

Small Enterprise  
Development in  
Poland:  
Does Gender Matter?

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# **GEMINI**

**GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS**  
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# Small Enterprise Development in Poland: Does Gender Matter?

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## EXECUTIVE SUMMARY

Poland has the most dynamic economy in Europe. GNP increased by 3.9 percent in 1992, and industrial output by 9.4 percent. Inflation currently runs at approximately 35 percent and is falling. Sixty percent of the work force is now employed in the private sector. Women make up 46 percent of the labor force and were crucial players under previous socialist policies that encouraged, even obligated, women to work.

The small- and medium-sized enterprise (SME) sector can play a significant role in the transition to a market economy. It is important, therefore, to ensure that the appropriate resources and support systems are in place to maximize women's productivity within the country's emerging entrepreneurial pool. Some donors, such as the U.S. Agency for International Development (USAID) and the U.S. Peace Corps, have recognized the benefits of supporting enterprise development programs for women. The Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project is USAID's primary technical resource in the field of SME development.

This report summarizes the findings and recommendations of a two-person GEMINI team that visited Poland during July 12-31, 1993. The team used a rapid diagnostic technique to examine constraints and opportunities for women in the small business environment. In this paper, the team makes suggestions for the revised GEMINI Poland project work plan, focusing on policy and legislative action and on financial sector reform and financial services to SMEs. The team also identifies potential research strategies and organizational resources to support gender-related enterprise development and financial systems development.

The team interviewed more than 50 individuals in eight geographic areas: Poznań, Łódź, Sandomierz, Tarnobrzeg, Nowy Sącz, Nowojowa, Kielce, and Warsaw. Those interviewed include entrepreneurs, staff representing government and donor organizations, two former Members of Parliament, and members of the G-24 Task Force for Small and Medium Enterprise. The latter included representatives of the Polish Government, the private business sector, and the donor community.

This study suggests three main hypotheses. First, there are significant similarities in the constraints faced by both female and male entrepreneurs. Chief among these is that few entrepreneurs, regardless of gender, have access to formal credit. Although constraints are similar, it appears that fewer women have access to financial and other resources than do men.

Second, besides the constraints confronted by all entrepreneurs, Polish women appear to face additional inequalities at home and work — inequalities similar to those observed in many countries around the world. The most conspicuous obstacle confronting women in the labor force is probably the stereotyping of jobs in such a way that men, or younger women, receive preference. Though the labor contribution of women has been significant for the Polish economy, and most women tend to be as highly educated as men, the current economic situation mitigates against women finding new jobs if they lose the ones they have. Where jobs are scarce, men are reported to receive preference, and are thought to need the jobs more to support their families.

There are also distinct regional differences in economic and entrepreneurial opportunities. Variance in the severity of women's unemployment may well be related to particular industries and to region. There are also regional disparities in the percentage of households headed by females. When high unemployment converges with large numbers of female-headed households, such as in the Łódź region, serious disparities emerge between opportunities and income for women versus men. In Łódź,

the second largest city in Poland, the proportion of female-headed households is 30 percent, compared with the nationwide figure of 27 percent. Łódź is a city of high unemployment, particularly among females, because of the closing of textile mills. Conditions in Łódź weaken the argument that scarce jobs should go to men, and strengthen the case for regionally based analysis, advocacy, and action.

The final hypothesis suggested in the report is that women are beginning to recognize their situation and to organize themselves. Emerging from this recognition are entrepreneurship and retraining programs that can serve as prototypes for maximizing Polish women's productive capacity and alleviating poverty. Provision of child care is an important aspect of these initiatives, because few women qualify for subsidized child care, public facilities are closing rapidly, and private daycare is prohibitively expensive for the average family. Lack of affordable child care was frequently cited by women as a constraint to their entrepreneurial and employment aspirations. Under the socialist system, child care was subsidized or inexpensive, whereas many families are now faced with the costs of private child care. The consensus among those interviewed was that the most attractive program models for promoting Polish women's productivity were those that combined technical skill and self-esteem building, while providing child care on site.

The researchers were hampered in their study by a dearth of national, regional, and local statistics on Polish SMEs, and by the paucity of gender-disaggregated data, especially for government and for some donor programs. For those interested in monitoring the welfare of women and the poor, which becomes increasingly important in difficult economic periods such as the present, such data are crucial. Efforts to document gender-related trends in the transition economy should be made by the government, donors, and the Polish private sector.

Future research topics were suggested in the report. Based on anecdotal evidence that women are the first to lose their jobs, it appears vital to determine whether regions showing high unemployment correlate with larger numbers of unemployed women, and of women in poverty. Also, a more formal study of both male and female small entrepreneurs should be undertaken to shape future policy and action.<sup>1</sup> This should include research on gender issues in the growth and dynamics of enterprise development. The potential and the necessary conditions for transforming some of the disproportionate and ever-increasing numbers of unemployed women into entrepreneurs should be thoroughly assessed, for current circumstances make entrepreneurship an attractive alternative to women, and may propel them into starting businesses. And the hypothesis that fewer women than men have access to credit should be explored in future financial system assessments, especially those that examine financial products and delivery systems — areas where gender has been a factor in other countries.

Finally, the team suggests gender-related actions for the two major GEMINI Poland project objectives — SME policy and legislative action, and financial sector reform and SME financial services. Proposals that emerged from interviews the team held are presented. These include a women-in-development (WID)/SME seminar and a WID/SME contact person or section in the Council of Ministers.

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<sup>1</sup> Although the collective wisdom of those interviewed for this study corroborated the more in-depth USAID Office of R&D/WID assessment by Coopers and Lybrand (1991), it is time for a more exacting assessment in view of changing economic circumstances.

## **BACKGROUND**

Poland has the most dynamic economy in Europe. GNP increased by 3.9 percent in 1992, and industrial output by 9.4 percent. Inflation currently runs at approximately 35 percent and is falling. Sixty percent of the work force is now employed in the private sector. Efficiency is on the increase in both public and private sectors, and industrial firms now operate largely without subsidies.

Small- and medium-sized enterprises (SMEs) can play a significant role in the market economy, and provide employment for the majority of workers. The Growth and Equity Through Microenterprise Investments and Institutions (GEMINI) Project is the U.S. Agency for International Development's (USAID's) primary technical resource in SME development. This report summarizes the findings and recommendations of a two-person GEMINI team that visited Poland during July 12-31, 1993.

The original 1992 scope of work for the consultancy outlined three objectives:

- To assess opportunities and constraints for women in the small business environment, concentrating primarily on the agro-industry sector;
- To make use of these findings in the development of the national plan of action for SME promotion; and
- To include gender-disaggregated indicators in the GEMINI/Poland small business sector database.

Because of unforeseen delays in fielding the team, the consultancy occurred a year after it was originally planned. Thus, the scope of work was modified to include the following tasks:

- To use rapid diagnostic techniques to identify constraints, opportunities, and needs for both rural and urban women entrepreneurs;<sup>1</sup> and
- Develop an action plan within the context of the GEMINI work plan, focusing on SME policy and legislative action as well as on financial sector reform and SME financial services.

In addition to accomplishing the redefined scope of work, the team also advanced a strategy for addressing needs of female entrepreneurs through the GEMINI Poland project and other initiatives, and identified potential organizational resources within USAID and the larger donor community.

## **METHODOLOGY**

This study used rapid appraisal methods, combining a review of relevant literature; analysis of legal, regulatory, and economic factors; group and individual interviews; and focus group techniques. Leveraging the limited time available, the consultants concentrated on representative entrepreneurs, and

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<sup>1</sup> Urban women were included because GEMINI Poland policy initiatives took precedence over the more rural, agro-industry focus of the original WID scope of work.

on staff of business associations and business support centers throughout Poland who had regular contact with large numbers of entrepreneurs.

The two consultants interviewed more than 50 individuals in eight geographic areas: Kraków, Poznań, Łódź, Sandomierz, Tarnobrzeg, Nowy Sącz, Nowojowa, Kielce, and Warsaw. Interviewees were selected on the recommendations of GEMINI Poland staff and other leaders in the fields of SME and gender issues. Those interviewed included entrepreneurs; staff representing government, donor agencies, and private voluntary organizations and nongovernmental organizations (PVOs/NGOs); two former Members of Parliament; and members of the G-24 Task Force for Small and Medium Enterprise.<sup>2</sup> The Task Force included representatives of the Polish Government, the private business sector, and the donor community.

The numbers are small and are not intended for statistical inference. Rather, they provide snapshots about gender and enterprise development in Poland. A semistructured interview format was adopted to provide consistency.

## **ORGANIZATION OF THE REPORT**

The findings are presented in four parts. The first section compares male- and female-owned SMEs, and looks briefly at the significant similarities in constraints faced by female and male entrepreneurs. Chief among these is that few entrepreneurs, regardless of gender, have access to formal credit. Although constraints are similar, women's access to resources was reported to be more limited than men's.

The second section is devoted to the additional restrictions, both overt and indirect, that women confront in their economic and productive roles. The report examines the unemployment picture for women, the effect of regional differences, and the social benefits available. The sum of these circumstances make entrepreneurship an attractive alternative to women, and may propel them into starting businesses as an alternative to formal employment. The section also addresses rural and urban differences in economic and entrepreneurial opportunities for women.

The third part of the report assesses gender-relevant retraining, and employment and entrepreneurship development initiatives that have been undertaken by women's organizations, government, and donors. The team notes that women are beginning to recognize their situation and to organize themselves. Emerging from this are entrepreneurship and retraining programs that can serve as prototypes for maximizing Polish women's productive capacity and alleviating poverty. Provision of child care is an important aspect of these initiatives.

The report then proposes, in Part Four, some gender-related research that should be undertaken, and gender-related action for the two major GEMINI Poland project objectives — SME policy and legislative action, and financial sector reform and SME financial services. Proposals that emerged from interviews the team held include a women-in-development (WID)/SME seminar and a WID/SME contact person or section in the Council of Ministers.

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<sup>2</sup> This is a group of 24 countries supporting economic reform in Poland.

The report contains four annexes: Annex A presents profiles of women entrepreneurs; Annex B has the contact list of the consultancy; Annex C gives legal issues related to women workers and entrepreneurs; and Annex D provides data on formal sector financing of SMEs.

## PART ONE

### CONSTRAINTS FACING POLISH ENTREPRENEURS

In this section, the authors trace briefly the emergence of small businesses and the financial sector in Poland. We note the significant similarities in constraints faced by both female and male entrepreneurs, and the fact that although many constraints are similar, women's access to business and financial resources is reported to be more limited than men's.

