



Lessons from Poland for Ukraine

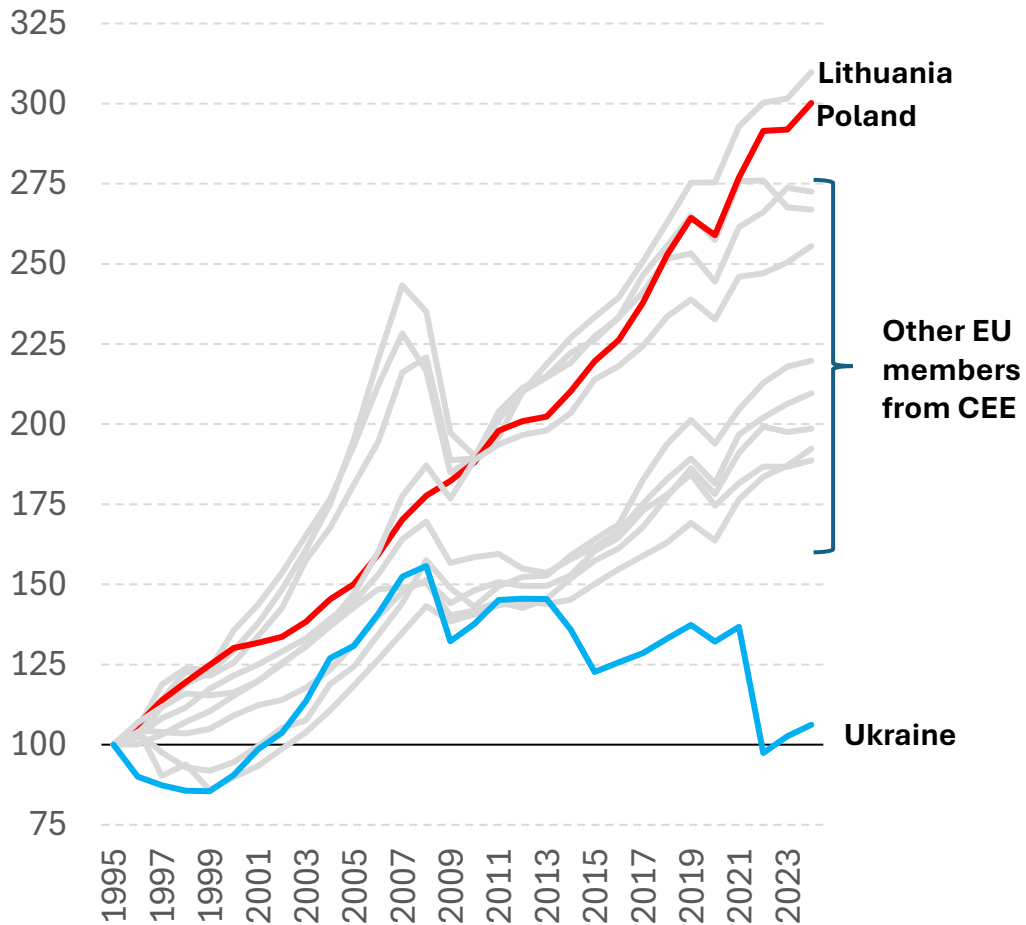
**Ukraine Economy of the Future
World Bank Group**

DRAFT

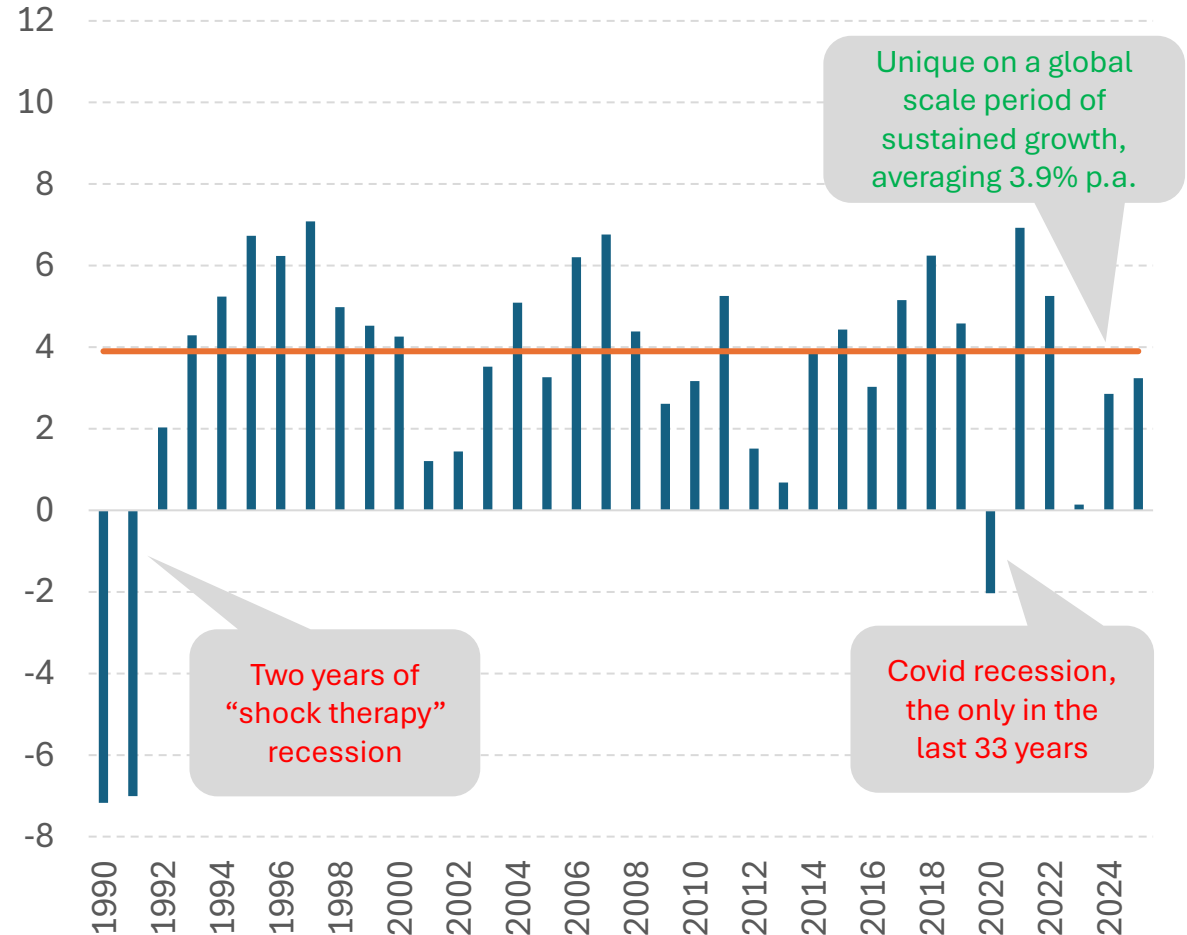
CONFIDENTIAL NOT FOR WIDER CIRCULATION

Poland's reforms drove strong and sustainable GDP growth to reach high-income status in less than 20 years

