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POLAND'S ECONOMIC CREDIBILITY INDEX

4TH EDITION

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Foreword

We are pleased to present the fourth edition of the Poland's Economic Credibility Index. In this year's report, we have expanded the group of analysed countries to include three new ones: Spain, Lithuania, and Italy. As a result, Poland has been compared within a group of seven countries.

The key partners of this year's edition of the report are: the Warsaw School of Economics, the Lewiatan Confederation, and Krakow University of Economics[1], the Institute of Public Finance, the European Financial Congress, and the Polish Bank Association.

The development of the report was possible thanks to financial support provided by: ING Bank Śląski, Multico, Kruk S.A., the Małopolska School of Public Administration of the Krakow University of Economics, the Shipyard Foundation, and Soonly Finance.

Collaboration with these partners included the presentation of an abridged version of the report during the 15th European Financial Congress in Sopot (03 June 2025) and the European Forum for New Ideas in Sopot (16 October 2025). The full version of the report was presented during the 10th edition of the Open Eyes Economy Summit in Krakow (18 November 2025) and the Congress of Polish Economists in Poznań (04 December 2025).

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We would like to extend our thanks to the numerous experts – representatives of the academic community, public administration bodies, non-governmental institutions, the financial sector, consulting companies, and business organisations who shared their knowledge and opinions during the qualitative research.

Introduction

Investment is the best pulse check to guide action on reducing barriers and boosting competitiveness. It is simpler than competitiveness rankings, is more forward-looking than productivity, and signals commitment. For every action, the question should be "Does it raise or lower investment?"
(Giordano i in., 2025)

Similarly to the previous editions of the "Poland's Economic Credibility Index" report, this year's edition focuses primarily on the quality of Poland's public policies. As usual, the indicators of Poland's economic credibility are presented against the background of similar indicators calculated for other Central European countries (the Czech Republic, Slovakia, Hungary, and Romania). From an economic perspective, Central Europe is a homogeneous region. Formed by previously centrally planned economies, liberalisation and integration into European production networks have transformed them into economies whose main growth driver is the export of intermediate goods (Hagemejer and Mućk, 2019).

This year, we added Italy, Spain, and Lithuania to the panel of analysed economies. The inclusion of Spain and Italy was primarily due to the fact that, over time, Central Europe will gradually exhaust the potential for an export-based growth model within international production networks. This phenomenon is driven by rising labour costs and rapid population ageing. In this situation, Central European countries will face a challenge that is similar to other European Union countries – the need to overcome the trap of the prolonged dominance of traditional industrial production sectors and the insufficient development of high-tech industries (Fuest et al., 2024). By adding Lithuania to the group of analysed economies, we included in our panel a country representing the Baltic region, characterised by the pursuit of responsible fiscal policy.

Motivations behind preparing reports on the Poland's Economic Credibility Index

We interpret the concept of a country's *economic credibility* in two distinct ways. The first dimension is straightforward—it concerns the assessment of whether economic policy supports efficiency of the economy and its maintenance on a path of stable growth. The second dimension of our understanding of this term relates to evaluation of whether decisions on economic policy are made in accordance with the principles of a democratic state. This stems from the conviction that only democracy creates the conditions under which economic policy is conducted, in the long term, in the interest of all social groups and with due regard for the well-being of future generations.

An example of the negative effects of limiting democracy were the changes which took place in fiscal policy in Poland after the year 2015, when fiscal policy became pro-cyclical and a growing part of government spending was carried out outside the democratic control of the Sejm, which contributed to the excessive growth of public debt.

This situation was not solely the result of the extraordinary circumstances surrounding the outbreak of the COVID-19 epidemic. To a great extent, it was a consequence of the then-happening in Poland – as in Turkey and Hungary before it – process of transforming parliamentary democracy into a sham democracy, in which monetary and fiscal policy ceased to function as instruments of economic stabilisation. Instead, they became tools for achieving short-term political goals, primarily through monetary and fiscal expansion aimed at maximising current consumption and thus gaining political support for transforming de facto democracy into a sham democracy (Góralczyk, 2019; Scheppele, 2024).

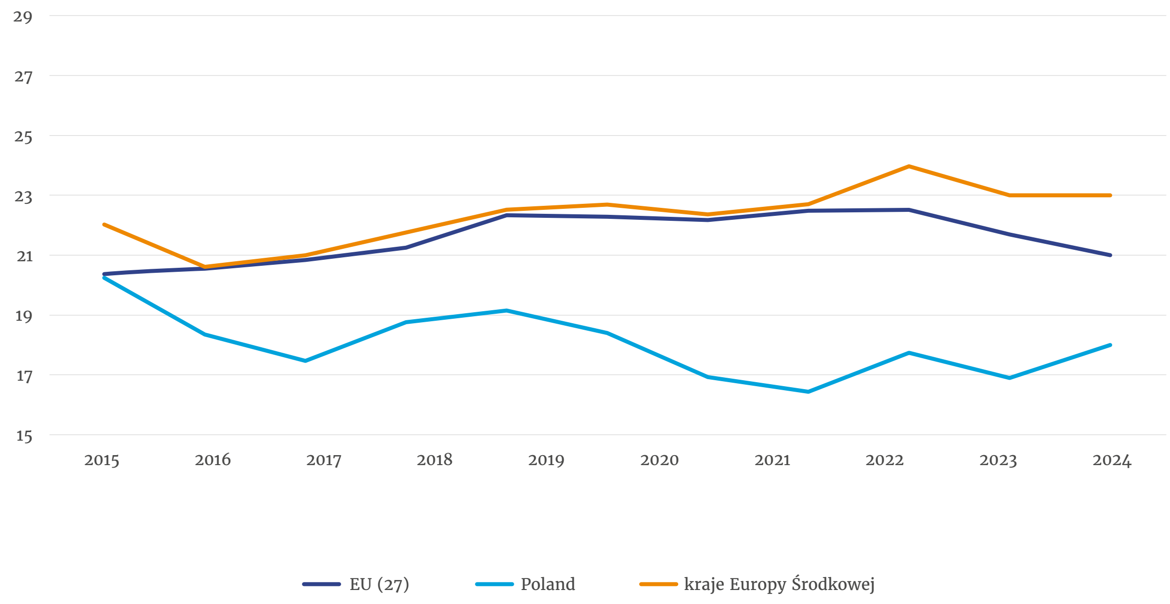
Populists believed that expansionary monetary and fiscal policies would bring about a rapid economic recovery, which would translate into increased investment. In reality, however, the chaotic manner of running of a number of public policies led to increased overall uncertainty about the future course of events in the economy, thus causing private investment in Poland to decline to a level significantly lower than in other countries in our region and the entire European Union (Hagemejer et al., 2021).

A significant and sustained decline in investment in a country with a rapidly ageing population carries the risk of a situation where productivity growth will no longer compensate for the decline in hours worked in the economy. Over time, this will mean a slowdown in the process of real convergence – our economic catching up with highly developed countries.

The fact that the process of real convergence has been ongoing in Poland for 30 years has led to it being taken for granted. However, a sustained decline in investment may change this. The process of real convergence will be reversed.

The importance of credibility of public policies for the level of investment in a given country is illustrated by the results of empirical studies, which indicate rigidity of the hurdle rate characterising different countries, which induces companies to undertake investments. Intuitively, we assume that the minimum rate of return on investments decreases with a decline in short-term interest rates and a rise in stock market indices. In practice, however, this is not the case. The minimum hurdle rates, which induce companies to increase investments, may not decrease even in periods of falling short-term interest rates and rising stock market indices, resulting in a lower cost of raising capital on the stock market (Edwards & Lane, 2022; Fukui, Gormssen, & Huber, 2024; Callahan & Msuboussin, 2024).

GRAPH 1. Investment rate (per cent of GDP)



Source: S. Kluza, Public Policies and Private Sector Investments [in:] Redefining Economic Credibility: Governance, Institutions, and the Challenge of Populism, Routledge (OEES book forthcoming)

Relative rigidity of the hurdle rate required by companies illustrates the significant impact of the risk premium on the investment rate in a given country, which is decisively influenced by credibility of the government's public policies. This fact is crucial as it motivates our analyses of the quality of public policies implemented in Poland. The level of private sector investment, which influences sustaining the real convergence process, inherently depends on the credibility not only of monetary and fiscal policy but also of all other public policies, which we analyse annually in our report.

Long-term consequences of populist rule

Since the end of 2023, the situation in Poland has changed. There emerged a chance of returning return an economic policy aimed at maintaining economic balance and improving its efficiency. Unfortunately, similarly to other countries which have experienced long periods of populist rule, returning to this state of affairs is proving difficult.

It is very difficult not only to return to the rule of law (Scheppele, 2024; Sadurski, 2018), but also to put public finances in order after a long period of irresponsible fiscal policy, the most glaring example of which was the unprecedented scale of government spending carried out outside parliamentary oversight by two government financial institutions – Bank Gospodarstwa Krajowego and the Polish Development Fund. This spending was largely financed by the issuance of bonds by both institutions, which, for obvious reasons, increases the costs of public debt servicing today.

The consequences of radical deterioration in public finances may this time prove much more serious than in the past, given the growing probability of a sustained decline in the potential growth rate in Central Europe (Livorova et al., 2024; Slacik, 2024). This means that it will be increasingly difficult for countries in the region to "grow out of" the public debt. This could lead to a rising risk premium on the treasury bond market and higher public debt servicing costs in the future.

The example of Italy shows that with an insufficient GDP growth rate, even maintaining a long-term positive primary budget balance does not enable a significant reduction in the public debt-to-GDP ratio (Secchi, 2025). One should also bear in mind that this situation occurred despite the fact that, with the exception of a short period of crisis on the public debt market in the eurozone in the years 2010–2012, Italy could – unlike Poland – continuously benefit from the low level of interest rates in the eurozone.

To what extent do the conclusions of the Enrico Letta and Mario Draghi report apply to Poland?

In an ageing society, where the number of hours worked is decreasing, the rate of economic growth depends on modernisation of its economy, thanks to implementation of new, increasingly modern technologies in production, which allows for maintaining a sufficiently high rate of productivity growth.

Over the last two decades, the process of modernisation of the economies of EU member states – with the exception of the Scandinavian countries – has slowed down significantly. New manufacturing sectors have been developing significantly slower in the EU than in the United States. As a result, it is increasingly common to argue that Europe's major economies have been stuck in the middle-technology trap, a spectacular manifestation of which has been a lower rate of productivity growth over the last two decades in comparison with the American economy, and therefore also a lower rate of economic growth than that of the United States (IMF, 2024).

The reports by Enrico Letta and Mario Draghi published last year (European Commission, 2024) were a wake-up call about the need for Europe to break free from the trap of domination by traditional, relatively less efficient manufacturing sectors.

Recipes for modernising the sectoral structure of European economies

Although Europe has at its disposal sources of financing for the increase in investment, the economic policies of most Member States have neither created sufficient incentives for greater innovation in their economies, which would increase the demand for investment, nor have they effectively supported the increase in the supply of high-risk capital in the form of private equity and venture capital funds, which are an essential source of financing for companies involved in creating and implementing new technologies.

Insufficient incentives and institutional conditions necessary for effective innovation promoting policies have meant that the climate and IT transitions have been less efficient drivers of economic growth in Europe than previously intended. One example is the growing dependence of the climate transition on imports from China, which has resulted in the creation of fewer "green" jobs than envisaged. Growing dependence of the European automotive industry on imports of American electronics and software is also significant. One can clearly see that Europe has been lagging behind, especially if compared with China, in electric car production (McKinsey, 2025).

The flow of production factors into high-tech industries is retarded not only by lower innovation of European companies, which in turn reduces profitability and scale of their investments. The long-diagnosed excessive share of commercial banks in the European financial system also plays a significant role (European Systemic Risk Board, 2014). Bank loans are unsuitable as a source of financing for innovation and technological progress. Firstly, banks are institutions taking risk for their own account, therefore, they are unable to afford the significant risks associated with financing innovation. Secondly, banks remain steadfastly opposed to increasing their capital requirements. While this would allow them to increase their risk-taking, the crucial issue for banks is that they would have to reduce their leverage, which in turn would lower their rates of return on capital.

In this situation, the underdevelopment of the European capital market is particularly detrimental to economic growth in Europe. The fact that the European stock market is a patchwork of relatively shallow and rather illiquid stock markets is actually of lesser importance. The key problem lies in insufficient access of European technology companies to financing from private equity and venture capital funds. A significant consequence of this situation is the relocation of many European technology companies to the United States, where they find much easier access to both forms of financing and to much larger markets.

For Europe, the key issue is that the previously mentioned dominance of traditional industries has led to a negative feedback loop between declining returns on investment and decreasing investment volume. Such feedback loop could only be broken by increasing the share in the European economy of technology companies, offering higher returns on investment. This development would increase investment volume and curb the decline in productivity growth in Europe.

Both reports point to the fact that due to the lower profitability of European enterprises, representing mainly traditional industrial sectors, and the low level of development of European capital markets, European savings are not employed in financing development of modern industries, because they are invested either in bank deposits or on the American capital market, which offers higher rates of return.

Given that the relatively lower profitability of European listed companies translates into lower company valuations than in the United States, European technology companies often choose to be listed on American stock markets rather than European ones, which naturally reduces the cost of raising capital. The scale of this phenomenon is evidenced by the fact that Scandinavian technology companies are also moving to the American market, despite the fact that it is the Scandinavian countries which boast the most developed capital markets in the EU (Agence France Trésor, 2024).

The relocation of European technology companies to the US perpetuates a situation in which European capital markets remain relatively shallow and therefore less attractive than the American market (ibid.). A solution to gradually improve the situation would be the creation of a common European capital market; however, this proposal has for years remained on the list of unfinished – or rather, unstarted – European reforms.

A telling illustration of the gap between Europe and the US is the situation in 2024, when functioning in the US were 690 technology companies with a market value exceeding $1 billion, while in Europe there were only 107 (Barnett, Fairless, & Luhnov, 2025). The scale of the needed change is illustrated by the fact that two-thirds of IPOs of European technology companies take place in the US market, and the scale of investments made by VC funds in the US is ten times greater than in the EU (Deutsche Bank, 2024).

The main recommendation of both reports is to deepen Europe's economic integration within the Common Market. The scale of various barriers, still existing and limiting trade between EU member states, is illustrated by the fact that their impact is equivalent to EU countries imposing tariffs of 45% on industrial goods and 110% on services (Draghi, 2025). Both figures illustrate the potential for growth which could result from completing the European Common Market.

One should add, however, that VC funds alone are not a panacea for increasing innovation of a given economy. Their number and scale of operations only grow when a given country has an adequate supply of innovation – primarily through creation of a system of incentives motivating universities to conduct basic research, which, years later, yields technologies to be commercialized by startups. This relationship is illustrated by the fact that the Yozma programme, which accelerated the emergence of a large VC fund sector in Israel, making it easier for foreign capital to invest in Israeli startups, was launched in the 1990s, only two decades after the establishment of the famous Chief Scientist Office, whose grants co-financed research on new technologies (Avnimelech and Teubal, 2003; Singer, 2009).

Poland: risk of slowing down the real convergence process

Our economy is an integral part of the European economy, and our economic success to date has been largely due to Poland's integration into European manufacturing networks (Landesman and Stöllinger, 2018). Half of our exports – the main driver of our economic growth (Hagemejer and Mućk, 2019) – has long consisted of intermediate goods produced in Polish subsidiaries of international companies. In this context, Europe's middle-technology trap directly impacts Poland's development prospects.

The second reason is the risk of Poland getting stuck in the "incomplete real convergence trap" – as ING bank economists aptly and graphically described the situation (2024). The sources of the risk of a permanent decline in Poland's economic growth rate are similar to those in other EU countries. VC funds have emerged in Poland; however, development of this sector largely depends on increased spending on higher education and basic research, in order for a sufficient number of innovations to be created, thus giving rise to opportunities for their commercialization.

The common denominator when making decisions aimed at improving the quality of individual public policies should be the question included in the previously quoted fragment of the McKinsey analysis: "Is this going to support the investment growth?" This question is valid for all public policies, as each of them can contribute to improving Poland's overall economic credibility, which ultimately translates into the investment rate.

Although this seems obvious, one should still emphasise that changes in the manner public policies are implemented should be accompanied by ongoing genuine social dialogue, which would explain the decisions made to the public. However, such dialogue requires a partner for the government—not in the form of anonymous (de facto) "social" media, focused primarily on promoting themselves by fuelling emotions, but in the form of civil society organisations. It is only civic engagement—as Daron Acemoglu and James Robinson describe in their widely known book, "Narrow Corridor" – that creates conditions for the survival of democracy (Acemoglu and Robinson, 2020).

The need for a proactive policy to promote innovation in the Polish economy

> *Monetary and fiscal levers still matter, but they mostly stabilize the economy. If a country wants to grow its economy and improve its competitiveness, an innovation policy is the key. Countries that master it enjoy faster growth, strategic resilience, and a disproportionate share of 21st-century wealth.* (Gabai, 2025)

Poland must face two major challenges. The first is the slowdown in economic growth resulting from a rapidly ageing population. The second is the existential threat posed by Russia's war against Ukraine, which could escalate into a war against other EU countries, including Poland in particular. For these reasons, an innovation promotion policy should be approached as an absolute priority, as its implementation is essential to preventing a decline in economic growth and modernising the armed forces in order to ensure sufficient deterrence.

In some respects, the situation of Poland is similar to that of Israel in the late 1960s, when, as a result of the French arms embargo, Israel—then an economy based primarily on traditional industries—faced an existential threat. Israel had no choice but to pursue a policy of promoting innovation to modernise its economy and armed forces (Peres, 2017). Years later, when the existential risk diminished because Israel gained a technological advantage over other countries in the region, new technological solutions were developed primarily for civilian industries, where they generated greater revenue for businesses and contributed more to the prosperity of society as a whole. Facing similar challenges, Poland should follow Israel's example—modernising its economy and armed forces by making innovation they key priority in its economic policy (European Commission, 2018).

The experience of countries which have long pursued effective policies to support economic innovation demonstrates that the key to success lies in promoting development of new technologies which enable creation of previously non-existent goods and services. Such efforts offer the greatest chance of maintaining an appropriate rate of productivity growth, and thus GDP growth. This is clearly confirmed by the experiences of the American DARPA, established in 1958, the Israeli CSO, and the Finnish SINTRA, established in 1968, as well as the subsequent experiences of other countries, particularly South Korea and the Scandinavian countries.

There is no ideal, universal ecosystem of institutions and incentives which would best support economic innovation in every country – this depends on multiple factors, including the history of a given country (Bar-El, Bentolila and Schwartz, 2019). Nevertheless, when analysing the experiences of countries which are most successful in promoting innovation, there can be identified two key features that should be present in an effective innovation support ecosystem.

Firstly, an innovation support agency should be independent of the government. The governments' short-term decision-making horizon means that their influence on decisions of such an agency leads to supporting primarily existing manufacturing sectors. This, in turn, can lead directly to middle-technology trap (Műnchau, 2024).

Secondly, evaluation committees for submitted projects should be composed primarily of academics representing the natural sciences, with each of them being responsible for a relatively small number of projects so as to allow for thorough evaluation. A shortage of natural science representatives on evaluation committees for submitted grants inherently reduces effectiveness of a given innovation promotion agency.

The US-based DARPA meets both these criteria. The European Innovation Council, which is intended to be modelled on DARPA's principles, is beginning to meet them to an ever-increasing extent (Fuest et al., 2024).

How the Index was created – methodology

This year's edition of the economic credibility index was developed for eight countries: **Poland, Czech Republic, Spain, Lithuania, Romania, Slovakia, Hungary and Italy.** We have therefore expanded the set of countries to include Spain, Italy (representing Southern European countries), and Lithuania (representing the Baltic states), thus providing a more comprehensive picture of regional diversity within the European Union. Including these countries allows for comparison not only of different economic models but also of differences in institutional stability, the quality of public policies, and the level of investors' confidence. This year's Index provides a more balanced and representative picture of economic credibility across Europe, encompassing both established economies and those which are still catching up.

A comparative analysis was conducted across eight areas of social and economic life, comprising 33 assessment dimensions. Their arrangement is presented in Figure 1. The Index development process consisted of several stages. The first step was to collect available and reliable measures which could objectively parameterize the issue of economic credibility in all eight countries subject to analysis. Selected for this purpose were nearly 90 indicators, drawn from various national and international databases. They were subjected to a two-stage verification procedure, consisting primarily of:

1. Calculation of **variation coefficient** in the years 2008–2024 according to the formula:

$$V = \frac{s}{x}$$

Where: s – standard deviation, $\overline{x}$ – arithmetic mean

The low variation coefficient was the basis for rejecting the measure because it did not differentiate the observed phenomenon over time and, therefore, did not offer the appropriate information value;

2. carrying out **correlation analysis** between all indicators, which allowed for rejecting measures which were strongly related to each other and carried the same or similar information value.

Positively rated were **87 indicators**, each of which was classified as a **stimulant** (an increase in its value means a positive impact on the level of economic credibility) or a **destimulant** (an increase in its value means a negative impact on the level of economic credibility). The measures were subjected to **normalization** according to the formula:

$$x' = \frac{x - median}{quartile\ deviation}$$

where: x'– normalized value,
x – source value of the indicator

This enabled mutual comparison of indicators expressed in different measurement units. The normalised values formed the basis for constructing subindices in individual dimensions and areas, and then the final economic credibility index. The subindices were constructed using weights assigned to individual indicators and dimensions. The overall index was created by assigning appropriate weights to the areas of analysis (Table 1). Information with regard to the weights employed in calculating individual dimensions and measures is included in the analyses of individual areas.

