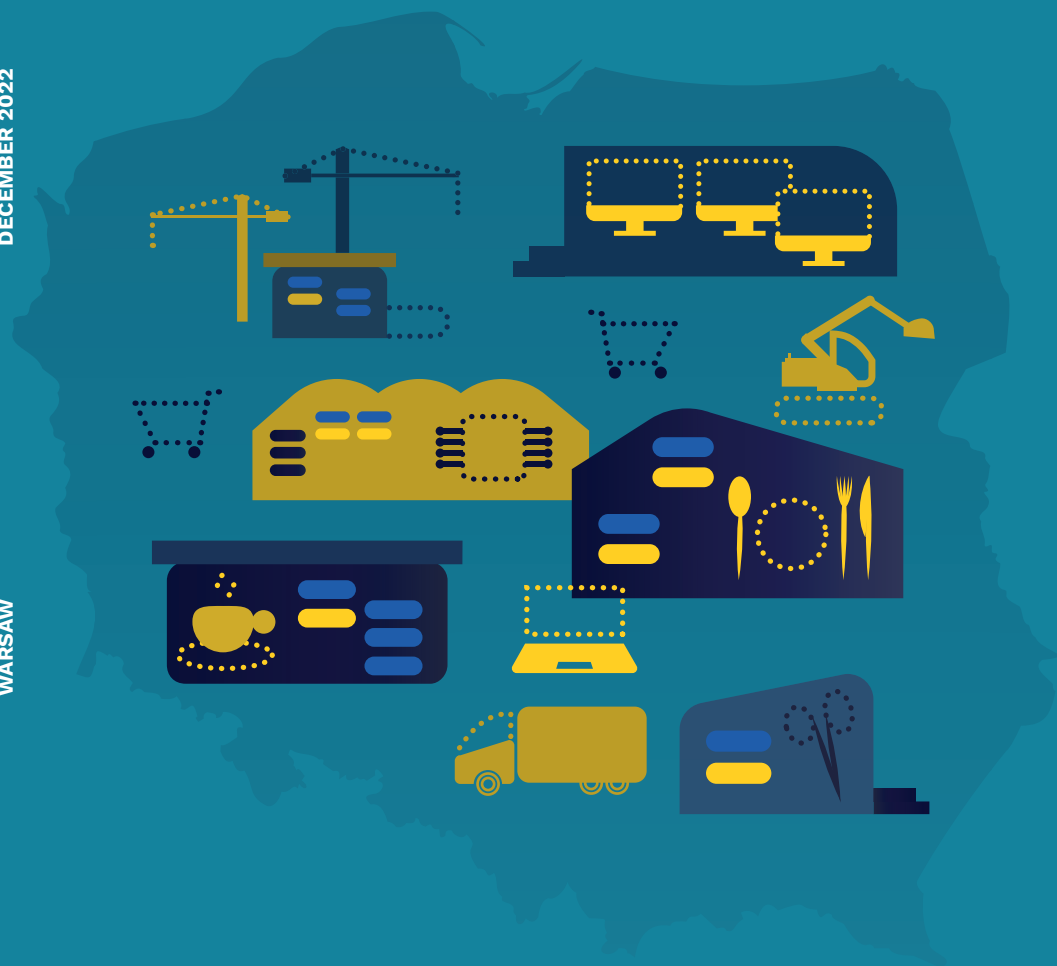


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WARSAW

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Ukrainian companies in Poland since the start of the war in 2022

We would like to thank the experts who participated in our project's qualitative studies. The results of these studies constitute an important part of this report and help provide a deeper understanding of Ukrainian companies in Poland. The experts and the institutions that they represented during the interviews are listed at the end of this report.

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Table of contents

Key numbers.....4

Key findings.....6

Introduction8

1. How many Ukrainian businesses have opened in Poland?10

2. What sectors are Ukrainian companies operating in?15

3. What are the main motives for establishing Ukrainian companies in Poland?.....20

4. What hampers Ukrainian companies’ activity in Poland?24

5. Do Ukrainian businesses cooperate with Polish ones?31

6. Will Ukrainian companies stay in Poland for longer?40

Methodological appendix47

Bibliography50

List of infographics and charts.....52

List of experts53

Key numbers

10,200

Ukrainian sole proprietorships

3.6 thousand

partnerships with Ukrainian capital

was established in Poland from January to September 2022

8.5%

Ukrainian companies as a percentage of all the companies opened in September, in January this was 0.8%

54%

of foreign sole proprietorships established in 2022 are Ukrainian companies

41%

of partnerships with foreign capital established in 2022 are companies with Ukrainian capital

22%

of Ukrainian partnerships with Ukrainian capital are retail companies,

19%

are construction companies,

41%

of Ukrainian sole proprietorships in 2022 were founded by Ukrainian women

14%

provide transportation and storage services

24%

of Ukrainian sole proprietorships are construction companies,

16%

are information and communication firms,

14%

provide other types of services

75%

of the companies surveyed started operating in Poland because their founders needed to earn money to support themselves and their families

63%

of respondents said that cultural proximity and easier communication in terms of language strongly influenced their decision to establish a business in Poland

50%

sought to continue a business they had run in Ukraine before the war in Poland

66%

of the companies surveyed said they would continue to operate in Poland regardless of the situation in Ukraine

Key findings

- **At the end of September 2022, there were 24,100 companies with Ukrainian capital operating in Poland, including 3600 established in 2022.** Right after the war began, the number of new companies being register fell, but their number started to increase again in subsequent months. They accounted for 7% of all companies registered, both those with Polish and those with foreign capital. **Companies with Ukrainian capital are primarily active in retail (22%), construction (19%), and transport and warehousing (14%).**
- **Between January and September 2022, 10,200 sole proprietorships founded by people with Ukrainian citizenship started operating.** The sharpest increase in the number of active businesses was in April, when it almost tripled compared to March. Between the start of the war and September, the number of companies being established per month increased almost twelvefold. In January, Ukrainian sole proprietorships had accounted for under 1% of all newly opened ones; in September, this was as much as 8.5%. **The largest share of Ukrainian sole proprietorships are in construction (24%), information and communication (16%) or other services (14%).**
- **Ukrainian women own 41% of sole proprietorships.** Almost one in three companies founded by women deals with other types of business activity. In contrast, almost two out of five companies opened by men are in construction. This structure shows that the owners of the sole proprietorships established in 2022 are not only wartime migrants, but also people who came to Poland earlier and launched their business after the war began.
- **PEI's research shows that as many as 75% of the Ukrainian companies founded in 2022 were established because their founders needed to earn money to support themselves and their families in Poland.** Two out of three companies emphasised that their decision to start or move their business to Poland was influenced by cultural proximity and easier communication in terms of language, while one in two companies cited the friendly climate for Ukrainian refugees in Poland.

- **For the Ukrainian companies that started operating in 2022, the largest barrier is the lack of experience running a business in Poland (40%), insufficient financial resources (33%) and the costs of running a business (29%).** Becoming acquainted with a new market and cultural differences were less of a challenge; insufficient knowledge of Polish only constitutes a barrier for one in five companies.
- **Ukrainian companies that are only just starting to operate in Poland need advice on legal issues and various aspects of running a business in a new place.** Assistance by Ukrainian and Polish institutions and NGOs, as well as business organisation, when it comes to making business introductions and enabling Ukrainian companies to participate in various investment projects is turning out to be especially useful.
- **The end of the war will not mean the mass closure or return of these businesses to Ukraine.** According to the survey conducted among entrepreneurs, most companies intend to continue their business activity in Poland, developing, cooperating more closely with Polish partners and participating in Ukraine's future recovery.
- **The experts emphasise that, despite the ongoing war, Ukrainian companies are already preparing for the country's recovery.** They are seeking partners with whom they can create a business foothold for future expansion, including to Western European markets. Ukrainian companies do not rule out that the branches established in Poland may become permanent, and Poland could gain significant benefits from cooperation with Ukrainian companies.

Introduction

The intensified wave of migration from Ukraine to Poland began in 2014. Before the pandemic, this trend stabilised and Poland became the main EU country where Ukrainians work. This migration was mainly temporary, yet there were a growing number of signs of foreigners settling permanently; for example, Ukrainian citizens organising their whole family life in Poland, including sending their children to school. They got full-time jobs, but also started to found businesses in Poland. According to data from Poland's Social Insurance Institution (ZUS), in Q3 2022, the number of Ukrainian citizens registered in the pension insurance system had increased more than eight-fold compared to Q3 2015. The number of insured people had increased from 90,900 to 744,400 people.

The outbreak of the war prompted another wave of migration from Ukraine to Poland, this time as part of the wave of refugees. In addition to people (around 1.012 million refugees), Poland attracted Ukrainian businesses with its geographic proximity and extensive Ukrainian migration network. Ukrainian companies have been seeking a safer place to operate. Poland – due to its geographical location and cultural closeness, among other things – has become a natural logistical and organisational hub for companies from Ukraine, and potentially a place for further development, especially since companies from Ukraine received the right to operate from Polish territory at the start of March 2022.

A significant share of the migrants found jobs; almost 380,000 people, according to data from the Ministry of Family and Social Policy. Ukrainians are not only opting for salaried jobs, but also establishing their own businesses in Poland.

The aim of this report is to show the scape of Ukrainian entrepreneurship in Poland after 24 February 2022 and to show Ukrainians' motives for establishing a business, the conditions in which they run it in Poland, and potential scenarios for the development of Ukrainian companies in Poland.

We sought to answer six questions using the research methods described in the methodological appendix.

In Part I, we described our efforts to establish the scale of Ukrainian entrepreneurship in Poland since the start of the war. In Part II, we looked at the sectors that Ukrainians are founding businesses in. In both parts, we used data from the Central Economic Information Centre (COIG) and the Central Register and Information on Business (CEIDG) databases.

The next two parts concern Ukrainians' motives for establishing businesses and the barriers to running a business in Poland. To address these questions, we conducted a survey among Ukrainian companies that started operating in Poland in 2022. We also conducted group and individual interviews with the experts representing institutions linked to Ukrainian entrepreneurship in Poland.

In Part 5, we present analysis on cooperation between Ukrainian and Polish companies. Based on the experts' comments and the survey conducted among companies, we showed the main areas of this cooperation. Moreover, information from the institutions invited to take part in the study enabled us to outline the potential for business development provided by cooperation between Ukrainian and Polish companies.

