

Center for Business Promotion and Entrepreneurship, Sandomierz, Poland

Annual Report 2006

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 2006, 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 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.

During 2006, the Center provided training, advisory services and financial assistance to more than 3000 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 available EU 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 2006, the Center's BAS program work contributed to the creation and modernization of more than 45 businesses. More than 800 short-term informational and advisory services were delivered to prospective owners, of small and medium-scale businesses and start-ups. More than 2000 people were trained through a broad range of programs focused on entrepreneurial skills development and business operation.

Developing Local Business Capacity

Upon 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 2006 the Center continued activities within the program "Consulting Services Office for SME," (PK) supporting the SME sector in Poland by delivering fee-free informational and basic consulting services to small and medium-scale businesses and potential entrepreneurs financed

from the structural funds (Sectoral Operational Program/SPO/, Improvement of the Competitiveness of Enterprises 2004 –2006 /WKP/) provided by Polish Agency for Enterprise Development (PARP). In 2006, within PK program the Center delivered informational services to 238 small and medium and start-up entrepreneurs seeking information regarding business operation and opportunities. Additionally, based on successful applications to the PARP, the Center opened PK offices within the Center’s field offices in Busko-Zdrój and Staszów in the first part of 2006, and in Opatów field office later in the year, permitting us to better serve SME clients throughout the region. To promote PK services within the field offices the Center provided intensive promotional activities, developing and widely distributing posters, leaflets and informational packages and holding informational meetings with entrepreneurs. The Center’s staff members designated for delivering PK services attended a rigorous program of training workshops.

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. The Center’s BAS Program assists small and medium-scale entrepreneurs and farmers in completing financial analyses, business plans, feasibility and investment studies. Structural funds available in the region for SME were distributed by the end of 2005; in 2006 the BAS program assisted 2 small and medium scale entrepreneurs in completing business plans for the loans now available from commercial banks.

Business education and training activities

In 2006 the Center’s BAS program continued providing education and training activities that help:

1. develop local business capacity, and
2. strengthen the local business community

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 major grant for a one-year project “Promotion of the Entrepreneurship” started in August of 2005. Program implemented in four poviats (sub-regions) within Świętokrzyskie Voivodship: Sandomierz, Busko Zdrój, Staszów, Ostrowiec Św, consists of a series of trainings in small scale business establishment and operation for start-ups and financial support up to US\$ 6,500 for investments in the best new established business opened during project implementation, as well as “bridge” grant support for a period from 6 to 12 months for each new business owner to pay for required health insurance. In 2006, the Center continued project implementation. Two rounds of training workshops were provided for 178

business start-ups in the subject of business start-up and operation. Project beneficiaries supported with advisory services from the Center's staff and external consultants prepared and submitted 69 business plans for new enterprises. The Center's awarding committee recommended proceeding with the 26 most promising business plans. Selected business start-ups received financial support totaling \$158,000 for investment as well as \$46,000 for required health insurance payments.

Polish accession to the EU opened new opportunities for the Center to develop innovative services for SMEs. The two-year project, "Supporting development of SME through the new services of the Center for Business Promotion and Entrepreneurship" supported from Sectoral Operational Program – Improvement of the Competitiveness of Enterprises 2004-2006", under sub-measure 1.1.2 "Support to emergence of national/regional networks of business support institutions" (SPO WKP 1.1.2) was started in the first part of 2005. The project enabled the Center to design and provide an integrated program of training courses and technical assistance for local business start-ups and entrepreneurs, supporting them in business activities and developing their competitiveness in the market. During 2006, the Center provided 259 training courses for 1863 business start-ups regarding basic information on business creation and operation (totally during two –years of project implementation 336 training courses were provided for 2783 business – start ups). Additionally, by the end of 2006; 69 entrepreneurs and people interested in opening small businesses received informational, technical and advisory services from consultants with the expertise in legal, tax and financial issues; 97 people participated in open training courses on computer use, the Internet and book-keeping software operation, and cash register operation; training and advisory services were prepared regarding development strategies and marketing plans, and were implemented in 6 companies.

The Center actively pursued cooperation with other organizations, especially with members of the National SME Services Network. A Center 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.

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 2006 the Center received financial support from the Community Development Program of the Dickler Family Foundation to the initiative titled “Development Program for Rural Women”, focused on the unique problems and opportunities facing women in rural Poland. During 2006, under this project, the Center supported informal groups of rural women with training, advisory services and technical assistance on non-governmental organization creation and management, including the technical and legal aspects of formal establishment and registration procedures – formal registration being required for these groups to qualify for various direct funding opportunities now available from European Union supporting programs.

