

Center for Business Promotion and Entrepreneurship, Sandomierz, Poland

Annual Report 2004

Introduction

The Center for Business Promotion and Entrepreneurship in Sandomierz, Poland is a non-profit foundation, founded in 1991 to help lead and accelerate the post-communist economic transition in rural southeast Poland. Its early programs concentrated on agribusiness development. In recent years its efforts expanded into general business development as well as into public sector economic and development planning. **The Center's overall focus is to help individuals and communities harness private enterprise and democratic principles as a means to sustainable economic and social development.**

The Center's highly-qualified staff provides consulting, training services and technical assistance to small and medium-sized businesses, entrepreneurs, farmers, organizations, and local governments. In 2004, the Center continued to concentrate its efforts in the following major program areas:

- **Business Advisory Services:** Training and consulting services for small and medium-sized businesses focused on increasing client business profits and competitiveness --- provided within the Business Advisory Services (BAS) Program
- **Local Government and Community Development:** Assistance to local governments in building democracy and successful, community-based economic development --- provided within the Local Government Program
- **Education and Training Regarding European Union Integration:** Training and education focused on preparing agribusiness, farmers and the rural areas of southeastern Poland for entry into the European Union --- provided within the Rural Areas Development Program
- **International Consulting and Training Services:** Designing and providing on-site training services and study tour visits for individuals and groups of agriculture producers and processors, business entrepreneurs, business development consultants, and others from Central and Eastern Europe countries, and the former Soviet States
- **Training and Conferences Services:** Open-enrolled training, regularly scheduled courses, and custom-designed closed training programs are provided in the Center's new residential training and conference facility, called Hotel Basztowy, since Fall 2002.

The Center cooperates with a range of local agencies as well as with international agencies. It is a prominent and active member of the National Small and Medium Enterprise (SME) Services Network. The Network, established by the Polish Agency for Enterprise Development, is a leading Polish agency promoting cooperation among public administration bodies and non-governmental organizations. Through it the Center has access to a range of programs providing advisory, training and information services for small and medium enterprises, all geared to helping them increase their competitiveness within the European Union.

Business Advisory Services (BAS)

Since its founding, the Center's BAS Program has focused on providing high quality advisory services to entrepreneurs starting or expanding businesses, as well as assisting larger firms to improve their productivity and competitiveness, towards generating vitally needed off-farm employment. In response to specific needs, the BAS Program offers training, consulting and a range of business development services to area businesses and entrepreneurs, including:

- Business planning, financial planning and analyses, feasibility studies, market analyses
- Helping companies secure the best loan packages available
- Product profitability analysis, based on detailed allocation of fixed and variable costs
- Customized business education and training
- Access to information about legal issues, sources of supply and markets, etc.
- Assistance to entrepreneurs in financing business activities and investments using EU available structural funds.

During 2004, the Center's BAS program work contributed to the creation of more than 100 new job positions. Almost 450 short-term advisory services were delivered to owners, and prospective owners, of small and medium-scale businesses. More than 1200 people were trained through a broad range of programs generally focused on entrepreneurial skills development and business operation.

Developing Local Business Capacity

Expanding from its base in Sandomierz, in 2002/3 the Center established local Business Support Centers in four cities: Busko Zdrój, Staszów, Ostrowiec Św. and Połaniec, centers of four poviats (sub-regions) within Świętokrzyskie Voivodship. This program was financed through an SME support program run by Świętokrzyskie Voivodship's Unemployment Office. Though this program ended in 2003, the Center decided to continue operation of two of them (in Busko Zdrój and Staszów). Seeing the deep needs, and the benefits, of having these local offices to support business development and generally strengthen the local SME sector, in 2004 the Center additionally re-established its local office in Ostrowiec Św. The six staff members manning these three offices received intensive training programs in consulting skills, enabling them to actively participate in all Center programs implemented during 2004.

In early 2004 the Center applied for and received six-month renewal funding from the next phase of the "Temporary Employment Services" program run by the Świętokrzyskie Voivodship's Unemployment Office. Services were provided in poviats: Sandomierski (2 projects), Staszowski (1 project), Buski (2 projects). Through this program, implemented from February to August 2004, the Center contributed to the development of temporary job positions for 83 people in 21

companies. Importantly, the program achieved long-term results: six months after program completion over 60% of the jobs had become permanent positions.