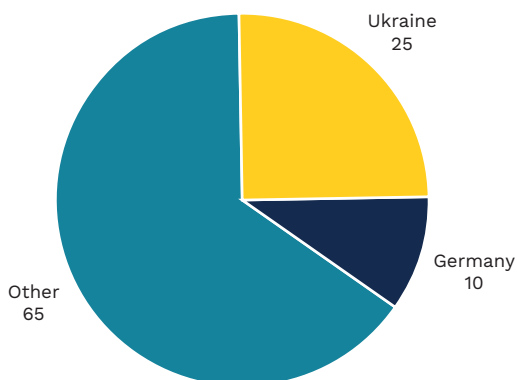
The final question, addressed in Part 6, concerns Ukrainian companies' plans to remain in Poland for longer. In response to this question, we present scenarios for the development of Ukrainian business in Poland. We assumed that the determinants will be how long the war in Ukraine lasts and the economic situation in Poland and other EU countries.

1. How many Ukrainian businesses have opened in Poland?

In this part, we discuss the scale on which Ukrainian businesses are being established in Poland, in the form of companies or sole proprietorships.

According to COIG, there are 24,100 companies with Ukrainian capital operating in Poland;¹ that is, 25% of all companies with foreign capital (COIG, 2022a). There are significantly fewer companies with, for instance, German (10%), Belarusian (4%), Dutch (4%) or Chinese capital (4%) (Chart 1).

Chart 1. Companies with foreign capital, based on country of origin – end of September 2022 (%)



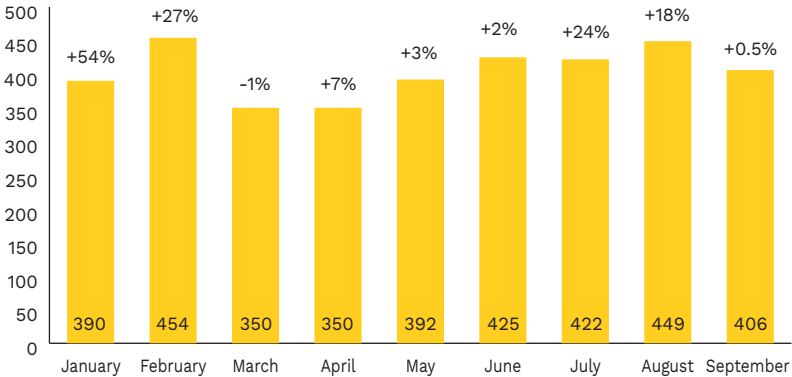
Source: prepared by PEI based on COIG data.

The data available indicates that 2022 could be a record year in terms of the number of companies with Ukrainian capital established. **In the first three quarters of 2022, as many as 3600 entities were established** (Chart 2), compared to 3200 during the same period last year. **Between January and September 2022, as many as 45% of newly registered companies with foreign capital were entities with Ukrainian capital** (COIG, 2022b). Moreover,

¹ At the end of September 2022.

companies with Ukrainian capital accounted for **7% of all entities registered in 2022**, both those with Polish and foreign capital.

Chart 2. Registration of new companies with Ukrainian capital between January and September 2022 and growth year on year



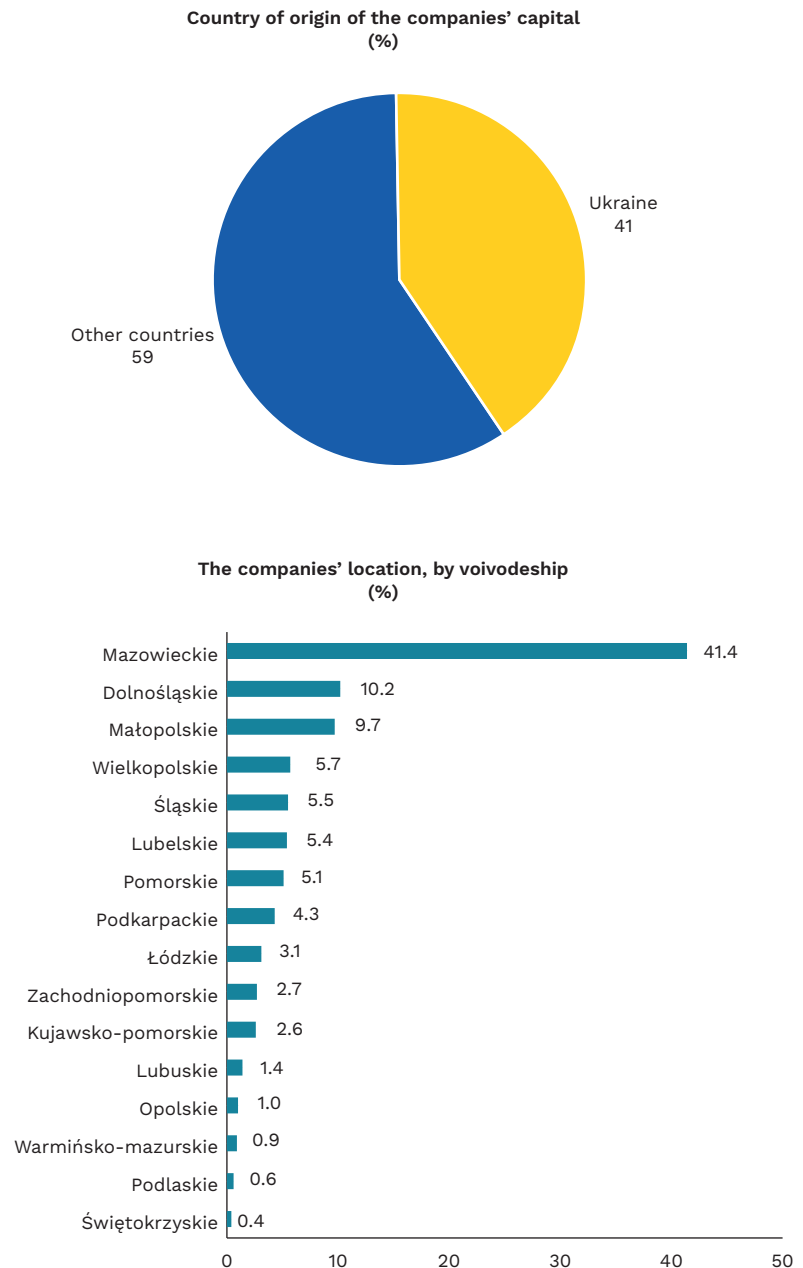
Source: prepared by PEI based on COIG data.

Right after the start of the war, the number of new companies with Ukrainian capital being registered fell (Chart 2). However, in July and August, the number of companies increased by 24% and 18% year on year.

The largest number of companies with Ukrainian capital were registered in the Mazowieckie voivodeship, consolidating a trend visible for the past few years that intensified in 2022 (Infographic 1). In H1 2022, as many as 41% of all the new companies with Ukrainian capital were established there. Other voivodeships where companies with Ukrainian capital were established relatively often were Dolnośląskie (10%) and Małopolskie (10%). However, when analysing the companies' location, we need to remember that a company's operations may not be limited to a single voivodeship; the data above merely concerns its headquarters.

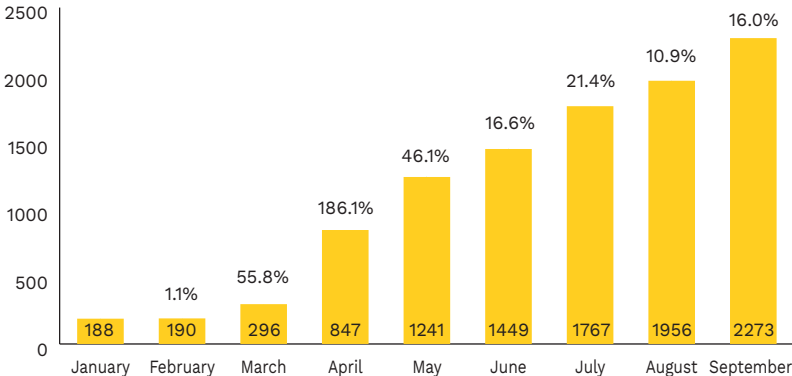
The CEIDG database indicates that, since the start of the war, the number of companies being established has been growing systematically. By the end of September, a total of 10,207 had been established.

Infographic 1. Companies with Ukrainian capital established in Poland between January and September 2022



Source: prepared by PEI based on COIG data.

Chart 3. Number of Ukrainian sole proprietorships in Poland established between January and September 2022 and growth month on month



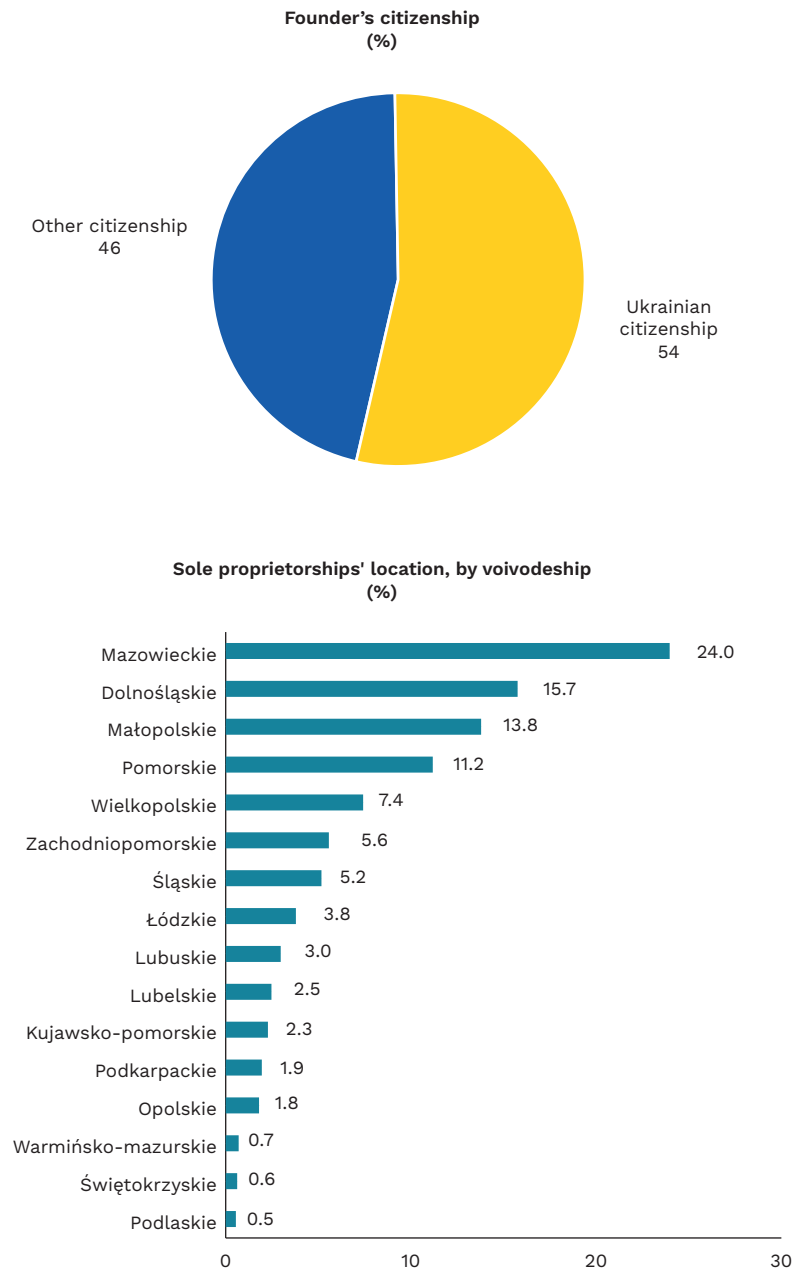
Source: prepared by PEI based on CEIDG data.