Loan Fund Program

Our Center has long recognized the lack of capital available for SMEs – especially for young businesses and start-ups -- 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. 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 start-ups and entrepreneurs totaling more than US\$1,000,000. These credits helped to open 37 new businesses and create 158 job positions. This program 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, due diligence 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, announcements, etc. to potential clients. In 2006 the loan program offer was presented to 341 potential clients. Thirty-one loan applications for the amount of \$388,000 were submitted. The Loan Committee approved 26 loans, totaling \$291,000; 20 loans for the amount of \$183,000 were

actually disbursed. Since its establishment the Center's Loan Program has issued 27 loans, totaling \$236,000. The repayment rate, through 2006, of this high-risk fund, has been 94%.

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 Center's overall objective is to create and demonstrate mechanisms and procedures for *gminas'* effective management in cooperation with the local community.

In 2006 the Center continued providing informational services for local governments on structural funds available for them including introduction of the EU-funded Leader + program to representatives of local and regional governments. The Center provided a series of training workshops for 84 representatives of Local Action Groups in building partnerships between private and public local partners interested in undertaking common initiatives strengthening civil society at the local level. Additionally, the Center completed Integrated Strategies for Rural Areas Development for two local governments, documents required when applying for financial support from the Leader + program.

The Leader + program for 2007-2013 was also presented and explained to leaders of local communities and local governments' representatives in a conference conducted in cooperation with Świętokrzyskie Marshal's Office.

By the end of 2006, the Center completed the project "Cooperation Development of Agro-Info Centers with other Organizations geared to rural development in Świętokrzyskie Voivodship" financed from the Agro-Info Program of the Cooperation Fund. This project included workshops for a group of 35 representatives of Local Action Groups and Agro-Info representatives from Świętokrzyskie and a seminar for newly-elected local government representatives in the subject of structural funds, including Leader + program for 2007-2013.

In 2006, a Center senior staff member -- our representative in the Association for Non-Governmental Initiatives Forum -- delivered 26 advisory services and provided informational meetings to 14 representatives of local nongovernmental organizations, mostly in the subject of structural funds available for NGOs. She conducted training workshops for 24 leaders of informal local groups in proposal writing, and also attended two regional seminars of the Forum.

Early in 2005, the Center started activities as a grantmaking organization within the fourth phase 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. In 2006, the Center implemented the fifth phase: sixteen local nongovernmental organizations from three poviats (Sandomierski, Opatowski and Staszowski) applied for financial support for their initiatives; 10 grants (totaling \$12,500) were approved, and all were implemented by the end of the year.

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 2006 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 best-in-class 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.

As an affiliated member of the network of AGRO-INFO European Union Informational Centers, the Center is focused on organizing and disseminating EU information among local communities. During 2006, informational, training, and advisory services regarding structural funds and problems of agriculture and the rural economy were delivered to more than 700 people.

In 2005, the Center received financial support for building closer cooperation among the AGRO-INFO European Union Informational Centers in the region. A consortium of 4 AGRO-INFO centers was established with the aim to strengthen their institutional capability and integrate activities in response for specific requests for information as well as to improve the information dissemination and promotion of common initiatives. In the beginning of 2006, the Consortium summarized lessons learned from the project and transferred equipment purchased for the project to consortium members.

In the second part of 2006 the Center implemented the project "Sandomierz Apple Route – a way of stimulating business development in rural areas", supported by the Agrinpol Program of the Cooperation Fund and focused on the promotion of agri-tourism and development local agri-products – especially from apples – the most famous product in the region. Activities included production of a film presentating the apple route and its attractions, brochure publication, and other promotional materials production, e.g. bags with the logo of the Apple Route network. The Project concluded with a conference gathering almost 100 participants interested in promoting of the region, that included accompany expo of local products and tourism services available.

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 2006, it achieved a 56.3% room occupancy rate, far exceeding the national average of 44.9 %.

Institutional Development and Marketing

In 2006 the Center's staff, while continuing a strong and innovative program of developmental activities, successfully invested significant effort in improving the systems and standards of daily operation of the new training and conference venue. 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 16 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 2006, Center senior staff members were invited and actively participated in several national consultations regarded the National Plan of Development for 2007-2013, contributing to plan creation their fifteen years of on-the-ground experiences working in entrepreneurship development in rural areas.

Strengthening the Center as a business supporting organization, was the two-year program “Supporting development of SME through the new services of the Center for Business Promotion and Entrepreneurship” started in the first part of 2005 within the Sectoral Operational Program – Improvement of the Competitiveness of Enterprises 2004-2006” (SPO WKP 1.1.2). By the end of 2006 Center staff members had markedly improved their consulting skills thanks to the advanced training courses offered.

During 2006 the Center’s management further strengthened its relations with the members of the Center’s Board of Directors. An organized series of contacts, both formal and informal, supplemented the input from the regularly scheduled semi-annual Board meetings, and allowed the Center to benefit from the Board’s broad experience and networks.