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**ENGAGING IN PROVISION OF ADVISORY, CONSULTING
AND INFORMATION SERVICES
AS EXEMPLIFIED BY**

LUBLIN DEVELOPMENT FOUNDATION, POLAND

Prepared by Mr. Andrzej Kidyba, President of the Board, Lublin Development Foundation,
Lublin, Poland

1. INTRODUCTION

There is a direct dependence between the development of small and medium-sized enterprises (SMEs) and the economic development. In 1999, Poland saw a slowdown in the rate of its economic growth.

According to GUS (Main Statistical Office)¹ estimates, the gross domestic product increased in real terms by 4.1% (in 1998 by 4.8%). While the weaker economic growth was a global trend, the rate of economic development in Poland against the background of other countries, in particular in Central and Eastern Europe (CEE), was relatively good (for comparison: 1999 annual average inflation in Poland 9.8%, in Hungary 10%, in Slovenia 6.1%; GDP growth rate in 1999 against 1998: Poland 4.1%, Hungary 3.6%, Slovenia 3.5%). In 1999, the total industrial output sold increased by 4.3% (3.5% in 1998), and consumer goods and services price increase at 9.8% was for the first time in 10 years higher than in the previous year (against 8.6% in 1998). State revenues projected in the budget act were achieved in 97.3%.

Compared to the previous year, in 1999, the financial standing of enterprises deteriorated. As many as 34% of enterprises reported net losses. Gross and net financial results were also down on the previous year, by 24% and over 90% respectively. This was mainly due to the faster increase of revenue costs than the increase of revenues generated from sale of products and materials. The growth rate of investment activity also suffered, as a direct consequence of deteriorating business performance.

Credit facilities as a proportion of capital investment sources of funding, due to the high cost of bank credit, remained low, at 15%.

In 1999, the volume of trade fell, much more on the exports than on the imports side. Compared to the previous year, export revenues were down by 12.4% and import revenues by 6.8%.

Despite the downturn in the economy, in 1999 Poland continued to belong, as in 1995-1998, to the fastest growing European countries.

¹ GUS, *Informacja o sytuacji społeczno – gospodarczej kraju* (Report on Social and Economic Situation in Poland).

2. SMALL AND MEDIUM-SIZED ENTERPRISES IN POLAND

The most significant legal development for the SME sector in 1999 was undoubtedly the enactment of the Business Activity Law which is fully realigned with the realities of the market economy and the EU legislation. For the first time, the Act delineates small and medium-sized enterprises as a separate category which will allow separate treatment of these businesses by the State agencies, in particular as far as public assistance is concerned. However the work on the act governing the allocation of such public assistance is still in progress.

2.1. SME Significance and Standing in Poland

The significance of the SME sector cannot be underestimated. At the moment SMEs account for over 90% of all enterprises trading in Poland and generate 48.1% of GDP² (compared to 45.3% in 1997), which makes them a significant driving force behind economic growth. At the end of 1998, excluding financial agency services, the number of enterprises was over one million seven hundred thousand entities.

Table 1. Enterprises in 1998 by number of employees

Enterprise category	Number	%
Small (0-50 employees)	1 709 294	99.03
Medium (51-250 employees)	13 322	0.77
TOTAL SMEs	1 722 616	99.80
Large (over 250 employees)	3 457	0.20
GRAND TOTAL	1 726 073	100.00

SMEs were in addition the employer for the majority of the working population in Poland in 1998. In 1998, the national economy (excluding agriculture, forestry, fishery and fishing) employed over 11,346 thousand people, including 7,098 thousand (62.5%) in entities with a workforce of below 250.

Table 2. SME Workforce by Sector

Market Sector	SME Population (%)
Trade and repair services	90.5
Hotels and restaurants	87.0
Other services	83.7
Construction	80.0
Real Property and Business Agency Services	77.2
Production	55.1
Transportation, Warehousing and Telecommunications	36.5
Financial Agency Services	32.0
Supply of Electricity, Natural Gas and Water	25.4

² GDP is the sum of the gross value-added and taxes (including VAT) and duties which were received by the budget during a given year minus subsidies. The ratio of value-added generated by SMEs to the total value of GDP is considered to represent the contribution of SMEs to GDP.

