

Center for Business Promotion and Entrepreneurship, Sandomierz, Poland

Annual Report 2007

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 2007, 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 (SMEs) 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 2007, the Center provided training, advisory services and financial assistance to 1500 clients, small and medium scale entrepreneurs, start-up businesses, farmers and young unemployed people. More than 1300 people were trained through a broad range of programs focused on entrepreneurial skills development, business operation and rural areas development.

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
- 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.

In 2007, the Center's BAS program work contributed to the creation and modernization of more than 80 businesses. More than 700 short-term informational and advisory services were delivered to prospective owners, of small and medium-scale businesses and start-ups.

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 2007 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 2007, through the PK program the Center delivered informational services to 605 small, medium and start-up entrepreneurs seeking information regarding business operations and opportunities. The Center operated PK offices in Sandomierz and within the Center’s field offices in Busko-Zdrój, Staszów and Opatów, 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. In 2007 the Center assisted 2 small scale entrepreneurs and a local organization in completing investment studies using support from EU structural funds.

Business education and training activities

In 2007 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.¹ The Center was awarded a major grant for the two-year project “Promotion of the Entrepreneurship”, which started in August of 2005. Program implemented in four poviats (sub-regions) within Świętokrzyskie Voivodship: Sandomierz, Busko Zdrój, Staszów, Ostrowiec Św, consisted 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 2007, the Center completed project implementation. Over its two and a half years the project

¹ 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.”

provided a range of training workshops for a total of 247 business start-ups in an array of business start-up and operation topics. 147 project beneficiaries were supported with one-on-one advisory services by the Center's staff and external consultants. 120 business plans for new enterprises were completed and submitted for financing. The Center's awards committee recommended proceeding with the 47 most promising business plans. Selected business start-ups received financial support totaling \$350,000 for investment as well as \$78,000 for required health insurance payments, a specific focus of this program.

After completing the two-year project (2005 -2006), "Supporting development of SME through the new services of the Center for Business Promotion and Entrepreneurship" supported by the Sectoral Operational Program – Improvement of the Competitiveness of Enterprises, the Center continued providing training courses for business start-ups regarding basic information on business creation and operation. During 2007, 178 business start ups benefited from the training course "opening your own business".

In the end of 2007, the Center conducted a series of training and advisory services reaching 42 owners and workers of micro and small businesses. This project, called, "The rise of Business", was implemented on behalf of FIRMA 2000.

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 2001 – 2002, 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, and establishing due diligence and loan documentation procedures, the program was widely announced via local media and the Center's web page, leaflets, posters, announcements, etc. to potential clients. In 2007 the loan program offer was presented to more than 500 potential clients. Thirty-eight loan applications for the amount of \$ 550,000 were submitted. The Loan Committee approved 35 loans, totaling \$ 450,000; 20 loans for business start-ups, 15 loans for existing businesses. Since its establishment the Center's Loan Program has issued 65 loans, totaling \$830,000 that helped to open 31 new businesses and further develop 31 operating companies. Loan repayment rates are excellent. Past due loans have not exceeded 4 % of total engaged capital, and there has as yet been no need for legal actions or writeoffs.

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 and the creative and efficient use of EU funds available to local communities.

In 2007 the Center continued activities supporting implementation of the "Leader +" program, focused on building partnerships between private and public local partners interested in undertaking common initiatives strengthening civil society at the local level. Activities included: a range of meetings and discussions with local governments and nongovernmental organizations. The Center participated in organizing the first national conference of the Leader + Network in Poland, gathering almost 200 participants and focused on building public support to rural areas development. In cooperation with the Polish Rural Forum, the Center organized a conference for 60 participants, focused on issues of Local Action Groups (LAGs) and Leader + program implementation. The Center also provided a series of training workshops for members of "Brody nad Kamienną" LAG in the subject of proposal writing and agri-business development. Additionally, the Center updated an existing "Integrated Strategy for Rural Areas Development" for one local government, and provided training workshops for other LAGs in the subject of building strategy for development. Also, during 2007, the Center submitted a range of offers to prepare strategic plans and training workshops for other local governments and LAGs. Two offers were accepted for implementation in 2008.