#### SMALL BUSINESS DEVELOPMENT IN POLAND

Post-World War II Poland had a small private business sector. This sector was allowed to exist to make up the consumer demand gap that communist economics could not plan for or meet. Three clusters formed the bulk of the private sector: small craftsmen, private farmers, and, more clandestine, traders. Government tolerance of private sector activities was limited, but that the sector was allowed to exist at all was extremely important for SME development once the socialist regime was overthrown.

As the Polish economy was being restructured with the advent of shock therapy in January 1990, SMEs demonstrated their capacity to acclimate.<sup>3</sup> Several key elements coalesced in the development of Poland's private sector:

- Combined and complementary improvement in macroeconomic conditions and government open door policy to trade and investment initiated through shock therapy;
- Changes in monetary policies;
- Freeing up of prices of goods;
- Reduction of subsidies to state-owned enterprises (SOEs);
- Maturation and increased market sophistication of both businesses and consumers;
- The very beginning of the evolution of private sector advocacy; and
- Government's dawning recognition of the private sector's contribution to the Polish economy.

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<sup>3</sup> Shock therapy was initiated in response to the catastrophic situation the Solidarity government inherited in the autumn of 1989 — declining output, widespread shortages, and near hyperinflation. At the beginning of 1990, the government acted quickly to stabilize the economy by making drastic budget cuts, including reductions in government subsidies; increasing interest rates to restrict credit growth; fixing the exchange rate to the U.S. dollar; and fully liberalizing foreign trade. The government managed to build the infrastructure and legal framework for a market economy quickly by introducing laws to govern private property rights (in areas ranging from agricultural land transfer to urban land taxation), and developing bankruptcy legislation (UNDP 1993).

New business opportunities emerged for the relatively small number of already established SMEs as well as a host of first-time business owners. Complete mistrust of government, a one-time transaction mentality, and avoidance of competition characterized the attitudes of the many young, inexperienced street traders operating in the informal sector. In the meantime, existing business owners were attempting to adapt to rapid changes in the marketplace, new competition, and the tremendous pent-up consumer demand for western goods, particularly in urban areas.

In 1991, recognizing the increasing contribution of the private sector to GDP, the Polish Government's Ministry of Industry and Trade (MIT) created a Plenipotentiary for the Promotion of Small and Medium Enterprises. Concurrently, other Ministries (such as Labor and Privatization) also had small business departments. MIT, as the founding body (or owner) of the largest SOEs, faced an inherent conflict of interest in being mandated to advocate simultaneously the interests of smaller, private businesses.

By 1992, the private sector was contributing almost half of total GDP, and the Chambers of Commerce and business associations were beginning to recognize the value in articulating their own needs to the government. Thus the government of Prime Minister, Hanna Suchocka, the fifth government since the historic Round Table in 1989, appointed Zbigniew Eysmont to a newly created cabinet position, Minister without Portfolio for Enterprise Promotion. This position, with the mandate to be the private sector's advocate in the government, supplanted MIT's Plenipotentiary for the Promotion of Small and Medium Enterprises.

## GENDER AND ENTREPRENEURSHIP IN POLAND

Women make up 46 percent of the labor force and were crucial players under previous socialist policies that encouraged, even obligated, women to work. Women also played an important role in small family enterprises, including farming. Although men may be listed as official owners, many enterprises are jointly run or may be operated by women.<sup>4</sup> Preliminary data also suggest that many people operate small businesses on a part-time basis and hold other jobs as well.

The team noted that there was considerable consensus among staff interviewed at business centers that women are entrepreneurial, receptive to new ideas, hardworking, and cautious about business plans and excessive credit.

The report, Coopers and Lybrand, *Poland: Gender Issues in the Transition to a Market Economy, 1991*, was the first USAID study on gender issues in Poland.<sup>5</sup> The report concluded that the needs of women in business are no different from those of men. Yet women made up a much smaller proportion of the participants in the newly established business associations, and women-owned businesses comprised only 15 to 30 percent of the loan portfolios of most banks. Furthermore, no more than 20 to 25 percent of newly created firms were owned or managed by women.

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<sup>4</sup> Among younger, highly educated people, women are listed as official owners of businesses when such is the case.

<sup>5</sup> Three previous GEMINI studies — on construction, cross-border trade, and agribusiness — are among the few investigations of SMEs in Poland. However, these reports do not provide data by gender of entrepreneur.

Enterprises owned by women differ from those of men in three key ways: age — women tended to defer the creation of their enterprises until their major childrearing responsibilities were completed; motives for starting a business — the fear of job loss or actual job loss was a key factor in prompting women to start an enterprise; and sectors of preference — women chose commerce and service, while men dominated manufacturing.<sup>6</sup>

## **Nature of Enterprises**

### **Size**

Interview data from the present study suggest that men's businesses tended to be larger, capital-intensive enterprises. Women were inclined to own smaller, service-oriented businesses.

### **Types of Enterprises**

Staff of business advisory centers reported that businesses, regardless of size or legal identity, were often diversified, probably because of economic uncertainties. For example, a small cooperative in southeast Poland operated a chocolate factory, bottled orange soda, and slaughtered rabbits. Farmers also tended to diversify; they often farmed for themselves and planted extra crops for sale — for example, soft fruits and nuts.

Evidence emerged that most entrepreneurs lacked market information, thus forcing them to make business decisions based upon imperfect information. For example, business advisory center staff reported that many individuals, both male and female, wanted to open small stores, when in fact this type of business had probably reached saturation level in some areas. Conversely, in other regions, entrepreneurs interviewed did not understand that a critical mass of similar shops in a geographic area could enhance rather than threaten businesses.

There was consensus in the literature and among business counselors, validated by observations and interviews by the present consultants, that women tended to operate certain types of businesses. Prominent among their choices were service-related businesses, including restaurants, and hospitality and business services; agribusiness and agro-tourism; pharmacies; and textiles and clothing. These findings corroborated those of Coopers and Lybrand, whose study found that men were concentrated in housing and construction; building services; transportation; food processing, particularly meat processing and packaging; and production, especially of plastics and other man-made materials. In another study, Webster reported that men owned 90 percent of the 93 Polish manufacturing firms surveyed whereas women constituted only 10 percent of owners, but more than half of employees in the sampled firms (1992).

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<sup>6</sup> This finding by Coopers and Lybrand of preference by sector is consistent with a similar global pattern in both developed and developing countries. Gender-based patterns in employment frequently carry over into business start-ups. For example, large numbers of women in Poland were employed in pharmacies. When these were privatized, female employees often bought the businesses. The Coopers and Lybrand study also noted that it was surprising to see this worldwide sectoral pattern, applicable to both developed and developing countries, emerging so rapidly in Poland, where the private sector is virtually starting anew.

Several interviewees in the present study also observed that men tended to leave sectors when returns are low, only to return when the outlook was better. Similar patterns have been reported in other countries as well, resulting in even riskier business environments for those resource-poor women entrepreneurs who are operating at the margin.

### **Problems Faced by All Entrepreneurs**

The G-24 task force outlined and prioritized constraints faced by businesses in Poland. Chief among those were impediments in the enabling environment, financing, and lack of business information and counselling services.<sup>7</sup>

#### **Access to Formal Credit**

As noted earlier, many small businesses confront issues in obtaining formal credit (Webster 1992; "Investing in the Future: . . ." 1993). This appears to be true regardless of the owner's gender. These include problems obtaining long-term credit, high interest rates, and daunting collateral requirements.

Collateral was frequently mentioned as a key impediment in obtaining formal credit. For example, real estate, a common form of collateral elsewhere, was infrequently accepted for SME loans, especially arable land. Several business advisory center counselors suggested that collateral requirements should be modified because they were currently so daunting that "the only people who could get bank loans were those who did not need them."

Few entrepreneurs had access to formal finance and most relied on informal financial sources, savings, or remuneration from abroad. Coopers and Lybrand reported that women-owned businesses comprised only 15 to 30 percent of the loan portfolios of five credit programs they reviewed. Furthermore the amount borrowed by women was generally less than that of men, because women's businesses were less capital intensive.

The researchers identified only one nonbank loan program targeted at women. That was the Polish Fund for Agricultural Development revolving loan scheme for rural women, described in Part Three.

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<sup>7</sup> Small manufacturing firms in Webster's research cited three main problems. In order of significance, lack of demand was cited by 30 percent of business owners; financial problems by 28 percent; and continually changing government regulations by 10 percent. Key reasons for failure among these manufacturing firms was that their mass-produced, cheaper goods could not undersell competing imports. About half of the firms were contracting in size. Most knitting and clothing companies and lower-tech plastic and metal products were declining, mainly due to competition from lower-cost imported goods. The winners were firms producing machinery and higher tech metal and plastic products. Interestingly, over half of firms in the sample had added retail trade to bolster their revenues. The Task Force recommend that the government adopt an umbrella SME policy, followed by an SME Act, to indicate its support for the development of the small business sector, taking regional issues into consideration.

### **Nonfinancial Services**

Previous GEMINI research found that nonfinancial services are often high profile, but not necessarily highly effective, donor and government initiatives (Santer et al. 1993). In Poland, the researchers observed a proliferation of government- and donor-supported business centers and also noted that training for business center staff was often cursory and incomplete. Many of the staff lacked practical business experience, thus affecting their credibility and their ability to assist inexperienced entrepreneurs with the day-to-day challenges of running a business. Furthermore, the links between these centers and financial assistance were tenuous at best, affecting the ability of entrepreneurs to secure financing even after utilizing a center's services.

## PART TWO

### GENDER-SPECIFIC CONSTRAINTS TO WOMEN'S ENTREPRENEURIAL AND EMPLOYMENT ASPIRATIONS

#### WOMEN AND THE LABOR FORCE

Women's role in the labor force is significant for four reasons. First, the level of work experience before starting a business affects an entrepreneur's ability to operate a business efficiently and effectively, presumably giving those with management experience a competitive edge. Second, previous work experience likely affects the type of business selected by new entrepreneurs. Third, position in the work force determines salary. When women hold lower-paying positions, they have less opportunity to accumulate assets, thus affecting the start-up capital available, as well as the amount of collateral they can offer for loans. Banks must reduce the amount lent when fewer guarantees are presented by the borrower, thus limiting the business possibilities to those where fewer assets are required.<sup>8</sup> Finally, unemployment in the formal sector may be a factor propelling women to explore entrepreneurial avenues. These factors are explored below.

Maximizing women's full productive capacity can facilitate the reform process and help maintain family living standards during economic transition. Polish women constitute an extremely well-educated and well-prepared labor force.<sup>9</sup> Women represent 54 percent of the entire population and 46-48 percent of the working-age population. Beginning with World War II, women were highly visible in the labor force. In the 1956-1965 period of labor shortage, female employment was promoted with such slogans as "Women in all jobs." Labor was plentiful from 1971-1975 because large numbers of young people, especially women, migrated from the country to towns.