At the beginning of 2003, the Center was invited by the Polish Agency for Enterprise Development to apply for the continuation of its program “Consulting-Advisory Services Office for SME” program, supporting the SME sector in Poland by delivering fee-free informational and basic consulting services to underserved rural small and medium-scale businesses and potential entrepreneurs. Based on its strong proposal and successful participation in the previous phases, the Center was approved to implement the next phase, which ran from April 2003 to March 2004. Under this program, in the first quarter of 2004 the Center delivered services to 56 businesspeople and 21 potential entrepreneurs.

Poland officially joined the European Union Community on May 1, 2004 and subsequently became eligible for support from both the EU structural funds and the Cohesion Fund. The primary objective of these funds is to provide assistance in reducing inter-regional development disparities, in order to strengthen national economic and social cohesion.

Accession to the European Union Community also opened new opportunities for Polish businesses, citizens of rural areas and local governments to access financial support for their economic development initiatives. To publicize these opportunities and help people apply for funds, the Polish Agency for Enterprise Development transformed its “Consulting-Advisory Services Office for SME” program into “Consulting Services Office for SME,” (PK) program. The Center was awarded a grant under the new program, starting in September 2004. Through the end of the year the Center delivered informational services to 16 small-scale enterprises interested in accessing these funds.

Significant efforts of the Center and its satellite offices in 2004 went to direct support to businessmen and local governments in preparing application documents to different structural funds and supporting EU programs. During 2004, the Center’s BAS Program assisted 49 small and medium-scale entrepreneurs and farmers in completing financial analyses, business plans, feasibility and investment studies. These are expected to attract \$323,000 in direct financing from EU supporting programs, \$1,100,000 in direct financing from structural funds and \$1,095,000 in commercial credit for assisted businesses. Overall, planned investments will create more than 400 new job positions. Completed documentations included:

- 5 application forms and five feasibility studies to PHARE 2001 Program (Fund of Investment Support) prepared for local entrepreneurs seeking to make new investments;
- 10 business plans and application forms prepared for local businesses seeking financial support from Phare 2002, Regional Support Program for SMEs, Investment Grants;
- technical documentation and applications for investment projects for 2 local businessmen (submitted to supporting Program of Enterprise Development);

- 13 business plans prepared for financial aid from Sectoral Operational Program (SPO) Improvement of the Competitiveness of Enterprises 2004 –2006 (WKP), Activity 2.3. Supporting development of SME sector;
- 4 business plans completed for new business start-ups;
- 5 major feasibility studies for gminas¹ on sewage system and road investments - for Ostrowiec, Sandomierz, Bogoria, Łoniów and Nisko;
- 10 business plans for non-agricultural rural enterprises, prepared for participants of the project “How to make effective use of EU membership for the development of rural areas in Świętokrzyskie Voivodship,” supported by Agro-Info Program of the Cooperation Fund.

Business education and training activities

In 2004 the Center’s BAS program continued providing education and training activities that help:

1. develop local business capacity
2. strengthen the local business community
3. prepare youth for the job market and self-employment

Polish accession to the European Union gives a wide range of opportunities for not-for-profit organizations supporting SMEs. In 2004 the Center designed an integrated program of training and advisory services for business start-ups in four parts of Świętokrzyskie region combined with direct forms of financial support. This proposal will be submitted at the beginning of 2005 to one of seven operational programs that will be implementing the 2004 –2006 National Development Plan, the Integrated Regional Operational Program (IROP), whose main goal is “to create the conditions for the increase of competitiveness of the regions and prevention of the marginalization of some areas, in such a way as to enhance the long term economic development of the country, its economic, social and territorial cohesion, as well as integration with the European Union.”

As a member of the National SME Services Network the Center, in cooperation with regional banks, provided a series of informational meetings and seminars focused on co-financing new investments and enterprises from structural funds and bank credits. Available opportunities for mixed financing were presented to more than 80 representatives of the business community and local government.

