

Poland Country Strategy

2024-2029

Approved by the Board of Directors on 17 July 2024



European Bank
for Reconstruction and Development



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Glossary of key terms

ABI	Annual Business Investment	ILO	International Labour Organisation
ABS	Asset-backed security	JT	Just Transition
CEB	Central Europe and Baltic states	LNG	Liquefied natural gas
CoOs	Countries of Operations	MREL	Minimum Requirement for own funds and eligible liabilities
CSO	Civil Society Organization	NBFI	Non-Bank Financial Institution
CSRD	Corporate Sustainability Reporting Directive	NECP	National Energy and Climate Plan
DCM	Debt Capital Market	NPL	Non-Performing Loans
E&S	Environmental & Social	ODA	Official Development Assistance
EE	Energy Efficiency	OECD	Organisation for Economic Co-operation and Development
EIB	European Investment Bank	PE	Private Equity
ESG	Environmental, social, and corporate governance	PPP	Private-Public Partnership
ETS	The EU Emissions Trading System	R&D	Research and Development
EU	European Union	RE	Renewable Energy
EV	Electric Vehicles	REFF	Renewable Energy Financing Facility
FDI	Foreign Direct Investment	RMBS	Residential mortgage-backed security
FI	Financial Institution	RRF	Recovery and Resilience Facility
GBVH	Gender-based violence and harassment	SFDR	Sustainable Finance Disclosure Regulation
GCAP	Green City Action Plan	SME	Small and Medium sized Enterprise
GDP	Gross Domestic Product	SOE	State-owned Enterprise
GEFF	Green Economy Financing Facility	SRT	Significant risk transfer
GET	Green Economy Transition	STEM	Science, technology, engineering, and mathematics
GHG	Greenhouse Gas	TC	Technical Cooperation
HICP	Harmonised Indices of Consumer Prices	TEU	The Treaty on European Union
HIPCA	High-Impact Partnership on Climate Action	TFP	Total factor productivity
ICA	Industry, Commerce & Agribusiness	TMT	Technology, Media, Telecom
ICT	Information and communications Technology	VC	Venture Capital
IEA	International Energy Agency	VCIP	EBRD Venture Capital Investment
IFC	International Financial Corporation	WIBOR	Warsaw Interbank Offered Rate
IFI	International Financial Institution	WSE	Warsaw Stock Exchange

Poland has remained committed to the political principles stated in Article 1 of the Agreement Establishing the Bank. Their application during the previous Country Strategy period, in particular related to the independence of the judiciary and the situation with the rule of law, were marked by notable disagreements internally and were raised by EU institutions and relevant international organisations as a source of serious concern. The political change following the outcome of the parliamentary elections in October 2023 has opened a path for addressing the existing challenges.

Poland has advanced on its trajectory towards economic convergence with other European economies but its average income per capita at PPP is only 80 per cent of the EU27 average. The post-pandemic recovery decelerated in 2022-23, influenced by the proximity to Russia's war against Ukraine, exacerbated inflationary pressures, tighter financial conditions and disrupted supply chains. Poland received the highest inflow of Ukrainian refugees in the EU. While their successful economic integration alleviated labour market constraints to some extent, it also added to socio-economic pressures related to housing and public services. Measures to mitigate the effects of soaring energy prices and increased military spending weighted on the Government's fiscal deficit.

Poland is advanced in its transition to a sustainable market economy but gaps remain in selected areas where the Bank remains highly additional. Gaps in the *green* area are significant. Fossil fuels account for 86.5 per cent of the total energy supply. Regulatory uncertainties delayed the deployment of renewables. The Bank will support Poland's green economy transition by accelerating the decarbonisation of the economy, including by scaling up renewables and targeting energy and resource efficiency in industry and buildings. Structurally low levels of investment (including abroad), and low manufacturing productivity growth hold back Poland's economic growth potential. The Bank will promote further the real convergence of the Polish economy by financing projects that target innovation, productivity growth and business expansion, including investment of Polish companies abroad. Russia's war against Ukraine highlighted the importance of strengthening *resilience* by achieving energy security, strengthening local capital markets and targeting economic diversification and regional integration. Accessing loans and capital to innovate and grow private businesses remains a challenge, due to shallow local capital markets, credit tightening and the changed market sentiment toward the region. More investment is needed in sustainable transport and logistics infrastructure to improve connectivity, including with Ukraine.

In view of the challenges, transition gaps and the new Government's reform agenda, in the next strategy period the EBRD will focus on the specific areas where market demands are high and the Bank remains additional. Recognising that Poland's economy is advanced in transition, an extended Country Strategy Delivery Review, including an analysis of market level additionality, will be prepared in 2027. As a result, the Bank's objectives for the remainder of the strategy period may be adjusted to ensure the Bank is focused on sectors and products where it is additional and where transition gaps are evident and material. The Bank will pursue the following strategic priorities in Poland in 2024-2029:

- *Accelerate Poland's Green Economy Transition*
- *Support Competitiveness through Innovation, Digitalisation and Good Governance*
- *Strengthen Resilience and Economic Integration*

Poland – EBRD Snapshot



European Bank
for Reconstruction and Development

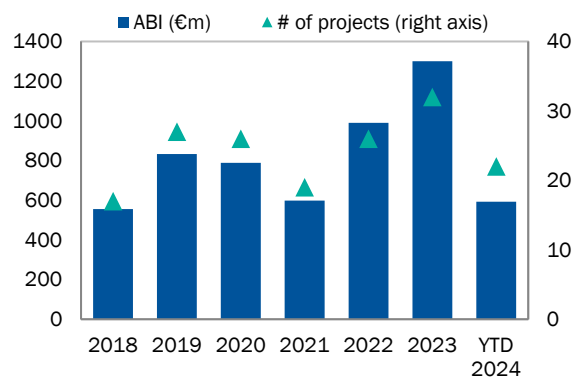
EBRD investment activities in Poland (as of May 2024)

Portfolio	€4,914m	Active projects	166
Equity share	16%	Operating assets	€3,805m
Private Sector Share ¹	98.8%	Net cum. investment	€14,569m

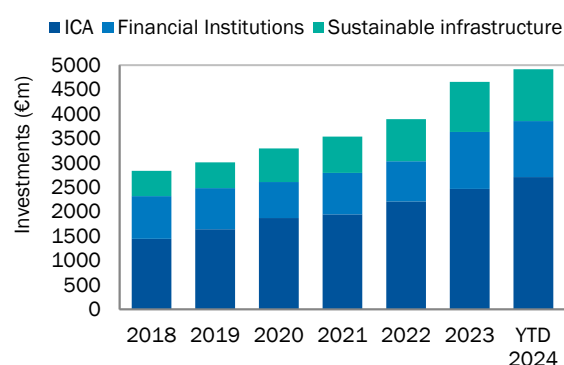
Poland context figures

	Poland	Comparators
Population (million) ³ (2022)	37.7	Czech Republic (10.5) Hungary (9.7) Slovak Republic (5.4)
GDP per capita (PPP, USD) ⁴ (2022)	43,269	Czech Republic (49,946) Hungary (41,907) Slovak Republic (37,460)
New Business Density ⁵ (New registrations per 1,000 population, 2020)	1.6	Czech Republic (3.8) Hungary (4.0) Slovak Republic (5.1)
Unemployment (%) (15-64) ⁶ (2022)	2.9	Czech Republic (2.3) Hungary (3.7) Slovak Republic (6.2)
Youth unemployment (%) (15-24) ⁶ (2022)	10.8	Czech Republic (6.8) Hungary (10.6) Slovak Republic (19.9)
Female labour force participation (%) (15-64) ⁶ (2022)	67.4	Czech Republic (70.4) Hungary (72.4) Slovak Republic (72.2)
Energy intensity TES/GDP (MJ/2017 \$) ⁷ (2019)	3.4	Czech Republic (4.1) Hungary (3.5) Slovak Republic (4.1)
Emission intensity/GDP (kgCO ₂ /2015 \$) (2020) ⁷ *	0.23	Czech Republic (0.22) Hungary (0.15) Slovak Republic (0.19)