The Polish labor market exhibits a fairly high degree of gender segmentation, in part due to societal norms about female roles. Data for 1987 indicate that women accounted for 38 percent of the total labor force in industry, 70 percent in distribution, 80 percent in health and welfare, and 90 percent in financial services and insurance (Janowska et al. 1992). But fewer women than men held upper managerial posts. Webster's study (1992) confirms this. Fortunately, females dominate certain important sectors in the emerging market economy. These include insurance and banking. The female-to-male employee ratio in banks is high, a holdover from the days when women served as tellers.

Even if one assumed no vertical segmentation in the work force, and that women were equally represented at higher levels and in top management, when women and men hold the same positions, women earned less than men. For example, from 1982-1991, women earned, on average, 67-68 percent of the average income for men (Domański 1992).<sup>10</sup> A recent article in the *Economist* reported that women's pay is on average 25 percent lower than that of men (1992).

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<sup>8</sup> Coopers and Lybrand noted the third phenomenon in their 1991 study.

<sup>9</sup> As in other former socialist countries, the ideology of male and female equality worked to women's advantage in educational spheres.

<sup>10</sup> The most equitable salaries were found in service sectors, and among administrative office personnel and skilled professionals (Domański 1991, pp. 93-94).

Lack of time resources, especially during childbearing years, also affects women's inclination and ability to engage in productive and entrepreneurial endeavors. In addition to their active labor force participation, data for the years 1965 and 1984 indicate that about 75 percent of unpaid housework was done by Polish women (United Nations 1991). As elsewhere in the world, working women face serious constraints and conflicts in balancing their productive and reproductive roles. Among younger couples, men may help around the house, but it was a common complaint that in most families they did not.

The above factors create a push-pull imbalance. Although most of these considerations work against women should they become entrepreneurs, sheer lack of employment may push them toward entrepreneurial alternatives.

## UNEMPLOYMENT

This section examines the possible links between entrepreneurship, gender, and unemployment. The argument, already suggested above, is that because women are likely to be disproportionately represented among the unemployed, it is important to estimate the extent to which entrepreneurship can offer alternatives to women. Few of the currently unemployed women surveyed in Janowska et al.'s study indicated interest in starting a business for themselves, citing reasons such as lack of funds, lack of courage, and lack of faith in their own abilities.<sup>11</sup> In contrast, Coopers and Lybrand indicated that fear of losing a job or actual loss of employment was often a key factor in motivating women to start an enterprise (1991).

Although they comprise 46 percent of the work force, almost 60 percent of Poland's 2.5 million unemployed are women. When the austerity measures took effect in 1990, many of the SOEs began to feel the effect of the market economy, and began downsizing their work forces: "In Poland, in April 1991, there were 18 unemployed men for each vacancy for men, but 57 unemployed women for each vacancy for women . . ." (Fong and Paul 1992, p. 15). Recent figures indicated that only 1 of every 120 jobs is now offered to a woman (*Economist* 1992).

Employers often advertize positions in terms of gender, physical attributes, and age, and interviewers may ask gender-biased questions. A former Member of Parliament estimated that 90 percent of the jobs listed in employment office advertisements are for men and that only 10 percent are for women (Waniek 1993).<sup>12</sup> Other examples cited to the researchers were of two women asked in separate job interviews in different cities to prove with a medical certificate that they were not pregnant. Reportedly, some companies let women go a few years prior to official retirement, thus depriving them of their pensions, which could be used as capital for business start-ups. A more complete discussion of legal issues affecting employment appears in Annex C.

Further, there appears to be a mismatch between the age of women desired by employers (in their 20s) and the ages when women are most available to work (after peak childrearing responsibilities). "Protective" laws provide for female retirement five years before males. Because women outlive men,

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<sup>11</sup> Part Three of this report describes successful program models for addressing some of the concerns of these women, especially those having to do with self-confidence.

<sup>12</sup> The advertisements can list such features as sex, age, marital status, and hair color. Contrary to the Member's observation, there do not seem to be any restrictions in job advertisements.

large numbers of women must support themselves, yet find themselves in the pool of the unemployed. Labor immobility also contributes to unemployment because of housing unavailability.

For 1991, Employment Offices of the Ministry of Labor and Social Policy indicated the ratio of unemployed per vacancy offered was roughly twice as high for women as for men (Janowska et al., p. 60). Female unemployment is particularly significant in such highly industrialized voivodships as Katowice, Wałbrzych, Łódź, and Częstochowa. The dominant age group of female unemployed was ages 18 to 34, with 66 percent of jobless women falling into this category (ibid., p. 15). Layoffs often hit women's industries, such as textiles, harder than those where men predominate. In areas of high unemployment, women who were laid off from SOEs are probably forced to work on the black labor market because the cost of providing worker benefits for a woman is a disincentive to small private firms. Unemployed rural women and men cannot collect unemployment benefits if they own more than one hectare of farm land, though that amount of land cannot provide even subsistence living in most cases.

There is probably less concern about female unemployment than male unemployment, despite the fact that 27 percent of the nation's households are headed by women (United Nations 1991).<sup>13</sup> For example, a recent survey indicated that 75 percent of Polish men and 60 percent of women believe the ideal family situation is for women to be in the home bringing up children, cooking, and cleaning (Economist 1992). Where jobs are scarce, men tend to receive preference, and are thought to need the jobs more in order to support their families.<sup>14</sup> Arguments are used, such as: Women were forced to be "equal" and to work under the socialist system, but now they can and should stay at home. These attitudes may be reinforced in Polish society, which places a high value on family life. Yet the reality is that many women must work for family economic survival, especially with increasing taxation and inflation. This is true even among intact families, and especially in female-headed households.

### **Female-Headed Households, Regional Differences, and Unemployment**

There appear to be distinct regional differences in economic and entrepreneurial opportunities and, in areas of high unemployment, men seem more likely to find re-employment than women. This scenario is particularly disadvantageous to women when it occurs in regions with a high percentage of female-headed households, because such households are generally more marginal economically.

Variance in the severity of women's unemployment may well be related to particular industries and to region. There are also regional disparities in the percentage of households headed by females. When high unemployment converges with large numbers of female-headed households, such as in the Łódź region, serious disparities emerge between opportunities and income for women versus men.

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<sup>13</sup> The United Nations figure is twice as high as the 13 percent nationwide statistic reported in Janowska's 1992 study.

<sup>14</sup> There is evidence of a similar undercurrent in other Eastern and Central European countries (Chaney 1993). In Jordan, men returning from overseas work displaced females in the labor force because of the social belief that a man needed a job more than a woman (Weidemann 1987).

In Łódź, an area of high female unemployment, an estimated 30 percent of households are headed by women and 80 percent of all women between the ages of 35 and 45 are in the work force.<sup>15</sup> Because women contribute at least 40 to 50 percent of the household budget in Łódź, loss of their income has serious consequences for household welfare. Women in Łódź fear job loss and can rarely afford to drop out of the labor force, even when they are part of intact families. Moreover, men in Łódź between the ages of 40 and 50 have the highest rate of mortality, often from alcoholism and work-related health problems; thus women's earning power is critical to family welfare. Conditions in Łódź weaken the argument that scarce jobs should go to men, and strengthen the case for regionally based analysis, advocacy, and action.

### **Rural Women**

Forty percent of Polish women live in rural areas. Their education levels often exceed those of rural men. Parallel constraints are faced by both male and female entrepreneurs in rural areas: the high cost of credit and agricultural inputs; lack of infrastructure, markets, storage, refrigeration, and packaging; and low producer prices. However, the disproportionate number of female operators of small farms (up to 70 percent) adds a gender-specific dimension to these constraints (Coopers and Lybrand 1991). Many of these unmarried, widowed, or divorced women are heads of households, a demographic indicator often associated with poverty. Women in rural areas are key decision makers for farming and small agribusiness enterprises, and empirical evidence indicates their open attitudes to change (Potok 1993).

Rural women with family farms are particularly exposed to unemployment for several reasons. First, men are viewed as primary breadwinners while the women provide secondary, supplemental income. Second, it is assumed that as long as the family has a farm, there is at least some source of income. Those who own one hectare of land are ineligible for unemployment benefits. This eligibility criterion thus likely masks considerable unemployment of both rural females and males.

## **SOCIAL BENEFITS AND CHILD CARE ISSUES**

Under socialism, the state established policies providing liberal benefits for women to encourage child-bearing and child-rearing. For example, all work establishments employing more than 100 women were obliged to provide nurseries. With economic liberalization in transitional economies, the closing or privatization of factories was especially hard on single mothers, who relied on them not only for income but also for child care facilities (Moghadam 1992).<sup>16</sup> In the transition to a market economy, these benefits hinder labor movement and make female labor costly. The productivity and welfare of women entrepreneurs and workers may be jeopardized without less costly alternative child care. A recent

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<sup>15</sup> Łódź, Poland's second largest city with approximately one million inhabitants, has high female unemployment because of the closing of textile mills that operated at peak capacity during communism, employing large numbers of women.

<sup>16</sup> In a more recent volume, Moghadam concludes that women are among the principal losers in the restructuring process, both through the rise of conservative cultures (for example, greater emphasis on women's reproductive roles and on religiosity), and because of the economic imperatives of competing in a market-based system (1993).

study of women in Łódź reported that women preferred the night shift because it paid more and eliminated the need for child care (Coopers and Lybrand 1991).

The collapse of communism was accompanied by a rapid decline in the child care infrastructure. At the end of 1990, only 2 percent of daycare facilities had been closed. Six months later, that figure approximated 30 percent. The cost of public daycare in Łódź in 1991 was more than a third of average family wages while private daycare was more than two-thirds of average family wages (Coopers and Lybrand 1991).

### **IMPLICATIONS OF THE SEPTEMBER 1993 POLISH GENERAL ELECTIONS**

One-third of the voters supported the two post-communist parties — the Democratic Left Alliance and the Peasant's Party. Together they won a two-thirds majority in the Sejm (lower house of parliament). The election results do not appear to signal a return to old-style socialism. However, the rising unemployed, pensioners, and public sector workers expressed their discontent with economic reform in this election. Greater commitment by the new government to social concerns will likely slow the pace of the economic liberalization program. Election results indicated that although the Poles acknowledged the necessity of further economic reforms, they wanted protection against its negative social effects. Overall, the elections may have short-term beneficial consequences for women, especially those among the unemployed and in poverty. However, in the long term, growth may be slowed, negatively impacting both male and female entrepreneurs. Furthermore, enhanced social benefits may prove to be disincentives to the hiring of women, as well as increase the cost of doing business, thus affecting both male and female entrepreneurs.