In March 2022, Ukrainian citizens founded 296 companies in Poland (Chart 3). The largest monthly increase in active sole proprietorships starting their operations occurred in April, when the number almost tripled compared to March. In September 2022, the number of companies in the CEIDG register was almost twelvefold higher than in February.

In January, Ukrainian companies accounted for under 1% of applications for registration in the CEIDG register; in September, this was as much as 8.5%. If we consider only sole proprietorships founded by foreign citizens, then **at the start of 2022 Ukrainian citizens were establishing almost one in four companies (25%), and in September two-thirds (66%) of companies were Ukrainian.** If we add together all the foreign sole proprietorships registered in 2022, we see that over half of them (54%) are owned by a Ukrainian citizen (Infographic 2).

Most of the new companies added to the CEIDG registered founded by Ukrainian citizens are located in Mazowieckie (24%). Other voivodeships where Ukrainian business activity was established relatively often in 2022 are: Dolnośląskie (16%), Małopolskie (14%) and Pomorskie (11%).

Infographic 2. Sole proprietorships established by foreign citizens in Poland in January-September 2022

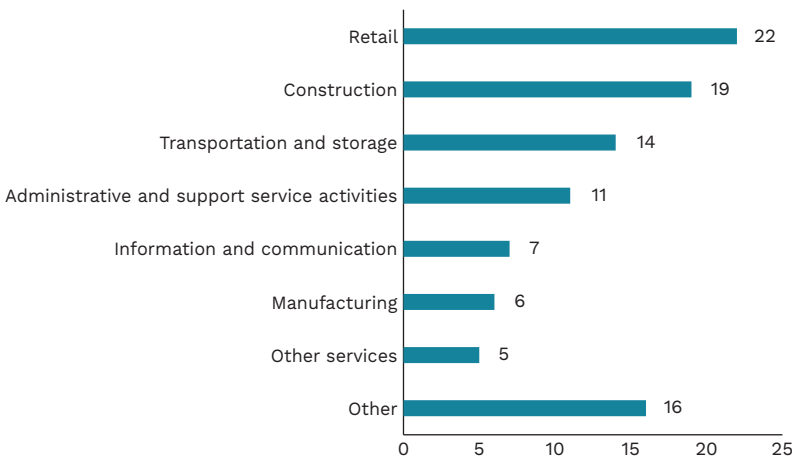


Source: prepared by PEI based on COIG data.

2. What sectors are Ukrainian companies operating in?

The Ukrainian businesses established as companies in 2022 were mostly in retail (22%) – Chart 4. In this group, almost half the companies said they sell wholesale. In addition, a big group of companies operate in construction (19%) and transport (14%). 11% of companies were active in administration and support, with 60% of them providing employment services. 7% of companies were in information and communication, mainly dealing with software-related activities. Slightly fewer companies (6%) dealt with manufacturing, mainly in the electromechanical and food industries. Another 5% of companies provided other kinds of services (mostly hairdressing or beauty services). The share of Ukrainian entities dealing with construction, administration and support, and other services, is slightly higher than among foreign companies overall.

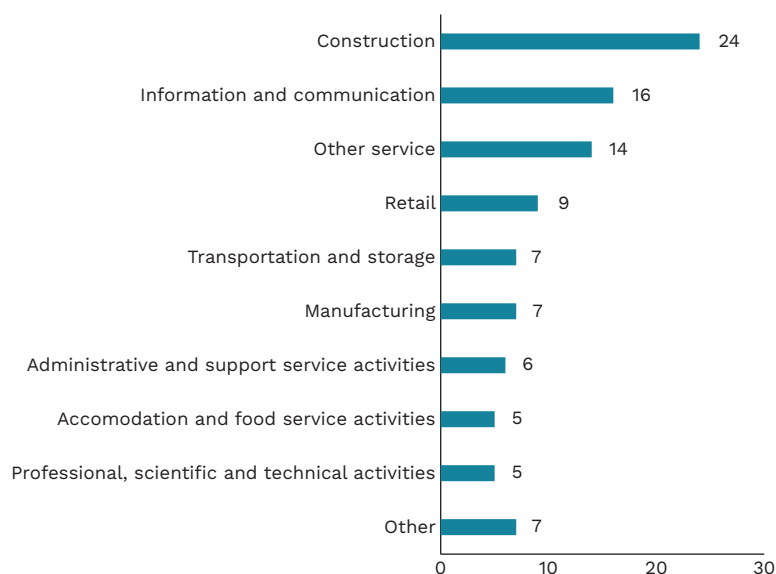
Chart 4. Companies with Ukrainian capital in Poland in 2022 according to sector (%)



Source: prepared by PEI based on COIG data.

Of the Ukrainian sole proprietorships established in 2022, **24% were in construction**, predominantly performing other finishing work (Chart 5). A significant share of Ukrainian companies were in information and communication (16%) or other services (14%). The largest number of companies in information and communication worked with programming; among those providing other services, most offered hairdressing or other beauty treatments.

Chart 5. New Ukrainian sole proprietorships in Poland in January-September 2022 according to sector (%)



Source: prepared by PEI based on CEIDG data.

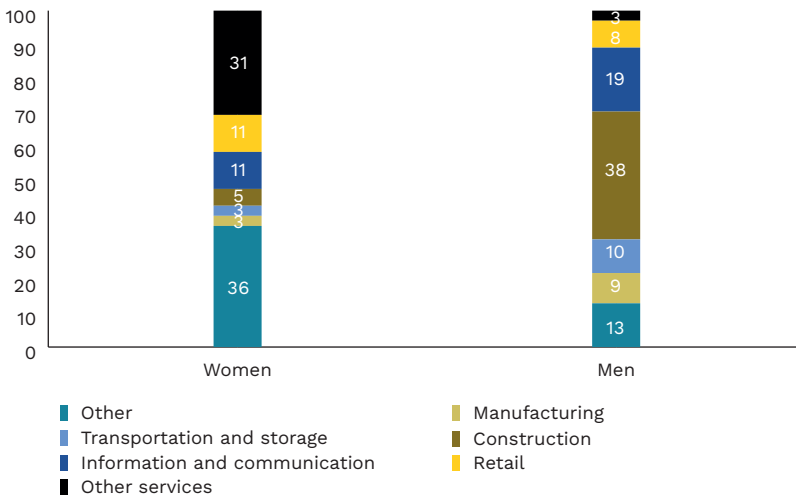
Ukrainian women owned 41% of the companies registered with CEIDG between January and September 2022. The structure of ownership based on gender does not correspond to the structure of the wartime refugee population. There were 1.022 million people (as of 27 November 2022) in the register of Ukrainian citizens and their family members who received the status of foreigner based on Poland's special law². Of these, 40% were women and 10% men of working age (www3, as of 18 November 2022). This difference indicates that the businesses opened in 2022 was not only established by refugees who had fled the war that year, but also people who were already in Poland before it.

² Special law defines the rules for legalizing the stay of Ukrainians and Ukrainians holding the Pole's Card who came to the territory of Poland from Ukraine in connection with hostilities in their country.

The businesses founded by women were primarily in: other services (31%), information and communication (11%) and retail (11%). In the “other services” sector, as many as 89% of companies offered hairdressing and other beauty services. In information and communication, women tended to established companies relating to software. In the case of retail, this was retail sales via mail order or the Internet.

Men primarily established sole proprietorships relating to construction (38%), information and communication (19%) and transportation and storage (10%) – Chart 6. In construction, the most common activity was doing other finishing work (28%). In the case of information and communication, men most often ran businesses linked to software and IT consulting. In the case of transport and warehousing, sole proprietors provided road transport of goods and taxi services. Men owned 90% of businesses doing other finishing work and 77% of businesses relating to software.

Chart 6. Newly established Ukrainian sole proprietorships in Poland in January-September 2022 according to sector and gender (%)



Source: prepared by PEI based on CEIDG data.

Our interviews with representatives of institutions familiar with the specificity of Ukrainian businesses in Poland indicate that a few factors influence Ukrainians' choice of sector.

Often, Ukrainian businesses relocated to Poland – due to the war – and remained in the same sector as in Ukraine. If supply chains were broken

by the war, companies had to rebuild them in Poland so that their business could function and to ensure continuity of supply. The ease of entering the market was also important when it came to starting and running a business in Poland.

We deal with Ukrainian companies moving their manufacturing facilities because it is difficult for them to operate in Ukraine.

The warehousing sector also needs more storage space than earlier so that companies from Ukraine can transport their products. This is linked to the breakdown of supply chains that took place.

Tetiana Chuzha (PAIH)

Ukraine already had a strongly developed IT sector. This is also a sector that is trying to remain close in logistical terms, with the assumption that they will return to Kyiv after the war ends.

Maciej Witucki (Confederation Lewiatan)

There are certain areas of activity in which it is easier to establish a business. For example, if you are a hairdresser, you initially need a pair of scissors – or not even that, because you can use the scissors at the hair salon. Similarly, in IT, a computer is enough.

Michał Polański (PARP)

The experts also cited the business climate as a factor influencing the choice of sector that people launch a business in. As the *Barometr zawodów*, barometer of professions shows, there is a shortage of workers in the construction industry in Poland (www1). Logistics also has the ability to absorb workers and businesses operating in this sector (www2). The demand in these areas gives businesses from Ukraine the opportunity to develop.

Logistics and construction are the sectors that are absorbent. They therefore attract Ukrainian capital, especially capital that has these kinds of possibilities.

Andrzej Drozd (PUIG)

The final dimension highlighted by the experts is choosing a sector that enables Ukrainians to look after their children in Poland. As the register of Ukrainian citizens and family members who received foreigner status based on the special law shows, 436,700 people under the age of 18 were registered in Poland (as of 18 November 2022); of these, 53% were under the age of 10 (www3). Places where children who are not attending Polish schools or require after-school care can go are being established. Care and educational businesses are filling the gap in childcare caused by the influx of children and providing a source of income, but also enabling other parents or caregivers to work or run their own business.

The care and education sector – establishing schools, pre-schools and preschool groups – is simply an attempt to look after those Ukrainian children who have problems accessing the Polish educational system.

