptical about the effectiveness of the processes because the actions they have taken have contributed little to any policy changes:

"Moreover, institutions like the Chamber do not support sufficiently the firms. I believe that, if the local institutions were more active and powerful, we would be able to achieve our goals more easily and with less effort from our behalf." (Florina, E6)

"We have done our best at approaching politicians and other influential people regarding these issues. When Matti Vanhanen, the prime minister of Finland, visited here we did inform him about the difficulties regarding export and competition in this region, but I have not noticed a change - at least not yet, but I do understand that these things take time. I do hope that by participating in this study there will be instant changes for the better...hehehe." (Tornio, E9)

"I feel that we have not got a change at changing the practice regarding e.g. this visitor card practice – as an individual it is so difficult to make a change – it's almost like I wanted to change the Finnish constitution. There has also been much talk about dividing the summer holidays of school-children into sections – so that not all pupils would start their holidays exactly at the same time – this would really be a good thing for everyone especially for people who make their livelihood from tourism, but these matters do not seem to be open for discussion, the officials simply decline all suggestions. People are free to fight a losing battle, but I do not personally see the point in that. The situation is such that everything has become so very inflexible, there is always just one possible alternative and no variations are tolerated – this is a Finnish tradition." (South Karelia, E9).

"Another issue that also affects our business and the CBC is that the Russians are not interested in developing the Svetogorsk region. But also the Finnish ministers seem far too hesitant to address the border issues – it's almost as if they were afraid that they'd get in too deep. This is evident also in the truck queues and the way no-one wants to question the way the Russian officials handle things on the border. We have together with the Finnish Entrepreneurs' Association asked Finnish officials to take the bull by the horns, but I have not really noticed any

changes. Finally they did talk to some Russian minister but he was very quiet and as I interpreted things was very hesitant in expressing any views on these matters. (South Karelia, E10)

In regions bordering Russia where border procedures and arbitrary decisions of the Russian authorities have an impact on businesses activities, there is some resentment towards their governments and EU about the way they are handling the situation.

“Another issue that also affects our business and the CBC is that the Russians are not interested in developing the Svetogorsk region. But also the Finnish ministers seem far too hesitant to address the border issues – it’s almost as if they were afraid that they’d get in too deep. This is evident also in the truck queues and the way no-one wants to question the way the Russian officials handle things on the border. We have together with the Finnish Entrepreneurs’ Association asked Finnish officials to take the bull by the horns, but I have not really noticed any changes. Finally, they did talk to some Russian minister but he was very quiet and as I interpreted things, he was very hesitant in expressing any views on these matters”. (South Karelia, E10)

The main point emerging from this section is that entrepreneurs do not consider government (national, regional or local) as a partner, which has a negative influence on their trust in institutions and on their assessment of the value of participating in the established mechanisms for dialogue.

3.4.2 Perceived benefits of joining business associations

As the discussion above indicates, one of the key factors influencing entrepreneurs’ perceptions of the opportunities for policy dialogue is their view and experience of Chambers of Commerce and other types of business associations. As a result, in the interviews, entrepreneurs were asked their views of the benefits of joining business associations.

In practice, the dominant expressed view was one of scepticism of the efforts of the Chambers to support entrepreneurship and business development in the CSRs, illustrated by the quotations listed below from entrepreneurs interviewed in Florina in Greece, Biala Podlaska in Poland and Görlitz in Germany:

‘there are no benefits from them’ (Biala Podlaska, E13);

‘they think only about themselves’ (Biala Podlaska, E17);

‘their support is negligible’ (Florina, E);

‘chamber’s presence is virtual’ (Florina, E14);

‘they do nothing’ (Florina, E15);

‘bureaucratic’ (Görlitz, E9),

“have not the faintest idea” (Görlitz, E20)

“I participated in two to three courses concerning Poland organised by the CCI which were not very useful. The region simply lacks experts; people who act instead of talk” (Görlitz, E9).

The negative views expressed suggest a lack of ‘competence trust’ in local Chambers, as well as criticisms of their ability to relate to the needs of small businesses.

One entrepreneur in Tornio (Finland) believes that representative organisations have insufficient incentives to perform well, implying a lack of market orientation:

“...the advice and the support can be a double-edged sword; the people who give this advice are ‘only working’ there, so all the responsibility lies on the entrepreneurs’ shoulders. So their motivation for helping entrepreneurs may not be very high as they will always get paid no matter what the advice is like. And this is easy to notice when you look at their activities – they are not committed to fight for entrepreneurs rights” (Tornio, E11).

These entrepreneurs do not have any expectations about the Chambers but have directed their attention towards other support structures that can be more beneficial for their business activities.

In other CSRs, whilst entrepreneurs are critical of the current role of the Chambers, they appear more constructive with suggestions as to how their role could be strengthened. In some cases, particularly in Serres (Greece), South Karelia (Finland) and Ida Viru (Estonia) and South East Estonia, entrepreneurs also see a more active role for Chambers in finding reliable and trustworthy business partners for domestic and cross border co-operation activities.

“The chambers were full of useless people who couldn’t finish a task successfully. Things have slightly changed ever since and I see them expressing an interest in cross-border activities; but this is still not enough. Most of the people working in the Chambers care more about their public image and spend their time talking at the TV channels. You need more than experience in order to be working there; it’s also a matter of knowledge. Educated people should be hired there, who will be specialized on the issues the Chamber is dealing with.” (Serres, E9)

“The Chamber is very active. It’s not the best possible, I mean there are some things that could be improved, but whenever we need something, they always try to help us out, especially when it comes to disseminating information. They organise seminars and, generally, they keep businessmen informed, which is very positive.” (Serres, E12)

“The local Chamber is also assisting our efforts, increasing our awareness about the opportunities that arise and the related programmes that are launched. We discuss them with Mr. Atmatzidis and we will surely exploit any available one.” (Serres, E19)

“I guess there are some benefits in these memberships. I can’t say how it could be improved, everyone has to be active on their own, and these organizations have to inform more about the available support.” (South Karelia, E1)

“...the chamber of commerce has made an effort at building more trust between Finnish entrepreneurs and the Russian partners, but there is only so much one organization is able to accomplish. There are several organizations dealing with the CBC issues and in my opinion collaboration is the key to success.” (South Karelia, E8)

“The benefits from these memberships are mainly increased information about Russian affairs and operating a business in Russia. Especially the Finnish-Russian Chamber of Commerce is a great source of information about Russia; this information is distributed through e-mails, almost daily”. (South Karelia, E18)

The potential benefits of active use of a local Chamber may be illustrated with reference to two Bulgarian entrepreneurs who have used their membership of the local Chamber when looking for networking partners but also as a reference to support a visa application.

“easy approval of visas for foreign partners” (Kustendil, E16)

“the firm uses only the services of the local Chamber of Commerce and Industry in order to provide its customers invitations so that they can have visas (Kyustendil ,E19).

The difficulties faced in engaging small businesses in the policy process are not confined to border regions. At the same time, there are various ways in which the development of cross border entrepreneurship can be assisted by close co-operation between public policy makers and private sector partners. The empirical investigation in the CSRs showed that many businesses are either unaware of the benefits of participating or are aware but doubtful that their involvement will lead to any beneficial effects for their business. Not surprisingly, businesses in the more established member states of the EU tend to be more active in this process than their counterparts in new member countries, because the business support networks have had longer to evolve and where lobbying experience is more common..

3.5 Conclusions on Institutional Involvement in CBC

Cross border cooperation at the local level is influenced by the relationships between different layers of government and the scope offered to regions for decision making autonomy with regards to CBC. It is also influenced by the extent of coordination of local public and non-governmental actors in understanding and addressing the priorities of their local communities. The investigation revealed a ‘governance gap’ in most CSR with regard to the real involvement of entrepreneurs and small businesses in the policy process. Addressing this is an important priority in the new EU member states in particular, from the standpoint of entrepreneurship development in the regions generally and for CBE in particular.

The experience in the CSRs studied shows that at the heart of CBC initiatives are ‘*entrepreneurial*’ local authorities and/or other organisations that are actively seeking to take advantage of external (mainly EU) funding opportunities to develop their local communities. At best, this is helping to lay the foundations for longer term, more institutionalised forms of CBC and for acting as an enabling influence for the development of cross border entrepreneurship.

Not surprisingly, soft border regions of the EU are in a better position with regard to CBC initiatives firstly, because they border a country that has a longer experience in INTERREG or other EU funding programmes; secondly, they have undergone a process of harmonisation of laws and procedures to EU standards, which facilitate cross border activity; and thirdly, because the border controls and restrictions on movement are typically less constraining. On the other hand, CSRs with hard external borders, such as Imatra in Finland, both Estonian border regions, Kyustendil in Bulgaria, Florina in Greece and Biala Podlaska in Poland have to cooperate with cross border regions operating in less certain environments, where local authorities typically have limited autonomy with regards to economic development policy and actions, as well as suffering from a lack of institutional capacity.

4. POLICIES AFFECTING THE ENVIRONMENT FOR CROSS BORDER ENTREPRENEURSHIP

The development of cross border co-operation involving enterprises is likely to be affected by a wide range of government policies and actions, including the costs of

legislative compliance and the behaviour of institutions acting as regulators and implementers of policy, as well as policies and business support agencies focused on CBE itself (Smallbone and Welter, 2001).

The effect of public policy on the environment for CBE includes policies affecting transactions and interactions directly (such as customs procedures), but also policy influences that operate indirectly (such as visa regimes and the effect of political relations between national governments). In this regard, it is necessary to distinguish between hard and soft borders in making an assessment. In CBCED, hard borders exist in the case of the two Estonian regions and South Karelia in Finland (with Russia); Florina in Greece and Kyustendil in Bulgaria (with Macedonia); and Biala Podlaska in Poland (with Belarus).

4.1 Political Relations between National Governments

Political relationships between national governments can have important implications for CBE, because of their impact on the ease or difficulty involved in moving goods and/or people across borders. This particularly applies in the case of hard borders, because of the effect on customs and visa procedures. Such influences are less important in the case of soft borders, although historical relations between countries can affect the stance of governments towards the active promotion of CBC.

Entrepreneurs in both Estonia and Finland perceive Russia as a problematic partner, because of continual changes in its policies and/or regulations, which increases the unpredictability involved in co-operating across the border. This affects the extent to which entrepreneurs can rely on cross border business as a source of revenue and/or resources, which is reflected in the words of one of the Finnish entrepreneurs interviewed:

“The most important thing that I have learnt from doing business across the border is that it is best not to make too extensive plans based on previous agreements – what is agreed today, may not be a valid agreement the next day. There is always a certain amount of unpredictability when doing business with Russian officials and partners” (South Karelia, E8)

“Instability is a problem in Russia; you never know what is going to happen tomorrow, what will be the decisions, what kind of law Russian customs will adopt. „Russians have no restrictions to operate inside Russia, as soon as the political situation changes, they start harassing those entrepreneurs who communicate with Estonia.” (South East Estonia, E13)

On the other hand, Estonian entrepreneurs recognise that it is beneficial for both parties to cooperate. Those that have long term partners or personal contacts in Russia try to adapt themselves to this situation.

“...especially in the territories bordering South-Estonia one can sense the negative influence of Russian propaganda for Estonia (e.g. not to buy Estonian goods, sell more expensively to them, etc). However, those with good personal contacts and long-term co-operation in Russia cope very well and have no remarkable problems.” (South East Estonia, H10)

Political relations between countries can be a major barrier to CBE because unlike some other barriers, entrepreneurs feel unable to exert any influence:

“Some projects have come to a halt as Russian investors don't want to invest just due to the political situation. It's necessary to work for improving the bilateral relations between the countries

as otherwise CBC may come to a halt, because the prices in Russia increase all the time and the risk is very big. These factors may become critical, when it's not worth any more to take so big risks" (Ida Viru, E10)

In Estonian CSRs, some entrepreneurs are critical of their own government's stance and that of the EU:

"It is not possible for the entrepreneurs to influence; it is still a position between the states. If to take Finland as an example, then Finns can have with Russia such politics, friendly. They communicate directly, Finnish minister communicates directly with the Russian minister, they are not afraid of calling there. But the Estonian minister doesn't do that. Probably they have taken that position that these transportation enterprises and transit enterprises are not very big to exert influence. We must simply reorient and there is no other way out. We lose contracts then and do something else." (South East Estonia, E13)

"Here a question arises – where does the EU go? So if we want to see benefits, then Finnish have forgotten today some EU norms in their dealings with Russia. e.g. they allow the goods of third countries to be transported through the country without asking what's inside. The representatives of Finnish Government go to China, Japan and Korea in order to create a platform where goods will first come to Finland and be distributed to the rest of Europe. So everybody works so that the entrepreneurs would be able to act. We try to be polite and do the minimum, we are afraid to do more." (Ida Viru, E13).