Cumulative real GDP change
1995=100*



Real GDP growth in Poland %



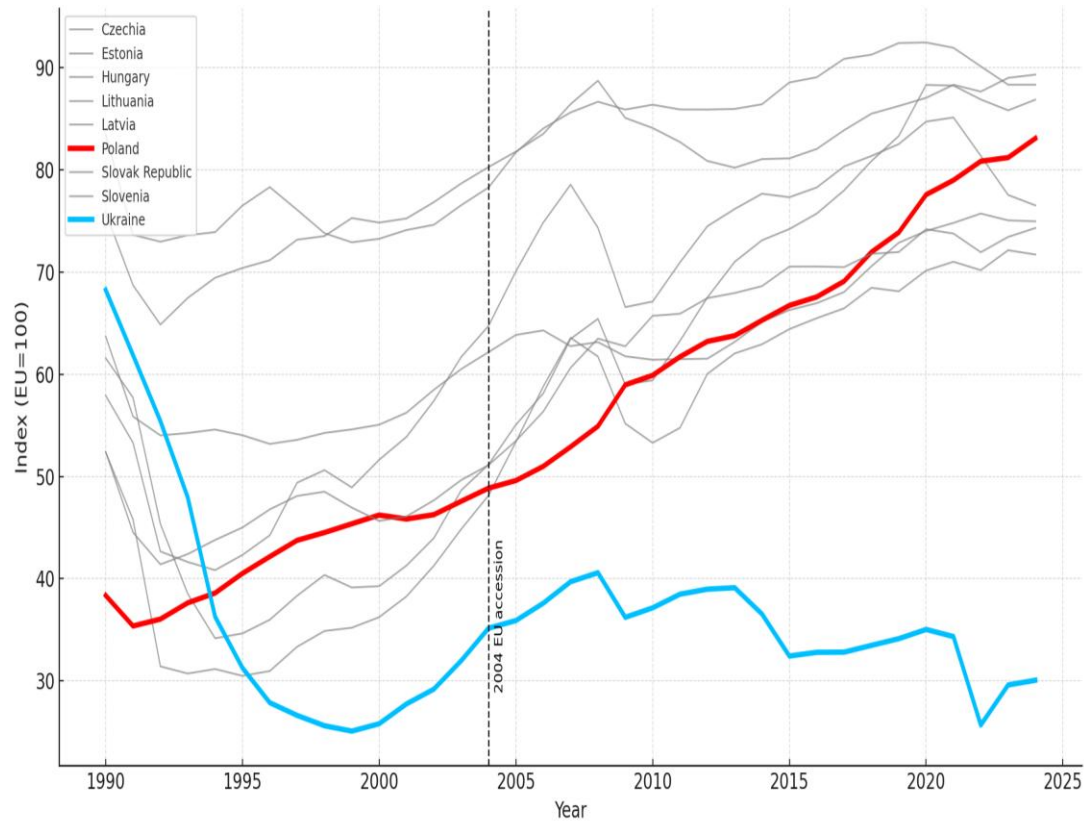
*1995 is taken as the base year due to the lack of earlier data for some countries (these countries emerged after 1990 from the USSR, Czechoslovakia, and Yugoslavia).

Source: World Bank, IMF – WEO database (April 2025)

Poland's GDP per capita doubled relative to the EU average and labor productivity increased continuously

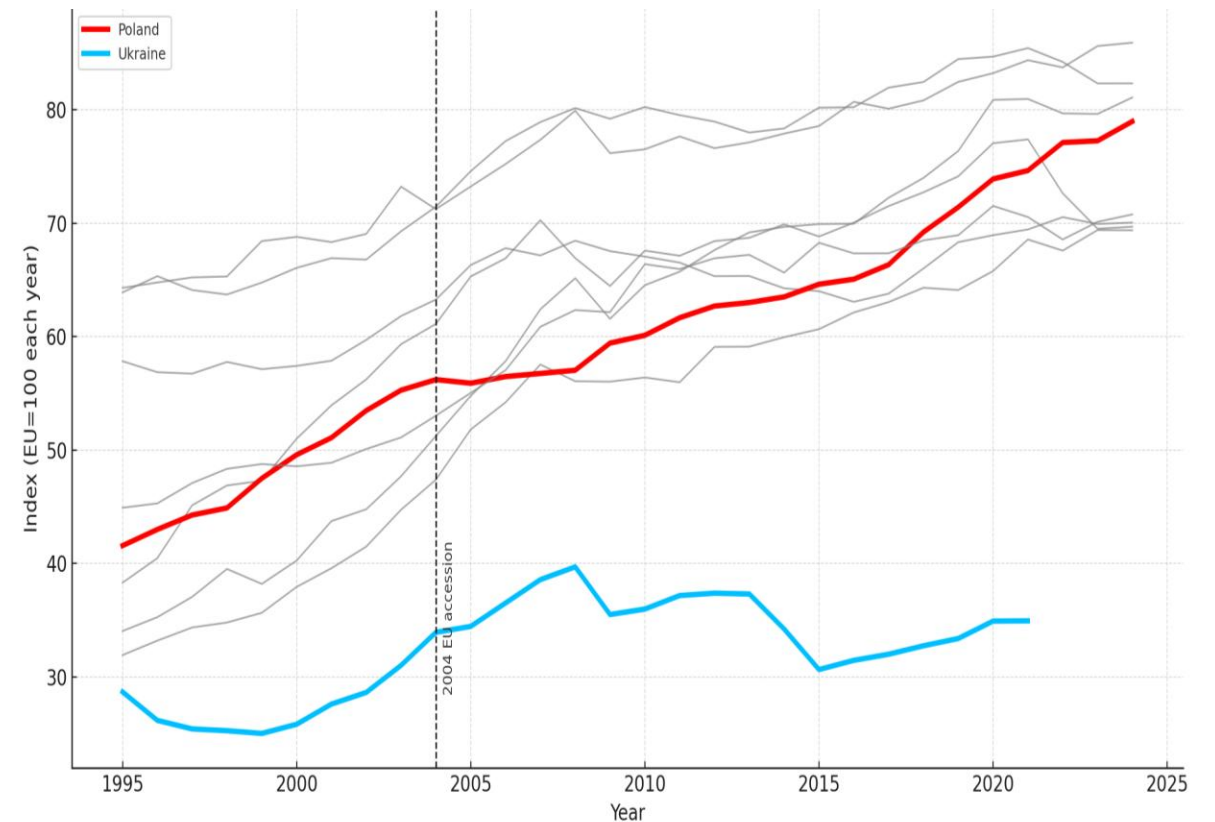
GDP per capita relative to the EU (EU = 100)

Purchasing power parity (PPP) (constant US\$ 2021)



Labor productivity relative to the EU (EU = 100)

GDP per person employed at PPP (constant US\$ 2021)

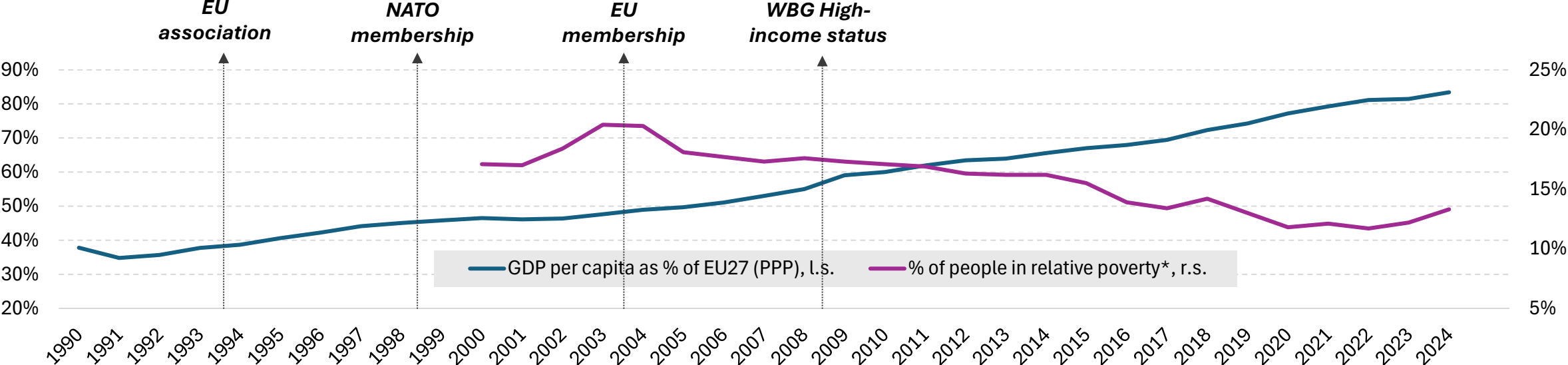


Source: WDI and WB staff calculations

Notes: EU 2004 accession countries excl. Cyprus and Malta.