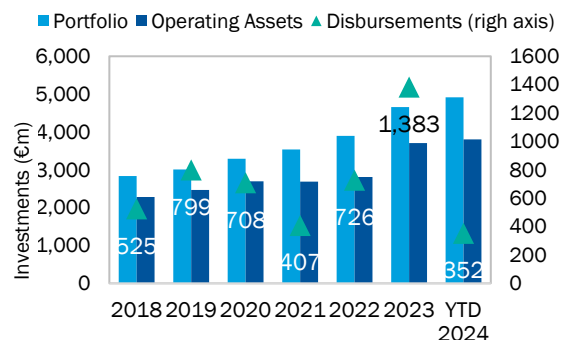
ABI and operations



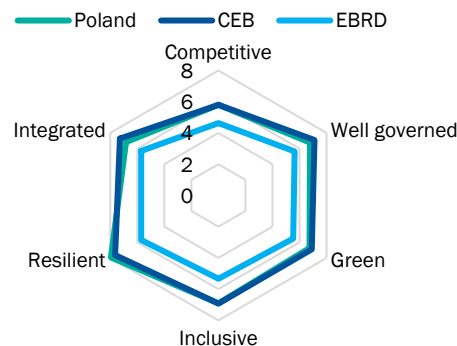
Portfolio composition



Portfolio dynamics



Transition Gaps²



1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2023-2024; 3 Eurostat; 4 IMF WEO; 5 WB Entrepreneurship Survey and database; 6 ILO; 7 IEA

*2020 for Poland, Czech Republic and Hungary, 2016 for Slovak Republic

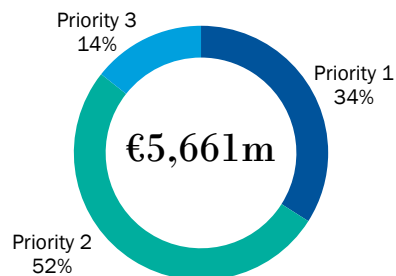


1. Implementation of Previous Strategy (2018-2023)

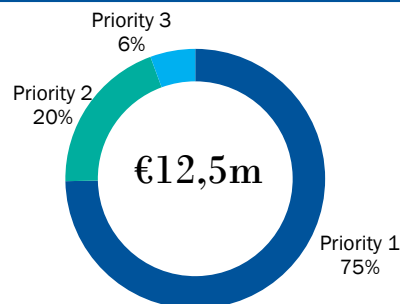
1.1. Key Transition Results Achieved during Previous Strategy (1/2)

Strategic alignment 2018-2023

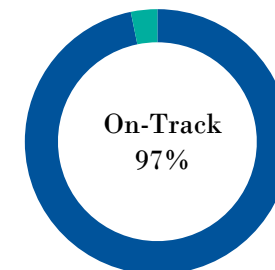
Annual Business Investment (ABI)¹



Technical assistance and investment grants²



Transition impact performance³



Priority 1 | Enhancing Competitiveness through Innovation, Commercialisation and Stronger Global Linkages

Key quantitative results

Results indicators | 2018-2023

Number of clients introducing innovative / new technology	9
Number of suppliers/business partners added to value chains, or improving quality or standards	1007

Key transition results

- Expanded VCIP, through equity investments in three ICT clients, including two innovative developers of AI solutions in retail and healthcare sectors.
- Supported digitalisation by financing the expansion of fibre-optic broadband in rural areas with total financing of €119m over time to Inea and the first nationwide rollout of 5G technology in the EBRD region via a €25m bond investment.
- Provided €100m to expand the operational capacity of the Baltic Hub port terminal in Gdansk, fostering better regional and inter-regional connectivity while integrating advanced, energy-efficient technological solutions.
- Increased biotech company's capacity via a €14m loan, supporting the manufacturing of Covid-19 vaccines; provided €42m to a leading pharma distributor and retailer for e-commerce expansion, efficiency upgrades and automation of its logistics; financed leading pharma company's R&D and capacity expansion with two loans for a total of €192m.
- Supported improvements in supply chain resilience and sustainability by signing the first project under the Supply Chain Finance Framework in Poland with a food retailer.
- Deployed the Resilience and Livelihood Framework in Poland to mitigate the impacts of Russia's war against Ukraine. Activities to date include €75m via Pekao Leasing to target affected SMEs; a €42m loan to a Polish tile producer with operations in Poland and Ukraine; and €128m funds to alleviate housing shortages exacerbated by the influx of Ukrainian refugees.
- Provided €55.2m co-financing with the EIB and commercial banks for the construction of phase four of the high-speed tramway network in Krakow, the first PPP implemented by the city.

1. The chart includes investments signed from 11 April 2018, date of approval of the previous Country strategy to 30 May 2024.

2. The chart reflects pre-commitment earmarks. The amount disbursed from earmarks in 2018-2023 is approximately €10 million

3. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio

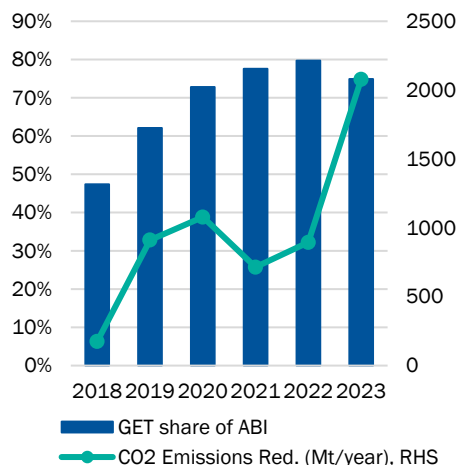


1. Implementation of Previous Strategy (2018-2023)

1.1. Key Transition Results Achieved during Previous Strategy (2/2)

Priority 2 Promoting Green Economy Transition

Key quantitative results

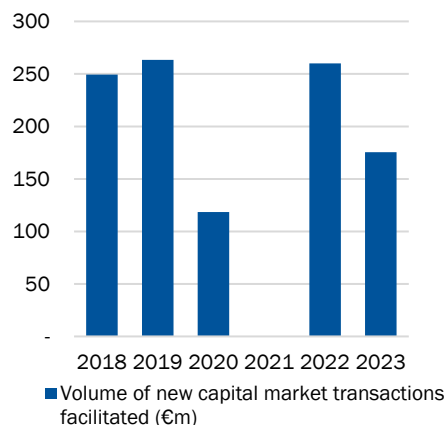


Key transition results

- Supported diversification of the energy mix by committing more than €790m for the deployment of renewables in Poland, with an additional €53m related to investments in the grid in the first transition bond by a public utility.
- Extended a €140m loan to Baltic Power to co-finance with EIB and other commercial banks the construction of the country's first offshore wind farm in the Baltic sea, expected to account for 2-3% of Poland's electricity generation and help to avoid approx. 2.8m/year of CO2 emissions. Invested €46m in the largest solar plant in Poland, estimated to generate 140 kt/year CO2 savings and provide much needed balancing to future onshore and offshore wind capacity.
- Invested in 4 ESG-linked Schuldschein issuances by a global automotive supplier and building materials company to support their global sustainability ambitions.
- Extended multiple credit lines to five local banks for a total of €450m to finance sustainable energy efficiency projects of SMEs (GEFF) as well as residential buildings (REFF).
- EBRD's Green Cities Action Plans in Walbrzych and Warsaw have been adopted by the cities, with first projects supporting thermo-modernisation of private buildings (Walbrzych) and expansion of the metro network (Warsaw).
- Contributed to the reduction of air pollution by financing production of EV batteries, with a total of €340m investments.
- Supported Elemental Holding with equity (€71m) and debt (€63m) to develop a new recycling facility for production scrap and end-of-life lithium-ion batteries from EVs and other electronic devices.

Priority 3 Strengthening Resilience through Expanded and Diversified Equity and Debt Capital Markets

Key quantitative results



Key transition results

- Continued TC support for capital market development, including assistance to the Ministry of Finance for the design and implementation of the Capital Market Development Strategy and the Sustainable Capital Market Strategy, and support to the Warsaw Stock Exchange (WSE) to develop ESG reporting guidelines for listed companies.
- Supported the development of local debt capital markets by investing around €460m in corporate bond issuances, including the first corporate green bond (€44m) and first sustainability linked bond (€170m) by Cyfrowy Polsat, and first energy transition bond by the energy utility Tauron (€53m) in the country.
- Supported the SMEs' and mid-caps' long-term capital growth through participation in eight regional private equity funds and invested in the first debt fund that primarily targets SMEs, supporting their regional expansion.
- Supported resilience of funding structures in the banking sector by participating in subordinated bond issuances for a total of €313m; supported the development of the covered bond market and invested in the first green covered bond issued by a Polish bank (total €96m); and supported the Bank's inaugural synthetic securitisation investment in Poland with a €55m unfunded guarantee to Santander Polska.
- Invested in a regional sustainable infrastructure fund (€28m allocation to Poland) and a regional renewable energy equity fund (€39m allocation to Poland), increasing availability of private equity capital for sustainable infrastructure.



