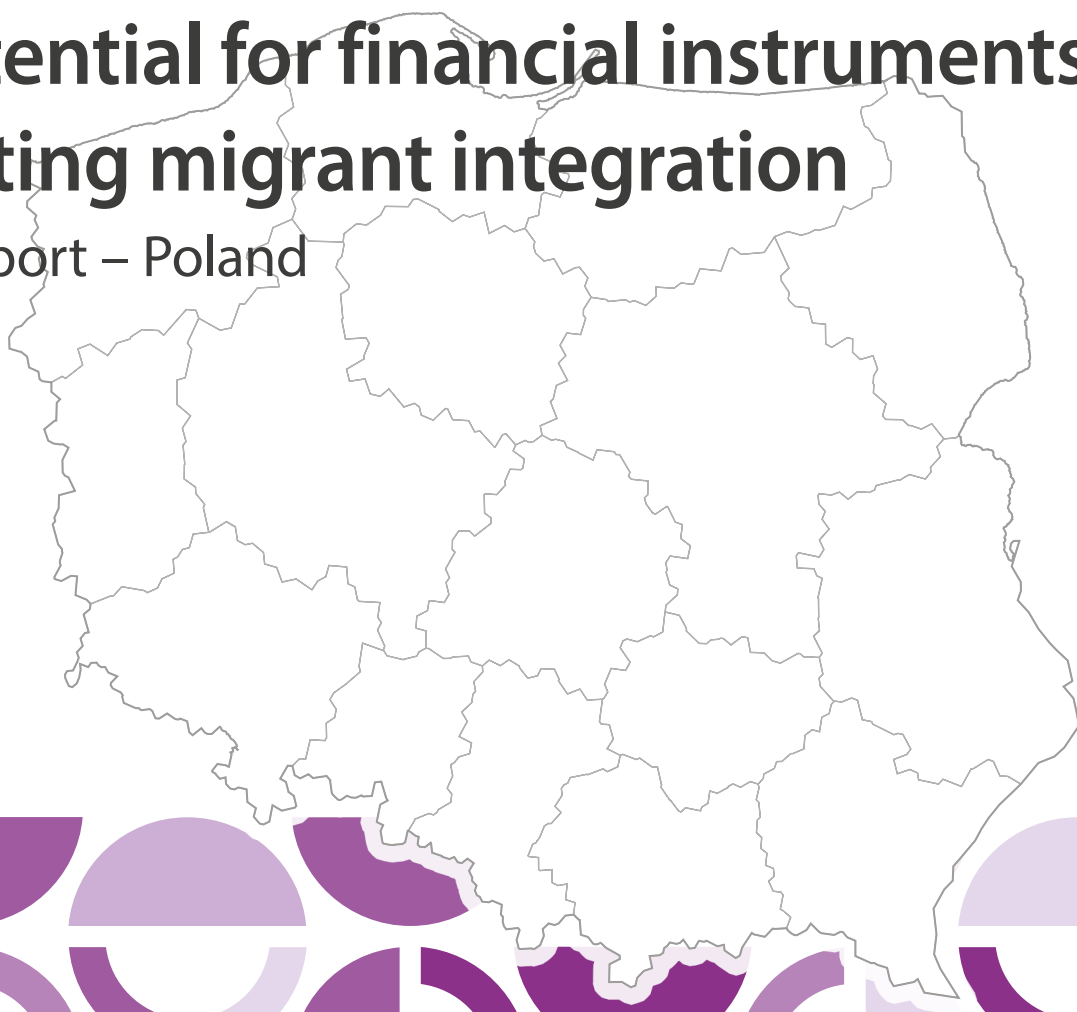




Market report  
June 2024

# The potential for financial instruments supporting migrant integration

Country report – Poland







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# 01 Context

## 1.1 Third-country nationals (TCNs) in Poland

The number of third-country nationals (TCNs) reached 419 000 thousand by the end of 2022. Of these, 366 000 thousand (87%) were of working age (15-64) and accounted for 1.5% of the working age population of the country.<sup>1</sup> Long-term residents (with permits issued for 5 or more years) constituted 43% of TCN residents<sup>2</sup>. Ukrainian citizens constituted 68% of the third-country nationals, followed by Belarussian citizens (14%)<sup>3</sup>. The main reason for migration among TCNs stated on the application for the residence permit was employment (66% of TCNs), followed by 'other reasons' (22%)<sup>4</sup>.

In 2022, the number of asylum applicants increased by 26% to reach 9 810<sup>5</sup>. Of the 5 200 first instance decisions taken in 2022, 75% were positive decisions of granting a refugee status while 25% of applications were rejected. Compared to 2021, the volume of decisions grew by 44% and the number of positive decisions increased 15 percentage points<sup>6</sup>.

In 2022 and 2023 (until the end of October), 1.7 million Ukrainian citizens, mainly women and children applied for temporary protection in Poland in accordance with the Act on assistance to Ukrainian citizens in connection with the armed conflict on the territory of Ukraine. Over 957 000 Ukrainian citizens received a foreigner status, with 56% of working age among them. Women constituted 73% of the working-age foreigner status holders<sup>7</sup>. The largest numbers of TCNs reside in the cities of Warsaw, Wrocław, Kraków and Gdańsk. While many Ukrainian refugees have found safety and support in Poland, a significant number have chosen to continue their journey to other Western European countries, particularly Germany.

The ongoing conflict in Ukraine and the subsequent displacement of Ukrainian citizens are expected to result in a substantial increase in the number of TCNs residing in the country. This secondary migration is driven by a variety of factors, including the desire to reunite with family members who have already settled elsewhere, the hope of finding better job opportunities, and the belief that other countries may offer more comprehensive social and economic support. It is estimated that 45% of the displaced Ukrainian nationals will stay in Poland after the end of the conflict in Ukraine<sup>8</sup>.

1 Eurostat, 2023, 'Population on 1 January 2023 by age group, sex and citizenship [MIGR\_POP1CTZ]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/MIGR\\_POP1CTZ\\_\\_custom\\_5955458/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/MIGR_POP1CTZ__custom_5955458/default/table?lang=en).

2 Eurostat, 2023, 'Long-term residents by age, sex and citizenship on 31 December of each year [MIGR\_RESLAS]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_reslas/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_reslas/default/table?lang=en).

3 Eurostat, 2023, 'All valid permits by reason, length of validity and citizenship on 31 December of each year [migr\_resvalid]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_resvalid/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_resvalid/default/table?lang=en).

4 Eurostat, 2023, 'First permits by reason, age, sex and citizenship [MIGR\_RESFAS]', compiled by MFC [https://ec.europa.eu/eurostat/databrowser/view/MIGR\\_RESFAS\\_\\_custom\\_3332249/bookmark/table?lang=en&bookmarkId=864af24d-7693-456b-9adc-97c5f8dfc647](https://ec.europa.eu/eurostat/databrowser/view/MIGR_RESFAS__custom_3332249/bookmark/table?lang=en&bookmarkId=864af24d-7693-456b-9adc-97c5f8dfc647). (Does not include Ukrainian war refugees arriving in EU countries after 24.02.2022).

5 Eurostat, 2023, 'Asylum applicants by type of applicant, citizenship, age and sex - annual aggregated data [migr\_asyappctza]', compiled by MFC [https://ec.europa.eu/eurostat/databrowser/view/migr\\_asyappctza/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_asyappctza/default/table?lang=en).

6 Eurostat, 2023, 'First instance decisions on applications by citizenship, age and sex - annual aggregated data [migr\_asydcfsta]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_asydcfsta/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_asydcfsta/default/table?lang=en).

7 Polish state data portal: <https://dane.gov.pl/pl/dataset/2715,zarejestrowane-wnioski-o-nadanie-statusu-ukr>.

8 EWL, 2023, 'Uchodźcy wojenni z Ukrainy. Rok w Polsce', available at: <https://ewl.com.pl/raport-uchodzcy-wojenni-z-ukrainy-rok-w-polsce/>.



Except for the Ukrainian displaced people who are beneficiaries of the Temporary Protection Directive<sup>9</sup> and may work without a work permit, the employment of other TCNs in Poland is governed by the Act of 20 April 2004 on the promotion of employment and labour market institutions and the Act on the employment of foreigners<sup>10</sup>. The employment of TCNs in Poland currently faces challenges due to complex and often outdated procedures. Although some processes to apply for a work permit can be performed online, the process often requires in-person visits to government offices. Additionally, a ‘labour market test’ is required, where employers must inquire with local authorities about available Polish workers before hiring a TCN. Extending work permits necessitates a separate procedure, even if the job remains the same. This additional process is burdensome for both employers and foreign workers. Furthermore, administrative hurdles, such as the requirement for comprehensive checks on the need for foreign employees, have not evolved in line with the current situation. The current system often leads to delays and difficulties for both employers and foreign workers, contributing to inefficiencies in the employment of TCNs in Poland. In some cases, TCNs in Poland do not need a work permit to work. This concerns e.g. holders of a humanitarian visa, a ‘Poland. Business Harbour’ visa<sup>11</sup> or medical professionals<sup>12</sup>.

9 The full text of the act (only in Polish) available at: <https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20220000583>.

10 The full text of the act (only in Polish) available at: <https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20210002354>. This Act is currently under legislative revision.