Poland leveraged its EU membership to establish a strong foundation for reforms

Income convergence and poverty rates in Poland



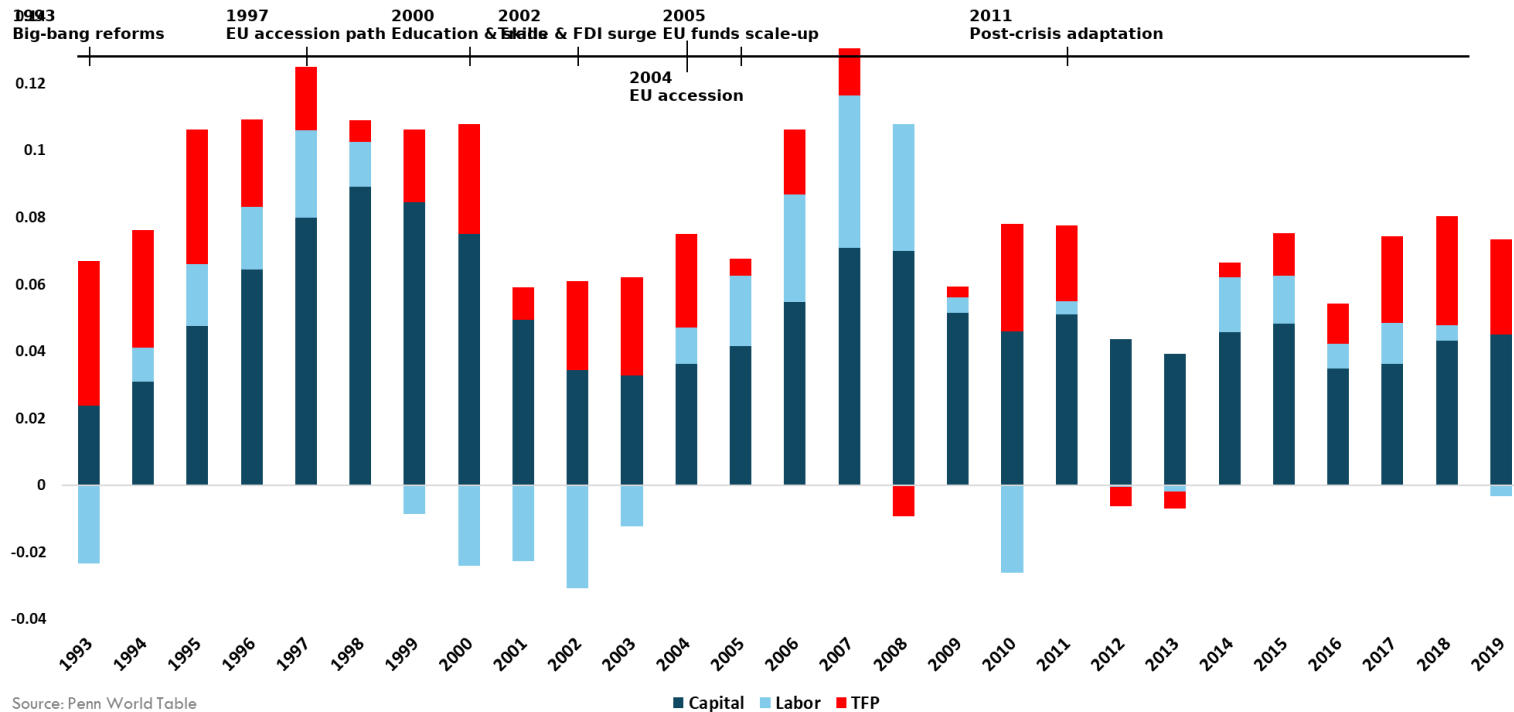
<p>Transformation reforms:</p> <ul style="list-style-type: none"> • Debt restructuring • Exchange rate realignment • Introduction of market driven mechanisms – trade and price liberalization • Financial sector strengthening (inc. recapitalization of banks) • Tax reform (VAT introduction) 	<p>Pre-EU accession reforms:</p> <ul style="list-style-type: none"> • Europeanisation of state structure and law: the EU's <i>acquis communautaire</i> (the EU policy package,) adoption and rolling out multiple new institutional frameworks mandated by EU law • Privatization • Pension system reform • Decentralization and administrative reform – consolidation of voivodships (important for the effective absorption of EU funds) • Health reform: new financing and insurance mechanisms • Education reform: restructuring of school system. 	<p>Post-Global Financial Crisis reforms:</p> <ul style="list-style-type: none"> • Financial supervision: stronger powers for the Financial Supervision Authority, strengthened deposit guarantee scheme • Fiscal framework: new expenditure rule, stricter borrowing limits for subnational governments • Consumer and market protection: stricter banking and consumer credit laws • EU funds: streamlining and accelerating the use of EU structural and cohesion funds as a counter-cyclical stimulus 	<p>Distributional and post-Covid reforms:</p> <ul style="list-style-type: none"> • Social transfers: universal child-care benefit, additional pensions • Labor market: rapid increases in minimum wage; extension of social security to more civil law contracts • Public finances: VAT/Corporate income tax “sealing” measures (Standard Audit File of Tax, split payment). • Public investment: Strategic Investments Program – 100 billion zloty for subnational investments
--	---	---	--

* expenditures below 50% of the average monthly per capita expenditures in households (no pre 2000 data)
 Source: World Bank, GUS, IMF – WEO database

Poland's growth model managed to switch from investment first, to investment and infusion of foreign know-how

Capital investment *and* productivity improvements drove growth: Attracting foreign direct investment (FDI), boosting competition and diffusing foreign know-how were key drivers of growth. Education reforms and integration into EU value chains further lifted productivity, while EU structural funds co-financed major infrastructure upgrades.

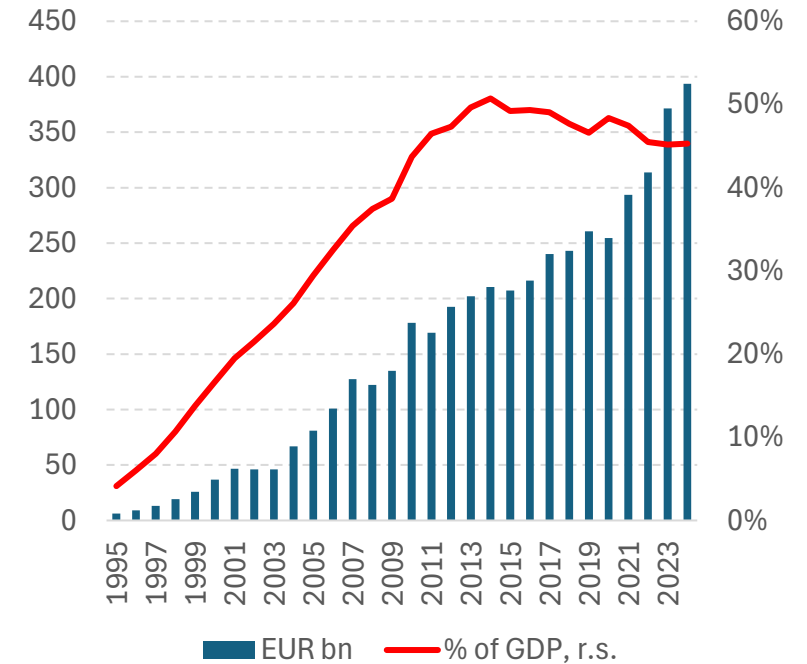
Contribution of capital accumulation, labor and total factor productivity to growth in Poland



Source: Penn World Table

Source: Greater Heights, World Bank 2025.

Cumulative value of FDIs in Poland



Poland's success story hinged on sequenced reforms, credibility and shared vision, with the following key pillars where Ukraine could learn from:

1. Getting institutions right

- **Privatization Program:** Poland implemented an ambitious privatization program to improve corporate governance, significantly reducing the number of state-owned enterprises (SOEs) from 8,500 to around 700. SOEs now contribute to the national budget rather than requiring subsidies.
- **Financial System Stability:** Effective restructuring, regulation, and supervision, maintained Poland's financial system stability.
- **Regulatory Reforms:** The country implemented reforms in areas such as competition, consumer protection, capital markets, transparency, and public procurement, often in preparation for EU accession.

2. Integrating with markets

- **Participation in Global Value Chains (GVCs):** Poland integrated into global production networks, particularly with Germany, an economic powerhouse and GVC node.
- **Infrastructure Improvement:** Significant improvements were made to both soft (border and transport efficiency) and hard (transport and ICT) infrastructure, largely thanks to EU funds. This linked peripheral areas to domestic and external markets.
- **Labor Mobility:** EU accession facilitated emigration, which in the early phases helped reduce labor surplus. Immigration now plays a role in supporting the Polish labor market, with a high share of skilled immigrants.

3. Building internal capacity

- **Human Capital Investment:** Poland reformed its education system, leading to large gains in educational performance and an increase in high-skilled employment.
- **Innovation and R&D:** R&D expenditures and the contribution of the business sector to R&D significantly increased, largely due to EU funding. Support was also provided for startups and innovative firms through science and technology parks, incubators, and venture capital funds, often with EU subsidies.