1. Implementation of Previous Strategy (2018-2023)

1.2. Challenges to Implementation and Key Lessons

Context for implementation

Poland has advanced on its trajectory towards economic convergence, achieving the highest cumulative growth in the EU since 2019 and proved to be resilient despite the Covid-19 crisis. However, the post-pandemic recovery decelerated in 2022-23, influenced by the proximity to Russia's war against Ukraine, exacerbated inflationary pressures, deteriorating financial conditions and disrupted supply chains. Poland received the highest inflow of Ukrainian refugees in the EU and, while their successful economic integration alleviated labour market constraints, it also added to socio-economic pressures related to housing, and public services. Measures to mitigate the effects of soaring energy prices weighted on the Government's deficit. While Poland performs well compared to the average of EBRD CoOs, transition gaps remain in achieving convergence with EU advanced comparators. Economic diversification allows for high levels of resilience, but a worsened business and institutional environment and structurally low levels of investments hold back Poland's growth potential. Gaps in the green area remain significant, with regulatory uncertainties having delayed deployment of renewables and fossil fuels amounting to 86.5% of the total energy supply. Russia's war against Ukraine and energy crisis have intensified incentives for achieving energy security, making alternative energy sources more economically attractive and fostering energy efficiency, thereby providing momentum for the EBRD to scale up its efforts in green energy investments.

Implementation challenges

- Uncertain business environment and delayed approval of RRF plans caused by disagreements between Poland and the EU over judicial reforms. The delayed approval also constrained the Bank's ability to offer innovative and blended financial instruments.
- Shift in market sentiment towards the region due to Russia's war against Ukraine led to postponements of planned capital market issuances and high volatility in the project pipeline.
- Regulatory uncertainties delayed the deployment of renewables investments.
- Difficulties in rolling out the Green Cities Action Plans to support municipalities in times of crisis due to lack of donor funds.
- Lack of interest in SOE privatisation, commercialisation, PPP structures.

Key lessons & way forward

- Seek to capitalise on the renewed reform momentum with the new Government coalition and improved relations with the EU, which has unlocked up to €137bn of EU funds for Poland. Step up dialogue with the authorities to identify projects with co-financing potential under the RRF and other EU funds.
- Continue to support financial and capital markets development, with a focus on green and sustainable finance through a combination of policy and investment. Continue policy engagement on the deployment of EU instruments.
- Continued policy dialogue with the authorities and investors in the energy sector on eliminating bottlenecks to scale up REs, including grid connections.
- Seek follow on investments in the two existing Green Cities in Poland and selected opportunities to expand the number of participating municipalities in the Green and Smart Cities Action Plans.
- Remain open to opportunities to selectively engage with SOEs as part of transactions that focus on an ambitious governance, climate, financial and operational transformation plan at the Group and/or company level.



2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period

Poland – Main Macroeconomic Indicators

	2020	2021	2022	2023
GDP growth (% y-o-y)	-2.0	6.9	5.6	0.2
HICP inflation (% avg.)	3.6	5.2	13.2	10.8
Government balance (% of GDP)	-6.9	-1.8	-3.4	-5.1
Current account balance (% of GDP)	2.4	-1.3	-2.4	1.6
Net FDI (% of GDP) [minus indicates inflow]	-2.4	-3.8	-3.6	-2.2
External debt (% of GDP)	60.7	56.5	53.0	51.6
Gross reserves (% of GDP)	25.6	24.4	24.2	25.1
General government gross debt (% of GDP)	57.2	53.6	49.3	49.6
Unemployment rate (%)	3.2	3.4	2.9	2.8
Nominal GDP (€bn)	526.0	576.2	655.8	752.3

The Polish economy has proven to be resilient in spite of the Covid-19 pandemic, high inflation and supply chain bottlenecks. Polish GDP per capita (PPP adjusted) has been converging towards and reached 80% of the EU average in 2022, higher than the average of Visegrad-3 (V3) comparators.

However, the economic disruptions caused by Russia's war against Ukraine negatively affected the growth dynamics. The shocks caused by the war had a significant impact on the economic slowdown in 2023, driven by lower private consumption, weakened public expenditure growth and negative net exports.

Inflationary pressures, fueled by high energy and food prices, and higher interest rates affected households' disposable income. The harmonised index of consumer prices (HICP) peaked in February 2023 at 17.2% and has fallen since then, settling at 2.8 % in May 2024. As a result, real wages started to recover in 2023, following the decline for most of the 2022.

Firms struggle with the increased cost of funding and difficult access to capital markets. Continued uncertainty related to the geopolitical situation and inflationary pressures, translate into increased borrowing costs and less financing available in the market. Bond issuances and listing on the stock exchange have been rare. The contraction of the capital surplus may deepen the decline in funding.

The unemployment rate is close to multi-year lows. Structurally, labour market are influenced by unfavourable demographics, with a growing ageing population. This, in the absence of adequate and skill-matched migration, will continue to depress growth, and put additional cost pressure on firms.

The general government deficit remains high. A higher growth and revenue base is counterbalanced by large green and defence public spending needs.

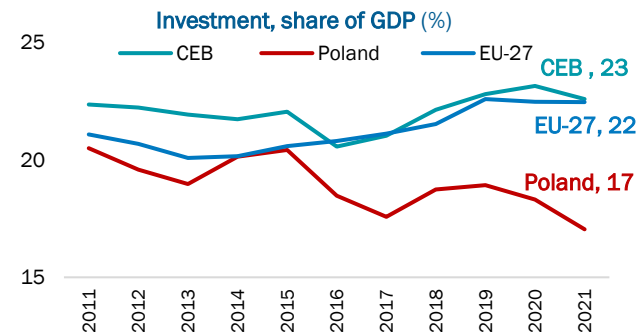


2. Economic Context

2.2 Key Transition Challenges (I/II)

Competitive

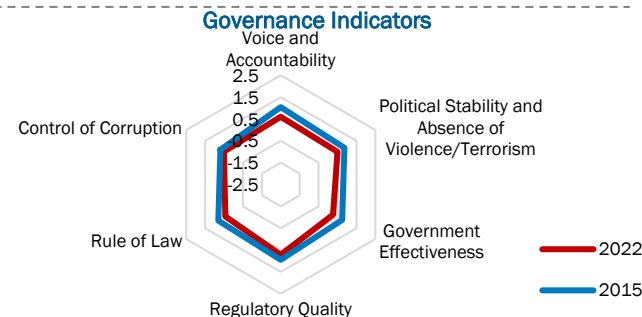
- While labour productivity has been growing at 4% since 2010, total factor productivity in manufacturing increased only by 1% annually since 2012. Labour productivity growth in manufacturing was mainly linked with capital deepening and only limited improvements in the use of production factors. Expenditure in R&D and innovation by firms has been growing, but at 1.5% of GDP it remains substantially below the EU average of 2.2% in 2022.
- Low levels of investment and private debt provide both challenges and opportunities for future growth. The limited reliance of the private sector on external financing as well as the subdued investment rates of corporates (at 18.8% of gross value added versus the EU-avg. of 23.7% in Q2 2023) leaves room for a substantial increase in investment rates. Higher investment rates will be necessary for Poland's labour productivity level to catch up with the advanced European peers.
- An aging population and tighter global financing conditions strengthen the case for supporting productivity growth. A more predictable regulatory environment, greater innovation, scaled-up digital transformation, accelerated technology adoption, as well as diversified financing sources are necessary to sustain Poland's growth.



Source: Eurostat, authors' calculations.

Well-governed

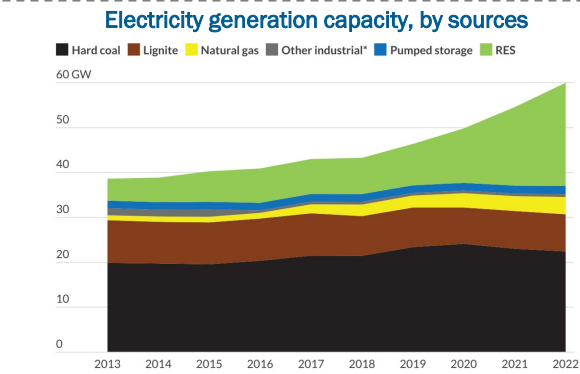
- The Polish economy is still largely dominated by state-owned enterprises (SoEs). To avoid unfair competition and create a level playing field, better governance, transparency and management independence are needed. Assets in which the state has a controlling stake accounted for 49% of GDP in 2021, above regional average. According to the Ministry of State Assets, there were 511 thousand people employed in close to 700 SoEs in 2021, representing about 3% of total employment in Poland. State-owned strategic assets have been subject to state influence and interference, with politically appointed management and weak governance.
- According to the World Bank's Worldwide Governance Indicators, over the last strategy period of 2016-2022 period there has been a deterioration in Poland's governance indicators, particularly in the areas of the rule of law, voice and accountability, political stability and government effectiveness.



