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**POLISH FEDERATION OF INDEPENDENT ENTREPRENEURS (PFIE)**

**FINAL REPORT**

**June 30, 1997**

**USAID COOPERATIVE AGREEMENT: No. 181-0023-A-00-4005-00**

**September 1, 1994 - September 1, 1996  
(2 no-cost extensions - September and December, 1996)**

The goal of this project has been to contribute to private sector expansion by stimulating the growth of the middle class in Poland. This is to be accomplished by providing political representation for small and medium-size firms through a national employers' advocacy association named the Polish Federation of Independent Entrepreneurs (PFIE). Because small and medium-size enterprise (SME) owners and their employees constitute the backbone of the middle class in any democratic society, this sector requires representation that can defend its interests as Poland makes the transition from planning to an open market economy. It is the goal of PFIE to help provide such support in an increasingly complex environment of independent non-governmental civic institutions.

PFIE's major programs for small and medium-size firm owners are: a) a growing magazine devoted to small business issues; b) a legal hotline; c) advocacy activities in cooperation with other civic groups; d) information distribution to SMEs on financial, legal and market opportunities available in Poland; e) leadership within the small business community as demonstrated in meetings with individuals and groups, and in PFIE-sponsored seminars; e) business courses; f) media activity on behalf of PFIE's membership and the Polish SME sector as a whole.

**Current Status:**

CSIS's formal involvement in the project ended on March 31, 1997. In January, 1997, the Center for Private Enterprise awarded PFIE a \$170,000 grant, to be allocated in three tranches. During the first tranche, PFIE committed itself to doubling its membership of 250 members. By July 30, 1997 this recruitment effort had succeeded in attracting an additional 230 members, making a total of about 500. In August, CSIS's US-Europe-Poland Action Commission awarded PFIE a matching grant of \$2,500 as a contribution toward publishing its most recent issue of "Entrepreneur". CSIS's contact with the organization will continue as PFIE grows.

**CSIS has dedicated much of its energies to the support and formation of the middle class in the transitioning countries of Central Europe.**

**The chart below summarizes PFIE's goals and accomplishments during the period of the Cooperative Agreement with USAID.**

## **I. COMPARISON OF ACCOMPLISHMENTS WITH ORIGINAL GOALS:**

### **1.GOAL:**

Establish a Federation of Independent Polish Entrepreneurs with ten chapters in important local centers, with a long-term goal of establishing 20 local chapters throughout Poland.

### **ACCOMPLISHMENT:**

A federation of owners of small and medium-scale firms was created in Warsaw in November, 1994 and brought up to full staffing capacity by May 1995. The federation is called the Polish Federation of Independent Entrepreneurs (PFIE). At maximum operating capacity, the organization employs a General Director, Membership Manager, Membership Assistant, Publications Manager, Information Programs Manager, Secretary, and Accountant. The office space for the headquarters is located within the premises of the Warsaw Technology University at ul. Koszykowa 79, 02-008 Warsaw, Tel: 660 70 10, Fax: 660 70 11.

In 1996-97, PFIE opened its first three local chapter offices. These are located in Lodz, Krakow, and Tarnobzeg. Each office is staffed by a Director and an assistant. These chapter offices recruit members and pay the majority portion of annual dues to the Headquarters office. They involve members at least four times annually in discussions of major policy issues affecting the growth of the private sector, including the expansion of financial products such as mortgages, small loans, and leases. They also address local problems affecting the economic health of their member firms. In addition they promote networking among members and linkage with other business organizations.

### **2. GOAL:**

Cooperate with other business organizations at the chapter and national levels to lobby on behalf of small and medium-size firms.

## **ACCOMPLISHMENT:**

PFIE has cooperated on numerous occasions with other Polish business organizations in advocacy efforts on behalf of the small and medium-size enterprise sector. In 1994-95, PFIE joined a consortium of organizations which included the Business Center Club (BCC), the Polish-American Enterprise Clubs, several industrial associations in a fight against the mandatory Chamber of Commerce bill which would have created a public-law chamber with mandatory membership and mandatory annual dues. The concept of a "public law chamber" (which in fact becomes an arm of the government) was vociferously opposed by the U.S. Chamber of Commerce and other Western organizations working in Poland.

