

# Center for Business Promotion and Entrepreneurship, Sandomierz, Poland

## Annual Report 2005

### 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 2005, working out its Sandomierz headquarters and five area sub-offices, 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
- **Loan Fund:** Loan-granting program established by the Foundation for small scale entrepreneurs and business start-ups
- **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 agribusiness, farmers and the rural areas development of southeastern Poland in the structures of 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 modern residential training and conference facility, Hotel Basztowy, purpose-built in 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. This 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.

**During 2005, the Center provided training, advisory services and financial assistance to more than 2,700 clients, small and medium scale entrepreneurs, start-up businesses, farmers and young unemployed people.**

### **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:

- Assistance to entrepreneurs in financing business activities and investments using EU available structural funds
- 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
- Basic information in small scale business establishment and operation
- Access to information about legal issues, sources of supply and markets, etc.

**During 2005, more than 500 short-term advisory services were delivered to prospective owners, of small and medium-scale businesses and start-ups, and contributed to the creation of more than 80 new job positions. Almost 2,000 people were trained through a broad range of programs generally focused on entrepreneurial skills development and business operation.**

### Developing Local Business Capacity

In joining the European Union Community Poland 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.

In 2005, the Polish Agency for Enterprise Development's program: "Consulting Services Office for SME," supported the SME sector in Poland by delivering fee-free informational and basic consulting services to small and medium-scale businesses. Potential entrepreneurs also received financial support from the structural funds: Sectoral Operational Program /SPO/, Improvement of the Competitiveness of Enterprises 2004 –2006. In the beginning of 2005, the Center applied for the next phase of the program. Based on its strong proposal and successful participation in the previous phases, the Center was approved to implement the program starting in April 2005. Under this program, in 2005 the Center delivered informational services to 60 businesspeople and potential entrepreneurs.

Accession to the European Union Community opened new opportunities for Polish businesses, citizens of rural areas and local governments to access financial support for their economic development initiatives.

Significant efforts of the Center and its satellite offices in 2005 went to support businessmen and local governments in preparing application documents to different structural funds and supporting EU programs. During 2005, the Center's BAS Program assisted 37 small and medium-scale entrepreneurs and farmers in completing financial analyses, business plans, feasibility and investment studies. These are expected to attract US\$ 4,000,000 in direct financing from structural funds or EU supporting programs and US\$ 300,000 in commercial credit for assisted businesses.

#### Business education and training activities

In 2005 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 also 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 was submitted at the beginning of 2005 to one of seven operational programs that were 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.” The Center was awarded a one-year grant for a major project, “Promotion of Entrepreneurship” started in August of 2005. This program is being implemented in four poviats (sub-regions) within Świętokrzyskie Voivodship: Sandomierz, Busko Zdrój, Staszów, and Ostrowiec. It consists of two rounds of training in small-scale business establishment start-up, and financial support up to US\$ 6,500 in the best new business opened during project implementation, as well as bridging support for required health insurance payments. In 2005, 80 business start-ups were selected for participation in the first round of the project. By the end of the year, 64 project participants took part in a series of four training courses in business planning, opening and operation. In the beginning of 2006 project participants will submit business plans for opening their new businesses and the most promising of them will receive further financial support. Two other rounds of the overall project will be implemented in 2006.

The Center actively pursued cooperation with other organizations, especially with members of the National SME Services Network. A Center's senior staff member serves as a member of the Coordination Board of the National SME Services Network and attended three Board meetings focused on new challenges facing nongovernmental organizations supporting business development.

### 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.

In 2005 the Center completed a project to develop entrepreneurial skills among youth, financed Polish Agency for Enterprise Development (PARP) by a one-year grant awarded in September 2004. The project included a series of training activities for a group of 318 young unemployed people from the region in planning their careers and building professional capabilities. It also included practical workshops developing their skills in computer operation and other professions in high demand in the job market: salesmen, telemarketing specialists, waiters and bartenders. It included apprenticeships in local businesses. At the end of the project, 60 young people had found a job and two of them had opened their own enterprises.

### Supporting Women in Business and Public Life

The Center continues 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 2005 the Center's Program Coordinator made strong efforts to gain new external financial support for activities undertaken within TAK initiative, and received financial support to the program focused on the unique problems and opportunities facing women in rural Poland from the Community Development Program of the Dickler Family Foundation. This program will be implemented in 2006.

### Developing Consulting Strength and Resources

In 2005 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 3 consultants, 2 of them specialists in team-building issues, supporting the Center in training workshops for local action groups creating public and private partnerships. The third, a tax advisor, helped workshop participants understand commercial tax law and how to select the best form of tax payments for their business activities.

## **Loan Fund Program**

Our Center has long recognized the lack of loan capital 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 to provide business development loans, as a part of governmental support to employees terminated from the region's shrinking heavy industries. The Center, as well as its two partners, 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. When this program ended, we were 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 5,56 %; in addition to a 3 % commission and charges for loan application documents and loan appraisal services.

The Loan Program started early in 2005. After the approval of the formal regulations, collateral requirement system and the loan documentation requirements by the Center's Board of Directors, the program was widely announced via local media and the Center's web page, leaflets, posters and announcements etc. to the potential clients. In 2005 the loan program offer was presented to 307 potential clients (including 76 businessmen). Eighteen loan applications for the amount of \$200,000 were submitted. Our Loan committee approved 10 loans totaling \$100,000; 9 loans for the amount of US \$ 95,000 were paid to the clients.

