1. Basic information
1.1. CRIS Number: 2002/000-580-06.05
1.2. Title: Enterprise Poland – Regional Support Programme for SMEs
1.3. Sector: ESC
1.4. Location: This SME development project will be implemented under 13 integrated regional programmes in Dolnoslaskie, Kujawsko-Pomorskie, Lubelskie, Lubuskie, Łódzkie, Malopolskie, Opolskie, Podkarpackie, Podlaskie, Pomorskie, Świętokrzyskie, Warmińsko-Mazurskie and Zachodniopomorskie Voivodships.

2. Objectives
2.1. Wider objective:
The wider objective of the project is to better meet regional economic and social cohesion targets with respect to the restructuring and diversification of the regional economies, and in the creation of new jobs.

2.2. Immediate objectives:
• Increased start-up, survival and growth rates among SMEs
• Increased participation of SMEs in regional exports
• Growth in regional IT utilisation rates
• SMEs playing a more important role in the regional economies undergoing restructuring

2.3. Accession Partnership and NPAA Priority
The project is designed to address issues related to the AP priority in economic and social cohesion policy related to the preparation for the implementation of regional programmes and Community initiatives. The project also directly addresses the issues noted in the Accession Partnership in the areas of economic criteria and internal market priorities with respect to the SME sector, as an important component of the policies aimed at the improved competitiveness and EU market access readiness of the Polish economy.

The project complements earlier actions undertaken under the NPAA priorities: Establishment of legal and institutional framework and mechanisms for programming, monitoring and controlling the regional and cohesion policy in compliance with Community requirements; and Creating conditions for the growth of the competitiveness, investment outlays and exports of the SME sector.

2.4. Contribution to the Preliminary National Development Plan
The project directly responds to the priorities identified in the modified Preliminary National Development Plan under the priority Restructuring of the regional economies and creating conditions for their diversification – Support to the development of small and medium enterprises. The PNDP foresees within this priority actions aimed at fostering SME growth and the creation within the sector of new workplaces. These actions will include, as further defined in this project fiche – development programmes for smaller businesses; support to SME exports; introduction of IT in SMEs; and the development of regional SME support institutions providing direct assistance to the sector.

3. Description
3.1. Background and justification:
The need for continued restructuring of regional economies and for a marked reversal of the recent trends in the growth of unemployment form an important area of concern for regional development strategies and programmes. All of the current regional strategies and programmes point to restructured regional economies as a requisite for greater economic and social cohesion. A significant element in approaches and priorities designed to address these issues, as developed under the specific conditions in each region, remains the area of small and medium enterprise development.

Recent data on the sector, analysed from a regional perspective, points to a number of important constraints and areas of opportunity. Of all registered SMEs (over 2.9 million) and all active SMEs (over 1.8 million) around 38% are located in the Mazowieckie, Śląskie and Wielkopolskie Voivodships. Of the slightly more than 360,000 newly registered and 170,000 de-registered businesses, about 35% are located in these same three regions. The lowest numbers of active SMEs operated in the Opolskie, Podlaskie and Świętokrzyskie Voivodships, totalling 135,000 SMEs, i.e. 7.4% of the total. The trend of a significant decrease in business operations in rural areas continued, while some positive developments
were noted in the western and southern border areas, as highest growth rates in new registered businesses were noted in the Dolnoslaskie, Wielkopolskie, Pomorskie and Zachodniopomorskie Voivodships. With Mazowieckie noting a strong decrease, and Podlaskie, Swietokrzyskie and Lubelskie maintaining insignificantly low growth trends, the gap between the western and central/eastern Voivodships grew. Similar trends were observed with respect to employment in SMEs – the main SME employing Voivodships (Mazowieckie, Slaskie, Wielkopolskie) accounted for almost 40% of all SME employees, while Podlaskie, Opolskie, Swietokrzyskie and Lubuskie – 10%. A relatively new and disturbing trend has been the decline in employment levels in SMEs – nationally 1.6% and regionally in the worst cases: Kujawsko-Pomorskie –12.5%, Warminsko-Mazurskie – 11.4%, Swietokrzyskie – 9.1%, Zachodniopomorskie – 5.6%. Economic indicators, including earnings from sales and investment levels, pointed to significant regional differences in competitive levels between SMEs in the best Voivodships (Mazowieckie, Slaskie, Wielkopolskie), responsible, for example, for more than half of all investments in the sector.