Other joint advocacy activities on behalf of business interests have been successful in either delaying legislation or forcing amendments to be written. More recently, in February 1997, an SME Forum was created in conjunction with the business community at local levels. PFIE President MR. JAREK GUZY was elected Director of this Forum, demonstrating the leadership potential PFIE has in the SME community. At the local level, PFIE considers such issues as rent control, city council policies and stabilization of business property taxes. PFIE is an active participant in a nation-wide tax coalition of business owners and business associations.

PFIE and other new business organizations in Poland are beginning to realize that they can wield significant political power by lobbying the houses of parliament and government offices with an active membership backing them up. These organizations, given half a chance, will eventually grow into an important part of a broad-based civic society. The tradition of civic movements and independent organizing is still quite new, and is distrusted by a large share of the population. Nevertheless, a small activist segment of the society is leading other citizens into civic participation.

### **3. GOAL:**

Collect and disseminate information to small and medium-size business owners and aspiring entrepreneurs on services and instruments available to small firms. Inform the SME sector about laws, regulations and policies that substantially affect it. This should include legislative briefs describing the legal and policy climate. Collaborate with other USAID organizations to make as much of this information available to SME owners as possible.

## **ACCOMPLISHMENTS:**

PFIE has worked hard to develop a fifty-page business journal devoted to small business issues. The "Entrepreneur" appears every other month, carrying articles about the policy environment, economic and financial conditions that affect SME growth and development, services and financial opportunities available to SMEs. It also advertizes the products and services of any small or medium-size Polish firm--free of charge. "The Entrepreneur" soon will sell on the newstands for about \$5.00 per issue. It is growing in popularity in the SME sector. This is the first journal ever devoted solely to the needs and interests of Polish small business.

### **4. GOAL:**

Create a legal hotline that members may consult on tough legal and regulatory issues that affect their businesses or the start-up of new firms. Make such consultation available for a few hours each week.

### **ACCOMPLISHMENT:**

PFIE has created a legal hotline for its members. Two young lawyers answer members' questions about legal and regulatory issues for about three-four hours weekly. This is slowly growing into one of PFIE's most valuable services to its members. Eventually, as membership numbers expand, it is hoped that the legal hotline could provide some revenue for self-sustainability. Currently, however, the staff includes the service in the annual dues package.

### **5. GOAL:**

Help to organize conferences, seminars and short, weekend business courses for SMEs.

### **ACCOMPLISHMENT:**

In June, 1996 PFIE sponsored a conference entitled "Small Business - Engine of Growth in the Year 2000." Dr. Zbigniew Brzezinski, an honorary member of the organization spoke at the conference on the role of the middle class in a democracy. The conference was well-attended (about 300 participants) and represents a sample of what might be accomplished when sufficient funds become available again. PFIE needs a larger staff in

order to organize such conferences and a source of revenue to fund such activities. It should also think about charging an entrance fee to a similar future conference, and about inviting more international speakers.

PFIE's staff is currently involved in several partnerships with universities and business schools which are organizing seminars and short courses for SME owners. This kind of activity will grow as PFIE attracts more members (which is its primary focus at present.)

## **6. GOAL:**

**Provide leadership in the conceptualization and drafting of a Small Business White Paper and a "Polish Small Business Act." Include measures covering key issues for small business, such as taxation, paperwork reduction, registration, unions and unemployment compensation, insurance issues, and employment termination regulations.**

## **ACCOMPLISHMENT:**

PFIE has been planning a White Paper and a Polish Small Business Act since late 1996. This is a major undertaking which must be carried out in cooperation with other business organizations, professors, and political representatives in the Sejm. CSIS has made some input into the conceptualization of such a project, and will continue to lend support by researching similar legislation and regulations in the United States which may serve as models. The project has been put on hold while PFIE focuses on membership recruitment, which is the primary purpose for which CIPE awarded its grant.

## **Conclusion:**

The above summary of activities is representative of the accomplishments PFIE has realized during two years of formal operation. As reported in quarterly reports during 1995 and 1996, the original registration process for the organization was a time-consuming affair. The organization has suffered growing pains, but is now hopefully on a stable track. It is currently being led by a group of civic-minded, dedicated people who understand PFIE's important mission. It is CSIS's hope that PFIE will survive and continue to contribute to the growth of a vibrant middle class and a dynamic market economy in Poland.

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