Source: World Bank's Worldwide Governance Indicators 2023

Green

- Poland is one of the EBRD COOs with the highest energy intensity. Fossil fuels account for around 86.5% of total energy supply, with coal alone representing 42%. RES, which are substantially less subsidised than fossil fuels, accounted for about 13.5% of the total energy supply in 2022. According to the Ministry of Climate, over €220bn in new investment will be needed in renewable energy sources and grid strengthening to enable carbon neutrality by 2050. The government plans to reach 50% of electricity generation from RES by 2030 in comparison to 27% in 2023 (updated NECP from 2024).
- More investments in energy efficiency are needed, especially for residential buildings and district heating networks to support the green economy transition. About 70% of residential heating is produced from coal, both directly and indirectly through district heating.
- Air pollution is above EU average, with almost all regions exposed to its critical levels. According to the EEA, there were more than 36.5 thousand premature deaths due to exposure to fine particulate matter (PM2.5) in 2020 in Poland.
- The transport sector requires coordinated decarbonisation measures. Public transport, including buses and railways, still constitutes an unattractive alternative compared to private cars.



Source: Forum Energii (2023).

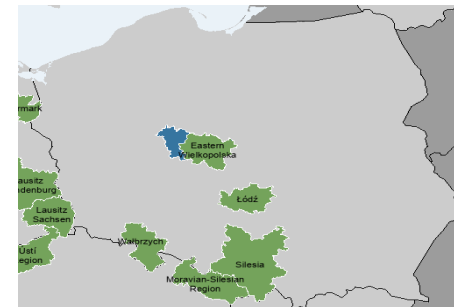
2. Economic Context

2.2 Key Transition Challenges (II/II)

Inclusive

- **Upskilling and reskilling programmes are necessary for a fair green transition in coal-mining regions.** Poland is the biggest beneficiary of the EU's Just Transition Fund (€3.85 bn) to be used in five eligible regions (see map).
- **Heating costs and energy poverty remain an obstacle to more decisive fight against air pollution.** Renewables, energy storage solutions, support for public transport have to be the part of the green transition process, if a just transition to a low carbon economy is to support the needs of all Polish citizens.
- **The success of the economic integration of Ukrainian refugees in Poland carries some longer-term challenges.** The demographic profile of the refugees, mainly women with children and elderly, puts a strain on public services such as schools, housing or healthcare. While a high percentage has been integrated in the labour market, the jobs offered do not match their high level of qualification of the Ukrainian workers.
- **Poland's gradually ageing and shrinking population will present mounting economic challenges in the decades ahead.** The labour market has a role to play alongside public policy to ensure adequate access to skills (including digital and green skills) for older workers alongside quality employment opportunities.

Recipient Regions of the Just Transition Fund

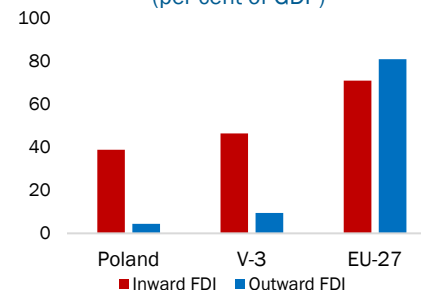


Source: EC.

Integrated

- **Outward FDI of Polish companies remains low.** At only 4.4% of GDP in 2022, the stock of outward FDI from Poland is below the EU-average (81%) and the Visegrad-3 peers (9.5%).
- **Better transport and logistics infrastructure in Eastern Poland is critical for Ukraine's post-war reconstruction and expansion of Polish companies eastbound.** Further development of multimodal transport infrastructure, including road, rail and maritime would improve connectivity, increase capacity, and ensure smoother border crossings.
- **Green transport infrastructure would boost mobility and reduce air pollution.** More investments are needed in sustainable transport infrastructure, such as zero-emission public transport vehicles, railways and more extensive and safe cycling path networks.
- **Smart grid infrastructure, including cross-border electricity interconnections, require more investment to meet increasing demand.** This is particularly relevant as more (variable) electricity will be generated from RES.

Inward and outward FDI 2022
(per cent of GDP)

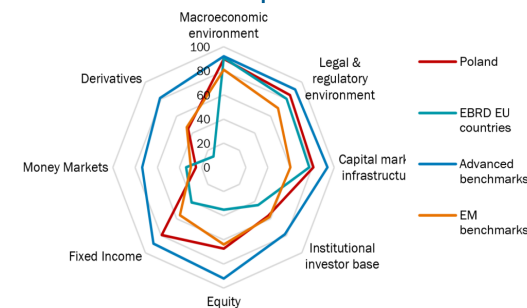


Source: OECD (<https://data.oecd.org/fdi/fdi-stocks.htm>)

Resilient

- **Various strategic investments enabled gas supply diversification away from Russia,** such as the LNG terminal in Swinoujscie, opened in 2016, the interconnector with Lithuania (opened in May 2022) or the Baltic Pipe with Norway and the interconnector with the Slovak Republic, both opened in November 2022.
- **Still, substantial investments in the grid are needed to unlock more private renewable energy production, including granting connection rights.** According to the Ministry of Climate and Environment, investment needs in grid and transmission networks are estimated at ca. €110 bn until 2040.
- **While the local capital market is a well-established source of funding, Polish companies still rely mostly on bank credit for their financing needs.** The market funding ratio (share of corporate bonds and listed shares to total financing to the non-financial sector) stood at 48% in 2021 in Poland.
- **Poland still distinctly lags behind most EU Member States in terms of ESG bond issuance.** The ESG Strategy, adopted by the Warsaw Stock Exchange (WSE) in December 2021, sets out the ambition and objectives in the area of sustainable development for 2022-2025. The MoF also developed a Sustainable capital markets strategy in 2023 with support from the Bank.

Financial Market Development Index 2022



Source: EBRD 2022, The EBRD Financial Market Development Index.



3. Government Priorities and Stakeholder Engagement

3.1 Government Reform Priorities

The priorities of the new government, which took office on 13 December 2023, are included in a coalition agreement listing 24 principles. Below are those relevant to EBRD's mandate and strategic directions in Poland:

- Accelerate green transformation, building financial support for a just transition, stepping up renewable energy capacity, and strengthening transmission and distribution networks.
- Strengthen energy security and independence by investing in renewables, new gas generation capacity and nuclear power.
- Restore predictability of the tax system to improve business environment and incentivise investment, and transparency in state finances, including greater decentralization.
- Decentralize the state, including increased autonomy for local governments, and the management of state-owned companies.
- Support professionalization and depoliticization of the judiciary with a view to and restore the rule of law.
- Develop Polish agriculture and the agri-food sector, stabilising the markets and increasing profitability by supporting export potential while simplifying administrative procedures.
- Increase R&D expenditure and create efficient channels for the exchange of knowledge between the academic community and entrepreneurs to spur innovation.
- Increase budget on education, and revise curricula to reflect the development of new technologies.
- Strengthen women's rights and those of other minorities. Enhance childcare services to facilitate women's participation to labour market and step up efforts to close the wage gap between men and women.
- Increase availability of social and municipal housing.
- Ensure efficient and accessible public transportation and develop the railway infrastructure and logistics networks by leveraging EU funds.

3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Green transition remains the top priority for the country, particularly in light of the heightened geopolitical risks that necessitate greater efforts towards achieving energy security. EBRD funding and technical cooperation will be needed to bridge the investment gap and attain the revised NECP targets.
- Efforts are needed to accelerate local capital market development, especially green finance, and improve resilience. The authorities agreed that the underdeveloped PE and VC markets represent a major obstacle to private sector development and innovation, and EBRD role in policy advisory and as an anchor investor will be key to scale up the PE/VC ecosystem.
- Need for further digital transformation within the private sector, particularly among small and medium-sized enterprises, to maintain competitiveness and reverse negative trends in productivity.

3.3 Key Messages from Civil Society to EBRD

- CSOs supported the key goal of speeding up the transition to green energy, emphasising the need for a just transition that includes reskilling and economic diversification. They also stressed the importance of a complete transition away from fossil fuels, to renewable and affordable energy sources.
- CSOs highlighted the role of EBRD in supporting integrity in the business conduct and ensuring that businesses are both resilient and responsible. Tools such as client performance requirements, and other E&S assessments can be used to promote a greater focus on "human rights in business" throughout the Bank's investments. Further, the CSO representatives recommended that the EBRD should enhance its engagement with the national ministries responsible for ESG policies to ensure alignment with international standards.
- CSOs recognised the inter-linked dynamics of a growing Ukrainian and refugee population in the country with that of the local and aging demographics. They suggested that the EBRD should encourage more productive and inclusive business and governance practices to promote efficient integration of the refugee population in the labour market.