Tetiana Chuzha (PAIH)

3. What are the main motives for establishing Ukrainian companies in Poland?

The extensive Ukrainian migration networks undoubtedly contribute to not only Ukrainian people, but also businesses, seeking refuge in Poland.

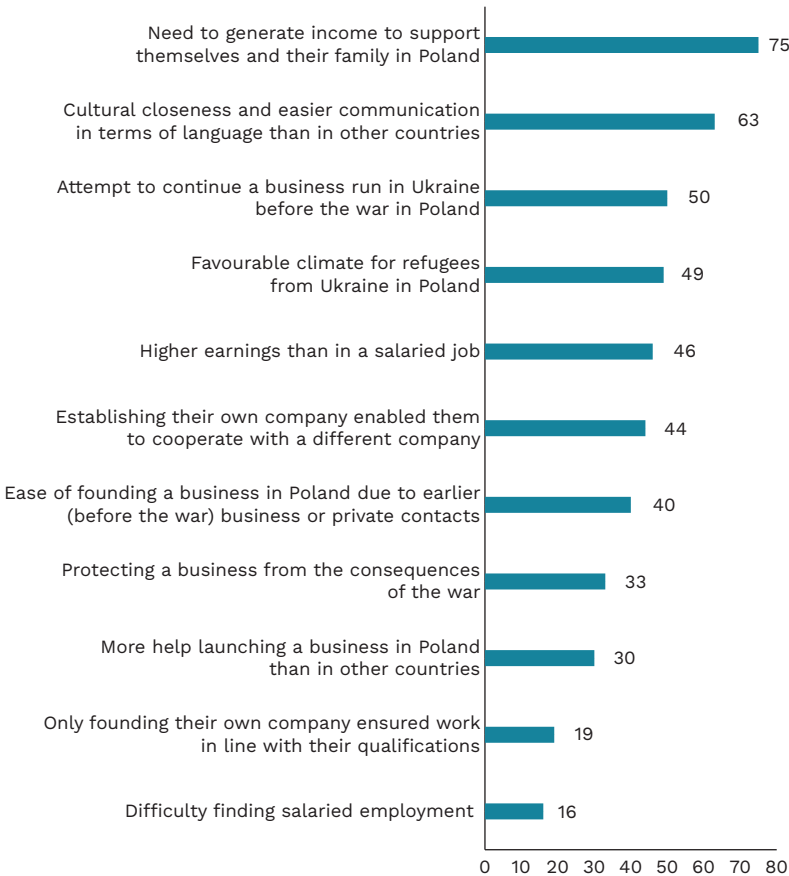
The Polish state has offered Ukrainians a safe space where they continue their existing business activity. Companies that can no longer function due to the war have conditions in which they can reorganise or change their strategy. Since the start of March 2022, businesses from Ukraine have been able to operate on Polish territory on the same terms as ones run by Polish citizens (Law of 12 March 2022). Poland has therefore become a place where Ukrainian businesses can be relocated to and where Ukrainian entrepreneurship has a place to blossom.

As with Ukrainian refugees seeking refuge from the war, Ukrainian businesses also require safe conditions in which they can operate. The decision to relocate a business was probably accompanied by a need to ensure physical safety, which is indispensable in the context of almost all human activity, all the more so managing a business. Running a company effectively requires appropriate conditions that guarantee smooth communication with customers, the possibility to give employees instructions, sign contracts and process orders.

Although one can assume that the sharp increase in the number of businesses being established by Ukrainians in Poland in 2022 is directly linked to the question of safety, the specific motives for founding a business vary and the decision itself is more complex. The businesses we surveyed assessed the particular motives that led them to start operating in Poland (Chart 7).

As many as 75% of respondents say that their strangest motive was the need to earn money to support themselves and their families. This high percentage is unsurprising, as a constant source of income is one of the elements we need to feel safe, wherever we are. **The second-most cited motive was cultural closeness and easier communication in terms of language than in other countries (63%).** Cultural closeness is significant when making decisions about migration – and also turned out to be significant when founding or moving a business. It is easier to run a business in foreseeable conditions, as shaped by communication rules and social mores.

Chart 7. Motives that led Ukrainians to found their own business in Poland (%)



Source: prepared by PEI based on the results of its survey.

In general, cultural similarity fosters adaptation. Certain the experts drew attention to this, too, noting that establishing a business in Poland may be used as the basis for legalising a person's stay, especially since the business often recreates a model that existed earlier in Ukraine. According to PEI's research, almost 20% of respondents said that establishing a business guaranteed work in line with their qualifications. Meanwhile, for 16%, difficulty finding salaried employment in Poland was decisive.

Just days after the war began, PAIH organised a coworking space at its headquarters in the centre of Warsaw for Ukrainian businesses (ones registered in Ukraine) that wanted to continue their operations. This has given the Polish agency an insight into how Ukrainian businesses are finding their feet in

Poland. PAIH also provided space for the Diia.Business.Warszawa Support Center for Ukrainian Entrepreneurs, run by the Ministry of Digital Transformation of Ukraine.

We are constantly monitoring both Ukrainian entrepreneurs and their clients' needs. Because they serve both Ukrainian businesses that want to relocate to Poland in some way and Ukrainian citizens who wish to establish a business here.

Tetiana Chuzha (PAIH)

PEI's research shows that, for half of respondents, the desire to continue the business they had been running in Ukraine before the war provided very important when deciding to start a business in Poland. Similarly, almost half (49%) emphasised that their decision was strongly influenced by the favourable climate towards refugees from Ukraine in Poland. The unprecedented scale of assistance and openness in Polish society created a friendly climate for Ukrainian business, including outside the major centres where investments are in demand. Ukrainian businesses were forced to reorganise their own management process and revise their business strategies. Supply chains and export routes via the Black Sea were interrupted by the war. The experts emphasise that delivery channels to recipients in Western countries had to be changed almost instantly. This particularly applies to export companies (for example, in the furniture or metal industry) that want to continue operating. Here, ensuring continuity of supply to customers was important. In addition, Ukrainian companies are seeking to base logistics in Poland, which could result in brand new relationships, in terms of new export routes from Ukraine.

Above all, Ukrainian companies are seeking a safe space in Poland, a place where they can start operating quickly. These are companies that usually already have an established position on the market and permanent, often international, clients. By relocating to Poland, they can maintain the continuity of their business.

Marcin Fabianowicz (PAIH)

Ukrainian companies' foreign customers – for example, those in the United States – do not want to cooperate with entities that produce their goods in locations threatened by the war. For this reason, Ukrainian businessmen have even been moving their production facilities to Poland. **According to**

our research, 33% of respondents started operating in Poland to protect their business against the war's consequences. Larger Ukrainian companies already had representations in Poland before the war, but these were usually trade representations. Now, a growing number of companies are interested in organising production and storage in Poland. To help Ukrainian companies maintain continuity, Poland's Ministry of Development and Technology is co-operating with Diia.business, the centre established by Ukraine's Ministry of Digital Transformation. In addition, the Polish state is organising advisory support; for example, people with experience in IT can access broad support from PARP and establish their own business in Poland. **Our research shows that, for almost 30% of Ukrainian entrepreneurs, the greater amount of help in Poland when it comes to founding a business (compared to other countries) had a major influence on their decision to start a business there.**

Ukrainian companies gladly take advantage of PARP's programmes for businesses – they see Poland not only as a place that they can move some of their operations to, but also as a place where they can receive expert advice and funding enabling them to develop their business in Poland.

Michał Polański (PARP)

Moreover, 46% of Ukrainians decided to establish their own business in Poland because this guarantees higher earnings than the potential salary from a job – all the more so since the procedures for starting a business in Poland have been simplified as much as possible, and founding one creates the possibility of cooperating with other companies. This opportunity to cooperate was one of the major reasons why 44% of respondents started a business in Poland. For 40%, the ease of starting a business in Poland thanks to earlier business contacts mattered. The conditions that Poland offers Ukrainian businessmen – a favourable geographical location and the Polish economy's stable position – mean that Poland is not only treated as a place to wait for the war to end, but also viewed as an opportunity to develop entrepreneurship.

Poland is the market that provides an opportunity to expand to the European market. Companies forced by the war to seek a new economic space therefore perceive Poland as offering new opportunities for economic expansion.

Andrzej Drozd (PUiG)

4. What hampers Ukrainian companies' activity in Poland?

According to Ukrainian entrepreneurs, the largest barrier they have encountered was their lack of experience running a business in Poland (Chart 8). As many as 40% of businesses surveyed said it was highly or very highly significant. The experts also cited this barrier, though, **according to some of them, information on the conditions for starting a business in Poland are easily accessible**, and there are institutions that can help (such as the Business Consulting Centre at the Polish-Ukrainian Chamber of Commerce and Diia Business Warsaw – Support centre for entrepreneurs from Ukraine). Information is also travels by word of mouth: people who have already founded a business pass it on to those who are planning to.

The formal and legal conditions relating to running a business, such as obtaining various types of permits (for example, for care and educational activity) or licences, or having one's professional qualifications recognised (for example, for medical activity), may cause some difficulty.

The problem is Ukrainian citizens' insufficient knowledge when it comes to starting and running a business in Poland. At the same time, there are relatively few consultancies that have knowledge and experience concerning running a business in both Ukraine and Poland, and the number of employees that speak Ukrainian and/or Russian is low.

Formal and legal issues are less of a problem when starting a business. Various types of permits and licences – for example, for medical activity or for care and educational activity – are a bigger challenge. Ukrainians do not know these rules and the law is very complicated.

Tetiana Chuzha (PAIH)

Another barrier for Ukrainian businesses is the existence of several Polish legal acts regulating the procedures for Ukrainian citizens' right of residence and employment. This has a negative influence on planning future operations in Poland. Some companies also complain about courts' and other public

institutions' slowness when it comes to sorting out administrative matters for Ukrainian investors.

The simultaneously functioning of several Polish legal acts leads to frustration caused by the inability to determine one's future.

Roman Dryps (PUIG)

Financial issues are also a significant barrier for Ukrainian entrepreneurs.