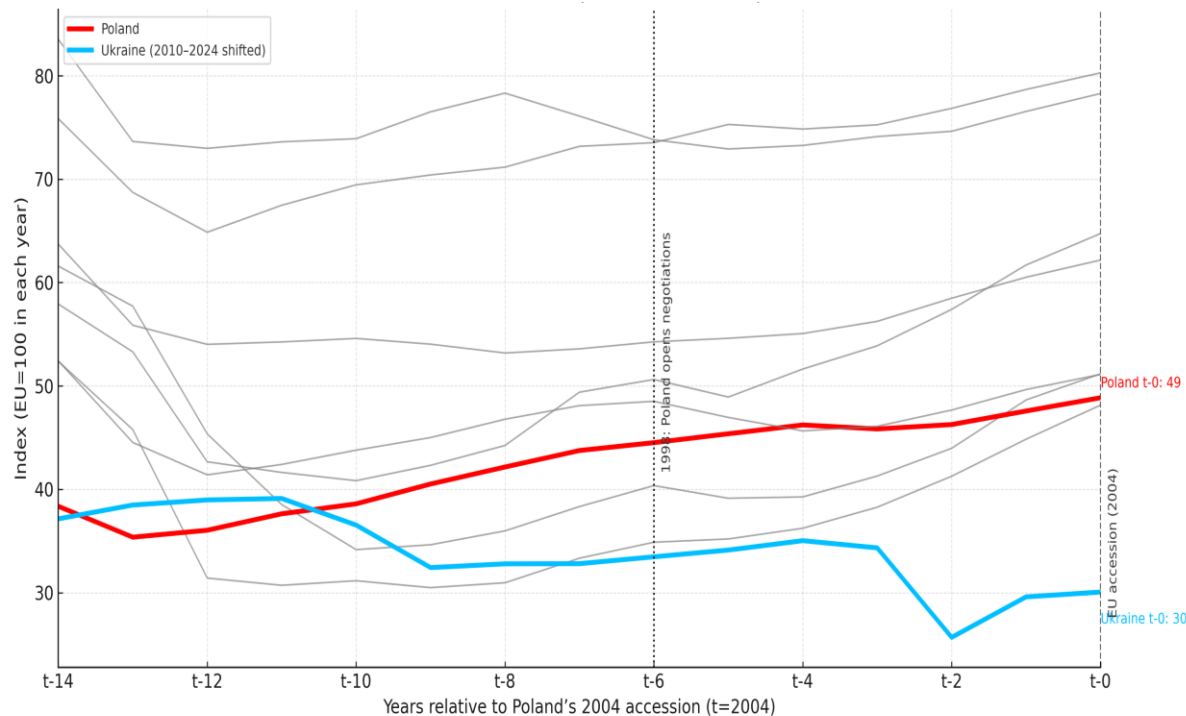
However, Poland and Ukraine have followed different trajectories and so their pre-accession economic situations are different

- **GDP per capita: Ukraine today is at ~30% of EU average vs. Poland in 1998 (open EU negotiation) at ~45%**
- **Labor productivity: Ukraine in 2021 was at ~34% of EU average vs. Poland in 1998 (open EU negotiation) at ~ 44%**

GDP per capita relative to the EU (EU = 100)

Purchasing power parity (PPP) (constant US\$ 2021)

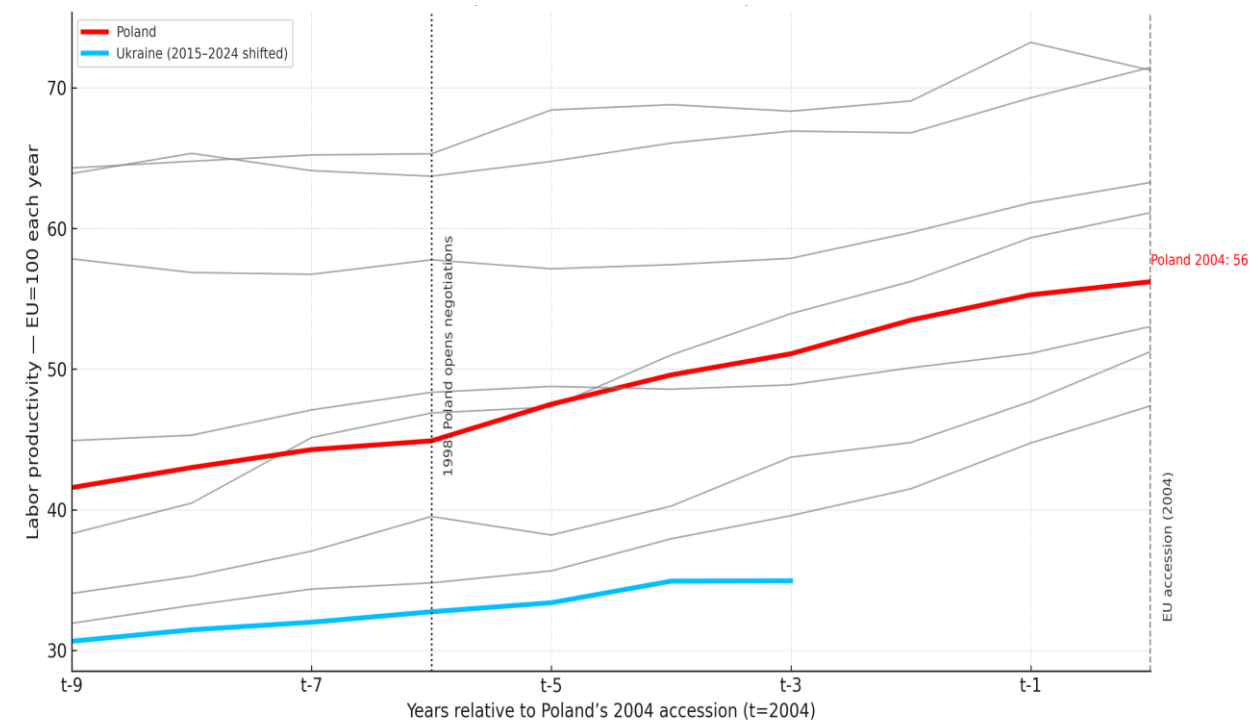
CEE 2004 entrants (1990-2004, t=2004) vs Ukraine (2010-2024, t=2024)



Labor productivity relative to the EU (EU = 100)

GDP per person employed at PPP (constant US\$ 2021)

CEE 2004 entrants (1995-2004, t=2004) vs Ukraine (2015-2024, t=2024)



Source: WDI and WB staff calculations

Notes: EU 2004 accession countries excl. Cyprus and Malta.

Moreover, the underlying context today is different for Ukraine

Global and Regional Context

- **Technological changes:** in 2004, CEE countries caught up through manufacturing and EU integration. By 2024, AI, digitalization, and green tech are shifting EU specialization toward high-tech and climate-neutral industries.
- **Climate goals:** EU accession now requires alignment with carbon pricing, renewables, and energy security. Ukraine's reconstruction must be climate-resilient, unlike CEE in 2004.
- **Geopolitical context:** Poland joined the EU during a time of optimism and peace. Ukraine's accession in 2024 occurs amid war and security challenges, with EU enlargement tied to its security and energy policies.

Country-specific Challenges

Beyond “classic” acquis alignment, Ukraine has challenges accentuated by Russia’s invasion:

- **Rule of law and institutional gaps:** judiciary, corruption, administrative capacity.
- **Lack of competitive markets:** soft market constraints and oligarchic market structure.
- **Energy inefficiency:** increasing efficiency of energy production and use.
- **Social sustainability issues:** return of refugees, millions of IDPs and veterans reintegration
- **Demographic loss:** population has declined by 20% since 1990 leading to labor shortages.
- **Large fiscal needs and imbalances:** ensuring security, financing public services, pensions, and reconstruction while preparing for EU accession.
- **Timing:** Ukraine aims for a fast path to EU accession (in Poland it took 13 years).

