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SECOND REGIONAL FORUM OF WOMEN ENTREPRENEURS

GOVERNMENT POLICIES AT CENTRAL AND LOCAL LEVELS

Improving access to financing

Mr Chairman,
Ladies and Gentlemen,

I would like to thank very much for the possibility to participate in this round table session focussing on improving access to financing women entrepreneurship.

I am deeply convinced that the forum will become an important economic event for all women as it provides an excellent and multilateral platform for exchanging views and opinions in order to tackle major barriers of women entrepreneurs.

In my presentation I would say a few words about the role of SME in Poland, then I would like to focus your attention on the governmental strategy addressed to SME`s

Poland has currently 3164 thousand companies active in the sector of SME`s. They employ 70% of all workers, contribute to 50% of the GDP and generate 46% of export and 61% of import. These examples reflect the scale of changes, which occupied over the last ten years but these indicators are still below the economic needs and expectations.

Women accounted for almost 38% of all employers and self-employed. Most self-employed women worked in the sector of agriculture, forestry and hunting and in trade and repairs. However, even in these sectors men prevailed. In other sectors the prevalence of men was overwhelming – their share in a given sector exceeded

95%. The only sector where there were more self-employed women than men was in health care.

According to the results of surveys of newly established businesses conducted in 1998, 35% by women established almost 65% of enterprises. Women most frequently established businesses generating new jobs, rather than businesses providing no employment. Among self-employed individuals, women accounted for almost 32%, while among owners of job-generating enterprises, 44.5%.

Based on the results of the survey it is possible to distinguish areas of business activity dominated by women and areas where men prevail. Examples of typically “female” business activities include: trade in foodstuffs (74% of owners of this type of businesses are women); trade in garments (82%), flower shops (79%), pharmacies (100%), miscellaneous trade (67%), cosmetic services and hairdressing (100%).

Women entrepreneurs become increasingly active in highly dynamic and difficult branches, such as tourism, real estate trade and advertising, which contradicts the stereotype of women’s supposed reluctance to undertake risk and face real challenges of so-called “serious business”. Unfortunately, it is necessary to remember that the number of women entrepreneurs is still alarmingly low.

On the other hand the growing importance of the whole sector in the structure of the Polish economy and a special role which they play on the free market as an important source of economic growth and a factor limiting unemployment resulted in actions undertaken by the Government, which aimed to support the development of this group of firms. These actions are addressed for entrepreneurs of both genders.

Three years ago the Polish Government adopted the second national policy towards the sector (*Government policy Guidelines for SMEs until 2002*), currently the new edition of the policy until 2006 was prepared.

In order to bring the Polish economy back to the track of rapid development, which generates new jobs, it is necessary to introduce far-reaching changes of the legislative system, which regulates issues tied to engaging in business activity. These changes are directed at removing or alleviating the obstacles which hinder

the development of existing entrepreneurships and creation of new companies. One of the elements of new economic strategy **Enterprise Development Work** was the Package **Entrepreneurship First**, which has been drawn up based on proposals for legislative solutions, submitted by the different Ministries and organizations of entrepreneurs.

The package contains proposals of legal instruments, collected into the following 6 groups:

- Simplification of the tax system,
- Lowering of labor costs and making employment relations more flexible,
- Simplification of the social security system,
- Simplification of the regulations applying to procedures,
- New legal regulations,
- A review of procedures, instructions and other internal regulations, meant to remove the potential barriers in the contacts between administrative offices and entrepreneurs.

Regulations contained in the package **Entrepreneurship First** proposed conveniences in the undertaking and conducting business activity; removal of bureaucratic obstacles and simplification of procedures; introduction of more friendly tax rules and regulations and more flexible labour law – should cause a significant improvement of the situation of entrepreneurs. They should also stimulating economy and increasing employment.

All the entrepreneurs, regardless of their gender, should be able to make use of all remaining solutions approved in the package, which refer mostly to simplification or rationalization of applied procedures and lowering of entrepreneurs' burdens.

The package was the first step on the road of systematic improvement of the economic law. Next legislative initiatives were taken related to the support for investment outlays made in this sector.

Large importance is placed also on actions whose goal is to increase the access of women entrepreneurship to external sources of financing, such as credits and loans, leasing, venture capital funds and the capital market. Also development of

the system of credit guarantee is very important, as it is among the most effective instruments of financial support for SME`s.