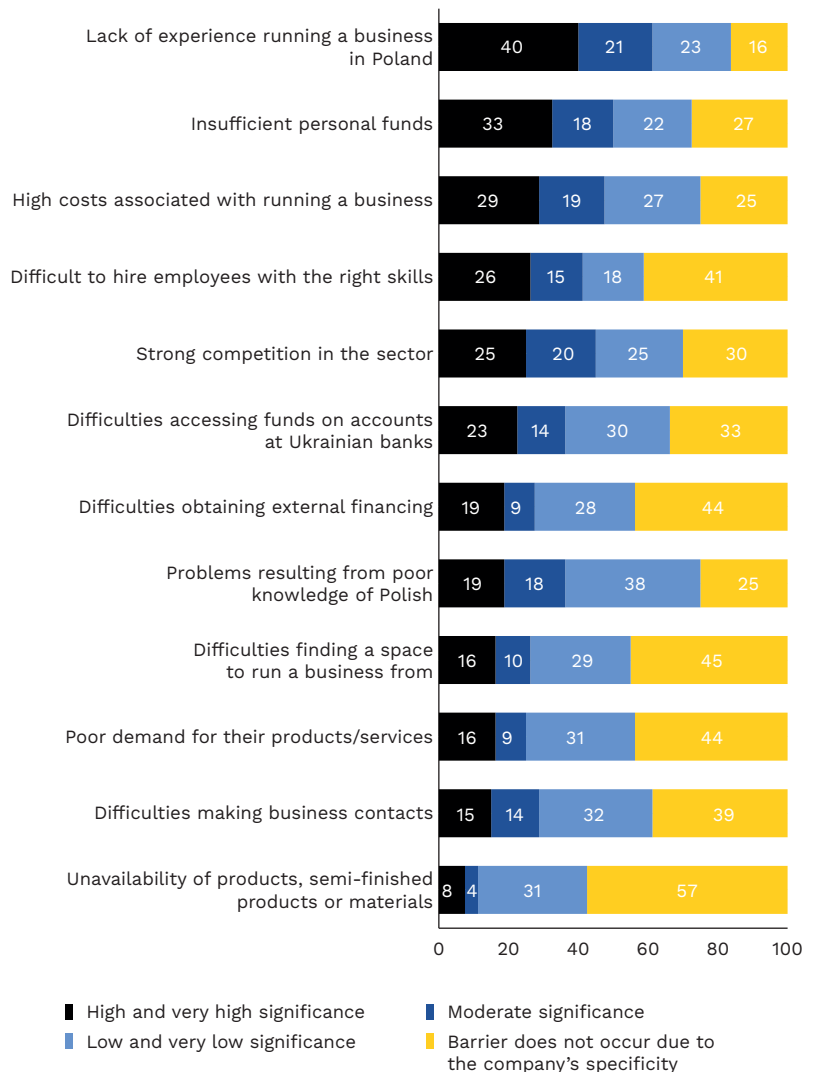
A rather large group of them cited insufficient funds of their own (33%) and the high costs associated with running a business (29%). The experts agreed that **obtaining capital is definitely the biggest problem for Ukrainian businesses in Poland**. People who arrive from Ukraine as refugees fleeing the war often lack sufficient funds. Their financial situation differs from that of economic migrants, who first accumulate capital by working in the country they have come to or use family capital, and only decide to start a business after a while. In the case of people who came to Poland after the start of the war, the decision to move their business to another company was made all of a sudden and in extremely difficult external circumstances.

In Poland, Ukrainian businesses struggle to obtain external financing – 19% of entrepreneurs say they did though, at the same time, as many as 44% said that their business has not encountered this barrier due to the specificity of its activity. Newly established businesses face difficulties due to their lack of credit history. Entrepreneurs have also pointed to difficulties with opening business accounts due to a lack of documents confirming that they live in Poland.

The biggest barrier for young businesses is, first of all, mobilising the capital needed at the start. The start of business activity, especially for small businesses, involves mobilising the capital of family and friends, and these kinds of personal sources.

Michał Polański (PARP)

Chart 8. Significance of different barriers to running a business, according to Ukrainian entrepreneurs (%)



Source: prepared by PEI based on the results of its survey.

Enterprises moving from Ukraine are in a somewhat better situation. In September, the Polish Credit Information Bureau started cooperating with two counterparts from Ukraine. Through cross-border information sharing, banks will be able to fully assess creditworthiness, simplify procedures and shorten the application processing time for Ukrainian citizens (www4). At the same time, some entrepreneurs cited difficulties accessing funds from accounts at Ukrainian banks (23%). Businesses cannot send money accumulated in

Ukraine to Poland because the transfer of funds from Ukrainian banks is restricted following a decision by the National Bank of Ukraine (NBU)³. Since 1 October, the NBP has made it possible for companies to send money to their branches abroad, but up to a limited amount.⁴

Some companies complained about **difficulties hiring employees with the right skills** (26%). According to the experts, relocating staff from Ukraine to Poland is also a challenge. Companies can only transfer female employees, as men aged 18-60 are not allowed to leave Ukraine. This prevents companies from recreating the human resources they had in Ukraine and means that they already have to hire entirely new workers at the very start.

For customer service and contact with customers, companies prefer to hire Poles because the language barrier appears in commercial relations and it would be better not to have it in this sphere. In terms of strictly production-oriented workplaces that can be staffed by women, there are attempts to engage employees from the Ukrainian production facility, such as seamstresses. Meanwhile, for strictly male professions, such as welding or metalworking, they seek specialists from Poland, as it would be difficult to bring them over from Ukraine.

Tetiana Chuzha (PAIH)

Ukrainian businesses also struggle to find the right space to operate from – this problem was cited by 16% of Ukrainian entrepreneurs. According to the experts, this applies to both bigger and smaller companies. There are also **problems with relocating machines and devices**. Sometimes, they were not properly registered in Ukraine, which means that entrepreneurs have to pay VAT on them when bringing them in to Poland. This is a major expense for them, considering that they are starting their business there and need to cover many other costs, too. Given that relocating machines – especially used ones – is unviable, many companies need to invest in new ones in Poland. Cross-border movement between branches in Poland and Ukraine also causes problems for businesses due to the queues at border crosses.

³ After the war began, the NBU introduced a moratorium on cross-border foreign exchange payments (with the exception of enterprises and institutions ensuring the implementation of mobilisation plans, the government and certain authorisations by the NBU) (www5).

⁴ The key conditions: transfers are only allowed to maintain the branches, the transfers' monthly value of should not exceed a quarter of the total funds that the company sent abroad in 2021 to support its branches, and transfers must be made at the company's expense (www6).

Ukrainian businesses that have started operating in Poland also need to get to know a new market. Then they face problems similar to those faced by Polish businesses: strong competition in the sector (25%), poor demand for their products or services (16%), and difficulties making business contacts (15%). Products, semi-finished products or materials may also be unavailable due to the war (8%), though much depends on the sector. According to the experts, even if entrepreneurs have business experience in Ukraine, they encounter difficulties linked to cultural differences and consumer habits. They also need to build business relations with new contractors. **For certain entrepreneurs, not speaking Polish – or not speaking it well enough – is also a barrier (19%).**

Many say that the language is a barrier.

Artem Snopkov (Ukrainian Embassy)

At the same time, Polish and Ukrainian are relatively similar, which makes it easier to learn. In addition, some of the Ukrainians had visited Poland before, including to earn money, and therefore spoke basic Polish. More and more language courses are being organised and, at some schools, teachers from Ukraine are being hired to teach Polish, which improves the teaching process.

The scale of demand greatly exceeds the availability. A variety of language courses are being organised. It is difficult to clearly determine the effects of these activities right now, but it can be said that the language barrier is being reduced.

Andrzej Rudka (Confederation Lewiatan)

The experts note that the issue of lack of trust also arises during cooperation between Polish and Ukrainian entities and when hiring employees. This is understandable in the current situation, in new conditions and with the influx of such a large number of people. To reduce this barrier, Confederation Lewiatan has launched a pilot programme called Jobs First,⁵ which seeks to activate Ukrainian citizens professionally and ensure support for enterprises in terms of hiring them. These efforts are not limited to job placement. As part of the programme, councillors' task is to work with each participant

⁵ A pilot program has been launched, which will make it easier for Ukrainian citizens who came to Poland after the outbreak of war to find a job. The project will also support enterprises in employing refugees – a package of practical information, legal advice and tips (www7).

individually, offering support with organising childcare, introducing them to the realities of the Polish market, and helping them with Polish if necessary. Afterwards, some participants start their own business, but more are hired by existing companies.

An important element of this program is also matching and preparing candidates for work to the reported specific needs of companies. At this stage of the project, about 1/3 of the program participants were placed in companies (employment contracts!), i.e. we provided them with specific qualifications. These people are also able to set up their own companies.

Andrzej Rudka (Confederation Lewiatan)

According to the experts, the barriers encountered by Ukrainian businesses also largely depend on their size and the sector they are in. Larger companies have an advantage over smaller ones in terms of dealing with formal and legal barriers, as they have extensive legal and accounting departments. They also use law firms' services more frequently, which means that they do not have to delve into the formal requirements themselves at the very start.

The burden of a complicated system or registration, or of starting a business, falls on the smaller ones. The larger ones have a background that makes it easier for them to enter the market.

Andrzej Drozd (PUiG)

While it is relatively easy to start a micro-enterprise, scaling up causes entrepreneurs many problems – a principle that applies to both Polish and Ukrainian companies.

In Poland, the barrier when growing a micro-enterprise to a larger one is very strong. It is easy to establish a micro-enterprise, but difficult scale up. In reality, the most difficult task is not starting a company, but rather hiring its first employee.

Michał Polański (PARP)

The difficulty of starting a businesses depends on the sector, too. It is easier to start a business that does not require big upfront outlays on machinery or devices, or to rent an office. For example, in IT, the business can often be run from home – only a computer is needed. Businesses offering hairdressing and beauty services also face lower entry barriers; in some cases, they use the equipment and tools available at a salon, where they only rent their workstation. It should be pointed out that, in certain sectors (such as construction and IT), the system in Poland rewards people who start their own business, rather than become salaried employees. In this case, both Poles and Ukrainians are more likely to choose to start their own business. These people provide B2B services, but often only to a single employer, so their business activity is not that different from salaried employment.

5. Do Ukrainian businesses cooperate with Polish ones?

Scope and forms of cooperation between Polish and Ukrainian businesses

Ukrainian businesses were already developing contacts with Polish ones before the war. Some even had trading business in Poland and used Polish law firms' services. It turns out that professional legal assistance makes it significantly easier to run a business abroad, especially in wartime, and helps Ukrainian enterprises maintain credibility as business partners.

The war's negative impact on running a business in Ukraine has prompted Ukrainian companies – as we have already emphasised in the previous parts of this report – to seek new business contacts and a new, safe place where they can operate.

These are companies that usually already have an established position on the market and permanent, often international, clients. By relocating to Poland, they can maintain the continuity of their business. These companies are seeking new business partners in Poland, so they constitute an opportunity for Polish sub-suppliers.

Marcin Fabiański (PAIH)

Business contacts made before the war are painted and developed based on new needs on both the Ukrainian and the Polish side.

Currently, the key aim of cooperation is to jointly solve the problems caused by Russia's invasion of Ukraine, such as: broken supply chains, difficult access to commodities and materials, problems with payments, shortages of employees, and difficult access to external sources of financing. At the

same time, Poland is the market that provides an opportunity to expand to the European market.