The strongest Voivodships in terms of SME participation in the regional economic structures (Mazowieckie, Slaskie, Wielkopolskie), though also confronted with significant restructuring problems, have not been included in the current project. If SMEs are to continue to grow, develop and create new jobs, thereby leading to more competitive and diverse regional economies and to the narrowing of existing gaps between Voivodships, conditions must be created for successful business start-up and competitiveness. A number of instruments have been designed for national implementation, but these must be augmented by regionally targeted and tailor-made solutions, specifically addressing locally identified needs.

Key among these will be direct company assistance measures:

- targeting the competitiveness of smaller companies as they enter the early growth stage and associated increases in employment levels and management issues;
- support for the development of regional exporters as some of the main players responsible for pulling resources into the regional economies;
- introducing IT based solutions in SMEs, helping them to better respond to market pressures;
- participation in investments creating new workplaces, especially through small scale investment grants for machinery and equipment and credit guarantees (especially suitable for smaller and new businesses with no bank track-records).

Furthermore these regionally based measures will help to upgrade the existing business development institutions and systems operating in the Voivodships, as competent players impacting on the sector, in co-operation with local, regional and national partners. These measures have therefore been designed to be fully complementary with the national level instruments, which in turn target the high growth and medium sized businesses, especially with respect to modernising the technology base, facilitating access to investor financing and introducing innovation.

3.2. Linked activities:
The project is directly linked with previous and ongoing Phare programmes in the SME sector and regional development, including:

- PL9511 Support to Entrepreneurship in Poland (STEP I);
- PL9610 Support to Entrepreneurship in Poland II (STEP II);
- PL9603 SME Exports Promotion (EXPROM II);
- PL0003.07 National SME Development;
- PL0003.12 Export Development;
- Phare 2000 Regional SME and HRD Development projects in Warminsko-Mazurskie, Podlaskie, Lubelskie, Podkarpackie and Slaskie Voivodships;
- PL01.06.09.02 Promotion of SME Development;
- PL01.06.09.01 Promotion of Employment and HRD
- SME Financing Facility.

It is also important to note the complementary activities under the planned diversification of economic activities in rural areas component of the SAPARD Programme. Two of the SAPARD measures are currently being tested by PAED under the PL9909.01 programme, being the "supporting additional sources of sustainable income for farms" and "job creation for rural dwellers" actions. Within PL9511 and PL9610 a strong institutional development effort had been undertaken, creating the basis of the National SME Support System – the network of Business Support Organisations, with its accreditation system and menu of services. Currently a significant part of the continuing effort at
extending the geographical range of the system is undertaken by the regional and local authorities, responsible for establishing new units. This is undertaken under close co-operation between the Ministry of Economy and PAED, which in turn procure and co-finance selected activities of these organisations and provide standardisation and quality enhancement supports (TA, training, accreditation audits).

Within the Phare 2000 and 2001 projects a coherent and harmonised approach has been developed to implement direct company assistance actions for the SME sector at both the national and regional levels through these networks. This approach also includes the further development of the National SME Support System, as a system of institutions and instruments, through which support is channelled to SMEs throughout the country.

An important element in the Phare 2002 exercise is the inclusion of two SME projects – involving regional schemes (as described in this project fiche), and national sectoral schemes (subject of a second project fiche). The instruments have been selected - at the regional (Marshall’s Offices) and national levels - from the list of instruments identified by the Ministry of Economy as priority supports to the sector. At the regional level the instruments have been designed to provide a wide coverage of general business and export development supports, and to increase the regional availability of financial instruments appropriate to the various stages of growth of SMEs, mainly to facilitate alternative job creation. At the national level this menu is targeted mainly at the higher growth SMEs and business projects involving technologically advanced solutions and innovations.

The institutions include the Polish Agency for Enterprise Development at the national level, and selected and audited Regional Financial Institutions (acting as Agency “windows”) at the regional level, working in co-operation with accredited Business Support Organisations and consultants.

3.3. Results:
With the Phare funding the following results will be achieved:

- Increased employment creation in SMEs and outside of traditional industries;
- Improved management in SMEs;
- Increased investments in SMEs;
- Increased exports by SMEs;
- Increased use of IT in SMEs;
- Improved chances for success and development in SMEs accessing regional business support institutions (financial, general business support, technology transfer centres, business incubators).

These results will be measured against the following estimated key project outputs:

- 1000-1200 jobs directly created;
- 500 SMEs supported in upgrading competitiveness and creating an additional 900-1000 jobs;
- 500 SMEs supported in safeguarding 2400-2600 jobs;
- 500 SMEs gaining assistance in developing and implementing company development plans, export development plans and investing in IT solutions;

These results will be measured in the estimated:

- 1500 SMEs receiving direct company assistance; of which:
  - 500-600 SMEs receiving investment grants;
  - 200-250 SMEs availing of regionally delivered credit guarantees.