It would be difficult to evaluate the impact of 1998 developments on SMEs univocally. While it is true that SME contribution to the gross domestic product increased, gross profitability improved and capital investment activity was maintained at a relatively high level, the majority of indicators is down on 1997 figures. The underlying cause of the trend was the Russian crisis – and to be more specific a crisis of the entire cross-border trade. This was not the only reason for SME sector slowdown, particularly small companies were on the receiving end of natural selection occasioned by the expansion of large and medium-sized businesses.

2.2. Government Policy in Relation to SMEs

2.2.1. On 27th October, 1998, the Council of Ministers approved the Business Activity Law bill. The main rationale behind the bill was to impose the obligation on public administration authorities to create conditions fostering the operation and development of small and medium-sized enterprises.

2.2.2. On 11th May, 1999, the Council of Ministers approved the *Government SME Action Framework until 2002* document³. The document specifies the tasks and methods of meeting the obligations arising under the Business Activity Law.

The main aims of the Law include:

- improving competitiveness of small and medium-sized enterprises;
- increasing SME exports;
- expanding capital investment expenditures in the SME sector;

2.2.3. The Department of Crafts and SMEs at the Ministry of the Economy is responsible for policy making issues in relation to small and medium-sized enterprises.

2.3. Regional Policy and SMEs in Poland

In June 1999, the Regional Policy and Balanced Development Committee of the Council of Ministers approved the assumptions for the National Strategy of Regional Development 2000 – 2006⁴.

The principal SME support instruments include:

- start-up subsidies increasing the level of capital investment, particularly those based on modern technologies or supporting the environment;
- subsidies for regional investment, credit and loan guarantee funds targeted at SMEs;
- part-financing of SME advisory services provided by specialist business support organisations
- business incubators, local and regional development agencies.

In 1999, SME-focused government actions were noticeably stepped up. This is undoubtedly the result of Poland's EU accession process, but also demonstrates the growing importance of the SME sector in Poland. Under the Regulation of the Council of Ministers, on 13th June, 2000⁵, the Ministry of Regional Development and Construction was set up. As part of its regional development remit, the Regional Development Programming Department and Voivodship Relations and Assistance Programmes Department were established.

³ *Kierunki działań Rządu wobec małych i średnich przedsiębiorstw do 2002 roku* (Government SME Action Framework until 2002). A government document approved by the Council of Ministers on 11th May, 1999, Warsaw, Ministry of the Economy, 1999.

⁴ *Narodowa Strategia Rozwoju Regionalnego na lata 2000 – 2006* (National Strategy of Regional Development 2000 – 2006), Ministry of the Economy, Warsaw, September 1999.

⁵ Dz.U. no. 50 of 21st June, 2000, item 585.

3. BUSINESS SUPPORT ORGANISATIONS

Business support organisations provide the environment in which small and medium-sized enterprises operate. They include both non-profit organisations as well as purely profit-driven ventures.

Since the discussion has to be brief and because of the status of the Lublin Development Foundation, most attention will be devoted in this paper to non-profit organisations.

There are four groups of such organisations:

- entities providing services to SMEs;
- entrepreneur organisations;
- NGOs focused on SMEs;
- research institutes and academic units.

In 1999, the total of 1,5086 SME support organisations were registered. Most of the business support providers were set up in 1991–1994. In terms of the support agenda, the most frequent service offered to SMEs is training, with certification and standardisation services being least frequently placed on activity lists. Advisory and information services are also quite popular.

In most general terms, it can be said that uncomplicated services are the ones that entrepreneurs use most frequently. Specialist industry-specific services are still underused, despite the fact that the beneficiaries of advisory services are already existing companies, rather than start-ups⁷.

3.1.1. Business Support Units

Business support units are alongside organisations of entrepreneurs a very significant component of the business support environment. They are non-profit organisations which specialise in the provision of advisory, information and training services to small and medium-sized enterprises or individuals starting a business.