## PART THREE

### ORGANIZATIONAL SUPPORT FOR WOMEN'S ENTREPRENEURSHIP, EMPLOYMENT, AND RETRAINING

In this section of the report, the authors assess gender-relevant retraining, employment, and entrepreneurship development initiatives being taken by women's organizations, government, and donors.

Polish women are beginning to recognize the benefits of organizing themselves.<sup>17</sup> The 1991 Coopers and Lybrand study reported only small percentages of women belonged to existing, often male-dominated business associations.<sup>18</sup> As an alternative, women in 1993 were beginning to form gender-based associations and networks.

Entrepreneurship and retraining programs are emerging that can serve as prototypes for maximizing Polish women's productive capacity and alleviating poverty. Although the abortion debate was an original catalyst for organizing Polish women, today a diversity of groups exist. Of 49 women's organizations listed by the Warsaw Center for the Advancement of Women, more than 20 percent focus on women's businesses or employment. This is remarkable progress in a country where the NGO sector, a traditional vehicle for assistance to women in developing skills and obtaining credit, is weak. Furthermore, there is still residual resistance to women's groups for two reasons. The first is that some women's groups were compulsory under the socialist system. The second is that feminist terminology is not fashionable in Poland, even among women who espouse concepts of equality. Frequently during interviews, women would begin by saying that in Poland there was no gender inequality — and then proceed to list many perceived inequalities.

Although women's organizations are beginning to come into their own, networking has not yet fully flourished, and there is a lack of information-sharing. Training sponsored by women's groups and donor and government organizations can have a positive impact.<sup>19</sup> Polish women are highly educated; thus retraining is cost-effective and can be shorter in duration than among a less-skilled clientele.

Training serves two purposes: augmenting work force skills to strengthen private sector productivity, and imparting essential business skills to entrepreneurs starting or operating their own businesses. By improving skills in the work place, there is a higher likelihood that women can make career advances and earn higher compensation. And supporting the growing class of women entrepreneurs provides opportunities for these women, and creates a group of role models for other women.

Ideally, training for women would be similar to training for male entrepreneurs — in finance and banking, marketing, entrepreneurship, business plan preparation, negotiation, recruitment, computeriza-

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<sup>17</sup> There is also evidence that small businesses in general are organizing to purchase goods and services, or for advocacy.

<sup>18</sup> Men's investment clubs are also popular.

<sup>19</sup> The present study and the 1991 Coopers and Lybrand study for the USAID Women in Development Office found that women's participation in traditional business training programs was far lower than that of men. Possible explanations include training cost, content, location, duration, or incompatibility with women's other responsibilities.

tion, sales, and job skills training and upgrading. Women may need more management training than men because this is an area where women have traditionally been left out at the higher levels. Interviewees frequently confirmed that women tended to lack confidence, and that they benefited from pre-entrepreneurial "empowerment" training.

Prototype training courses observed by the team seemed to combine several crucial elements. These were provision of daycare, skill-building along with self-esteem and empowerment training, and links between training and financial assistance mechanisms.

### **PRINCIPAL ORGANIZATIONS ASSISTING WOMEN'S ENTREPRENEURSHIP AND EMPLOYMENT**

The organizations are divided into two categories. Those providing the most active support for women appear first.

#### **Center for the Advancement of Women — Warsaw**

The center is currently the Warsaw branch of the International Women's Foundation (IWF) in Łódź, but will soon be a separate legal entity. Four main programs are offered: training, research, employment "matching," and an information center. Funding sources include the governments of Canada, Switzerland and Norway, the Batory Foundation, and the Bank for Social and Economic Initiatives (BISE).

The women using the center's services are from urban areas and are typically 35 years of age or older. Many, but not all, are unemployed. The center's premise is that unemployed, middle-aged women with few or no office skills have the hardest time becoming re-employed.<sup>20</sup>

#### **Training Offered by the Center**

**Training Women Entrepreneurs.** A course in "How to Start and Run Your Own Firm" is offered to unemployed women. The course provides 50 hours of training and 50 women have completed it to date. This basic course on how to register and operate a firm is the same course that is offered through the International Women's Foundation in Łódź. Approximately 400 women have graduated in the past two years.

**Workshops.** Three-week workshops have been conducted during the past three summers.<sup>21</sup> Employed women looking to "defend their jobs" or improve skill level and unemployed women doing skill upgrading can participate. During the first summer, only one course, enrolling 15 Warsaw women, was offered. In the subsequent two summers, two sessions were offered and opened to urban women throughout Poland, training 40 women each summer. Participants paid 20 percent of training costs.

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<sup>20</sup> It is common for employment advertisements targeting female candidates to explicitly discriminate against those over 35 years of age.

<sup>21</sup> Child care is provided at the center during the courses.

The workshops cover positive thinking seminars at the beginning of the workshop, skill introduction and improvement, job search techniques, and meetings with gynecologists, lawyers, and sociologists. Courses are advertised through the center's Employment Agency, social welfare offices, newspapers, and in cooperation with other organizations.

**General Training.** Under the title "To Find Myself," the center offers classes in positive thinking, assistance in resume preparation/job searches, and meetings with psychologists and sociologists.

### **Research Conducted at the Center**

The first research report, "Labor Market for Women in Warsaw," is being released. The center plans to commission further reports on women when funding and staffing become available.

### **Employment Matching Program of the Center**

The center acts as a quasi-employment/unemployment agency. Newspapers, bus tickets, baby-sitters, and telephone calls are prohibitive for individuals trying to survive on unemployment benefits.<sup>22</sup> The center reduces some of the costs associated with seeking employment. Activities include:

- Assisting 400 women to register for unemployment benefits;
- Identifying employment opportunities through informal relationships with 2-4 firms; and
- Scanning employment opportunities in the newspapers.

### **Information Center**

The center serves as a clearinghouse for information on women's groups in Poland. So far, the center has published contact information for almost 50 groups and the list is continually updated. Current funding does not allow more formal publication and wider dissemination of this vital information.<sup>23</sup>

### **Batory Foundation**

Established by the Soros Foundation as a part of its Central Eastern European network, the Batory Foundation's goal is to help build Poland's post-communist society. In doing so, Batory supports research, training, information systems, and inter-European contacts. Focusing on both local self-help initiatives and individual citizens, the Foundation initiates its own programs, and also provides financial and advisory support to existing programs and institutions. The Foundation actively supports the development of Polish businesses.

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<sup>22</sup> It is important to remember that unemployment is a relatively new phenomenon in Poland. Individuals do not automatically know how to job hunt and the daily routines required for successful job seeking are new to many.

<sup>23</sup> Although few were aware of its existence, this was probably the most appreciated document circulated by the consultants during interviews around the country.

In 1992 the following gender-related entrepreneurship initiatives were supported: Foundation for the Development of Polish Agriculture — financing travel for four women to the Women's World Banking Conference in Italy; and funding for the International Women's Foundation in Łódź and the Warsaw Center for the Advancement of Women. This support was seminal in initiating the model employment and entrepreneur programs described above.

### **Foundation for the Development of Polish Agriculture (FDPA)**

FDPA's activities began in 1988 to support Poland's independent farmers. Working with Land O'Lakes, other organizations, universities, and corporations, FDPA has provided training, support services, financing, and materials to individual farmers, agribusinesses, extension staff, and civil servants. The many programs that have targeted activities for agribusinesses include small business management and financing. Many of FDPA's programs support agricultural entrepreneurship, including:

- Partners in Economic Management, working with American organizations and Polish universities to improve curricula and provide training, sometimes directed to female entrepreneurs;
- Restructuring Agriculture and Agribusiness Private Sector Program, providing in-country and participant training and technical assistance to state-owned enterprises;
- Women in Rural Enterprise Development Program (WIRED), providing training and financing for rural women (elaborated below); and
- Rural Tourism, an initiative for developing rural and agro-tourism in Poland through joint training with the WIRED Program.

The WIRED program, established to address the particular needs of rural women, offers training in business management and finance accompanied by self-awareness training and positive thinking seminars. The training costs for participants are low, and the program lasts 48 hours (1 day/week for a month).<sup>24</sup>

Upon completion, trainees can form groups, which can apply for financial assistance from WIRED's revolving fund.<sup>25</sup> This is the first Grameen-style program for women in Poland.<sup>26</sup> The financing facility was initially capitalized by a \$250,000 loan from the Polish-American Enterprise Fund. Borrowing groups of up to 20 individuals are eligible for loans of 100M zloty or less.<sup>27</sup> Defaults prohibit a group from receiving further credit. Collateral requirements and grace periods are customized.

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<sup>24</sup> Unemployed participants pay half the regular training fee.

<sup>25</sup> Loan applications may be submitted by graduates of similar small business training programs.

<sup>26</sup> Some experts say that Polish women, forced to join groups in socialist times, may initially resist group lending.

<sup>27</sup> March 1944 exchange rate: 22,024 zloty = 1 USD.

and interest rates are subsidized at three points below market rate. Local volunteer committees conduct the first screening, forwarding feasible applications to the fund's loan officer for the final decision.<sup>28</sup>

This year approximately 500 people (95 percent female) received training. Only a few loans have been extended and it is too early to calculate the program's effectiveness. Adopting a microenterprise lending approach that has been successful around the world is hopeful, but subsidized interest rates are counterproductive, according to GEMINI experience, if sustainable lending institutions are the goal. FDPA is trying to meet the requirements to become a Women's World Banking (WWB) affiliate in the next 2-3 years, drawing upon the vast WWB network for support.

### **Peace Corps/Poland**

The Peace Corps has an impressive record in training women through its Small Business Development Program (SBDP). The 60 business volunteers (of a total of 215 volunteers in Poland) work closely with regional and municipal governments, local organizations, and individual entrepreneurs. Nearly 900 hours of training in 53 individual sessions have been offered to 686 students (51 percent female), 422 entrepreneurs (48 percent female), and 232 government officials (56 percent female). The courses include topics such as business English, finance, and marketing. The gender statistics for the training have been impressive — with 49 percent males and 51 percent females of 1,533 trainees.<sup>29</sup> A WID committee has guided Peace Corps WID initiatives and could well serve as a model for other U.S. and international donors.