In addition 4 voivodships will be provided consulting and training support in developing SME programmes and actions, and 3 credit guarantee funds will be financially supported.

3.4. Activities:
The project includes the following menu of available instruments for SME support:

Direct assistance to companies:
- Company Development Programme (consulting and investment grants);
- Company Development for Exporters Programme (consulting and market development grants);
- Introducing IT in Small Businesses Programme (consulting and investment grants).

Assistance to the development of the regional business support infrastructure:
- Development of regional business support institutions (financial, general business support, business incubators, technology transfer centres) – technical assistance and training; financial input into regional institutions.

The direct company assistance schemes will be implemented in the form of targeted and integrated advisory and financial instruments to SMEs, through the Regional Financing Institutions, acting also as
the Polish Agency for Enterprise Development “windows”. These “packages” will be designed to meet
the needs of SMEs on a case by case basis, under the frameworks established for the specific schemes.
In practise assistance to SMEs will come from the short list of instruments available at any one time in
the particular voivodship through the RFI, and will include the instruments programmed in regional and
national projects:

- the current Phare 2002 regional project;
- the sectoral (national) Phare 2002 project;
- previous Polish (national budget under the terms of the SME policy) and Phare (Phare 2000 and
  2001) projects.

In this way the support provided to an SME will be tailored around its needs, so as to ensure maximum
impact from the support instruments provided.

Selection criteria and procedures:
The measures described below will be open to all SMEs, meeting eligibility criteria as defined with
respect to the aims of the interventions (as defined in the project level regulations per measure). These
regulations and the opportunity to avail of the supports will be made fully public, and selection
procedures will be competitive and based on an evaluation and ranking, based on the highest value-
added.

**All consulting grants** will be within the range of a minimum 1,000 euro to a maximum 10,000 euro per
company, and in the case of multiple grants a ceiling of 10,000 euro per company during the duration of
the project. The grant will cover a maximum of 60% of total project costs, financed in 75% from Phare
and 25% from regional public sector resources.

**All investment grants** will be up to a maximum of 25% of the total costs of eligible investment projects
(75% Phare and 25% regional public sector financing) and will remain within the range of from a
minimum of 5,000 euro to a maximum of 50,000 euro. The remaining 75% of project costs will be
provided by the beneficiary SME and the grant will be tied directly (combined) with a bank loan or other
form of external financing, at minimum rates of external (mainly banking) financing and 20% SMEs own
resources.

**All projects involving the development of regional business support institutions** are further
described hereunder. In all relevant cases (guarantee funds, Business Information and Counselling
Points), National SME Support System and relevant regulatory standards have been applied in defining
quality standards and eligibility of operations. All projects will be financed with at least 25% Polish public
financing participation and 75% Phare public financing; private sector participation will be involved on a
case by case basis.

Description of the schemes:

**Company Development Programme**

Consulting grants. This programme was initially developed for the smaller enterprises, within the Phare
2000 and 2001 Social and Economic Cohesion Programme. Support is provided at the individual
company level in identified key areas affecting the SMEs business competitiveness. These include
business planning, marketing and market development, management, managing of HRD and staff
training, product design and development, internal financing and accounting, identification of needs in
the area of quality assurance and access to new technologies, production management and others.

Under the terms of this Phare 2002 project this scheme will be available in the following Voivodships:
Dolnoslaskie, Lubelskie, Lubuskie, Lódzkie, Malopolskie, Opolskie, Podkarpackie, Pomorskie,
Warminsko-Mazurskie, Zachodniopomorskie

**Company Development for Exporters Programme**

Consulting grants. A continuation of the scheme developed and introduced under Phare 2000 and 2001,
this scheme involves the co-financing of the costs of development and implementation of Company
Export Development Plans (CEDPs) of existing and potential exporters. The scheme includes:

- Export planning and export product development – co-financing of the development of the CEDP
  (including company development strategy, export market development strategy, export readiness
  financing plan), technical assistance in its implementation, co-financing of selected actions aimed at
  preparing the company for competition on selected export markets, through product development
and design, production and service organisation, quality and standards, packaging, export management skills.

- Export marketing skills development – skills development and actions involving market research; trade fair and trade mission participation, promotion materials development and production, mailings, partner search and company visits; and other international market development and promotion activities.