The Center actively pursued cooperation with other organizations, especially with members of the National SME Services Network. One meeting for 9 regional members of the National SME Services Network was organized by the Center’s staff in our training and conference facility in Sandomierz. A Center’s senior staff member serves as a member of the Coordination Board of the National SME Services Network and attended four Board meetings focused on new challenges facing nongovernmental organizations supporting business development.

¹ In Poland, a *gmina* is the lowest level of democratic self-government.

Youth Empowerment

Building a strong future for the local business community is the Center's primary objective -- we develop entrepreneurial skills and creativity among the area's youth as a very important element of our long-term strategy. The Center strives to develop confidence and a creative attitude among youth, and helps them consider their options for starting their own businesses or self-employment.

Early in 2004 the Center designed and submitted a proposal for the development of entrepreneurial skills among youth to the Polish Agency for Enterprise Development (PARP). A one-year grant was awarded in September. The project includes a series of training activities for a group of 300 young unemployed people from the region in planning their careers and building professional capabilities. It will also include practical workshops developing their skills in computer operation and other professions in high demand in the job market, like: salesmen, telemarketing specialists, waiters and bartenders. By year-end 2004 program promotional activities and participant recruitment were completed and a series of individual training sessions of project participants with trainers regarding building individual plans of professional carriers development were held. Planned for 2005 are a series of training workshops and apprenticeships in local businesses.

Supporting Women in Business and Public Life

In 2004 the Center continued its support of the Society of Active Women (in Polish it is Towarzystwo Aktywnych Kobiet – "TAK," which means YES), a program that aims to encourage and assist women to overcome social and economic barriers to entry and participation in the business world, and support them in building both their personal and business skills and networks. In 2004, the Center led 5 meetings attended by about 75 women, members of the TAK program. The most interesting meetings in the opinion of participants were those focused on programs supporting small and micro-enterprises. In 2004 the Center's Program Coordinator made strong efforts to gain new external financial support for activities undertaken within TAK initiative, however, they thus far have failed to yield success.

Developing Consulting Strength and Resources

In 2004 the Center continued building its external network of technically qualified consultants, capable of helping the Center respond to specialized requests from clients, and further helped these individuals improve their own skills. During the reporting period we successfully made use of 4 consultants, specialists in construction and technical aspects of investment, to provide services within the PHARE 2001 "Program of Enterprises Development." Two others supported the Center in preparing advanced analyses of the domestic and international market for wood products, part of the local development plan prepared for powiat Nisko. Our project supporting youth in planning their individual professional careers and building professional capabilities is implemented in cooperation with four external trainers experienced in this area.

Developing a loan fund

Our Center has long recognized the lack of the loan capital available for SMEs as one of the major obstacles in development of a prosperous business community in the region. Despite gradual improvements in commercial finance, there remains a deep need for access to loans based on reasonable conditions for young businesses and start-ups. Banks shy away from these clients, because they lack a sound business history. Direct lending to SMEs by banks is focused on well-established businesses.

In 2001, the Center, in a consortium with two other organizations, won a competitive bid for providing business development loans, as a part of governmental support to employees terminated from the region's shrinking heavy industries. The Center, as well as the other collaborating agencies, found only limited interest in this program from within the targeted population group, but observed great interest in the program among entrepreneurs and unemployed people from other economic sectors. The program was extended to serve them. Subsequently during the years 2001 - 2002 of program implementation, the consortia approved 74 loans to SME starts-ups and entrepreneurs totaling more than US\$1,000,000. These credits helped to open 37 new businesses and created 158 job positions. While this program was ended, the past three years has convinced us of the continuing need for such a local loan fund.

In 2004 the Center proposed to renew and expand its own loan fund. With generous support from a private US foundation the Center was able to develop a new Loan Fund program offering loans up to US \$40,000 for a period of up to 3 years. The interest rate is sub-market. The pure interest rate charged is 7,62 %; in addition to a 3 % commission and charges for loan application documents and loan appraisal services. Late fees would be charged in accordance with prevailing standard practices. This new program will start early in 2005.