### **Forum for Intercultural Communication**

This Washington, D.C.-based agency sponsored its first Woman-to-Woman: Partners in Business internship training program for eight Polish women in February 1993. Following their one-month practical experiences with similar U.S. businesses, the participants formed the Teraz Kobieta Association upon their return to Poland. Its purpose is to provide continuing training and support to returned participants, and to encourage other aspiring female entrepreneurs. A second and third round of participants will be selected. The fully mature program will include national training, networking, and a quarterly newsletter.

### **Rural Women's Circles**

Rural Women's Circles were created 130 years ago to represent and promote the interests of rural women (Coopers and Lybrand 1991, p. 49). Total membership is now 1.3 million in 36,000 circles countrywide. Activities are determined at the local level. The circles are now involved in the creation of women-owned SMEs and have been active in savings mobilization. Each circle maintains an account that could potentially be linked with Women's World Banking.

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<sup>28</sup> Although FDPA currently acts as a nonbank financial institution, future loan funds may operate through the banking system.

<sup>29</sup> Large numbers of women were observed in secretarial courses. It would be interesting to calculate the percentages by gender for actual entrepreneurship training or assistance.

### **Women's World Banking**

Three groups are working to establish Women's World Banking in Poland: International Women's Foundation in Łódź, Center for the Advancement of Women in Warsaw, and the Foundation for the Development of Polish Agriculture. To become a full-fledged affiliate, an organization must, among other things, create a capital fund. The Center for the Advancement of Women may qualify as an affiliate by the end of the year and the Foundation for the Development of Polish Agriculture within several years. As noted above, the Rural Women's Circles should not be overlooked as potential WWB affiliates to serve rural women.

### **Office of the Women's Plenipotentiary**

This office formally exists within the Polish government, but it has not been filled for two years. Currently, the Plenipotentiary for Family and Youth Affairs has the additional responsibility of advocating women's issues along with its other duties. This potentially dilutes its gender impact. It is uncertain whether the office will be reconstituted under the new government.

### **Parliamentary Group of Women/Women's Democratic Union**

Women make up 10 percent of the members of the Polish Sejm, down from 20 percent in 1987. However, as the Coopers and Lybrand Report notes, women's real power may have increased. Women in government before the 1989 government were often communist party figureheads, having little real power. Women elected in the post-1989 government, while fewer in number, are more active on women's issues.

Less than half of female Parliamentary members belong to the Parliamentary Group of Women. The group's initiatives include women's legal issues, the position of women during democratization and economic transformation, women in mass media, and abortion and family planning issues.

## **OTHER ORGANIZATIONS ASSISTING SMEs**

This section summarizes several key programs that support SMEs in general. Some incorporate gender aspects as well.

### **GEMINI — Poland Small Business Project**

In September 1991, the USAID-sponsored GEMINI Poland Small Business Project began its operations based in the Ministry of Industry and Trade in the Plenipotentiary for SME Promotion. GEMINI's work plan focused on assisting the government develop policies promoting SME growth and development. To more fully understand small enterprises, GEMINI conducted two subsector assessments (construction and agribusiness) and a loan guarantee feasibility analysis, and helped write two reports on informal business sector and cross-border trade. The impetus behind the reports was to classify constraints and opportunities for SMEs within the larger business environment, identify impediments in the business environment, and identify functional linkages among SMEs, SOEs, and cooperatives. In

doing these studies GEMINI staff were able to identify legal, regulatory, and policy constraints and assist the government in prioritizing these constraints.

Simultaneously, GEMINI advisors worked closely with MIT staff in many areas. GEMINI advisors were frequently requested to liaise between MIT and foreign donors and to serve as advisory resources on all levels.

In February 1993, GEMINI staff moved to offices of the Council of Ministers and began to work closely with the Minister for Entrepreneurship Promotion, serving as legal and policy advisors. Managing the G-24 Task Force office and participating in the G-24 working group, GEMINI assisted the Minister's staff and EC-PHARE advisors to produce "Investing in the Future." This report delineated and prioritized business constraints in Poland and proposed follow-on actions. This was a landmark event, drawing together members of the government and the donor community to build consensus among participants about SME issues.

GEMINI's transformation during the Spring of 1993 was significant and the new scope of work written for GEMINI's extension reflects the ground covered by GEMINI since September 1991. Advising the minister based upon a set of prioritized objectives, GEMINI staff now work on creating the SME umbrella policy, to be closely followed by an SME Act and advisory services on the formidable financial constraints still faced by Polish businesses. Working daily with many of the same government staff, GEMINI staff have been able to transfer knowledge and to help build institutional capacity.

### **Foundation for Social and Economic Initiatives (FISE)**

The Foundation for Social and Economic Initiatives was established in 1990 with the support of the Ministry of Labor to address the training and technical assistance needs of entrepreneurs starting their own businesses. FISE, with its sister organizations, the Bank for Socio-Economic Initiatives (BISE) and the Society for Socio-Economic Initiatives (TISE) that infuses equity capital, is the only network of institutions established to assist business start-ups in all sectors.<sup>30</sup>

FISE is supported by several domestic and foreign sources, including The Polish Ministry of Labor, the German Marshal Fund, EC-PHARE, and two French institutions. FISE operates 14 regional centers called Agencies for Local Initiatives. The centers provided advisory services and training for 15,408 people from September 1990 to May 1993. The registered unemployed now comprise the main clientele of FISE local agencies.<sup>31</sup>

FISE provides business advisory services to clients. These include legal procedures, financial and management consulting services, and preparation of feasibility analyses, business plans, and credit applications.

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<sup>30</sup> Although the three institutions have common roots, a FISE referral to BISE or TISE does not get automatic approval. Data through November 1992 indicate that only about 40 percent of BISE's clients were referred by FISE. Of these only 20-30 percent received loan approval. TISE, originally designed to work with start-ups as well as existing SMEs, has not been able to identify any feasible projects to date.

<sup>31</sup> Local FISE offices get the bulk of their funding from annual contracts with local branches of the Ministry of Labour and Social Policy. Additional 1993 FISE financing came from the government's Labour Fund and the Agricultural Fund.

The team made field visits to four Agencies for Local Initiatives (Warsaw, Kraków, Kielce, and Łódź) and interviewed staff regarding their programs, numbers of clients served by gender, and gender-based needs of entrepreneurs. When queried about any observed gender differences, approximately 30 percent of staff mentioned that women took their businesses seriously, prepared careful business plans, and, though open to new ideas, were cautious in their approach to loan sizes and risk.

### **Labour Fund**

The Labour Fund (LF) is a social safety net that appears to be among the largest lenders to those microenterprises and business start-ups initiated by unemployed persons. BISE administers the LF. The LF also loans to enterprises creating jobs. Any business that can prove it is creating jobs can apply for up to 17M zloty per job position and a total of 200M zloty per enterprise. Forms of collateral accepted include co-signers, IOUs, and mortgages, preferably commercial and not residential. The average loan term is 36 months. There is a built-in incentive (50 percent loan forgiveness) for individuals and enterprises that continue operations for two years.

### **Enterprise Promotion and Support Center (EPSC)**

TechnoServe established EPSC with a grant from USAID in the spring of 1991. EPSC is located in Sandomierz, Tarnobrzeg voivodship, which is an economically depressed community in southeast Poland. Based upon the baseline survey and the consumer study findings, the primary program component supports farmers and agribusiness in the voivodship, mainly through its advisory services to individual farmers, state-owned farms, cooperatives, and local government. The program aims at enhancing the dairy, fruit and vegetable, and livestock sectors. Services range from technical agricultural procedures to agribusiness accountancy.

EPSC also has a separate for-profit arm, the Farm Service Center (FCS), whose activities bring in new ideas and investments into the community. For example, a venture between the center, the USDA's Polish-American initiative, a local Extension Service Office, and the Puławy Soil Institute tests the feasibility of growing a Burbank potato in Poland. This experiment is taking place on four separate farms in a 40-hectare area. If trials are as successful as anticipated, the center will work with these institutions to register the seed and train local farmers in growing this crop.

The center also works with a variety of different individuals and groups. An example of such collaboration is the dairy program that works with local Women's Circles. TechnoServe staff have identified women, mostly widows, who are interested in selling their cows to purchase milking cows from elsewhere in Poland or in Europe.<sup>32</sup>

The center also conducted a prefeasibility study to determine local demand for dairy-processed milk and several varieties of soft cheeses. Results indicated that people would pay up to two-and-one-half times more per carton of milk, if they could be assured that it was pasteurized, homogenized, and sold in dated, waxed cartons. Combining the interests of these women with the local demand for fresh milk,

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<sup>32</sup> Training should address the current practices of harvesting hay too late, thus reducing its protein levels; not cleaning dairy stock before milking; not giving vitamin supplements; and improper refrigeration. Construction of cow sheds may also be necessary to support the program.

the center is pursuing the possibility of a small dairy. Cooperatives have also used the center's advisory services.

### **Polish-American Small Business Advisory Foundation**

In 1992 The Central European Small Business Enterprise Development Commission, sponsored by the U.S. Congress and the Polish Chamber of Commerce, founded the Polish-American Small Business Advisory Foundation with offices in Warsaw, Łódź, and Gdańsk. The Foundation is modeled after the Small Business Development Centers of the U.S. Small Business Administration, and provides counseling and training to entrepreneurs. Available data on the 799 clients served in the first quarters of operation indicate high female participation rates. For example, in the Gdańsk office, 85 percent of first quarter beneficiaries were women, as were 90 percent in the second quarter. However, recent figures dropped to only 14 percent female clients. A careful analysis should be undertaken by program managers to find reasons for the high initial female participation and the precipitous decline, with a view to increasing the number of female participants.

### **United Nations Development Programme (UNDP)**

The UNDP's Fifth Country Programme for Poland (1992-1996) has four types of activities: Human Resource Development, Market Economy Institutions, Environmental and Ecological Infrastructure, and the Umbrella Programme.

Of particular interest for gender issues is the Umbrella Programme that can offer technical assistance, mostly by U.N. Volunteers and Polish consultants, to almost all representative institutions and individual enterprises of both the public and private sectors. The government and UNDP share equally in costs associated with running this project. The Umbrella Programme is important to follow-on WID initiatives of the GEMINI Poland project. The UNDP Umbrella Programme Manager expressed interest in the proposed WID seminar and the possibility of seminar participants applying for Umbrella Programme grants.

### **Partners in International Education and Training (PIET)**

The Warsaw PIET office coordinates all training programs for Europe. PIET/Warsaw has two participant training programs, covering a wide range of topics.

#### **Participant Training for Europe**

The first, largest program is the Participant Training Program, for which 250 participants (174 men/76 women) have been nominated for training since the project began last November; of this total, the number trained is around 30, of whom 40 percent are women. Training lasts 4-6 weeks and consists of a study period followed by an internship. Training is tailored to each individual's needs, utilizing a wide variety of host institutions.