- Starting Exports – co-financing of the costs of the participation of SME managers in accredited counselling programmes designed for non-exporting companies planning to enter export markets. Emphasis will be placed on export marketing and export transactions.

Under the terms of this Phare 2002 project this scheme will be available in the following Voivodships: Dolnoslaskie, Kujawsko-Pomorskie, Łódzkie, Malopolskie, Pomorskie

- **Introducing IT in Small Businesses Programme**

  Advisory grants – co-financing of the costs of services provided by IT specialists to SMEs searching for the most appropriate solutions (hardware and software, internet) for their businesses. This new scheme has been developed in response to the identified need of stimulating the use of IT in SMEs in traditional sectors, as they search for increased competitiveness in production, services and trade. It targets those SMEs, which have little or no in-house capabilities with respect to the use of computers in their business activities.

  Eligible services will involve basic advice in the design and procurement of IT solutions best suited to the needs of the SMEs' mainstream business activities, and including such areas as the design of local area networks (LAN), technical specifications for procurement, design of databases, development of software applications and support in implementing and running the solutions, website design and consulting, advice in selection of management enhancing and accounting software and other such baseline services.

  Under the terms of this Phare 2002 project this scheme will be available in the following Voivodships: Dolnoslaskie, Kujawsko-Pomorskie, Opolskie, Podlaskie, Pomorskie, Swietokrzyskie, Warminsko-Mazurskie

- **Investment grants**

  The programme will include the possibility of grant aiding SMEs participating in the advisory schemes, so as to increase the level of investments in the developing businesses. The investment grants will be provided for up to 25% of the costs related to projects financed from bank credits and involving investment projects directly affecting the SMEs’ competitiveness and including foremost the introduction of technologies and re-equipment of the key production and service facilities; or IT investment grants – co-financing of the costs of procuring selected “off the shelf” and custom made hardware and software necessary for the more competitive operations of businesses. Grants will thus be provided to cover the costs of investment projects, including new equipment and machinery, hardware and software.

  Under the terms of this Phare 2002 project this scheme will be available in the following Voivodships: Dolnoslaskie, Kujawsko-Pomorskie, Lubelskie, Lubuskie, Łódzkie, Malopolskie, Opolskie, Podkarpackie, Podlaskie, Pomorskie, Swietokrzyskie, Warminsko-Mazurskie, Zachodniopomorskie

- **Development of regional business support institutions (financial, general business support, business incubators, technology transfer centres).**

  Under the terms of this Phare 2002 project this support will be provided in the Voivodships for the following specific actions.

  - Technical assistance and training for local and regional authorities in further developing and upgrading the regional activities for SMEs of networks of business support institutions.

    The action will involve targeted support for regions, which have identified needs in this area.

    - Dolnoslaskie. This voivodship will be provided with a training programme for staff and consultants of regional business support institutions. The advisory and training services will be designed to help develop business support institutions (incubators, business information centres, innovation and technology transfer centres, technological parks, guarantee and loan funds, venture capital funds. Services will be provided to local and regional administration and business support institutions, with a special focus on developing business plans, feasibility studies and other diagnostic or analytical tools for business development institutions.
• Lubuskie. The voivodship will be provided with technical assistance aimed specifically at providing the region with an in-depth assessment of the capacities for innovation and strategic planning in the regional SME sector. It will also be supported in expanding operations of the technology transfer and enterprise development centre. This part of the project will involve the planned upgrading of operations of a key institution in the region – the Lubuski Centre for Entrepreneurship and Technology Transfer at the Zielonogórskie University. The aim is to upgrade the activities of the centre, so that it operates as a regional training centre, meeting SME needs in the area of technology. The training centre will be linked with the laboratories and other units of the University, becoming a key spot for SMEs in the region in terms of technological information, prototyping, sampling, certifying quality standards. Support from Phare will allow for the procurement of necessary IT and training equipment, and software, and networking.

• Zachodniopomorskie. Technical assistance and training for the development of a Regional Centre for the Promotion of Innovation and Technology Transfer. The project would include training, consulting and support in the development of a feasibility study for the future project.

• Malopolskie. This voivodship plans to develop a regional network of business support organisations, which would acquire the standards and competencies of the Business Counselling and Advisory Points, as promoted by the Polish Agency for Enterprise Development with Ministry of Economy co-financing. Through these points SMEs can access core information and counselling services. This and other regional institution building actions will be supported with programme of consulting and training actions, aimed at the development of appropriate business plans and local support for the projects.