These considerations suggest the following areas in which Ukraine can benefit from Poland's experience:

Lesson/Reform Area 1: Functioning market economy: Concentration and state footprint
Poland's strengthened competition institutions and led a phased privatization strategy

Lesson/Reform Area 2: Functioning market economy: Financial intermediation
Poland undertook deep and comprehensive banking sector reforms

Lesson/Reform Area 3: Government effectiveness: EU funds management
Poland focused on improving efficiency of EU funds through institutional strengthening

Lesson/Reform Area 4: Functioning market economy: Global value chains (GVCs) integration
Poland undertook a sequenced reform agenda to integrate into global value chains

Lesson/Reform Area 5: Functioning market economy: Attracting and leveraging foreign direct investment (FDI)
Stronger institutions led to increased foreign investment, helping transfer technology and expertise across Poland's economy

Lesson/Reform Area 6: Government effectiveness: Decentralization
Poland strengthened local governments which allowed for improving public service delivery

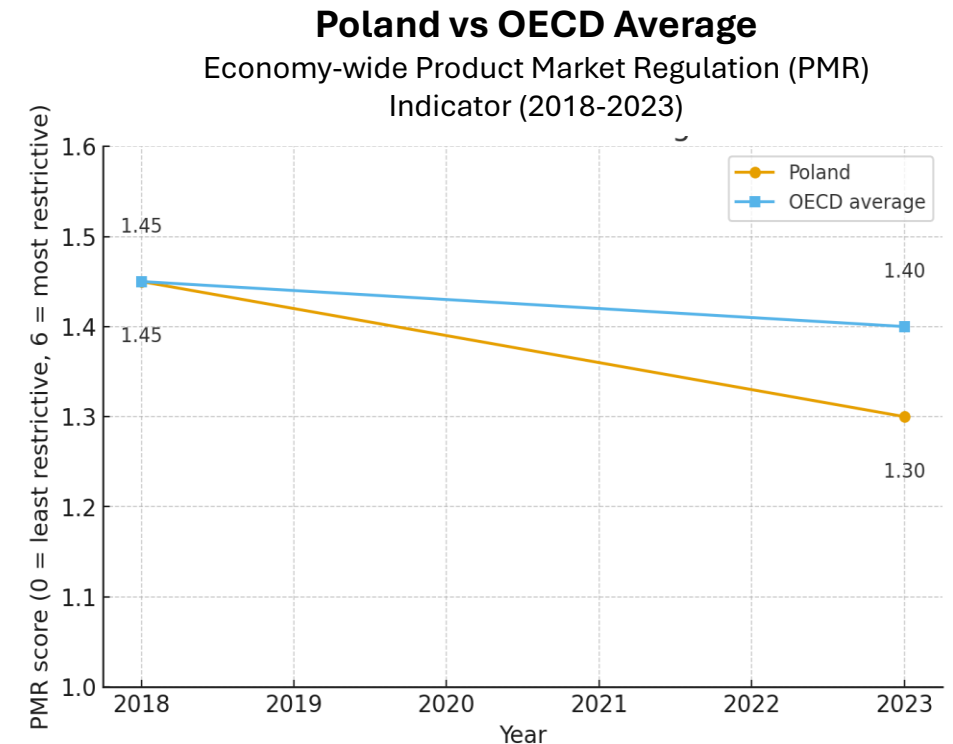
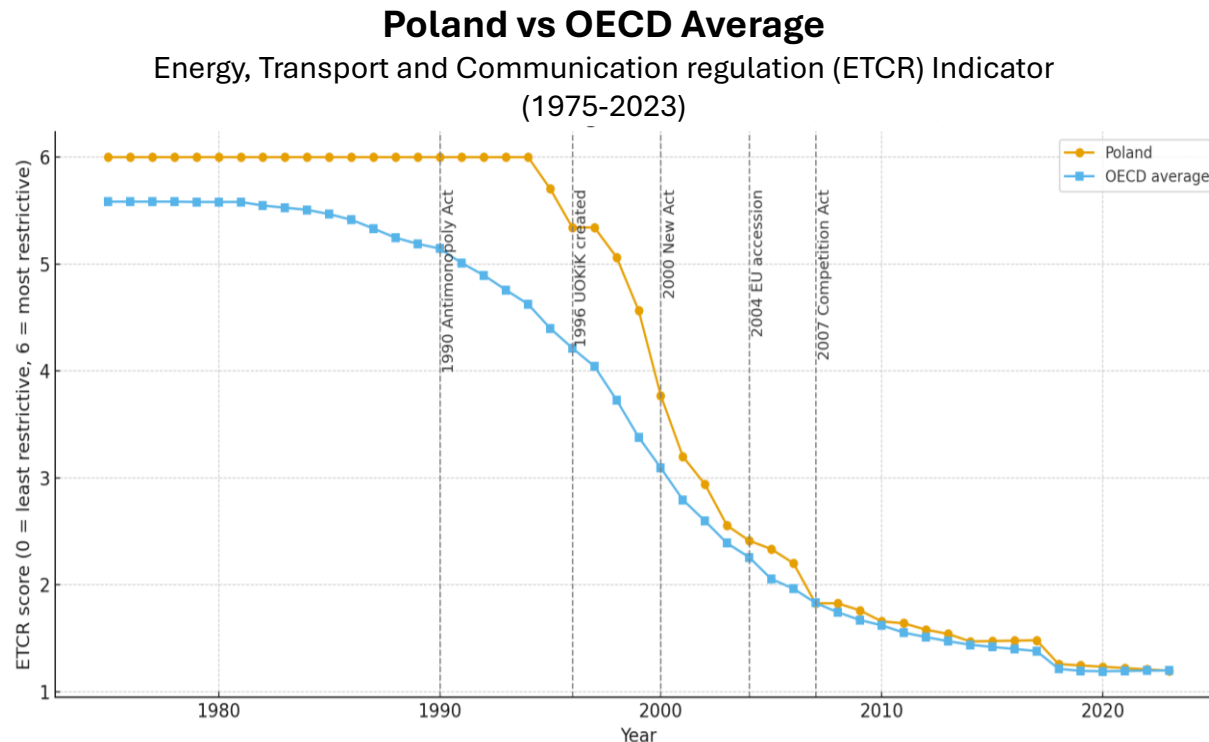
Lesson/Reform Area 7: Functioning market economy and Social sustainability: Strengthening human capital
Education sector reforms allowed for a rapid increase in human capital

Lesson/Reform Area 8: Social sustainability: Alleviation of social vulnerabilities
The transformation in Poland was marked by significant social strains, necessitating a comprehensive response

Lesson/Reform Area 1: Functioning market economy: Concentration and state footprint

Poland's strengthened competition institutions and led a phased privatization strategy

- **Poland's privatization strategy prioritized stabilizing SOEs financially before transferring ownership.** The process involved a phased approach—restructuring, including imposing hard budget constraints, commercialization, and then privatization—which proved effective in attracting investors. Small-scale privatizations increased as reforms advanced.
- **From 1990 to 2000, more than 7,000 enterprises were either privatized or closed, raising the private sector's contribution to GDP from 30% to over 70%.** The privatization methods included stock sales, direct deals with investors, and employee buyouts, with 512 companies incorporated into National Investment Funds.
- **These measures improved efficiency, strengthened financial markets, and enhanced competition** (shown by the indicators below).



Note: The two OECD indicators illustrate the functioning of market mechanisms and level of market liberalization
Source: OECD

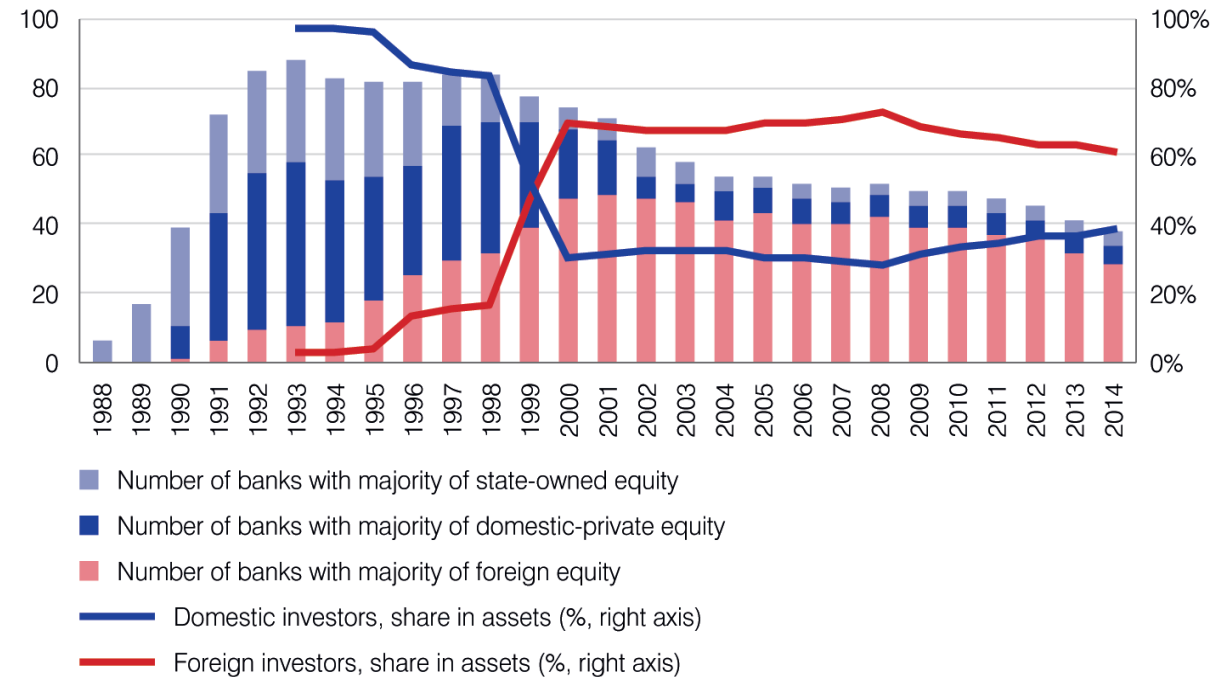
Lesson/Reform Area 2: Functioning market economy: Financial intermediation