Local Government and Community Development

Both local economic development and the growth and strengthening of democracy require efficient and effective local government. This in turn requires clear and strong communications and relationships among all components of the local community. The overall objective is to create and demonstrate mechanisms and procedures for *gminas'* effective management in cooperation with the local community.

In the beginning of 2004 the Center prepared a new offer of services for local governments including information on structural funds available for them, and made direct presentations to 19 local authorities. These promotional activities resulted in two contracts, to prepare Local Development Plans for powiat Nisko and for gmina Łoniów. Both exercises applied the Center's proven method of active participation and cooperation of local partners of common interest and achieved consensus incorporating varied local perspectives into the final plan.

In 2004 the Center increased its focus on developing activities to promote and strengthen civil society at the local level. As a member of the Association for Non-Governmental Initiatives Forum, the Center has access to a range of advanced training programs to further develop its own staffs' consulting skills. Through this organization, in 2003 one of the Center's senior staff members improved her consulting skills via an advanced training course in the subject of structural funds available for NGOs after Polish accession to the EU. In 2004 she delivered 35

advisory services and provided 6 informational seminars and meetings to local nongovernmental organizations, mostly in the subject of structural funds. In the second part of the year, the Center actively supported the Local Tourism Organization -- an association made up of private enterprises, NGOs and local government -- in applying for the initial phase of the "Leader +" program, which would fund the continued strengthening of this "Local Activity Group" as a means to drive forward further local initiatives.

In 2004 the Center strengthened its direct cooperation with local NGOs, working together on two different initiatives: 1) developing practical skills and attitudes among a group of 77 residents of homeless shelters, financed by the Polish Agency for Enterprise Development, and 2) supporting youth from Sandomierz high school in a project to protect local historical monuments, funded by the Leonardo da Vinci Program.

Late in 2004 the Center applied for funding support to the fourth installment of the program "Act Locally," announced by Academy for the Development of Philanthropy in Poland. This program supports non-governmental organizations and civic initiatives acting to the benefit of specific local communities, and will select a limited number of organizations strategically placed in Poland to serve as grantmaking organizations, making grants up to US\$15,000 to finance local initiatives. The Center's proposal was accepted; we will start activities early in 2005, after completing a mandatory orientation and training program.

Rural Areas Development Program

To support Poland's membership in the European Union, structural funds are available to help in the essential restructuring of Polish agriculture and the rural economy. This translates into intensive efforts to both diversify and commercialize the agricultural sector in order to develop profitable and sustainable farms and companies, able to compete in the EU. Though necessary, this restructuring is proving painful and is meeting stiff resistance. The Center sees information services and education as key to facilitating this inevitable transition, and mitigating its negative effects.

Accordingly, in 2004 our activities continued:

- Providing regional training programs on adjusting Polish agriculture to meet EU requirements, especially regarding quality standards of agricultural products
- Promoting and assisting the best food producers and processors
- Supporting cooperation between self-government organizations, public administration, farmers and local businessmen in addressing problems of European integration
- Providing informational services regarding EU issues for rural youth and their communities
- Assistance in developing opportunities for alternative sources of incomes in rural areas.

The Center is an affiliated member of the network of AGRO-INFO European Union Informational Centers, focused on organizing and disseminating EU information among local communities. In 2004 the Center received financial support to further develop its institutional capabilities in providing informational services. Staff members of the Center's local offices

completed advanced training workshops preparing them to provide informational services and help local communities interested in applying for structural funds and other supporting programs. The Center responded to more than 300 individuals in specific requests for information, and informed 200 participants of 15 seminars it organized in four poviats of Świętokrzyskie voivodship. Additionally, the Center made use of these funds to assess the needs for this information among the rural citizens of our region. Based on the 362 inquiry responses to our questionnaires, we prepared a range of tailored informational brochures and leaflets as well as web pages on both general and specific issues on the EU and Poland's integration.

Additionally, within another initiative, "How to make effective use of EU membership for the development of rural areas in Świętokrzyskie voivodship," the Center delivered information to another 300 people, participants of four conferences and training workshops devoted to problems of agriculture and the rural economy.