11 In September 2020, the government launched a new programme and simplified the visa procedure, “Poland. Business Harbour”, aimed at supporting information and communications (ICT) sector entrepreneurs from Belarus considering relocation to Poland. In July 2021, the programme was expanded to include Armenia, Georgia, Moldova, Russia, and Ukraine. The programme was suspended at the end of 2023 as irregularities in verifying the applicants were detected.

12 In November 2021, new rules entered into force which make it easier for doctors who have gained their professional qualifications in non-EU countries to practice in Poland. Foreign doctors can work under the simplified rules for a maximum of five years, under condition they confirm knowledge of the Polish language and have obtained a promise of employment from the future employer.



# 02 Microfinance

## 2.1 Market analysis – Snapshot

Conditions for entrepreneurship in Poland are less favourable than in most European countries, according to the Global Entrepreneurship Monitor<sup>13</sup>. The entrepreneurial ecosystem is well developed in several aspects such as ease of market entry and physical infrastructure. It is, however, considered underdeveloped in support and relevance of governmental policies, taxes and bureaucracy or access to entrepreneurial finance.

Since the start of the war in Ukraine, Poland has seen a surge of the number of companies established by Ukrainian citizens. By the end of June 2023, there were 29 000 such enterprises registered in Poland, mostly as sole proprietorships. The main sectors they operated in were construction (24%), information and communication (18%), and services (14%) of which 85% are hairdressing and beauty services. In 2022, Ukrainian-owned companies made up 57% of all foreign-owned companies in Poland, and this share increased to almost 67% in the first half of 2023, also accounting for 10% of all enterprises established in the same period. Ukrainian-owned businesses are the fastest-growing segment of migrant-owned companies in Poland with an average of 2 000 new Ukrainian firms registered monthly in the first half of 2023<sup>14</sup>. Not all businesses set up by Ukrainian citizens in Poland are start-ups - 10% of the sole proprietorship businesses which registered in Poland in the first half of 2023 were active in Ukraine before moving to Poland. The vast majority of Ukrainian business holders (66%) have long-term plans and want to continue operating their business in Poland even after the end of the armed conflict in Ukraine<sup>15</sup>.

Belorussian citizens are the second largest TCN group in terms of business creation in Poland, but the number of Belorussian-led enterprises are much smaller. Self-employed Belorussian citizens constitute 23% of self-employed TCNs while Ukrainian citizens constituted 52% of TCNs with self-employment activity, as of June 2023<sup>16</sup>. Among over 103 000 companies with foreign capital in operations in September 2023, 6% were created by Belorussian citizens, compared to 26% of companies created by Ukrainian citizens (26%)<sup>17</sup>.

The entrepreneurship rate among TCNs in Poland is 4%, which is far below the entrepreneurship rate among the country nationals (12%). This disparity suggests that there is untapped potential for TCN-owned businesses in Poland. With appropriate support and encouragement, TCNs could contribute more significantly to the Polish economy.

13 GEM (Global Entrepreneurship Monitor) (2023). Global Entrepreneurship Monitor. 2022/2023 Global Report: Adapting to a "New Normal". London: GEM <https://gemconsortium.org/report/20222023-global-entrepreneurship-monitor-global-report-adapting-to-a-new-normal-2>.

14 Polski Instytut Ekonomiczny, 2023, 'Od 2022 r. w Polsce powstało już blisko 30 tys. ukraińskich działalności gospodarczych', <https://pie.net.pl/od-2022-r-w-polsce-powstalo-juz-blisko-30-tys-ukrainskich-dzialalnosci-gospodarczych/>.

15 Social Finance: Supporting Underserved Communities at a Time of Challenge.

16 Social Insurance Institution, n.d., 'Statistical Portal', <https://psz.zus.pl/kategorie/ubezpieczeni/ubezpieczenia-emerytalne-i-rentowe>.

17 Centralny Ośrodek Informacji Gospodarczej (COIG) – online report <https://www.coig.com.pl/inwestorzy-zagraniczni-w-polsce.php>.





## 2.2 Analysis of the demand side

### Demand for microfinance from entrepreneurial TCNs in Poland

As Ukrainian enterprises are the most significant group of new and emerging TCN businesses in Poland, there are a number of studies and surveys focusing on their needs and barriers that they face. According to the survey conducted by the Polish Economic Institute<sup>18</sup>, Ukrainian entrepreneurs consider their lack of experience in running a business in Poland as the largest barrier (40% of businesses surveyed).

Access to finance is a significant barrier for Ukrainian entrepreneurs. In the same study, a rather large group of them cited insufficient funds of their own (33%) and the high costs associated with running a business (29%). 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 in Ukraine, the decision to move their business to another country was made all of a sudden and in extremely difficult external circumstances.

In Poland, Ukrainian businesses struggle to obtain external financing – 19% of entrepreneurs said that they did though, while at the same time, as many as 44% said that their business had 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.

Enterprises moving from Ukraine are in a somewhat better situation. In September 2022, the Polish Credit Information Bureau (Biuro Informacji Krajowej – BIK) started cooperating with two counterparts from Ukraine. Through cross-border information sharing, banks are able to fully assess creditworthiness, simplify procedures and shorten the application processing time for Ukrainian citizens. At the same time, some entrepreneurs cited difficulties in 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). Since 1 October, the NBU has made it possible for companies to send money to their branches abroad, but up to a limited amount.

### Demand for Business Development Services (BDS) by entrepreneurial TCNs in Poland

With so many new enterprises set up each month by TCNs, it is important to pay more attention to the various challenges and barriers that hinder TCNs' entrepreneurial success. Some of these challenges are related to the lack of information and knowledge about the Polish market, legal system, taxation, employment, and business culture. Other challenges are related to the lack of access to finance, networks, customers, and business advisory services.

Therefore, there is a high demand for BDS services for entrepreneurial TCNs in Poland, especially for those who come from Ukraine. These services should be tailored to the specific needs and characteristics of the TCNs, such as language barriers, legal status, cultural differences, market access, and social integration. They should also be accompanied with adequate information and promotion campaigns to raise awareness and trust among the TCNs about the available support options. Some of the most important BDS services that could benefit TCNs are:

- Networking opportunities to connect TCNs with other entrepreneurs, potential partners, customers, investors, mentors, and experts. Peer support programmes for entrepreneurs who share similar backgrounds, challenges, or goals. Peer support can help the TCNs to overcome isolation, gain confidence, receive feedback, and solve problems collectively;

<sup>18</sup> Dębikowska, K., Kłosiewicz-Górecka, U., Szymańska, A., Wejt-Knyżewska, A., Zybortowicz, K. 'Ukrainian companies in Poland since the start of the war in 2022', Polish Economic Institute, Warsaw. 2022.



- Business and financial training to provide the TCNs with the necessary skills and knowledge to start and manage a business in Poland. Business and financial training can help the TCNs to develop a business plan, understand the legal and regulatory framework, comply with the tax and accounting obligations, and access finance. In addition to training;
- TCN advisory services should offer the TCNs personalised and professional advice on various aspects of running a business in Poland such as taxation, legal, and administrative issues, as well as how to access public support programmes and financing.

Information on the conditions for starting a business in Poland is available on the internet and there are institutions such as the Business Consulting Centre at the Polish-Ukrainian Chamber of Commerce and Diia.Business Warsaw that offer support. There are few other support bodies 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.

## 2.3 Analysis of the supply side

### Provision of microfinance for entrepreneurial TCNs in Poland

Microfinance in Poland is provided by 63 loan funds of various legal forms ranging from foundations to limited liability and joint-stock companies. The majority of them were set up and capitalised by local governments aiming at stimulating regional development through entrepreneurship promotion and support, although some (e.g. Towarzystwo Inicjatyw Społeczno-Ekonomicznych (TISE) or Fundacja Na Rzecz Rozwoju Polskiego Rolnictwa (FDPA) are private organisations. The vast majority of them operate regionally within one county; however, there are a few that work across the whole country. Loan funds serve micro, small and medium enterprises with loans of EUR 50 000, on average. In 2022, the total number of disbursed loans was over 7 000 for the value of over EUR 500 000. The table below shows the 2022 statistics for the 6 biggest loan funds.

Table 1: Polish loan funds basic 2022 statistics

Name of the fund	Loan capital (EUR)	Value of loans (EUR)	Number of MSMEs <sup>19</sup> served
Polska Fundacja Przedsiębiorczości (PFP)	225 147 959	70 995 405	1 134
Towarzystwo Inicjatyw Społeczno-Ekonomicznych (TISE)	145 880 010	38 369 016	409
Wielkopolska Agencja Rozwoju Przedsiębiorczości (WARP)	143 472 258	38 867 789	526
Grupa LFR – Lubelska Fundacja Rozwoju	123 223 128	47 790 503	347
Fundusz Górnośląski (FG)	96 413 140	20 443 437	145
Kujawsko-Pomorski Fundusz Pożyczkowy (KPFP)	94 573 308	34 590 014	351

Source: Report 'Fundusze Pożyczkowe w Polsce 2022' by Polski Związek Funduszy Pożyczkowych

19 i.e., Micro, Small and Medium Enterprises.