"Some projects have come to a halt as Russian investors don't want to invest just due to the political situation. There is a danger that orders for leather will decrease, but trusting relations with partners save the company at the moment and also the fact that only Russian people work in the company – so why leave fellow-nationals without work? It's necessary to work for improving the bilateral relations between the countries as otherwise CBC may come to a halt, because the prices in Russia increase all the time and the risk is very big. These factors may become critical, when it's not worth any more to take so big risks." (Ida Viru, E10)

Political problems also affect the environment for CBE in the Florina/Pella CSR on the border of Greece and Macedonia, reflected in a longstanding dispute about the name of the latter. The Greek embargo at the beginning of the 1990s acted as a negative influence on trade development in the region. Tensions about the name still exist and have also contributed to a reluctant attitude towards CBE on the part of many entrepreneurs. The dispute has practical implications for bringing goods in and out of the country, since invoices which include the name Macedonia are not accepted in Greece; and invoices that refer to FYROM are unacceptable in Macedonia.

At the same time, these political problems do not prevent entrepreneurs from seeking cross border business opportunities, which they sometimes need to be creative in order to exploit:

"The most important barrier of course is the "naming issue". Exporting from the FYROM to Greece is extremely difficult even though they can offer us some cheap and high quality products, such as peppers, grapes for wine and granites, but the local traders cannot import them as long as "Macedonia" is written on the invoices. These traders would like to solve this issue and to tell you the truth they don't care about the name; all they want to do is business and profits. We are the only ones in the world calling that country as the FYROM." (Florina, E18)

"The "naming issue" and the other national conflicts that exist between the countries do not play an important role. The issue concerning the name of "Macedonia" creates some problems only in the custom and nowhere else. There is a mutual profit for both sides and when you really want to cooperate there are no barriers; you can always find alternative solutions, since there is no

intention to exploit each side. What you see in the televisions and what you hear in the radio do not always coincide with the reality here. These are created by people who live far away from the borders; the situation here in Florina is not so complex.” (Florina, E11)

“When I enter Greece and I am in the border, I prefer not to talk and use words such as Lerin, Solun or Macedonia. Instead of Lerin, better saying Florina, instead of Solun, better saying Thessaloniki. This happens in the Border, because I think that people there, the Greek customs’ officers, would have a problem with that. With simple people there is no problem. We don’t have any difference. We say Macedonia, they say Greece. It’s politicians who cause problems. I think my country doesn’t like cross-border cooperation with Greece. I say we are Europeans, Greeks, Macedonians; we are all Europeans.” (Florina, H7; Macedonian entrepreneur).

Business owners in the CSRs bordering Russia and Macedonia urge their governments to find ways to resolve the political tensions between countries because they are jeopardising the development of their business activities. Two specific issues have been identified from the interviews with entrepreneurs: firstly, governments are distant from the concerns of entrepreneurs in border regions and secondly, entrepreneurs seeking business opportunities across the border place economic factors above history and politics.

4.2 Visa Regimes

Crossing hard borders typically involves some form of visa procedure, which means that the visa regime can have a direct influence on the ease or difficulty of CBE. The problem was mentioned in the CSRs bordering Russia (in Estonia and Finland), Belarus (Biala Podalska) and Macedonia (Florina). Reported difficulties mainly refer to various extended bureaucratic procedures. Instances were reported where cooperation partners that need visas are unable to attend a meeting on the other side of the border due to delays in issuing visas (Florina, E13; 15; Kyustendil, E5; E6; E16; South Karelia, E1; E12, E21). Visas can also be expensive (Ida Viru, E2; Kyustendil, E1; E5; E19; South Karelia, E8; South East Estonia, E14) and sometimes entrepreneurs are only granted limited entry visas which mean more trips to an Embassy and more associated expenses.

These barriers were also widely mentioned in Kyustendil because of the new requirements for Macedonians, following Bulgaria’s entry to the EU. The new visa regime has negatively affected many Bulgarian entrepreneurs that have (potential) partners in Macedonia, despite the Zone 50 initiative, which recently allows citizens within the 50 km zone to benefit from one year multiple entry visas.

“To obtain a visa is waste of time and money (for example, Macedonian people are waiting three months to receive a three-month visa after they have declared that are partners of our company).” (Kyustendil, E1)

“...there is certain stagnation in the last few months. One of the factors that cause this is the introduction of a visa regime for the Macedonians. This hinders not only the regular meetings between the partners but also the contacts with potential clients who are willing to visit the production premises of the firm in Bulgaria and get familiar with its activity on the spot.” (Kyustendil, E4)

“The main problem from the beginning of the year is required visas from Macedonian citizens to enter in Bulgaria. The procedure of visa receiving is clumsy and relate to waste of time and money.” (Kyustendil, E5)

“EU enlargement has negative effect because of the visa regime. It may be said that “Bulgaria integrates with EU but it becomes estranged from her Balkan states/ neighbours”. The intensity of cross border activity has dropped off. According to expectation this activity will be stopped during the next 1-2 years.” (Kyustendil, H5).

In the Estonian and Finnish CSRs bordering Russia, the problem of visas was also perceived as a negative influence on CBC, particularly by enterprises operating in tour services or accommodation provision. They report difficulties because visas are not only expensive and subject to frequent price changes, but there is also a risk of not getting a visa on time. These problems are best illustrated in the words of an entrepreneur from South Karelia:

“Visas can be a bit problematic at times, but mostly it is a matter of costs – the price for such a cruise has become a problem for many Russian tourists. We have made every effort at finding some sort of agreement to this problem. Last spring the price for group-visas was raised by 5 euros – we talked to everyone, including the Finnish minister of Foreign Affairs and the high officials in Russia – the discussions have not changed anything.” (South Karelia, E8)

“What has really hindered our business is the current practice with visas: when the travel agencies book a room with us, there is always a risk that the person will not receive a visa and this is of course a problem for everyone.” (South Karelia, E21)

The determination of entrepreneurs is reflected in the fact that many businesses find ways to co-operate across borders despite visa restrictions:

“I have Bulgarian passport, so I don’t have visa problem. I have it two years. It is easier to go to Greece with Bulgarian passport. I have it only because of business.” (Florina, H18, Macedonian entrepreneur)

“Till now, I used to get multi-visa, meaning one year-limitless entries-visa. Some years ago, I used to work for a Greek company here, MIHOS, for eight years. Recently I wasn’t able to get visa. This created lots of problems to my business. Now, I think I am able to get a Bulgarian passport. This will be very good for my job, as Bulgaria is in the EU. It is very easy, you just have to go to the Bulgarian Embassy and sign a paper where you say “I feel Bulgarian”. (Florina H21, Macedonian entrepreneur)

“In order to solve this problem and for some other personal benefits he is currently taking the necessary actions to procure himself a Bulgarian citizenship.” (Kyustendil, H2, Macedonian entrepreneur)

Few businesses that were interviewed had ceased their cross border activities because of these problems. Those that had stopped tended to be either those trading in, or transporting, perishable goods that are adversely affected by long waiting hours at the border, or businesses that found it hard to deal with the corruption of custom officers. Nevertheless, we can conclude that the intensity of CBC is likely to be higher if such constraints were absent. These are all issues under the domain of central governments that cannot be solved at the local level.

4.3 Customs’ Procedures

The burden that customs procedures can place on cross border activities is evident in the accounts of those entrepreneurs that have experienced a change in the status of their border (i.e. from soft to hard or vice versa). In CSRs where borders had changed from hard to soft, entrepreneurs referred to the enabling influence of the smoothing of custom procedures (such as the removal of double tariffs and VAT) on

cross border business activity. This applied in the case of Zgorzelec in Poland (bordering Germany) and Petrich in Bulgaria (bordering Greece).

In the CSRs with hard border regions of the EU, entrepreneurs' experiences with customs procedures mainly related to:

(i) *The Discretionary Use of Power and Offensive Attitudes of Customs Officers*
Entrepreneurs operating in the CSRs bordering Belarus, Russia and Macedonia commonly reported that the interpretation and implementation of regulations is often dependent on the customs officers' mood. One entrepreneur stated that

"Russian customs is like a country inside a country" (Ida Viru, E17).

One of the key informants interviewed in Biala Podlaska illustrated the barrier effect with respect to the border with Belarus:

"The border is the barrier. Uncertainty about the possibility of its crossing is tiring. Many people give up the opportunity to visit Belarus as they do not know how they will be treated at the border and how long it will take to cross it. This is a big comfort in cross border contact." (AC)

Some entrepreneurs report verbal abuse by custom officers:

"...the control should be better regarding the authorities' attitude towards the citizens of the FYROM who enter Greece. They feel like citizens of a "lower category", since they face a very deflationary behaviour in the custom controls, as I've been informed by my friends who come here. This has to stop because both sides can benefit from enabling the transportation of goods, services and passengers across the two countries." (Florina, E11).

"One month ago, I had problems with the Greek policemen in the borders. Policemen and customs officers held me in the border for 4 hours for what seemed to be a small control. They made me open my purse, take everything off, etc. They didn't treat me right. They searched everything I had for many hours. It all ended when their superior came and told them to stop. He was the director of the customs. He was the only gentleman, the only one." (Florina, H15, Macedonian entrepreneur).

(ii) *Long Border Delays*

Entrepreneurs attributed long border delays to a lack of capacity on the part of customs officials to process goods quickly. This appears particularly problematic at the Estonian-Russian border, intensifying following a decision by the Russian government to check every Estonian lorry crossing the border. Since this decision was not accompanied by any increase in the number of custom officers, it led to long waiting hours and frustration amongst those that travel to Russia. This situation was also exacerbated by the political relations between the two neighbouring countries.

"At some point crossing the border was problematic, the transport firms didn't want to go, and the queues were long. "Last week I talked to a truck driver. He goes to St. Petersburg, making a weekly cycle, in Estonia they upload for 40 minutes, but in Russia they download for 3 days, and then there is unknown number of days on the border. So there are problems with crossing the border." (South East Estonia, E8)

Despite the need to be at the border for long hours with poor facilities, entrepreneurs also face the risk of compromising their reliability as partners because they cannot

fulfil delivery obligations with their partners on the other side of the border. Tour operators face the additional risk of not being able to offer value for money to your customers. For example, a company that organises tours to Vyborg (in Russia) from South Karelia:

“The border formalities can be very slow at times. We have estimated that even when the service is at its best, we have to reserve one hour for the border formalities in Vyborg. This optimal situation leaves the tourists with three hours to spend in Vyborg and that is enough. But unfortunately at times our passengers end up spending up to four hours in the customs and then they have to come back to the boat without visiting Vyborg! They pay 30 euros for the Russian visa and what do they get in return? - they get to sit on the boat, sit on the bus and spend 4 hours in the Russian customs” (South Karelia, E8).

The obvious solution in such cases seems to be the opening of new border crossing points as many entrepreneurs especially in Estonia or in Greece border regions urge.

(iii) Corruption of custom officers

The discretionary use of power by custom officers is associated with high reported levels of corruption, appearing ubiquitous in the borders of the CSRs bordering Russia, Macedonia and Belarus. However, interviews with respondents suggest some cultural differences in attitudes towards this. Entrepreneurs in Finland and Germany appear the most uncomfortable when faced with a need to offer bribes:

“The customs (Russian) is in a league of its own when it comes to corruption – they always expect bribes, and it is almost impossible to get anything done without making some sort of payments to the right officials. I’ll give you an example, this summer here in Finland we had four trucks waiting to be taken to Russia (for our subsidiaries use) and the customs office that was supposed to do the clearing for these trucks was transferred from St. Petersburg to Moscow and we waited for something to happen for 3½ months before the job was done. Prior to this they had kindly informed us that by visiting them and making certain payments to the persons handling this matter would get things moving, but we have refused this request.” (South Karelia, E18)

Whereas in Greece, such behaviour appears more acceptable:

“The chance to have a convenient custom clearance of our products was limited to the cases we had a personal contact in the Customs, or if we paid ‘under the table’. That was the general picture. There were people exporting more than 20 tones of products there, they declared only 4 and they would pay the employees in the custom-house. We are talking about a big corruption you understand.” (Florina, E12).