Roman Dryps (PUIG)

The survey shows that **38% of Ukrainian businesses have partnered with a Polish company.** This applies in particular to construction (63%) and retail companies (50%), as well as to IT (30%) and other services (29%). The experts also confirm the relatively broad scope of the sectors in which Ukrainian companies have partnered with Polish ones.

Businesses started by Ukrainian citizens after the start of the war are mainly concentrated in the following sectors: IT, construction, transport, catering, hairdressing and beauty services.

Roman Dryps (PUIG)

According to the experts, the cooperation between Ukrainian and Polish businesses is already providing mutual benefits. It enables Ukrainians to run their business and maintain its credibility among existing business partners. Meanwhile, it enables Polish enterprises to use production capacity more fully and maintain employment. For Poland, it also means an opportunity to improve the ability to invest in the regions where it is most needed when it comes to Poland's harmonious development.

Ukrainian businesses are the latest foreign investors in Poland who – often thanks to a better awareness of the region and cultural closeness – are ready to invest outside major centres and in regions where there is more of a demand for investments than in industrialised regions.

Marcin Fabiański (PAIH)

It can be expected that the business relations established between Ukrainian and Polish companies will continue after the war ends.

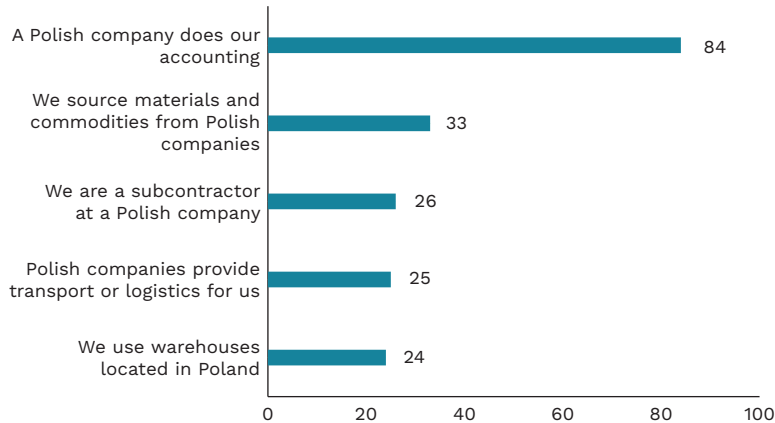
Newly established companies with Ukrainian capital are seeking business contacts with Polish companies, but also with

other entities from the EU. In our view, most Ukrainian companies will not cease to operate after the war ends.

Tetiana Chuzha (PAIH)

According to Ukrainian entrepreneurs, **the most common form of cooperation with Polish companies is using accounting services**, which was mentioned by 84% of respondents (Chart 9). The experts note that this has mutual benefits: the Ukrainian businesses are “freed” from difficult financial settlements that require knowledge of the changing regulations in Poland, while the Polish businesses gain new clients and have greater opportunities for development, including hiring more employees.

Chart 9. Main forms of cooperation between the Ukrainian businesses surveyed and Polish ones (%)



Source: prepared by PEI based on the results of its survey.

One in three of the Ukrainian businesses surveyed sources materials and commodities from Polish companies. This applies to both materials and commodities that they lost access to due to the war and to those needed for their current business in Poland. The experts highlight that:

Ukrainian companies have lost access to certain commodities, materials, subcomponents and are seeking all of this elsewhere. They come to us with these problems and we response to these needs.

Tetiana Chuzha (PAIH)

More than one in four Ukrainian businesses surveyed (26%) is a subcontractor at a Polish company. This applies to Ukrainian construction companies (67%) and those that provide other services (25%) to the largest extent. According to the experts, some of them work for just one partner, which distorts the numbers on Ukrainian businesses in Poland and on Ukrainians working at Polish companies. In reality, the Ukrainian sole proprietorships are people employed at Polish companies, but paying their own taxes and social security contributions, as a business.

Some of them are not salaried employees, but rather found a business and work under the guise of running a business.

Michał Polański (PARP)

The experts draw attention to the fact that acting as a subcontractor at a Polish company is often the only solution that enables Ukrainian companies to continue running their business and maintain credibility among their business partners.

For this reason, Ukrainian businesses seek to carry out their contracts via Poland.

Tetiana Chuzha (PAIH)

According to the survey carried out among Ukrainian enterprises, **one in four (25%) uses transport and logistics services provided by Polish companies.** This primarily concerns Ukrainian commercial brokerage companies that cooperate with Polish companies; for example, when exporting Ukrainian products to Western European markets. However, it does not include Ukrainian companies that buy commodities, materials and products from Polish distributors.

Almost a quarter of the Ukrainian businesses surveyed (24%) use warehouses located in Poland. This relates to the need to safely store Ukrainian projects, as well as Polish companies' involvement in creating new distribution channels for them, enabling the smooth delivery of Ukrainian goods to trading partners in EU countries. This applies to Ukrainian retail companies to the largest extent (86%).

To transport their products from Ukraine, companies need more storage space than before. This is linked to the breakdown of supply chains.

Tetiana Chuzha (PAIH)

According to the experts, the broken supply chains have opened up new areas of cooperation for Polish and Ukrainian businesses.

An example of the new forms of cooperation between Ukrainian and Polish companies is the creation of alternative distribution channels for Ukrainian products using Polish storage and transport infrastructure. The protracted war means that Ukrainian companies are struggling to export their products and use the pre-existing trade routes via the Black Sea.

Maciej Witucki (Confederation Lewiatan)

The experts emphasise that the warehouses currently used to store Ukrainian products could become part of a logistical hub for products from Ukraine and materials for rebuilding the Ukrainian economy in the future.

More than one in ten of the Ukrainian companies surveyed (13%) cooperates with a Polish one when exporting Ukrainian products. The experts draw attention to the increase in the scope of sectoral cooperation and the benefits in the sphere of international trade obtained in both countries, despite the ongoing war.

We are observing how significantly the area of cooperation between Ukrainian and Polish businesses has broadened when it comes to trade in agricultural products. Many Polish companies have gotten involved as intermediaries in trade in these products. As we know, trade in grain and oil previously took place via a different route. Now it is also going via Polish entities working closely with Ukrainian businesses. We are very pleased to see the increase in exports to Ukraine, despite the wartime risk, and that export credit insurance, offered by KUKE, can now be used, which is stimulating exports. However, the development of exports very much depends on the war, on how the situation on the frontline develops.

Tetiana Chuzha (PAIH)

Closer cooperation between Ukrainian and Polish businesses is translating into growing interest among Ukrainian businesses in relocating to Poland and into the level of exports and imports by Ukrainian and Polish companies, which remains high.

Andrzej Drozd (PUIG)

The experts emphasise that, despite the ongoing war, **Ukrainian companies are already preparing for the country's recovery. They are seeking partners with whom they can create a business foothold for future expansion, including to Western European markets.** Ukrainian companies do not rule out that the branches established in Poland may become permanent, and Poland could gain significant benefits from cooperation with Ukrainian companies. This is why maintaining and developing existing cooperation between Ukrainian and Polish businesses is so important.

Poland has the chance to become a logistical hub for products from Ukraine. There is also a major opportunity for Polish companies exporting much-needed products (such as windows) to Ukraine, now and after the war ends. This is why Polish companies' initiatives seeking to build relations with Ukrainian entities, so that Ukraine becomes a place where many Polish companies sell their products and services, are already so important today.

Maciej Witucki (Confederation Lewiatan)

The experts drew attention to how cooperation between Ukrainian and Polish companies is taking place in wartime conditions and how both sides **need to account for various current and future problems that they must solve together.**

This concerns, for example, Polish companies that invested in a business in Ukraine before the war and are now experiencing tough moments linked both to wartime damage and to problems with VAT refunds. The Ukrainian budget has not been refunding Polish companies VAT for a long time now. This has led to huge arrears, and the Ukrainian hryvnia is losing value, which means that the VAT that was supposed to be refunded earlier now represents completely different amounts.

Tetiana Chuzha (PAIH)

How various institutions and organisations are helping

Ukrainian companies being moved to Poland **expect assistance from institutions, organisations and entrepreneurs' associations when it comes to making business contacts and starting a business in Poland.** This is significant because there are currently no legal regulations on the Polish or Ukrainian side on the cross-border relocation of companies. The experts noted that:

Referring to the provisions of the agreement between the Government of the Republic of Poland and the Cabinet of Ministers of Ukraine on economic cooperation drawn up in Kyiv on 4 March 2005 and in force since 4 May 2006 (Monitor Polski 2006 No. 59 item 628), it is possible to submit an initiative to create legal regulations in both Poland and Ukraine regarding precedent-setting fiscal solutions related to enabling Ukrainian enterprises' assets to be brought into Polish customs territory on special terms. This will facilitate cooperation between Ukrainian and Polish businesses.

Roman Dryps (PUIG)

Various employers' associations, industry organisations, and institutions and agencies established to support companies' development help establish business contacts between Ukrainian and Polish businesses. For example, the Polish Agency for Enterprise Development (PARP) is implemented a project on the European Commission's initiative that seeks to match enterprises from both countries. The activities primarily target Polish and Ukrainian small businesses. There is considerable interest in cooperation on both sides.

We do the painstaking work, at the foundations. We collect Ukrainian offers and distribute them among Polish companies. I must say that there is considerable interest in these offers among Polish companies that want to outsource various work to Ukrainian companies, not only in the subcontracting of goods, but also in service-related matters. This is a particularly important area of cooperation with Ukrainian companies for our country, as they make a major intellectual contribution that is valuable for our economy.

Michał Polański (PARP)

Meanwhile, Confederation Lewiatan – as an employers' organisation – establishes contacts with similar organisations on the Ukrainian side to create conditions making it easier for Ukrainian and Polish companies to create business connections.

This is an important area of the Confederation's activity, since, among entities in both countries, there is a high level of fragmentation and many industry organisations representing companies from various sectors of the economy. The high dispersion of company associations makes it more difficult to establish cooperation between enterprises from both countries. There are not always suitable companies on the Polish side to start cooperating with a Ukrainian partner. For example, if we receive offers from, for example, the metallurgical sector, and we, as a confederation associating mainly companies from more modern sectors, cannot offer them cooperation. But in other areas, such as IT, there is a lot of potential for cooperation between Ukrainian and Polish companies. For now, it is difficult to talk about the results of our activities. It is too early, but there are undoubtedly opportunities to develop cooperation between companies from both countries.

Andrzej Rudka (Confederation Lewiatan)

The Polish-Ukrainian Chamber of Commerce (PUIG) representative confirmed the considerable interest in cooperation between Ukrainian and Polish businesses in this regard:

Often, Ukrainian businesses are seeking Polish partners as a foothold for further action.