Polska Fundacja Przedsiębiorczości (PFP) is the largest loan fund in Poland, which specialises in financing micro, small and medium-sized enterprises (MSMEs) and social enterprises across the whole country through a network of 26 branches. PFP offers loans for investment, working capital and export purposes. They also have a subsidised financing programme for start-ups and offer advisory services. TISE is the second largest loan fund in Poland in terms of the value of the loan portfolio and total assets. It is a private social loan fund that offers loans to non-governmental organisations, social cooperatives and social enterprises and works across the country. TISE is also active in financing start-ups and existing microenterprises. Wielkopolska Agencja Rozwoju Przedsiębiorczości (WARP) is an example of a regional public fund set up to support MSMEs in the Wielkopolska region in western Poland. WARP provides investment and energy efficiency and has a co-financing programme for start-ups and BDS. It also runs a contact point for people interested in setting up a business and for existing firms. Lubelska Fundacja Rozwoju (LFR) is another example of a regional development agency set up by public and private bodies in the early 90s with a goal to support the development of the MSME sector. This fund is active in extending loans to the self-employed, start-ups and established enterprises in a number of regions in Poland. They also offer extensive BDS support to existing firms and run numerous training programmes for the unemployed. Fundusz Górnośląski (FG) and (Kujawsko-Pomorski Fundusz Pożyczkowy) KPFR are examples of funds that have strict regional development mandates. Both provide loans to start-ups and existing MSMEs, while the KPFR additionally runs three business incubators in three cities of the region (Bydgoszcz, Toruń and Włocławek). As for FG, in addition to the liquidity, investment and start-up loans, they developed a BDS and grant support programme for MSMEs.

Polish loan funds have not yet been able to adequately support the entrepreneurial migrants' needs for financing, mainly due to three reasons:

- High perceived risks and unregulated residential status of many TCNs staying in Poland. An important concern is that many TCNs eventually decide to move to other, more developed European Union (EU) countries, where they may have better opportunities and living conditions. The upshot is that only TCNs with residency status in Poland are served by the loan funds, which limits the pool of potential borrowers;
- The difference in the loan funds' mandate and objectives compared to the majority of microfinance institutions (MFIs) in other EU countries. While many of the good practice MFIs have the mandate to work with excluded groups, including migrants, and to promote financial inclusion and social impact, Polish loan funds have a mandate to support enterprise development by providing loans for investment and working capital purposes. They have limited know-how, incentives, and resources to target and serve TCNs as a specific customer segment;
- Polish loan funds rely heavily on public funding, which, until recently, has not been specifically designed to address the needs and potential of migrant entrepreneurs and social enterprises.

This situation is bound to change as Bank Gospodarstwa Krajowego (BGK) – the Polish development bank has designed a package of financial instruments to support business and social enterprise start-ups, that include TCNs as one of the target groups. These instruments aim to reduce the barriers and risks for both lenders and borrowers, by providing subsidised loans. The loan funds interviewed for this Study indicated their interest in expanding their start-up and business loans offer to entrepreneurial TCNs, provided that adequate instruments that take into consideration the risks associated with TCNs and their specific situation vis-à-vis collateral are available. In many cases, the collateral requirements have to be reduced or replaced by other forms of security, such as personal guarantees or insurance policies. The loan funds also expressed the need for more information and training on the legal and administrative aspects of lending to TCNs, as well as on the cultural and linguistic diversity of migrant entrepreneurs and social enterprises.



### Provision of BDS to entrepreneurial TCNs in Poland

In Poland, there are various providers and sources of financing for BDS. Some of them include:

- Polish Agency for Enterprise Development (PARP), which is a public institution that supports the development of micro, small and medium-sized enterprises in Poland. PARP offers various programmes that provide BDS to entrepreneurs including those of migrant backgrounds, for example BDS programmes within the Operational Programme Smart Growth (OPSG);
- Loan funds are important providers of BDS to MSMEs. According to the 2022 report of the Polish Loan Funds Association, almost 67% of the loan funds in Poland provide BDS to their customers. Most of the loan funds offer free-of-charge or subsidised BDS, especially for start-ups or social enterprises with funding coming from private and public sources (i.e. from the country level or local operational programmes funded by the EU). The BDS offered by Polish loan funds helps MSMEs to access finance, improve their management skills, increase their productivity and quality, expand their markets, and foster innovation and address the challenges posed by the green and digital transformation. The loan funds see the potential of migrants as entrepreneurs and innovators who can contribute to the local economic and social development and they are interested in expanding their BDS offer to TCNs, especially in view of the new financial instruments designed by BGK for business start-ups that include migrants as target groups. It is also worth mentioning that some of the loan funds also express willingness to support the integration of migrants into the Polish society and labour market by providing them with various general non-financial integration services, such as mentoring, networking or legal advice. None of the funds in Poland have so far participated in the programme Partnerships and Financing for Migrant Inclusion (PAFMI), funded by the Asylum, Migration and Integration Fund (AMIF) and managed by the Council of Europe Development Bank (CEB)<sup>20</sup>, - nor the Employment and Social Innovation (EaSI)-funded BDS Pilot Programme for migrants and refugees<sup>21</sup>. The vast funds' BDS potential could be used to support the TCNs if there are appropriately designed BDS grant programmes;
- Private sector, which includes various entities that offer BDS to entrepreneurs in Poland. These can be private consulting firms, business associations and incubators, chambers of commerce, non-governmental organisations (NGOs) etc. Some examples of private BDS providers in Poland are: Startup Development House, the Foundation for Entrepreneurship Development, Youth Business Poland and many others.

Youth Business Poland implements the programme called BEST (Business Employability Skills Training) organised jointly with Standard Chartered Bank, Youth Business International and the Ukrainian House, which aims at supporting 10 000 young refugees from Ukraine who came to Poland as a result of the war and who are looking for work, want to re-start their business or want to start a business for the first time.

The following services are offered:

- SOS Mentoring for those who need and want to receive comprehensive support, mental support, motivation and tools for action (finding a job or running a business);
- Advice at stationary consultation points of the Ukrainian House in Warsaw and online /over telephone;
- Networking meetings for people interested in opening and running a business to integrate the Polish and Ukrainian business communities and enabling the establishment of business cooperation;
- Webinars on looking for a job in various industries and on running a company in Poland;
- Database of knowledge and job offers.

<sup>20</sup> Guidelines for grant applicants for Partnerships and Financing for Migrant Inclusion (PAFMI), available at: [https://www.european-microfinance.org/sites/default/files/call/file/2022\\_11\\_CEB\\_TAM\\_P\\_LD\\_PAFMI\\_Guidelines\\_for\\_Applicants%20%284%29.pdf](https://www.european-microfinance.org/sites/default/files/call/file/2022_11_CEB_TAM_P_LD_PAFMI_Guidelines_for_Applicants%20%284%29.pdf).

<sup>21</sup> European Commission, n.d. 'Business Development Services (BDS) Pilot for refugees and migrants', [https://cor.europa.eu/en/events/Documents/CIVEX/working-together-for-migrant-integration/BDS\\_Pilot\\_for\\_refugees\\_and\\_migrants\\_DG\\_EMPL.pdf](https://cor.europa.eu/en/events/Documents/CIVEX/working-together-for-migrant-integration/BDS_Pilot_for_refugees_and_migrants_DG_EMPL.pdf).



In the past, several local initiatives in Wrocław and Kraków supported TCNs in starting a business through training, webinars, consultation points and manuals. Services were promoted through local contact points and integration centres and were targeting mainly newcomers. The local initiatives in Wrocław and Kraków were funded from EU funds and programmes such as AMIF or Interreg Central Europe.

In the programming period of 2014-2020, AMIF activities within Objective no. 2 'Legal migration and Integration' focused on building the infrastructure and staff capacity of the municipal offices for foreigners and information centres. The Ministry of Family and Social Policy (MRiPS) implemented two projects in which a model of integration of foreigners in Poland was developed and information centres were created and piloted in two voivodeships. In the new programming period 2021-2027, AMIF and ESF+ will support the establishment of a network of Integration Centres for Foreigners based on the 'one-stop-shop' concept. It is planned that the integration centres will support 150 000 foreigners out of which 9 000 people will benefit from career counselling. Actions under AMIF will be complementary to the European Social Fund Plus (ESF+), which will focus, among others, on the integration of foreigners into the labour market and society. Integration activities will also be financed from the European Regional Development Fund (ERDF).

#### **Funding sources for microfinance institutions**

Loan funds in Poland received their initial capital from a variety of sources, including public funds, private equity investors, and banks. Currently, most of the loan funds distribute the BGK-developed financial instruments with funding coming from the EU funds and co-financing provided from the state and local government budgets. BGK offers tender procedures for the distribution of the specific financial instruments such as, for example, the MSME liquidity or start-up loans. Selected financial intermediaries receive management fees that are intended to cover the operational costs and risks, as well as to provide them with an incentive to perform well. The majority of funds take part in such tenders: little less than 60% won contracts for the distribution of financial instruments in 2022.