Nevertheless, this entrepreneur subsequently ceased his cross border activities because of the constant problems at the border.

(iv) Bureaucratic Customs Procedures

Another issue refers to the highly bureaucratic procedures at the borders. These are influenced by the rapid changes in laws and regulations, by the lack of information available and a lack of clear responsibilities as to who is going to implement what. Since these situations are the norm rather than the exception in Russia, many problems are created at the borders since entrepreneurs are typically not informed about changes in legislation. As one Finnish entrepreneur states:

“The Russian customs are not very good at informing people about the changes in the tariffs and e.g. changes in the codes for our products. And what is quite problematic is that they do not even

distribute the information among the customs officials, and often the new regulations and practices are backdated, so we should have adopted the new practices a month before we even heard of these changes – so suddenly we are indebted to the customs, and none of our trucks are allowed to cross the border until we have paid our “debts”. The customs is such an institution that it is absolutely impossible for us to predict their activities and there is no way of preparing ourselves for the changes to come.” (South Karelia, E14)

Bureaucratic procedures at the customs can take up a lot of time, which adds to the cost of engaging in CBE:

“The paperwork with customs also takes a lot of time. We have been granted the right to use electronic clearance systems for goods that come and go in bulk, such as paper and chemicals. This does save a lot of time as the goods are registered already at the border, and therefore they can be taken into the production unit immediately after they arrive. We have been able to make rather good contracts with the Russian customs. With machines and equipment things are not as easy. All imports are based on agreements, and we are not allowed to install any new equipment before it has been cleared, and the custom fees have been paid. Sometimes, this process can take (depending on the goods) anything from just days up to a month.” (South Karelia, E15)

4.4. Differences in legislation and its application between countries

Some specific regulation fields seem to be a particular burden for entrepreneurial activities. Commonly referred issues related to the certification of goods (specifically in relation to doing business with Russia); differences in currency; and driving licences and permits (for Russia).

One of the issues that represent a major problem when operating across borders relates to ‘*contract enforcement*’. According to entrepreneurs, it is very difficult to be able to solve problems of this nature and they urge for “*contracts that will be recognised by both countries and will render us secure from a legal point of view*” (Florina, E1). In their accounts, there is a strong perception that the enforcement of contracts works much better in old EU member states.

“Things would be completely different if we collaborated with a businessman from Western Europe, let’s say an Italian one. When you export to Western-European countries you feel safe, you know there are guarantees. Things are planned well and properly organised from the early start. There are rules and formal procedures and there is no space for “strange” agreements and informal activities.” (Florina, E12)

The difficulties in making legal claims in a foreign court when payment obligations are not met have pushed many entrepreneurs to base their cooperation on cash payments.

“So the main mistake has been to believe that the enterprise could offer the same payment regulations for the Polish customers as it is the case for German ones. Thereby the enterprise has lost a lot of money. Today the motto is ‘products for payment’”. (Görlitz, E19)

Goods certification is another problem related to doing business in Russia. Whilst there is an EU requirement for goods to be certified in the EU, this certification it is not recognised in Russia and entrepreneurs need to have another safety certification.

"Having the imported goods certified in Russia is quite a complex process – and I hope that this could in future be developed. I think that if a product is certified in the EU they should automatically receive certificates in Russia." (South Karelia, E2)

However, it seems that the range of goods to be certified is random and affects entrepreneurs that trade any kind of goods. Matters are complicated by contradictory regulations too. As these entrepreneurs mention:

"(and)the situation is quite strange in that though there exists a law which states that if the product has already been certified in the EU there is no need to apply for an equivalency certificate in Russia, in reality how things work is that without the Russian equivalency certificate you cannot possibly get any builders to buy your products as the construction companies are not allowed to sign over the finished buildings to the customer unless they have the Russian equivalency certificate for the used construction materials. So although importing the roofs without the certificate is ok, it is not ok to use the roof for a building unless you have the certificate." (South Karelia, E14)

"Russia restricts/controls the imports with a certificate called GOST-R, it is a safety certificate that is required from various goods (electronics, tools, pipes and pumps). I think that in principle this is a good thing, but at times seems just ridiculous – if we imported a hammer we would have to have this certificate – the goods that require this certificate seem somehow randomly selected. It really does make customs clearance quite tricky at times. This certificate costs tens of thousands of euros, so it is very expensive and let's say some small business from Imatra or Lappeenranta wanted to send us a pipe or a fan, the certificate would most likely exceed the value of the product – so you can easily see that it would not be good business for them." (South Karelia, E15)

The problem of road licenses is mainly discussed by entrepreneurs operating in the borders with Russia (i.e. in South East Estonia, Ida Viru and in South Karelia). Each year, the Russian authorities release a limited number of licenses which are insufficient to cover the needs of entrepreneurs in these border areas. In some cases, the number of permits issued is a political decision, depending on relations between countries. In Estonia for example due to the political problems with Russia the number of road licenses received has been far too small.

In Finland, entrepreneurs complain about the regulation on the amount of alcohol that can be transported by individuals. Many entrepreneurs operating in the tour operation sector consider as a deficiency of the Finnish legislation the limit on the amount of alcohol that can be brought into the country since they consider the differences in price in between the two countries to be amongst the reasons for travelling on the other side of the border.

Other differences in legislation exist with regard to the amount of alcohol that should be in certain alcoholic beverages. Whilst these are sometime referred to as problems by the entrepreneurs they are not difficult to handle and do not in any case hinder their business operations very much. They just need to be aware of the fact and adapt their products accordingly.

The difference in the currency used for business transactions was mainly mentioned in the case of the Finnish-Swedish border and in the Polish-German border. Finnish entrepreneurs hope that Sweden will soon join the Eurozone in order to resolve this problem.

"The only thing that could have a damaging effect on our business would have to do with the currency. The fluctuating rates are not always a positive thing for our business." (Tornio, E17)

"The main difficulty in running a cross-border business for us has been the currency. But that seems to be a matter that no one can change – we can only hope that Sweden would also join the EMU. The banking is also quite slow at times – it can take up to a week for money to be transferred from a Finnish account to a Swedish one. This is because the banks benefit from transferring the money much slower than it would be possible." (Tornio, E18)

On the other hand, in the Polish-German border, Polish entrepreneurs solve things informally to compensate for the differences in currency as shown below:

"The principal problem is the poor exchange rate of the euro. Germans do not understand that the value of the euro is falling and that they must increase service costs accordingly. We overcome this problem with them through tough negotiations without the help of any institutions. There is no institution in the region that could help here." (Zgorzelec, E07)

4.5 Wider Business Regulatory Issues

CBE can be affected by the wider regulatory environment (in both countries), as well as by regulations specific to cross border movement (such as customs regulations). One of the ways government affects business operations is through business regulation. It may be argued that regulations that are overly burdensome, complex or impractical may reduce business competitiveness by contributing to higher administrative and compliance costs, as well as to a diminution of the rule of law if non-compliance becomes rife. The picture becomes more complicated if unwritten rules and norms of behaviour in the neighbouring country also influence their business activities.

Entrepreneurs in countries that have recently joined the EU have experienced changes in the regulatory environment as a result of accession to the EU, resulting from a need to harmonise national with EU legislation. Specific aspects of the regulatory environment affecting CBE, which include the actual behaviour of regulatory institutions, as well as the regulations the, referred to be entrepreneurs included:

(i) Bureaucracy in Public Institutions

Public institutions may present barriers to entrepreneurial activity because of extended bureaucratic procedures. In some cases, entrepreneurs emphasise the bureaucracy and corruption in foreign institutions; in other cases, in institutions in their own country. In their endeavours to get all necessary documentation completed for their cross border activities, entrepreneurs can spend several months waiting for all procedures to be completed and obtaining all permits and licenses.

"People have to be 'very friendly' to Czech institutions 'then there will be no problems'. However, the processing of the documents for the activities in the Czech Republic took nine months at the consulate in Dresden (Germany) and was very complex, as I had to appear always in person." (Hochfranken, E17)

"Polish authorities constitute another obstacle on the institutional level, which are partly even more bureaucratic than German ones." (Görlitz, E2)

"...a tax consultant's name recognition plays an important role with institutions and authorities in the Czech Republic. The latter are extremely laboured, so that the tax consultant even visited the authority in person in order to accelerate the proceedings. It is nearly futile for a German to deal with the authorities." (Hochfranken, E12).

Or as mentioned by Greek entrepreneurs operating in Macedonia:

"When I first went to the country, I addressed a State Service, which was supposed to serve foreign entrepreneurs as well. Even though they were committed to help me, I was asked for different documents every time I entered an office. I even tried to get the information through my partner, but he was not also able to understand the laws and the rules" (Florina, E16).

"First of all extended bureaucracy: the most important reason for not operating our slaughterhouses and the ice-chambers there is related with issuing the necessary permissions. We are not able to proceed and this remains an unsolved problem for us." (Florina, E19)

In those CSRs bordering Russia, the bureaucratic issues can be particularly severe, since the process is highly centralised, involving paperwork requiring signature by authorities in Moscow:

"In Russia the import and export licenses are a big problem for us as they take enormous amounts of time and the way this is handled in Russia is quite peculiar: you have to buy e.g. the license to import goods and then take the train to Moscow to get the paper and then at the office, they give you the form to be filled in – once they hand you the paper, they recommend an office that as a service fills in the form for you (usually this office is practically next door to the office that hands out these forms) and if you use this firm you go there, pay them 400 euros and this way the license may be ready already the next day, but if you refuse to pay 400e for someone to fill in the form for you they tell you to go home and wait "patiently" for them to contact you once the license is ready – then eventually they might send you the license. So, this is a situation that we cannot accept – we can wait for the license, but our customers' needs are often urgent, so if the goods cannot be delivered in time we lose the contract." (South Karelia, E10)

"Then there is Russian bureaucracy and bribing. In Russia the orders come top-down – from Tsar to his subordinates. Our official communication is horizontal, in Russia it's vertical. In Russia people can't influence decision-making, instead they use bribes. We as an Estonian company haven't paid, but our Russian partner gets 110 controlling institutions. The bureaucracy is so big that you have to apply for all kinds of permits and there are some sort of double systems. One office comes with its requirements, and then another. So the first thing to do is to see whether it's beneficial to export as there are so many costs. Another aspect is bureaucracy – you can make a plan, but may not necessarily realize it. There can be many obstacles, and there are no guarantees that the supply of goods won't stop." (South East Estonia, E16)

"In terms of risks, I would like to use my friend's example who has already for three years a factory near St. Petersburg, but who hasn't so far managed to have electricity installed. They just say that they don't care. Not that the entrepreneur is Estonian, but they just don't care. Which means, that the biggest dangers come with working your way through the Russian bureaucracy. Today we don't have this skill any more." (Ida Viru, E13)

"Problems need to be solved that would decrease bureaucracy." (Ida Viru, E20)

"I am not familiar with the Russian legislation or its impact on our CBC. The bureaucracy in Russia is the biggest impediment for our business as it causes unnecessary insecurity. Apart from that, there are no real barriers." (South Karelia, E6)

Lengthy procedures often require corrupt payments in order to be shortened. In Russia, the law leaves room for interpretation which is used by public officials for their own gain.

"The officials in Russia would not hinder our business at all if they stuck with their role, but the problem is that many of them are too tempted to use their standing to make money off people – this business side of things makes everything so difficult. It is not the law or the regulations that cause this; it is the way they are applied." (South Karelia, E18)

"But we have noticed that the Russian officials are not always easy to work with and the paperwork is not in a sensible ratio with the activities that necessitate the paperwork. Just

handling a small matter can take ages, as the permissions have to come from Moscow. Also the officials expect bribes and if you refuse to pay them everything takes forever and ever.” (South Karelia, E10)

Bulgarian entrepreneurs in both CSRs (Kyustendil and Petrich) view corruption of public officials on their own side of the border as a major hindrance to their business operations. In the case of other CSRs, entrepreneurs concerns over the corruption of public officials is mainly with respect to the other side of the border: Polish entrepreneurs in Biala Podlaska that do business in Belarus; Finnish entrepreneurs in South Karelia and Estonian entrepreneurs in Ida Viru and South East Estonia that do business in Russia. Mostly entrepreneurs rely on their partners to solve these bureaucratic or corruptive procedures as mentioned below:

“I leave the solution of the problems to Byelorussians. One person (duty officer, official) has full decisive power over there. Our partners know whom they should pay to keep the business running” (Biala Podlaska, E4)

“It is clear that if you search contacts from Russia, then you must have information from the acquaintances with whom to cooperate - who won't cheat on you and who help to go through the bureaucracy. These two (Russian enterprises) we are continuously cooperating with, with them we have an agreement signed, plus the KTK helps from the municipality....If you have no acquaintances there (in Russia), then it is very difficult, in quite many places the business world rules do not apply, power and money are what pay.” (South East Estonia, E13)

In recent Accession countries, EU membership has undoubtedly reduced transaction costs for doing business in a neighbouring EU member state. Nevertheless, interviewees refer to the volume of paperwork involved, particularly with regards to entry clearance for imports. It was reported that such procedures take time equivalent to employing one full time employee (Tornio, E1) or:

“...the more carefully you fill in each document for instance when you ship products to Sweden, the more explaining you will have to do. Reports need to be made but no-one really cares about what was shipped and when, unless you write it down. This is the way EU works, they manufacture reports and further reports but I wonder who is even interested in them” (Tornio, E2).