International Consulting and Training Services

In recent years the Center has sought to widen its cooperation with international non-government agencies working in Central and Eastern Europe and former Soviet states. We have designed and provided customized on-site training services and study tour visits in Poland for individuals and groups of agricultural producers and processors, business entrepreneurs, business associations, and business consultants, among others. These training programs are a combination of the practical -- site visits to progressive producers, processing companies, etc; and the theoretical -- workshops, research institute visits, guest speakers and discussions.

In 2004, the Center, interested in undertaking closer cooperation with Danish partners, joined with the Aarhus Business College to prepare and submit to the "Access" program a proposal to strengthen business skills among rural women. Unfortunately, it was not funded.

Training and Conferences Services Development

Our modern residential training and conference center, Hotel Basztowy, was developed to:

- promote economic development by providing a local professional training venue for area businesses
- provide the Foundation high-quality offices and training facilities
- attract more tourists to Sandomierz and support tourist industry development
- generate a long-term revenue stream for the Center

Hotel Basztowy was opened in the Fall of 2002. It offers high-quality conference and training facilities and accommodations at reasonable prices. The accommodations are intended to cater to and attract a wide variety of visitors to Sandomierz:

- training participants
- Polish and foreign tourists – individuals and families
- organized tourist groups
- business travelers

- people attending local social events and parties
- students

The facility fits very well with the needs of the City and the broader region, as well as the Foundations' mission. In 2004, it achieved a 56.5 percent occupancy rate, exceeding year 2003 (52 percent) and both its business plan's projections and the national average of 39 percent. In 2004 the facility added one full-time job, bringing its total staff complement to 20.

In 2004, hotel management concentrated on marketing activities, training for the hotel staff, and looking for opportunities for financing new investments in technical infrastructure to improve the quality of services provided within facility. Late in 2004 the Center applied to Phare 2002, Regional Support Program for SMEs, Investment Grants for 50% of the costs of modernizations, totaling 30,000 EUR, planned for 2005.

Institutional Development and Marketing

In 2004 the Center's staff successfully devoted significant effort to developing and maintaining systems and standards of daily operation of the new training and conference venue while continuing a strong and innovative program of developmental activities. The Center Director and senior staff also invested time and energy in maintaining – and further increasing -- a wide network of contacts, geared to developing a broad and expanded funding and support base.

Center staff was very active in seeking focused programmatic funding of the BAS, EU integration, and local government activities, producing and submitting 26 major formal grant proposals to a range of potential funders. Additionally, general and introductory marketing and fund-raising meetings were held with a wide range of agencies. The Center also bid on a range of fee-for-service opportunities to work with area companies, and public and private agencies.

Polish accession to the EU opened new opportunities for the Center to improve its institutional capacity and develop innovative services for SMEs. One of major proposals prepared in the end of 2004, was submitted to a program provided under sub-measure 1.1.2 "Support to emergence of national/regional networks of business support institutions" which is included in one of five measures implemented under Priority I of the Sectoral Operational Program – Improvement of the Competitiveness of Enterprises" 2004-2006. If approved, two-years proposal will help us establish next two local offices in two cities: Stalowa Wola and Opatów, centers of two poviats (sub-regions) within Świętokrzyskie and Podkarpackie Voivodship. We will modernize the Center's technical equipment, including computers and training tools such as overhead projectors laptops, etc. All staff members will intensively improve their consulting skills on the advanced training courses as well as will develop the Center's long term strategic development plan. These activities will strengthen the Center as a business supporting organization. At the same time we will design and provide complex of training courses and technical assistance for local entrepreneurs supporting them in business activities and developing their competitiveness on the market.

During 2004 the Center's management continued work to strengthen its relations with the members of the Center's Board of Directors, in order to get the maximum assistance possible.

The regularly scheduled semi-annual Board meetings, devoted to analyzing in detail the Center's activities and providing guidance and advice for the future, are supplemented by an organized series of contacts, both formal and informal, to further build Board-Center relations.

In 2003, the Center initiated work on the renewal process for its existing quality assurance (ISO) certification for providing training and advisory services. In the first part 2004 the Center successfully completed the process of recertification, provided by Polish Agency for Enterprise Development.