The short-term challenges that the funds face with regard to their role in implementing the BGK financial instruments include operational and financial sustainability issues due to the low levels of the funds' remuneration for financial intermediation and distribution of the financial instruments to the various target groups as well as the relatively high minimum capital requirements for the funds to participate in the tender procedures, which excludes a number of smaller regional funds from participating in the bids organised by the BGK. Some of the Polish loan funds also use a complementary guarantee system that provides partial coverage of the credit risk for financial intermediaries that lend to MSMEs. The guarantee system can be accessed through the regional guarantee funds (RGFs) which are predominantly non-profit entities supporting local MSMEs. The role of the RGFs is to complement the activities of BGK, which provides a national guarantee facility available only to banks, and to provide more tailored and flexible guarantees for MSMEs in their regions. The RGFs have more knowledge of the local market conditions and the specific needs of the MSMEs. They also have lower administrative costs and faster decision-making processes than BGK. The RGFs are supported by BGK through co-guarantees, counter-guarantees and refinancing loans. The system provides individual guarantees (in contrast with BGK or InvestEU offering portfolio guarantees that provide partial coverage of the credit risk associated with a portfolio of loans), i.e. when an MSME applies for a loan, it can request a guarantee from an RGF. If the guarantee is issued, the intermediary can grant the loan to the MSME with a lower collateral requirement and a lower interest rate. The guarantor charges a fee for the guarantee, which is usually paid by the MSME. In case of default, the guarantor pays the financial intermediary a percentage of the outstanding loan amount, depending on the type and level of the guarantee. Guaranteed loans granted by loan funds constitute only 2% of the total value of guarantees granted by RGFs and 2% of their total number<sup>22</sup>.

Very few loan funds signed contracts with the European Investment Fund (EIF) for the EaSI Guarantee Financial Instrument owing to language barriers, lack of experience in working with the EU institutions and capital requirements.

<sup>22</sup> Krajowe Stowarzyszenie Funduszy Poręczeńiowych, 2023, Rynek Lokalnych i Regionalnych Funduszy Poręczeńiowych w 2022 r. [https://ksfp.org.pl/wp-content/uploads/2023/06/Raport\\_poreczenia\\_2022-1.pdf](https://ksfp.org.pl/wp-content/uploads/2023/06/Raport_poreczenia_2022-1.pdf).



## 2.4 Financing gap

The calculation of the financing gap follows the methodology presented in section 2.5.1 of Part 1 of the report: “Market Assessment Report”<sup>23</sup>, as applied by the study on the implementation of financial instruments in microfinance<sup>24</sup> carried out in 2019 for the European Commission Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL).

### Calculation of the financing gap for microcredit

There is no available estimation of the already met demand among TCNs in Poland, as financial institutions do not provide this data. It is however possible to provide figures on the total existing demand for microcredit by TCNs, as illustrated in the table below. The demand for microcredit among all target groups in need of microcredit translates to 1 853 loan applications per year for a value of almost EUR 15 million. The highest demand comes from potential new business founders among Ukrainian refugees under temporary protection.

Table 2: Financing gap calculation for each target group

Target group	Unmet demand for microcredit (number)	Unmet demand for microcredit (value in EUR)
TG 1a – Potential business founders out of social exclusion <sup>25</sup>	321	2 699 794
TG 1b – New business founders	269	2 262 610
TG 2a – Existing solo entrepreneurs (no employees)	341	2 865 638
TG 2b – Existing enterprises with employees	73	614 065
TG 3 – Potential business founders among Ukrainians under Temporary Protection (TP)	849	6 793 770
<b>Total</b>	<b>1 853</b>	<b>15 235 877</b>

Source: Microfinance Centre

### Calculation of the financing gap for business development services

As there is no available estimation on the satisfied demand of TCNs’ for BDS services in Poland, the total demand is presented in the table below. The calculations presented in the table below show that a total of 929 TCN entrepreneurs will need support services of various scope and intensity. The total value of the demand for business development services is estimated at EUR 2 million.

23 EIB, 2023, ‘Market Assessment Report’ in ‘Market study- the potential for financial instruments under AMIF and other Funds in the area of integration of migrants’.

24 Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC), 2019, ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027’.

25 The term ‘out of social exclusion’ has been used in: ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027, Final Report’, prepared in 2019 for DG EMPL by Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC).



Table 3: Financing gap calculation for business development services for each target group

Target group	Number of TCN businesses in need for external financing	% in need of BDS	Demand for BDS (Number of TCN businesses)	BDS unit cost <sup>26</sup>	Demand for BDS (value in EUR)
TG 1a - Potential business founders out of social exclusion	321	50	161	3 000	483 000
TG 1b – New business founders	269	50	135	3 000	405 000
TG 2a – Existing solo entrepreneurs (no employees)	341	50	171	400	68 400
TG 2b – Existing enterprises with employees	73	50	37	400	14 800
TG 3 – Potential business founders among Ukrainians under TP	849	50	425	3 000	1 275 000
<b>Total</b>	<b>1 853</b>		<b>929</b>		<b>2 246 200</b>

Source: Microfinance Centre

26 In absence of the national-level data, the EU average cost of BDS is used in the calculation.





## 2.5 Conclusions and recommendations

Poland has a well-developed network of loan funds that is well positioned to serve vulnerable populations. These funds have not served the TCNs' businesses effectively, despite their potential to do so. The main reasons for this are the high perceived risks and limited experience in lending to TCNs, including insufficient adaptation of the loan products to the specific needs and characteristics of the TCNs. However, the Polish loan funds have a strong capacity and experience in using financial instruments (such as those coming from ESF+ or ERDF) to support various types of enterprises, start-ups, and social economy entities. They also have an extensive network of BDS that provide training, mentoring, and consultancy to entrepreneurs and potential entrepreneurs. These assets could be leveraged to design and implement more effective and inclusive financial and non-financial support schemes. Such schemes could help TCNs bridge the existing funding gap for enterprise loans and BDS.

To use their full potential, the Polish loan funds will need BDS grants to further develop their BDS systems and adjust them to the needs of TCNs. The terms for the existing BGK financial instruments for the loan funds should be improved, such as by offering higher management fees or reducing the minimum capital requirements. These measures would help the Polish loan funds to overcome the barriers and risks of lending to TCNs and to foster their economic inclusion and integration. The loan funds would also benefit from innovative risk-sharing financial instruments, potentially with the BDS component that would enable them to increase their lending capacity to reach out to various excluded groups, including TCNs.

In addition, the Polish loan funds, especially those that are bigger and better capitalised, could benefit from the InvestEU Microfinance and Social Enterprise Portfolio Guarantee Product to improve their outreach to vulnerable groups including TCNs. The funds could also tap into the opportunities provided by the SIFTA programme<sup>27</sup> which is part of the InvestEU Advisory Hub, to improve their capacity and remove the barriers of working with the EU-level institutions, such as the European Investment Bank (EIB) Group (EIB and EIF), which is the main implementing partner of the InvestEU programme.

The distribution of the TCN support instruments should also be accompanied with adequate information and promotion campaigns to raise awareness and trust among the TCNs about the available support options. In addition to the regional integration centres currently established with AMIF and ESF+ resources, it would be beneficial to create an online one-stop-shop platform. This platform would serve as a comprehensive guide, directing TCNs to the appropriate resources they are seeking.

Moreover, the Polish loan funds should strengthen their cooperation and coordination with other actors in the TCNs' ecosystem, such as migrant organisations, NGOs, chambers of commerce, and local authorities, to create synergies and complementarities in supporting the TCNs' businesses. By doing so, the Polish loan funds could contribute to the economic and social inclusion of the TCNs in Poland, as well as to the diversification and innovation of the Polish economy.

<sup>27</sup> EIB, 2023, 'Social Inclusive Finance Technical Assistance (SIFTA)', <https://advisory.eib.org/about/service/social-inclusive-finance-technical-assistance.htm>.





# 03 Housing

## 3.1 Market analysis – Snapshot

Poland has seen a dramatic increase in the arrival of TCNs since February 2022 due to the war in Ukraine<sup>28</sup>. Ensuring appropriate accommodation for them has become a priority. The legal framework for TCNs' housing in Poland is based on a combination of national, regional, and local laws and regulations<sup>29</sup>. A key piece of legislation is the 2003 Act on Providing Protection to Foreigners<sup>30</sup> and the Act of 12 March, 2022 on assistance to the citizens of Ukraine in connection with an armed conflict on the territory of this country<sup>31</sup>, which details the rights and obligations of asylum seekers, refugees, and migrants concerning housing and integration. This act establishes the reception centre system and mandates that local authorities participate in the reception and integration of TCNs. When TCNs leave reception centres in Poland, they have several housing options, such as government-supported housing, private rentals, and temporary accommodation offered by NGOs or local communities. Government-supported housing, known as the National Programme for the Integration of Foreigners (Krajowy Program Integracji Cudzoziemców), provides housing, language courses, and integration services for a limited time, with the goal of promoting self-reliance among migrants. The 2013 Act on Foreigners<sup>32</sup> and the 2004 Act on Social Assistance are the primary pieces of legislation defining the rights and responsibilities of asylum seekers, refugees, and migrants concerning housing and integration in Poland. These acts lay the foundation for the KPI and require local authorities to participate in the reception and integration of migrants. Regional and local governments are in charge of executing these policies and delivering support to migrants, often partnering with NGOs and civil society organisations to cater to the diverse housing needs of this group.

According to Eurostat indicators, migrants face an uneven situation when it comes to housing in Poland, particularly when comparing the types of tenure. In 2020, 47.1% of foreigners and 85.6% of nationals (aged 18 years or over) living in Poland were owners<sup>33</sup>. According to the OECD, ownership of their home has become less likely for immigrants in Poland (down 21 points)<sup>34</sup>. In 2020, 52.9% of foreigners and 14.4% of nationals (aged 18 years or over) living in Poland were tenants<sup>35</sup>. The housing cost overburden rate<sup>36</sup> was 11.2% for foreigners (aged 18 years or over) and 5.8% for nationals (aged 18 years or over) in Poland in 2020<sup>37</sup>. The overcrowding<sup>38</sup> rate stood at 50.5% for foreigners (aged 18 years or over) and at 33.6% for nationals (aged 18 years or over) in Poland in 2020<sup>39</sup>.