These perceptions are more prevalent in the Finnish region of Tornio that borders Sweden although they have sometimes been mentioned by Polish or German entrepreneurs also.

(ii) Taxation

Entrepreneurs in the CSRs feel overburdened by taxation, particularly since they are operating in less developed areas of their respective countries. In some cases, entrepreneurs stressed the effects of domestic taxation on the development of their businesses; in other cases, tax legislation in the country across the border.

“The problem is tax regulations as well as those concerning employment (labour costs are to high). If these regulations were less restrictive the company would develop more rapidly.” (Zgorzelec, E15)

“Another key issue is taxation; there is no way that a SME can cope with the existing tax system. This is a problem that concerns Greece in general and not just Serres. Before becoming a member of the EU, Bulgaria reduced taxation to 10% and we are discussing about increasing it further.” (Serres, E10).

“Taxation is one of the biggest ones - such trading as practiced here, between an EU-country and a third country (Russia) should be tax free, but in reality things do not work this way.” (South Karelia, E3).

Although taxation legislation has been reformed in both Bulgaria and Poland, it is still reported to be complicated and negatively affecting business operations. Bulgarian enterprises enjoy one of the lowest income taxes in EU. However, the taxation process is considered as too bureaucratic, with high compliance costs for small enterprises in particular.

To summarise, the wider environment for cross border entrepreneurship is influenced by: (i) the status of borders and (ii) the level of institutional development (Table 4.1). The regulation related experiences of entrepreneurs show that although the majority of new EU member countries have made significant steps towards the improvement of the regulatory and administrative framework there is still a need to simplify procedures.

Table 4.1: Regulatory problems by status of borders

	Regulatory problems		
	Contract enforcements	Bureaucracy and corruption	Differences in legislation
Status of borders	SOFT+NEWLY SOFT HARD	SOFT+NEWLY SOFT HARD	ALL REGIONS

The simplification of procedures needs to be accompanied by clear responsibilities of government officials to ensure appropriate and effective implementation of the regulatory framework. Major problems remain around the hard borders of the EU, particularly with Russia, and it is important that EU and national governments of the affected countries seek ways of resolving the problems that accompany cooperation with Russia, which is a large and fast developing market.

4.6 Policies affecting the Regional Business Environment

Since the nature and extent of entrepreneurship in a region is likely to influence the demand from businesses for CBC, any policy affecting the regional business environment may have implications for CBE. These include policies for infrastructure improvement, regional marketing and regional policies more widely.

(i) Infrastructure Policies

Problems related to infrastructure were mentioned as barriers to CBC in Florina and Serres in Greece; Hochfranken in Germany; Biala Podlaska in Poland; and Ida Viru and South East Estonia in Estonia. Inadequate infrastructure can constrain the exploitation of CBC potential in various sectors but in tourism, for example, it can result in potential cross border assets being unexploited.

“The most important local problem of an organisational nature is the primitive road infrastructure, which has literally damaged cross-border trade. Among the three tri-national Greek counties, we are the only one with such an awful road network. Since the Egnatia Motorway passes through Kastoria, why should anyone bother coming to Florina?” (Florina, E9)

“The fact that the road to the Prespes lakes is via Kastoria and not Florina just doesn’t make any sense. Do you know that during the last few years, nobody from Florina visits the Prespes lakes?”

The road infrastructure, actually the lack of road infrastructure, prevents many tourists from Western Macedonia to visit the most beautiful sites of the wider area. What can I say, apart from congratulations to the Greek state!!" (Florina, E7)

In Serres, entrepreneurs are interested in improvements in infrastructure with both Thesalonikki and the cross border regions.

"Here in Serres, something needs to be done with the road network. The fact that the road connecting the bridge of the Strymona River to the borders hasn't been constructed yet is simply intolerable. The insufficient road network is definitely holding back cross-border activities that would develop if things were different. Besides, the local economy loses much money from the fact that people don't chose to come to Serres because the road is dangerous." (Serres, E10)

In Hochfranken the improvement of the infrastructure that connects Hochfranken to the border region in the East is seen as a way to attract more investors into the region, while in South East Estonia and Ida Viru the construction of the railway crossing Voru and also the road network to the cross border region are considered by entrepreneurs to be important infrastructure developments for the region.

"When a railroad wagon comes to me from Russia, it comes from Pihkva and goes to Tartu, in Tartu the customs procedures are carried out, then the wagon goes to Valka and only then here to Võru. There is no railroad from Tartu to Võru. And I pay all the extra transport costs. I think that the nationalisation of the Estonian railroad was good and that now Orava railway station will be built that will become a border station and that will allow the trains to move from the border straight to Võru. So there is no need to make such a big circle any more. The thing with the collapse of the Soviet Union was that all the logistical side was dependent on it and then it got broken up, many roads were cut. From Meremäe parish to Koidula border crossing point the distance is actually 12 km, but you have to drive 70-80 km. Because the road was lost." (South East Estonia, E15)

(ii) Regional Marketing

In some CSRs, entrepreneurs emphasised a need to improve regional marketing in order to attract inward investment. At the same time, a strategic approach to regional development is required if the multiplier effects of inward investment are to be maximised. In South East Estonia, entrepreneurs feel they are left alone to advertise their region, with enterprises operating in tourism the most affected by this.

"Until recently there has hardly been support but rather resentment, incomprehension and ignorance which lead to doing rather nothing than something wrong. The city administration is said to be crusted and marked by trench warfare, so that it is hardly capable of doing something." (Görlitz, E10)

"There is the Tourism Committee of the Prefecture and of the Chamber which is quite active. However, there is a definite need for promoting the tourist attractions of our county. There are several destinations that are worth visiting: the lake Kerkini, the cave of Alystratis, various monasteries and the spa of Sidirokastro." (Serres, E11)

"We have advertised ourselves on our own. It's expensive, all those printed materials. Up to now the materials distributed at the tourism information centres have been rather weak. Advertising in Estonia is selective, not all areas are covered. In order to be covered by it, you have to do considerable lobby work. Also there is no-one to whom to turn to for help. We have decided that we'll do either good or bad, but we'll do it ourselves...There is need for greater cooperation between public and private sector. There is no official tourism policy. Civil servants work very often just to earn their wages. There is an urgent need to open up the border more, to quicken border crossings in tourism through issuing visas more rapidly and for more normal prices. Regional policy is also not reaching the regions either since the development is mostly centred in Tallinn."

(iii) Regional Development Policies

A common theme running through the interviews with entrepreneurs and key informants in the CSRs is the difficulty of operating in peripheral border regions and an associated need for government to offer special incentives to upgrade their equipment, technology and to create new job positions. A common view expressed by entrepreneurs was that the region is not only peripheral in geographical terms but they are also peripheral in government policies, although some differences can be observed between CSRs.

Government in some countries is highly centralised and decisions taken at the central level are not based on consultation with regional or local authorities. Moreover, some policies are not coherent and are not based on the considerations of all the other policy areas that will be affected by that policy

"However, our national strategy that aims at boosting the entrepreneurship of our sector has one slight defect. There was a huge delay in the training of young people. This effort is not pursued efficiently and as a result, there is a lack of people with higher education who are trained to work in our sector. Generally, education is not linked with the labour market and this is a major drawback." (Serres, E6)

In conclusion to this section, a number of policy themes emerge from the entrepreneurs' accounts. One issue relates to the fact that regional policies do not always fully take into account the specificities of each region. Another issue refers to questions of governance with respect to the respective responsibilities of authorities at different levels; the co-ordination of state and regional programmes; the establishment of appropriate lines of demarcation of responsibility; and the need to take steps to avoid unnecessary layers of bureaucracy and duplication of effort. None of the above mentioned policies are achievable without building institutional capacity at the regional and local levels, because some of the governance issues raised require substantial institutional change.

4.7 EU enlargement and Entrepreneurial Activity at the Household Level

The methodology employed in the CBCED project sought to embrace a full range of cross border business activity, informal as well as formal. In this context, petty trading activities that take advantage of the differences in prices in both sides of the border have been a common feature of many border regions, particularly in Central and East European countries that are now members of the EU. Whilst most petty trading or arbitrage activity is stimulated by a need to raise the incomes of the individual and households involved, there is potential in some cases for trading activity to provide a stepping stone towards more substantial entrepreneurial activity. At the same time, EU enlargement has affected the nature and extent of this type of CBC, directly through its effect on the status of borders and indirectly in a variety of ways (see Table 4.2).

Table 4.2: EU Enlargement Effects on Household CBC

EU enlargement	Influences on household CBC					
	Poland		Bulgaria		Estonia	
	Biala Podlaska	Zgorzelec	Kyustendil	Petrich	Ida Viru	South East Estonia
Negative	<p>Increased prices/reduced profitability</p> <p>Visas</p> <p>Queues at the border</p> <p>Limits in tradeable goods</p>		<p>Increased prices in Bulgaria</p> <p>Visas</p> <p>Queues at the border</p>	<p>Easy accessibility of the border region for everyone</p>	<p>Increased prices</p> <p>Visas</p> <p>Queues at the border</p> <p>Limits in goods</p>	<p>Increased prices</p> <p>Visas</p> <p>Queues at the border</p> <p>Limits in goods</p>
Positive		<p>Visa free regime</p> <p>No queues at the border</p> <p>Easier access to the border region</p>		<p>Visa free regime</p> <p>No queues at the border</p>		

As summarised in Table 4.2, the negative effects of the EU enlargement have surpassed the positive effects. The only region where households were positive about EU enlargement and also positive about their registering as enterprises in the future (which is a sign of a transition from informal to formal economic activity) was Zgorzelec in Poland. In this CSR, the households interviewed considered the visa free regime, the elimination of queues at the border and the easy access to a larger and wealthier region across the border as positive factors.

“Maybe in the future, because I have more and more customers and sometimes they have to wait long. If I had a registered activity, I could hire an apprentice.” (Zgorzelec, H7)

“Yes, I want to start a business activity that will enable me to provide cosmetic services in customer’s houses.” (Zgorzelec, H8)

In the Petrich CSR in Bulgaria, which has become another soft border of the EU, perceptions of the effects of EU enlargement on household level CBC are generally negative, since the goods they were previously trading are now easily accessible to many ordinary Bulgarian who can easily cross the border themselves.

“The EU Enlargement as markedly negative for the CB trade activity. The free access of all Bulgarian residents to go for a shopping in Greece have caused fade out of petty traders’ functions as jobbers in the sale-trade of food and beverages (as the interviewee is). After January 2007, increasingly large number of households from the region of Petrich travel to Greece almost every week to buy goods from the so-called ‘discounters’ – for example the German discount market chain called Lidl” (Petrich, H2)

These two examples have important implications for the kind of household activities that can survive the softening of borders. The region of Zgorzelec was relying on activities that were to a large extent related to the skills of the providers and the affordability of these services. Thus, the human element rather than just the difference in prices is the key factor affecting whether or not the activity continues after the border is softened. Nevertheless, it has to be mentioned that these activities were only evident in the case of Zgorzelec. All the other regions were relying in simple petty trading.

The situation on the hard borders seems more problematic for household level CBC, because of the tighter limits applied to goods that can be brought across the border, together with increased difficulties with visa and custom procedures.

"It's not economically worth any more to trade across the border due to limits on goods and queues." (Ida Viru, H10)

"As the quantities are limited the income obtained from the cross-border trade in general is irregular and only a small addition. There are only few who are interested in it as the main source of income." (South East Estonia, H1)

"I started trading 10 years ago (in 1997) and until now the quantities and the structure of the goods has changed. In this regard the enlargement of the EU has had a negative impact on the volume of the trade as the prices of the goods in Bulgaria are constantly going up." (Kyustendil, H7).