• Expanding operations of existing credit guarantee funds.
Credit guarantee funds have been identified in national SME policy and in regional strategies as one of the main instruments through which SMEs will be supported in accessing external financing. The instrument has been successfully used throughout Poland, as local and regional credit guarantee funds have been established utilising a variety of funding sources. Among these it is worthwhile to mention the British Know-How Fund projects in eastern Poland and Phare Local Initiatives Programme projects, which were among the first to be established. Currently best practice has been analysed and guarantee funds have been included in the list of financial services developed under National SME Support System standards. The Ministry of Economy has provided the Polish Agency for Enterprise Development with resources for supporting the development and expansion of the regional schemes, under terms set in the regulation Decree of the Minister of Economy of May 21, 2001 on the conditions and procedures for PAED grant aids. This regulation stipulates the standards which must be met by a guarantee fund if it is to receive a grant, looking for sustainability and transparency. These include standards for the host institution business support and not for profit status, financial situation, quality of staff, technical capabilities; the guarantee fund (with separated financial and accounting status, and appropriate eligibility clauses); and of the grant itself. PAED grant awarding agreements and evaluation procedures guarantee effective monitoring and evaluation. Furthermore PAED is financing from Polish resources a technical assistance programme for guarantee funds, including those covered by this project, with the aim of further upgrading their operations, and establishing implementation and monitoring standards. The Bank Gospodarstwa Krajowego Krajowego has also been closely involved in work on harmonising the regional approach with its national scheme. Through the Phare project existing and showing a proven track-record credit guarantee funds, meeting the regulatory requirements noted above, will be provided with additional capital from Phare and the national budget, and helping them in moving towards a wider regional coverage, which currently in all supported cases is inadequate. The guarantee funds selected to benefit from the current project are the sole regional guarantee funds operating in the areas involved.

• Opolania. The Opole Regional Credit Guarantee Fund was established in 2001 and manages a fund totalling almost 300,000 euro, of which half came from the regional authorities, and half from the Polish Agency for Enterprise Development as a result of a competitive bid. It is assumed that in the project period the additional financing will allow for attaining 800,000 euro worth of guaranteed credits, creating/maintaining an additional 165 jobs. Though the project is a relatively recent initiative it has already begun to establish a track-record of operations. This guarantee fund, because it is operating in a region with one of the poorest averages of availability of SME supports, will be especially closely monitored and supported with TA by PAED to ensure sustainability and successful development.

• Podlaskie. Regional Credit Guarantee Fund in Podlaska Regional Development Foundation in Białystok. The project was initially developed with support from the UK Know-How Fund. The
Fund has already supported the creation of more than 800 jobs. Currently the guarantee fund dispenses of about 2.4 million euro, which are used to provide guarantees for bank credits, to a maximum of almost 100,000 euro per client. Phare support would provide additional funds for the fund, allowing it to upgrade its activities in the region. Under current operations the Fund had a failure rate of 0.18%, with a utilisation rate of 108.09% of available funds, and the average of a 50.72% ratio of guarantee to credit received. The Fund’s business plan foresees for 2003-2005 a 1.54% rate of administrative costs to total issued guarantees.

- Świętokrzyskie. Regional Credit Guarantee Fund in Starachowice FUNDSTAR. This fund was initially established in 1994 under the Phare Local Initiatives Programme. The fund, utilising available resources of about 370,000 euro, has supported with loan guarantees totalling almost 1 million euro 118 SMEs, supporting them in creating 430 jobs for previously unemployed persons. Under current operations the Fund had a failure rate of 0.68%, with a utilisation rate of 95.64% of available funds, and the average of a 48.41% ratio of guarantee to credit received. The Fund’s business plan foresees for 2003-2005 a 3.26% rate of administrative costs to total issued guarantees.

The resources made available through the project will remain earmarked within the Funds for issuing of guarantees for a minimum period of 3 years after the end of the programme and will be supported with additional available budgetary financing. After which time PAED and the host institutions will enter into a new agreement, stipulating the end use of the resources, forwarding the further development of the SME sector in the region.

4. Institutional Framework

The regional authorities will be supported through the project in attaining socio-economic cohesion goals through SME support and employment creation and, through the building up of the capacity of their regional SME support institutions, creating sustainable solutions for future actions in favour of the sector’s input into the regional economies.