28 This development being relatively new, data in the sector of migration and housing has not yet been factored in.

29 AIDA, 2023, 'Overview of the Legal Framework- Poland', <https://asylumineurope.org/reports/country/poland/overview-legal-framework/>.

30 Kancelaria Sejmu, 2021, 'Dz.U. 2021 poz. 1108', <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20210001108/T/D20211108L.pdf>.

31 Available at: <https://www.gov.pl/attachment/fd791ffb-c02b-4e99-b710-e8ed3a9a821b>.

32 Kancelaria Sejmu, 2013, Ustawazdnia 12grudnia2013r.ocudzoziemcach, <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20210002354/U/D20212354Lj.pdf>.

33 Eurostat, 2023, 'Distribution of population by group of citizenship and tenure status- population aged 18 and over [ILC\_LVPS15]', compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvps15/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvps15/default/table?lang=en).

34 OECD, 2023, Indicators of Immigrant Integration 2023, <https://www.oecd-ilibrary.org/docserver/d303c268-en.pdf?expires=1708966389&id=id&accname=guest&checksum=A2CE25E43E99D2D0E4584A81C2BAC07F>.

35 Ibid.

36 Housing costs represent 40% or more of their disposable income.

37 Eurostat, 2023, 'Housing cost overburden rate by age, sex and group of citizenship- total population aged 18 and over' [ILC\_LVHO25]' compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvho25/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho25/default/table?lang=en).

38 meaning that these households do not have at their disposal a minimum number of rooms equal to: one room for the household; one room per couple in the household; one room for each single person aged 18 or more; one room per pair of single people of the same gender between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age, source of the definition: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding\\_rate](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding_rate).

39 Eurostat, 2023, 'Overcrowding rate by age, sex and group of citizenship- total population aged 18 and over [ILC\_LVHO15]', compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvho15/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho15/default/table?lang=en).



The risk of poverty or social exclusion stood at 18% for foreigners (aged 18 years or over) and at 15.8% for nationals (aged 18 years or over) in Poland in 2020<sup>40</sup>. There is no available data on homelessness in Poland, and therefore neither is there an estimation of the number of homeless TCNs. According to European Federation of Organisations Working with the People who are Homeless (FEANTSA)<sup>41</sup>, 2019 data<sup>42</sup> collected by the Ministry of Family, Labour and Social Policy counted 6 007 persons sleeping rough on any given night and 24 323 persons living in overnight shelters and homeless hostels.

## 3.2 Analysis of the demand side

### Housing financing needs and barriers of TCNs

TCNs have different housing finance and non-financial needs as they gradually integrate. The following elements are based on a review of documents and discussions with stakeholders. According to the European Council on Refugees and Exiles (ECRE)<sup>43</sup>, asylum seekers are provided with material reception conditions in all asylum procedures, regardless of whether they are regular, accelerated, admissibility procedures, or first instance procedures. The allocation of reception conditions is independent of the asylum seekers' financial status, and thus ensuring equal treatment for all. TCNs must meet several financial requirements to access housing, such as a financial guarantee, a deposit, rent coverage, and insurance. To afford these costs, TCNs have limited options. They rely on their own savings for which no data are available or rely on financial allowances or wages. In Poland, asylum seekers are allowed access to the labour market six months after submitting an asylum application. A certificate allowing labour migrants (thus excluding asylum seekers covered by the Temporary Protection Directive) to work in Poland for 90 days, renewable for 6 months. In practice, however, the certificate is not often requested and there is a high percentage of refusals<sup>44</sup>. After recognition, TCNs are allowed to stay in the reception system for two months. The most common barrier faced by TCNs in Poland in accessing housing is the unavailability of housing, which has been exacerbated as the country has received an unusual number of TCNs since 2022. In fact, according to Habitat for Humanity<sup>45</sup>, 150 000 households were on the waiting list for social housing before 2022. In addition, the increased demand has inevitably pushed up the housing prices in the Polish market, and hence there is also an affordability challenge. Finally, Habitat for Humanity estimates that up to 25% of the housing stock is of poor quality and in need of renovation. TCNs turn to the private rental market where some face discriminatory attitudes: landlords charge higher fees because they are unwilling to rent flats to foreigners regardless of their permits<sup>46</sup>. The barriers faced by TCNs have motivated some to migrate further within Europe, which feeds into stakeholders' prejudices that TCNs are short-term visitors to Poland and that renting to them may be risky<sup>47</sup>.

40 Eurostat, 2023, 'Persons at risk of poverty or social exclusion by group of citizenship- population aged 18 and over data, datasheet [ILC\_PEPS05N]', compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_peps05n/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_peps05n/default/table?lang=en).

41 FEANTSA, 2020, 'Poland', [https://www.feantsa.org/public/user/Resources/country\\_profiles/PL\\_-\\_Country\\_Profile\\_2020.pdf](https://www.feantsa.org/public/user/Resources/country_profiles/PL_-_Country_Profile_2020.pdf).

42 With reportedly considerable limitations to the methodologies and considered inaccurate by NGOs.

43 AIDA, 2021, 'Country Report: Poland', [https://asylumineurope.org/wp-content/uploads/2022/05/AIDA-PL\\_2021update.pdf](https://asylumineurope.org/wp-content/uploads/2022/05/AIDA-PL_2021update.pdf).

44 AIDA, 2023, 'Access to the Labour Market', <https://asylumineurope.org/reports/country/poland/reception-conditions/employment-and-education/access-labour-market/>.

45 Habitat for Humanity, 2023, 'Housing policy Poland', <https://www.habitat.org/emea/housing-policy-poland>.

46 AIDA, 2023, 'Housing- Poland', [https://asylumineurope.org/reports/country/poland/content-international-protection/housing/#\\_ftn3](https://asylumineurope.org/reports/country/poland/content-international-protection/housing/#_ftn3).

47 Ibid.



### Housing financing needs and barriers of housing providers

In Poland, reception centres are under the responsibility of the Office for Foreigners, which has delegated the management of five reception centres to private contractors, while the management of the remaining three centres remains directly under the Office for Foreigners. Other actors may also be involved, such as social organisations, associations, and private owners<sup>48</sup>. Living conditions in the centres, which depend on the financial capacity of the contractor, have improved but still appear to be limited, as ECRE reports that the centres are unsuitable, and the services (quality of food, social assistance) are of poor quality for receiving foreigners and were built for other purposes<sup>49</sup>.

Ukrainian TCNs benefitted from an organised and welcoming civil society which offered solidarity housing. According to Habitat for Humanity, this type of accommodation ran out, as it was preferred to reception systems which only accommodated 10% of Ukrainian TCNs. Private companies and international organisations also supported housing efforts either by providing access to housing or access to finance. In the long term, the private rental sector in Poland is facing the daunting task to reform its tenancy law to provide for approximately 100 000 additional households (both subsidised and market-priced) if 20% of Ukrainian TCNs remain in Poland<sup>50</sup>.

After recognition, TCNs who were accommodated within the reception system largely turn to the private rental market since there is a lack of social housing following a mass privatisation, which started in the 1990s and is now at 85%<sup>51</sup>. In general, data indicates that it is difficult to define Polish social housing. According to Housing Europe, it generally includes rental and social rental dwellings owned by municipalities, dwellings with regulated rents provided by non-profit housing associations (or TBS), dwellings provided by state-owned enterprises, cooperative dwellings, all 'protected' dwellings and owner-occupied dwellings built or purchased with state aid. Municipalities and TBS companies are the main providers of social housing in Poland, and cooperatives manage 19.4% of the total social housing stock which represented 8% of the total housing stock in 2016<sup>52,53</sup>.

48 AIDA, 2023, 'Conditions in Reception Facilities- Poland', <https://asylumineurope.org/reports/country/poland/reception-conditions/housing/conditions-reception-facilities/>.

49 AIDA, 2023, 'Conditions in Reception Facilities- Poland', <https://asylumineurope.org/reports/country/poland/reception-conditions/housing/conditions-reception-facilities/>.

50 Habitat for Humanity, 2023, 'Housing policy Poland', <https://www.habitat.org/emea/housing-policy-poland>.

51 Ibid.

52 Housing Europe, 2010, 'Social Housing in Europe- Poland', <https://www.housingeurope.eu/resource-118/social-housing-in-europe>.