"The barriers to CBC development mainly are economic. Demand of goods is dropped off in the last years. The prices in Bulgaria, Macedonia and Serbia are almost equalized so there is no trade benefit." (Biala Podlaska, H6)

"Our and their regulations, there are limits when carrying goods through the border, visas are expensive and rarely issued so they do not come too often, the prices are becoming similar, so the trade is becoming less profitable." (Biala Podlaska, H2)

"Negative impact, if there were no limits we would sell food in hundreds of kilograms, not in single kilograms." (Biala Podlaska, H4)

Many households in these regions think that petty trading is not as profitable as previously; some state that it will be stopped completely when the price differentials cease to be present:

"Cross-border entrepreneurial activity has no perspective. It is very limited after 2000 and according to my expectation it will be stopped completely." (Kyustendil, H5)

"I do not intend to register an enterprise due to the lack of perspective – the profits from CBC decrease; the market is harder to please and the competition is strengthening." (Petrich, H10)

Whilst these households lose their (additional) incomes from the EU enlargement processes it is important for the governments to find ways to bring these people into the labour market. The 'strategy' of local authorities to turn a blind eye and fail to control these activities, as illustrated by the following quotes,

"When it is possible they try not to disturb" (Biala Podlaska, H5)

"They pretend that they do not see the problem, they prefer this than to pay benefits. Only sometimes they make actions "to show off", but you can evade this" (Biala Podlaska, H6).

"Local authorities are ok. They don't make controls." (Florina, H9)

"The law and the authorities affect my current business positively. They let me do my job." (Serres, H3)

"I could say that many times, authorities even helped us in the borders." (Serres, H9)

whilst beneficial in the short term need to be replaced by longer term perspectives. As petty trading declines, there is a risk of increased social and economic exclusion for those previously dependent on the income that it generates. This underlines the need for policies designed to increase the attractiveness of these regions to inward investment and also assist former petty traders develop the vocational skills to make them more competitive in the labour market. Alternative solutions involve developing microfinance institutions to cover the needs of the households that would like to register as an enterprise but lack the financial resources to do so.

5. POLICY SUPPORT FOR CROSS BORDER ENTREPRENEURSHIP AND THE SUPPORT NEEDS OF ENTERPRISES

The relationship between entrepreneurship development and cross border co-operation is likely to be a reciprocal one. On the one hand, cross border co-operation may act as a stimulus for entrepreneurship development in regions, which in many respects appear disadvantaged and peripheral. On the other hand, the nature and extent of entrepreneurship in a region is likely to affect the demand for cross border co-operation, because entrepreneurship and growth aspirations in a region's enterprises will affect the number of individuals and businesses that seek the markets, suppliers, capital and know how that cross border enterprise co-operation potentially offers. Either way, there are implications for the environment for entrepreneurship and thus for entrepreneurship policy.

A growing number of governments in mature market economies emphasise the importance of entrepreneurial economies, since there is a growing body of evidence linking entrepreneurship with economic growth (Thurik and Wennekers, 2001; Thurik, 2000). The creation of entrepreneurial economies emphasises the important role of entrepreneurship education in influencing the supply of potential entrepreneurs in the long term. In the short term there is a role for policy in contributing to the development of a business service infrastructure to meet the needs of SMEs for information, business advice, training and premises, particularly in situations where the private market is still developing.

5.1 Entrepreneurship Culture and Entrepreneurship Education

Secondary data from our CSRs showed some distinct variations in the levels of entrepreneurship and the emphasis that is placed at both national and regional/local levels on entrepreneurship education as it is summarised in Table 5.1 below.

Table 5.1: Entrepreneurship propensity and education in CSRs

Entrepreneurship culture	High	Petrich; Görlitz, Zgorzelec, Hochfranken; Serres-Drama;
	Low	Kyustendil; South East Estonia; Ida Viru; South Karelia; Tornio; Biala Podlaska; Pella-Florina
Entrepreneurship education	Vocational training organisations and institutions	Initial Vocational Training Programme (Serres-Drama; Pella Florina) Serres Business Innovation Centre Drama Development Enterprise Technical Vocational Colleges (Pella-Florina) Kemi-Tornio University of Applied Sciences Lapparanta University Görlitz University of Applied Sciences Neisse University (Görlitz-Zgorzelec) Agency of Local Development (Biala Podlaska) BFZ-Centre for vocational training in Bavaria East West Competence Centre (Hochfranken)

Assessment of the level of entrepreneurship in the CSRs has been based on levels of new firm formation compared to their national level. As shown in Table 5.1, half of the CSRs have a low propensity to entrepreneurship. In the Finnish regions, for example, the low entrepreneurial propensity has been heavily influenced by dependence on the large business sector and the public sector, whilst the regions of Biala Podlaska and South East Estonia are heavily agricultural.

Informants in regions with high entrepreneurial propensity relate it to favourable taxation for start ups; funds from the Community Support Framework, such as in the Greek CSR of Serres; supportive local authorities in both Görlitz and Zgorzelec; to cultural openness in the case of Zgorzelec. In a cross border context, the propensity to develop enterprise CBC has been related to a variety of reasons ranging from: (i) access to larger markets in the case of South Karelia, Ida Viru and South East Estonia that border Russia, Zgorzelec that borders Germany; (ii) cheaper labour force in the cases of Greek and German regions and (iii) differences in prices and quality on the other side of the border in the cases of Biala Podlaska and Bulgarian regions (Louko, 2008; Zashev, 2008; Welter et al., 2008a; 2008b; Todorov and Kolarov, 2008a; 2008b; Rogut, Piasecki and Zuromski, 2008a; 2008b; Vogiatzis et al., 2008a; 2008b; Vensaar and Pihlak, 2008a; 2008b). The extent to which each of these incentives is subject to changes has potentially important policy implications.

Whilst the role of entrepreneurship education is acknowledged in all countries, attention paid to vocational training in the CSRs varies considerably. On one hand, there are regions where vocational training is mainly project based and performed by business development agencies, such as in the Bulgarian, Estonian and Polish CSRs. In Zgorzelec, local advantages were reported to include an active local government and the border with Görlitz, which has benefited from a large number of initiatives and by the presence of a bilingual university. On the other hand, the Finnish and German regions particularly emphasise innovation through support for the universities and/or innovation centres located in their regions. New EU member countries face particular challenges in creating regional/local structures that will encourage the development of entrepreneurship.

5.2 The Supply of Business Support to Enterprises in the CSRs

5.2.1 An Overview

Public policy support for enterprises with respect to CBC includes measures specifically focused on cross border activity, as well as more generic business support. It is important to include the latter since although cross border activity may involve specific challenges and support needs, it may also be viewed as part of a firm's wider development 'strategy'. The paragraphs below provide a framework of the types of policy intervention in each of the two categories, based on previous literature, together with the types of policy support provided in the 12 CSRs⁶.

The nature and extent of the existing business support infrastructure varies between CSRs although there are common features. Business support institutions include Chambers of Commerce (in all cases), other business associations and business support centres providing different types and levels of support. The funding base of these organisations varies, with implications for their sustainability and the nature and extent of the support provided. Some rely mainly on membership fees; some are in receipt of core funding from public sources (such as those that are part of national business support networks) whilst others are project based. Moreover, some of the support provided is generic, whilst some is more specialised (e.g. business incubators); some available to all firms, whilst other support is targeted at specific types of enterprises (e.g. innovation centres).

5.2.2 Membership Organisations

Chambers of Commerce and other business associations exist in all CSRs, although their levels of activity vary, as do their resource bases. Not surprisingly, the two German CSRs appear particularly well served in this regard. For example, the Chambers in the Saxony Region where Gorlitz is located have also initiated the creation of a Contact Centre for Saxony-Poland Economic Cooperation that aims at supporting German entrepreneurs going across the border. An interesting membership organisation in Hochfranken is AGI, which operates as a network of member enterprises that offer support to each other. It also has a cross border aspect and organises tours in Czech Republic factories for interested members and offers a possibility for exchange of information and promotion of good practice examples.

5.2.3 Public funded organisations

Public funded organisations exist in most CSRs. For example, in the Finish regions, the Employment and Economic Development Centres provide various types of advice and consultancy for businesses of different sizes and needs. In Gorlitz, Interconsult has been established as a Business Support Organisation specifically focusing on enterprises that have a cross border interest. They help enterprises in every step of this process through advice, contacts across the border, information and other forms of relevant support. Interconsult has also offices in Poland and Czech Republic.

⁶ See table in Appendix 1 for an overview of the types of support organisations operating in CSRs

5.2.4 Project based organisations

In some of the poorer CSRs, external funding has been used to support organisations and initiatives on a project basis. In Serres, for example, there are a number of EU funded organisations and initiatives aiming at innovative businesses, such as the Business Innovation Centre or the Centres for Investment Hosting that support start up businesses. Ida Viru in Estonia has been proactive in creating organisations that work through EU funds to support entrepreneurship and business development in the region. For example, Narva Business Advisory Services Foundation has also been set up through a Phare project, offering a range of project based support services such as international project development, marketing, local expertise and logistics for foreign companies, SMEs fund raising and other services. Narva Business Advisory Services Foundation has also initiated the establishment of the Euro Info Centre in the region which offers information on the EU and foreign businesses.

5.2.5 Variations between CSRs

Some of the variation between CSRs reflects differences between countries with respect to the development of SME or entrepreneurship policies, whereas in other cases, CSRs have less developed business support infrastructures than other parts of the same country. This is particularly the case in the Bulgarian, Estonian and Polish regions, especially South East Estonia, and also Biala Podlaska in Poland. For example in the Petrich CSR, the local Chamber of Commerce only recently started its operations, and is reported to be under financed and understaffed (key informant interview). In such cases, it is difficult for Chambers to play an active role in finding opportunities for CBC which will positively affect business development in the region.

Not surprisingly perhaps, the Finnish and German regions appear to have the best developed business support infrastructure at the local level, with a number of established organisations that support business development. Moreover, these regions include examples of support organisations, focusing on cross border activities, such as the Cross Border Chamber or Information Centre in Tornio Happaranda. This supports interaction between the Swedish and Finnish Chambers of Commerce in promoting networking between enterprises as an important tool for the enterprises to expand their markets and increase cross border entrepreneurial activities. It also provides information to promote contacts, co-operation, trade and benefits of knowledge exchange.

In the Görlitz-Zgorzelec cross border region, co-operation between Chambers on both sides of the border includes helping members find appropriate business contacts and obtaining accurate information on the legislative issues faced when doing business on the other side of the border. This requires Chambers keeping in regular contact with each other about practical aspects of doing business in their respective territories. In the Serres-Drama region in Greece the Chambers of Drama cooperates with the Chambers of Blagoevgrad and Razlog in Bulgaria, which aim to assist entrepreneurs wishing to operate on the other side of the border. Noteworthy is the establishment of a Serres Chambers' branch in Sofia to further assist businesses that operate in Bulgaria.

5.3 Reported Use of Business Support by Enterprises in the CSRs

In interpreting the data presented in this section, it is important to take into account that the enterprises were purposively sampled to provide examples of businesses with experience of CBC and/or interested in exploiting it. They are not intended to be representative of all businesses in the CSRs.

The review of previous research suggested a number of measures specifically aiming to promote and facilitate cross-border entrepreneurship, namely:

- (i) measures to raise awareness of the opportunities presented by cross-border partnership among enterprises
- (ii) cross-border partnership search facilities
- (iii) measures to foster business-to-business contacts e.g. through trade missions and other joint events.
- (iv) comprehensive cross-border entrepreneurship support programmes

The reported use of support for CBC by enterprises was low in all CSRs, with just Gorlitz containing more than a handful of firms receiving such support (and this was specifically focused on awareness raising). Those CSRs where examples of this type of assistance for cross border entrepreneurship were more common included the two German regions and South Karelia in Finland, where support organisations have organised events to help firms to develop cross border activities in Poland and the Czech Republic in the case of the German regions and Russia, in the case of South Karelia. These events have concentrated firstly, on providing information about the regulations that firms would need to comply with across the border; and secondly, helping to make contacts with businesses on the other side of the border and/or consulting companies offering more specific help. The latter typically included assistance to firms in participating in business fairs, where contact with businesses that operate in the same or complementary activities can be made, as well as help in obtaining information related to doing business in the neighbouring country.