Business support units comprise:

- **Business Support Centres (BSCs)**

The main aims of BSCs include:

- advisory services for SME fine-tuned with the requirements of the individual enterprise development stages, covering the general scope of knowledge about running a business as well as business management, finances, technology and processes, marketing, production;
- training for SMEs complementing the market offer, targeting the needs of the sector, categories of enterprises or tailor-made;
- provision of business information and facilitating business relations relying on the existing networks and international, national and regional sources.

In addition, BSCs engage in activities aimed at creating a good environment that fosters enterprise in a given region, among others by participation in regional development programmes and strategies and disseminating information on the role and situation in the SME sector.

⁶ Data provided by Polish Foundation for SME Development published in *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 1998-1999* (Report on the SME Sector in Poland in 1998-1999), Polish Foundation for SME Development, Warsaw 2000.

⁷ Ibidem.

- **Business Information Centres**

Centres of this type specialise in the provision of information on running a business to small and medium-sized enterprises and other customers. Most often, these are not stand-alone entities but subsidiary units of other business support organisations.

- **Business Incubators**

Business incubators are places where the environment created is to satisfy the needs of enterprises in the most crucial stage of their development. An incubator helps enterprises survive by providing them with all types of specialist advice, facilitating access to sources of funds, offering joint premises in which to conduct business or ensuring office and administrative back-up.

- **Innovation and Technology Centres**

Innovation and Technology Centres specialise in the provision of services relating to innovation and technology transfer to enterprises, among others by offering information on research programmes, technology development and innovation projects in the EU; promotional activities; training; advice or technology transfer financing.

- **Research Centres**

Research centres are most often units of larger organisations which provide services to SMEs (they will be discussed at length in due course), while agricultural extension centres are most often stand-alone entities.

- **Non-profit Financial Institutions.**

These are most often grant, subsidy, loan and loan guarantee funds operating as separate units of larger SME support organisations.

3.1.2. Organisations of Entrepreneurs

In 1999, the total of 566 organisations whose members were entrepreneurs were registered⁸. Entrepreneurs can set up their own organisations in accordance with the following acts of law:

- Act of 22nd March, 1989 on Crafts (Dz. U. No. 17, item 92);
- Act of 30th May, 1989 on Chambers of Commerce (Dz. U. No. 35, item 195);
- Act of 30th May, 1989 on Professional Self-Regulation of Certain Business Entities (Dz. U. No. 17, item 194);
- Act of 23rd May, 1991 on Employer Organisations (Dz. U. No. 55, item 235);
- Law of Associations (Dz. U. 1989 no. 20, item 104, amended in 1990 no. 14, item 86).

The operations of entrepreneur organisations are not limited to furthering the interests of their members, they also engage in a variety of activities constituting an important component of the business environment. While over the recent years, the popularity of information and advisory services has slightly weakened, training continues to be much in demand. Strangely enough, popularity of lobbying, which should be a natural type of activity for this type of organisations, remains relatively small.

⁸ Ibidem.

3.1.3. Non-governmental Organisations Supporting SMEs

Regional and local development agencies belong to the most frequent type of non-governmental organisations providing services to SMEs. The agencies existing currently in Poland do not operate based on any uniform legal framework⁹. The for-profit agencies most often go for the legal form of a joint-stock or limited liability company. Non-profit organisations operate as foundations, joint-stock companies or associations. None of the legal forms available to choose from in Poland meets the specific requirements of a local or regional development agency, either for legal reasons (companies) or difficulties stemming from the practices of the courts or tax offices (foundations)¹⁰.

The main functions of the agencies include:

1. fostering economic development by creating and implementing regional restructuring programmes (restructuring programme development, conducting reorganisation and liquidation processes, equity investment in privatisation processes, based on the agency's funds);
2. supporting unemployment counteracting measures (vocational training, skills improvement, job clubs stimulating the unemployed in their job seeking efforts, information centres providing information on the requirements of the labour market, job exchanges);
3. harmonising economic and social development;
 - assistance in the establishment and support for educational, information and advisory infrastructure for small and medium-sized enterprises. These tasks are usually undertaken by separate units, discussed above (business support centres, business incubators, information centres, etc.);
 - assistance to SMEs in gaining access to external sources of funds. The tools used include loan guarantee funds, which provide guarantees to SMEs as security for credit facilities procured by them from banks. Mutual guarantee funds are a special category here. Apart from loan guarantee funds, venture capital funds are the most frequently used tool in providing assistance to SMEs aimed at facilitating access to capital;
 - support for innovation and co-operation between research centres, and the economy and administration (fostering local inventions, developing programmes of co-operation between research and academic institutions and business organisations);
4. regional promotion (promotion of inward investment and regional geographic location strengths, promotion of regional products and services, etc.).