The most important initiative adopted in the field of improvement the access of small enterprises to financial services was preparation of the governmental programme of the development of lending and guarantee funds for SME`s in the years 2002-2006 **Capital for Entrepreneurial**.

The aim of this programme is construction, within the nearest four years, of a network of approximately 100 local and 16 regional credit guarantee funds for small and medium enterprises and approximately 100 of local and 16 regional credit funds for small companies.

These institutions shall operate on the non-profit basis. Commonly accessible credit guarantees facilitate to take up bank credits for these entrepreneurs who have credit capacity but do not have required protections. Lending funds shall give development capital to the smallest companies remaining outside the sphere of interest of commercial banks.

These networks shall be constructed on the basis of initiatives taken up by local and regional environments, most of all by territorial self-government bodies and entrepreneurs' organizations. The Government shall support such initiatives, after collection of a smallest required capital on the local or regional level, with available financial resources coming from national resources and from the funds of the European Union.

The system of financial sources shall be designed for realization of the programme on the first stage in the years 2003 - 04. It should consist of **Stabilization Fund** with the amount of app.17,5 million EUR , "remainders" of the State Treasury (minority packages of shares and shareholdings) sale of which shall supply the programme with the amount of app. 50 million EUR and budgetary subsidy at the amount of approximately 25 million EUR. After accession of Poland to the European Union, the system shall be supplied with the finances from structural funds at the amount of app. 187,5 million EUR.

The network of guarantee funds shall be constructed around the **National Economy Bank** while the network of lending funds around the **Polish Agency for Enterprise Development**. These institutions shall provide professional support and advice concerning funds' establishment, shall draw up standards of running lending and guarantee activity and shall supervise observance of these standards by funds.

On subsidies increasing the capital of local and regional guaranteeing institutions as well as local and regional lending institutions is planned designation of about 25 million EUR.

Local and regional credit guarantees funds shall also have the right to apply for support from the finances of the **National Credit Guarantees Fund** by **procedure NEB**. NEB plans to designate totally approximately 1,25 million EUR to enter capital to local and regional guaranteeing institutions.

The need for further development of institutional structures supporting the SME sector in its efforts to improve competitiveness is necessary in the view of Poland's upcoming access to the common European market.

After accession to the EU, Polish regions will receive intensive assistance, benefiting from the structural funds. Among the strategic documents works on preparation of the **National Development Plan for the years 2004-2006 NDP** have been performed. The document is drawn up in order to make use of Structural Funds of the EU that shall become available at the moment of accession to EU effectively.

The NDP shall be realized via sector operating programmes and activities of the **Cohesion Fund**.

The support for the development of SME's is also provided on the regional and local level independently of the activities undertaken by the Government and financed from the state budget. The SME's hold a significant place in the development strategy of the individual provinces, counties and municipalities.

The institutional structures supporting SMEs are currently being developed at three levels:

- at the **national** level - the Polish Agency for Enterprise Development is responsible for the co-ordination and operational management of funds from state budget allocations as well as those coming from foreign assistance, implementing the state policy towards SMEs;
- at the **regional** level - Regional Financing Institutions (RFI) – regional (voivodship) institutions acting as “windows” for PARP in the implementation of national programmes; at the same time RFIs should manage the implementation of instruments programmed at the regional level;
- at the **local** level - specialised information, advisory, training and financial organisations, both from the NGO (acting on a non-profit basis, possessing accreditation in the National SME Services Network) and commercial sectors accredited by PARP to implement particular instruments.

I do hope that the activities taken by the Government and local authorities will enable SME`s to achieve better competitiveness, both in the domestic and foreign market and the near future will facilitate their functioning in the European market.

The further development of the SME sector and entrepreneurship is, and will be, an important element of the way in which economic and social cohesion will develop in Poland in the coming years. As SMEs play an increasingly important role in the economy – in employment and other key economic indicators – the policy and institutional framework still requires additional input and development.

It is very important to exchange the international experiences especially during such as conference as the one we participate today. This experience increases our conviction that Poland is headed in the right direction and that the support of societies and governments of other countries is increasing.

Thank you very much for your attention!