"In the beginning, these fairs were probably quite necessary for our company – also a good way of promoting our products. In Russia I think such fairs are even more efficient than in some other countries, because they bring together so many people from all over Russia who all share an interest towards Finnish products. Visiting and finding all these clients would without such an event be impossible, so in theory if the fair is well organized it is a wonderful way to present your products to an interested audience without spending too much money or time in the promotion."
(South Karelia, E14)

The use of generic business support services was generally low with only a few firms in each region reporting some use of it (Table 5.2). The exceptions were in the two Finnish regions; Hochfranken in Germany; and Serres in Greece. Enterprises in the Greek regions appear to have benefited from the provisions of the Development Law (2004), which subsidises business development in the less developed areas of Greece, with grants offered for investment in equipment and/or in the creation of new workplaces. Applications under this Law have also created demand for external support from enterprises related to the preparation of all the necessary documents. Whilst this law does not directly support cross border activities, by assisting firms to become more competitive, it can indirectly affect decisions to undertake or to further develop cross border activities.

Table 5.2: Reported Use of Business Support by CSR

	Bulgaria		Estonia		Finland		Germany		Greece		Poland	
Received support	Kyustendil	Petrich	Ida Viru	South East Region	Tornio	South Karelia	Görlitz	Hochfranken	Florina	Serres	Biala Podlaska	Zgorzelec
High					X	X		X		X		
Medium												
Low	X	X	X	X			X		X		X	X

In the Bulgarian and Estonian CSRs, entrepreneurs commonly referred to EU funded programmes, such as SAPARD, PHARE or INTERREG, when asked about their use of business support. For example, in the border regions of Kyustendil and Petrich in Bulgaria, the PHARE and SAPARD programmes were mentioned in relation to financing investment in technology, equipment and business development in general. The same applies to border regions in Estonia where entrepreneurs have received assisted in the past under EU funded programmes, such as SAPARD (a pre accession measure) and currently INTERREG, under the European Regional Development Fund and Cohesion Fund.

“The firm has received investment support, firstly through Sapard programme (pre-accession measure) and later from EU structural assistance. It was very positive and came at a right point of time as it allowed investing in necessary things like cooling systems, warehouses and hygiene. It’s a pity that there is no more such support for manufacturing industry” (South East Estonia, E7).

5.4 Expressed Support Needs of Entrepreneurs

Entrepreneurs involved in cross border activity were also asked about any support needs in this regard. The results show that the main types of assistance identified related to finance, labour, help in finding foreign partners and legal advice.

5.4.1 Financial Support Needs

The most common expressed need by entrepreneurs in the CSRs related to finance, which was required to fund investment in new equipment, technology and/or premises, which they judged they needed to remain competitive. In some cases, as the quotations listed below indicate, respondents emphasised the difficulties of operating a small business in a less developed border region, suggesting that government should support regional development by providing financial support for businesses. This particularly applied in the case of firms located in the two Greek and Bulgarian regions, which are both countries with a history of centralised governance structures and state dependency.

“Our needs are mainly related with external financing. Most of the local enterprises are small sized and this constitutes a crucial barrier for growth. The policies should aim at promoting planning, monitoring and control. Things are difficult in Greece, particularly for the SMEs. Only large corporations can survive. They (the State) should better support us, since we are small firms operating near the borders. We need subsidies, incentives and not only paying taxes” (Florina, E10).

“The support needs of the local enterprises are mainly involved with access to financing. The small size and the general economic background in Drama do not assist their efforts. Thus, the available services should aim towards this direction.” (Serres, 15)

“Our support needs are related with financing instruments and mechanisms. We try hard to remain competitive and financing is always a barrier for growth. If we overcome it, I think my company will present impressive growth figures.” (Serres, 17)

"The firm has need of financing. It is necessary ISO certification in relation to improve its performance. The business services for support are not available in the region." (Kyustendil, E13)

"Other problem as well is the access to low interest rate credits and the lack of targeted state policy for support of enterprises from the textile sector." (Petrich, E13)

"The main obstacle for CBC is the necessity of financial and other resources for building distribution channels abroad." (Petrich, E2)

In other cases, the expressed need was for help in accessing financial support available within their regions, often associated with EU programmes. The demand in this case was for help in completing funding application procedures, which they perceived as lengthy and bureaucratic.

"Some assistance is needed in the business planning and for the preparation of projects which to be financed by the funds of the EU so that the firm can get lucrative and easy financing." (Kyustendil, E19)

"...would welcome support for the topic applying for funds. According to her, "an enterprise has to engage an extra employee for filling in the applications", as this was very complicated. She says to keep herself "up to date" regarding this topic." (Hochfranken, E16)

"...more support in the subsidy-system as well as better cooperation at the investment assistance. It would be desirable, for instance, that the business development would become more active here and would provide more information." (Hochfranken, E11)

"... procedures of acquiring EU funds." (Biala Podlaska, E1)

The third and smallest group of finance-related support needs was a plea for improved information provision, by entrepreneurs that need finance but are not sure who to approach or what funding programmes are available in the region.

"All the small-medium enterprises of the county, including mine, need financial support. There were so many opportunities in the past that the local businessmen failed to exploit, due to the lack of information. But since this money was available, it's a pity that it remained unused. It's such a shame. This has begun to change, but it still remains a fact that several opportunities were lost. I really hope that things will go well for the SMEs, because it's a shame to lose money again" (Serres, E10)

"I also have this feeling that there are some forms of financial support that we maybe have not utilized – the course could also concentrate on this matter – from where firms can look for support and what support mechanisms are available." (Tornio, E2)

"...the business of the cooperative would benefit from external assistance for preparation of projects with social purpose for development of the activity and technological renovation." (Petrich, E11)

A particular type of information need was raised by members of the Russian minority in Estonian border regions, since legislation and other relevant information is reported to only be available currently in the Estonian language.

"Estonian policy that supports entrepreneurship by dividing the EU support (aid to beginning companies or export support) should be more transparent. At the moment there is a lack of information on who gets the support and on what grounds. The information about providing support is in Estonian and reaches Russian businessmen with a delay. The call for projects and its conditions should also be in Russian as more entrepreneurs could then take part." (Ida Viru, E18)

It was also recognised that finance might be available under better conditions on the other side of the border and some entrepreneurs express the need for local authorities to engage themselves more in making this information available for entrepreneurs. A German entrepreneur in Hochfranken mentioned that

“There should be “specialised consultancy – concrete information on adequate funding possibilities and on the responsible people on the other side of the border.” (Hochfranken, E17)

5.4.2 Labour Issues

The second most commonly reported support need referred to labour. Some businesses find major difficulties in finding adequate labour in their regions, which due to their peripheral location, are facing economic stagnation and population decline, with outmigration rates being particularly high among young people. Reported labour shortages were consistently reported across the CSRs, as the quotes below illustrate:

“The small businesses are rather faced “with obstacles in their path”, although the SMEs invest much and train and keep many young people. The lack of experts is problem for the region, as the younger generation lacks motivation to stay here. The younger workers rather want to work for well-known firms located in Munich and therefore leave the region Hochfranken, although the region is scenic and has a high recreational value. Therefore, the region is in need of major enterprises, as their settlement would result in the settlement of also smaller companies.” (Hochfranken, E13)

“There are big problems with finding staff. There are not enough people and with our level of wages they find that they could get a better job somewhere else. So there is no unemployment, there is shortage of labour. And the persons who are unemployed, they want to be this way, they want to live on the assistance” (Ida Viru, E15).

“EU enlargement has caused that the best employees left the company. Other employees are new or less efficient. I had to raise salaries by 100%. That makes investments hard.” (Biala Podlaska, E3)

“We need specialised workforce which we are unable to find in our area and there could be a service like that offered by the State, especially in regions near the borders like Florina. Most young and educated people leave Florina to live in the urban centres like Thessaloniki and Athens and this is a barrier for local enterprises’ growth.” (Florina, E13)

“Producing firms have a problem with finding qualified employees and they have to think about developing the training system.” (Ida Viru, E20)

“...shortage of qualified construction workers in the region of Petrich, due to increased number of Bulgarians working on construction sites in Greece and Spain. Wages in those countries exceeded Bulgarian ones almost fourfold (in separate cases even more).” (Petrich, E17)

However, in some cases labour quality was emphasised, when enterprises had introduced new technology or equipment for which specialised skills are required. When solutions were offered, the need expressed was for improved vocational training.

“The main problem that a local firm faces when trying to develop and get updated has to do with the fact that there is no specialised staff available.” (Florina, E6)

"It is difficult to find employees in the region, as there is a lack of well-trained people in the age of 25 to 40. Therefore, the company has to engage people "from the West". (Görlitz, E6)

"The society can help us greatly by educating people with suitable skills for our needs as an employer: i.e. people who have good language skills and who know also something about business. For us this would be the most suitable "external support" that the society could offer us." (South Karelia, E13)

"The schools should have a complete set of literature and there should also be regular practical courses. The enterprises have organised supplementary training. Some years ago we have also done it here. Some graduates come to work with us, but few. There are a great number of enterprises and the graduates end up seldom in Southern-Estonia. The schools train at the moment I don't know who, perhaps managers. But the graduates don't reach the level of manager right after graduation. And they also choose a position after graduation that doesn't correspond to the speciality that they have finished. The entrepreneurs need actually machine operators and such employees. It has been talked about and this direction has been taken." (South East Estonia, E14)

5.4.3 Needs Directly Related to Cross Border Co-operation

The third type of support need identified was specifically related to cross border activity. Enterprises in this group perceived a strong potential for cross border cooperation, but need help in finding the right business partners, suppliers and/or customers on the other side of the border.

"A service we would pay for, involves an institution that could act as an intermediary to find and select foreign partners to increase our exports...Our support needs, particularly in tourism sector, are related with promoting networking and cooperation, both vertically and horizontally. We are interested in services related with selecting partners, from the other side of the borders as well, and stimulating cooperation between agencies, hotels, unions etc." (Serres, E14)

"We would like to receive assistance in our efforts to promote our brand name in the foreign markets, i.e. financing our participation in exhibitions and fairs. That would be extremely helpful for us, as well as a service related with finding partners from the other side of the borders and in other countries also. That could facilitate our expansion to foreign markets based on more than one of partners only." (Florina, E11)

"...we need the State to offer intermediary services for us, in order to locate partners from the other side of the borders, as well as from the Balkan region in general." (Florina, E12)

"I have not been able to find a partner enterprise from the region for this year, although I have contacted the technical college of Hof. I wish such initiatives are communicated better in the region." (Hochfranken, E13)

"What would be useful for our company is a synergy that would help us find potential good partners in other countries." (Serres, E3)

In some cases, the expressed need related specifically to support for participation in trade fairs and exhibitions where they can advertise their products and meet interested cooperation partners.

"If there is support for developing a strategy or for specific activities (like going to trade fairs), then this is good and necessary." (Ida Viru, E16)

"The cost for participating in a fair is very high, so receiving subsidies for this purpose would help us raise our benefits as a firm, including those deriving from cross-border activities." (Serres, E13)

Another commonly expressed support need relates to legal advice, which was often seen as one of the main barriers to operating abroad, because of the need for knowledge about business legislation and regulations that may affect their cross border business activities. These enterprises were mainly located in the Finnish and German CSRs, however, although there are some cases also in other border regions. The expressed need for such advice is linked to a recognised need for specialised external support:

"If our State shows an intention to support our cross border activities I will not feel "abandoned" any more, even though I got some friends there, who could assist me. I will know, at least, that there are some people from an organization, that could find for me the existing laws and rules, which took me a year searching for." (Florina, E16)

"...they could organise some informational/educational seminars on the changes that have been introduced in the legislative framework that regulates the relationships between FYROM and Greece. Some issues that we would be interested in receiving information are: 1) the standing regulations at the customs houses and 2) potential future dangers we could face in our cooperation with FYROM and the measures we could take to protect ourselves." (Florina, E2)

These entrepreneurs realise that there are many legislation differences between the two border countries they cannot keep track of all by themselves. They see the need for a specialised organisation to communicate these differences to entrepreneurs.