In all regions the Regional Financing Institutions involved in the project have been identified and audited as the Polish Agency for Enterprise Development regional “windows” under Phare 2000 and 2001. These institutions are all existing organisations, with long-term experience in SME development in the regions; some of them have been the beneficiaries and implementing organisations for internationally funded programmes (Phare, bi-lateral). All have been audited for the purpose of implementing the new function and PAED is currently addressing some issues which have arisen through the auditing procedure in terms of corrective actions in a small number of the RIFs.

Through the scheme the Regional Financing Institutions acting as intermediaries for the IA (Polish Agency for Enterprise Development) will:

- “draw down” the financing from the IA;
- manage and finance the provision of the measures to SMEs in a co-ordinated way with the supports available through the RIF under the operating schemes (Phare and Polish budget financed).

Direct project beneficiaries will be the SMEs operating in the regions. All activities supporting SMEs will take place under the integrated approach of the National SME Support System, as developed under the terms of the Phare 2000 and 2001 national and regional projects, through the Polish Agency for Enterprise Development and Regional Financing Institutions.

Direct services to SMEs will be provided through the accredited Business Support Organisations and private sector consultants, selected on a case by case basis by the participating SMEs, from the long-lists managed by PAED and RFIs. All grants for cost co-financing of services and investments to SMEs will be provided in line with the National SME Support System and EDIS standards. The Polish Agency for Enterprise Development will be responsible for monitoring and enforcing these standards.

All regional institutions earmarked for support under the institutional development activities are existing organisations, responsible for providing important services to SMEs in their regions. All of the activities will be supported on a not for profit basis. The beneficiary organisations will include:

- Opole Regional Credit Guarantee Fund
- Regional Credit Guarantee Fund in Podlaska Regional Development Foundation in Białystok
- Regional Credit Guarantee Fund in Starachowice FUNDSTAR
- Lubuski Centre for Entrepreneurship and Technology Transfer at the Zielonogórskie University.

5. Detailed Budget

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### 1. Company Development Programme

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<tr>
<td>Kujawsko-Pomorskie</td>
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<td>0.12</td>
<td>0.04</td>
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<tr>
<td>Opolskie</td>
<td>0.30</td>
<td>0.30</td>
<td>0.10</td>
<td>0.70</td>
</tr>
<tr>
<td>Podkarpackie</td>
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<td>0.26</td>
<td>0.09</td>
<td>0.58</td>
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<tr>
<td>Pomorskie</td>
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<tr>
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<td>0.23</td>
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### 4. Investment grants for SMEs

<table>
<thead>
<tr>
<th>Region</th>
<th>Investment grants for SMEs</th>
<th>Subsidies</th>
<th>Co-financing</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Dolnoslaskie</td>
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<td>Kujawsko-Pomorskie</td>
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### 5. Development of Regional Business Support Institutions

<table>
<thead>
<tr>
<th>Region</th>
<th>Development of Regional Business Support Institutions</th>
<th>Subsidies</th>
<th>Co-financing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>0.94</td>
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<td>0.07</td>
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<tr>
<td>Malopolskie</td>
<td>0.13</td>
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</tr>
<tr>
<td>Zachodniopomorskie</td>
<td>0.06</td>
<td>0.06</td>
<td>0.02</td>
<td>0.12</td>
</tr>
</tbody>
</table>

### 6. Implementation arrangements


6.1. Implementing Agency:

---

* All Polish public financing will be regional, except for national budget co-financing of credit guarantee funds meeting regulatory criteria for national budget financing.
** Estimated SME co-financing

Co-financing will be available
For the direct company assistance schemes (points 1-4 of the detailed budget above) intermediaries – RFIs - will be responsible for the management of the schemes, including day to day supervision, approval of progress reports and their acceptance, monitoring and verification of invoices, payments. The IA will be responsible for ex ante control. The implementation of the project will take place within the overall SME support implementation framework established under the Phare 2000 and 2001 SME projects, and involving the audited Regional Financing Institutions, accredited Business Support Organisations and consultants, working within National SME Support System standards. The regional “windows” (RFIs) will be responsible for recruiting and identifying eligible SMEs and providing to the SME beneficiary the “first contact” counselling. This counselling will lead to the full definition of the particular SMEs needs, selection of the most appropriate measure from the long-list available at the RFI, development of project specifications, and to the signing of the agreement by the SME with the intermediary for the grant co-financing of eligible costs. Financing for the measures will be made directly available through the system. The SME will be responsible for selecting the service provider from the accreditation list of consultants and Business Support Organisations managed by the “window”. The appropriate Business Support Organisations and private sector consultants will thus be accessed (selected) by the beneficiary SMEs for the required expertise on a project by project basis through the regional “windows” (from the list of accredited consultants/BSOs).