### **Entrepreneurs International**

This program differs from the above program in several ways. First, it specifically targets business people.<sup>33</sup> Second, the businesspersons are required to pay half of their airfare (approximately \$550) to the United States. Third, the number of women qualified and selected for training is 30 percent of the total. Fourth, the training is all practical, on-the-job-training with a host business in the same industry, without classroom training.

### **Agricultural Cooperative Development International (ACDI)**

ACDI has two training initiatives: one in agribusiness management and the other on cooperative bank advisory services. The manager of the training program intends to target female participants. Though the numbers of female trainees may not be high, ACDI is an important resource for women farmers/entrepreneurs. The interviews with ACDI by the present consulting team gave further impetus to ACDI's efforts to train rural women.

### **Cooperation Fund (CF)**

The Cooperation Fund is a Polish organization established to manage technical and financial assistance from the European Community. Its SME Program Unit manages EC-PHARE and STRUDER regional development activities, supporting SME development. EC-PHARE financial assistance focuses on investment credit lines and grants to individual businesses for equipment and construction, filling a gap in the Polish banking system. Average loan size is approximately \$US 78,000, with a 3-5 year maturity, at market interest rates plus 4 percent. July 1993 data for the EC-PHARE SIP/Small and Medium Enterprise fund indicated that of 44 loans, only 11 percent were extended to women and 9 percent to couples. Eighty percent went to male-owned businesses. Program managers should be encouraged to identify and address reasons why the number of female borrowers is so low.

EC-PHARE technical assistance enhances local and regional institutional capacity to support SME advisory services and training, in 14 business support centers throughout Poland. Gender disaggregated data on their technical assistance beneficiaries were not available.

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<sup>33</sup> Originally a preference was stated for export-oriented businesses, but that is no longer a factor.

## PART FOUR

### GENDER STRATEGY FOR GEMINI POLAND

#### RESEARCH AGENDA

It makes good economic sense to assist women in becoming entrepreneurs. First, it is usually necessary for women in both rural and urban families to be economically active. Additional factors that may propel women into entrepreneurship include higher unemployment for women than for men; significant numbers of lower-income, female-headed households, especially in certain geographic regions; few job openings in feminized professions, for older women, or for new graduates; and early retirement laws for women and female longevity, which make economic options crucial for older women.

Yet, the majority of new jobs created are directly or indirectly targeted for males, and gender stereotyping in position descriptions is common. Finally, the lack of available and affordable child care make options such as home-based businesses or part-time work more attractive.

Evidence from this study shows that women can run enterprises effectively; the profiles of women entrepreneurs in Annex A show four businesswomen who could be considered successful, and one who was unsuccessful. The researchers were repeatedly informed that women who came to business advisory centers were serious about their businesses and often prepared more thorough business plans and market analyses than did men. Thus, in the transition to a market economy, it is important to ensure that the appropriate resources and support systems are in place to maximize women's productivity within the country's emerging entrepreneurial pool.<sup>34</sup> Included here would be support for existing women's business groups as well as encouragement of new organizations. Advocacy initiatives, such as those being bolstered by the GEMINI Poland project and others, should promote information-sharing about SMEs.

Future gender work in Poland could justifiably focus on data collection and research into relevant hypotheses.

- The researchers were hampered by a lack of gender-disaggregated data, especially for government and donor programs providing financial and nonfinancial assistance to SMEs. Such data often had to be constructed during interviews from records at hand. For those interested in monitoring the welfare of women and the poor, such data become increasingly important in difficult economic periods such as the present. A government-wide policy to collect such data and accompanying program mechanisms to implement it are essential. GEMINI Poland can set an example with its own database. Data collection should not be made too cumbersome. Cost-effective efforts to document gender-related trends are needed by the government, donors, and the Polish private sector.

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<sup>34</sup> The G-24 Task Force recommended that the government, with assistance from the donor community, concentrate on credit and government regulations, among other things ("Investing in the Future: . . ." 1993), to assist the private sector to develop.

- Future GEMINI financial systems research should include data on loan applications and rejections by gender to determine any disparities by gender and the reasons for these disparities.<sup>35</sup>

Other areas could also usefully be explored.

- What is the exact nature and magnitude of the relationship between high female unemployment, family dependence on female income, and the propensity for women to become entrepreneurs, and does this cause higher growth rates of female-owned enterprises in certain regions like Łódź? Future research and action on agribusiness and farm enterprises could also investigate ways to enhance the entrepreneurial and productive capacity of rural women.
- The elections of September 1993 might be interpreted as a mandate for more worker benefits. Will this be a disincentive to SMEs to hire women and will there be further backlash because of the expense of maternity and other gender-associated benefits? What are the options? Though no one doubts that the child care system under socialism was highly inefficient, had low-quality service, and was an unacceptable budgetary burden to the debt-ridden government, the gap between the old system and future, universally affordable daycare services is a wide one.<sup>36</sup>

The Coopers and Lybrand study suggested that part-time work may help women balance their child care, domestic, and work responsibilities. In the Former Soviet Union, the system of using grandmothers was identified as a viable child care option (Fong 1993). Similar alternatives may also work in Poland. The authors of the present report suggest that home-based entrepreneurship — for example, accounting and secretarial services — offer viable alternatives for some women. A study could be undertaken to identify the impact of existing and possible child care options on women's entrepreneurial and employment behavior, with a view to solving this problem in a way that is beneficial for the private sector and for women.

- Finally, a more formal study of both male and female small and microentrepreneurs should be undertaken to shape future policy and action. The potential and the necessary conditions for transforming the disproportionate and ever-increasing numbers of unemployed women into entrepreneurs should be thoroughly assessed, along with gender comparisons on business growth and dynamics.

## **ORGANIZATIONAL RESPONSES**

In response to the information and support needs outlined above, the team recommends certain organizational responses.

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<sup>35</sup> In future SME research, it would also be useful to probe the sources and the role of savings in start-up capitalization, and whether and how savings rates and asset building differ by gender.

<sup>36</sup> The Price Waterhouse study (1993) analyzes childcare programs and opportunities for private participation in several Eastern European countries.

### Setting the Stage: WID/SME Seminar

The research team proposes that a WID/SME seminar should be held to set the stage for GEMINI Poland project work in SME policy and legislative action, and in financial sector reform/SME financial services.

*The highest priority* and the first major action of a gender strategy for GEMINI Poland would be to organize and conduct a seminar for the purposes of gathering further pieces of crucial background data on women and SME in Poland, and of mobilizing a women's SME network. This network would be an important emerging constituency for future GEMINI/Council of Ministers SME advocacy initiatives, including the forums planned by GEMINI Poland.

The rationale for such a seminar is that the fledgling Polish women's organizations need support to coalesce and expand. The seminar will be crucial to forming and supporting women's organizations and networks.

A WID/SME seminar was supported in principle for possible funding by the Private Sector Office, USAID/Warsaw.<sup>37</sup> Other agencies offering support for the seminar included the Peace Corps and FISE. The President of the Polish Home Economics Association, who is a staff member at the Agricultural University of Warsaw, volunteered space at the university for the event. The UNDP Umbrella Programme Manager agreed to entertain proposals for future work from participants at the WID/SME seminar. FISE volunteered to dedicate an issue of its journal, *Asocjacje*, to the papers from the seminar.

Participants at the SME/WID seminar would include leaders of organizations and programs, female entrepreneurs, and staff of government agencies. The goals of the seminar would be to build the capacity of women's business organizations by supporting existing ones and helping new ones to solidify, to provide input into the SME policy process, and to distill the best practices and lessons learned from programs and approaches. Participants would address the following issues:

- Explicit identification of constraints and opportunities of female entrepreneurs;
- Assessment of the adequacy of current programs in meeting the needs of female entrepreneurs;
- Provision of data to the new Office for Entrepreneurship Promotion, and participation in regional and national SME forums;
- Mobilization of women business owners in support of the SME Policy and SME Advocacy Act;
- Development of strategies for presenting gender issues at the GEMINI Poland forums;
- Identification of effective methods for informing and interfacing with local, regional, and national governments about women's needs; a possible SME Advisory Council; or use of

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<sup>37</sup> Such support is essential because the current GEMINI buy-in has no resources and the proposal for a seminar emerged after the existing project work plan was prepared.

the Plenipotentiary for Women, Children and Families and the Women's Parliamentary Caucus to highlight gender issues; and

- Identification of a common institution that could advocate women's business interests. An apex organization to advocate women's needs could include all NGOs whose programs addressed women's employment and entrepreneurship. An apex organization might also be large enough to solicit and absorb more generous funding. It is conceivable that the seminar could result in the formation of a coalition of NGOs and donors.

### **The GEMINI Work Plan: Recommendations to Support Women's Entrepreneurship**

Building on the seminar, this section presents and prioritizes recommendations on gender for the two main GEMINI Poland project objectives: SME policy and legislative action, and financial sector reform and SME financial services. The most important actions fall under the first major project objective: SME policy and legislative action. Within that objective, the most critical actions are identified as first-order priorities.

#### **SME Policy and Legislative Action**

<p><b>Comprehensive SME Policy: Develop Gender-disaggregated Database and Include Gender Issues in Action Plan.</b></p>	<p>[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]</p>
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Compelling but incomplete evidence points to the actual or potential contribution of women to the SME sector. For the government to prioritize its goals for economic growth and the development of the SME sector, a more comprehensive portrayal of businesses is needed on both the national and regional level. For example, the government's lack of gender-disaggregated statistics hinders its ability to make pragmatic policy decisions about the consequences of poverty and unemployment resulting from the feminization of certain industries and regions. This negatively impacts cities such as Łódź, as well as rural areas.

- *Of first priority*, collect gender-disaggregated data on SME, including financial and nonfinancial domains.
- The planned expansion of the policy paper and action plan should incorporate the gender-specific issues identified in this report. These include, but are not limited to, the establishment of a database that disaggregates key information on entrepreneurship by gender, unemployed women as potential entrepreneurs, and regional- and industry-specific trends that conceivably link women to unemployment and poverty where these have implications for SME policy.