Poland undertook deep and comprehensive banking sector reforms

Key reforms of the banking sector in Poland sustained over several years:

- **Prudential supervision:** Built a modern regulator, introduced Basel-style capital rules, large-exposure limits, loan classification and provisioning.
- **Bank restructuring:** Recapitalized weak state banks, ran work-outs, and consolidated the sector.
- **Deposit insurance:** Created the Bank Guarantee Fund (BFG) for depositor protection and resolution tools.
- **Privatization & foreign entry:** Sold major banks via IPOs and to strategic investors, bringing capital, governance, and competition.
- **Legal overhaul (1997):** New Banking Law and National Bank of Poland (NBP) Act aligned with EU standards; strengthened NBP independence and launched the Monetary Policy Council.
- **1995 denomination:** Simplified accounting and pricing; improved transparency.
- **Cooperative banking reform:** Created associating banks, tighter oversight, and consolidation.

Number of banks and share of assets by ownership in Poland



Source: World Bank, Lessons Learnt from Poland (2017).

Lesson/Reform Area 3: Government effectiveness: EU funds management

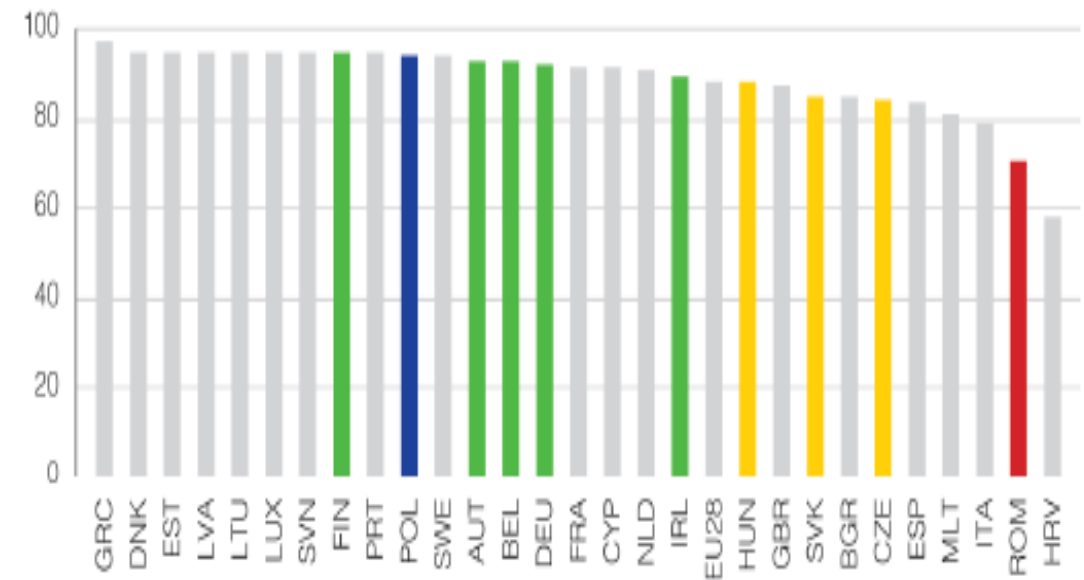
Poland focused on improving efficiency of EU funds through institutional strengthening

Poland strengthened its planning, control, and compliance systems to effectively manage EU funds. Improvements were made in strategy, planning, procurement, implementation, and evaluation to enhance administrative capacity and project quality.

- **Clear legal–institutional setup:** Dedicated implementation laws, a national coordinator, and 16 regional operational programs with defined roles.
- **End-to-end digital systems:** Central platforms for calls, contracts, monitoring, and payments.
- **Active portfolio management:** Front-loading calls and advances, phasing large projects, quick reprogramming.
- **Capacity and evaluation:** Ongoing training, technical assistance funding, and a strong national evaluation function.
- **Financing architecture:** Use of the national development bank for cash flow management.
- **Territorial partnership:** Decentralized delivery through regional authorities to boost project pipelines and shorten decisions.

Source: World Bank, Lessons Learnt from Poland (2017).

Poland has been able to effectively absorb EU funds
Usage of available EU funds (%) by country



Lesson/Reform Area 4: Functioning market economy: Global value chains integration

Poland undertook a sequenced reform agenda to integrate into global value chains

- **Poland became part of global production networks, especially through its connections with Germany.** This integration enhanced trade and investment ties, drew foreign direct investment (FDI), improved productivity, and raised the value added in exports.
- **Both soft infrastructure (such as border and transport efficiency) and hard infrastructure (including transport and ICT) saw considerable advancements, primarily supported by EU funding.** These improvements connected peripheral regions to both domestic and international markets.

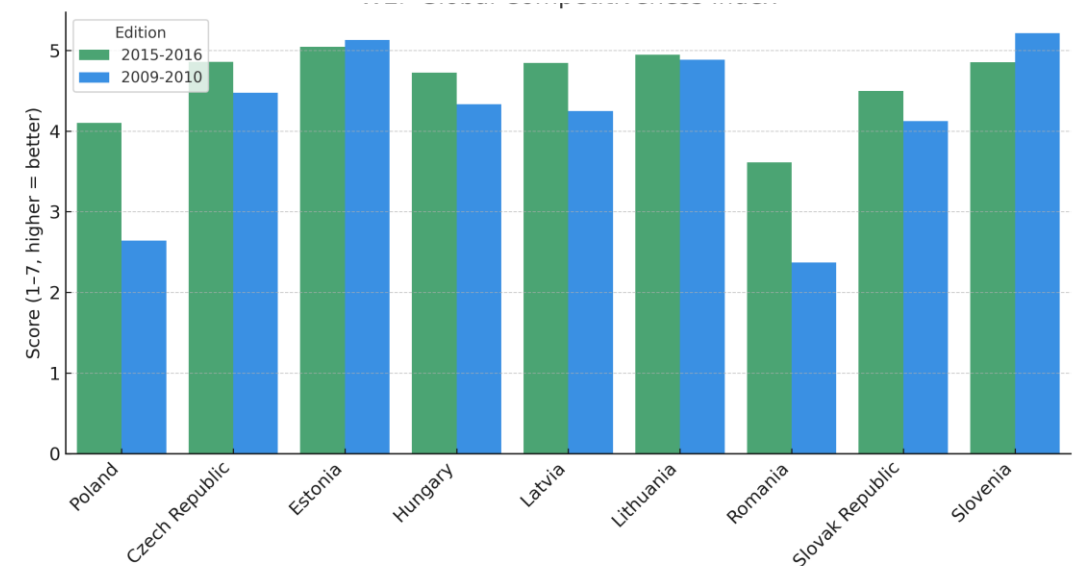
Measure of global value chain (GVC) integration intensity

High income and middle-income countries and Poland Average and change over 1995-2011 (%)

Groups	FVAX		DVAR	
	Average	Change	Average	Change
Established HICs	20.3	37.8	21.8	27.7
New HICs	37.9	63.4	17.5	19.1
Poland	27.7	99.6	20.0	16.2
Trapped MICs	22.0	52.2	14.2	24.1

Quality of Overall Infrastructure (1-7 scale)

WEF Global Competitiveness Index



Source: World Bank (2017)

Note: FVAX is the amount of foreign value added embodied in exports as a percentage of total exports and measures a country's backward linkages into GVCs — or GVC integration as a buyer. DVAR is the amount of domestic value-added content in re-exports as a percentage of total exports and measures a country's forward linkages into GVCs — or GVC integration as a seller. To avoid inflating the DVAR values, the statistics are calculated only on the basis of manufacturing and services sectors.