53 Habitat for Humanity, 2023, 'Housing Policy Poland', <https://www.habitat.org/emea/housing-policy-poland>.



### 3.3 Housing finance supply-side analysis

#### Products and services available for TCNs

A variety of products and services are available to TCNs to help them obtain and finance housing in Poland. Some of the key financing options available to TCNs for housing in Poland include:

- The integration programme for recognised refugees in Poland provides a range of assistance measures to TCNs, including language courses, employment services, and support for housing financing. Eligible TCNs can benefit from financial aid for housing costs, such as rent or utilities, for up to 12 months<sup>54</sup>. When living in a Polish reception centre, asylum seekers may receive up to EUR 23 per month, and up to 166 EUR per month if living outside, which experts consider insufficient to cover day-to-day expenses in Poland<sup>55</sup>;
- In Poland, individuals under temporary protection can access various forms of support based on their needs. This includes accommodation, food, non-food items, and family reunification services. Assistance is coordinated through the Office for Foreigners and 27 reception points across the country, with additional support available from local governments and voivodships. Available assistance encompasses accommodation in various facilities such as hotels and hostels, daily meals, free transport for housing and medical care, as well as cleaning and personal hygiene products. Private housing is also an option for accommodation<sup>56</sup>;
- Social housing subsidies<sup>57,58,59,60</sup>: To be eligible for social housing subsidies, TCNs must have a valid residence permit in Poland and meet specific income thresholds defined by local authorities. The income criteria are generally based on the average income in the region and can vary from one municipality to another;
- Rental assistance (Mieszkanie Plus<sup>61</sup>): a housing programme provided by the Polish government to individuals with limited income, including TCNs. This financial support aims to help them afford rental payments for suitable accommodation. Habitat for Humanity sees this programme as a step in the right direction; however, it needs to be significantly scaled up<sup>62</sup>;
- Housing cooperatives<sup>63</sup>: Housing cooperatives in Poland offer an alternative financing option for TCNs. By becoming members of a cooperative, TCNs can access housing at more affordable rates, as these organisations operate on a non-profit basis and prioritise the welfare of their members;
- Another significant resource available to housing providers is the Ocalenie Foundation network<sup>64</sup>, which offers technical assistance, training, and support to local authorities and organisations involved in the reception and integration of TCNs. The Ocalenie Foundation network promotes best practices and facilitates the exchange of information and resources among housing providers across Poland. By enhancing the capacity of housing providers to offer quality accommodation and support services, the network contributes to the successful integration of TCNs in Poland;
- At present, microfinance institutions seem to focus microcredit on business development rather than housing.

54 UNHCR, n.d., 'Integration programme for recognized refugees in Poland', <https://help.unhcr.org/poland/access-to-services-for-recognized-refugees/integration-programme-for-recognized-refugees-in-poland>.

55 AIDA, 2023, 'Forms and levels of material reception conditions- Poland', <https://asylumineurope.org/reports/country/poland/reception-conditions/access-and-forms-reception-conditions/forms-and-levels-material-reception-conditions/>.

56 Available at: [https://euaa.europa.eu/sites/default/files/2022-06/Booklet\\_Poland\\_EN.pdf](https://euaa.europa.eu/sites/default/files/2022-06/Booklet_Poland_EN.pdf).

57 Ministry of Family and Social Policy, n.d., 'Social assistance for foreigners. What kind of support in Poland can they expect?', <https://www.gov.pl/web/family/social-assistance-for-foreigners-what-kind-of-support-in-poland-can-they-expect>.

58 Ministerstwo Rozwoju i Technologii, n.d., 'Dodatki mieszkaniowe', <https://www.gov.pl/web/rozwoj-technologie/dodatki-mieszkaniowe>.

59 Ministerstwo Rozwoju i Technologii, n.d., 'Mieszkanie na Start', <https://www.gov.pl/web/rozwoj-technologie/mieszkanie-na-start>.

60 PFR Nieruchomości, n.d., 'Mieszkanie na Start', <https://mdr.pl/o-programie/doplaty-do-czynszu/>.

61 Ministerstwo Inwestycji i Rozwoju archiwum, 2019, 'Mieszkanie Plus', <https://www.gov.pl/web/archiwum-inwestycje-rozwoj/mieszkanie-plus>.

62 Habitat for Humanity, 2023, 'Housing policy Poland', <https://www.habitat.org/emea/housing-policy-poland>.

63 Ministerstwo Rozwoju i Technologii, n.d., 'Kooperatywy mieszkaniowe', <https://www.gov.pl/web/rozwoj-technologie/kooperatywy-mieszkaniowe>.

64 Fundacka Ocalenie, 2023, 'Welcome Home', <https://en.ocalenie.org.pl/what-we-do/our-initiatives/welcome-home>.



### Products and services available for housing providers

In Poland, various financial products and services are available for housing providers to facilitate the construction, renovation, and maintenance of affordable housing. Key stakeholders, such as the public sector, private landlords, and NGOs, can access these financial solutions. Some of the most important financial products and services available for housing providers include:

- “Mieszkanie Plus” is a government-initiated housing programme aimed at increasing the availability of affordable rental housing for various groups, including TCNs. It involves the construction and renovation of residential buildings on state-owned land, as well as the conversion of non-residential buildings into housing units. The programme is implemented through partnerships between the government, local authorities, and private investors. By providing financial incentives and support, the programme encourages private investors to participate in the development of affordable housing projects tailored to the needs of TCNs and other vulnerable groups. Through the “Mieszkanie Plus” programme, housing providers can access funding and technical assistance to develop new housing units or refurbish existing ones, creating more affordable rental options for TCNs in Poland. The programme also offers support in the form of training and capacity building for housing providers, ensuring the delivery of quality housing and related services;
- According to Housing Europe, social housing in Poland is financed by preferential loans from the public bank BGK to TBS and cooperatives, covering up to 70% of the project value. Municipalities use their budgets to develop social housing and can also apply for subsidies from BGK’s subsidy fund. Rents for municipal housing are set locally, while the central government also subsidises NGOs and municipalities for the construction and renovation of housing for the homeless and people with special needs, known as sheltered housing<sup>65</sup>;
- European Investment Bank (EIB) loans<sup>66</sup>: In the framework of its Solidarity Package for Ukraine<sup>67</sup>, the EIB offered loans to different municipalities in Poland for investment in social infrastructure, including affordable housing projects. These loans can be accessed through the Bank Gospodarstwa Krajowego. In addition, the EIB has previously financed social housing schemes and other accommodation projects - for example in the City of Poznan.

## 3.4 Financing gap

There is no available estimation on the financial gap for TCNs’ access to finance for housing in Poland. According to the analysis above, the majority of TCNs turn to the private rental market once granted recognition or are housed by relatives or family. Therefore, the focus is set on TCNs who need access to finance to find housing on the private rental market.

Following the same methodology detailed in the market assessment<sup>68</sup>, the total value of unmet demand from TCNs for financing their housing is estimated to be approximately EUR 1.5 billion. The indicators, data, assumptions, and estimations used to calculate this amount are stated in the table below.

65 Housing Europe, 2010, ‘Social Housing in Europe’, <https://www.housingeurope.eu/resource-118/social-housing-in-europe>.

66 EIB, 2017, ‘Poland social and affordable housing programme’, <https://www.eib.org/en/projects/pipelines/all/20160743>.

67 EIB, 2023, ‘The EIB stands with Ukraine’, <https://www.eib.org/en/projects/regions/eastern-neighbours/ukraine/eib-solidarity.htm?sortColumn=StartDate&sortDir=desc&pageNumber=0&itemPerPage=10&pageable=true&language=EN&defaultLanguage=EN&tags=ukraine-solidarity&ortags=true>.

68 Given the lack of data on the household composition of the TCNs entering the housing market, for the purpose of the calculation it is assumed that these TCNs are a majority of single men since most women and children have been deduced when subtracting the residence permits issued for family formation and reunification.





Table 4: Financing gap calculation for TCNs entering the private rental market in Poland

Proxy indicator	Source	Year	Value
Number of first single residence permits	Eurostat, migr_resfirst	2021	967 345
Number of first residence permits issued for family formation and reunification			11 159
<b>Sub-total (Number of TCNs entering the rental market)</b>	<b>956 186</b>		
Rate of TCNs in overcrowded conditions in %	Eurostat, ilc_lvho15	2021	50.5
<b>Total number of TCNs entering the rental market without access to finance</b>	<b>482 874</b>		
Average rent price for a single-person unfurnished accommodation in city centre in EUR	Numbeo <sup>69</sup>	2023	2 635/578
Durables in EUR <sup>70</sup>	Trading economics.com <sup>71</sup>	2023	745
<b>Sub-total amount for one deposit<sup>72</sup>, three months of rent and durables in EUR</b>	<b>3 057</b>		
<b>Total financial gap in EUR for TCNs entering the rental market</b>	<b>1 476 145 818</b>		

Source: Technopolis Group

### 3.5 Conclusions and recommendations

Poland is facing an exceptional situation as, having received a limited amount of TCNs since 2004, it is now single-handedly welcoming the biggest share of Ukrainian TCNs since February 2022. Its rental market was already weak prior to the war in Ukraine due to structural issues; therefore, Poland's housing stock is under considerable pressure to accommodate its own national population as well as TCNs staying in Poland long term. While efforts are being made at the national and European level, more can be done, including through the use of financial instruments, particularly if they are targeting migrants and housing. The social investment and skills window of InvestEU, aimed at backing affordable social housing, may serve as a potential funding source. In this context, the involvement of the national development bank, BGK, as an implementing partner, could play a pivotal role in driving progress.

<sup>69</sup> Numbeo, 2023, 'Cost of Living in Poland', [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Poland](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Poland).

<sup>70</sup> It is estimated that durables for an unfurnished apartment equal one minimum wage monthly salary using second hand items.

<sup>71</sup> Trading Economics, 2023, 'Poland Gross Minimum Monthly Wage', <https://tradingeconomics.com/poland/minimum-wages>.