6.2. Twinning: Not applicable.
6.3. Non-standard aspects: N.A.

6.4. Contracts
Contracts 1-13 - 13 regional grant contracts for direct company assistance schemes, between the IA and intermediary RFIs in the participating regions, totalling 21.18 million euro Phare financing
Contract 14 - training and TA contract for 4 voivodships, totalling 0.71 million euro Phare financing, and including IT and training equipment procurement at 0.17 million euro
Contracts 15 -17 – grant contracts for institutions running credit guarantee funds, totalling 1.74 million euro Phare financing

7. Implementation schedule:

<table>
<thead>
<tr>
<th>TORs/project specs ready</th>
<th>Start contracting</th>
<th>Start of project activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contracts 1-13</td>
<td>01.10.2002</td>
<td>01.01.2003</td>
<td>30.09.2005</td>
</tr>
<tr>
<td>2. Contract 14</td>
<td>01.10.2002</td>
<td>01.01.2003</td>
<td>30.06.2004</td>
</tr>
</tbody>
</table>

8. Equal opportunity
The project will involve in all phases of its implementation specific provisions for guaranteeing equal opportunity of access to activities and benefits resulting from its implementation. Gender related indicators will be gathered and monitored throughout the projects implementation to ensure that corrective steps can be taken at an appropriate moment in the projects life cycle.

9. Environment
All business development projects supported under the project will be scrutinised during the appraisal procedure from the point of view of environment-related hazards and protection regulations. Only environmentally friendly or neutral projects will be thus supported; as well as projects directly introducing new, environmentally friendly or neutral technologies, products and procedures.

10. Rates of return
All business projects supported under the schemes will be analysed under due diligence from the point of view of their sustainability and longer term business planning; only projects clearly demonstrating market competitive rates of return will receive support.
All supporting documents for investment projects (business plans, feasibility studies) show rates of return allowing for sustainable operations.

11. Investment criteria
11.1. Catalytic:
Phare support will strengthen SME sector development, which otherwise would take place over a much more extended period of time and on a more modest and less efficient scale.

11.2. Co-financing:
The project is co-financed by the Polish partners.

11.3. Additionality:
The Phare project is not displacing other financing sources, especially from the private sector and IFI system, it is co-financing and not taking the place of the national policy.

11.4. Project readiness and size:
The project is ready for contracting and disbursement.

11.5. Sustainability:
The project will contribute to the creation of viable regional solutions beyond the date of accession and the measures involved will be continued over the next years in line with Poland’s SME, employment promotion and social and economic cohesion policies. Sustainability of the regional institutions involved will be ensured due to the fact, that the project will utilise the services of organisations with a long term track record in SME development, using varied financing sources and proving long term viability in the selection process through appropriate business planning documents. Sustainability of the instruments proposed under the project will be achieved through their gradual development and dissemination as well developed and ready made support packages for SMEs within the developing regional schemes, for future financing among others under the Structural Funds.

11.6. Competition
All aspects of the project will be developed with respect to the competition provisions of the Europe Agreement.

11.7. Contribution to the Preliminary National Development Plan
The project directly targets selected socio-economic cohesion objectives defined in the updated PNDP for the period till 2003 under the priorities of restructuring the economic base of the regions and creating conditions for economic diversification; development of the SME sector; human resources and employment development.

12. Conditionality and sequencing
12.1. Funding will be conditional on:
- co-financing of project costs through Polish public financing (regional and in specific cases – national) and participating SMEs;
- RFIs maintaining national SME support system standards in support provision;
- PAED and RFIs reaching EDIS standards in management of grant schemes.

12.2. Milestones (benchmarks):
The key benchmarks during project implementation will include:
- decision of Phare Management Committee reached by end of 2002;
- Financing Memorandum signed by end of December 2002;
- activities start in April 2003;
- SMEs uptake of supports maintained at steady level throughout second half of 2003, so that full participation reached by mid 2004;
### LOGFRAME PLANNING MATRIX FOR PROJECT

**End Contracting:** 30/11/2004 - **End Disbursement:** 30/11/2005

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>06.05 Enterprise Poland: Regional Support Programme for SMEs</th>
<th>Total Budget</th>
<th>31.51 M€: + 62.99 M€: private sector. Phare 23.63 M€:</th>
</tr>
</thead>
</table>

#### Wider Objective

The wider objective of the project is to better meet regional economic and social cohesion targets with respect to the restructuring and diversification of the regional economies, and in the creation of new jobs.