TABLE 1. Weights assigned to areas of analysis of a country's economic credibility (in percentage)

Area	Weight
I. The rule of law	10
II. Freedom of business activity	10
III. Credibility of public finances	20
IV. Stability of money and the financial system	20
V. Labour protection and safety	10
VI. Quality of public services	10
VII. Climate and environment	10
VIII. Compliance with international obligations	10

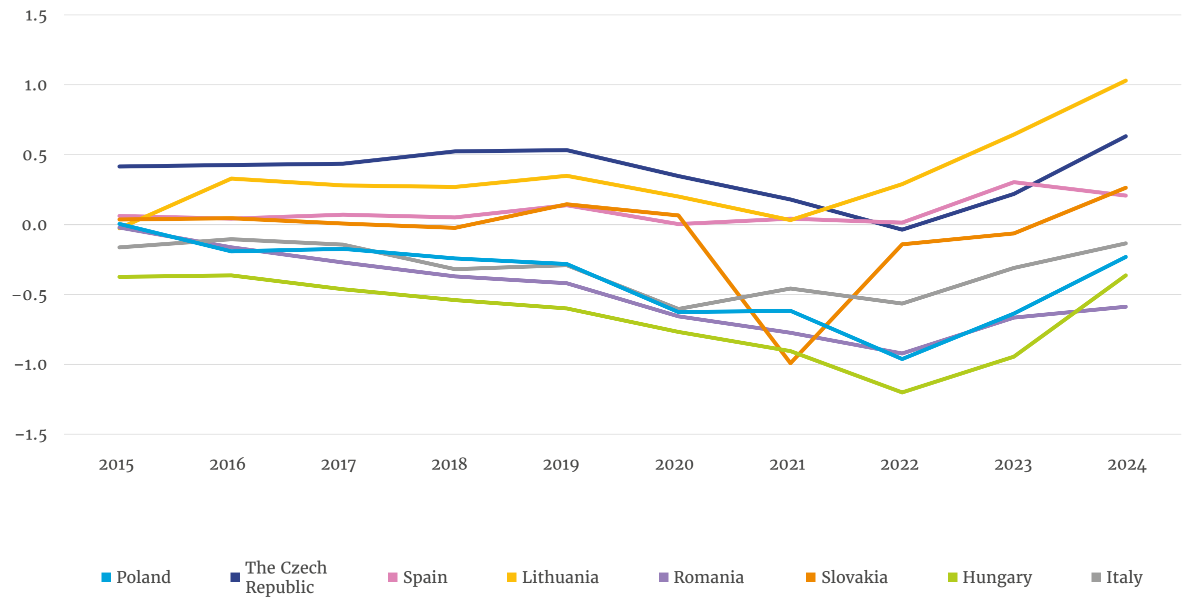
Source: own study

FIGURE 1. The layout of areas and dimensions of the assessment of the economic credibility index of countries

The rule of law	Freedom of business activity	Credibility of public finances	Stability of money and the financial system	Labour protection and safety	Quality of public services	Climate and environment	Compliance with international obligations
Efficiency of the judiciary	Ease	Perception of fiscal credibility by financial markets and rating agencies	Approximate credibility measures	Legal protection of employment	Education	Climate	EU dimension
Rule of law	Freedom	Condition of public finances and compliance with the EU rules	Stability of money	Occupational safety and working conditions	Health security	Air	The European Tribunal of Human Rights
	Conditions	Quality of fiscal framework, openness, transparency and unity of public finance management	Stability of the financial system	Non-standard employment	Public security	Waste	Violation of Community Law
		Certainty and simplicity of the tax system	Finansowanie gospodarki przez sektor bankowy	Engagement in labour market	E-government	Water	
				Lifelong learning	Cybersecurity	Resources	
				Income from work			
				Protection against poverty			

Source: own study

CHART 1. Total assessment of a country's economic credibility



Source: own study

TABLE 2. Total assessment of a country's economic credibility

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.01	-0.18	-0.15	-0.23	-0.26	-0.64	-0.61	-0.94	-0.64	-0.21
The Czech Rep.	0.40	0.42	0.44	0.54	0.55	0.35	0.18	-0.04	0.20	0.59
Hungary	-0.39	-0.38	-0.49	-0.57	-0.63	-0.80	-0.94	-1.23	-0.98	-0.38
Italy	-0.16	-0.10	-0.13	-0.30	-0.28	-0.62	-0.47	-0.57	-0.34	-0.13
Lithuania	0.00	0.38	0.33	0.32	0.38	0.19	0.02	0.26	0.66	1.09
Romania	-0.14	-0.14	-0.23	-0.33	-0.38	-0.63	-0.77	-0.91	-0.66	-0.56
Slovakia	-0.06	0.10	0.08	0.03	0.18	0.08	0.12	-0.14	-0.03	0.30
Spain	0.08	0.05	0.08	0.06	0.16	-0.02	0.03	0.00	0.32	0.29

Source: own study

The final value of the index offers synthetic information about what changes occurred in a given year in comparison with the average level of all 8 countries. **A negative index value indicates a regression** in comparison with the average value from the years 2008–2024, **a positive index value stands for improvement** in relation to the thus determined average value, while **0 means no observed changes**.

The results in the tables are presented using a heat map, where green indicates an increase in credibility of the state and red indicates a decrease.

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The importance of the rule of law for economic credibility of the state

In recent years, one of the most serious threats to the rule of law in Poland—and thus to the country's economic credibility—has been the widespread questioning of the status of judges. The still unresolved conflict over the legality of appointments made by the reformed National Council of the Judiciary has led to a systemic undermining of the authority of the entire judiciary. Particularly disturbing is the fact that doubts also concern the composition of the Supreme Court, paving the way for challenges to the validity of electoral decisions, thus directly striking at the very foundations of the legitimacy of public authority.

Judgments issued by courts can be challenged at any time, not because of substantive errors, but because of the questionable status of their authors. This dangerously disrupts predictability of the legal system.

From an economic perspective, this means a constant increase in institutional uncertainty. Judgments issued by courts can be challenged at any time, not because of substantive errors, but because of the questionable status of their authors. This dangerously disrupts predictability of the legal system. In extreme cases, it may lead to the creation of two legal systems – one recognising judges appointed after 2018 as fully legitimate, and the other questioning their status. Such an unstable political situation not only deepens the crisis of trust in the state but also discourages long-term investments and limits the willingness to take economic risks.

Methodology for the Index calculating in the Rule of Law area

It is worth noting that in the fourth Index edition, some rule of law indicators have improved—particularly in the area of the rule of law. However, it is important to emphasise that these changes are not the result of profound systemic reforms, but rather a sign of growing confidence among some experts, whose opinions form the basis of the Rule of Law Index methodology developed by the World Justice Project. These indicators are based on expert questionnaires. Their results should therefore be interpreted with caution—as a reflection of expectations, not necessarily evidence of actual improvement in the rule of law.

Thus, while this year's data provide some grounds for cautious optimism, it should not be forgotten that structural problems – including the previously discussed undermining of the status of judges – remain unresolved. The persistence of this situation results in a permanent decline in the state's credibility as an economic partner, making Poland more vulnerable to external shocks and limiting its development potential. Rebuilding the authority of the courts and returning to full transparency and legality in their composition remains not only a constitutional requirement but also a key condition for restoring trust – among both citizens and investors – in state institutions.

TABLE 1. Dimensions and weights in the Rule of law area (in percentage)

Dimension	Weight
1. Efficiency of the justice system	50
2. The rule of Law	50

Source: own study

TABLE 2. Weights of indicators in the Rule of law area (in percentage)

Dimension	Indicator	Weight
1. Efficiency of the justice system	Timeliness of civil proceedings	50
	Efficiency of judgment execution	50
2. The rule of law	Execution of regulations	30
	Limitation of the government authority	40
	The level of the government's openness	30

Source: own study

In the case of indicators acting as stimulants (the higher the value of the indicator, the better), there have been used positive weights, while in the case of destimulants (the lower the value of the indicator, the better) – there were used negative weights.

In the **efficiency of the justice system** dimension, our study uses data from the Rule of Law Index. The first indicator concerns timeliness of proceedings. It measures whether civil proceedings are conducted in a timely manner, without undue delay. The second indicator, on the other hand, measures effectiveness and timeliness of enforcement of civil court decisions in practice. In order to assess efficiency of the justice system, it is necessary to consider these issues jointly.

Similarly in the **rule of law** dimension, applied have been indicators from the aforementioned Rule of Law Index. The following data have been taken into account: the level of regulatory enforcement, limitation of government powers, and the level of government openness.

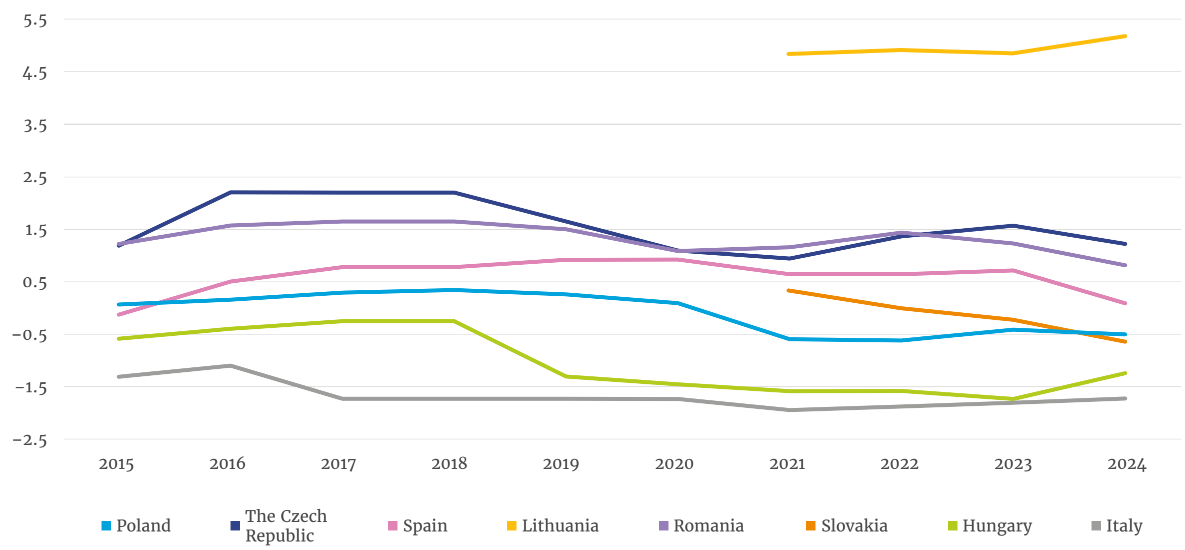
Analysis of economic credibility in the Rule of Law area

Dimension 1. Efficiency of the justice system

Inefficiency of courts translates directly into operating costs – both direct (delayed decisions, lack of debt recovery) and indirect (the need to protect against contractor insolvency, the cost of alternative dispute resolution, etc.). This reduces Poland's investment attractiveness and undermines trust in state institutions.

The above data is based on two indicators from the World Justice Project, which reflect efficiency of civil proceedings and effectiveness of subsequent judgment enforcement. These data show that efficiency of the justice system in Poland continues to deteriorate. This is hardly surprising, as for many years there have been implemented no reforms which could offer even the

CHART 3. Total assessment of a country's economic credibility for the Rule of law area in the Efficiency of the justice system dimension



Source: own study based on the World Justice Project, Rule of Law Index

TABLE 3. Total assessment of a country's economic credibility for the Rule of law area in the Efficiency of the justice system dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.06	0.16	0.29	0.34	0.26	0.09	-0.60	-0.62	-0.42	-0.51
The Czech Rep.	1.18	2.20	2.20	2.20	1.65	1.09	0.94	1.36	1.57	1.22
Spain	-0.13	0.50	0.78	0.78	0.92	0.92	0.64	0.64	0.71	0.09
Lithuania							4.83	4.91	4.85	5.18
Romania	1.22	1.57	1.65	1.65	1.50	1.08	1.15	1.43	1.23	0.81
Slovakia							0.33	-0.01	-0.23	-0.65
Hungary	-0.59	-0.40	-0.25	-0.25	-1.31	-1.46	-1.59	-1.58	-1.74	-1.24
Italy	-1.31	-1.10	-1.73	-1.73	-1.73	-1.74	-1.95	-1.88	-1.81	-1.73

Source: own study based on the World Justice Project, Rule of Law Index slightest chance of expediting proceedings or improving effectiveness of subsequent judgment enforcement. Instead, the government has focused on insignificant systemic and personnel changes.

What is more, the outlook in this regard remains bleak, primarily due to the problem of non-recognition of the status of a significant number of courts, already mentioned in the introduction. Any potential widespread questioning of their decisions could therefore result in an unprecedented paralysis of the Polish justice system.

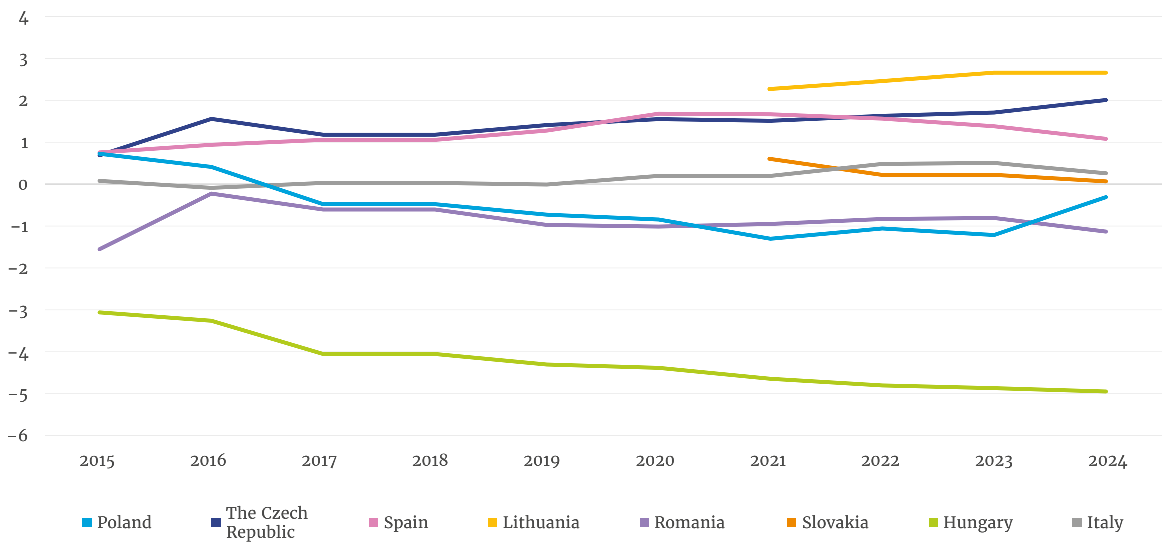
Positive examples in our region can be found primarily in Lithuania (although data from the Rule of Law Index has only recently become available) and the Czech Republic. Both countries are seeing consistent improvements in the efficiency of their justice systems. Hungary hovers at the other extreme of judicial change.

Dimension 2. The Rule of Law

Poland's rule of law index reached -0.30 in 2024. This is a slightly better result than last year (-1.21), suggesting a partial correction of the negative trend from previous years (although it remains negative, indicating further escalation of problems). However, on the basis of the indicators used from the Rule of Law Index, it is impossible to determine whether this represents a genuine improvement or merely the result of greater trust of the surveyed experts in the current government.

Therefore, while the improvement in 2024 may seem promising, it should be approached with caution. On the one hand, it could be the result of a softening of the government's communication tone or actions aimed at improving international relations. On the other, there is not yet sufficient evidence of lasting institutional change which would reverse the systemic drift observed over the years. Moreover, the positive signal may be only relative in nature – given the dramatic deterioration of the

CHART 2. Total assessment of a country's economic credibility for the Rule of law area in the Rule of law dimension



Source: own study

TABLE 4. Total assessment of a country's economic credibility for the Rule of law area in the Rule of law dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.74	0.43	-0.47	-0.47	-0.72	-0.84	-1.30	-1.06	-1.21	-0.30
The Czech Rep.	0.70	1.58	1.20	1.20	1.43	1.57	1.53	1.65	1.73	2.03
Spain	0.77	0.95	1.07	1.07	1.30	1.70	1.69	1.58	1.40	1.10
Lithuania							2.28	2.48	2.68	2.68
Romania	-1.55	-0.21	-0.59	-0.59	-0.96	-1.00	-0.94	-0.82	-0.80	-1.12
Slovakia							0.62	0.23	0.23	0.07
Hungary	-3.06	-3.26	-4.06	-4.06	-4.31	-4.39	-4.65	-4.81	-4.88	-4.96
Italy	0.09	-0.08	0.04	0.04	0.00	0.21	0.21	0.50	0.53	0.28

Source: own study based on the World Justice Project, Rule of Law Index

situation in Hungary, Poland compares moderately well against that background. This does not mean, however, that we are approaching the standards of countries with a stable legal order – such as the Czech Republic or some Northern European countries not included in the Index.

The score for this dimension is calculated on the basis of three indicators. The first one concerns effectiveness of law enforcement (including administrative decisions). The second indicator measures the degree to which those in power are bound by the law, encompassing broadly understood oversight of their actions (constitutional, institutional, and media). The third one refers to the level of government openness—what information the government shares with the public and whether there exist tools to hold it accountable. The quality of the information provided is also assessed.

In these three respects, over the past decade Poland has been steadily losing. Particularly since 2016, there have been recorded drops related to marginalisation of the Constitutional Tribunal's role, curtailment of the powers of oversight bodies, and diminished transparency of the governance process. It must be clearly emphasised that the rule of law is a key factor in the economic credibility of a state—it ensures that government decisions are predictable, economic interests are protected, and public institutions operate in a professional and transparent manner. Despite improvement, the current level of the indicator shows that Poland is still struggling with serious challenges in this area, which weakens its position in the eyes of investors, international partners, and citizens.

The current level of the indicator shows that Poland is still struggling with serious challenges in this area, which weakens its position in the eyes of investors, international partners, and citizens.

Summary

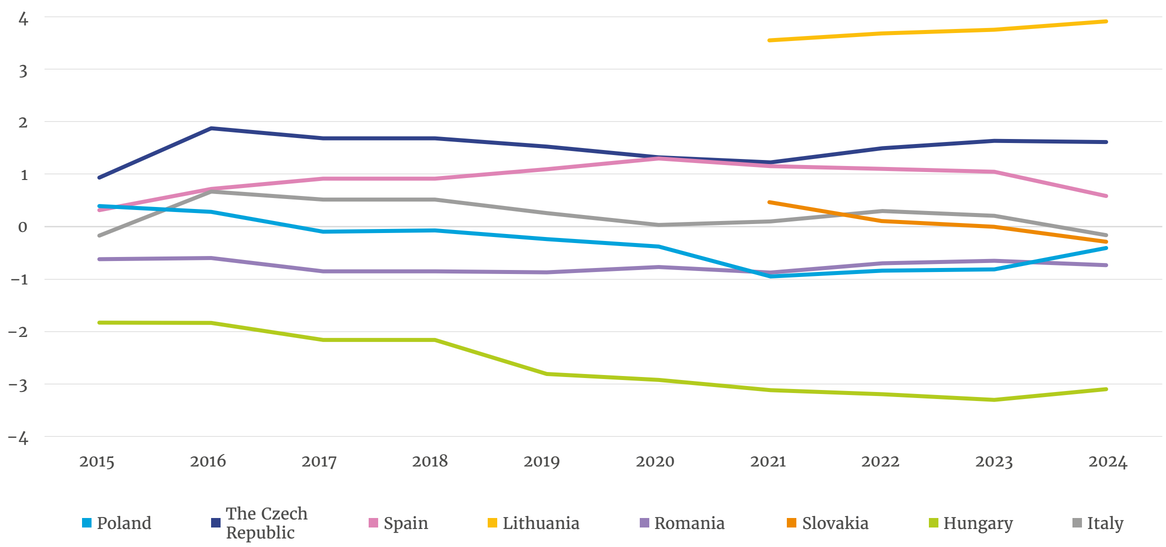
In the fourth edition of the Economic Credibility Index, the Rule of Law remains one of the most significant sources of institutional uncertainty and barriers to development. While there have been recorded some signs of improvement in selected indicators, the overall picture remains worrying. The lawmaking process continues to be burdened with serious structural problems, arising primarily from superficiality of public consultations.

The efficiency of the justice system continues to deteriorate. The lengthening duration of proceedings, difficulties in enforcement of judgments, and the chaos caused by the widespread questioning of the status of some judges mean that the court system does not effectively fulfil its role of guaranteeing legal security. In practice, this means an increase in economic risk, which entrepreneurs must compensate for through higher costs or reduced activity.

The second dimension – the rule of law – has seen a slight improvement, but still remains well below previously observed levels.

The lengthening duration of proceedings, difficulties in enforcement of judgments, and the chaos caused by the widespread questioning of the status of some judges mean that the court system does not effectively fulfil its role of guaranteeing legal security.