3.1.4. National System of SME Services

The National System of SME Services (NSSS) was set up in 1996 on the initiative of the Polish Foundation for SME Promotion. NSSS is aimed at developing a comprehensive service market targeted at SMEs, based on local, regional and national enterprise support organisations.

There are some 130 non-profit and for-profit organisations operating within NSSS. All organisations are engaged in the provision of advisory, training, information, financial and industry-specific services to SMEs. The current year takes forward the intensive effort undertaken last year to ensure common standards and excellent quality of all services provided within the network.

⁹ G. Gęsicka, A. Kidyba, *Agencje Rozwoju Lokalnego* (Local Development Agencies), in: *Instytucje rozwoju lokalnego* (Local Development Institutions) ed. G. Gęsicka, Katowice 1996.

¹⁰ Ibidem

3.2.1. Commercial Consulting and Advisory Business Situation in Poland

In 1999, small consulting companies fought to attract the attention of customers to their service offering in market niches, such as external communications and IT support¹¹. Due to last years more sluggish economic growth, many companies experienced the effects of a shrinking market for consulting services. It can be argued that the reason was that too few privatisation programmes were implemented, and the Polish consulting companies work above all for the Minister of State Treasury, in conducting studies and developing enterprise sale programmes and IPOs. Polish consulting companies start concentrating on restructuring and support programmes for Polish enterprises to help them realign with the EU standards.

4. BUSINESS INFORMATION NETWORK IN POLAND

4.1. Business Information Network (BIN) consists of 24 business information centres whose scope of operation covers the entire Poland. The objective of the centres is to support small and medium-sized enterprises in Poland by the provision of information required to start and grow a business. The BIN network operates the *Entrepreneur's Guide* database which holds over 350 different information packages divided into 26 leading topic categories.

4.2. -The European Commission's programme BC-NET (Business Cooperation Network) is an information system targeted at small and medium-sized enterprises, offering business opportunities information (trade, financial and technical). The aim of BC-NET is to foster international business relations of SMEs and provides assistance in finding business partners abroad by distributing co-operation requests. The BC-NET in Poland is comprised of 12 accredited facilities. The Polish SME Foundation is the National Contact Centre.

5. LUBLIN DEVELOPMENT FOUNDATION

5.1. General Background

Lublin Development Foundation (*Lubelska Fundacja Rozwoju*) was set up in September 1991 on the initiative of local institutions and organisations which perceived the economic development of the Lublin region as the top priority. At that time, the financial resources of LDF amounted to USD 100,000, today its capital totals USD 5,000,000. LDF is a Regional Development Agency operating in the Lublin region.

Over the period of its operations, LDF emerged as the leader in supporting small and medium-sized enterprises. It is perceived as one of the most significant organisations supporting regional restructuring initiatives. It is seen as a modern and reliable company supporting SMEs and a reputable financial institution specialising also in the provision of advisory and training services. As the findings of audit exercises demonstrate, the services offered by the Lublin Development Foundation mean professionalism and quality. The numerous projects and initiatives undertaken by the individual programme units specialising in specific areas have also contributed to enhancing the image of the Foundation.¹²

¹¹ M. Wierzchowska, Small Firms Weather Tough 1999 by Focusing on Niche Services, in: Warsaw Business Journal, Warsaw, 13th March 2000.

¹² Since the present report has to be kept brief, quantitative data depicting the operations of the Foundation in the last 5 years will be presented.

MISSION OF LUBLIN DEVELOPMENT FOUNDATION

1. Support the development of small and medium-sized enterprises in the Lublin region;
2. Support local economy restructuring process;
3. Promote the region at home and abroad;
4. Create an environment conducive to enterprise development.