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entries into business, survival and growth rates in sectors, taking the place of declining/restructuring industries.</td>
<td>Comparative statistical data</td>
<td>General economic trends regain stronger growth mode</td>
</tr>
<tr>
<td>Ratio of lost jobs due to restructuring / new jobs created in intervention with respect to target area/sector in each region</td>
<td>Central and regional government documents</td>
<td>General economic situation does not deteriorate</td>
</tr>
</tbody>
</table>

#### Immediate Objectives

Increased start-up, survival and growth rates among SMEs
Increased participation of SMEs in regional exports
Growth in regional IT utilisation rates
SMEs playing a more important role in the regional economies

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up, survival and growth rates higher in assisted as compared to non-assisted businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of regional exports generated by SMEs IT utilisation rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input of assisted SMEs into local and regional economies comparatively higher than in non-assisted sectors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Results/Outputs

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

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Results
Increased employment creation in SMEs and outside of traditional industries
Improved management in SMEs
Increased investments in SMEs
Increased exports by SMEs
Increased use of IT in SMEs
Improved chances for success and development in SMEs accessing regional business support institutions

Outputs
1000-1200 jobs directly created
500 SMEs supported in upgrading competitiveness and creating an additional 900-1000 jobs
500 SMEs gaining assistance in developing and implementing company development plans
300-400 recipient SMEs (using business plans developed under current projects or earlier interventions) investing in the development of their business
500 SMEs gaining assistance in developing and implementing export development plans
150 SMEs investing in IT solutions

Activities
Investment grants
Company Development Programme
Company Development for Exporters Programme
Introducing IT in Small Businesses Programme
Development of Regional Business Support Institutions

Inputs
Integrated support packages for SMEs involving consulting and financial assistance – grants covering consulting and investment type costs
Technical and financial assistance in developing regional business support institutions, including credit guarantee and loan funds

Sources of information
Project level monitoring data and information
RFI reports
Individual consultant reports
Company specific comparative data
Media reports

Assumptions and risks
Numbers and specialisms of accredited BSOs and consultants meet needs of the horizontal programme.
Supported regional institutions maintain implementation timetables, allowing for the supports thus enhanced to reach appropriate numbers of SMEs during project life-cycle.

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Annex 2: IMPLEMENTATION CHART: 06.05 Enterprise Poland: Regional Support Programme for SMEs

<table>
<thead>
<tr>
<th>Subprojects</th>
<th>Implementation chart (by semester)</th>
<th>Budget allocation</th>
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<td>Cost Estimate Phare</td>
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<td>1.Contracts 1-13</td>
<td>D/C</td>
<td>EUR million</td>
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<tr>
<td></td>
<td>1 1 1 1 1 1 1 1 1 1 1</td>
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<td>2. Contract 14</td>
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</tr>
<tr>
<td>3. Contract 15-17</td>
<td>D/C</td>
<td>1.74</td>
</tr>
</tbody>
</table>

Number of jobs created in assisted SMEs during project implementation / after 12 months / after 24 months
Number of jobs maintained / safeguarded after 12 months / 24 months
Levels at which introduction of solutions directly related to raising competitiveness and market requirements of products and services has taken place at end of project. Increases in competitive position of supported businesses. Increase in levels of exports and use of IT in supported businesses. Increase in levels of SME investments and external financing generated for supported businesses. Numbers of SMEs which avail of the proposed supports and co-finance their costs.

Project level monitoring data and information
Documents and reports of regional and local authorities and institutions
RFI reports
Individual consultant reports
Company specific comparative data
Media reports

Date of drafting: 26.04.2002
Planning period: 01.2003-09.2005

RFI “window” organisations effectively involved in actions
Financing for regional institutions available
Regional self-government administration disposes of adequate financing
National and regional instruments co-ordinated, so that they not “compete” for the same beneficiaries
SMEs avail of supports
Supports accessed by beneficiaries utilised to ends foreseen in project design
### Annex 3: COMMITMENT AND DISBURSEMENT SCHEDULE

**Date of Drafting:** 26.04.2002  
**Planning Period:** 01.2003-09.2005

#### 06.05 Enterprise Poland: Regional Support Programme for SMEs

<table>
<thead>
<tr>
<th>Projects</th>
<th>Expected Cumulative Contracting and Disbursements</th>
<th>Budget Allocation Cost Estimate</th>
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<tr>
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<tr>
<td>DISBURSEMENTS</td>
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