CHART 5. Total assessment of a country's economic credibility for the Rule of law area



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the Rule of law area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.40	0.29	−0.09	−0.06	−0.23	−0.37	−0.95	−0.84	−0.81	−0.40
The Czech Rep.	0.94	1.89	1.70	1.70	1.54	1.33	1.23	1.51	1.65	1.62
Spain	0.32	0.73	0.92	0.92	1.11	1.31	1.17	1.11	1.06	0.59
Lithuania							3.56	3.69	3.77	3.93
Romania	−0.16	0.68	0.53	0.53	0.27	0.04	0.11	0.31	0.22	−0.16
Slovakia							0.48	0.11	0.00	−0.29
Hungary	−1.82	−1.83	−2.16	−2.16	−2.81	−2.92	−3.12	−3.20	−3.31	−3.10
Italy	−0.61	−0.59	−0.84	−0.84	−0.86	−0.76	−0.87	−0.69	−0.64	−0.73

Source: own study

The conclusions from this year's data are therefore clear: Poland is in a state of structural rule of law crisis, which – despite some cosmetic adjustments – has not been brought under control. All three pillars of the classic separation of powers require reconstruction: the legislative process – greater transparency and accountability, the judiciary – restored authority and efficiency, and the executive – institutional constraints and increased openness.

It should also be noted that the observed phenomena may, for some time, be compensated by the adaptability of the economy and citizens, yet ultimately they lead to a lasting weakening of the state's credibility. Improving the image does not suffice – real institutional reforms are necessary to restore trust in the rule of law as the foundation of the social and economic order.

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The importance of freedom of economic activity for the economic credibility of the state

In this area, we analyse aspects of the functioning of the economic system which relate to the freedom of economic activity. Within this area, we have identified three dimensions: ease, freedom, and conditions.

The first dimension – **ease** – refers to the level of protection afforded to transaction parties and is linked to the costs of operating markets. Economists point out that social norms and constraints imposed on human action, which reduce uncertainty, increase trust between parties, and enhance efficiency of exchange, lower transaction costs, and increase the number of transactions, thus leading to greater specialisation and prosperity (North, 1990; Williamson, 1986 and 2000; Beckmann, 2002).

With these costs in mind, the World Bank has developed a system of indicators called: Doing Business, showing the time and costs involved across different countries in starting a business, building a warehouse, obtaining credit, or recovering debts from dishonest contractors. Our Index builds on the legacy of this methodology.

The second dimension – **freedom** – refers to another strand of institutional analysis, namely economics of property rights. In this approach, economic freedom means protecting lawfully acquired property from expropriation by other individuals and allowing it to be used, exchanged, or transferred to others (Gwartney et al., 2000).

The liberal school of economic thought emphasised that property rights enable planning and rational use of resources (cf. Hayek, 1944; Acemoglu and Robinson, 2014). Our indicator in the freedom dimension follows this tradition, drawing on the economic freedom indicators published by The Heritage Foundation. Their design assumes that greater prosperity and economic credibility are fostered by less state interference in economic relations and lower public expenditure.

The third dimension – **conditions** – refers to the concept of positive liberty. Unlike the freedom dimension, by participating in the benefits of economic exchange between citizens, the public sector can improve the overall prosperity and economic credibility of the state. Through financing appropriate institutional, educational, scientific, or transport infrastructure, the state can contribute to reducing environmental uncertainty and exchange costs. In this way, it creates better conditions for the development of knowledge-based activities which particularly require skilled workers and reduced uncertainty (Porter, 1990; Acemoglu and Robinson, 2014). The World Bank's institutional quality indicators (Worldwide Governance Indicators) and the quality of the infrastructure of the Institute for Management Development in Lausanne (World Competitiveness Yearbook) allow us to capture this dimension of freedom of economic activity.

Methodology for calculating the Index in the area of freedom of economic activity

In this study, freedom of economic activity is the result of three dimensions: the ease of setting up and conducting a business (Dimension 1 – Ease), economic freedom understood as the freedom to conclude contracts and protection of lawfully obtained property (Dimension 2 – Freedom), and conditions for conducting a business – both institutional and infrastructural (Dimension 3 – Conditions).

TABLE 1. Dimensions and weights in the Freedom of business activity (in percentage)

Dimension	Weight
1. Ease	50
2. Freedom	25
3. Conditions	25

Source: own study

Through financing appropriate institutional, educational, scientific, or transport infrastructure, the state can contribute to reducing environmental uncertainty and exchange costs.

The country's economic credibility index in the area of freedom of economic activity was constructed in four stages.

The first of these was the construction of partial indicators. The ease of conducting business dimension consists of four indicators: registered new businesses per 1,000 people aged 15–64, assumed to reflect the willingness and therefore the ease of setting up and conducting a business (data: World Bank); cost of electricity (EUR per 1 kWh) (data: Eurostat); concentration of the banking sector (assets of the three largest banks/total assets of the 30 largest banks in the country), assumed to reflect the ease of obtaining a loan (data: Orbis database[2]); government subsidies to public and private entities (percentage of GDP), intended to reflect potential government bias (data: World Competitiveness Yearbook).

The freedom dimension consists of a total Index of Economic Freedom score, published by The Heritage Foundation, and its value is the result of the assessment in twelve areas: property rights, government integrity, judicial effectiveness, tax burden, government spending, fiscal situation, freedom to conduct business, freedom to work, monetary freedom (i.e. the right to "sound" money), freedom to trade, freedom to invest, and financial freedom.

2 Assets of the three largest banks in relation to the assets of the 30 largest banks (if there are 30 banks operating in a given economy for which asset data is available in the Orbis database); excluded from the calculations are central banks, which slightly changes these estimates in relation to the World Bank estimates used in previous editions of the Poland's Economic Credibility Index.

The conditions dimension consists of four indicators, of which the World Bank institutional quality index (Worldwide Governance Indicators) is the result of an assessment in six areas: freedom of speech and accountability of authorities, political stability and freedom from violence, rule of law, effectiveness of administration, quality of regulations, and dealing with corruption[3]. The three remaining infrastructure quality indicators published by IMD in World Competitiveness Yearbook are: basic infrastructure, scientific infrastructure, and educational infrastructure[4].

TABLE 2. Weights of indicators in the Freedom of business activity area (in percentage)

Dimension	Indicator	Weight
1. Ease	Registered new business entities per 1000 people aged 15-64	25
	Cost of electricity (USD per 1 kWh)	-25
	Baking sector concentration (assets of the three biggest banks / all assets)	-25
	Government subsidies for public and private entities (% GDP)	-25
2. Freedom	Economic freedom according to the Heritage Foundation	100
3. Conditions	Quality of institutions (Quality of governing) (Worldwide Governance Indicators)	25
	Basic infrastructure	25
	Scientific infrastructure	25
	Educational infrastructure	25

Source: own study

In the case of indicators acting as stimulants (the higher the value of the indicator, the better), there were used positive weights, while in the case of destimulants (the lower the value of the indicator, the better) – there were used negative weights.

The second stage consisted in calculating values of individual indicators for the 27 European Union Member States so that the country ranked last, that is 27^{th} in the ranking, received 0 points, and the country ranked first – 100 points.

The third stage included normalisation. In order to ensure the index in the Freedom of Economic Activity area could be compared with index values in other areas, there was employed a normalisation procedure. This involved subtracting the median index for the years 2008-2024 from the value obtained in a given year, and then dividing the obtained result by the quartile deviation.

The fourth stage consisted in weighing. The total index of the country's economic credibility was calculated as the sum of points obtained by Poland in stages I-III, weighted by the shares of individual dimensions in the total index (Table 1).

Analysis of economic credibility in the area of freedom of economic activity

Dimension 1. Ease

The charts below present data for the ease dimension, taking into account two approaches: on the left – values for the compared economies in the last available year; on the right: the position of the Polish economy in the 2008–2024 period as compared to the other analysed countries.

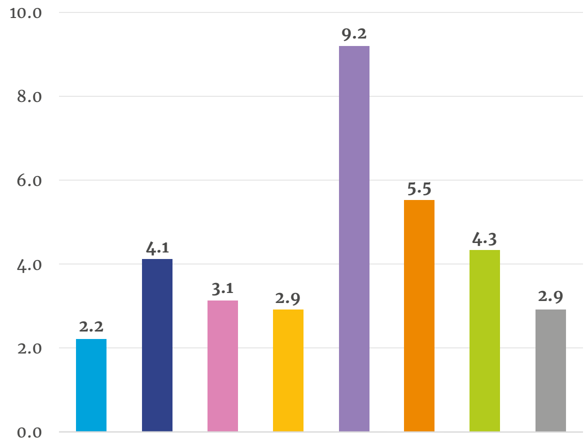
3 https://www.worldbank.org/en/publication/worldwide-governance-indicators, accessed: 11 September 2025

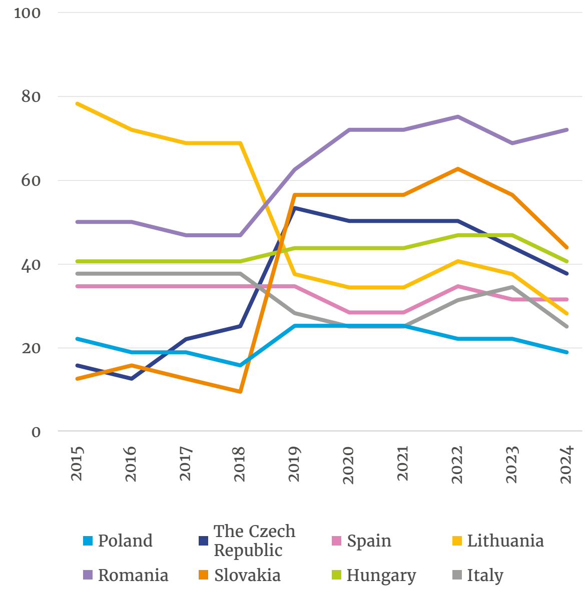
4 https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/, accessed: 11 September 2025

Number / euro / per cent / per cent of GDP

Score out of 100 (1st place in EU = 100, last place in the EU = 0)

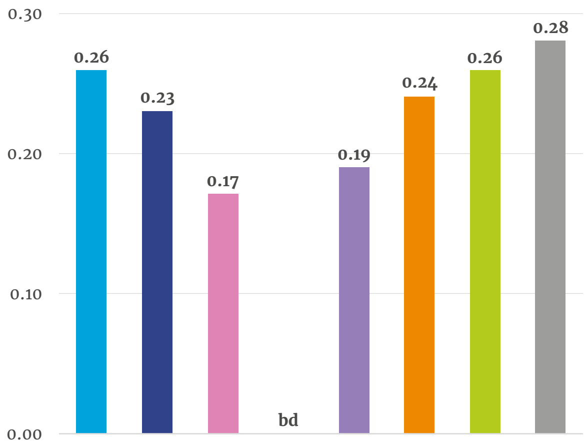
CHARTS 1–2. Registered new business entities per 1000 people aged 15–64

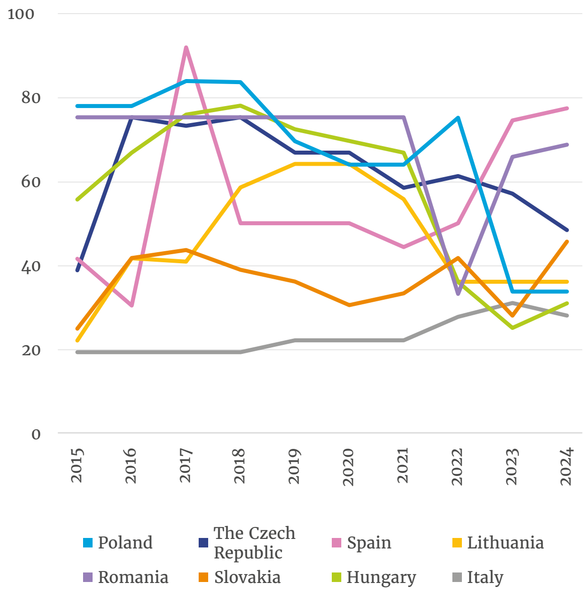




Source: own study based on World Bank data, the 2022 data[5]

CHARTS 3–4. Electricity cost for business clients (euro for 1kWh)





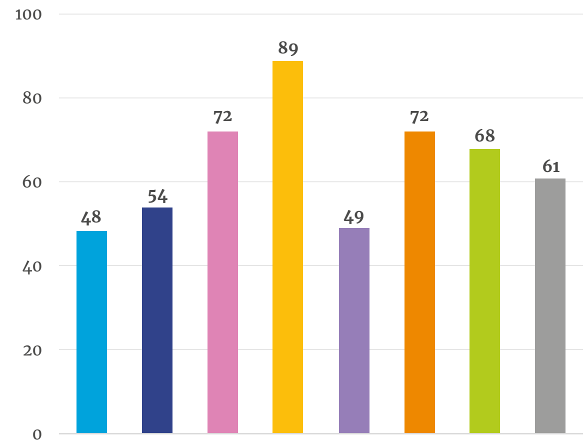
Source: own study based on the Eurostat data, the 2023 data

5 Internationally comparable data on registration of new businesses has become difficult to obtain. World Bank data on registered businesses per 1,000 inhabitants aged 15–64 ends in 2022. The Eurostat data, based on information provided by national statistical offices, allows solely for analysis of registration and bankruptcies dynamics. Beginning with the next Index edition – depending on data availability – it is planned to use data on business demographics (births) or return to improved *Doing Business (Business Ready)* methodology, enabling analysis of the ease of conducting business with greater sensitivity to environment and gender equality aspects. The 2024 data covers a pilot group of 50 countries, with the exclusion of Poland.

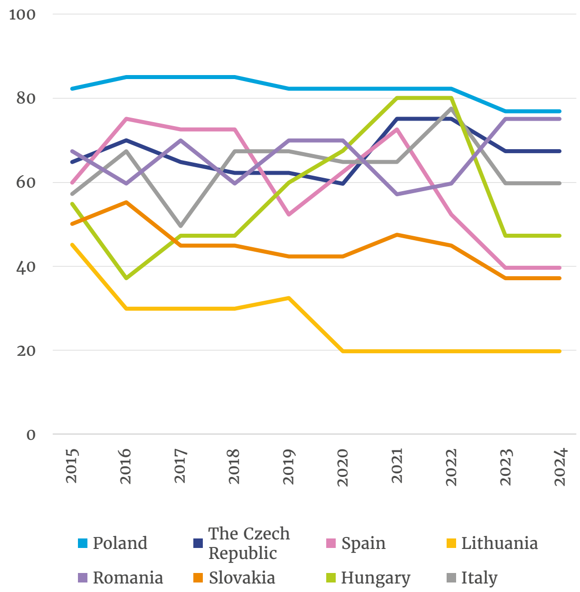
Number / euro / per cent / per cent of GDP

Score out of 100 (1st place in EU = 100, last place in the EU = 0)

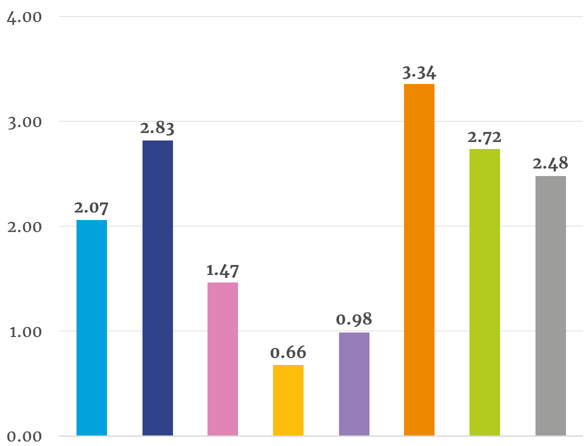
CHARTS 5–6. Bank concentration (assets of the three largest banks as a percentage of assets of the 30 largest entities (%))



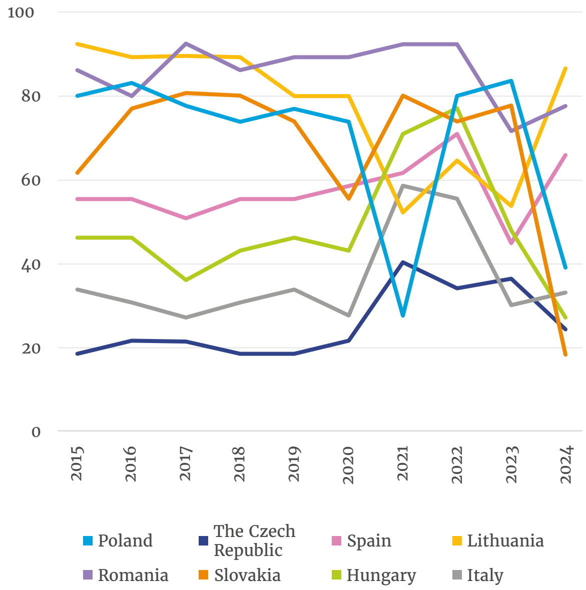
Source: own study based on the Orbis database, the 2023 data



CHARTS 7–8. Government subsidies for public and private entities (% GDP)



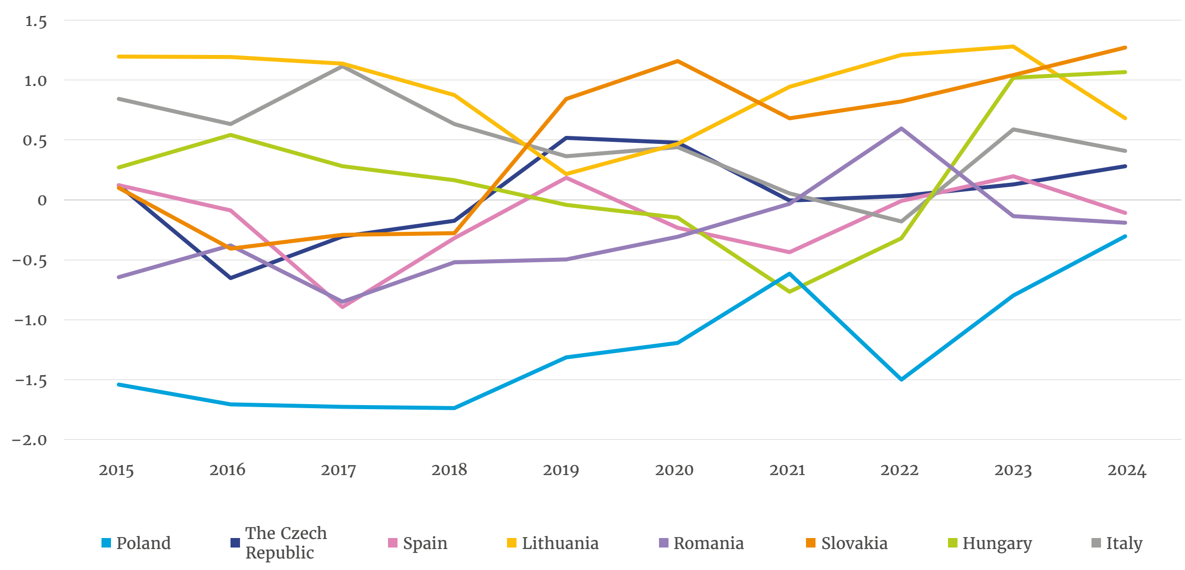
Source: own study based on data from the World Competitiveness Yearbook, the 2024 data



In comparison with the previous Index edition, there has been recorded a regression in the ease of conducting business dimension. This is due to factors such as rising electricity costs, increasing concentration in the banking market, and the growing scale of subsidies for businesses. Poland is losing its advantages in comparison with other EU economies.

The overall effect of this dimension is reflected in the number of newly registered businesses in Poland, which remains one of the lowest in the European Union (approximately two entities per 1,000 inhabitants). The values of other indicators in this dimension are similarly disappointing. In recent years, electricity costs for business clients have increased significantly – Poland has moved from a position among the European leaders to the group of countries with the highest costs. Since the outbreak of the pandemic, Poland has also been among the countries which heavily subsidise enterprises, thus somewhat distorting competition conditions. The banking sector's concentration index – the

CHART 9. Total assessment of a country's economic credibility for the area Freedom of business activity in the Ease dimension



Source: own study

TABLE 3. Total assessment of a country's economic credibility for the Freedom of business activity area in the Ease dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.54	-1.71	-1.73	-1.74	-1.32	-1.19	-0.62	-1.50	-0.80	-0.31
The Czech Rep.	0.12	-0.65	-0.30	-0.17	0.52	0.48	0.00	0.03	0.13	0.28
Spain	0.12	-0.09	-0.89	-0.32	0.18	-0.23	-0.44	-0.01	0.20	-0.11
Lithuania	1.20	1.20	1.14	0.88	0.23	0.48	0.95	1.21	1.29	0.69
Romania	-0.64	-0.38	-0.84	-0.52	-0.49	-0.30	-0.03	0.60	-0.13	-0.19
Slovakia	0.11	-0.40	-0.28	-0.27	0.85	1.16	0.69	0.83	1.05	1.28
Hungary	0.28	0.55	0.29	0.17	-0.04	-0.14	-0.76	-0.31	1.02	1.07
Italy	0.85	0.64	1.12	0.64	0.37	0.45	0.06	-0.17	0.60	0.42

Source: own study

Since the outbreak of the pandemic, Poland has also been among the countries which heavily subsidise enterprises, thus somewhat distorting competition conditions.

value of assets held by dominant entities – was lower than in most EU countries and, therefore, fairly favourable, placing Poland high in the rankings across the EU. It was assumed that greater competition in the banking sector could have a positive impact on financing conditions for business ventures.