Andrzej Drozd (PUIG)

It is worth emphasising that various European organisations are also taking action to make it easier for Ukrainian businesses to function during the war. PARP is cooperating with the European Bank of Reconstruction and Development (EBRD), with joint efforts to support refugees and Ukrainian SMEs planning to relocate to Poland. The programme concentrates on providing refugees with financial assistance, helping them improve their skills and creating jobs for them, as well as supporting entrepreneurship as a catalyst for refugees' social integration. An important area of activity

is information, legal and financial support for enterprises relocated from Ukraine (PARP, 2022).

There are also various efforts to prepare the conditions for cooperation between Ukrainian and Polish during Ukraine's recovery, after the war ends.

We are creating a database of Polish companies interested in participating in projects to rebuild Ukraine and observing very high interest among Polish businesses. Around 750 entities interested in the recovery have asked to be added to our database, mainly from the construction industry (around 200 businesses)⁶. A conference that aimed to identify the conditions needed for individual sectors to participate in Ukraine's recovery, among the other things, sought to open industry consultations. We, as PAIH, will participate in the creation of good conditions for building B2B relations. We will pass on the postulates from Polish business to the Ukrainian side, so that both sides can prepare well for future cooperation.

Tetiana Chuzha (PAIH)

⁶ At the end of December 2022, in the database of entities dedicated to cooperation PAIH. There are over 1,600 registered entities, including about 500 companies from the construction industry, in cooperation with business for the purpose of preparations for the resumption of exports and participation in the post-war reconstruction of Ukraine.

6. Will Ukrainian companies stay in Poland for longer?

The war in Ukraine means that there are many unknowns when it comes to refugees' future, their life in Poland, and predictions concerning the end of the war. According to a study entitled *Uchodźcy z Ukrainy – aktywizacja zawodowa w Polsce i Niemczech* [Refugees from Ukraine – professional activation in Poland and Germany], 58% of them plan to stay in Poland for longer or permanently, whereas 22% intend to return to Ukraine as quickly as possible.⁷ What about those who, after coming to Poland after 24 February 2022, started their own business?

According to the experts, the end of the war will not mean the mass closure or relocation of these businesses back to Ukraine. Most of the newly established or relocated companies will continue to operate in Poland.

Only certain companies plan to return to Ukraine and close their business here after the situation normalises.

Tetiana Chuzha (PAIH)

Companies' financial results will influence decisions on whether to continue operating in Poland. The better a company's financial condition, the less likely it is to be relocated or closed.

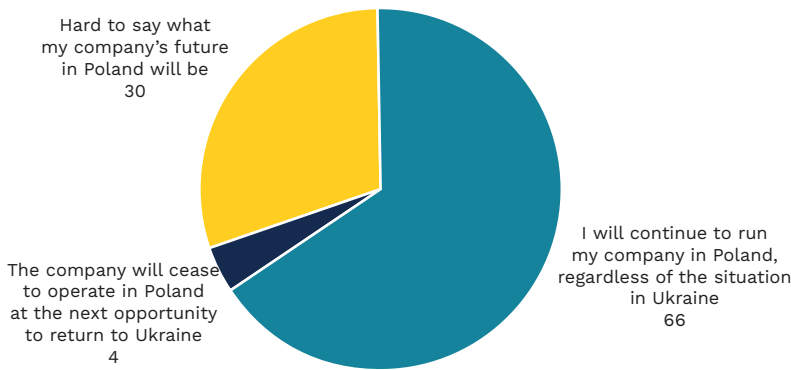
Most of the businesses will not stop operating in Poland after the war ends. Of course, this applies to entities with positive financial results.

Roman Dryps (PUIG)

⁷ Survey conducted by means of direct individual interviews using smartphones and tablets (CAPI F2F), carried out on July 15-25, 2022, on two samples of adult (n = 400), working (18+) refugees. The study was conducted by the EWL Migration Platform, the EWL Foundation for Support of Migrants on the Labour Market, and the Centre for Eastern European Studies at the University of Warsaw (EWL, 2022).

The experts' opinions are confirmed by the results of the survey conducted among Ukrainian businesses. **66% of respondents said that they will continue to operate in Poland regardless of the situation in Ukraine** (Chart 10). Just 4% of the companies surveyed intend to stop operating in Poland and return to Ukraine as soon as the situation allows them to. Businesses in offering other services (43%), along with those in construction (17%) and information and communication (13%) were the most likely to want to remain in Poland. The entrepreneurs planning to return to Ukraine represent the IT sector. It is also worth noting that all the companies surveyed that plan to continue operating in Poland have employees. This enables us to conclude that a clear majority of the Ukrainian companies established in Poland after 24 February 2022 and have employees will want to stay here for longer.

Chart 10. Companies' expectations concerning whether they will stay in Poland (%)



Source: prepared by PEI based on the results of its survey.

According to the experts, the future of Ukrainian business in Poland is difficult to determine. This results from overlapping factors that influence the current and future situation. The ongoing war – and its potential escalation – is one of the circumstances influencing Ukrainian entrepreneurs' decisions. Nobody knows how long the war will last or how it will develop, which prevents them from returning to Ukraine. Another factor that will have a huge impact on Ukrainian companies' future is the economic situation in Poland; that is, the market's readiness to absorb Ukrainian workers and businesses.

The third key issue is the European market; specifically, how open the common market is to Ukrainian businesses, and for how long. We must remember that this openness is temporary, rather than permanent. At the moment,

the situation of many Ukrainian companies, including Ukrainian exports, is relatively good because the European market is still open. The business situation could change when the conditions on the European market are different.

The structure of business and trade between the EU and Ukraine will depend on the situation on the European market.

Michał Polański (PARP)

The experts also cite another issue influencing Ukrainians' decisions on whether to continue running a business in Poland: the conditions in which their children are educated. Many families with children or entire families came to Poland due to the war, seeking refuge. Many of the children are school-aged. The protracted conflict, start of the school year, and children's natural need to associate with their peers, in many cases contributed to parents' decision to start or continue their education and stay in Poland. If parents enrol their children in schools in Poland, this extends their stay to the end of the school year or the next stage of education. At the same time, the parents need to earn money to support themselves in Poland; for example, by running a business.

It seems that small businesses established by people who come here to flee the war, fearing for their and their children's life, will only start developing intensively in our country after the end of this year.

Michał Polański (PARP)

As we have already signalled, Ukrainian businesses are taking advantage of the possibility to expand and using the common European market. Ukrainians who start a business in Poland have the opportunity to make it international and enter new markets. Poland's location undoubtedly makes it easier to seek new economic space and market for goods and services.

Poland is a good location, from which people can seek opportunities for further expansion.

Andrzej Drozd (PUIG)

Some of the entrepreneurs who treat their operations in Poland as a branch of their business will operate in both Poland and Ukraine, wanting to continue making their business more international. Moreover, some Ukrainian businesses are already investing in Poland, creating new jobs, which can be treated as a sign that operating here is not a temporary solution.

Most really do see Poland as a step towards entering the EU market and broadening the market for their products.

Tetiana Chuzha (PAIH)

According to the experts, Ukrainian entrepreneurs are not treating Poland merely as a temporary place to spend the war. Polish-Ukrainian cooperation has been taking place for years, including in business. Further cooperation, including in the context of Ukraine's post-war recovery, could provide both countries with tangible economic benefits. Ukrainians are already preparing to rebuild their country, with efforts to reconfigure logistics and plans concerning actions that will be taken once the recovery begins.

Companies are trying to locate logistics, which will build completely new relations on completely different export paths from Ukraine, here.

Maciej Witucki (Confederation Lewiatan)

It should also be noted that Ukraine's recovery will initially focus on citizens' needs and services for them. Next, business infrastructure will be rebuilt, which will contribute to the gradual return of Ukrainian business to Ukraine or its simultaneous functioning in Poland and Ukraine. Ukrainian enterprises in Poland – and Polish partners, too – will get involved in Ukraine's economic recovery.

Poland will be a kind of foothold for processing raw materials. It may be that semi-finished products will be transported here, processed or enriched in south-eastern Poland.

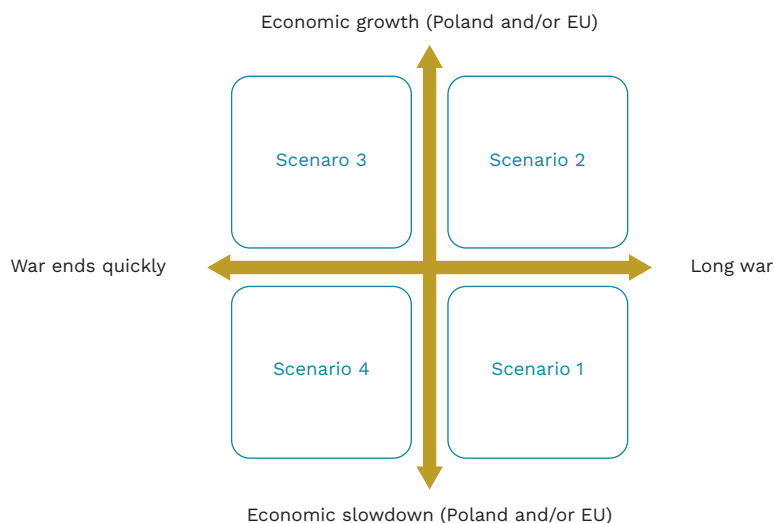
Maciej Witucki (Confederation Lewiatan)

The experts' opinions and the results of the survey conducted among companies seem to concur. Although the situation to Poland's east does not inspire optimism, we can expect that Ukrainian business will remain in Poland for longer, develop, cooperate more closely with Polish partners, and participate in Ukraine's future recovery.

Scenarios for the development of Ukrainian business in Poland

The geopolitical instability triggered by the war in Ukraine has shaken the global economic situation so strongly (energy crisis, broken supply chains, high inflation) that it is difficult to predict what is ahead. This makes it worth outlining potential scenarios concerning Ukrainian business, for which Poland has become both a place to survive and for further development. PEI's Monthly Business Climate Index (MBCI)⁸ shows that sentiment among Polish entrepreneurs deteriorated in the third quarter of 2022. This is linked to the economic uncertainty, which has become the biggest barrier to running a business for Polish companies. As our research conducted among Ukrainian entrepreneurs shows, Ukrainian business is in a similar situation. The biggest obstacle for businesses is the uncertain economic situation.

Chart 11. Scenarios for the development of Ukrainian business in Poland



Source: prepared by PEI.

⁸ The Monthly Business Climate Index created by PEI and BGK studies the business climate among Polish enterprises. The survey is conducted at the start of every month on a representative sample of 500 companies using the CATI method (www8).

Taking into account the length of the war and whether there is economic growth or a slowdown in Poland and the EU, we can outline four scenarios for the development of Ukrainian entrepreneurship in Poland (Chart 10).