4. Defining Poland Country Strategy Priorities

What needs to change? (Country Diagnostic)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2024-2029) What We Want to see in 2029
<ul style="list-style-type: none"> Coal dominates power production (73% of the total electricity generation in 2022 and is the primary origin of GHG emissions). RES share in total electricity production has increased from 16% in 2021 to 21% in 2022 and 27% in 2023 but falls short of the government target of 50% to be achieved by 2030. Coal accounted for 70% of fuels consumed in heat sources in 2022 (vs. 73% in 2018) contributing to poor air quality. Only 17% of heating systems meet 'efficient district heating and cooling systems' requirements required by EU law. Hard-to-abate sectors, such as cement, steel or chemical production, contribute 7% of total CO2 emissions in Poland. GHG emissions in transport sector have grown by 75% between 2005-2020. 	<ul style="list-style-type: none"> Poland's contributions to EU targets in terms of RE and energy efficiency, as presented in the country's updated NECP, has shown higher level of ambition, but the objective of 35% reduction of GHG by 2030 (relative to 1990) is still behind EU 55% target. The authorities are revising sectoral strategies, aiming at faster decarbonisation of power and heating sectors. The Fit for 55 EU package, along with the revision of the ETS, set a time limit for the decarbonization of the industrial sector by 2034, and provide means to improve energy efficiency and reduce the use of fossil fuels in housing and transport. Poland is the biggest beneficiary of the EU's Just Transition Fund (€3.85 bn) and newly established Social Climate Fund from 2026 (€11.3 bn). 	<ul style="list-style-type: none"> Expertise in supporting RES projects and addressing demand for EE/RE through deployment of traditional and innovative financing products, and advising clients on green technologies/practices, including in the renovation and energy efficiency of buildings. Policy dialogue, financing and advisory support for climate resilience, mitigation and decarbonisation. Specialised inclusion and climate advisory to assist with Just Transition-related initiatives and proven track record of investing in JT projects. Leveraging intermediary financing for greening housing and transport sectors. 	<p>Accelerate Green Economy Transition</p> <ul style="list-style-type: none"> Scaled-up renewables Accelerated decarbonisation of the economy Increased energy and resource efficiency
<ul style="list-style-type: none"> Stagnating productivity in manufacturing (TFP growth at 1% since 2012), with future growth constrained by low economy-wide investment levels (16.7% of GDP vs. EU-average of 22.5%). One of the least innovative economies in the EU (European Innovation Scoreboard ranking 34% below EU average), with low firm innovation activity (17th place in the EU-27, EIS 2024). SOEs constitute a significant share of the economy, calling for strong safeguards of competition and non-partisanship. 	<ul style="list-style-type: none"> National Strategy of Regional Development 2030 includes objective to support entrepreneurship and innovation at regional and local level. National Broadband Plan 2025 to ensure universal access to high-speed broadband internet by 2025. WSE published "ESG reporting Guidelines" to support issuers' non-financial reporting. According to the coalition agreement, the new government aims to improve the business environment and depoliticize SOEs. 	<ul style="list-style-type: none"> Proven record in offering customised financing solutions and advice to boost companies' growth and competitiveness. EBRD's Digital Approach provides a new framework for boosting digital transition. Strong track record in coupling investments and advisory to support higher corporate and climate governance standards, including in SOEs. 	<p>Support Competitiveness through Innovation, Digitalisation and Good Governance</p> <ul style="list-style-type: none"> Increased competitiveness of companies, enhanced innovation and digitalisation Strengthened corporate and ESG practices
<ul style="list-style-type: none"> Severe grid undercapacity translates into €110bn investment needs in transmission and distribution to enable 2050 carbon neutrality. Green bonds constitute about 4% of total bonds issued, well below the EU average of 9%. ESG bond issuance also remains behind most EU States. Local capital markets are well established but are still characterised by low liquidity; PE and VC are not very developed and bank credit remains the predominant source of funding for companies. At only 4.3% of GDP in 2021, the stock of outward FDI from Poland is below the EU-average (115%) and the Visegrad-3 peers (62%) . More investment is needed in sustainable transport and logistics infrastructure to improve connectivity, including with Ukraine. 	<ul style="list-style-type: none"> Strengthening of the transmission and distribution networks is among the top government priorities. The national Capital Market Development Strategy seeks to enhance access to finance for FIs and corporates, particularly SMEs. It has been recently updated to focus on Sustainable Finance. ESG Strategy 2025, adopted by the Warsaw Stock Exchange. The largest national programme in the EU, the European Funds for Infrastructure, Climate, Environment (FENIKS) programme, has been launched, allocating €24.2 bn of EU funds for investment in environmental, energy and transport projects in the period of 2021-2027. 	<ul style="list-style-type: none"> EBRD can facilitate more efficient and reliable electricity generation, transmission, and distribution. Extensive experience and applicable tools to support capital market development, through policy advisory and innovative financial instruments. EBRD is the largest institutional investor in PE and DCM in the region. EBRD regional investments can support connectivity, including regional networks and intra-modal logistics, and promote market reform. Track record in developing sustainable infrastructure via dedicated frameworks (e.g., GEFFs, Green Cities). 	<p>Strengthen Resilience and Economic Integration</p> <ul style="list-style-type: none"> Improved energy security Deepened financial and capital markets Greater domestic and international connectivity

5. Activities and Results Framework (1/3)



Priority 1. Accelerate Green Economy Transition

Key Objectives	Activities	Tracking Indicators
Scaled-up renewables	<ul style="list-style-type: none"> Support Poland's decarbonisation ambition by financing REs projects increasingly outside of support schemes (e.g. onshore wind, solar, renewable gas, as well as biogas and other technologies) and by investing in the grid and energy storage. Ensure the smooth deployment of large-scale offshore energy production via financing and policy support. Promote increased use of renewable energy and low carbon fuels (e.g. green methanol) for industry and other end-users, incl. through hydrogen valleys in connection with EU instruments to support renewable hydrogen and energy clusters for municipalities. 	<ul style="list-style-type: none"> Renewable energy capacity installed (MW) Renewable energy - electricity produced (MWh/year) Renewable energy- heat produced (GJ/year)
Accelerated decarbonisation of the economy	<ul style="list-style-type: none"> Support the decarbonisation of district heating and hard-to-abate sectors that can lead to systematic transformation of the industry towards net zero. Finance CAPEX investments to reduce GHG emissions in industrial processes and applications (e.g. manufacturing of low carbon products). Support the switch to cleaner energy sources to address acute air pollution and high carbon intensity, Selectively support the exploration and production (primary and secondary) of metals and minerals critical for the green energy transition, digital economy and wider economic development in line with the EBRD Mining Strategy. Support a 'Just Transition', accelerating investments in coal phase out coupled with reskilling and redeployment initiatives for affected workers, including older workers. Seek to support the development of gender-sensitive training programmes focused on most-demanded skills in a net zero economy. 	<ul style="list-style-type: none"> Total CO2 emissions reduced (ktonnes/year) Number of relevant stakeholders improving practices: climate change adaptation Number of clients introducing new or updated technology Total number of individuals enhancing their skills as a result of training
Increased energy and resource efficiency	<ul style="list-style-type: none"> Promote energy efficiency, with emphasis on green buildings, logistics, and the supply chain of the built environment, through direct and indirect financing and policy engagement to support more private sector involvement. Finance innovative green infrastructure and transport solutions (e.g. e-mobility, EV value chains). Support sustainable urban development and regeneration, including under the Green Cities Framework. Promote circular economy solutions in the municipal and industrial sectors. Support projects focused on adaptation and resilience to climate change by offering technical expertise and finance. 	<ul style="list-style-type: none"> Primary energy saved (GJ/year) Number of individuals with improved access to municipal services Total material reduced (tonnes/year) Total volume of outstanding loans for Climate adaptation investments



5. Activities and Results Framework (2/3)



Priority 2: Support Competitiveness through Innovation, Digitalisation, and Good Governance

Key Objectives	Activities	Tracking Indicators
<p>Increased competitiveness of companies, enhanced innovation and digitalisation</p>	<ul style="list-style-type: none"> • Support corporate productivity growth by investing in growth-oriented and/or innovative companies, including those seeking to expand internationally, via M&As or organic growth, focusing on equity investments whenever feasible. • Support companies integrating Poland into global value chains, e.g., green EV and production of components for the renewable industry. • Increase competitiveness of corporates by broadening access to skilled labour through investment in infrastructure, including residential, and support for digital and green skills development. • Financing technology-based solutions, for both incumbents looking to transform their businesses and innovative challengers/disruptors looking to transform their sectors with digital business models. • Strengthen digital infrastructure (5G, fibre, data centres, towers) and promote digital accessibility. • Support digital transformation and cybersecurity through pilot investment and advisory. 	<ul style="list-style-type: none"> • Number of clients reporting improved operational performance • Practices of relevant stakeholders improved (skills development) • Number of clients introducing new or updated technology
<p>Strengthened corporate and ESG practices</p>	<ul style="list-style-type: none"> • Build clients' capacity in corporate ESG practices, reporting and disclosure and support companies in enhancing their sustainability strategies in line with the EU standards (e.g. Corporate Sustainability Reporting Directive). • Support financial institutions to enhance their corporate climate and sustainability governance, building their capacity to manage climate-related risks and opportunities and unlocking green investment. • Explore opportunities to support public listing, including selected SOEs, as opportunities arise. • Explore the opportunity to selectively engage with SOEs as part of transactions that focus on an ambitious governance, financial and operational transformation programme at the Group and/or company level that can be replicated. • Promote equal opportunities and support diverse and inclusive HR practices incl. with a focus on women in leadership and STEM occupations, as well as workplace adjustments and uptake of new technologies to ensure high productivity among older workers and other under-served groups. 	<ul style="list-style-type: none"> • Number of clients improving climate governance and accountability with EBRD assistance • Number of relevant stakeholders improving their practices (equal opportunity practices of the client)