Dimension 2. Freedom

The Heritage Foundation publishes the annual Economic Freedom Index, which serves as a basis for assessing the economic freedom dimension. In the 2025 edition (on the basis of the 2024 data), Poland scored 67 points out of 100, thus ranking behind Lithuania, the Czech Republic, and Slovakia. Among the EU countries, Poland is in the top one-third of countries with the lowest economic freedom indices.

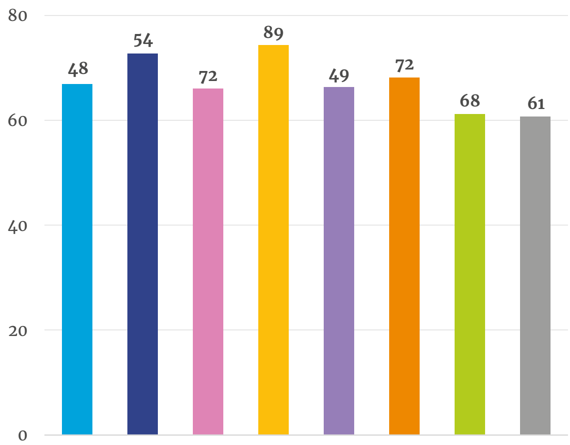
The improvement recorded in 2024 in comparison with the previous Index editions was primarily related to the reduction of government spending, less restrictive labour law regulations, and monetary freedom[6]. In terms of international trade freedom, Poland achieved results close to the European Union average.

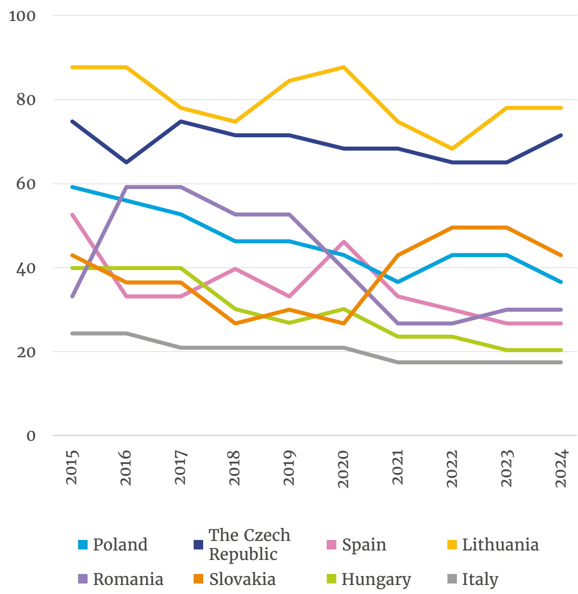
6 By monetary freedom, The Heritage Foundation authors understand maintaining a low level of inflation by the central bank and ensuring its independence, as well as the withdrawal of the state from interference in the price formation mechanisms (see *Methodology for measuring various dimensions of economic freedom*, *The Heritage Foundation Index of Economic Freedom*).

Economic Freedom (2025 Edition)

Score out of 100 (1st p lace in EU = 100, last place in the EU = 0)

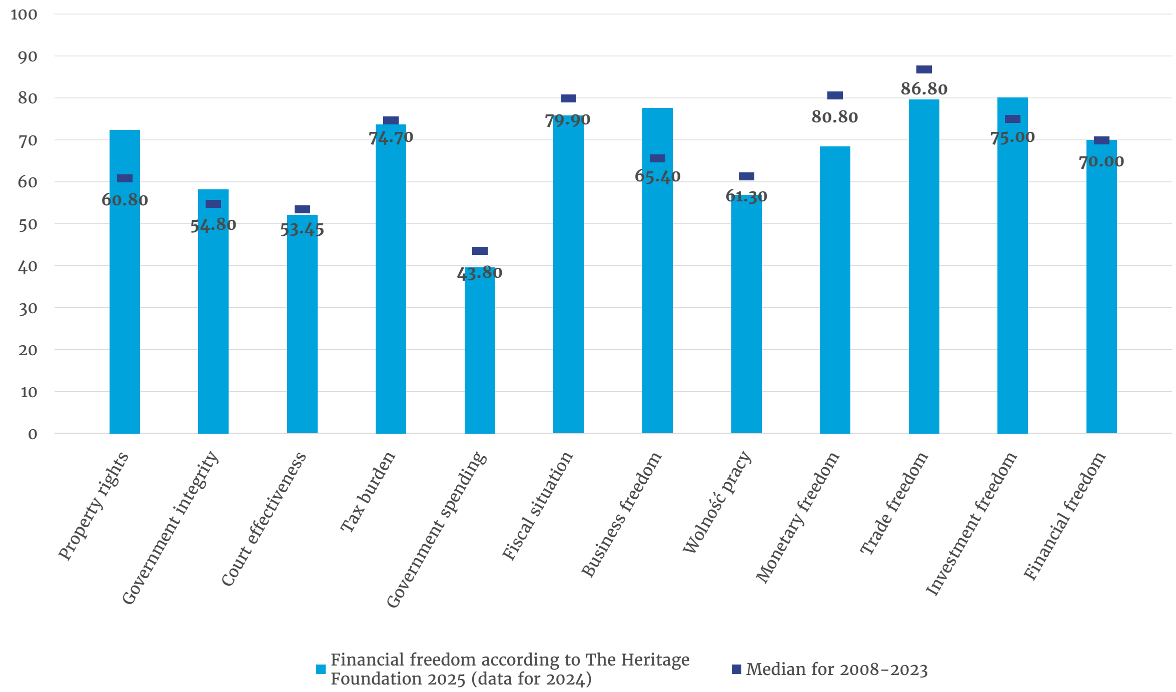
CHARTS 10–11. Economic freedom according to the Heritage Foundation





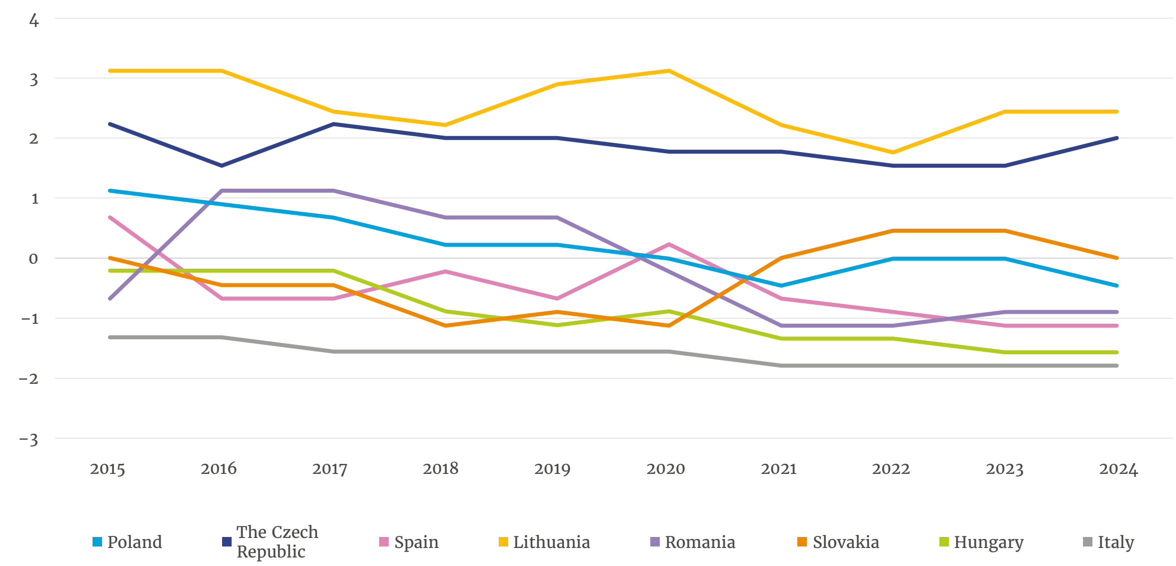
Source: own study based on the Index of Economic Freedom 2025 data (date is based on the values for the years 2008–2024)

CHARTS 12–13. Subindices of economic freedom for Poland according to The Heritage Foundation, the 2025 ranking (data from 2024) against the median of the 2008–2024 editions (data for 2008–2023)



Source: own study based on The Heritage Foundation

CHART 14. Total assessment of a country's economic credibility for the Freedom of business activity area in the Freedom dimension



Source: own study

TABLE 14. Total assessment of a country's economic credibility for the Freedom of business activity area in the Freedom dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	1.11	0.89	0.67	0.22	0.22	0.00	-0.44	0.00	0.00	-0.44
The Czech Rep.	2.22	1.56	2.22	2.00	2.00	1.78	1.78	1.56	1.56	2.00
Spain	0.67	-0.67	-0.67	-0.22	-0.67	0.22	-0.67	-0.89	-1.11	-1.11
Lithuania	3.11	3.11	2.44	2.22	2.89	3.11	2.22	1.78	2.44	2.44
Romania	-0.67	1.11	1.11	0.67	0.67	-0.22	-1.11	-1.11	-0.89	-0.89
Slovakia	0.00	-0.44	-0.44	-1.11	-0.89	-1.11	0.00	0.44	0.44	0.00
Hungary	-0.22	-0.22	-0.22	-0.89	-1.11	-0.89	-1.33	-1.33	-1.56	-1.56
Italy	-1.33	-1.33	-1.56	-1.56	-1.56	-1.56	-1.78	-1.78	-1.78	-1.78

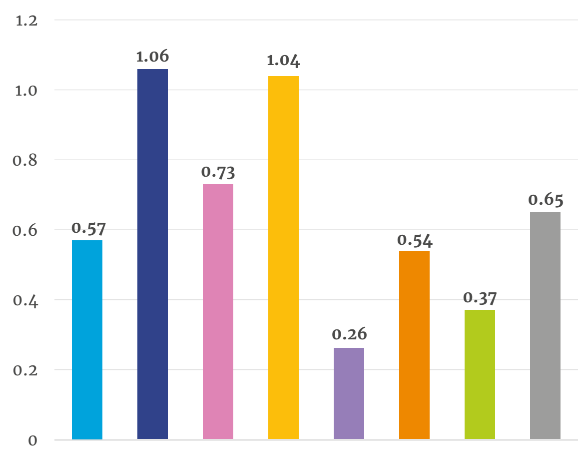
Source: own study

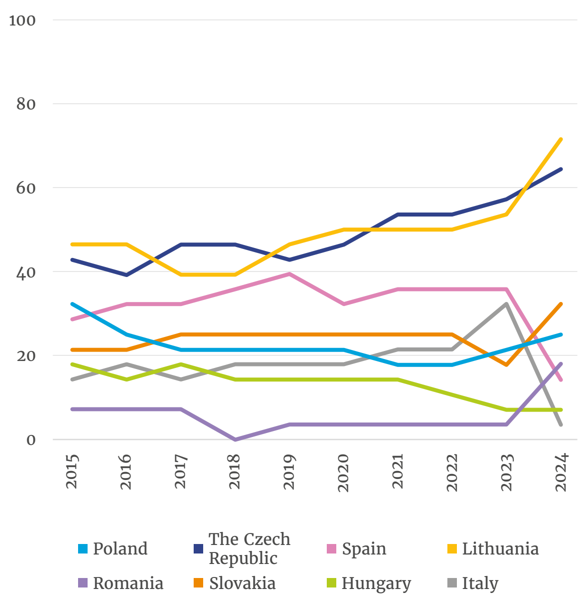
Dimension 3. Conditions

The value of the credibility index in the conditions dimension consists of two key elements: the institutional environment and quality of infrastructure.

In order to measure the quality of institutions, we use data from the World Bank series, Worldwide Governance Indicators. Their collection, initiated in the 1990s, aimed at reviewing assessments of individual countries in terms of investment conditions. Data collected by specialised companies was then processed and grouped by the World Bank experts into six dimensions. The authors emphasise that assessments based on investor recommendations reflect the prevailing sentiment in the business community and willingness to cooperate with local entities. From this perspective, a country's economic credibility is a derivative of its assessment of institutional investment conditions.

CHARTS 15–16. Quality of institutions in the assessment of the World Bank (the latest data for the 2023)



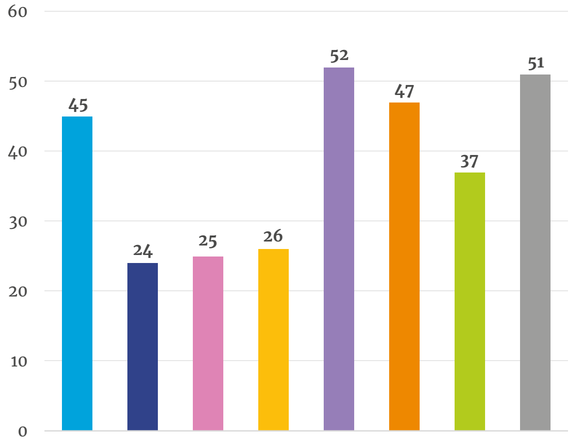


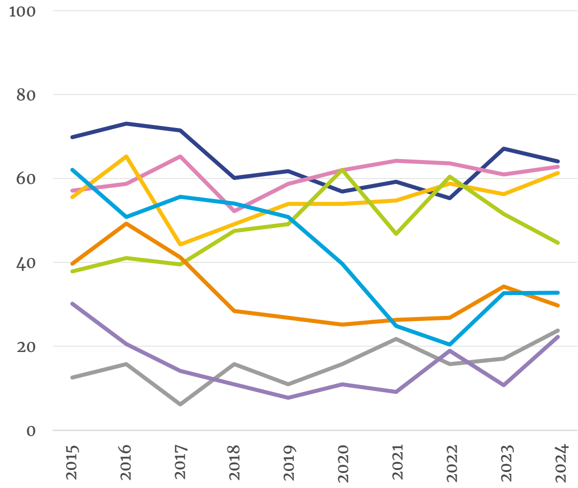
Source: Worldwide Governance Indicators

Ranking among 67 assessed economies WCY2025 (data from 2024 and earlier)

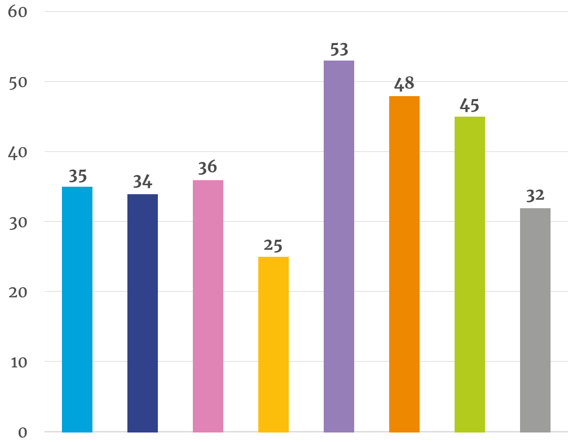
Score out of 100 (1st place in EU = 100, last place in the EU = 0)

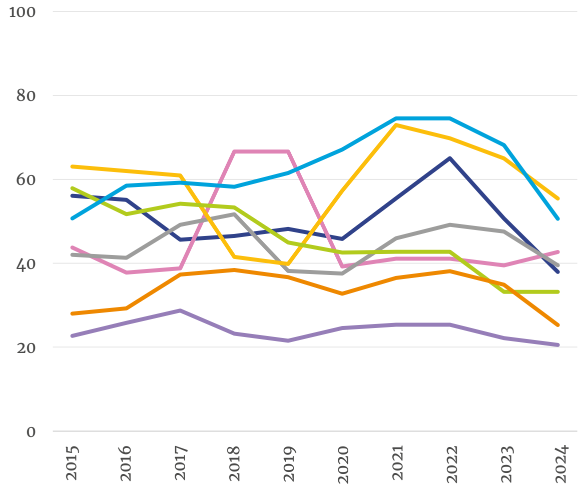
CHARTS 17–18. Basic infrastructure



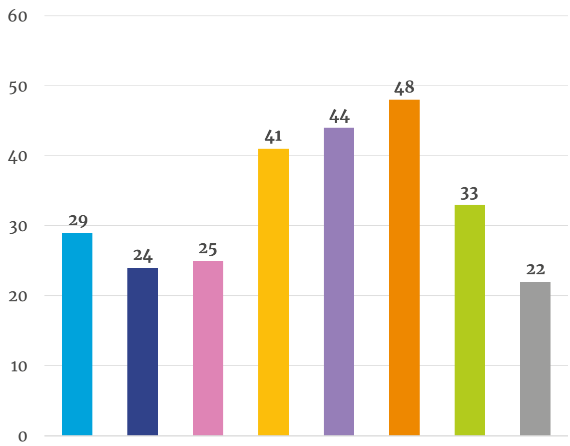


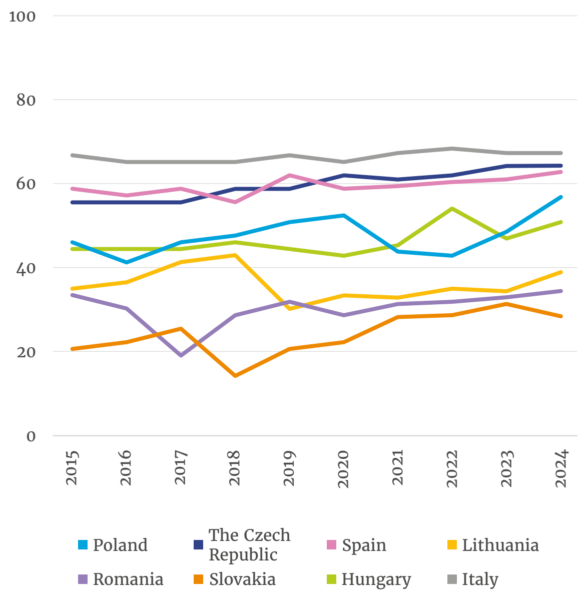
CHARTS 19–20. Scientific infrastructure





CHARTS 21–22. Educational infrastructure





In the case of scientific and educational infrastructure, Poland's result is slightly higher than in the assessment of basic infrastructure.

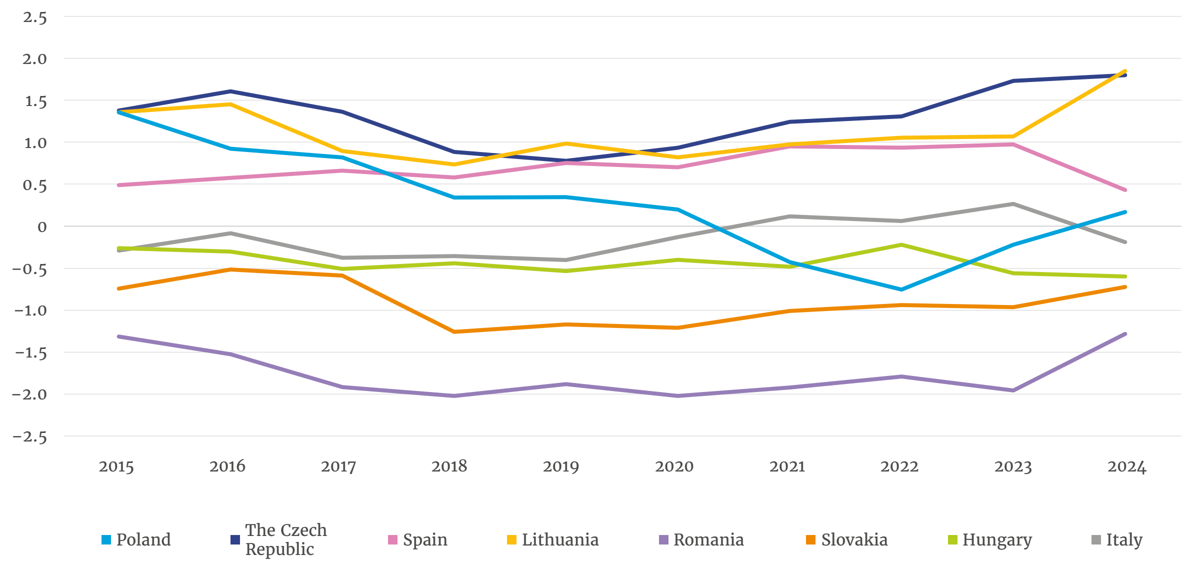
Similarly to the previous editions, Poland ranks 23rd among the European Union countries. The quality of institutions in Slovakia and Hungary is rated slightly lower, and that of Romania is significantly worse. The Czech Republic remains the long-term leader in this group.

Assessment of the infrastructure environment is based on data sourced from the World Competitiveness Yearbook, published by the Institute for Management Development (IMD) in Lausanne, Switzerland. The data presented in this year's edition is mixed – based partly on expert ratings and partly on so-called hard data (e.g., prices, quantities). This means that the credibility assessment in this dimension reflects not only real data but also the perception of a given economy, which is closely related to the economic credibility category.

In the fourth Index edition, infrastructure quality continued to improve in almost all three areas (in the case of basic infrastructure, the ranking position among other assessed economies remained stable). While the real data does not point to dramatic changes, expert ratings are higher than before those from the year 2024. Among the economies subject to analysis – both in our ranking and in the World Competitiveness Yearbook – Poland occupies a middle position. In the case of scientific and educational infrastructure, Poland's result is slightly higher than in the assessment of basic infrastructure.