### **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 of this Center program area is to create and demonstrate mechanisms and procedures for *gminas'* effective management in cooperation with the local community.<sup>1</sup>

In the beginning of 2005 the Center prepared a new offer of services for local governments, including information on EU structural funds available for them, and made direct presentations to 14 local authorities, as well as 5 presentations to introduce the EU funded Leader + program to more than 200 representatives of local and regional governments. These promotional activities resulted in 3 contracts: to provide a series of training workshops for Local Action Groups in building public-private partnerships within the Leader + program, focused on the design and implementation of initiatives strengthening civil society at the local level.

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<sup>1</sup> A *gmina* is the smallest area of local government, falling somewhere between a typical U.S. township and county in size.

In 2005, the Center continued support to 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. Based on the proposal prepared with the major assistance of the Center's staff member, Local Tourism Organization received financial support from the Leader + program for the initial phase of activities as the Local Activity Group, including series of training workshops and its strategic plan development.

In 2005, the Center's senior staff member and the representative of the Association for Non-Governmental Initiatives Forum, delivered 34 advisory services and provided 6 informational regional seminars and meetings to local nongovernmental organizations, mostly regarding structural funds available for NGOs. Informational meetings were held with 29 new nongovernmental organizations.

In 2005 the Center strengthened its direct cooperation with local NGOs, working together on different initiatives: 1) developing practical skills and attitudes among a group of 77 residents of homeless shelters, initiated in 2004 and financed by the Polish Agency for Enterprise Development, 2) supporting youth from Sandomierz high school Collegium Gostomianum in to project: "Promotion of Polish culture by the music – comparing compositions of Mikołaj Gomółka, Polish composer with Carmina Burana", and in to project: "Unity of culture and diversity of Christian religious – Roman, Protestant and Orthodox Churches", funded by the government of Poland.

Early in 2005, the Center began making direct grants to local groups, within the four installments of the program "Act Locally" funded 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. Late in 2004 the Center was selected as one of a limited number of organizations strategically placed in Poland to serve as grantmaking organizations, making small grants to finance local initiatives. After completion of mandatory orientation and training programs and promotional activities, the Center announced a grant competition in 4 poviats (sub-regions) within Świętokrzyskie Voivodship. Fifty-nine local nongovernmental organizations applied for financial support to their initiatives. Ten grants totaling US\$15,000 were approved, and all accepted projects were implemented by the end of the year. The Center applied for and has been by Academy for the Development of Philanthropy in Poland for the next three years of cooperation.

### **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 2005 our activities continued:

- Providing regional training programs on adjusting Polish agriculture to meet EU requirements, especially regarding quality standards of agricultural products
- Assistance to rural communities in investments using EU available structural funds and supporting programs
- 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 membership
- Providing informational and advisory services regarding EU issues for farmers, 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. During 2005, informational, training, and advisory services regarding structural funds and problems of agriculture and the rural economy were delivered to more than 800 people.

In 2005 the Center received financial support for building closer cooperation of the AGRO-INFO European Union Informational Centers in the region. A consortium of 4 AGRO-INFO centers was established, to strengthen their institutional capability and integrate activities in response to specific requests for information as well as to improve the information dissemination and coordination of common initiatives. In 2005, Consortium organized a first annual meeting of nongovernmental organizations focused on rural areas development in the region of Świętokrzyskie voivodship; it attracted almost 100 participants.

### **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 2005, the Center, continued its cooperation with Danish partners, joined with the Aarhus Business College. The center's senior staff member attended a conference promoting benchmarking of local employment development with the aim of building further international cooperation for entrepreneurship education.

### **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 2005, it achieved a 69,7 percent occupancy rate, exceeding year 2004 (61,9 percent) and both its business plan's projections and the national average of 42,95 percent.

In 2005, hotel management oversaw new investments in technical infrastructure to improve the quality of services provided within facility, attracting external grants that covered 50% of the costs, totaling 30,000 EUR, received late in 2004 from Phare 2002, Regional Support Program for SMEs. These new investments included the installation of a hotel club and billiard room, improved air conditioning in the hotel's restaurant and club, and complementary equipment and furniture.

### **Institutional Development and Marketing**

In 2005 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. As part of its ongoing program of staff development, by the end of 2006 all staff members will improve their consulting skills via advanced training courses as well as revisit and revise the Center's long term strategic development plan.

Center staff was very active in seeking focused programmatic funding of the BAS, EU integration, and local government activities, producing and submitting 10 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, local governments and public and private agencies.

During 2005, the Center's senior staff members actively attended several national consultations regarding the National Plan of Development for 2007-2013, contributing to the plan creation with their experiences of 15 years working on entrepreneurship development in rural areas.

Polish accession to the EU opened new funding opportunities for the Center both to improve its institutional capacity and develop innovative services for SMEs. A major proposal, submitted in the end of 2004, brought in significant institutional strengthening funding.<sup>2</sup> As previously reported, in 2002-2004 the Center expanded its base in Sandomierz and established affiliated offices in three cities: Busko Zdrój, Staszów, Ostrowiec Św., centers of three poviats (sub-regions) within Świętokrzyskie Voivodship. Seeing the benefits, of having local offices to support business development and generally strengthen the local SME sector, a two-year program, started early in 2005 helped to establish an additional two local offices, Stalowa Wola and Opatów, centers of two poviats (sub-regions) within Świętokrzyskie and Podkarpackie Voivodship. Using these same funds, in 2005 the Center's technical equipment was up-dated, including computers and training tools such as overhead projectors, laptops, etc.

During 2005 the Center's management continued 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.

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<sup>2</sup> A government program 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).