IMPLEMENTATION TOOLS

1. **Promoting the region and local economy;**
2. **Euro Advisory and consulting services;**
3. **Training services;**
4. **Developing a network of SME support organisations:**
 - *Regional Development Agencies;*
 - *Business Support Centres;*
 - *Business incubators;*
5. **Execution, administration and management of assistance programmes;**
6. **Info Centre;**
7. **Loan guarantee service;**
8. **Guarantee service for loan advances from the Employment Office;**
9. **Extending loans;**
10. **Business financing through equity investment.**

5.2. Advisory and Consulting Services

The Consulting Division of the Lublin Development Foundation offers a wide range of basic and advanced professional advisory services intended for enterprises regardless of their size and scale of operation and for local officials involved in the management of local budgets (town and municipality/locality).

The advisory and consulting services are tailored to meet the requirements of each group of SME customers including both established entrepreneurs, start-ups and individuals planning to become self-employed.

5.2.1. Advanced Advisory and Consulting Services

Our experience shows that enterprises operating for many years in business use these services most often.

In order to live up to the expectations of our customers we offer the following advisory services:

- **Financial consulting:** a comprehensive, specialist financial service with the application of best possible solutions in such areas as: privatisation, business health-check and diagnosis, financial projects and studies, risk management.

Financial projects are those which entrepreneurs find most appealing, regardless of the standing of the enterprise. Oftentimes companies request a consultant's assistance in prospecting for an external investor; in most cases however these enterprises are in a pretty good shape. Currently, most likely due to the deterioration of the situation of SMEs in Poland, also companies which require restructuring at different levels of their business turn to us for assistance, often at the request of the financing institution (bank), but also without any external stimulus, becoming acutely aware of difficulties in surviving in the market. The level of education and the period of operation of the entrepreneur is not important here, the prime driving force is the need for an external, objective assessment.

- Organisational and legal advice: assistance in organising the enterprise, negotiations and acquisition/transfer of shares, establishment of joint-venture businesses, developing specialist assessments.
- Marketing advice: market research, marketing and promotional strategy development, marketing and sales department rationalisation proposals, sales support strategy planning and implementation, PR consulting.
- Management consulting: assistance in the organisation of the enterprise and management systems, delineating functional responsibilities in the organisational structure and personnel management.
- Quality systems consulting: implementation of an effective ISO 9000-compliant Quality Assurance System; management and staff training; internal auditor training; assistance in the implementation of the Quality Manual, Procedures and Instructions; overseeing the implementation process; conducting a complete set of audits; assistance in selecting the certification company.

A team of LDF-accredited consultants includes at the moment several dozen of specialists with many years' experience in working with Polish and foreign companies. The accreditation system in place enables the engagement of independent consultants or advisors employed by other consulting companies as well as setting up interdisciplinary task forces dedicated to each of the projects. Small, medium-sized and large enterprises based in the Lublin region are the beneficiaries of the assistance provided by the Consulting Division.

Table 3. Examples of Projects Executed by LDF Consulting Division in Last 5 Years

Name of Project	1995	1996	1997	1998	1999	1 st half 2000	Total
Enterprise standing assessment	5	19	8	5	6	2	45
Marketing project	9	17	6	7	8	0	47
Market research	10	5	9	3	1	4	32
Business plan	0	20	15	11	5	7	61
Feasibility study	0	16	13	11	0	2	42
ISO 9000	2	4	5	9	8	6	34
Execution project	0	16	11	5	3	6	41
Locale development strategies	0	0	0	0	16	9	25
Total	26	97	67	51	39	47	327

5.2.2. Basic Advisory and Information Services

Given that individuals starting their own business and entrepreneurs operating in the market for a short period of time require information, the Consulting Division of the Lublin Development Foundation, has also developed a special service package. It needs stressing that these services are usually provided free of charge (except when they require substantial time to be devoted by the consultant).