The Leader + program for 2007-2013 and other structural funds were also the subject of informational services provided by the Center to 62 local governments and nongovernmental organizations.

By the end of 2007, the Center completed the project "Festival of Nongovernmental Organizations" educating and promoting the potential roles of NGOs in local development. The project gathered 45 local organizations and included a series of three festivals in poviats

Sandomierski, Opatowski and Staszowski, supported with training workshops for 52 representatives of NGOs.

In 2007 the Center implemented the project “How to utilize European Union financial support for rural areas development – based on Polish experiences”, focused on training workshops combined with a study tour visit to Poland for a group of Macedonian experts in rural areas development. Project was financed by the Polish Ministry of Foreign Affairs, Program of “Foreign Aid 2007”.

Early in 2005, the Center started activities as a grantmaking organization within the fourth phase of the program “Act Locally”, funded by the Academy for the Development of Philanthropy in Poland. This program supports non-governmental organizations and civic initiatives acting to benefit specific local communities. In 2007, the Center implemented the next edition of this program: 11 local nongovernmental organizations from three poviats (Sandomierski, Opatowski and Staszowski) received financial support for their initiatives (totaling \$15,000) 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 2007 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
- 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. In 2007, the Center organized seminars for 30 representatives of nongovernmental organizations supporting rural areas development, regarding structural funds and problems of agriculture and the rural economy. In cooperation of the network of AGRO-Info Centers, the Center trained 240

inhabitants of rural areas in important aspects of the National Plan for Rural Areas Development for 2007 – 2013.

In cooperation with four area high schools the Center developed the project “Academy of leadership development” for rural youth. A series of training workshops for 140 rural youth were accompanied with a guidebook advising how to develop leadership skills. The project was completed with a capstone conference gathering 100 participants.

During 2007, the Center shared its experiences with several groups and organizations from different parts of Poland and other countries. The Tischner European University in Kraków contracted the Center to provide training sessions for representatives of public administration from Małopolska in the subject of problems facing rural areas in the Świętokrzyskie region. At the request of the Foundation of Assistance Programs for Agriculture (FAPA) the Center organized training sessions for a group of 25 Serbian farmers and rural organizations representatives.

Late in 2007 the Center was awarded new project focused on developing democracy and building civil society in rural areas of the region. In December 2007, the Center initiated this project. A range of training activities and advisory services for rural inhabitants will be provided through 2008.

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 2007, it achieved a 60,28% room occupancy rate, far exceeding the regional average of 34,8 %.

Institutional Development and Marketing

In 2007 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 its 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 program, rural areas development, and local government activities, producing and submitting 8 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.

The Center's management continuously looks for opportunities for permanent improvement of staff member capacity via education and skills development. Early in 2007 the Center was awarded the two-year project "Improvement of the Center's services quality as a business-supporting organization", within the Sectoral Operational Program – Human Capital (RZL 1.1.). A series of training courses, delivered to Center staff members in 2007, strongly improved their consulting skills. By the middle of 2008 twelve staff members will complete university postgraduate studies in the areas of their expertise.

Additionally, in 2007, the Center implemented the project "Adaptation of Education and Training Methods used by the Center for Business Promotion and Entrepreneurship in Sandomierz to the European Education and Training Systems". This project was conducted in cooperation with a Danish partner organization - Aarhus Business College. In October 2007 a group of the Center's staff members, specialists responsible for organizing and providing training and advisory services, participated in a study tour visit to Aarhus, Denmark. During the study tour visit participants learned about Danish methods and training techniques used in adult education. Participants gathered knowledge and information about activities provided by Danish training and advisory organizations and educational institutions, with the aim to borrow and adapt the best ideas for use by the Center in Poland. During a range of meetings the study tour participants were able to learn about active and entrepreneurial attitudes to local development among local Danish institutions and organizations. Based on the experiences gained, Center staff designed four new training programs and modified two other training programs that are provided by the Center. In 2008 these new training programs will be part of the Center's offer to clients, and will be used as a part of the new grant proposals.

During 2007 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.