**SME Advocacy: Appoint WID/SME Contacts in the Office for Entrepreneurship Promotion Within the Council of Ministers, and in the GEMINI Poland Office.**

[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]

Until recently, there has been very little coordinated, national advocacy for women's business and employment issues. One of the reasons for this is that the dynamic women in the NGO vanguard spend considerable time operating their programs and seeking funding. This leaves little time for organized advocacy. Furthermore, women's organizations do not usually network with each other and there is little awareness of common issues and possible actions.<sup>38</sup>

The new Office for Enterprise Promotion will serve as the government's representative and advocate for SME affairs. Ideally, the new office should have the capacity to accomplish the following gender-related goals:<sup>39</sup>

- Review the G-24 Task Force recommendations to flag gender issues. This initiative is of *first priority* because the team's visit occurred after completion of the Task Force Report, thus preventing a potential opportunity to integrate gender issues into relevant sections. Because the Task Force will be continued, both the GEMINI and Council of Ministers' Contact Persons/Section should represent women entrepreneurs' interests in these discussions;
- Inform and influence SME policies so that gender issues are fully integrated, where relevant, in processes and programs of the government;
- Monitor and shape SME policies to ensure that gender goals and issues are adequately addressed and remedial actions are taken where necessary;
- Strengthen the capacity of women's business associations, private voluntary organizations, and local government through organizing opportunities for networking and information dissemination, such as seminars and forums.

Achievement of these goals would be enhanced by the identification of a WID/SME section or, minimally, a contact person within the new legally constituted office of SME advocacy.<sup>40</sup> This person or section would monitor issues with differential gender impact in the office's three envisaged departments — policy analysis, legislative review, and economic policy analysis. Among the specific tasks of this person or section would be:

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<sup>38</sup> The Senior Policy Advisor of the GEMINI Poland Office provided generous assistance and support during the team's visit. During debriefing, it was agreed that she can continue to serve as the GEMINI contact point for gender issues.

<sup>39</sup> The proposed goals and functions should be considered by the GEMINI Poland and Council of Ministers' staff responsible for drafting the operational aspects of the new office.

<sup>40</sup> This proposal was discussed in the July 30, 1993 debriefing of the team with the GEMINI Poland staff and a representative from the Council of Ministers.

- Advocate for women entrepreneurs when appropriate to the government, alongside regional development authorities, associations, SME advisory centers, and private voluntary organizations; and
- Collaborate in the SME Policy and SME Advocacy Act Forums described below.

**Bring Women's NGOs into the National, Regional, and Local Dialogue on SMEs through SME Policy and SME Advocacy Act Forums.**

[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]

SME Policy and SME Advocacy Act Forums are being held in various regions of Poland. Forum objectives are to create and sustain linkages between financial institutions and SME organizations, to generate support for a new SME financial services strategy and action plan, and to identify spokespersons and leaders from the SME sector.

- *Of first priority*, the forums should address gender where relevant, and the verifiable indicators should monitor female participation rates.

Furthermore, the work plan provides for the participation of women-owned businesses in the forums.

- *A high priority* would be to also involve the emerging women's private voluntary organizations that are focused on unemployment retraining and entrepreneurship. These NGO programs constitute cost-effective and supplementary support mechanisms that can increase women's productive capacity.

Groups in Warsaw and Łódź are conducting comprehensive skill and self-esteem-building courses. Child care is provided for participants. These groups could present information to other conference participants on constraints to female economic participation, and lessons learned from their innovative programs. These and other groups could also assist the SME Policy and SME Advocacy Act by mobilizing their members in support of SME initiatives at local, regional, and national levels, and by identifying key leaders to facilitate a gender-sensitive SME dialogue and flow of data.

- Involvement of groups providing training is also *of first priority*.

If the proposed Polish SME Mission to the United States takes place, every effort should be made to include a representative proportion of female entrepreneurs. The strategy of having a business mission to the United States proved successful for a recent pilot group of Polish women business owners. Women who went on the mission are now responsible for establishing women's business groups in their geographic area.

### Financial Sector Reform and SME Financial Services

The second major project objective suggests several second-order priorities.

**Do Financial Sector Assessment and Develop Model and Guidelines for SME Loan Guarantee Facility .**

[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]

This study, containing "a thorough analysis of the constraints and opportunities for increasing SME credit and non-credit financial services in Poland . . ." should systematically address the issue of comparable access by male and female business to credit and to nonfinancial services. Furthermore, the proposed loan guarantee facility model and guidelines are an ideal context for GEMINI Poland to include a model, and concomitant data required, to ensure equal access by males and females.

**Draft SME Financial Services Strategy and Action Plan.**

[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]

Similarly, the SME Financial Services Strategy and Action Plan should provide for equal access and gender-based monitoring.

**Other Policy and Program Areas: Develop Database.**

[Action required by GEMINI Poland and the Office of Entrepreneurship Promotion]

As mentioned elsewhere, the team encountered considerable difficulty obtaining gender-disaggregated data because under socialism men and women were considered equal; thus gender-based information was often viewed as unwarranted. Data were especially difficult to obtain from programs operated by government or donors. Indeed, such data often had to be generated during interviews the team held with financial or other institutional staff. A gender-disaggregated database is essential for advancing the agenda for female entrepreneurship. This will allow gender monitoring of crucial variables such as business start-ups, types of businesses, sources of capital, successes and failures, business growth, number and gender of employees, access to credit, training and association support, employment, unemployment, reemployment, and so forth. The functions of the Office of Entrepreneurship Promotion should also include identification of policies and cost-effective processes for businesses, employers, and agencies to collect such data. Although it is beyond the scope of the GEMINI project to establish government-wide policy about collecting such data and procedures to implement it, GEMINI and the Council of Ministers should set an example and provide a model.

**Other Policy and Program Areas: Sensitize Labour Ministry to Gender Discrimination.**

[Action required by USAID]

Labor policy and law require dialogue along gender lines because job openings currently registered with the Labour Ministry frequently specify gender of the desired candidates. U.S.

development assistance can play an important role in sensitizing the government to the negative effects of this practice and in encouraging the government to adopt nondiscriminatory alternatives (Coopers and Lybrand 1991, p. iv).

**Other Policy and Program Areas:  
Encourage Dialogue on Gender-  
Related Concerns Such as Childcare.**

[Advocacy and action required by women's organizations and by the government]

Other policy areas where gender issues intersect with entrepreneurship and require dialogue include family policy, including child care and maternal/child health; and unemployment, pension, and social assistance policies. Of critical importance is alternative, less costly child care because the current unavailability of affordable care undermines the productivity and welfare of women entrepreneurs and workers. Creative, cost-effective strategies need to be identified to address the needs of female entrepreneurs and the private sector.

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**ANNEX A**  
**ENTREPRENEUR PROFILES**

## ENTREPRENEUR PROFILES

An older widow in her mid 50s, living in a rural town in southeastern Poland, runs a 10.5 hectare farm with the assistance of her two sons. She and her sons accumulated the acreage from three sources: 5 hectares from her parents, 3 hectares inherited by the sons from their grandparents, and 2.5 adjoining hectares bought 15 years ago. They grow a variety of grains and vegetables, breed cattle, fatten German juvenile beef-cattle, and raise 70 chickens and 20 ducks.

They have an arrangement with a German company and a state-owned meat processing firm to fatten the cattle "on credit" from the Germans for the processor; they pay the German company after they get paid by the state meat processing company. Otherwise, the widow has only taken credit once in 1979, encouraged by the local gmina to build a stable.

The family owns harvesting and milking equipment, but has to lease a grain combine from a local farmer. They do not have to pay income tax, but they do pay a land tax, which is derived from a formula based on rye prices and land ratings. One of their larger costs is water, depending upon the number of animals they are supporting.

With the loss of her son to an American training program, she has had to limit her operations this year. Because she depends on her sons for support, she cannot plan for extended operations without them.

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Helena and her friend, both in their late 20s, decided to open up a cafe in the local castle in a rural area. Their assumption was that it would be easy for women to prepare good food, operate in a clean and orderly manner, and put some style into their business. They were both ethnographers working for the government and needed another source of income. One woman still maintains her full-time state job, while the other works with an American-Polish advisory service part-time. In addition, they have three full-time employees and contract out their accounting work.

To finance their cafe, they borrowed money from friends and family and took a six-month, 40 percent interest rate per annum, and a \$1,200 loan from PKO, SA to buy equipment. They have a tax holiday for two years, if they can prove that they maintained continuous business operations for that period. Though they didn't do a formal business plan, they did have help from an American advisor.

Their food operations are limited to microwaveable snacks, packaged snacks, and cold and hot drinks. They cannot serve full meals because they lack the legal space requirements and do not have access to water pipes. They have used bus advertising to attract new customers, and are trying to work out arrangements with tourist services, bringing groups to the castle.

It is becoming increasingly difficult for the two entrepreneurs. The tax holiday has come to an end and there is budding competition from new local restaurants and cafes. Their location is a mixed blessing: they have a monopoly on castle visitors, but are just too far away from the active Old Town where the tourist hotels and shops are located.

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Malgorzata, 33 years old, has an M.A. degree in political science and psychology from Jagiellonian University and lives in a mid-sized city, working on restructuring and privatizing SOEs founded by the voivodship. She had teaching jobs at a local high school after university. While holding down her teaching job, she co-owned a small art gallery in the city; she was the manager and her friend was the artist. She took three loans at interest rates varying from 38-68 percent and maturities of two months to a year, co-signed by her mother, for about 45 percent of total start-up capital and personal expenses. Her friend brought artistic in-kind contributions.

The jointly owned gallery went bust after 15 months for several reasons. Primarily, she attributed her and her partner's lack of marketing experience and lack of previous business experience to the business' demise. They did not do a business plan, financial plan, operating plan, or even itemize costs. Despite this, the business is still operated somehow by her ex-partner; they just split and closed the limited liability company.

Malgorzata would like to start another business, but doesn't know whether she would operate a dairy or a clothing manufacturing firm. The dairy idea came from her year stay in London where she saw all the variations of fat-free, healthier milks. Recognizing that Polish milk is of lower quality with less choice, Malgorzata sees a potential market. The clothing manufacturing business concept started when she was on a business course in Italy, using a Bennetton case study. She is encouraged by her work and studies to try again one day, but is waiting for the right opportunity.

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The most sophisticated businesswoman met during interviews was Elzbieta, a middle-aged woman with an M.A. degree in economics from the Main Trade School in Warsaw. In business with her husband since 1980, they used their experience in an artisan cooperative to start a small plastics manufacturing company in their basement, producing household products like hangars, toothbrushes, nail brushes, and parts of fishing reels. Start-up capital was attained through cheap credits from the state banks as well as some extra money from selling their flat in the city.

Until 1987 she managed the business full-time and her husband worked part-time, advising and helping fix the equipment; afterwards, her husband took over the daily operations of the business. Nurturing the business everyday, she felt "claustrophobic" after these seven years, so she started working at a local government family assistance agency and assisted their business part-time with business development; for example, Elzbieta goes regularly to Brussels to compare product lines and prices. Along the way, they also switched the small plastics operations from the basement to a 150 m<sup>2</sup> shed in their backyard.