5. Activities and Results Framework (3/3)



Priority 3: Strengthen Resilience and Economic Integration

Key Objectives	Activities	Tracking Indicators
Improved energy security	<ul style="list-style-type: none"> Invest in electricity transmission and distribution grids, and interconnectors to absorb increased renewable energy production and improve energy resilience. Support introduction and expansion of storage solutions (including large thermal energy storage), as a response to the intermittent nature of renewable energy generation. Explore opportunities to finance production, transportation, distribution, storage and supply of hydrogen and low-carbon fuels. Recognising the role nuclear energy will play in the energy transition in Poland and in line with the EBRD Energy Sector Strategy, continue to monitor developments in the nuclear sector, should any opportunities in line with the EBRD's private sector mandate emerge during the country strategy period. 	<ul style="list-style-type: none"> Physical capacity of the client extended or modernised: Length of transmission lines / distribution lines Number of operations improving market infrastructure: energy infrastructure
Deepened financial and capital markets	<ul style="list-style-type: none"> Support the scale-up of green and sustainable finance, including through capital market mechanisms, investment and ongoing policy engagement with the Ministry of Finance and other stakeholders. Encourage greater formation of private risk capital and the development of venture capital and private equity, through direct and indirect investments (including development of different fund strategies) and policy engagement. Where additional, continue to support the issuance of capital market instruments and the extension of the product range (e.g. structured finance, including, but not limited to ABS, RMBS, SRT, risk sharing products, investments in NPL portfolios and financing of NPL servicers) to enhance the resilience of local banks, optimise their funding structure, diversify their liability sources. Facilitate deeper and broader financial sector intermediation, including through M&As and further development of NBFIs. Deploy EU instruments, including InvestEU guarantees and other funds. Support the WIBOR transition through advisory and market participation. 	<ul style="list-style-type: none"> Volume of capital market transactions facilitated Total volume of equity funds at closing Number of operations strengthening institution level capacity in target segment: financial and capital markets
Greater domestic and international connectivity	<ul style="list-style-type: none"> Support Polish corporates in regional expansion and cross-border investment, including through equity investment, as well as greater inward FDI into Poland. Strengthen economic integration and connectivity across different axes through trade, warehouses and logistics, digital infrastructure and transport links. Support integration of the regional capital market infrastructure through policy engagement and investment. Assist Poland to build on its strategic position to support Ukraine's reconstruction and greater integration with the EU (logistics, cross-border projects, solidarity lanes). 	<ul style="list-style-type: none"> Number of clients entering / expanding activities in an international market (specify) Total number of new/improved transport service connections Total physical capacity of the client extended or modernised: Length of railways



6. Mapping of International Partners' Complementarity in EBRD Business Areas

EBRD Business Areas

		Sectors										Cross-cutting Themes		
		Industry, Commerce & Agribusiness					Sustainable Infrastructure		FI		Strategic Initiatives			
Indicative annual average investments/grants (€m, 2018-2023)		Agribusiness	Manufacturing & Services	Property & Tourism	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank FIs	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
EU ¹	12,026	€	€	€			€	€P			€	€		€
EIB	4,336		€		€		€	€	€		€	€		€
EIF ²	875								€	€				€
CEB	403							€P		€	€	€		€P
IFC	238		€	€	€		P	€	€	€	€		€	€
EBRD	844	€	€	€	€	€	€	€	€	€	€P	€P	€P	€

€ Area of significant investments ● Focus mostly on private sector
P Area of significant policy engagement ○ Focus mostly on public sector

Potential Areas of Cooperation



Green

- Continue to explore co-financing opportunities with other IFIs, including in the deployment of InvestEU guarantees, to step up efforts for decarbonisation and scale up of renewable energy.
- Strengthen technical cooperation in the area of industrial transition and green investments, leveraging EU instruments (e.g. JASPERS, Groundwork, START, TSI).
- Explore possibilities to support the deployment of the RRF and EU structural funds.



Resilient

- Strengthen cooperation with IFC, which is expanding in the CEB region, to support corporates' capital structures, including through equity investments, and capital market transactions.



Integrated

- Seek opportunities to co-invest to support the regional expansion of Polish companies or new FDIs, as well as investments in logistics and regional connectivity.



Well-Governed

- Explore cooperation to enhance economic governance and support commercialisation of selected SOEs, as opportunities arise.









Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed from 2018

1 Based on planned financing under 2014-2020 European Structural and Investment Funds and 2021-2027 Cohesion Policy and Other funds, data available at [Cohesion Open data Platform](#)

2 Based on EIF annual reports for 2018-2022 period



7. Implementation Risks and Environmental and Social Implications

Risks to the strategy implementation	Probability	Effect	Environmental and Social Implications
<ul style="list-style-type: none"> • Macroeconomic risks, including still elevated inflationary pressures, wage pressures due to the tight labour market, high government deficit and rising debt burden, and on-going uncertainty related to the geopolitical situation could all undermine macroeconomic stability and longer-term investments. 			<ul style="list-style-type: none"> • Assessment and Management of E&S Impacts: Ensure that direct, indirect and cumulative impacts of projects are appropriately assessed and mitigated, and work with clients to ensure adequate implementation capacity, improve their knowledge and application of ESG principles, stakeholder engagement, sustainability reporting and disclosure, supply chain and contractor management according to EU and international standards.
<ul style="list-style-type: none"> • Uncertain business environment, including due to delayed approval of RRF funds, has constrained the Bank's ability to offer innovative and blended financial instruments. 			<ul style="list-style-type: none"> • Development of ESG management systems and disclosure and reporting in line with EU requirements, including best practice ESG guidance for capital markets as well as support for corporates and FIs with the implementation of the CSRD and SFDR reporting and disclosure requirements, in order to facilitate and develop capital markets and green investments.
<ul style="list-style-type: none"> • Lack of subsidised funding and scarcity of TC funds has limited the potential to roll out the Green Cities programme. 			<ul style="list-style-type: none"> • Labour and Working Conditions: Pay particular attention to working time and sectoral wage standards, potential discrimination towards minority groups, employment terms and working conditions of foreign and agency workers. Large scale retrenchment may be associated with the privatisation of SOEs and will require specific planning. Ensure prevention of GBVH and forced labour risks in contractors and supply chain by developing and implementing appropriate policies and response mechanisms with special attention on vulnerable groups, informal workers and refugees.
<ul style="list-style-type: none"> • Continued dominance of SoEs in the Polish economy could damage competition landscape, increase investment risk due to unpredictability of corporate policies and negatively impact the Bank's efforts to improve corporate governance and commercial practices. 			<ul style="list-style-type: none"> • Resource Efficiency and Pollution Prevention and Control: Environmental legislation is well aligned with EU standards such as Best Available Techniques (BAT) under Industrial Emissions Directive. The Bank's investment priorities will help reduce GHG emissions and implement decarbonization strategies, although total emissions will remain high due to carbon-intensive heat and electricity generation. The Bank's support for the development and implementation of projects with GET elements will facilitate a shift to a less energy intensive economy and lower levels of air pollution. The Bank will work to improve solid waste management, including infrastructure and systems to encourage separation at source and circular economy. • Health and Safety (H&S): Aim to improve occupational and community H&S standards across all sectors. TC funds and stakeholder engagement on road, traffic and electrical safety may be required to improve standards and raise awareness. • Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that any project requiring acquisition of land and resettlement comply with EBRD requirements, with special attention on preserving livelihoods of vulnerable groups (e.g., Roma communities, informal land users and refugees). • Biodiversity Conservation and Sustainable Management of Living Natural Resources: RE and infrastructure projects may have impacts through encroaching or fragmenting sensitive habitats, protected areas or existing Natura 2000 sites. To avoid or minimise such impacts, the Bank will ensure robust biodiversity impact assessments in sensitive locations are carried out and provide TC support where needed. Biomass projects will require examination of sustainability of supply chains. • Cultural Heritage: Work with clients to ensure appropriate assessment is carried out on construction projects to identify impacts, consult with key stakeholders and preserve cultural heritage. • FI: Ensure that FI partners have adequate E&S capacity and risk management procedures in place with a focus on capital market participation. Help to develop sustainable capital markets through transparency and disclosure of ESG data. • Stakeholder Engagement: Support clients in delivering meaningful consultation and project information disclosure accompanied with effective grievance mechanism throughout the project lifecycle. • Monitoring and supervision: Work with clients to monitor E&S performance and address legacy issues associated with the Bank's portfolio.