Advisory and information service offering:

- The so-called Start-up Package: simple advisory and information services aimed at start-ups. Despite – in our opinion – the quite straightforward procedure for dealing with the formalities on starting-up a business or conducting it at an early stage, the start-up services have proved extremely popular. The Foundation staff do much more than just provide information, they offer advice for example on choosing the best taxation option depending on the type of business, on conducting the accounting records, they match business partners (e.g. a person who has commercial premises to let and a person who is looking for such premises). It is impossible to cover all the activities that go into the start-up package; they are always tailored to the type of undertaking proposed and the level of knowledge that the beneficiary already has.
- Information on the day-to-day running and management of a business.
- Information on external financing options available to SMEs.

The regular co-operation with all the local SME financing institutions as well as detailed and always up-to-date knowledge of their offering helps LDF staff to provide advice on selecting the best for a given business external financing sources (banks, leasing companies, guarantee funds, loan funds, venture capital funds).

- Information on assistance programmes available to SMEs.
- Information on the more sophisticated consulting service offering – including part financing by EU and the Ministry of the Economy.

As our experience shows, while the awareness of individuals trying to go it alone in business has greatly improved over the recent years, it is still not sufficient. Only infrequently do the entrepreneurs perceive the business plan as the key success factor of a given undertaking. The trial and error approach dominates – entrepreneurs are more likely to pin their hopes on luck than on the application of professional methods in business. The staff of LDF always encourage their customers to conduct a detailed analysis of the proposed business project to help them evaluate its success probability.

As from June of this year the services provided by the Advisory and Consulting Centre are financed by the Ministry of the Economy as part of the *SME Action Framework until 2002* document.

5.3. Training Services

The basic aim of these services is the provision of training to management teams of enterprises and local government officials, improving the vocational skills of the unemployed and prepare young people for their labour market entry.

The Training Centre offers the following types of training:

- basics of running a business, legal acts governing business activity, accounting, finance, marketing, management, HRM, management skills, ISO 9000, computer operating skills.

Training sessions, delivered in training rooms with professional equipment in groups of 10–15 students, combine discussion, exercises and practical problem solving. The main focus of any training activity is practical skills improvement, by indicating modern and proven solutions. In addition, customised training is also run under contracts with specific companies, realigned with their industry-specific needs, delivered either on the company premises or in a selected training facility. The customers are actively involved in developing tailor-made training programmes, whenever necessary, drawing on the experience of LDF-accredited consultants.

Table 4. Number of Training Courses and Students Trained in Last 5 Years

	1996	1997	1998	1999	1 st half 2000	Total
Training courses	101	225	285	240	30	893
Training days	573	2 068	2 926	2 332	189	8 157
Students trained	1 605	3 371	4 122	3 681	217	9 048

5.4. Development of SME Support Network

- ✓ Local Development Agencies (LDAs);
- ✓ Business Support Centres (BSCs);
- ✓ Business incubators.

Currently, the Local Development Agency network consists of 7 local outposts which are inseparably linked with the Lublin Development Foundation and pursue the mission of LDF all over the Lublin region. The establishment of a LDA always occurs on the local initiative (town authorities, entrepreneurs). As a rule town authorities provide a facility for the establishment of an LDA and Lublin Development Foundation upgrades it and converts to meet the needs of the Agency. The specific operations undertaken by each of them are strictly adapted to the needs of the local community. The staff of the Agency, through their everyday contacts with local entrepreneurs and their problems are able to develop increasingly effective assistance proposals. The immediate availability of the Agency close at hand is also an important factor for entrepreneurs.

The basic activities that LDAs engage in include:

- Job Club – labour market counselling;
- Employment services (licensed by the National Employment Office);
- Co-operation of LDAs with other institutions (District Employment Office, City and Municipality Office, Local Traders' and Entrepreneurs' Associations, Foundations and support organisations, Municipal Social Assistance Centre, other local associations);
- Local promotion;
- Advisory and information services relating to the economic and legal aspects of doing business intended for existing SMEs and individuals setting up shop – Start-up Packages. Entrepreneurs are also advised of the more advanced advisory services delivered by LDF consultants and all other projects of the Foundation.
- Training.

Thanks to the professionally equipped training facilities, training is delivered on the premises of the Agency or on a complementary basis with the LDF's Training Centre's offering in Lublin.