"Our interlocutor would welcome legal advice from the CCI in that the latter verifies contracts and applications." (Görlitz, E16)

"...support in questions of law and tax regarding border-crossing activities, as the Polish language constitutes a problem." (Görlitz, E6)

"I feel that the support available in Finland is mostly aimed at new entrepreneurs, and that the attitude is such that old companies do not need any training, funding or advice. In my opinion this is not the case. We have attended some seminars which focus on law and how the two countries Sweden and Finland differ in this respect – you'd be amazed at how many differences there still are! And seminars like this I find very useful." (Tornio, E8)

"One thing that we would benefit from would be some sort of revisions about the changes in the legislation about chemicals – the laws change quite frequently and this is one such „service“ that society could perhaps offer us. Having courses like these held locally would be very good." (Tornio, E14)

The support needs identified by entrepreneurs raise two main policy issues:

- (i) The need to improve the educational and economic infrastructure in these peripheral regions, as part of a strategy of retaining more young people, who are currently looking elsewhere for better opportunities. Alongside a longer term development strategy, complementary measures may be introduced in the short term, such as agreements between local authorities to facilitate labour movement across the border. Improved vocational training is another priority to provide the workforce with the skills and competences demanded by the regions' enterprises.

- (ii) The other policy implication relates to the operation of the business support infrastructure, which in most CSRs, appears to have low penetration, based on entrepreneurs interviewed. Improved information provision appears to be a priority, particularly with respect to raising awareness about the potential benefits of cross border cooperation. This is especially important for the new EU member countries where there is a need for entrepreneurs to be acquainted with EU programmes and other forms of support that are available in the area. Another issue relates to the continuity and sustainability of support provided, which can be a problem when reliance is placed on short-term project funding.

5.5 Entrepreneur’s Perceptions of the Adequacy of the Support Available for Cross Border Entrepreneurship

Entrepreneurs involved in cross border co-operation in the CSRs were asked about their perceptions of the business support available within the region to help them identify and exploit opportunities for entrepreneurship and CBC. On the basis of the answers received, the CSRs were classified into one of four categories (Table 5.3). It must be emphasised that the classification in this Table is based on the perceptions of participating companies, and not on the basis of what is actually supplied.

Table 5.3: Entrepreneurs’ Perceptions of the Availability of Business Support Services for CBC

Perceived as inadequate Biala Podlaska, Zgorzelec, Petrich, Kyustendil, Florina	Perception of high value Serres, South Karelia
Perceived to be available if needed Görlitz Hochfranken	Perceived as Inappropriate and difficult to access SouthEast Estonia, Ida Viru, Tornio

(i) Business Support Perceived as Inadequate

In some regions, such as Biala Podlaska and Zgorzelec in Poland, Kyustendil and Petrich in Bulgaria and Florina in Greece, the perceptions about the availability of support services in the region are rather negative. The answers of entrepreneurs vary from statements that support is non-existent to answers describing their limited regional availability and a general lack of information about them.

“They are insufficient. It is hard to find them. There is no initiative, publicity. I know little about them.” (Biala Podlaska, E7)

“To very little extent, if any.” (Biala Podlaska, E8)

They do not exist here and we do not use them. The assessment is “0” (Biala Podlaska, E16).

“There is lack of appropriate programs encouraging the partnership with neighbour countries. ...The services which support the entrepreneurship and SMEs in the region are weakly developed. There is lack of information about existing opportunities to support SMEs development” (Kystendil, E5)

“...would pay for any assistance that would bring noticeable positive results. In my opinion there are no services for business support in the region. There are even no conditions for such services to be available in the future” (Kyustendil, E11)

"I have sufficient information about business services available for entrepreneurship support and SMEs development in the region. But these services are not adequate – "let every tub stand" (Kyustendil, E14)

"I am not willing to make use of external assistance because in the region of Petrich there is no appropriate consulting organization to serve the firms' needs – mainly in marketing field, exporting activity, motivation and training of personnel and possibilities for getting external funding (Petrich, E20)

"There are no support services available in the region of Petrich to provide business support, meeting the needs of local entrepreneurs" (Petrich, E6)

Some entrepreneurs make use of services that are offered in other regions such as Sofia:

"There is lack of qualified consulting services – for preparation of project proposals the company have used external assistance from consulting organization, situated in Sofia." (Petrich, E4)

and Warsaw

"They are poorly available. Their level is low. There is no good training here; you have to go to Warsaw" (Biala Podlaska, E11)

Entrepreneurs in Florina are not consistent in their answers with regard to availability of services which leads to believe that there is a lack of information in this region too about the different support services available to enterprises.

"With regards to the available support services and policies, in my opinion these are totally absent. Despite the fact that fostering entrepreneurship policies have been developed for the rest of our country, Edessa still lags behind." (Florina, E15)

"As far as national policies are concerned, I can say that these are available but they are not properly applied. I am now investing in my business and I participate in an investment programme. I know that there are several supporting instruments like that available in my region, but awareness was low especially during the previous years." (Florina, E17)

As the following quotation illustrates, a policy implementation gap also exists in the minds of some entrepreneurs:

"...various measures are taken on national level for support of SMEs, but most of them are only 'on paper' and do not work in practice. Small firms are unprivileged in comparison to the bigger ones regarding access to information for existing programmes and projects for business support. Besides resources from EU projects do not reach the small firms because of lack of free mediums of circulation necessary for co-financing" (Petrich, E19)

(ii) Perceived as inappropriate and difficult to access

In regions such as South East Estonia and Ida Viru in Estonia and region of Tornio in Finland it is acknowledged the wide range of support services available although only a few are directed towards cross border cooperation. Support services mainly target start up businesses and are not able to address the needs of established older enterprises, which are typically more specialised than those of start-up businesses.

"The entrepreneurship policy in Estonia is directed more at the starting companies; there are numerous projects and possibilities for support in the framework of the EU." (South East Estonia, E19)

“Another problem is that they support what entrepreneur doesn't need. „E.g., when I build a factory, I put benches there, for that I cannot get assistance. But I can get assistance for ordering an orchestra. Quite absurd.” (South East Estonia, E11)

“The structure of the external support is good, although they are directed more towards beginning enterprises.” (Ida Viru, E3)

“The policy of entrepreneurship is more directed towards start-up enterprises. “Those young consultants can tell little new and help. The consultants are incompetent in helping a working enterprise. I have seen it in a bank, where I had to explain to a consultant what to do. Unfortunately it's so.” (Ida Viru, E08)

“The company has received no support and there isn't much trust in its efficiency. It's thought that the support is not provided for the tourism sector!?” (Ida Viru, E2)

“...and it is my impression that the services T&E Centres provide are most useful for new businesses, and not perhaps as useful to a company like ours.” (Tornio, E7)

In all these regions, the assistance of EU programmes is valued although there is a common perception that the procedures are overly bureaucratic and time consuming. Moreover, entrepreneurs in Tornio think that support services are distant from enterprises' real needs.

“I think it would be very good for the people working for the T&E Centre if they actually visited Sweden and saw how things are. Then they would realize that their activities the power point presentations and such have absolutely no relevance in real life. There is no-one who would be able to use all the information they give out – it is impossible to adapt it to real business. The person who designs these support packages does not really understand the needs of the potential customers, for whom the packages should be designed for! The administration costs exceed the potential benefits of these support packages.” (Tornio, E1)

and entrepreneurs in Estonia fear that the procedures for distribution of funding are not transparent after all and the funding goes to selected entrepreneurs:

“They used to say in the past that 80% of the aid is awarded to 20% of the more active, and I think that now 80% are received by those who are more knowledgeable and these more knowledgeable are such people who are capable to some extent of changing the aid towards them. It looks correct from outside and maybe it makes no difference who is the owner in that firm. But yes, not everybody gets assistance”. (South East Estonia, E2)

(iii) Perception of high value

The third group includes the regions of Serres in Greece and South Karelia in Finland. In these regions, support services were highly valued by the entrepreneurs. They are especially happy in Serres with the pro-activeness of some of the local authorities in supporting enterprises in the area and making the best possible use of the available EU funds on investments.

“Regarding the politics for boosting entrepreneurship and the various financing programmes that are available, they are quite efficient and our sector has taken good advantage of them. If it weren't for them, the clothing sector in Greece would have never been able to update its mechanical equipment. This was made possible by the numerous programmes of the 3rd CSF which were exploited efficiently by the local firms thanks to the good flow of information.” (Serres, E4)

“The effort of the local Chamber for attracting investors from Bulgaria is also appraisable. I believe that this institution is active and really tries to help us out. Generally, the programmes that are

available for the wider area of Serres offer a great deal of help to the local enterprises and this is why several of them have already participated in one.” (Serres, E8)

“...the available policies to foster entrepreneurship in Greece, in my opinion these are available to everyone. The funds are also available, as well as the needed information.” (Serres, E2)

“Regarding the available policies for supporting the firms, I think that there is flow of information and the nature of the support is positive.” (Serres, E3)

“Even though the State has not offered the local economy with incentives to promote entrepreneurship development, the local authorities are putting a great effort towards this direction. I have to state that the Drama Chamber of Commerce is holding a significant role in promoting both entrepreneurship and cross border activities in the region of Drama. The State should support efforts like that and copy any best practises that emerge from the Chamber’s actions.” (Serres, 19)

In South Karelia, whilst the business support infrastructure is well developed, the emphasis is on the good co-ordination of all these elements to further support CBC:

“The city of Lappeenranta has its own internationalization strategy, but we have also collaborated with the South Karelian Chamber of Commerce and the local entrepreneurs’ associations. Our cooperation with all these organizations is very close and intense and this is why we have found mutual benefits easily. Everyone can see that working together benefits all members. It is my assessment that e.g. the chamber of commerce has made an effort at building more trust between Finnish entrepreneurs and the Russian partners, but there is only so much one organization is able to accomplish. There are several organizations dealing with the CBC issues and in my opinion collaboration is the key to success. There is a Russian- Finnish trading club (Venäläis-suomalainen kauppaklubi) and a Russian-Finnish school and institutions like these also make the collaboration easier. In this sector the last 10-15 years have been a time for rapid development.” (South Karelia, E8)

“I do think that the institutional support made available in this region is adequate – if there is interest in CBC, there are mechanisms that support the enterprises.” (South Karelia, E4)

“It is my assessment that Finnvera does a good job – for a new company they can provide a lot of help and they really understand what sort of realities an entrepreneur comes face to face with. T&E Centre is also very good – their services and staff really benefit entrepreneurs.” (South Karelia, E5)

“I do believe that the people working in e.g. T&E Centre are professional and could offer us with new perspectives on things, and deepen our knowledge about marketing in Russia.” (South Karelia, E16)

“There are many entrepreneurs who think that we need more training opportunities for immigrants in Finland but my personal opinion on this matter is that there are already good training programs available in Finland – if only people in Finland were able to make the best of these opportunities.” (South Karelia, E18)

(iv) Perceived to be available if needed

The two German regions of Görlitz and Hochfranken in Germany are placed in this group. The entrepreneurs in this group think that services are available in the region, they are aware of them and if they need them they will use them. It seems that the relationship between enterprises and support services is based on the principle of *non-intrusiveness*, which is possible in cases where a mature system exists, which is well known to local businesses. The expressed attitude of businesses in the German regions might also be related to the expressed needs of the entrepreneurs in this group to achieve everything on their own.

“...the institutions are not involved in practice. People should achieve everything on their own. Institutions can utter recommendations, but I rather want to get an idea of something myself” (Hochfranken, E18).

“...if I need the CCI, it is there.” (Hochfranken, E17)

“... the regional offer of consultation as good; especially the opportunity to receive good advice for specific topics or to get into contact with foreign partners. However, companies can rather find the ideal partner via personal or private contacts than via institutional help.” (Görlitz, E2)

“I do not want external support for my CBC in order not to become dependent from sponsorship on part of the chambers or banks.” (Hochfranken, E13)

Businesses would not use support services unless there is something they cannot do without support or a problem they cannot solve on their own. On the other side, business support agencies appear reluctant to approach businesses unless asked to do so.

The perceptions of business about the support availability are to an extent consistent with the findings about the level of development of business support infrastructure discussed previously as shown in Table 6 below.

Table 5.4: Business support infrastructure from suppliers’ and entrepreneurs’ perspective

Level of development of the Business Support Infrastructure	Enterprises’ perceptions about the Business Support Infrastructure			
	Perception of high value	Present but inappropriate or difficult to access	Available if needed	Perceived as inadequate
Developed	Serres South Karelia	Tornio	Görlitz, Hochfranken	Florina
Weak or undeveloped		South East Estonia Ida Viru		Zgorzelec Biala Podlaska Kyustendil Petrich

The discussion of business support for entrepreneurship development and especially cross border enterprise cooperation shows that the CSRs differ: (i) in the extent to which their support infrastructure is developed and (ii) the number of support initiatives that were related to CBC. Not surprisingly, it has been shown that established members of the EU such as Finland, Germany and Greece typically have a better developed business support infrastructure than new members of the EU. They have also been more active in developing business support structures in support of CBC. In the new member states of the EU (i.e. Bulgaria, Poland and Estonia), the development of a business support infrastructure at the regional level is still at an early stage.