 **High**
  **Medium**
  **Low**



8. Donor Partnership Assessment

Needs Assessment for the New Country Strategy Period

Donor funds needed to support the achievement of the upcoming Country Strategy in Poland will focus on the selective use of TC grants:

- Grants will be needed to finance policy support for development of energy clusters, offshore energy production, storage and hydrogen, waste recycling as well as renewable energy and energy efficient buildings, including district heating decarbonization to help Poland's accelerated Green Economy Transition.
- TC support in areas such as capacity building for ESG, advisory for corporate and climate governance, and providing trainings/services to enable economic inclusion, will be vital to developing competitiveness in Poland.
- TC support in areas such as urban regeneration and vitalisation of urban infrastructure to support just transition initiatives as well as improve connectivity and trade with Ukraine and transport capacity,
- Capex grants may be necessary to support industrial decarbonisation investments.

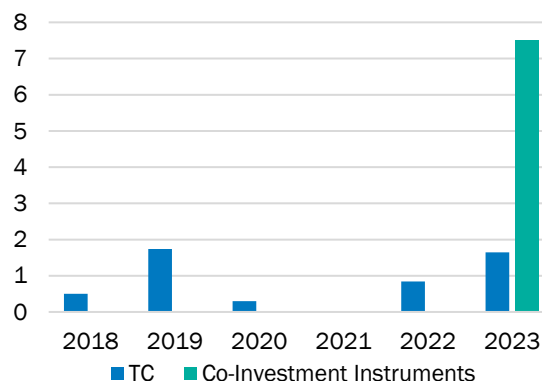
Potential Sources of Donor Funds

- Over the previous five years Country Strategy cycle, over one-third of donor funds earmarked in Poland have come from the bilateral Polish TC fund. Although the fund was depleted, Poland announced its intention to replenish it in 2024.
- Poland is an eligible country under the InvestEU programme which provides EU budgetary guarantees and TC to partners to increase their risk-taking capacity and mobilise public and private investments. HIPCA and in particular ICDF have in the past provided support to Poland, and although HIPCA does remain an option for future support, HIPCA donors' preferences for ODA eligible countries mean that future support is likely to be limited.
- Central European countries can also access TC grants for policy and business advice, through the Central European Initiative funds currently supported by Italy.

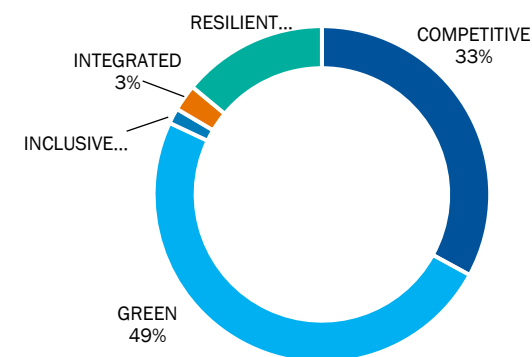
Selected Affordability Indicators

GDP per capita (PPP, USD, 2022) ²	43,269
ODA Country	No
ODA as share of Gross National Income (%) ³	N/A
ODA per capita (\$ - current prices) ³	N/A

Donor finance during 2018-2023 (€m)⁴



Use of TC grants in 2018-2023⁵



1. Simple percentile rank reported as the share of EBRD economies represented below Poland (for which data is available). 2. IMF WEO 3. OECD (2021) 4. TC amounts are based on pre-commitment earmarks. Increase in TC amount in 2023 refers to earmarked amounts for ASB InvestEU programme targeting Ukrainians relocating to EU neighbouring countries. 5. Based on the primary Transition Quality of earmarked donor funds.

Annex



European Bank
for Reconstruction and Development



Annex 1 – Political Assessment in the Context of Article 1 (1/4)

Poland has remained committed to the political principles stated in Article 1 of the Agreement Establishing the Bank. Their application during the previous Country Strategy period, in particular, related to the independence of the judiciary and the situation with the rule of law, was marked by notable disagreements internally and was raised by EU institutions and relevant international organisations as a source of serious concern. The political change following the outcome of the parliamentary elections in October 2023 has opened a path for addressing the existing challenges.

Poland's political landscape and public sentiments were highly polarised throughout the previous Country Strategy period. Main issues of disagreement comprised the independence of the judiciary and media, personal freedoms, and societal values. Relations with EU institutions were marked by a series of disputes, in the first place about the rule of law situation in Poland. The European Commission launched against Poland the Article 7(1) TEU procedure and several rule of law infringement procedures.

The outcome of the parliamentary elections on 15 October 2023 has resulted in a political change. The new authorities have committed to depoliticising the judiciary, state institutions and state-controlled media, strengthening democratic checks and balances, and resolving contentious issues in relations with EU institutions. The conduct and outcome of the elections have reaffirmed Poland's fundamentals of multiparty democracy, reinforced by the country's membership in the EU (since 2004) and NATO (since 1999).

Russia's war of aggression against neighbouring Ukraine, launched in February 2022, has dramatically changed Poland's geopolitical environment, and created new and significant challenges, including a major impact on the humanitarian situation in the country. Millions of people, who fled the war from Ukraine, passed through the border with Poland, with nearly one million currently registered for temporary protection in the country. Poland's humanitarian response in 2022, based on a broad public consensus, was praised by the UN and other international organisations.

Free Elections and Representative Government

Free, fair and competitive elections

The Polish constitution and legal framework provide a sound basis for universal, equal and direct elections, conducted by secret ballot. Since the adoption of the previous Country Strategy, Poland has held presidential and two parliamentary elections.

The last parliamentary elections took place on 15 October 2023. The OSCE/ODIHR-led International Election Observation Mission preliminary concluded that the elections were “competitive, and voters had a wide choice of political alternatives, but the ruling party enjoyed clear advantage through its undue influence over the use of state resources and the public media.” International observers also noted that the elections took place in “a highly polarised environment”.¹

The last presidential election was held in two rounds in June and July 2020. The OSCE/ODIHR Special Election Assessment Mission assessed the election as “administered professionally despite the legal uncertainty during the electoral process” (the election coincided with the outbreak of the Covid-19 pandemic, and the decision to continue with the holding of the election necessitated legal and practical adjustments). Observers added that “the campaign was characterised by negative and intolerant rhetoric further polarising an already adversarial environment.”²

Separation of powers and effective checks and balance

The Constitution provides for separation of powers and institutional checks and balances within the political system. The president serves as the head of state and is elected by a direct popular vote for up to two consecutive five-year terms. The president appoints a PM and, on his nomination, other members of the government (Council of Ministers) and has the power to initiate and veto legislation.

1. OSCE/ODIHR: International Election Observation Mission, Republic of Poland, Parliamentary Elections, 15 October 2023, Statement of Preliminary Findings and Conclusions, Warsaw, 16 October 2023, p.1.; 2. OSCE/ODIHR: Special Election Assessment Mission, Final Report, Warsaw, 23 September 2020, p. 1.



Annex 1 – Political Assessment in the Context of Article 1 (2/4)

The government is led by the PM and typically represents the majority party or coalition. The bicameral parliament (National Assembly) comprises the upper chamber (Senat) with 100 seats and the lower chamber (Sejm) with 460 seats. Members of both houses are elected for four-year terms, in single-mandate constituencies and by proportional representation respectively. The legislature holds the government to account through its approval of the PM and the mechanism of “no confidence” vote.

While constitutional justice is a key component of effective checks and balances, the European Commission expressed “serious concerns” related to the Constitutional Tribunal after changes were introduced to its composition and functioning in 2016-17. In February 2023, the Commission referred Poland to the Court of Justice of the EU (CJEU) for violations of EU law by the Constitutional Tribunal and its case law.³ The last parliamentary elections in Poland in October 2023 have provided an opportunity to restore effective checks and balances.

Effective power to govern of elected officials

Elected officials have full and effective power to govern.

