

Gemini - Small Business Project - Poland 1991-1999

Poland at the Beginning of the Decade

At the beginning of the 1990s, Poland, like other countries in the Central/East European region, was undergoing a massive economic and political transition. The move from a Communist state to a market-oriented economy represented a major challenge for its people and institutions. Although entrepreneurship, in different forms, had a long history in Poland, the economy at the time was dominated by state-owned enterprises. In addition, the prevailing macroeconomic conditions impeded the development and expansion of private business; inflation was extremely high and the financial sector was just at the outset of its own rocky transition.

While there was some degree of understanding within the public sector and society about the role and importance of small and medium size enterprises in the national economy, few if any information vehicles existed to sustain and deepen this understanding. The private sector at the time was not well organized, and as a result had little or no impact on government policy. Few if any institutions or mechanisms existed to ensure the participation of private sector and/or business support sector in influencing public sector decision making (this was long before the development of any national SME policy and/or entity that represented SME interests in Parliament). Forms of exerting pressure on decision makers that did exist were largely informal, and lobbying was not consistently practiced in a structured manner. Even the definition of an SME was not fully understood or unanimously agreed upon. There was also little interest on the part of the banking sector in developing a working relationship with small business, as the undercapitalized network of banks was about to embark on a significant, even reckless, lending spree that would put great pressure on its liquidity and solvency.

In summary, there was inadequate understanding of the role and importance of SMEs in the national economy. There was also little in the way of a structured institutional support environment to ensure the SME sector was effectively represented in the public arena.

Origins of GEMINI

At the beginning of the 1990s, a number of international donors began providing assistance in support of the country's social, political, and economic reforms. This included a wide-ranging program of economic development support from the United States Agency for International Development (USAID). During a trip to the United States, then Prime Minister Bielecki expressed, on behalf of the Polish government, interest in obtaining U.S. assistance in creating in Poland the conditions for the development of small and medium size enterprises. He sighted the strong contribution of SMEs to the national economy but at the same time the lack of an institutional support framework to ensure effective representation of their interests. Among its many programs that were launched, USAID agreed to finance an initiative to assist in creating more conducive conditions for the growth and development of the SME sector. This initiative was awarded to Development Alternatives, Inc. (DAI) of the U.S., an international development consulting firm which, through various partners and contracting mechanisms, would remain involved with the GEMINI initiative throughout its 8-year existence.

The GEMINI Project began by providing technical and other assistance to the Polish government in creating mechanisms to allow the SME sector to more effectively represent itself. The initial recipient of GEMINI assistance - a partner throughout the Project's existence - was the Ministry of Industry and Trade (MIT), which was transformed in 1997 into the Ministry of Economy). Early tasks of the Project included the development of reports and other analyses that assessed the role and barriers facing SMEs in specific economic sectors. The Project also developed a model for the creation, within the Polish government, of an equivalent institution to the U.S. Small Business Administration, whose

mandate would be to promote the role of SMEs in the economy and coordinate government actions in support of the SME sector.

In 1992, GEMINI began functioning directly with the Council of Ministers. The key Project beneficiary became the Ministry for the Promotion of Entrepreneurship, and the Project continued to focus on the development of instruments ensuring more effective sector representation. At this time the Project, began addressing issues concerning SME access to capital, and the relationship between small firms and the financial sector. At the beginning of 1993, GEMINI assumed the role of Secretariat of the Working Group for SME Development within the government's newly created G-24 Task Force, composed of representatives of Government, the banking sector, business organizations, and international donors. The key output from this intervention was the report entitled *Investing in the Future*, which represented the first comprehensive analysis of the SME sector and included a detailed set of recommendations designed to stimulate the sector's development. On the basis of recommendations set out in this document, GEMINI developed the first draft of a national SME Policy to support SMEs.

In 1994, responsibility for supporting the SME sector was again switched to the Ministry of Industry and Trade. The appointment in the MIT of Ms. Danuta Hubner as Undersecretary of State provided the SME sector with a visible champion of its interests, and the Project with a true supporter at a high level in Government.

The year 1995 was of critical importance for the SME sector as well as the Project. A landmark was the approval by the Council of Ministers, on June 6, 1995, of the country's first National SME Policy. This document - the first of its kind in the entire Central and East European region, and in which the GEMINI Project had considerable input - would act as the policy framework guiding the sector's development for the next two years. As important as the document itself was the symbolism of a Government now publicly and visibly committed to supporting the SME sector.

It was also in 1995 that the Polish Foundation for SME Promotion and Development was officially registered. Along with the Ministry of Industry and Trade, the establishment of the SME Foundation put in place the institutional framework under which the GEMINI Project would be most closely associated for the next four years of its existence.

The GEMINI-PEDS Project (1995-1997)

Special mention must be made of the GEMINI-PEDS contracting vehicle, given the similarities in scope and achievements with the GEMINI Small Business Project that has operated over the last two years. As far back as 1994, the Project began making changes to its scope of activities that would have lasting impact on its achievements. More specific emphasis was placed on the concept of lobbying as a mechanism through which to more effectively represent the interests of the SME sector in public policy debates. Development and publication of the document *The Art of Lobbying in Poland* in early 1995 was a landmark achievement for the Project, and remains to this day the deliverable for which the Project is perhaps most well known. The Project also made conscious efforts to apply the principles contained in this publication to specific legislative initiatives.

This more focused approach continued through the contracting vehicle with Coopers & Lybrand, called the GEMINI Private Enterprise Development Support (PEDS) Project, which ran from October 1995 - September 1997. The primary PEDS objectives were to: (1) support the establishment and effective administration of legal and regulatory policies conducive to broad-based competition and private sector growth; (2) assist governmental and nongovernmental organizations develop the institutional capacity to identify, analyze, and actively advocate policies in support of SMEs; and (3) help design and create more and better information systems relevant to private sector business development with greater accessibility to SMEs and related assistance organizations.

The GEMINI Small Business Project (October 1997 - October 1999)

It was in this strengthened support environment that the GEMINI Small Business Project began functioning in the Fall of 1997. Again a collaborative venture between the Polish Ministry of Economy and USAID, this version of the Project was implemented by Development Alternatives, Inc. (DAI) in partnership with the Harvard Institute for International Development under the Consulting Assistance for Economic Reform (CAER) II contract.

The objective of the Project was to strengthen the capacity to provide a legislative and administrative environment that supports the development and growth of SMEs in Poland. This also included efforts to strengthen the ability to effectively monitor the SME sector and cooperate with business associations representing the sector's interests.

The GEMINI Work Plan called for the Project to focus its assistance in the following 6 categories:

1. Ministry of Economy, Department of Craft and SMEs
2. Polish SME Foundation (recently PARP)
3. Parliament
4. Business Organizations
5. Financial Instruments
6. Successor to GEMINI Activity UNILOB