The CSRs contain a limited number of non governmental CBC initiatives, focusing on business activity. The extent to which the business support infrastructure is

developed in a region appears to positively correlate with the number and intensity of co-operation initiatives. As in the case of local authorities, business support structures can be active and entrepreneurial in some regions and make good use of the national and EU available resources. This was the case of Tornio in Finland and the German regions. In this respect, the availability of information and the institutional capacities of these organisations can play a very important role in mobilising the locally available resources to develop entrepreneurship and cross border enterprise cooperation. However, this does not mean that these forms of cooperation are always institutionalised. On the contrary, they mainly work on the basis of short term structures that are specifically created to manage particular projects, particularly in situations where a business support system is still emerging.

6. CONCLUSIONS

The paper set out to assess the current role of public policy in relation to the development of cross border entrepreneurship in EU border regions, on the basis that cross border co-operation involving enterprises represents a potential tool for regional development in region that are typically disadvantaged by their peripherality. This final section of the paper summarises the main findings in this regard.

(i) The empirical research undertaken in 12 CSRs, drawn from a range of countries, and with a mix of hard and soft borders, has revealed some examples of policy led cross border co-operation, but little evidence of the strategic promotion of cross border entrepreneurship on the part of public bodies. In many regions (particularly in new EU member countries), this appears to reflect a lack of an effective regional policy.

(ii) Empirical investigations show that interventions designed to promote CBC as a regional development tool can be frustrated by, for example, changes in border regulations and/or procedures which increase the time and cost involved in cross border activities. This may be viewed as a specific example of a wider policy issue concerning the effects of government regulations on business behaviour and performance, emphasising that the costs of compliance can fall disproportionately on small businesses. As far as cross border entrepreneurship is concerned, the regulatory framework includes customs procedures and visa regimes, which can both be affected by political relations between national governments, as well as by the behaviour of officials at a local level.

Not surprisingly perhaps, Russia was viewed as a particularly difficult partner in this regard, by entrepreneurs in the three CSRs bordering Russia. Whilst cross border entrepreneurship continues in these regions, the unpredictability that results from continual changes in laws and regulations means that Estonian and Finnish entrepreneurs have learned not to rely too much on their Russian business activities. Political problem also affect the environment for cross border entrepreneurship in the CSR bordering Greece and Macedonia. Whilst entrepreneurs are creative in finding ways around the constraints imposed, this undoubtedly involves them allocating resources to unproductive tasks, when they could be more fruitfully employed.

(iii) In CSRs with hard borders, entrepreneurs involved in cross border activity are often frustrated by the discretionary use of power by customs officials, bureaucratic

customs procedures and long border delays. Although the study includes some entrepreneurs who have decided to discontinue cross border business activities as a result, for others it is an aspect of their external environment they are forced to adapt to, perhaps because of limited alternative opportunities.

It would be helpful if cross border projects that seek to promote cross border business activity could include representatives of border authorities as part of an attempt to remove unnecessary barriers to cross border movement of goods and people. Improving the transport and communications infrastructure can also be a pre-requisite for facilitating the development of productive cross border enterprise activity.

(iv) Policies to promote CBC involving enterprises are unlikely to be successful unless the wider policy environment for entrepreneurship is positive. As a consequence, policies to support enterprise based CBC need to be embedded within wider regional development programmes promoting entrepreneurship. Whilst specific policies (such as partner search facilities and 'meet the buyer' events) can undoubtedly help to promote CBC, their take up is likely to be affected by the credibility of the organisation delivering the support with local businesses and its integration with 'mainstream' business support. In this context, it is perhaps not surprising that, in general, public policy with respect to enterprise-based CBC tends to reflect the policy of the state towards the entrepreneurship and economic development more generally.

(v) Cross border entrepreneurship can be affected by the wider regulatory environment in both countries, as well as by regulations specific to cross border activity. Extended bureaucratic procedures increase the costs of compliance and differences in legislation between countries are a particular problem. One specific issue facing entrepreneurs when operating across borders relates to 'contract enforcement'. According to entrepreneurs it is difficult to solve problems of this nature, particularly when the partner is outside the old EU member states. The difficulties in making legal claims about infringed payment obligations, especially the difficulties of neighbouring countries' courts to take actions in due course, have pushed many entrepreneurs to base their cooperation on cash payments.

(vi) Whilst the empirical evidence shows that in many regions, entrepreneurs develop forms of cross border co-operation (e.g. subcontracting, use of relatively cheap labour from the other side of the border) without policy support and, in some cases, despite barriers resulting from the wider policy environment, in such circumstances, the extent of such co-operation is limited and its contribution to regional development typically under-fulfilled.

(vii) The CSRs featuring in the study include a variety of experiences with institutional co-operation across borders. Positive experiences appear to be more common where the border is soft; there is local awareness of the potential practical benefits of CBC; and local authorities and other institutions have the capacity to both mobilise and utilise resources, as well as sufficient decision making authority with respect to economic development. At the same time, most cross border initiatives involving local government contain little that is directly concerned with entrepreneurship, although they can offer networking opportunities for proactive

entrepreneurs. Another issue concerns the level of institutionalisation of cross border co-operation. Regions such as Görlitz and Hochfranken in Germany, Zgorzelec in Poland, and Tornio in Finland can be considered as good practice examples of institutional cross border cooperation because they appear to have successfully mobilised local actors in cooperating in different initiatives of mutual benefit. However, in some cases (especially Zgorzelec) this currently appears mainly project oriented, reflecting Poland's recent access to EU funding regimes.

(viii) Five of the CSRs contain Euroregions, which are one of the EU's main policy tools for promoting cross border co-operation. Although a number of Euroregions include tourism as a development objective, few have successfully involved entrepreneurs, apart from Euroregion Egreensis (Hochfranken-Czech Republic). As a result, Euroregions were not mentioned by the entrepreneurs interviewed in the CSRs.

(ix) Although all CSRs had some sort of business support infrastructure, this was variable in the nature and extent of the services offered, reflecting national differences for the most part. Not surprisingly perhaps, the Finnish and German regions appear to have the best developed business support infrastructure at the local level, with a number of established organisations that support business development. Moreover, these regions include examples of support organisations, focusing on cross border activities, promoting networking between enterprises, providing information to promote contacts, co-operation, trade and benefits of knowledge exchange.

(x) The reported use of business support targeted at cross border co-operation by enterprises in CSRs was low in all regions, with just Gorlitz containing more than a handful of firms receiving such support. This may be somewhat surprising in view of the fact that all enterprises interviewed were either involved in CBE or had experience of it in the past. However, in practice, this reflects low take up of generic business support services, with only a few firms in each region reporting some use of it. The exceptions were in the two Finnish regions; Hochfranken in Germany; and Serres in Greece. In the Bulgarian and Estonian CSRs, entrepreneurs commonly referred to EU funded programmes.

(xi) When enterprises involved in CBE were asked about their support needs, their expressed priorities focused on finance, to fund new investment; shortages of suitably skilled labour; and needs specifically related to cross border activity, such as finding appropriate business partners and legal advice. Reported labour shortages emphasise the need to improve the educational and economic infrastructure in these peripheral regions, as part of a strategy of retaining more young people. Complementary measures in the short term might include agreements between local authorities to facilitate labour movement across the border. Improved vocational training is another priority to provide the workforce with the skills and competences demanded by the regions' enterprises.

Significantly, the most pressing problems reported by entrepreneurs in CSRs (including Florina and Serres in Greece, Kyustendil and Petrich in Bulgaria, Ida Viru and South East Region in Estonia, Hochfranken and Görlitz in Germany and Biala Podlaska in Poland) were a lack of investment, low purchasing power, shortages of

labour and a strong perception of being peripheral. This emphasises the need for a comprehensive and integrated approach to regional development policy to enable entrepreneurship to increase its contribution to the development of these peripheral regions.

Another policy implication relates to the operation of the business support system, which in most CSRs, appears to have low penetration. Improved information provision appears to be a priority, particularly with respect to raising awareness about the potential benefits of cross border cooperation. This is especially important for border regions in the new EU member countries where there is a need to be acquainted with EU programmes and other forms of support that are available. Another issue relates to the continuity and sustainability of support provided, which can be a problem when reliance is placed on short-term project funding.

(xii) At the same time, based on entrepreneur's perceptions of the adequacy of the business support available, the need to strengthen the business support system is not confined to new member states of the EU. In only four of the CSRs (in Germany, Finland and Greece) did entrepreneurs perceive the business support available to be adequate for their needs. In the other eight (which included mainly CSRs in new EU member countries but also regions in Greece and Finland), entrepreneurs felt the supply of business support was inadequate in some way. Whilst entrepreneurs in most countries are critical of the business support offered through publicly funded provision, the results underline the important to strengthen the business support available in new member states, particularly in these peripheral regions. A related issue identified concerns governance and the need in most CSRs to increase the level of involvement of entrepreneurs and their representatives in the policy making process. These aspects should be part of an approach to increase the entrepreneurial capacity and performance of peripheral regions, which Structural Funds provide an opportunity to develop.

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Appendix 1: Business Support Infrastructure by Region

National programmes	SME policy (all countries) SME business development agencies (all countries)					
	Bulgaria		Estonia		Finland	
Local agencies and programmes	Kyustendil	Petrich	Ida Viru	South East Region	Tornio	South Karelia
Membership based	Chambers of Commerce Regional Industrial Association	Chambers of Commerce Regional Industrial Association Bulgarian-Greek Business Forum Business Information & Consulting Centre	Chambers of Commerce and Industry	Chambers of Commerce and Industry	Chamber of Commerce The Regional Organisation of Enterprises in Western Lapland	Chamber of Commerce The Regional Organisation of Enterprises Association of South Karelian Entrepreneurs Regional Council of South Karelia
Public funded/self sustained			Ida Viru Development Centre	Polvamaa Development Centre Vorumaa Development Agency	Employment and Economic Development Centres Team Botnia Business Development Organisation Lappeenranta Business Development Company	Employment and Economic Development Centres Imatra Region Development Organisation Technopolis Ventures Kareltek Incubation Services

Project based local programmes⁷	Tourism Council	Credit Co-operative 'Private Rural Association (PMRCA) Nadejda	Mutual Credit – Kalabak Tourist Associations	Narva Business Advisory Services Foundation NGO Narva Entrepreneurship Development Association Ida Virumaa Innovation Centre Business Incubator EAGLE NEST	Rapina Business Assistance Centre	Info centres Universities	Universities
National programmes	SME policy (all countries) SME business development agencies (all countries)						
	Germany			Poland		Greece	
Local agencies and programmes	Hochfranken	Gorlitz		Zgorzelec	Biala Podlaska	Florina	Serres
Membership based	Chambers of Commerce and Industry Chambers of Crafts AGI	Chambers of Commerce and Industry Chambers of Crafts The Contact Centre for Saxony – Poland Economic Cooperation	Chambers of Commerce and Industry Chambers of Crafts	Chambers of Commerce and Industry Chambers of Crafts	Chambers of Commerce and Industry Chambers of Crafts	Chambers of Commerce and Industry Exporters' Association of Northern Greece	Chambers of Commerce and Industry Exporters' Association of Northern Greece
Public funded/self sustained	BFZ Curatorship	Interconsult The ETB Neiße e.V. (incorporated society)				Enterprise Development Centres	Enterprise Development Centres
Project based local programmes	Universities	East West Competence Centre		Zgorzelec County Business	Biala Podlaska Agency of Local	Universities	Business Innovation Centre

⁷ This is not meant to be an exhaustive list. More details of project based initiatives are provided in Jaakkola (2007); Rogut et al. (2007a; 2007b); Schweitzer an Hack, Veleva and Welter (2007a; 2007b); Todorov and Kolarov (2007a; 2007b); Venesaar (2007a; 2007b); Vogiatzis (2007a; 2007b)

		<p>Twin city support packages</p> <p>Universities</p>	<p>Consulting Centre Bogatynia-Zgorzelec Industrial and Technological Park</p> <p>Twin city support packages</p> <p>CB business meetings</p>	<p>Development</p> <p>Biala Podlaska Regional Development Association</p>		<p>Centre for Investment Hosting</p> <p>Universities</p>
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