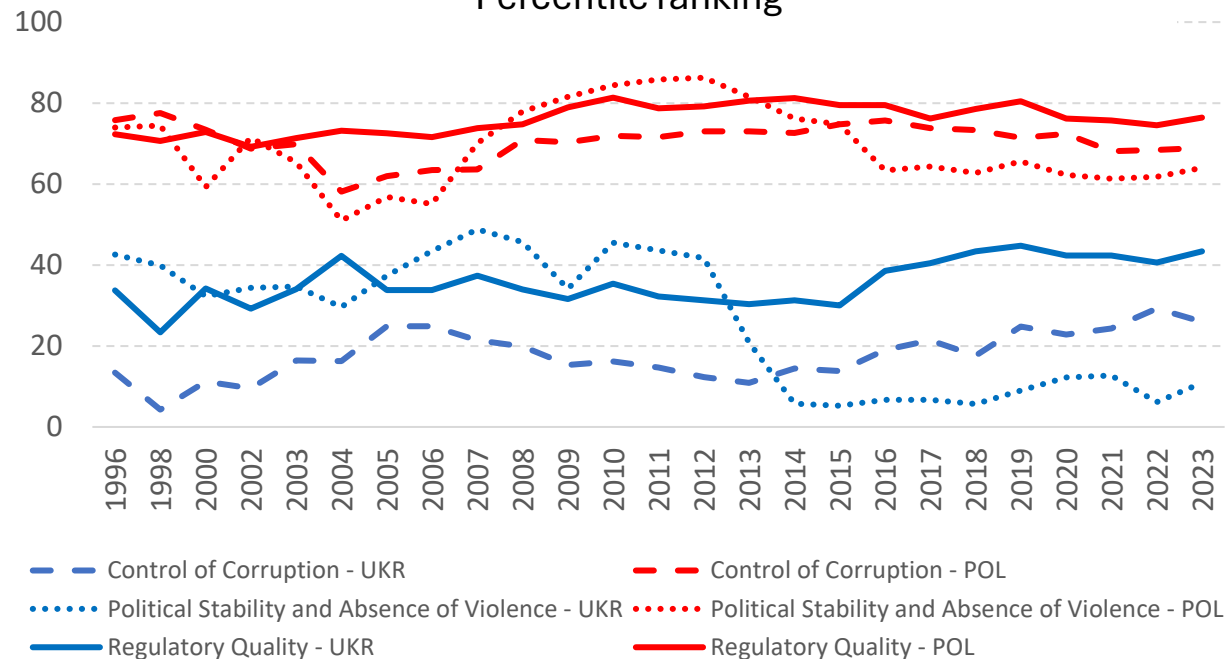
Lesson/Reform Area 5: Functioning market economy: Attracting and leveraging FDI

Stronger institutions led to increased FDI, helping transfer technology and expertise

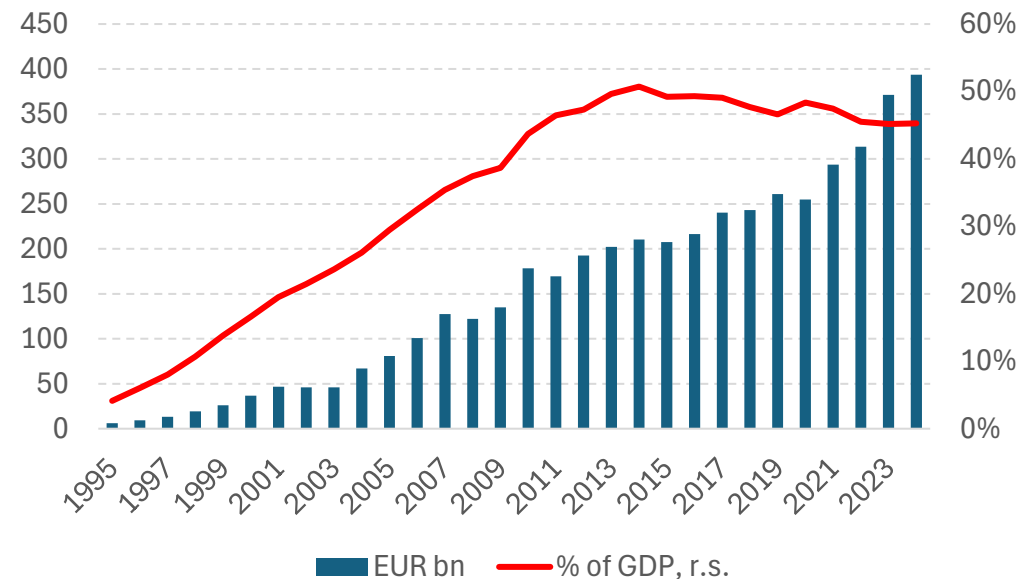
As Poland strengthened its institutions, foreign investment surged, becoming a key channel for transferring technology and know-how across the economy. Foreign firms, particularly in manufacturing, are 43% more productive than domestic ones and account for nearly 2/3 of Poland's export value, despite representing only 1/3 of exporters. Multinational enterprises source 68% of their inputs locally, supporting SME development, and act as suppliers to domestic firms—facilitating access to higher-quality inputs and enabling broad diffusion of knowledge and innovation.

Governance indicators for Ukraine and Poland

Percentile ranking



Cumulative value of FDI in Poland



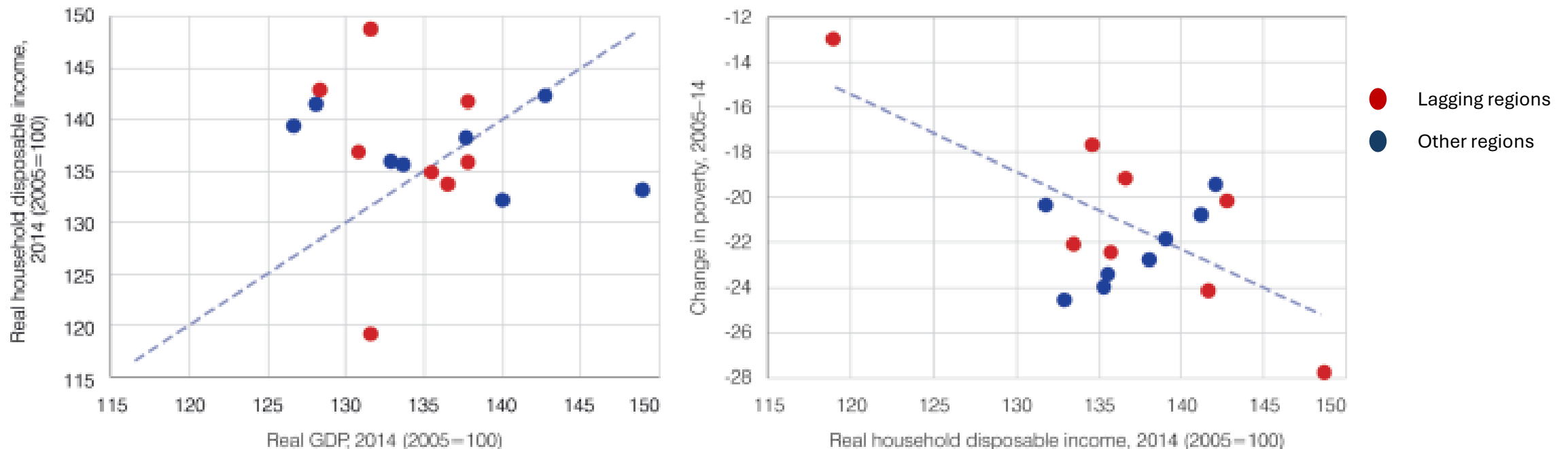
Source: PARP (Polish Agency for Enterprise Development) data for entities with more than 9 employees
 Source: World Bank (WGI), NBP, OECD (“Strengthening FDI and SME Linkages in Poland”), PARP

Lesson/Reform Area 6: Government effectiveness > Decentralization

Poland strengthened local governments which allowed for improving public service delivery

Poland's EU membership success was driven by strong local governments and decentralization, enabling efficient use of over 95% of EU funds for infrastructure and innovation. This boosted regional competitiveness and reduced economic gaps, with eastern regions' GDP rising from 35-40% to over 55% of the EU average between 2004 and 2020.

Changes in per capita real GDP and real household disposable income in Poland by region, 2005–14



Source: World Bank staff based on Poland Household Budget Survey and Central Statistical Office of Poland data.