In an attempt to reach with LDF's offering to all interested parties, we have developed a network of Business Support Centres, whose scope of operation currently covers 8 towns. BSCs contribute to the achievement of the Foundation's mission by:

- providing of technical support to small and medium-sized enterprises, acting as intermediaries in exchanging business information, offering basic advisory services to SMEs and individuals who wish to become self-employed, providing assistance in preparing business plans and loan applications, maintaining a stock of reference books for entrepreneurs, informing of services and other current initiatives of the Lublin Development Foundation

Table 5. Operations of Business Support Centres over Last 5 Years

Activities	1995	1996	1997	1998	1999	1 st half 2000	Total
Number of customers	1 054	8 595	7 949	7 874	8 734	3 896	38 102
Customer categories	280	2 494	1 629	1 844	1 122	820	8 189
<i>Start-ups</i>	555	4 084	4 064	3 822	4 105	1 474	18 104
<i>1-5 employees</i>	209	1 693	1 666	1 801	2 530	1 022	8 921
<i>6-20 employees</i>	10	324	590	407	977	580	2 888
<i>21-100 employees</i>							
Number of services provided	1 653	11 541	14 047	15 078	15 585	6 580	64 484
Main service categories	690	4 911	5 627	5 910	5 124	1 178	23 440
<i>Basic information</i>	337	2 287	1 775	2 353	2 590	920	10 262
<i>Advice</i>	371	3 177	5 098	4 613	4 951	598	18 808
<i>TA</i>							

Lublin Development Foundation operates also a business incubator. The total area available to entrepreneurs is in excess of 2,500 square meters. Currently the incubator has thirty tenant companies.

5.5. Assistance Programme Execution, Administration and Management

Lublin Development Foundation has also an impressive experience in the implementation of European assistance programmes. Since the full list of programmes successfully completed is very long, below we are presenting only the most important advisory and information service projects targeted at SMEs:

- Training and advisory project for newly established regional development agencies and foundations delivered in conjunction with Gelderland Development Authority of the Netherlands.
- Business Support Centre in Lublin with a branch office in Che m;
- Polish-British Enterprise Project.
- Foreign Investment Promotion in the Lublin region localities delivered in conjunction with the State Agency for Foreign Investment in Warsaw.
- Development of information, advisory and training services for small and medium-sized enterprises based in the Lublin, Che m and Zamo voivodship delivered in conjunction with the Polish SME Foundation in Warsaw.
- Firma 2000 delivered in conjunction with USAID.
- Euro Info Centre in Lublin.
- Polish Business for Europe.
- A package of advisory, training and information services for SME in the Lublin region delivered in conjunction with the Polish SME Foundation in Warsaw.
- Consulting-Advisory and Training Reimbursement Centre project delivered in conjunction with the Polish SME Foundation in Warsaw and the Ministry of the Economy.

5.6. Euro Info Centre

EIC was set up as part of the Euro Info Centres project initiated in 1986 by the European Commission. The operations of the Centre are part-financed by the Lublin Development Foundation and the Directorate General for Enterprise. The objective of EIC is to prepare small and medium-sized enterprises operating in the Lublin region for the integration of Poland with the EU.

The main tasks of EIC include the provision of information on the European Union, and in particular on: member countries, economic events, EU institutions, assistance programmes available to SMEs, business opportunities, European Commission events for the SME sector, organisation of economic events.

5.7. Bank Loan Guarantees

LDF's Loan Guarantee Fund (*Lubelski Fundusz Przedsiorczy*) provides loan guarantees to SMEs located in the Lublin region. The guarantee service has assisted many SMEs with gaining access to bank credit, helped increase bank lending as well as creating new jobs. At the moment, the resources available for the Fund's operations total over USD 2,000,000. The agreements made with banks provide for a multiplier effect 3 to 1 which means that banks accept guarantees with an aggregate value equal three times the amount of money available for that purpose.

Up to 70 percent of a loan's principal is eligible for guarantee, however not less than PLN 15,000 and not more than PLN 400,000. At the moment LGF works closely with 11 banks, extending loan guarantees to SMEs in the Lublin region representing all sectors of the economy, with the exception of defence, tobacco and distilling.

From 1995 to the end of the half of the current year the total of 418 loan guarantees were extended for USD 7 million, with the value of related credit facilities amounting to USD 11 million. Thanks to its performance the Fund was ranked first on the ranking list of regional and local loan guarantees in Poland. LGF has also a very low failure rate, a mere 0.4%.