Overall, in comparison with other countries in the region, the business environment was slightly better than that shown in the previous Index edition. The reason could be attributed to both the maintained average rating for institutional conditions and continued improvement in the assessment of infrastructure conditions.

CHART 23. Total assessment of a country's economic credibility for the Freedom of business activity area in the Conditions dimension



Source: own study

TABLE 4. Total assessment of a country's economic credibility for the Freedom of business activity area in the Conditions dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	1.35	0.92	0.81	0.34	0.34	0.20	-0.42	-0.75	-0.21	0.17
The Czech Rep.	1.38	1.60	1.36	0.89	0.79	0.94	1.25	1.31	1.72	1.79
Spain	0.50	0.58	0.67	0.58	0.75	0.70	0.94	0.93	0.96	0.44
Lithuania	1.36	1.45	0.90	0.75	0.99	0.83	0.98	1.06	1.08	1.84
Romania	-1.33	-1.53	-1.91	-2.01	-1.88	-2.01	-1.92	-1.79	-1.95	-1.29
Slovakia	-0.75	-0.53	-0.60	-1.25	-1.16	-1.20	-1.01	-0.94	-0.96	-0.73
Hungary	-0.27	-0.31	-0.51	-0.44	-0.53	-0.40	-0.48	-0.23	-0.55	-0.59
Italy	-0.28	-0.09	-0.37	-0.35	-0.39	-0.13	0.11	0.06	0.26	-0.19

Source: own study

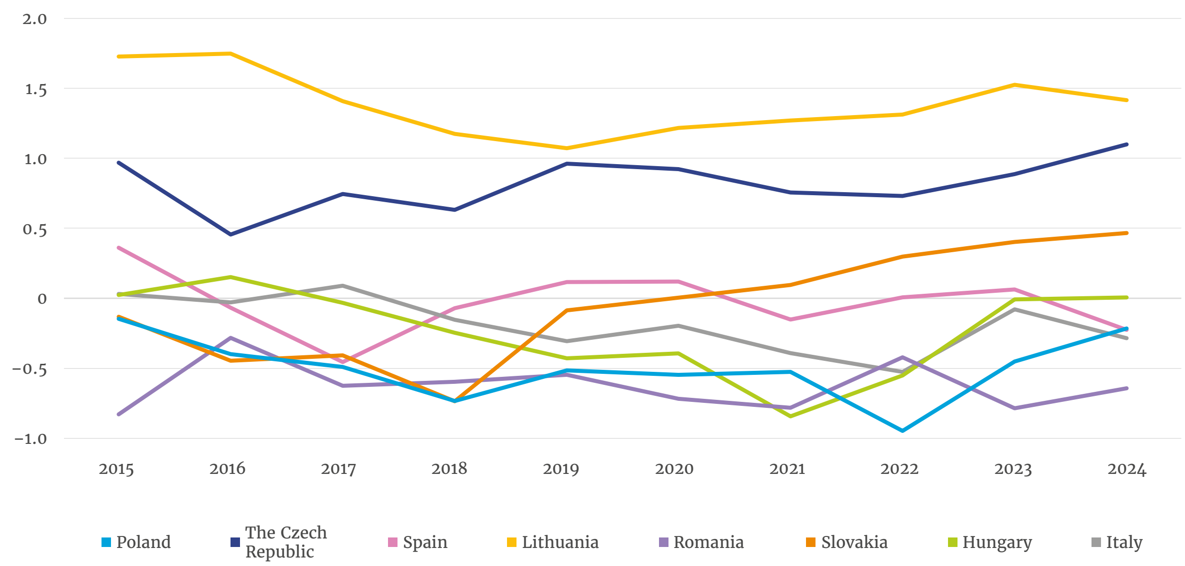
Summary

The dimensions of the Freedom of Economic Activity area analysed above, compared with scores for other countries in the region, indicate a relative improvement in Poland's overall economic credibility index over the last two years. This improvement is visible not only in comparison with the 2008–2023 values, but also in relation to the other economies of the region as well as Spain and Italy.

For this area, the index saw a slight increase in comparison with the previous year (from -0.45 to -0.22). This is the combined effect of a deteriorating environment for conducting business activity, which lowered scores in the ease and freedom dimensions, and some improvement in the conditions dimension.

The least favourable ratings were given to energy costs and granted subsidies. Unfavourable ratings in the ease of conducting business

CHART 23. Total assessment of a country's economic credibility for the Freedom of business activity area



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the Freedom of business activity area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.16	-0.40	-0.49	-0.73	-0.52	-0.55	-0.53	-0.94	-0.45	-0.22
The Czech Rep.	0.96	0.47	0.75	0.64	0.96	0.92	0.76	0.73	0.89	1.09
Spain	0.35	-0.06	-0.45	-0.07	0.11	0.12	-0.15	0.01	0.06	-0.22
Lithuania	1.72	1.74	1.41	1.18	1.08	1.22	1.28	1.32	1.52	1.42
Romania	-0.82	-0.29	-0.62	-0.59	-0.55	-0.71	-0.77	-0.43	-0.78	-0.64
Slovakia	-0.13	-0.44	-0.40	-0.73	-0.09	0.00	0.09	0.29	0.39	0.46
Hungary	0.02	0.14	-0.04	-0.25	-0.43	-0.39	-0.83	-0.55	-0.01	0.00
Italy	0.02	-0.04	0.08	-0.16	-0.30	-0.20	-0.39	-0.52	-0.08	-0.28

Source: own study

dimension translate into low willingness of the Polish to set up new businesses. Economic freedom and the quality of institutions received slightly better ratings than last year, though still not quite optimistic if seen against the backdrop of other economies. On the other hand, infrastructure, including basic infrastructure, research, and education, saw some improvement.

Foreword

Introduction

Area I. Rule of law

Area II. Freedom of economic activity

Area III. Credibility of public finances

Area IV. Stability of money and the financial system

Area V. Labour protection and safety

Area VI. Quality of public services

Area VII. Climate and Environment

Area VIII. Respect for international obligations

Methodological note

Threats to Poland's economic credibility in the coming years – results of a qualitative study

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Authors' biographies

Recommendations

Expert commentary

The importance of public finance credibility for economic credibility of the country

Credibility of public finances encompasses more than just agency ratings, a country's creditworthiness, or financial indicators measuring fiscal stability. It includes transparency of this country's operations, openness of decision-making, and effective, democratic oversight of the entire system of institutions, norms, rules, and processes related to the collection and expenditure of public funds.

The key question is whether the manner in which public finances are managed and organised, promotes not only stability, but also civic participation, strengthening democracy, and counteracting populism.

Stability of public finances is one of the cornerstones of a country's economic policy. Maintaining excessive deficits and debt increases fiscal risk, which can lead to economic crisis and, in extreme cases, to the country's insolvency and a dramatic decline in prosperity.

In times when numerous countries are witnessing a retreat from democratic values and intensification of authoritarian tendencies, the citizen-taxpayer perspective is becoming increasingly important in assessing credibility of public finances. The key question is whether the manner in which public finances are managed and organised, promotes not only stability, but also civic participation, strengthening democracy, and counteracting populism.

In this context, the award of the 2024 Nobel Prize in Economics to Daron Acemoğlu and James Robinson is significant. Their research highlights the importance of inclusive institutions for the sustainability of democratic systems. In relation to public finances, inclusiveness primarily stands for transparency in the management of public funds, public scrutiny of expenditures, opportunities for civic participation in decision-making, and broad-based financial education for the public.

In this perspective, credible public finances mean not only a stable budget, but also a budget that is transparent and subject to real citizen scrutiny. It is a system based on reliable, simple taxes, a solid fiscal framework with clear rules, an independent fiscal council, and long-term planning. It also means full transparency and accountability, absence of window dressing or of dispersion of funds among numerous funds and agencies, as well as protection against the instrumental use of public finances for political or clientelist purposes. Finally, it means respecting the citizens' right to information on public finances and to having a genuine influence on the methods of obtaining and spending public funds.

Sociologist Piotr Sztompka metaphorically describes credibility as the "reverse side of trust" (Hausner, Sztompka, 2023). Unfortunately, according to a 2025 report by the Institute of Public Finance (IFP, 2025), as many as 20% of Poles distrust entirely the manner in which public funds are spent (scoring "0" on a scale of 0 to 10). This is a major red flag. The lack of public trust in public finances carries far-reaching consequences. As highlighted in the OECD report, trust in the state as a whole deteriorates when citizens lose confidence in the manner in which public finances are managed. The same document emphasises that "governments must ensure that the very process of budgetary decision-making is open and provides for a pluralistic, participatory, and realistic debate on budgetary choices – rather than being limited merely to the disclosure of information after spending decisions have already been made."

Prolonged maintenance of low public finance credibility poses a risk of a lasting loss of public trust. Even if we succeed in restoring the objective credibility of institutions, citizens' trust will not be returned so quickly. Once trust has been betrayed, one must prove for a long time that one deserves to regain it.

A lack of economic credibility in the area of finance leads to higher debt servicing costs, the necessity of a greater share of foreign debt due to the lack of trust in the local currency, and the emergence of speculative investors. A financial crisis and inefficient public finances pose a threat to the credibility of a country in the remaining seven areas of the index economic credibility.

Methodology for calculating the Index in the area of public finance credibility

The methodology for calculating the credibility index in the area of public finance credibility has undergone minor changes in comparison with the previous report's edition. The addition of other countries (Spain, Lithuania, and Italy), due to the applied normalisation methodology, resulted in a change in the values of normalised indicators. As a result, the average level of the indicators has changed, and thus the level of the total subindex in the area; however, their variability over time has remained unchanged. This is due to the fact that the addition of three countries affected the median of the studied phenomena.

Similarly to the previous editions, there have been defined four dimensions in this area, covering a total of twenty indicators in the current edition:

- Perception of fiscal credibility by financial markets and rating agencies (three indicators),
- The condition of public finances and compliance with the EU rules (six indicators),
- Quality of the fiscal framework, openness, transparency, and unity of public finance management (nine indicators),
- Certainty and simplicity of the tax system (two indicators).

TABLE 1. Dimensions and weights in the Crediblity of public finances area (in percentage)

Dimension	Weight
1. Perception of fiscal credibility by financial markets and rating agencies	25
2. Condition of public finances and compliance with the EU rules	25
3. Quality of the fiscal framework, openness, transparency, and unity of public finance management	25
4. Certainty and simplicity of the tax system	25

Source: own study

In the dimension of perception of fiscal credibility by financial markets and rating agencies, the number of indicators was reduced from four to three. The indicator describing development of the valuation of five-year CDS contracts (credit default swap) was given up, as at present such contracts are not liquid instruments for some countries.

In the case of indicators which are stimulants (the higher the value of the indicator, the better), there were used positive weights, while in the case of destimulants (the lower the value of the indicator, the better) – there were used negative weights.

TABLE 2. Weights of indicators in the Crediblity of public finances area (in percentage)

Dimension	Indicator	Weight
1. Perception of fiscal credibility by financial markets and rating agencies	Average credit rating from three major rating agencies	33.3
	Long-term interest rate spread (in comparison with Germany)	-33.3
	5Y Asset Swap Spread	-33.3
2. Condition of public finances and compliance with the EU rules	Public debt (% of GDP)	-16.7
	Nominal balance (% of GDP)	16.7
	Structural balance (% of GDP)	16.7
	Effective debt servicing costs (% of GDP)	-16.7
	EU rules compliance index (% of rules met)	16.7
	Average deviation from EU rules (% of GDP)	16.7
3. Quality of the fiscal framework, openness, transparency, and unity of public finance management	Fiscal Rule Strength Index (FRSI)	25.0
	Scope Index for Independent Fiscal Institutions (SIFI)	25.0
	Index on the quality of medium-term budgetary frameworks (MTBFI)	25.0
	Deficit of central government entities not included in the budget act (per cent of central government deficit under ESA 2010)	-4.2
	Deficit of central government entities not included in the budget act (% of GDP)	4.2
	Bonds instead of subsidies (per cent of central government deficit)	-4.2
	Bonds instead of subsidies (% of GDP)	-4.2
	Debt outside parliamentary control – indicator (per cent of total debt)	-4.2
	Debt outside parliamentary control – indicator (% of GDP)	-4.2
4. Certainty and simplicity of the tax system	International Tax Competitiveness Index (ITCI)	50.0
	Tax complexity Index (TCI)	-50.0

Source: own study

Analysis of economic credibility in the area of credibility of public finances

Dimension 1. Perception of fiscal credibility by financial markets and rating agencies

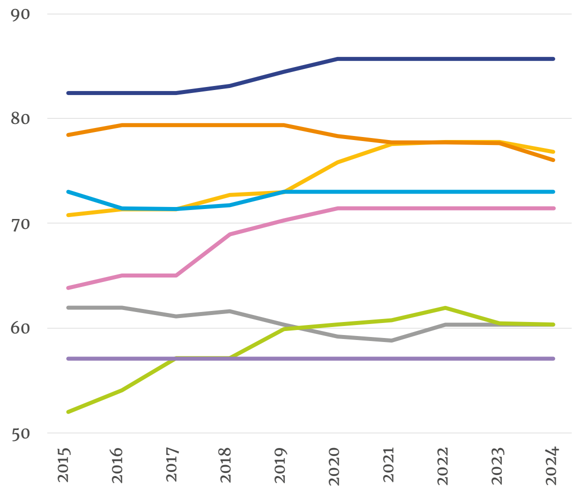
This dimension comprises three indicators. The first measures the perception of the economy, and in particular of public finances, by the three most important rating agencies (the average credit rating of the country), and the perception by financial markets, reflected in selected measures of fiscal risk. These include the difference in the domestic long-term interest rate in comparison with Germany (the so-called Bund spread) and the difference in the yield on 5-year bonds above the risk-free rate (IRS), the so-called asset swap spread (ASW 5Y).

The standardized average rating was derived from the World Bank database (Ayhan et al.

2022). Taken into consideration are ratings from Standard & Poor's, Moody's, and Fitch. Each agency codes its ratings with the use of letter symbols and a slightly different scale. For instance, Germany has the highest rating, AAA, across all three agencies. According to these agencies, the credit rating for Poland's long-term foreign currency government debt was A2, A-, and A-, respectively.

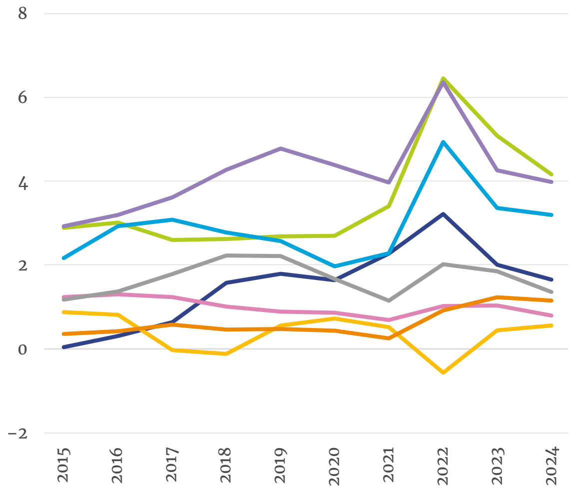
In order to standardise the rating scales, they were converted to a linear scale from 1 to 21, with 1 representing the lowest and 21 the highest. An average rating was then calculated for each country in a given year. The analysis uses the percentage of the highest rating. At present, Poland's current standardised rating is 15.3 points on a scale of 21, which corresponds to approximately 73% of the highest rating, for

CHART 1. A country's average credit rating (highest = 100)



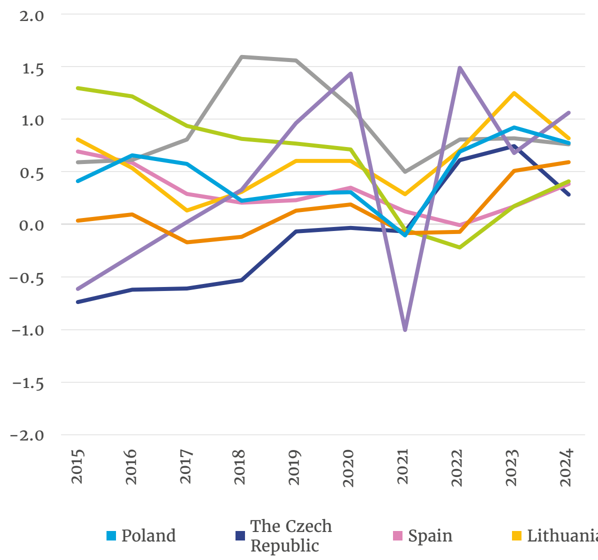
Source: The World Bank

CHART 2. Ten-year government bond spread in comparison with Germany (percentage points)



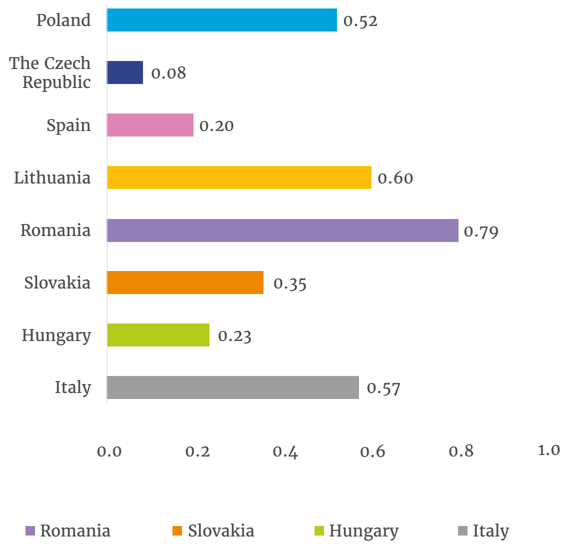
Source: Eurostat

CHART 4. ASW 5Y in percentage points



Source: Refinitiv

CHART 5. ASW 5Y in percentage points



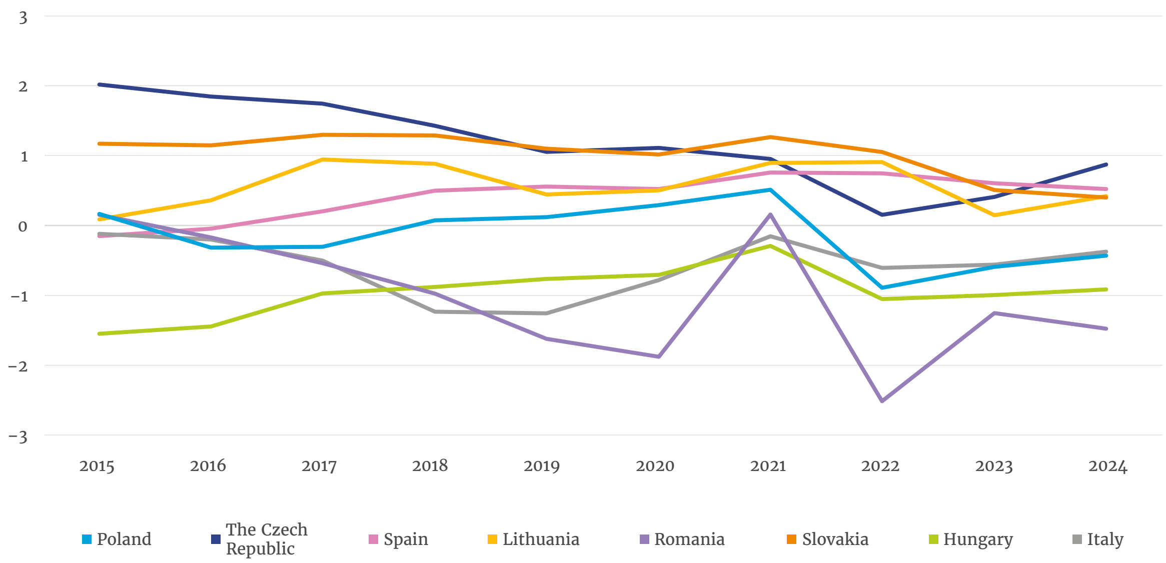
Source: Refinitiv

instance, for Germany. The higher the rating, the greater the credibility of public finances.

Among the countries subject to analysis, the Czech Republic enjoys the highest rating – 18 points (85.7%), followed by Lithuania, and Slovakia in third place; meanwhile, Poland ranks fourth. Spain, Italy, and Hungary have lower ratings than Poland, respectively, while Romania has the lowest rating –12 points, or 57.1% of the maximum value. Importantly, in 2024, the agencies downgraded the ratings of two countries, that is Lithuania and Slovakia.

Another indicator in this dimension is the difference (spread) in the yields of 10-year bonds relative to corresponding bonds for Germany. The lower the spread, the higher the credibility of public finances. In the analysed group of eight countries, average spreads to the Bund in 2024 ranged from 0.56 percentage points for Lithuania to 4.18 percentage points for Hungary. Lower spreads are observed primarily in eurozone countries. Lithuania is followed by Spain (0.83 percentage points), Slovakia (1.15 percentage points), and Italy (1.39 percentage points). Eurozone members with a poorer

CHART 6. Total assessment of a country's economic credibility for the Perception of fiscal credibility by financial markets and rating agencies area



Source: own study

TABLE 3. Total assessment of a country's economic credibility for the Perception of fiscal credibility by financial markets and rating agencies area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.14	-0.32	-0.31	0.05	0.10	0.27	0.47	-0.86	-0.57	-0.42
The Czech Rep.	1.98	1.81	1.71	1.41	1.05	1.11	0.96	0.19	0.43	0.88
Spain	-0.12	-0.02	0.20	0.48	0.54	0.50	0.71	0.71	0.58	0.50
Lithuania	0.12	0.36	0.90	0.85	0.44	0.50	0.86	0.86	0.18	0.43
Romania	0.11	-0.20	-0.57	-0.99	-1.62	-1.87	0.11	-2.49	-1.26	-1.47
Slovakia	1.14	1.12	1.26	1.25	1.07	1.00	1.23	1.04	0.53	0.44
Hungary	-1.53	-1.42	-0.98	-0.90	-0.78	-0.72	-0.34	-1.05	-1.00	-0.92
Italy	-0.17	-0.24	-0.52	-1.20	-1.23	-0.79	-0.20	-0.62	-0.57	-0.40

Source: own study

fiscal reputation benefit from the reputations of Germany and the Netherlands, that is countries with a higher rating.