<sup>72</sup> It is estimated that one deposit equals one month of rent.







# 04 Social impact investing

## 4.1 Market analysis – Snapshot

In its country report<sup>73</sup>, the European Commission (EC) has identified, according to the EU operational definition of social enterprise<sup>74</sup>, four types of social enterprises operating in Poland: social cooperatives, entrepreneurial non-profit organisations (ENPOs), professional activity establishments (Zakłady aktywności zawodowej, ZAZ, which are established by other entities), and non-profit companies. However, despite a first attempt being introduced by the National Programme for Social Economy (KPREs) 2014-2020<sup>75</sup>, a legal definition of social enterprise has not yet been agreed upon in Poland.

The EC's analysis reveals that there were 29 535 social enterprises in Poland in 2019 employing around 428 700 individuals. The most numerous were ENPOs (around 27 600), usually located in large cities and in the well-developed Polish regions. Employment generation is one of the most important functions for ENPOs and they mainly operate in sport, tourism, recreation, and hobbies (identified as the main field of activity by 26.4% ENPOs), education and research (15.4%), culture and arts (13.9%), and social services and public safety and health (11.6%). Social cooperatives (around 1 600) are most involved in accommodation and catering services, administrative and support services, human health and social work, and industrial processing activities. They employ mostly people from disadvantaged groups and have an annual estimated income of approximately EUR 74 000. Finally, there are 226 non-profit companies<sup>76</sup> and 109 ZAZs<sup>77</sup>. The social economy in Poland also comprises non-governmental institutions (NGOs) which account for over 88 100 entities, including around 9 300 public benefit organisations<sup>78</sup>.

According to disaggregated data by country provided by Euclid Network (2022)<sup>79</sup>, 8% of social enterprises in Poland have migrants as a target group and 6% have refugees; percentages that are significantly lower with respect to the EU average (19.3% and 19.2%, respectively).

Concerning the social impact investment (SII) market, Poland has neither a highly developed demand, supply nor market infrastructure. The Polish SII market is still therefore an infant market.

73 European Commission, 2020, *'Social Enterprises and their Ecosystem in Europe – Country Report – Poland'*.

74 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *'Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation'*; COM/2011/0682 final.

75 Kruk, M.S., 2022, *'Support for social entrepreneurship in Poland under the European Social Fund – Changes and challenges'*, Studies of the Industrial Geography Commission of the Polish Geographical Society, vol.36(1).

76 They operate in various domains, including education and culture, sport and tourism, services for enterprises and public administrations, trade and commerce, construction, catering, municipal services, health and beauty, and IT. Detailed data regarding non-profit companies is not available.

77 They employ people with various types of disabilities and are active mainly in gastronomical services, landscape services, printing services and services related to manufacturing and preserving clothes. They are mainly managed by foundations and associations and local authorities, and their major source of income comes from the State Fund for Rehabilitation of Disabled Persons. They operate in various domains, including education and culture, sport and tourism, services for enterprises and public administrations, trade and commerce, construction, catering, municipal services, health and beauty, and IT.

78 Based on: fi-compass, 2021, *'Financing the social economy in Poland – Updated case study'*.

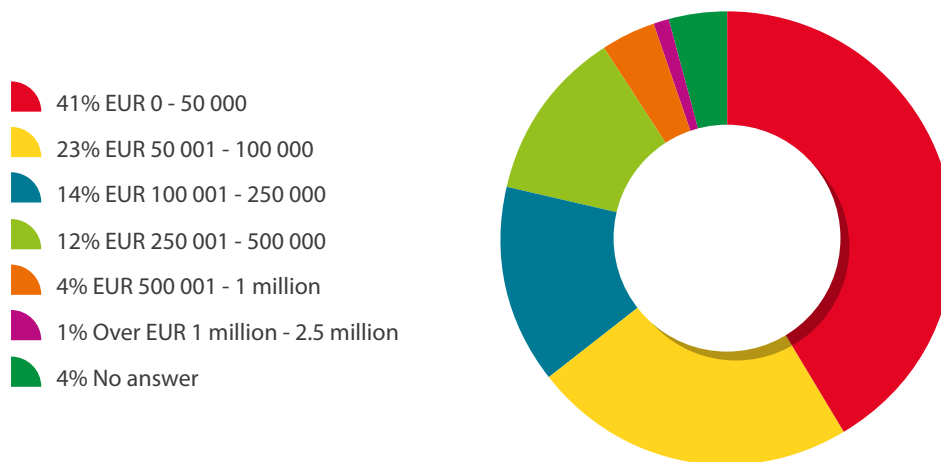
79 Based on: Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., Bosma, N. *'The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022'*; Euclid Network. 2022.



## 4.2 Analysis of the demand side in financing

According to Euclid Network, social enterprises in Poland mostly declared financial needs for up to EUR 100 000 in the last 12 months (64% of respondents to the survey, and 41% up to EUR 50 000). They requested financing mainly from public financing (67%, higher than the EU average of 44.2%), followed by self-financing (i.e. cash-flow, 36%), and own savings (26%). Moreover, 24% of them requested a bank loan; a percentage higher than the EU average (14.4%), but only 2% demanded impact investment (compared to 5.5% of the EU average).

Figure 1: Social enterprises' financial needs in the last 12 months (2022 as reference year)



Source: based on Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., and Bosma, N. (2022), The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022, Euclid Network.

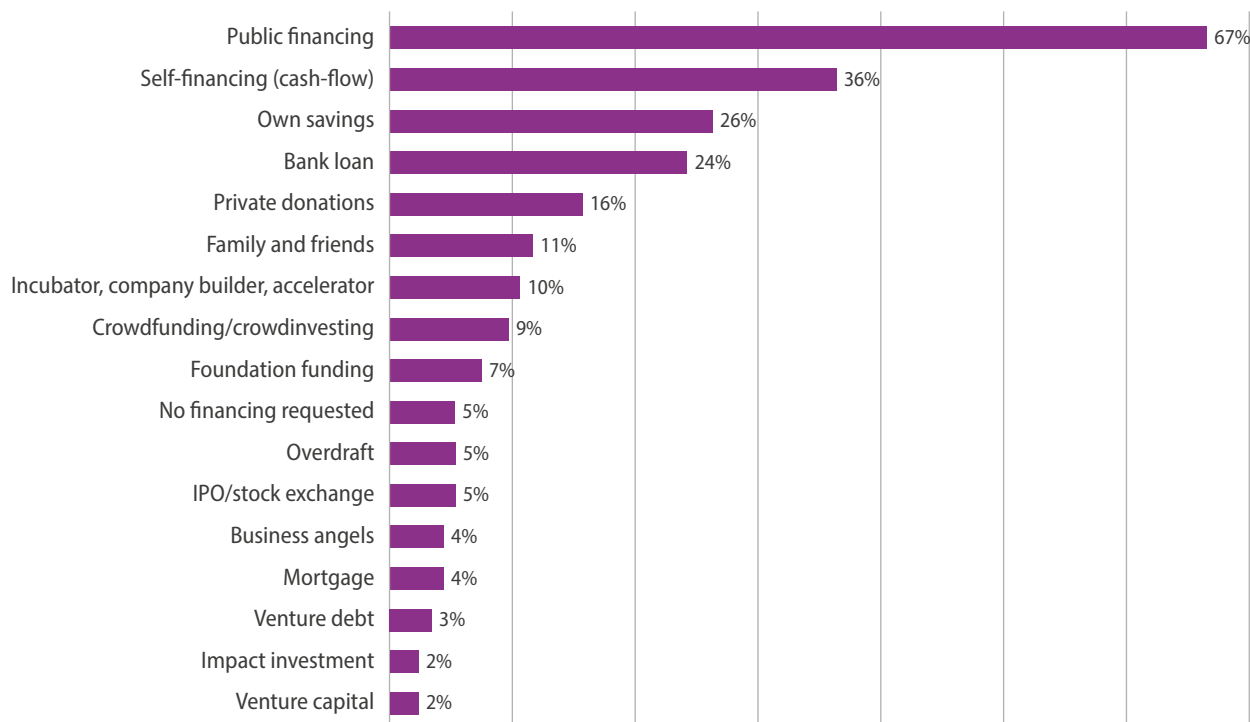
The study by Mikołajczak (2022)<sup>80</sup> finds that, among the surveyed social enterprises, 43.1% rated their financial situation negatively, while 47.9% made a positive assessment. Moreover, the financial situation of social enterprises is mainly influenced by difficulties in obtaining the funds or equipment necessary to run the organisation's activities and the lack of a stable labour force. Additional barriers include excessively complicated formalities related to the use of funds from grants, sponsors or the European Union, difficulties in accessing premises appropriate for the organisation's activities, and the competition from NGOs.

The EC's country report also underlines that the high dependence of social enterprises on public granted funding – especially EU funding – creates additional challenges and limits their capacity to gain financial resources from economic activity. They are found to operate as quasi-public agencies, realising public tasks, rather than autonomous organisations and this is, in particular, the case for those providing professional and social reintegration services for vulnerable groups.

80 P. Mikołajczak. 'How do barriers to the activities of social enterprises affect their financial situation? Evidence based on data from Poland and resource mobilization theory', Journal of Entrepreneurship in Emerging Economies, Vol.14(1). 2022.