Through the years the couple has had to take credit. Usually they borrow from a local cooperative bank. Using their savings as collateral, they add in their cost of credit to their balance sheet — a novelty in eastern accounting methods — to reduce their overall profit line, and thus reduce their taxes.

The business has two suppliers: one in Pulawy and another in their town. They buy 50 percent plastic scraps and 50 percent new plastic, melting it down and shaping it.

They had to make contracting arrangements for their custom orders with a local cooperative, leasing their equipment to make larger plastic products and paying them a percentage of each shipment. They began exporting patented French-Polish video casings to the Far East and developed business with a local television manufacturing SOE to make television casings. With the large plastics operations, they coordinate the contract work.

Their export business developed with the help of a Polish expatriate export broker in France. Because they believe that the Polish market is still not friendly to domestically made products and the population is too poor, it is less risky to export. They do, however, maintain their existing contracts with Polish businesses, but their new business development is focused on the export market in Europe and the Far East. After learning how to make arrangements for exports, they no longer feel the need for a broker.

Throughout this whole period, one or both of them have held outside jobs. At this time, both have outside full-time jobs and many other commitments outside of their business, which have directly or indirectly helped business. In addition, Elżbieta has received business training from the Peace Corps in a "training of trainers" course and has participated in several local government and private business associations and organizations.

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**ANNEX B**  
**CONTACT LIST**

## CONTACT LIST

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**ANNEX C**  
**LEGAL ISSUES**

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## LEGAL ISSUES

Neither the Commercial nor Civil Codes discriminate by gender. According to Polish Law "all working people are equal". The Polish Labour Code, is paternalistic when it comes to women. The following are a few of the articles under Section 8 "Protection of Women's Labour" of the Labour Code that date back to communism:

- Protects women from having to work in hazardous situations;
- Allows women to take paid and unpaid time off in many circumstances: to tend to sick children under 14; to adopt a child; and to go the doctor's office during pregnancy; and
- Allows for one hour/daily paid breast feeding breaks.

Other "protective" measures probably make women less economically attractive employees, in particular for smaller enterprises, and during economic downturns.

Many unanswered questions arise:

- Do these benefits cause private sector employers to view women as financial liabilities?
- Does this in turn force women out the door first in a tough financial period?
- Is there any kind of governmental enforcement of these laws?
- Do laws force women in areas of high unemployment to work on the "grey" market?

There is circumstantial evidence from the interviews that women's rights are not as protected as the law would seem to imply. In closing, stark differences were reported between the law and practice in the transition economy compared to the socialist economy. And it is likely that the lack of anti-discrimination laws and practices in the marketplace produce gender inequalities.

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**ANNEX D**  
**FORMAL SECTOR FINANCING FOR SMEs**

## FORMAL SECTOR FINANCING FOR SMEs<sup>1</sup>

Four financial intermediaries provide the majority of credit to SMEs: Cooperative Umbrella (BGZ), Polish Development Bank, Bank for Social and Economic Initiatives, and the Polish American Enterprise Fund.<sup>2</sup>

**Bank for Food Economy.** BGŻ is the former "Centrala" for all cooperative banks and still oversees activities of those banks, which chose to remain in the BGŻ network.<sup>3</sup> There are now regional BGŻs with cooperative banks as members of these banks. Most of the co-op banks act like credit unions. The cooperative banks were established mainly to service the agricultural sector and the rural population. Cooperatives banks do not belong to BGŻ, but often deposit their money in BGŻ's regional branches, submit reports to this branch and get legal updates from them. With new competition, banks must decide whether to stay with BGŻ.<sup>4</sup>

The Economic Union is trying to become an alternative, umbrella financial intermediary to BGŻ. It was formed in late 1992 and is in the process of organizing itself. The hope is that a more credible (debt-free) institution will be able to attract foreign and domestic credit lines. The following have shares in the union: ARR, Ministry of Agriculture and several banks.

**Polish Development Bank (PDB).** The PDB was established to fill a void in medium and long term financing and venture capital for medium, small and microenterprises in Poland.<sup>5</sup> It acts as intermediary (for a fee) for western & international organizations' credit lines on behalf of the government. The objective is to open 4 windows for: financing private SMEs; restructuring & investments of SOEs; finance energy saving & environmentally safe projects; and help with the privatization process. The only sectors not stressed were: agriculture and housing (already have banks for these) as well as infrastructure projects (i.e. rail or power).

**Bank for Socio-Economic Initiatives (BISE).** Created in mid 1990 through the initiatives of the Polish Ministry of Labour and Social Policy and the French Bank Caisse Centrale de Crédit Coopératif, the Bank for Socio-Economic Initiatives (BISE)'s purpose was to aid in job creation by supporting the growth of Polish SMEs. The largest shareholder is the Labour Fund 46.32 percent votes, 62.68 percent share capital), while the second largest investor is the Ministry of Industry and Trade's Industrial Development Agency 26.68 percent votes (19.18 percent share capital); therefore, the government holds 73 percent of the total votes (82 percent of the total share capital).

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<sup>1</sup> The banking system headed by the National Bank of Poland consists of 9 commercial banks (former regional branches of the NBP), 6 specialized banks, over 90 private banks, and approximately 1,600 cooperative banks. The 6 specialized banks are Bank Handlowy (Trade), Bank for Food Economy (BGŻ), Export Development Bank, Bank for Domestic Economy, PKO, SA, and PKO, BP. PKO, BP is the largest of these banks with 580 branches and field offices and is the largest supplier of credit to SMEs, excluding agriculture.

<sup>2</sup> Credit unions, new to Poland, possibly represent another source of future financing.

<sup>3</sup> There are other banks and organizations vying for leadership of the cooperative banking system. For instance, Wielkopolski Bank Gospodarczy acts as a regional cooperative bank for banks around Poznań.

<sup>4</sup> Because BGŻ has poor default rates and is highly politicized, many cooperative banks are looking for alternatives.

<sup>5</sup> Source: PDB's "Strategy Plan 1991-1993."

BISE does a number of typical banking activities, including: servicing 6 zloty and/or hard currency credit lines; lending to individual SMEs & foundations; collecting term deposits; assisting in cash management (mostly through government bonds); providing inter-bank domestic and foreign money transfers; providing equity capital; giving financial consultancy services; valuing real estate at market rates; and assets and liability management. These services are improved and changed, taking into account the changing financial situation of enterprises and sector/industry priorities and repayment yields in the transition economy.

From a WID perspective, BISE's most important activities are connected to the Labour Fund money. In cooperation with the Łódź Regional Development Agency, the International Women's Foundation (IWF) and FISE, BISE provides financing to complement FISE and IWF entrepreneurship training; assisting BISE, the training programs include a component to help potential entrepreneurs fill out the financial documentation necessary to take credit. This is unique in Poland, where often the consultancy services and training are completely de-linked from financing.

BISE will also working closely with FISE and the EC STRUDER program, assisting in regional restructuring programs targeting municipal and regional governments. Services that may be offered would include loan guarantee and investment funds. The municipalities would be picked through an auction process.<sup>6</sup>

**Polish-American Enterprise Fund.** The Enterprise Credit Corporation (ECC) and The Enterprise Venture Capital Corporation (EVCC) are subsidiaries of the Polish-American Enterprise Fund (PAEF) financing SMEs. The PAEF, as a whole, is financed by the SEED Act of the U.S. Congress, which originally allocated \$240M for 3 years. Equity and credit financing tools are used by ECC and EVCC. The ECC deals with smaller loans from 0-\$75,000, while EVCC with larger sums of \$75,000-\$500,000 in loans and equity. At the end of 1992, there were approximately \$58M (ECC-\$48M, EVCC-\$10) in approved loans in this revolving fund, servicing the private sector.

PAEF has "master agreements" with 8 of 9 former regional banks of the NBP as well as PKO,S.A.. There is PAEF "window" at each of the regional banks and select PKO,S.A. branches with usually 1-2 rooms with 3-4 PAEF-trained bank personnel. There are also "sub-windows" at branches of participating "window" banks.

PAEF has set up a system of risk sharing and common lending. The banks and PAEF share the risk (50 percent-50 percent) of a loan with the banks receiving 25 percent of interest and .05 percent fee plus other contingent percentages, (e.g. penalty interest) and the PAEF receiving 75 percent of interest. Participating banks do the first screening, then recommend some applications to be further analyzed by PAEF's Credit Committee. Loans up to \$20,000 can be approved by the Vice President of ECC; loan requests greater than \$20,000 come before the weekly Committee. The 5 member Committee works on

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<sup>6</sup> In FISE's Łódź branch, specialists were helping a small rural municipality prepare its submission to the EC STRUDER Warsaw authorities. Their discussions included working with a foundation, created by the municipality, to create local loan guarantee and investment schemes.

consensus in granting loans.<sup>7</sup> The PAEF does not loan for pure trade activities, working capital and rarely for refinancing or to start-ups.<sup>8</sup>

ECC & EVCC do not provide technical assistance. Their clientele will sometimes benefit from their sister organization, Enterprise Assistance Corporation (EAC) based in New York. EAC informs the Warsaw-based ECC and EVCC where and when they are providing training courses. EAC also works to help form business clubs and concentrates its assistance to these clubs rather than EVCC or ECC clients.

Though there are several financial intermediaries able to provide assistance to SMEs there still remain serious financing constraints. The Task Force for Small and Medium Enterprise identified and summarized many internal and external constraints to business financing, including lack of domestic capital, inconsistent banking policies, laws and regulations, and risk aversion to lending to SMEs<sup>9</sup>. Despite their respective SME mandates, the capacity to service the SME community is severely hampered. Inadequate access to credit is a problem for all smes, regardless of gender; however, it remains unclear whether gender plays a factor in lending practices.

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<sup>7</sup> Average Loan Characteristics in the fall of 1992:

total number: 1,300  
 ave. size (ECC): \$23,000-\$24,000  
 ave. size (EVCC): \$150,000-\$250,000  
 fixed interest rates with grace period up to 1 yr.  
 dollar dominated — borrower takes exchange rate risk  
 no specific sectors favored  
 expanding co's are preferred to new

<sup>8</sup> Sectors Receiving Loans in the fall of 1992:

Agriculture: 44 loans; Food Processing: 125 loans  
 Carpentry: 66 loans; Medical & Health Services: 136 loans  
 Automobile Repair/Service: 57 loans; Retail/Food: 17 loans; and Textiles: 49 loans.

<sup>9</sup> Task Force on Small and Medium Enterprise, "Investing in the Future." GEMINI Technical Paper No. 41. May 1993, pp.10-12.

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