The Czech Republic has a relatively low spread –1.66 percentage points. High spreads were recorded in Hungary, Romania (4 percentage points), and Poland (3.21 percentage points), which places our country only sixth in the analysed group. In 2024, we saw a decline in spreads to the Bund in all analysed countries, except Lithuania, although its spread hovered on a low level.

Additionally in this dimension, we analyse the ASW 5Y spread as a measure of fiscal risk. The lower the ASW spread, the greater the fiscal credibility. The lowest ASW 5Y spread in 2024 was recorded for the Czech Republic (0.08 percentage points), and the highest for Romania (0.79 percentage points). In Poland, the ASW was 0.52 percentage points, placing the country in fifth place in the analysed group.

The overall level of perception of fiscal credibility by financial markets and rating agencies (Figure 6, Table 3), in line with the adopted methodology, is highest in the Czech Republic (0.88 points). The Czech Republic has seen significant improvement over the past three years, moving from the fourth place to the first. In 2024, the next places in this dimension are taken by: Spain (0.50 points), Slovakia (0.44 points), and Lithuania (0.43 points). In these countries, the subindex values were positive, meaning they were above the median for the values analysed in the eight countries during the period under review.

Poland ranks sixth in this dimension, just behind Italy (-0.40 points). The index value for Poland is negative at -0.42 points. Romania fares the worst in the study group (-1.47 points), followed by Hungary (-0.92 points).

Dimension 2. The condition of public finances and compliance with the EU fiscal rules

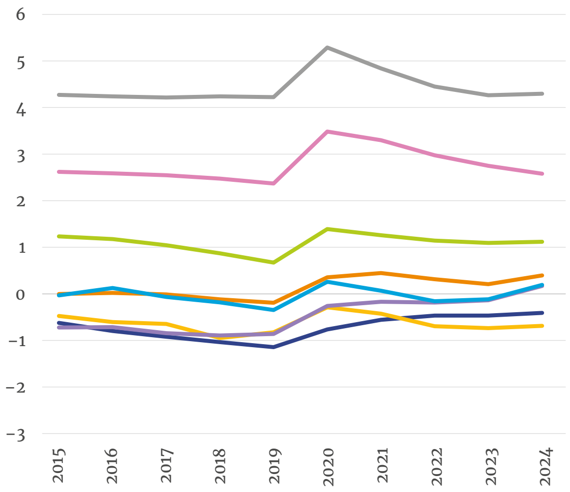
In this dimension, there were adopted six indicators: the public debt-to-GDP ratio, the nominal and structural deficits, and the resulting total debt-servicing costs. These variables refer to the paths of basic fiscal aggregates. Additionally considered was compliance with the EU fiscal rules (budgetary rules), a dummy variable indicating compliance with a given rule, and a variable expressed as a percentage of GDP illustrating rule violations.

In 2024, in the analysed group of eight countries, the highest level of public debt was recorded in Italy (135.3% of GDP), and the lowest in Lithuania (38.2% of GDP). Debt above 60% of GDP was recorded in Spain (101.8% of GDP) and Hungary (73.5% of GDP). In Poland, debt reached 55.3% of GDP. Lower debt-to-GDP ratios were recorded in Lithuania, the Czech Republic, and Romania. In Poland, Romania, and Slovakia, the debt-to-GDP ratio is on an upward trend.

In all countries, with the exception of Lithuania (1.3% of GDP) and the Czech Republic (2.2% of GDP), the nominal deficit in relation to GDP exceeded 3%. The highest deficit was recorded in Romania (9.3% of GDP), the second highest in Poland (6.6% of GDP), and the third in Slovakia (4.7% of GDP). In terms of the structural deficit, the highest deficit was also recorded in Romania (8.8% of GDP). In Poland, the structural deficit amounted to 6.1% of GDP, in Slovakia to 5.2% of GDP, in Hungary to 4.5% of GDP, and in Italy to 4.1% of GDP. This means that in the analysed group of countries we are dealing with a persistent imbalance of public finances.

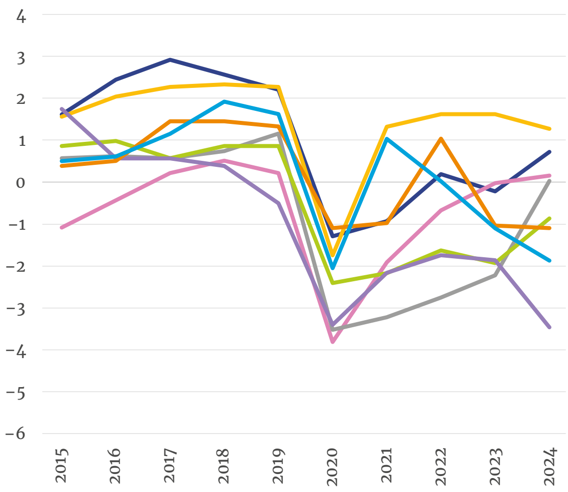
Another variable taken into account is the resulting debt servicing cost (implicit interest rate). This measure shows the ratio of total debt servicing costs to the debt position at the beginning of the year, and includes the exchange

CHART 7. Public debt – ESA2010 (% GDP)



Source: Eurostat, AMECO-ECFIN

CHART 8. Nominal deficit (% GDP)



Source: Eurostat, AMECO – ECFIN

CHART 9. Structural deficit (% GDP)

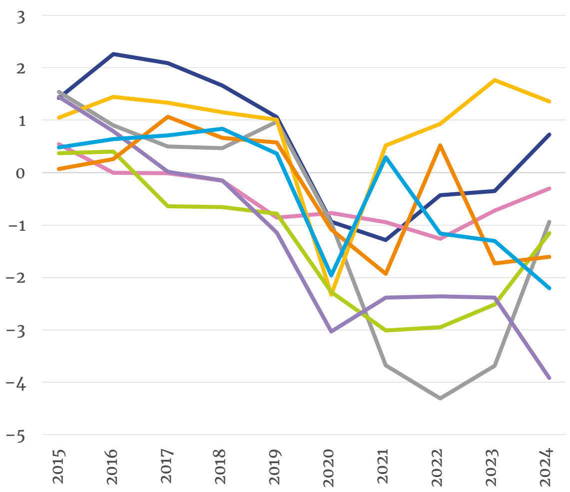
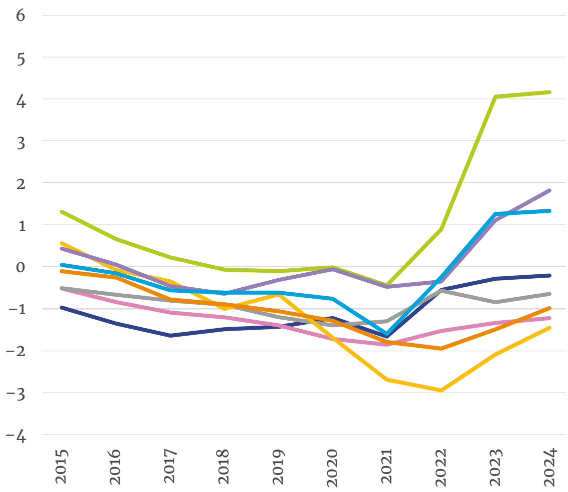


CHART 10. Effective debt servicing costs (per cent of debt from the previous period)



Poland The Czech Republic Spain Lithuania Romania Slovakia Hungary Italy

Source: Eurostat, AMECO – ECFIN

Source: Eurostat, AMECO – ECFIN

rate changes, debt structure, and the speed at which current bond yields materialise in current debt servicing costs. The highest implied interest rates were recorded in Hungary (7.3%), followed by Romania (5.2%), and Poland (4.7%). The lowest implied debt servicing costs were recorded in Lithuania (2.3%) and Spain (2.5%). The eurozone countries are characterised by lower implied interest rates, ranging from 2.3% to 3.0%. The Czech Republic also enjoys relatively low interest rates (3.3%), which is approximately 1.4 percentage points lower than in Poland.

This dimension also includes two synthetic indicators measuring the degree of compliance with the European fiscal rules. The indicators are calculated by the secretariat of the European Fiscal Board (Compliance Tracker) separately for the four budget rules.

Measured here is compliance with rules in terms of: nominal deficit rule (3% of GDP), debt rule (60% of GDP), structural deficit rule (smaller than the medium-term objective) and in terms of the so-called expenditure "benchmark", i.e. the expenditure rule (Larch et al. 2023).

Rule compliance is measured on a binary scale: 1 stands for a rule having been met, and 0 stands for a rule not having been met. Additionally, deviations from rules are measured in percentage points of GDP.

For the purposes of this study, we calculate the average index of four partial indicators for individual budget rules.

In 2024, it was only the Czech Republic which met all the rules (Table 4), while Lithuania met three of them. Spain, Italy, Hungary, and

TABLE 4. Deviation from rules (percentage points of GDP)

Country	Fiscal rule	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	Deficit rule	0.6	1.5	2.8	2.3	-3.9	1.3	-0.4	-2.3	-3.6
	Debt rule	5.9	9.6	11.8	14.8	3.4	7.0	11.2	10.5	4.7
	Structural deficit rule	-0.2	-0.4	-0.3	-1.1	-4.1	3.0	-2.8	-0.7	-1.9
	Expenditure rule	-0.3	-0.1	-0.1	-1.6	-5.1	2.2	-2.0	0.4	-2.9
The Czech Rep.	Deficit rule	3.7	4.5	3.9	3.3	-2.6	-2.0	-0.1	-0.8	0.8
	Debt rule	23.8	26.2	28.3	30.4	23.1	19.3	17.5	17.5	16.4
	Structural deficit rule	1.8	1.5	0.9	0.0	-3.4	-1.0	0.8	-0.4	1.2
	Expenditure rule	1.1	1.5	0.2	0.2	-3.5	-1.5	1.2	0.2	1.5
Spain	Deficit rule	-1.2	-0.1	0.4	-0.1	-6.9	-3.7	-1.6	-0.5	-0.2
	Debt rule	-3.8	-2.4	-2.0	-0.7	-23.6	-14.2	-3.3	4.2	3.3
	Structural deficit rule	-1.4	-0.5	-0.7	-1.6	-0.4	-0.8	-1.0	0.3	0.1
	Expenditure rule	-0.9	-0.4	-1.3	-1.4	-3.4	-2.3	0.1	0.5	-0.4
Lithuania	Deficit rule	3.0	3.4	3.5	3.4	-3.4	1.8	2.3	2.3	1.7
	Debt rule	20.2	20.9	26.7	24.4	14.1	16.7	21.9	22.7	21.8
	Structural deficit rule	0.5	0.4	0.1	-0.1	-5.3	3.9	0.1	1.0	0.4
	Expenditure rule	-0.3	1.3	-0.3	-1.5	-5.7	1.9	0.7	0.8	-1.0
Romania	Deficit rule	0.5	0.5	0.2	-1.3	-6.2	-4.1	-3.4	-3.6	-6.3
	Debt rule	22.2	24.7	25.6	25.0	13.4	11.7	12.1	11.1	5.2
	Structural deficit rule	-0.5	-1.7	-0.8	-2.0	-3.4	0.5	-0.5	-0.5	-2.9
	Expenditure rule	-0.9	-2.8	-1.3	-1.4	-3.0	-0.1	-0.6	0.4	-1.5
Slovakia	Deficit rule	0.4	2.0	2.0	1.8	-2.3	-2.1	1.3	-2.2	-2.3
	Debt rule	7.9	8.6	10.7	12.0	1.6	-7.4	2.3	4.4	0.7
	Structural deficit rule	-0.2	0.8	-1.1	-0.6	-3.1	-1.8	3.3	-4.0	-0.3
	Expenditure rule	0.0	0.4	-0.7	-1.2	-3.2	-2.7	2.7	-4.8	1.5
Hungary	Deficit rule	1.2	0.5	1.0	1.0	-4.5	-4.1	-3.2	-3.7	-1.9
	Debt rule	0.2	2.1	3.9	5.6	-11.0	-6.3	-1.7	1.6	-0.5
	Structural deficit rule	-0.4	-2.1	-0.5	-0.7	-2.8	-1.6	-0.4	0.2	1.6
	Expenditure rule	-1.0	-2.4	-0.2	-1.1	-4.2	-1.8	-0.7	3.4	1.9
Italy	Deficit rule	0.6	0.5	0.8	1.5	-6.4	-5.9	-5.1	-4.2	-0.4
	Debt rule	-7.5	-6.4	-7.1	-7.0	-27.6	-12.5	-1.7	3.0	-3.6
	Structural deficit rule	-1.3	-1.1	-0.5	0.3	-3.5	-4.7	-1.5	0.5	3.8
	Expenditure rule	-0.6	-0.9	-0.6	-0.4	-4.5	-3.7	-1.9	0.7	2.8

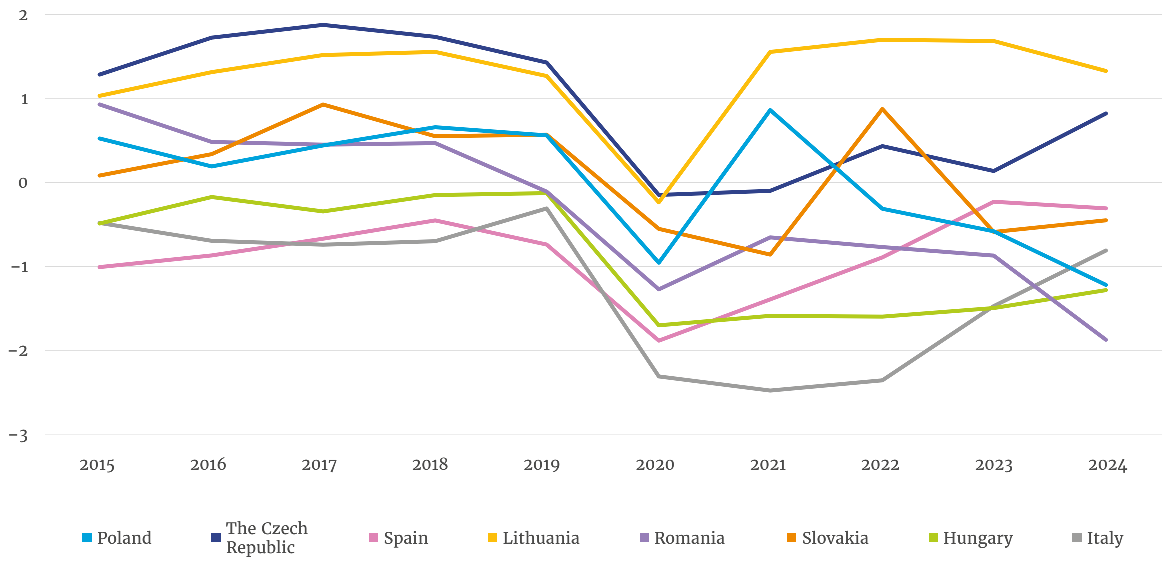
Source: own study based on "Compliance Tracker", European Budget Council
Green – rule has been met, Red – rule has not been met

Slovakia failed to meet two fiscal rules, and Poland and Romania failed to meet three rules. In 2024, Poland met only the debt-to-GDP rule, with the ratio below 60%. This was reflected in the initiation of the Excessive Deficit Procedure (EDP).

It should be noted that the procedure was launched in June 2024 on the basis of the 2023 data. Of the analysed eight countries, five were subject to the EDP procedure – Italy, Hungary, Poland, Romania, and Slovakia. In the case of the Czech Republic, Spain, and Lithuania, the excesses of the budget rules were deemed – following in-depth analysis – to be temporary.

Lithuania obtained the highest overall score for the condition of public finances and compliance with the EU fiscal rules, with the use of the adopted methodology (Figure 11, Table 5).

CHART 11. Total assessment of a country's economic credibility for the Credibility of public finances area in the Condition of public finances and compliance with the EU fiscal rules dimension (normalised indicator)



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the Credibility of public finances area in the Condition of public finances and compliance with the EU fiscal rules dimension (normalised indicator)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.52	0.19	0.44	0.66	0.56	-0.96	0.86	-0.31	-0.58	-1.22
The Czech Rep.	1.29	1.73	1.88	1.74	1.43	-0.14	-0.09	0.44	0.14	0.83
Spain	-1.01	-0.87	-0.68	-0.46	-0.74	-1.88	-1.39	-0.90	-0.23	-0.31
Lithuania	1.04	1.32	1.52	1.56	1.27	-0.23	1.56	1.70	1.69	1.33
Romania	0.93	0.48	0.45	0.47	-0.11	-1.27	-0.66	-0.77	-0.87	-1.88
Slovakia	0.08	0.34	0.93	0.55	0.57	-0.55	-0.85	0.87	-0.59	-0.44
Hungary	-0.49	-0.18	-0.35	-0.16	-0.13	-1.70	-1.59	-1.60	-1.49	-1.28
Italy	-0.49	-0.70	-0.75	-0.70	-0.32	-2.31	-2.48	-2.36	-1.48	-0.82

Source: own study

The Czech Republic was ranked the second (0.83). These were the only two countries to have achieved positive subindex values. Spain, Slovakia, and Italy ranked next.

In this dimension, Poland ranks the sixth (-1.22 points). We are followed only by Hungary (-1.28 points) and Romania (-1.88 points). Compared to previous editions, this represents a significant deterioration in Poland's ranking – in 2021, Poland was ranked the second, just behind Lithuania.

Dimension 3. Quality of the fiscal framework, openness, transparency, and unity of public finance management

In this dimension, there were adopted nine indicators:

- Fiscal Rule Strength Index (FRSI)
- Scope Index for Independent Fiscal Institutions (SIFI)
- Index on the quality of medium-term budgetary frameworks (MTBFI)
- Deficit of central government entities not included in the budget act (measured in two approaches: as a percentage of the central government deficit according to ESA and as a percentage of GDP)
- Debt of entities spending outside the budget act (measured in two approaches: as a percentage of total debt according to ESA and as a percentage of GDP)
- Use of bonds instead of subsidies (measured in two ways: as a percentage of the central government deficit according to ESA and as a percentage of GDP)

The first three indicators measure the quality of fiscal framework and are calculated by the European Commission (DG ECFIN) as part of the Fiscal Governance Database project. This database covers three areas: fiscal rules, independent fiscal institutions (IFIs), also known as fiscal councils, and medium-term budgetary frameworks (MTBFs). The database provides both qualitative and quantitative information and is updated annually based on questionnaires completed by the Member States and international financial institutions.

Well-designed fiscal rules require a number of desirable characteristics. In order to capture these characteristics, DG ECFIN constructed a fiscal rule strength index, which reflects information on: (1) the legal basis, (2) the binding nature of the rule, (3) monitoring bodies, (4) corrective mechanisms, and (5) resilience to shocks. On the basis of partial data, a comprehensive, time-varying index of fiscal rules is constructed for each Member State. The higher the index value, the stronger the fiscal rules, which translates into higher economic credibility. Among the analysed countries, Lithuania boasts the highest FRSI index (2.55), while Hungary has the lowest (0.66). The fiscal rule strength index for Poland is 1.1, which ranks us only the sixth among the eight countries subject to analysis.

Since 2015, DG ECFIN has introduced the Scope Index for Independent Fiscal Institutions (SIFI), which aims at measuring the scope of tasks performed by national fiscal councils. The SIFI consists of six separate task groups: (1) monitoring compliance with fiscal rules, (2) macroeconomic forecasting, (3) budget forecasting and policy cost estimation, (4) sustainability assessment, (5) promoting fiscal transparency, and (6) providing normative recommendations for fiscal policy. The index ranges from 0 to 100, with a value of 100 indicating the optimal design of a fiscal council. In countries with independent, competent fiscal councils, economic credibility is higher.

Poland scores very poorly in terms of its Fiscal Council, as it currently lacks one, although the Supreme Audit Office (Najwyższa Izba Kontroli, NIK) performs some of its functions, such as assessing budget execution. However, this only marginally fulfills all the desired functions (17.5 points on a scale of 0 to 100). The situation is to change shortly – at the beginning of 2026, under a new law, there is going to commence its operations the Polish Fiscal Council. It should be emphasised, however, that the mere establishment of a council does not guarantee automatic advancement in this ranking. The index value depends not only on the council's existence but also on the scope and mandate of its activities. The remaining countries subject to analysis do have fiscal councils, although these differ in their scope of authority and institutional strength. The highest Scope of Fiscal Institutions Index (SIFI) values have been recorded in Italy (75.9 points) and Spain (71.4 points).