Figure 2: Type of financing requested by social enterprises in the last 12 months (2022 as reference year)



Source: based on Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., and Bosma, N. (2022), The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022, Euclid Network.

However, different from other EU countries, the difficulties perceived by Polish social enterprises in accessing finance seem less severe. According to Euclid Network, in fact, the most common barrier perceived by social enterprises in Poland is the poor understanding/awareness of social enterprises among the general public/customers (perceived by 55.2% of surveyed enterprises vs the EU average of 44.6%) and among banks/investors/support organisations (51% vs 37.7%). The lack of a supportive fiscal framework (50% vs 35.3%) is in the third position. For most EU countries, instead, the main problems are related to the excessive complexity of public financing, the lack of options to finance the organisation once started, or the lack of long-term capital.



### 4.3 Analysis of the supply side in financing

According to the EC's country report, the system of support measures for social economy is well developed in Poland. In particular, social enterprises employing persons with disabilities enjoy various types of benefits, especially from the State Fund for Rehabilitation of Disabled Persons. There are also support measures for employers deciding to hire persons from disadvantaged groups who have problems with (re)entering the labour market. Also, a system of start-up grants considering the reimbursement of a part of the salary paid to workers is provided by the Labour Fund.

A key programme supporting social economy in Poland is the National Programme for Social Economy Development (KPRES), started in 2014, which sets the directions and instruments for the policy scheme for social enterprises at the national level<sup>81</sup>. The KPRES foresees a wide range of benefits for entities with a social enterprise status<sup>82</sup> and introduces different financial instruments for social economy organisations and social enterprises. Such instruments are provided by the National Social Economy Fund (NSEF). This started its operations in April 2017 and is mostly financed by the European Social Fund (ESF)<sup>83</sup>. However, the Polish authorities have been using the resources of the ESF to set up financial instruments for social economy entities since the 2007-2013 programming period, with a pilot loan scheme with an initial budget of EUR 6.5 million. Based on this experience, the NSEF was set up as a fund of funds with a total budget of over EUR 37 million managed by the BGK providing both start-up and development loans in five Polish macro regions. Additional resources (EUR 5 million) were added in May 2020 for microloans to combat the negative effects of the pandemic.

Alongside the provision of loans, the NSEF also offers business development services to its final recipients through the Social Economy Support Centres (Ośrodki Wsparcia Ekonomii Społecznej – OWESs), established with ESF 2007-2013 and 2014-2020 resources. OWESs mainly operate at a regional and local level and provide a wide range of tailored support (legal, fiscal, and marketing advisory services) for existing social enterprises as well as organisations or groups of persons that are interested in establishing a social enterprise. The EC, in the country report, underlines that, due to the lack of information, it is difficult to assess the impact of OWESs' support. There are however concerns on their excessive fragmentation and lack of sustainability. As they function as EU projects, their existence is not assured by other public funds. Moreover, as they seem not to cooperate, they tend to overlap or duplicate their activities.

According to the Polish country report on SII developed by Interreg Central Europe in 2019<sup>84</sup>, the SII market in Poland is still underdeveloped. Social investors are mainly high-net-worth-individuals, foundations, small philanthropic funds, and government agencies. However, despite there being a lot of capital on the Polish market and the interest of investors in social impact increasing, they are still just a small fraction of the Polish investment market. In Poland, investments combining economic activity with a defined social impact still rely mainly on non-returnable instruments such as grants and donations. Their operational model is not prepared for reimbursable funds and, in most cases, presents limited financial sustainability. Moreover, many Polish social impact projects are not very good at communicating their mission, financial needs, and possibilities of social and financial profits. The existing deficit in organisational/management skills of most of these organisations prevents them from fully entering a new space of impact investment and social innovation and benefitting from it.

81 The first KPRES covered the 2014-2018 period. The current one is for the 2019-2023 period.

82 For instance, donations for organising worksites for employees, exemptions from paying social security within 12 months from the registration (which is currently only applicable to social cooperatives), and access to specific training funds for employees.

83 Based on fi-compass, 2021, 'Financing the social economy in Poland – Updated case study'.

84 Interreg Central Europe, 2019, 'Country Reports on Social Impact Investment with Status Quo Diagram – Poland'.



The Interreg report also underlines that social bonds have not yet been implemented, but the first steps in this area have already been made with, for instance, the launch of an initiative for pilot social bond models in 2018<sup>85</sup>. Also, in 2022 there was an announcement to issue social bonds in 2023 in response to the Ukrainian refugee crisis<sup>86</sup>. Moreover, Poland participated in the Interreg Social Impact Vouchers (SIV) programme, financed by the Social Impact Fund (SIF) under Interreg 2014-2020<sup>87</sup>, based on private capital provided by investors. The programme, running from March 2019 to May 2022, and involving eight EU countries<sup>88</sup>, was designed to create job opportunities for long-term unemployed people – including migrants - by reducing the reluctance of potential employers via financial incentives based on a voucher system<sup>89</sup>. The project, across the eight countries involved, has placed 300 jobseekers (out of the 2 100 expected by five years after the end of the programme), out of which 18 are in Poland, and trained 878 individuals (34 in Poland)<sup>90</sup>.

## 4.4 Financing gap

There are no available estimations on the social enterprises' financing gap in Poland. A very broad quantification can be obtained using the estimation provided by the EC in its 2020 study<sup>91</sup>, according to which there is a financing gap of EUR 6.7 billion for EU social enterprises foreseen for the period 2021-2027. Considering nearly 30 000 social enterprises exist in Poland out of the nearly 400 000 estimated by the EC at EU level<sup>92</sup>, this gap would correspond to around EUR 495 million for the seven-year period. As 8% of social enterprises have refugees and asylum seekers as beneficiaries of their support/services, for them the gap would correspond to around EUR 40 million in the 2021-2027 period.

85 In March 2018, the Polish Ministry of Investment and Development completed the evaluation of applications in the competition for the development of pilot social bond models in the subject "Social Bonds as a tool to increase the efficiency of service provision in ESF support areas". Five organisations were selected for co-financing, which in total were meant to receive over PLN 1.4 million (around EUR 300 000) for the implementation of their projects. According to the Interreg report in 2019, none of the proposed projects had started. More information on the progress of these pilot projects is currently not available.

86 Responsible Investor, 2022, *'Bonds & Loans: Poland mulling social bonds to fund Ukrainian refugee response'*.

87 Interreg Central Europe, 'SIV (Social Impact Voucher)', <https://programme2014-20.interreg-central.eu/Content.Node/SIV-.html>.

88 These are - other than Poland – Austria, Croatia, Czech Republic, Hungary, Slovakia, Slovenia and parts of Germany.

89 In the financial scheme, SMEs received vouchers as an incentive to hire people from target groups. Vouchers covered labour costs for three months for one employee regarding small-scale work. Both SME and employee were further supported in order to maintain their cooperation and achieve a long-lasting employment contract, which was the ultimate goal of the programme. If the company decided to keep a jobseeker beyond the duration of the reimbursement, it paid a small commission to the fund. Overall, SMEs were the final beneficiaries of the programme, meaning that the value of the received service was considered as a grant for them under the de minimis regime. However, the programme was not designed with the intention of providing financial returns to investors. Even though it assumed a refunding mechanism, its intention was to enable the fund to revolve rather than ensure profit for initial capital providers. This means that investors neither earned profit nor even retained their capital. Therefore, the programme was for potential investors among philanthropic organisations rather than social impact investors.

90 Based on: <https://programme2014-20.interreg-central.eu/Content.Node/SIV-.html>.

91 European Commission, 2020, *'Social enterprise finance market - Analysis and recommendations for delivery options'*.

92 European Commission, 2020, *'Social enterprises and their ecosystems in Europe - Comparative synthesis report'*, pp.106-107 The report uses figures from different national reports from 2015 to 2019, but it highlights how it is not feasible to guarantee sufficient cross-national and precise numbers. Therefore, care should be exercised when using figures referred to at the national level and in interpreting the estimated financial gap.





## 4.5 Conclusions and recommendations

The social economy seems to be well developed in Poland, despite the legal framework still being unclear in defining social enterprises. Compared to the EU average, fewer social enterprises have migrants and refugees among their target groups, even if the recent refugee crisis due to the war in Ukraine may suggest an increasing interest in this target group.

Despite public grants remaining the main source of finance for Polish social enterprises and organisations – implying a high dependence on public funding - a significant part of them (greater than the EU average) use loans. This attitude is mainly the result of several initiatives and plans developed by the Polish authorities – mostly using ESF resources - to support the social economy's development also through debt financial instruments. Moreover, the ESF resources have also been used to finance the establishment of the Social Economy Support Centres, which may act as important territorial actors in capacity building and advisory services for social organisations.

Moreover, despite the demand for SII finance seeming to be very low, and, in general, the SII market still being at its infant stage, in recent years the Polish government has shown its interest in exploring more innovative schemes to support social enterprises and organisations – even if not specifically addressing migrants and refugees. Some pilot schemes for social impact bonds (SIBs) and SIVs have already been tested.

SII schemes targeting migrants and refugees can therefore be further explored and set up using EU funds under the 2012-2027 period. Moreover, the Social Economy Support Centres can act as intermediaries in supporting social enterprises in improving their investment readiness and in helping demand and investors to better match. Additional support for these Centres – using grants - can also be necessary to better reinforce their networking and their capacity to provide more tailored services.

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## Notes

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