The first – most pessimistic – scenario assumes a protracted war and economic slowdown in Poland and the EU. The second assumes a long-term war, accompanied by economic growth. The third – most optimistic – scenario assumes a rapid end to the war and economic growth in the EU, including Poland. The final scenario assumes that the war will end soon, but be accompanied by an economic slowdown. The first and third scenarios concern the most extreme situations, whereas the second and fourth describe intermediary ones. The extreme scenarios represent the two ends of a continuum, hence they will be discussed below.

Scenario 1. *A long, devastating war*

This scenario assumes that the war in Ukraine will go on for years. The Russians will destroy more parts of the country, which will have a devastating effect on Ukraine. Talks between the parties to the conflict, involving representatives of other countries, are underway, but do not end the fighting. Over time, other countries, the EU and NATO become less and less involved in helping the Ukrainian side. The destruction of Ukraine and the damage to its infrastructure and economy prompt further waves of Ukrainian migration, which are less about saving lives and more about earning money to survive. Companies still operating in Ukraine move to other countries, seeking new markets for their goods or services. In this way, the nature of migration changes, with refugees giving way to economic migrants. Another consequence of the protracted war is further deterioration in the economic situation in Poland and other countries. Rising inflation, prices and interest rates, coupled with the continued energy crisis, make it difficult for enterprises to operate, which results in financial losses and, in some cases, bankruptcy, thereby increasing unemployment.

The influx of people from Ukraine to Poland increases the number of enterprises established by Ukrainians. This results in greater competition on the Polish market. The massive influx of people means that the Polish economy is no longer able to absorb new businesses or employees. In addition, the lower cost of hiring Ukrainians make them competition for Poles looking for work. Ukrainian companies operating for more than half a year cease to benefit from tax relief and are tested by the market. Some businesses close, increasing the number of unemployed people. To remain attractive to customers, those still operating reduce prices and the number of employees. The deteriorating economic situation in Poland, worsening living conditions and increasing social unrest force some Ukrainians to seek better living conditions in countries further west.

Scenario 3. *Development in peacetime*

This scenario assumes the rapid signing of a lasting peace agreement. As soon as the war ends, people stop leaving Ukraine, some of the Ukrainians return to their country, and the economic recovery – including that of public and business infrastructure – supported by EU funds begins. As a result, Ukraine does not become dependent on Russia again. With the end of the war, the economy in Poland and other countries improves. Inflation stops rising and interest rates fall, which improves popular sentiment, including among entrepreneurs. The energy crisis ends, which lowers energy prices. The improved economic situation results in a better situation on the labour market, which creates space for new businesses.

Ukrainians do not return to their country all at once. Some leave Poland right after the situation at home stabilises, while some put off their return or plan to stay. Some Ukrainian entrepreneurs close their companies in Poland and reopen their businesses in Ukraine. A significant share of the companies that remain in Poland operate in both countries, treating it as a first step towards making their business more international. The companies established in Poland prosper and the end of the Polish social security (ZUS) contribution waiver period does not result in the mass closure of businesses. Both established and new businesses find a place for themselves in the Polish economic climate. Ukrainian companies take advantage of the opportunities offered by Poland's geographical location and seek to expand to other markets, developing and creating new jobs. Trade between Ukrainian and Polish companies continues to develop. Cooperation with entities from other EU countries continues, too. Ukrainian companies and their Polish partners support Ukraine's recovery through all sorts of investments. Knowledge and technology transfer advances, benefiting Ukrainian entrepreneurs in Poland.

Methodological appendix

The content of this report stems from the analysis of primary and secondary data. We conducted the survey of Ukrainian businesses in Poland in stages, seeking information from a variety of sources and using different data collection methods.

During the first stage, we used the Central Economic Information Centre (COIG) and the Central Register and Information on Business (CEIDG) databases. This analysis enabled us to establish the scale of Ukrainian entrepreneurship in Poland, especially since the Russian invasion of Ukraine.

The COIG database contains data on enterprises operating in the form of companies, including ones with foreign capital. The COIG data contains KRS data, which enabled us to estimate the number of companies with Ukrainian capital, but it does not include information about businesses run by natural persons or about civil companies. It is also worth remembering that the statistics concerning particular months or years only concern new businesses where, at the time when they were registered, one of the shareholders was a Ukrainian business or a Ukrainian citizen.

The CEIDG data concerns sole proprietorships and civil companies operating in Poland. Registration in the database is a prerequisite for conducting this kind of business activity, regardless of citizenship. The data collected only refers to Ukrainian citizens who registered with the CEIDG in 2022. This data enabled us to conduct a detailed analysis of the structure and changes in the number of Ukrainian enterprises in Poland. We showed their structure, taking into account the industry and location. In the case of sole proprietorships, we also took into account the gender of the person who established the business. When analysing the changes in the number of Ukrainian companies being established in Poland, we looked at the period from January to September 2022. Moreover, for companies with Ukrainian capital, the scale in 2022 was compared to the previous year.

During the second stage of work on this report, we conducted qualitative research in the form of group and individual interviews with representatives of institutions with broad knowledge of the conditions in which Ukrainian

businesses in Poland operate. We invited representatives of the following institutions to participate:

- ▶ Ministry of Development and Technology (MRiT),
- ▶ Ukrainian Embassy in Poland,
- ▶ Polish Agency of Investment and Trade (PAIH),
- ▶ Polish Agency for Enterprise Development (PARP),
- ▶ Polish-Ukrainian Chamber of Commerce (PUiG),
- ▶ Confederation Lewiatan.

On 21 September 2022, we conducted an in-depth group interview at PEI's offices in Warsaw, which featured a conversation with representatives of the above-mentioned institutions according to a prepared scenario. The meeting was recorded and the transcript enabled us to use selected quotes in this report. Information from the in-depth interview was supplemented with individual interviews with representatives of the institutions who could not attend the group interview. The knowledge obtained from this qualitative research enabled us to describe the conditions in which Ukrainian business operate in Poland, Ukrainians' motives for establishing a company in Poland after the war began, the barriers to running a business in Poland, and cooperation between Ukrainian and Polish businesses – and to outline the potential development of Ukrainian companies in Poland. Our qualitative research also provided a basis for preparing for the next stage of work: conducting quantitative research among Ukrainian businesses registered in Poland after the start of the war in Ukraine.

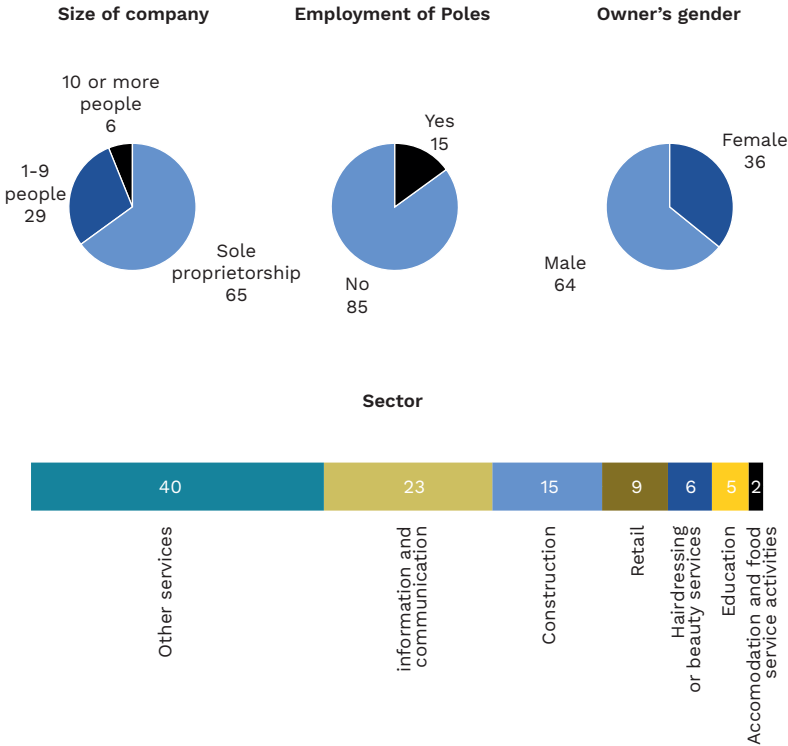
The quantitative research was conducted at the start of October 2022 in the form of an online survey. The CEIDG database enabled us to identify the email addresses of over 2000 businesses, which we invited to participate in the survey. 110 companies agreed to take part and 80 ultimately filled out the survey. **Given that the group surveyed only contains businesses that agreed to participate, our sample does not reflect the exact structure of the Ukrainian businesses established in Poland in 2022.** Infographic 3 presents the structure of the businesses surveyed.

Our sample was primarily made up of sole proprietorships (65%) and micro-enterprises (29%). Enterprises with 10 or more employees made up just 6% of the businesses surveyed. Of the businesses surveyed, 15% employed Poles. Most of the businesses were run by men (64%). The main sector in which Ukrainian enterprises operated was other services (40%). In addition, a fairly large percentage of the companies surveyed were in information and communication (23%) or construction (15%).

The questionnaire was prepared in Ukrainian and the questions concerned the motives for establishing a business in Poland, the obstacles to running a business, cooperation with Polish businesses, and plans to continue

operating in Poland. The information obtained from the businesses supplemented the interviews conducted earlier and together provided a broader picture of Ukrainian businesses in Poland.

Infographic 3. Structure of the Ukrainian businesses surveyed (%)



Note: n = 80.

Source: prepared by PEI based on the results of its survey.

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List of infographics and charts

LIST OF INFOGRAPHICS

Infographic 1. Companies with Ukrainian capital established in Poland between January and September 2022	12
Infographic 2. Sole proprietorships established by foreign citizens in Poland in January-September 2022	14
Infographic 3. Structure of the Ukrainian businesses surveyed (%)	49

LIST OF CHARTS

Chart 1. Companies with foreign capital, based on country of origin – end of September 2022 (%)	10
Chart 2. Registration of new companies with Ukrainian capital between January and September 2022 and growth year on year	11
Chart 3. Number of Ukrainian sole proprietorships in Poland established between January and September 2022 and growth month on month	13
Chart 4. Companies with Ukrainian capital in Poland in 2022 according to sector (%)	15
Chart 5. New Ukrainian sole proprietorships in Poland in January-September 2022 according to sector (%)	16
Chart 6. Newly established Ukrainian sole proprietorships in Poland in January-September 2022 according to sector and gender (%)	17
Chart 7. Motives that led Ukrainians to found their own business in Poland (%)	21
Chart 8. Significance of different barriers to running a business, according to Ukrainian entrepreneurs (%)	26
Chart 9. Main forms of cooperation between the Ukrainian businesses surveyed and Polish ones (%)	33
Chart 10. Companies' expectations concerning whether they will stay in Poland (%)	41
Chart 11. Scenarios for the development of Ukrainian business in Poland	44

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