CHART 12. Fiscal Rules Strength Index (FRSI)

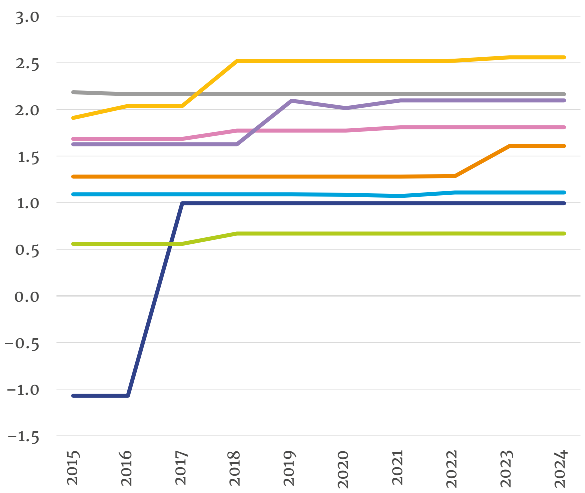


CHART 13. Scope Index for Independent Fiscal Institutions (SIFI)

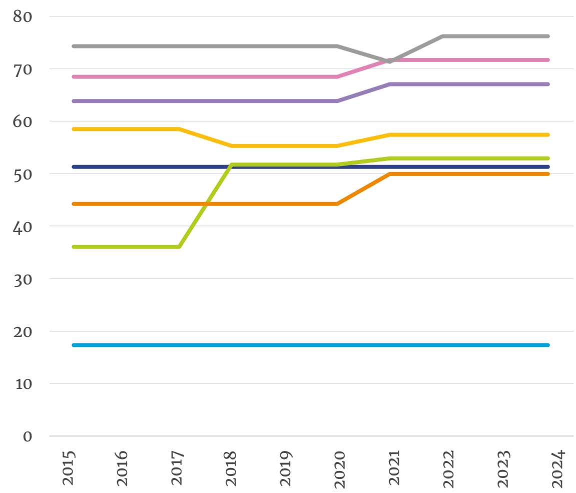
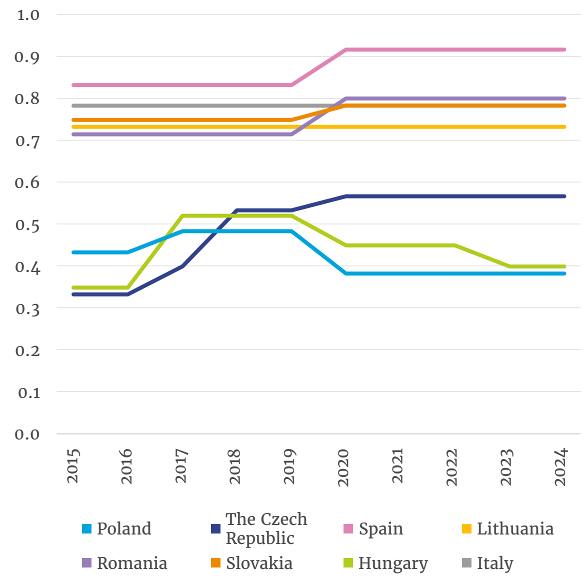


CHART 14. Index on the quality of medium-term budgetary frameworks (MTBFI)



Source: Fiscal governance database, ECFIN EC

DG ECFIN also examines existing medium-term budgetary frameworks in the EU Member States, known as multiannual planning. For their credibility, public finances should be planned with a medium-term perspective. DG ECFIN has developed an indicator of the quality of medium-term budgetary frameworks, which is updated annually. It measures the quality of national medium-term budgetary framework with the use of five criteria: (1) the scope of targets/ceilings included in national medium-term fiscal plans, (2) the linkage of these targets/ceilings to annual budgets, (3) the involvement of the national parliament in development of the plans, (4) the involvement of independent fiscal institutions in development of the plans, and (5) the level of detail. The index ranges from 0 to 1 – the higher the value, the better the quality of the multiannual planning system.

Between the years 2015 and 2023, public finances in Poland underwent dangerous transformation. Constitutional principles of openness, transparency, unity, and democratic control, were replaced with practices of window dressing, proliferation of extra-budgetary funds and financial vehicles, and the circumvention of the budget law.

In this respect, Poland also ranks the lowest among the analysed countries. Unfortunately, many budgetary issues are moved forward to subsequent years, and only multiannual planning can reveal these weaknesses. On a scale of 0 to 1, the quality index of the medium-term budgetary framework in Poland was 0.38 (similar to 0.40 in Hungary), while in Romania and Slovakia it is around 0.80, and in Spain 0.92.

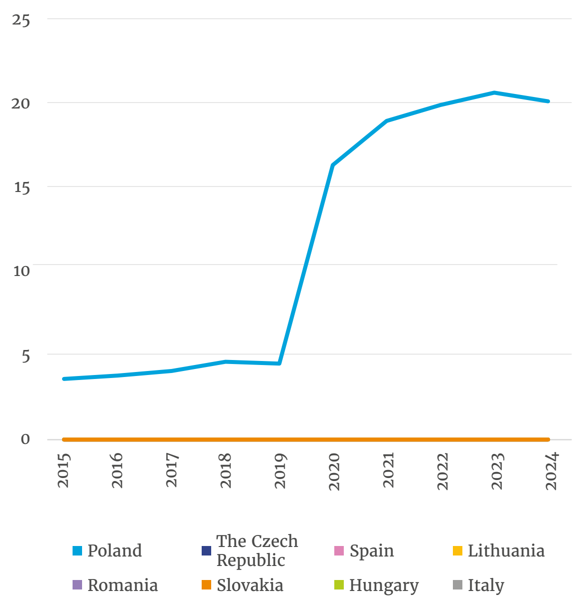
From the perspective of the institutional credibility of public finances, of importance here are also budgetary principles formulated in financial theory. Numerous compilations of these principles appear in the Polish literature on the subject (cf. Owsiak, 2017; Bitner et al., 2011). Undoubtedly, the most frequently formulated strictly budgetary principles which are important from a credibility perspective include: the principle of universality, the principle of unity, the principle of detail, the principle of balance, the principle of disclosure, the principle of transparency, and the principles of reliability and realism.

For this purpose, there was used a group of six indicators measuring the transparency of public finances and the coherence of public finance management through the Budget Act. The total weight of these six indicators is ¼, the same as each of the three indicators regarding the quality of the fiscal framework described above. What spurred the measurement of these aspects was the situation observed in Poland in recent years. Unfortunately, between the years 2015 and 2023, public finances in Poland underwent dangerous transformation. Constitutional principles of openness, transparency, unity, and democratic control, were replaced with practices of window dressing, proliferation of extra-budgetary funds and financial vehicles, and the circumvention of the budget law. The scale of this phenomenon was unprecedented – in 2022, the actual state budget deficit was eight times higher than the one officially presented to parliament (see Dudek and Kotecki, 2023). The Council of the Supreme Audit Office refused to issue a positive opinion on the discharge, pointing to "a significant part of the state's financial management being conducted outside the budget" (NIK, 2023). In practice, the state budget institution ceased to serve as the overarching act of public finance management, thus violating Article 219 of the Constitution of the Republic of Poland. A parallel budget was created at Bank Gospodarstwa Krajowego and the Polish Development Fund, in which, outside parliamentary oversight and without the rigours of the Public Finance Act, hundreds of billions of zlotys' worth of debts were incurred.

Public finances were instrumentalised for the purposes of clientelism – the Justice Fund scandal is just the tip of the iceberg. "Cardboard cheques" from the COVID-19 Countermeasures Fund financed tasks unrelated to the pandemic, and the IFP report "Subsidies for Insiders", following the analysis of 40,000 subsidies (PLN 170 billion), showed that local governments affiliated with the United Right (Zjednoczona Prawica) received several times more per capita than opposition local governments. Prior to the 2023 elections, PLN 50 billion (1.5% of GDP) was distributed in a single month, with obvious political intent (see Olejnik and Grygo, 2024). Of course, all these aspects cannot be precisely captured with statistical measures otherwise applicable to other countries. However, we have attempted to capture these abnormal trends in the public finance system.

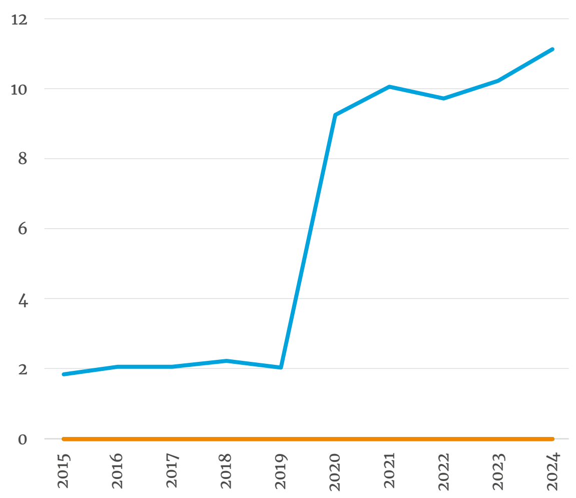
A measure of the scale of public funds being diverted from the control of the Budget Act – the basic public finance plan – is the difference between the objective, comprehensive definition of public debt according to ESA2010 and the national definition of debt, appropriate for the purposes of the national, formal budget process. Analyses indicate that Poland is the only country to enjoy two definitions of debt. This difference reflects the scale of debt in entities and funds which spend public funds outside the Budget Act, and, therefore, also outside the constitutional definition of debt in Poland. Despite some corrective measures, the scale of debt outside the constitutional definition of debt continues to grow relative to GDP. At the end of 2024, it was 11.1% of GDP, compared to 10.2% of GDP in 2023. This debt constitutes 20.1% of the total debt (see Dudek, Kalisz, and Kotecki 2025), slightly less than a year ago (20.6%). Debt in the "parallel budget" continues to grow, but at

CHART 14. Deficit of central government entities not included in the budget act (% of total debt according to ESA)



Source: own study based on data from the Ministry of Finance and the Central Statistical Office

CHART 15. Debt of entities spending outside the budget act (% GDP)



a slower rate than the debt of the formal state budget. This indicator highlights, on the one hand, a lack of transparency in public finances resulting from the existence of two different definitions of debt, and, on the other hand, a violation of the principle of unity in public finance management through the Budget Act, which is protected by Article 219 of the Constitution. All these factors negatively impact the credibility of public finances.

Positive changes include the announcement of the creation of an independent Fiscal Council, which is scheduled to commence operations in 2026, and the tightening of the expenditure rule. Another positive sign is the government publishing financial plans of financial vehicles in the Bank Gospodarstwa Krajowego. While there is a certain level of transparency, there is still a lack of full transparency – the actual state budget deficit continues to be unclear. These funds are not formally part of the budget act, and as a result, there remain two definitions of public debt.

To supplement the measurement of the scale of financial operations not included in the budget act, there was used the difference between the state budget result and the central government result according to the European System of Accounting (ESA). Importantly, this measure is calculated for all EU countries, allowing for some comparisons with other countries. Here, the indicator used is the result generated by non-budgetary entities, not included in the national budget process.[7] This information is published in so-called fiscal notifications. This measure covers, among others, public enterprises classified as public finance (e.g., railways, public television stations), as well as financial vehicles, such as quasi-funds at the Bank Gospodarstwa Krajowego. On one occasion, in Hungary and Spain, entities reported to the European Commission notified of a deficit despite not being included in the national budget process.

7 EDP fiscal notification: net lending (+)/ net borrowing (-) of other central government bodies – B9_OB as a percentage of the central government deficit and as a percentage of GDP.

CHART 16. Deficit outside state budget (% of full deficit)

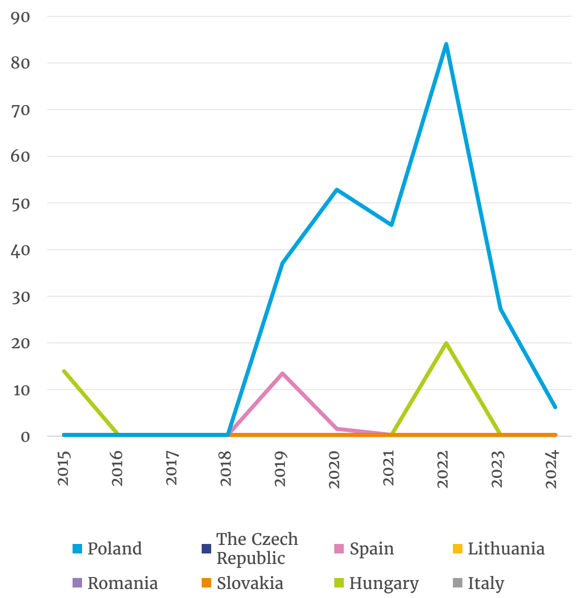
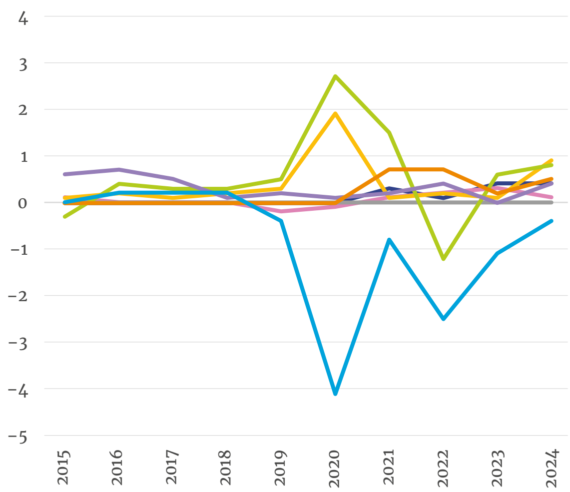


CHART 17. Deficit outside state budget (% GDP)



Source: own study

These entities do not issue their owndebt. In other countries, where similar entities exist, they typically report surpluses.

Another indicator of opacity is the practice of issuing treasury bonds. It involves issuing treasury bonds exclusively for the purpose of transferring them to other entities in the public finance sector, rather than granting subsidies. Distributing treasury bonds instead of subsidies is but one example of poor public finance management, which can negatively impact transparency and expenditure control.

The practice was criticised by the Supreme Audit Office and widely described in reports by the Supreme Audit Office, the Institute of Public Finance and in our reports on Poland's economic credibility (see NIK, 2023, 2024, 2025; Dudek and Kotecki, 2023).

This accounting trick received similarly critical opinion in the White Paper of the Ministry of Finance (2024), which stated, among other things: "The use of such a mechanism reduces transparency of the state budget by artificially underestimating the amount of expenditures and, as a result, the state budget deficit." The Ministry of Finance goes on to say that "the mechanism of free transfer of Treasury securities contributes to a decrease in credibility of the fiscal rules in force in Poland, especially since it has de facto become a repetitive instrument." It added that "the consequences of its application are indirect and may constitute a long-term and negative factor for Poland's credit rating and directly influence the increase in public debt servicing costs." Furthermore, it was emphasised that "regular duplication of solutions involving the free issuance of Treasury securities in order to finance expenditures of individual entities leads to destabilisation of the Treasury securities market." All the more surprising is the fact that continuation of this mechanism, albeit on a smaller scale, has been envisaged in the 2025 draft budget act.

In recent years, these operations have underestimated Poland's state budget deficit by as much as 0.8% of GDP. In some years, it amounted to nearly half of the actual deficit. In 2024, the scale of this practice reached PLN 24 billion, or 0.66% of GDP, slightly higher than in 2023 (0.63% of GDP).

CHART 18. Use of bonds instead of subsidies (% of deficit)

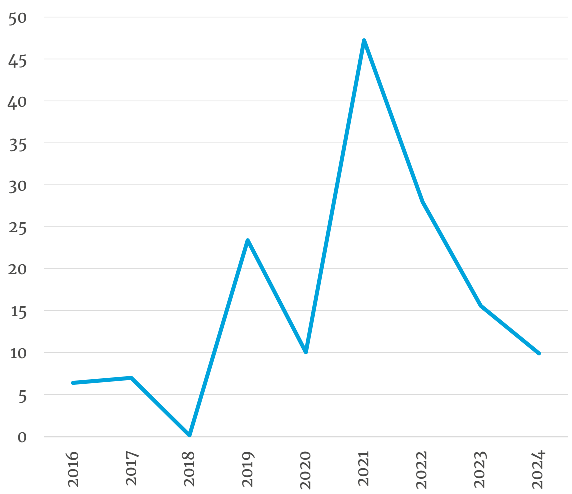
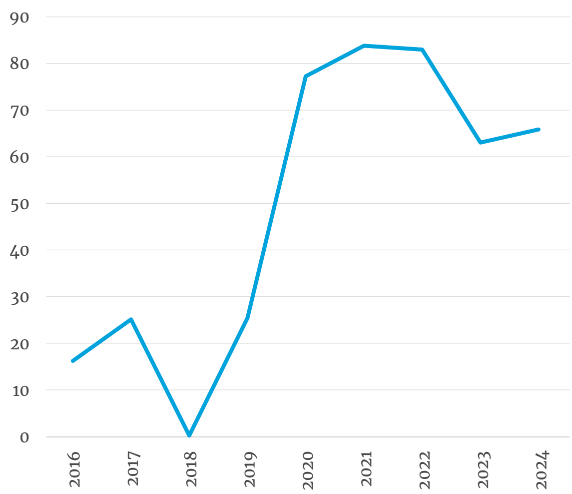


CHART 19. Use of bonds instead of subsidies (% GDP)

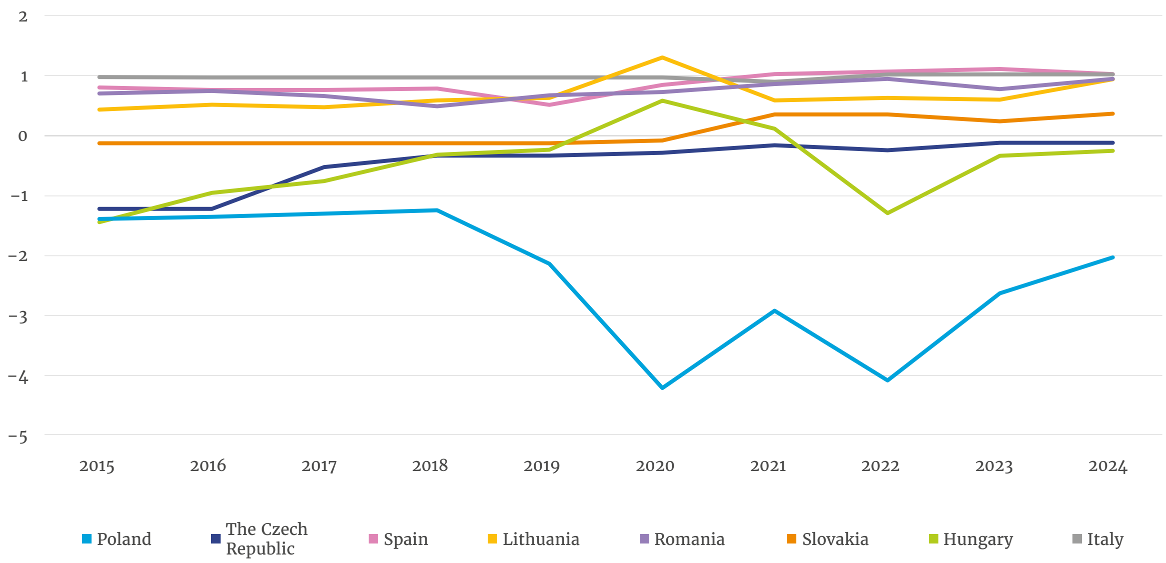


Source: own study based on the Ministry of Finance and the Supreme Audit Office data

Overall, in terms of the quality of fiscal framework, transparency, and unity of public finances (Figure 20, Table 6), according to the adopted methodology, Spain (1.02) and Italy (1.01) score the highest, similarly to Lithuania (0.94) and Romania (0.94). Poland ranks the lowest, significantly lagging behind other countries in this respect. Poland does not have a Fiscal Council or medium-term budget planning. According to the FRSI index, the existing national budget rules place Poland only the sixth among the eight countries subject to analysis. The level of public finance transparency in 2024 did not improve significantly.

Rebuilding credibility in this area should proceed at an accelerated pace because – as previously indicated – maintaining low credibility of public finances for a long time may lead to a permanent loss of public trust.

CHART 20. Total assessment of a country's economic credibility for the Credibility of public finances area in the Quality of fiscal framework, openness, transparency of public finance management dimension (normalised indicator)



Source: own study

TABLE 6. Total assessment of a country's economic credibility for the Credibility of public finances area in the Quality of fiscal framework, openness, transparency of public finance management dimension (normalised indicator)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.39	-1.36	-1.31	-1.25	-2.14	-4.21	-2.92	-4.08	-2.63	-2.03
The Czech Rep.	-1.22	-1.22	-0.53	-0.34	-0.34	-0.29	-0.17	-0.25	-0.12	-0.12
Spain	0.80	0.76	0.76	0.79	0.52	0.85	1.02	1.06	1.11	1.02
Lithuania	0.44	0.52	0.48	0.59	0.63	1.30	0.59	0.64	0.60	0.94
Romania	0.70	0.75	0.66	0.50	0.67	0.73	0.86	0.94	0.77	0.94
Slovakia	-0.12	-0.12	-0.12	-0.12	-0.12	-0.07	0.35	0.35	0.24	0.36
Hungary	-1.44	-0.95	-0.75	-0.32	-0.24	0.58	0.11	-1.29	-0.34	-0.25
Italy	0.98	0.97	0.97	0.97	0.97	0.97	0.90	1.01	1.01	1.01

Source: own study

Dimension 4. Transparency, predictability, complexity, and efficiency of the public levy system

Credibility of public finances largely depends on the quality of the tax system. Complex and opaque regulations, frequent changes of law, and high administrative costs of tax collection lead to a decline in taxpayer confidence, increase the costs of tax compliance, and encourage tax avoidance. As a result, the state receives lower budget revenues, which hinders the financing of public services and deepens the trust deficit in public institutions.