Civil Society, Media and Participation

Scale and independence of civil society

Polish civil society is large, diverse and vibrant. There are approximately 138,000 registered non-governmental organizations in the country. Polish civil society has played a crucial role in providing help to people who fled the war from Ukraine, following the Russian full-scale invasion in February 2022. During the previous Country Strategy period, the procedures for registering new CSOs were slightly improved. An amendment to the National Court Register Act introduced mandatory electronic communication with the court for all entities listed, which makes the registration process more accessible as it no longer requires travel to the court to file documents in person. There was, however, no progress to improve the overall framework for the civic society space as per recommendations in the European Commission’s 2022 Rule of Law Report.⁴ The new coalition government has committed to involve civil society more in the decision-making process.

3. European Commission: 2023 Rule of Law Report, Country Chapter on the rule of law situation in Poland, Brussels, 5 July 2023, pp. 9-10. ; 4. Ibid, pp. pp. 1 and 32-33.; 5.

Independence and pluralism of media operating without censorship

The Constitution guarantees media freedom and prohibits censorship. Over the previous Country Strategy period, Poland’s media landscape was pluralistic and diverse but sharply polarised along political lines. The purchase of most regional daily newspapers by the national energy company in December 2020 was perceived as an attempt to limit foreign media ownership and increase political control of the media market by the government. Questions were also raised about the independence and impartiality of the National Media Council, the media regulator. The level of media ownership transparency increased, but there was no progress to enhance the independent governance and editorial independence of public service media amid concerns related to the independent reporting by public broadcasters, and no measures were adopted to ensure fair procedures in the granting of operating licences to media outlets. While there was a steady shift towards online media and social networks, television remained the primary source of political information. Defamation and public insult remained criminal offences, despite previous recommendations of OSCE/ODIHR and the OSCE Representative on Freedom of the Media.⁵ The coalition government established after October 2023 parliamentary elections has committed to strengthening the independence and pluralism of media.

Multiple channels of civic and political participation

Polish citizens enjoy multiple channels of civic and political participation.

Freedom to form political parties and existence of organised opposition.

Polish citizens are free to form political parties. Poland’s political system is pluralistic, with parties representing a wide range of views within the Polish society. Over the period since the previous Country Strategy approval, the country’s political landscape has been sharply polarised between two largest parties – the national conservative Law and Justice (PiS) and the national liberal Civic Platform (PO). Opposition parties contest elections freely, providing voters with political alternatives. Five political alliances are represented in the Sejm, following the last parliamentary elections in October 2023.



Annex 1 – Political Assessment in the Context of Article 1 (3/4)

Rule of Law and Access to Justice

Supremacy of the law

Legislative and institutional safeguards for the supremacy of the law are in place. The Constitution guarantees everyone the right to a fair trial and citizens are free from arbitrary arrest and detention.

Independence of judiciary

The Constitution provides for an independent judiciary.

During the previous Country Strategy period, the situation with regard to the independence of the judiciary dominated the domestic political agenda and Poland's relations with EU institutions, Council of Europe and other relevant international organisations. A wide-ranging reform of the judiciary was carried out by the government, including of the Constitutional Tribunal, the Supreme Court, the National Council for the Judiciary, the organisation of ordinary courts and the disciplinary regime for judges. The overhaul was seen by opponents as undermining the independence of the judiciary and infringing EU law. International concerns were raised, as well as concerns by the Polish judges, civil society and political opposition. The European Commission concluded that there was "a systemic threat" to the rule of law in Poland and triggered its special rule of law procedure in the framework of Article 7(1) of the TEU, as well as launched several rule of law related infringement procedures against Poland. The Commission has also withheld the disbursement of post-pandemic funds under the national Recovery and Resilience Facility. The CJEU and the European Court of Human Rights issued a series of rulings further confirming the existing concerns. The level of perceived independence of the judiciary has been "very low" among both general public and companies.⁶

In January 2020, the Parliamentary Assembly of the Council of Europe (PACE) has decided to open a full monitoring procedure in respect of Poland over the functioning of its democratic institutions, citing "severe damage" done to the independence of the judiciary and the rule of law.⁷

Strengthening the independence of the judiciary and restoring the rule of law is a key priority of Poland's new government, following the parliamentary elections on 15 October 2023.

Government and citizens equally subject to the law

The government and citizens are equally subject to the law. Equality before the law is guaranteed by the Polish Constitution and is generally upheld in practice.

The EU and the Council of Europe have recommended to separate the function of the minister of justice from that of the prosecutor-general and to continue efforts to ensure functional independence of the prosecution service from the government.⁸

5. OSCE/ODIHR: International Election Observation Mission, Republic of Poland, Parliamentary Elections, 15 October 2023, Statement of Preliminary Findings and Conclusions, pp. 2 and 14-15; European Commission: 2023 Rule of Law Report, Country Chapter on the rule of law situation in Poland, pp. 24-27.; 6. European Commission: 2023 Rule of Law Report, Country Chapter on the rule of law situation in Poland, pp. 1 and 3-13; PACE Monitoring Committee: The honouring of membership obligations by Poland, Information note by the co-rapporteurs on their fact-finding visit to Warsaw (13-15 March 2023), 30 May 2023, pp. 3-10.; 7. PACE: Press release "PACE decides to open monitoring of Poland over rule of law", 28 January 2020.; 8. European Commission: 2023 Rule of Law Report, Country Chapter on the rule of law situation in Poland, pp. 1-2; Commissioner for Human Rights of the Council of Europe: Report following her visit to Poland (11-15 March 2019), Strasbourg, 28 June 2019.



Annex 1 – Political Assessment in the Context of Article 1 (4/4)

Effective policies and institutions to prevent corruption

Poland's anti-corruption framework is comprehensive. Several authorities are responsible for anti-corruption, including the Central Anti-Corruption Bureau. During the previous Country Strategy period, the government declared placing a special focus on the fight against tax evasion and corruption. The criminal code was amended to increase the level of penalties for corruption. Despite the stated intention and steps taken, the corruption perception has deteriorated. Transparency International's Corruption Perception Index (CPI) 2022 identified Poland as one of "significant decliners", noting that its CPI score (55/100) had declined by seven points since 2016. In 2022, Poland ranked 7th among EBRD countries of operations (it was 2nd in 2016) and 45th globally.⁹ The European Commission's 2023 Rule of Law report, while noting the entry into force of new measures to increase the transparency of political party financing, drew attention to the absence of a new anti-corruption programme (the previous one ended in 2020), the remaining risks concerning the effective enforcement against high-level corruption and the broad scope of immunities for officials creating exemptions from criminal responsibility.¹⁰

Civil and Political Rights

Freedom of speech, information, religion, conscience, movement, association, assembly and private property

All fundamental freedoms are fully guaranteed in the Constitution and are generally observed in practice. The latest assessment of the track record of Poland in the area of human rights in the framework of the 4th cycle of the Universal Periodic Review was held in November 2022. Poland received 233 recommendations and supported 89 of them (a decrease of 38% with respect to the 3rd cycle in 2017).¹¹

Political inclusiveness for women, ethnic and other minorities

The Polish Constitution and other laws provide for equal treatment for women and for protection of the rights of minorities.

In total, a record 44% of the Sejm candidates in the last election were women. Several parties emphasized the importance of women's participation in politics and assured visibility to women candidates. Almost 30% of the lower chamber's 460 members are women. At the same time, the number of women in the Senate (the upper chamber) fell from 24% to 17%. Generally, women remain underrepresented in politics and leadership positions.¹²

The situation of LGBTIQ+ people in Poland worsened over the previous Country Strategy period.¹³ In July 2021, the European Commission, being concerned about possible violations of EU law regarding non-discrimination on the grounds of sexual orientation, launched an infringement procedure against Poland related to the equality and the protection of fundamental rights, after dozens of Polish regions and municipalities adopted resolutions on the creation of so-called "LGBT-ideology free zones."¹⁴ A vast majority of the resolutions were later withdrawn or overturned by court rulings. The Commission closed its legal action in January 2023.

Freedom from harassment, intimidation and torture

The Constitution of Poland provides for citizens' freedom from harassment, intimidation and torture, and these freedoms have been generally upheld in practice.

9. Transparency International: Corruption Perceptions Index 2022. ; 10. European Commission: 2023 Rule of Law Report, Country Chapter on the rule of law situation in Poland, pp. 1 and 13-24.; 11. UN Human Rights Council: Universal Periodic Review – Poland, Fourth cycle, 15 November 2022.; 12. OSCE/ODIHR: International Election Observation Mission, Republic of Poland, Parliamentary Elections, 15 October 2023, Statement of Preliminary Findings and Conclusions, pp. 2 and 4.; 13. UN Human Rights Council: Universal Periodic Review – Poland, Fourth cycle, Letter by the High Commissioner to the Foreign Minister of Poland, 17 July 2023.; 14. European Commission: Press release "EU founding values: Commission starts legal action against Hungary and Poland for violations of fundamental rights of LGBTIQ people", 15 July 2021.