5.8. Guarantees for Employment Office Loans

LDF's Local Guarantee Fund extends guarantees for loans advanced by the Employment Office. The service is targeted at individuals planning to start their own business and employers who are planning to create new jobs. The Local Guarantee Fund ensures easier access to loans advanced by the County Employment Office, and by so doing makes starting a business easier as well as helping reduce unemployment in the Lublin region.

The extent of the guarantee cannot be higher than 70 percent of the loan principal; also it cannot be lower than PLN 5,000 (some USD 1,140) or higher than PLN 20,000 (over USD 4,500).

5.9. Lending

LDF's Loan Fund grants loans to individuals intending to create new jobs, to the unemployed and those working under notice and intending to become self-employed.

Some 22 counties of the Lublin region are expected to participate in the programme. The maximum loan amount may not be higher than PLN 20,000 (over USD 4,500) and the repayment period is up to 18 months.

5.10. Equity Fund

LDF's Equity Investment Fund (*Fundusz Kapita owy*) deals with financing business enterprises through equity investments and other debt instruments forming part of an integrated package. The EIF offering targets Lublin region SMEs, with the exception of those operating in the defence, tobacco and distilling industry. The minimum equity investment amount is USD 15,000, and the maximum USD 200,000 (equivalent in PLN at the current exchange rate). EIF is a local venture capital fund and as other funds of this type, by investing money in companies being in the crucial growth stage of their development, alongside other owners bears the inherent risk of the company doing business in the market economy. The effect of such investment is the appreciation of the market value of portfolio companies. A telecom company can serve as a good illustration of this strategy: the value of the business increased after EIF's investment from some PLN 500,000 to PLN 10 million within just three years. Lubelski Fundusz Kapita owy Sp. z o.o. is a passive investor and does not interfere with the day-to-day management of the company. However during the period of the Fund's involvement, beneficiary companies *do* draw on the professional consulting services provided by EIF's staff and consultants.

From 1995 to the first half of this year, the Fund received and processed 377 equity investment applications. Its investment portfolio is comprised of 8 companies. The total value of equity investment to-date is in excess of USD 1 million.

6. SUGGESTIONS FOR SME POLICY MAKERS AND SPONSORS SUPPORTING SMEs BOTH IN POLAND AND OTHER COUNTRIES

The long and successful co-operation with entrepreneurs as well as the experience in execution of assistance programmes provides the basis for the following conclusions and suggestions:

- Assistance funds should be allocated to regions, to which they were channelled before. It would result in their more effective utilisation. Non-governmental organisations which have been working with local entrepreneurs for years now are best placed to know the needs of the region.
- The recent research indicates that new SMEs are set up in Poland mainly in large urban centres and in the West of Poland, so in the areas where their previous incidence was also higher. The division of the country into the better economically developed Western Poland and the weaker Eastern Poland becomes even more noticeable. That is why there is a clear need to provide the eastern and central regions of Poland with some real support, without which speeding up the development of SMEs is impossible.
- High labour costs relating to the mandatory social security contributions are a barrier to the development of SMEs. This applies mainly to small enterprises with up to 5 employees.
- One of the main difficulties acutely felt by SME is the excessive tax burden; the changes made so far has not resulted in making the taxation system uniform and simpler.
- SMEs require stability and clarity of legal regulations.
- There is a need for an extensive information campaign on the consequences of incorporating EU directives directly affecting the business activity into the Polish law.
- Drawing on the professional advisory and consulting services by the SME sector now, as it was in the past, is not popular enough. Very often it is because the management of the business does not see the need for bringing in an external consultant. Unfortunately due to the poor condition of SMEs during the past year, compared to other needs of the enterprise, the need for external consulting is seen as marginal.
- The individuals starting a business or running it for a short time inevitably come up against the barrier of having no access to external financing; unfortunately in this respect the offering of Employment Offices is insufficient. While we are aware of the fact that investing in a business at such an early stage of development is very risky, it is also true that start-ups are not too demanding, their needs being limited to the bare minimum.