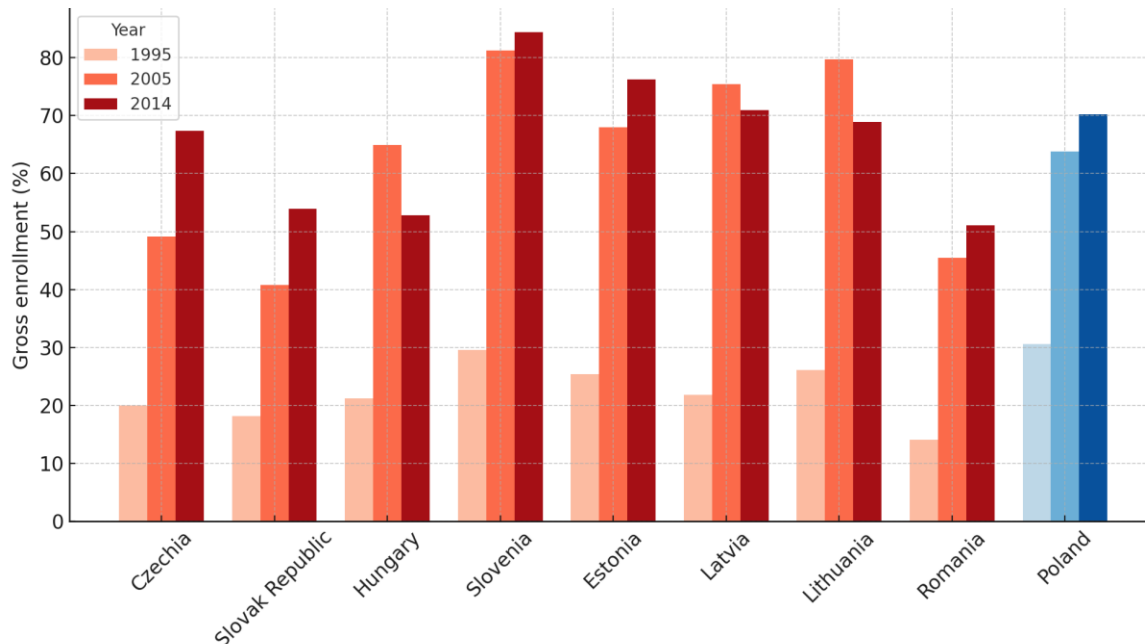
Note: Lagging regions (per capita GDP below 90 percent of national average) are indicated in red.

Lesson/Reform Area 7: Functioning market economy and Social sustainability: Strengthening human capital

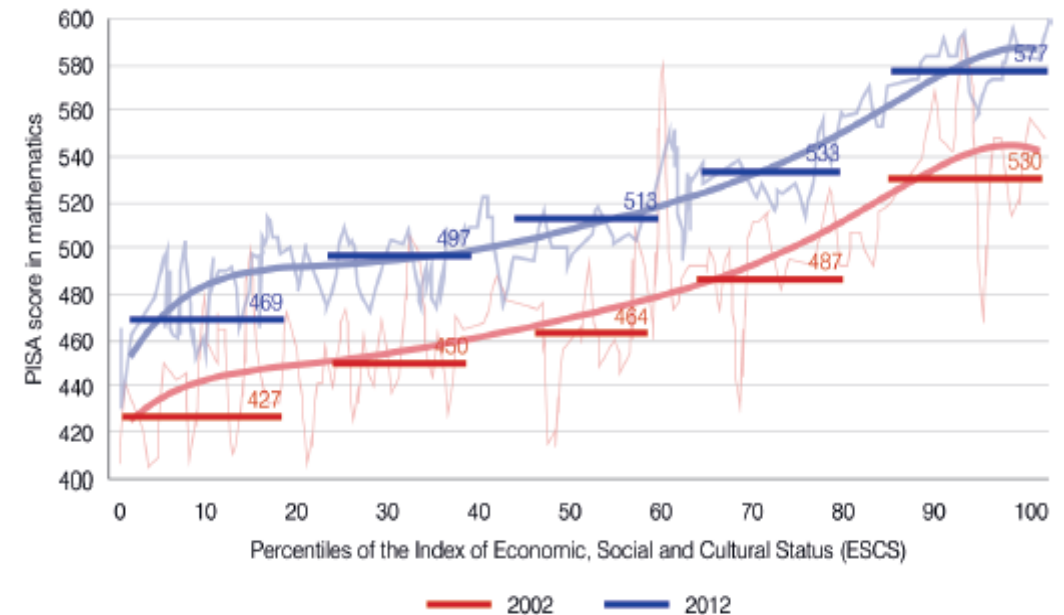
Education sector reforms allowed for a rapid increase in human capital

- **Poland's education reforms improved educational outcomes and economic growth by reorganizing the school system, updating curricula, and investing in teacher development.**
- **A key aspect of these reforms was their inclusivity, focusing on the needs of children impacted by both internal and external migration.** This involved integrating migrant students and providing tailored educational support to promote their successful engagement in schools.

Gross enrollment in tertiary education, selected CEE countries



PISA scores in mathematics, 2000 and 2012

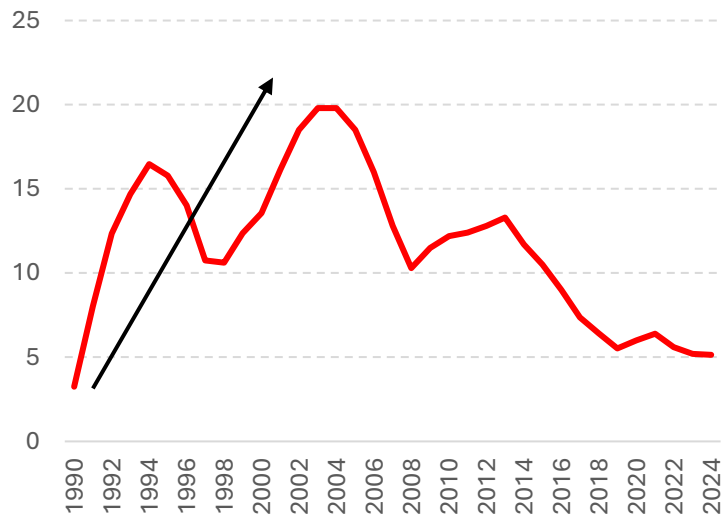


Source: World Bank, Lessons Learnt from Poland (2017).

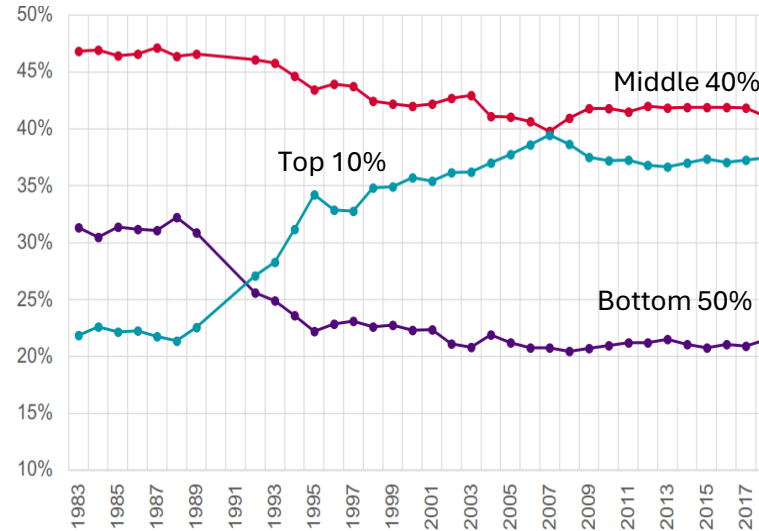
Lesson/Reform Area 8: Social Sustainability: Alleviation of social vulnerabilities

Poland's transformation was marked by significant social strains, necessitating a comprehensive response

Registered unemployment rate, %



Population income shares



Main social challenges related to transformation

- **Unemployment:** many state-owned enterprises collapsed or laid off workers. In some regions unemployment reached over 25%.
- **Decline in the standard of living for some:** hyperinflation in the early 1990s, while wages did not keep up. Income inequality increased. In rural areas and small towns, people often had very limited development opportunities.
- **A sense of injustice** – some benefitted from new opportunities, others felt left behind.
- **Social and psychological problems:** poverty, unemployment, and the degradation of certain groups led to alcoholism, social pathologies, and labor migration.
- **Regional disparities:** big cities developed quickly, while many post-industrial and agricultural regions struggled with restructuring. This created the phenomenon of “Poland A” (rapidly developing) and “Poland B” (lagging behind).

Polish Government measures

1. **Social protection policies and programs:** “compensatory wages” and wage indexation to counter inflation. Unemployment benefits (though limited in amount and time) and social assistance. Development of welfare institutions.
2. **Restructuring and privatization programs with protective elements for workers** (e.g., severance pay, early retirement).
3. **Creation of special economic zones in areas hit hardest by unemployment.**
4. **Support for agriculture sector:** subsidies and market protection from international competition in the early years. Preferential loans for farmers.
5. **Strengthening local governments from 1990:** giving more responsibility to municipalities and counties, which could better address local needs.
6. **Creation of new labor market institutions:** employment offices, activation programs.