The studies of OECD, IMF, and World Bank consistently indicate that tax systems should be transparent, stable, and simple. Clear regulations reduce tax compliance costs, increase the so-called tax morality and promote investment. In turn, excessive complexity leads to accounting errors, unintended behavioural responses, and increased tax avoidance. Simple regulations are easier to administer, thus reducing costs for the state and taxpayers and promoting stability of public finances.

For entrepreneurs and taxpayers, stability and predictability of taxes, the so-called "tax certainty", are often much more important than their amount. The tax system is not reliable when changes in the law are too frequent, unpredictable, do not have an appropriate vacatio legis period, and are not subject to adequate public consultation.

In this context, international indices of the quality of tax systems are becoming increasingly important, as they allow for comparison of different countries not only in terms of rates, but also in terms of predictability and transparency of regulations.

Clear regulations reduce tax compliance costs, increase the so-called tax morality and promote investment.

In this area, there were applied two indicators. The first is the International Tax Competitiveness Index (ITCI). This index, developed by the Tax Foundation, measures how competitive and neutral a country's tax system is compared to other countries. The ITCI evaluates tax systems in terms of their impact on business and investment decisions and their ability to support economic growth and innovation. The analysis covers five key areas: corporate income taxes, personal income taxes, consumption taxes (e.g., VAT), property taxes, and international taxation principles. It also includes a number of detailed indicators, such as tax rates, tax bases, depreciation rules, double taxation prevention rules, and tax complexity.

The ITCI values are scaled from 0 to 100, with a higher value indicating a more competitive and neutral tax system (Bunn, 2023; Tax Foundation, 2024). According to this index, Italy fares the worst among the countries subject to analysis, ranking 37th out of 38. In the latest edition of this study, Italy scored 47.2 points, Spain 56.3 points (33rd place), while Poland has obtained the lowest result among Central European countries, ranking 31st (57.5 points). Estonia took the first place in the ranking (100 points), while Lithuania came the fifth (79.5 points), which is a similarly high result.

The second indicator is the Tax Complexity Index (TCI) (Hoppe et al., 2023), developed as part of a research project by Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The Tax Complexity Index measures the degree of complexity of a country's corporate income tax system, a challenge faced by multinational corporations. The index ranges from 0 (not complex) to 1 (extremely complex). Poland fares the worst in this study – according to the latest TCI edition, Poland's score amounted to 0.47, thus giving us the 64th position among the surveyed 71 countries. In this respect, we

CHART 21. International Tax Competitiveness Index (ITCI)

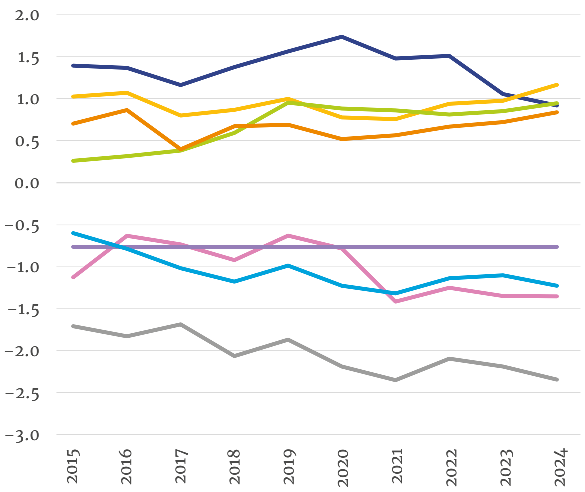
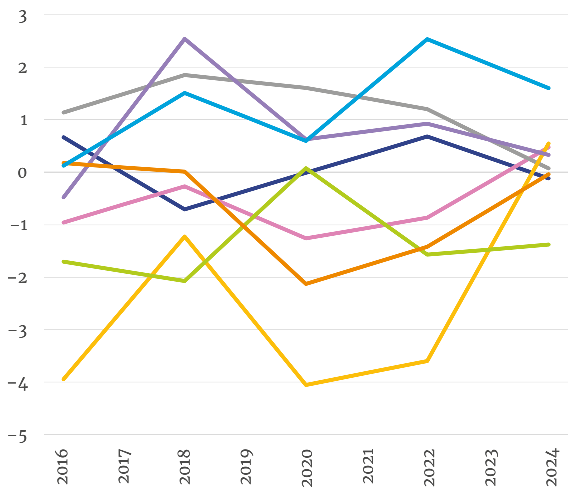


CHART 22. Tax complexity Index (TCI)



Poland The Czech Republic Spain Lithuania Romania Slovakia Hungary Italy

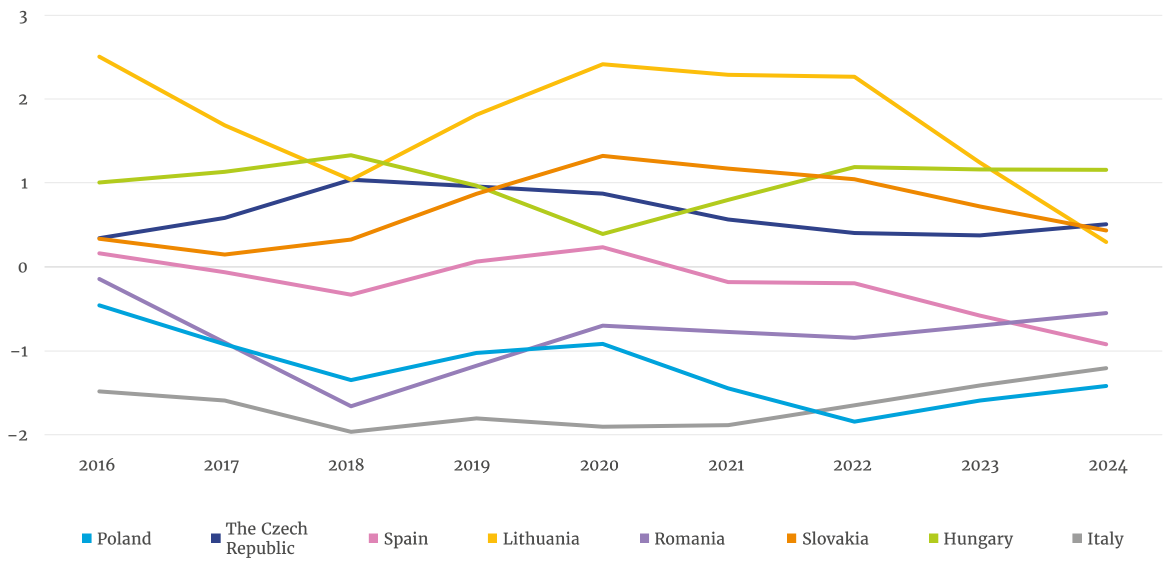
Source: own study based on Tax Foundation

perform worst of all European countries. Hungary achieved the highest result in the ranking. Lithuania previously held a high position, but in the latest study, the country saw a significant drop in the ranking.

On the basis of the two above-mentioned indices, there was developed a total index for the certainty and simplicity of the tax system dimension.

In this respect, Poland performs the worst, ranking just behind Italy. These two countries clearly lag behind the rest of the analysed countries, although Spain also fares poorly. In 2024, Hungary performed best, while Lithuania saw a significant decline, falling to the same level as the Czech Republic and Slovakia.

CHART 23. Total assessment of a country's economic credibility for the Credibility of public finances area in the Certainty and simplicity of tax system dimension (normalised indicator)



Source: own study

TABLE 7. Total assessment of a country's economic credibility for the Credibility of public finances area in the Certainty and simplicity of tax system dimension (normalised indicator)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.46	-0.92	-1.35	-1.03	-0.92	-1.44	-1.84	-1.59	-1.42
The Czech Rep.	0.35	0.59	1.04	0.96	0.87	0.57	0.41	0.39	0.52
Spain	0.16	-0.07	-0.33	0.06	0.23	-0.18	-0.20	-0.58	-0.91
Lithuania	2.51	1.69	1.05	1.82	2.42	2.29	2.27	1.25	0.31
Romania	-0.15	-0.90	-1.65	-1.18	-0.70	-0.77	-0.85	-0.70	-0.55
Slovakia	0.35	0.16	0.33	0.87	1.32	1.17	1.04	0.73	0.44
Hungary	1.01	1.13	1.33	0.97	0.40	0.80	1.19	1.16	1.16
Italy	-1.49	-1.59	-1.96	-1.80	-1.90	-1.88	-1.65	-1.42	-1.21

Source: own study

Summary

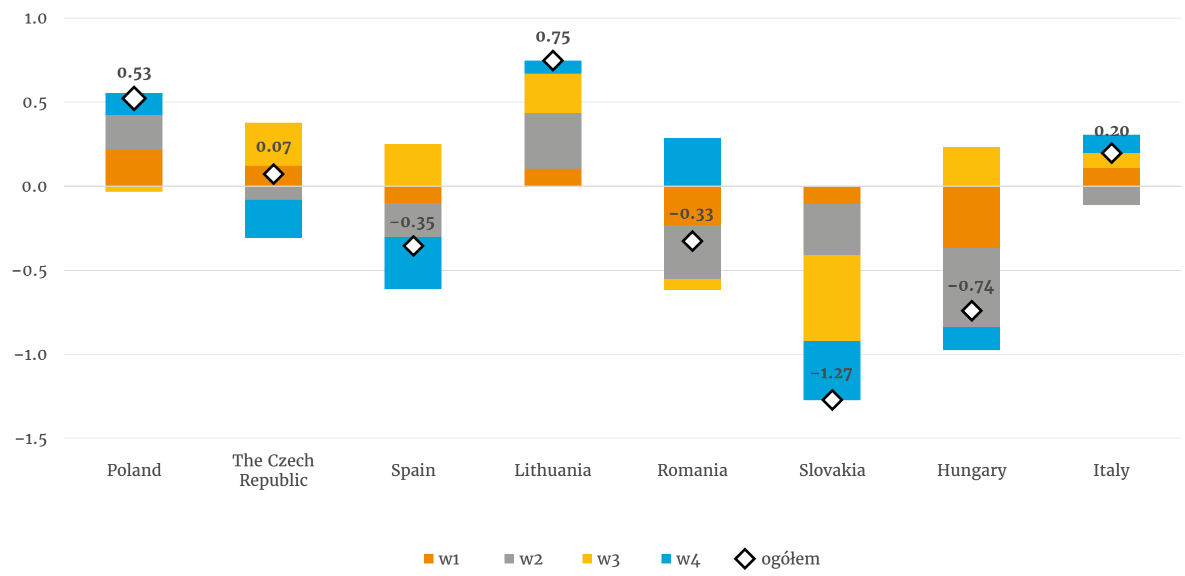
The overall public finance credibility rating in Poland in 2024 was -1.27, which places our country among the weakest in the group of countries subject to analysis. Romania (−0.74) and Hungary (−0.33) achieved a better result. This is due to the fact that Poland's institutional framework is weak, which means that in the conditions of the "populism trap", negative trends in public finances will be very difficult to reverse. With a credible fiscal framework, transparency and accountability in the management of public finances, the spiral of promises without sustainable revenue coverage could have been stopped sooner.

A negative index was recorded for Italy (−0.35). For the remaining countries, the total index value is positive. In 2024, the best result was achieved by Lithuania (0.75), followed by the Czech Republic (0.53), and Slovakia (0.20). Spain achieved a slightly positive index value (0.07).

Poland's relatively low ranking is primarily driven by two dimensions: the quality of its fiscal framework, transparency and openness of its public finance management, and certainty and simplicity of its tax system. These factors contribute the most to the decline in the overall index. While in 2024 there was observed some improvement in these dimensions, the condition of Poland's public finances also deteriorated significantly – its structural and nominal deficits are among the highest in the region, and Poland fails to comply with most EU fiscal rules.

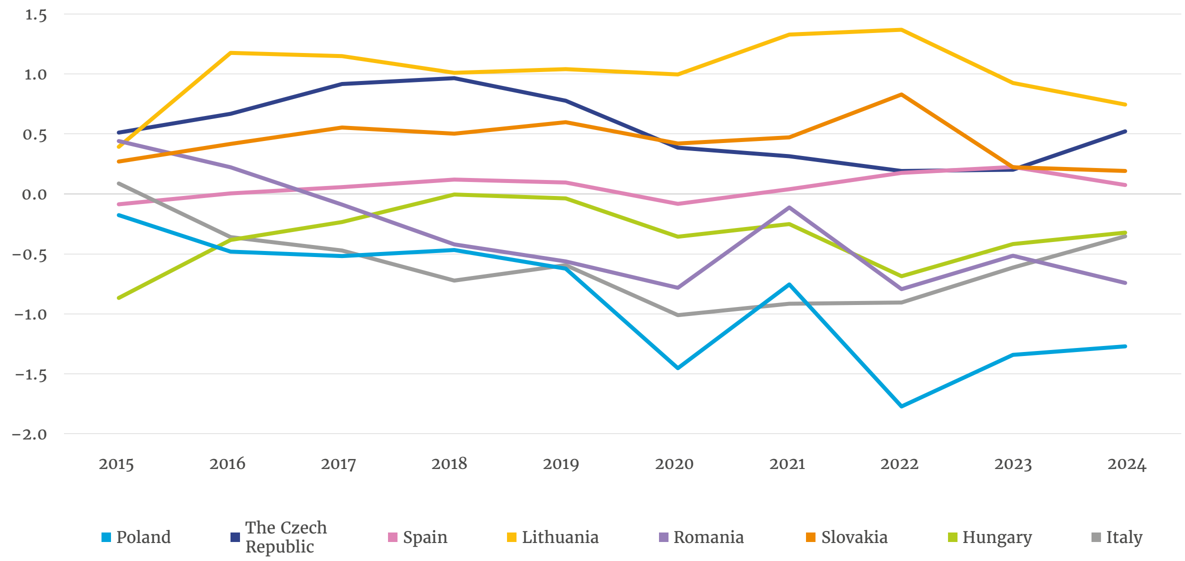
An additional risk factor is the change in credit ratings of two rating agencies to negative, which sends a clear warning. As a result, Poland finds itself in a situation where a lasting restoration of public finance credibility requires

CHART 24. Contribution of individual dimensions to total assessment of a country's economic credibility for the Credibility of public finances area in 2024



Source: own study; W1 – Perception of fiscal credibility by financial markets and rating agencies; W2 – Condition of public finances and compliance with the EU rules; W3 – quality of fiscal framework; openness, transparency, and unity of public finance management; W4 – certainty and simplicity of tax system

CHART 25. Total assessment of a country's economic credibility for the Credibility of public finances area



Source: own study

TABLE 8. Total assessment of a country's economic credibility for the Credibility of public finances area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	−0.18	−0.49	−0.52	−0.47	−0.63	−1.45	−0.76	−1.77	−1.34	−1.27
The Czech Rep.	0.51	0.67	0.91	0.96	0.78	0.39	0.32	0.20	0.21	0.53
Spain	−0.08	0.01	0.06	0.12	0.09	−0.08	0.04	0.17	0.22	0.07
Lithuania	0.40	1.18	1.15	1.01	1.04	1.00	1.33	1.37	0.93	0.75
Romania	0.44	0.22	−0.09	−0.42	−0.56	−0.78	−0.11	−0.79	−0.51	−0.74
Slovakia	0.28	0.42	0.56	0.50	0.60	0.42	0.47	0.83	0.23	0.20
Hungary	−0.86	−0.39	−0.24	−0.01	−0.04	−0.36	−0.25	−0.69	−0.42	−0.33
Italy	0.08	−0.36	−0.47	−0.72	−0.59	−1.01	−0.91	−0.90	−0.61	−0.35

Source: own study

both rapid fiscal corrective action and long-term institutional reforms aimed at increasing transparency, simplicity, and certainty of the tax system.

Foreword

Introduction

Area I. Rule of law

Area II. Freedom of economic activity

Area III. Credibility of public finances

Area IV. Stability of money and the financial system

Area V. Labour protection and safety

Area VI. Quality of public services

Area VII. Climate and Environment

Area VIII. Respect for international obligations

Methodological note

Threats to Poland's economic credibility in the coming years – results of a qualitative study

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The importance of monetary and financial system stability for a country's economic credibility

A country's economic credibility determines the degree to which citizens can trust that economic policymakers will adhere to the principles they themselves proclaim. It has a particularly crucial role to play in the area of monetary and financial system stability, as this sector is highly dependent on expectations and requires constant adjustments, especially when economic policies cause instability.

A modern economy, based on exchange and specialisation, requires stable money. Inflation, which destabilises it, generates costs, even if it is not high (Ciżkowicz and Rzońca, 2011). In particular, by increasing uncertainty, it discourages investment and worsens investment efficiency. The negative impact of inflation on economic performance has been confirmed by many empirical studies, including those conducted for countries, in which inflation has always been low (see e.g. Ciżkowicz and Rzońca, 2013). The stability of fiduciary money, as the very term suggests (from the Latin *fido* – to trust, to rely on), is based on trust.

When economic policies inspire confidence in citizens, their expectations help to achieve goals of such economic policies. A credibility deficit, on the other hand, deepens the problems.

At the same time, a prerequisite for monetary stability is a stable financial system, the core of which – the banking sector – accounts for 80–90 per cent of money creation in a modern economy. A stable financial system is in itself essential for such an economy (see, e.g., Levine, 2005). It lowers the cost of directing capital to profitable projects; promotes improved oversight of cost-effective investment implementation and reduces its cost; facilitates risk management by dispersing risk and enabling investors to quickly withdraw from projects; can mobilise large capital for investments which can often be realised either in full or not at all; facilitates starting a business by reducing dependence of potential entrepreneurs on their assets; and lowers the cost of concluding transactions through development of the payment system.

Stability of both money and the financial system can only be ensured by a state which is able to manage expectations. Expectations are the means through which credibility operates (see, e.g., Albinowski et al., 2014; Blinder et al., 2008; Blinder et al., 2023; Bursian and Faia, 2018). When economic policies inspire confidence in citizens, their expectations help to achieve goals of such economic policies. A credibility deficit, on the other hand, deepens the problems. For instance, if people begin to fear rising inflation, they escalate their demands for wage increases (in the case of employees) and price increases (in the case of businesses), which in turn accelerates inflation. Similarly, if people anticipate a bank's bankruptcy, unless their deposits are insured, they begin to withdraw their money, thus increasing the risk of such bank's bankruptcy.

The best way to build credibility in the area of monetary and financial stability is for central banks to adhere to their mandate and systematically explain to households how monetary policy, aimed at low inflation over the medium term, stabilises the economy (Ehrmann et al., 2023). A credible central bank raises interest rates during periods of economic expansion in order to prevent overheating while ensuring the possibility of lowering interest rates in the event of a recession. At the same time, it strives to keep credit growth under control. Credibility is built through discipline, and its effects are visible when a negative shock occurs – a central bank which operates within a well-understood framework maintains public trust. With this trust, citizens can expect that any inflation spikes will be contained and that banks have sufficient resources to maintain liquidity, with the central bank taking effective interventions if necessary. These expectations alone help to stabilise the economy. However, when credibility is lacking, even a moderate shock can trigger excessive reactions – a sharp rise in inflation expectations or a bank run.

Credibility is a type of capital that is accumulated over a long period of time in order to be able to use it in difficult times.

Credibility is a type of capital that is accumulated over a long period of time in order to be able to use it in difficult times.

For a central bank, credibility is particularly crucial in the face of supply shocks, which impact inflation and economic activity in various directions. These shocks present monetary authorities with a dilemma: whether to react to changes in price dynamics out of concern that they may become permanent, or to stabilise economic activity. With sufficiently high credibility, this dilemma disappears, as inflation expectations are firmly anchored at the level of the inflation target. These fundamental interdependencies have acquired high practical significance in recent years, when the global economy has been rocked by very strong negative supply shocks: first the COVID-19 pandemic, then Russia's aggression against Ukraine and the ensuing energy crisis, and most recently, trade wars triggered by Donald Trump.

Methodology for calculating the Index in the area of Stability of money and the financial system

The following changes have been introduced in the methodology for calculating the credibility index in the area of Stability of money and the financial system.

Firstly, the use of net inflation, defined individually for each country, was abandoned. The same general category of core inflation remains in use. However, measures calculated by individual central banks, which had varied their calculations, were abandoned because not all banks in the expanded sample did so. For the entire group of countries subject to analysis, there was adopted a uniform definition of net inflation – as inflation excluding food and energy prices, i.e., price categories subject to particularly strong supply shocks or regulations. Net inflation was calculated on the basis of the Eurostat data.

Secondly, one of the indicators applied in calculating the index was modified. Among the measures approximating threats to monetary stability, taken into account was deviation from the target instead of the square of the inflation deviation above the target. This change was effected because the contribution of this indicator to the overall index, when inflation was significantly different from the target, dominated the contribution of other measures, thus leading to high index volatility. The change in question has no significant impact on this year's results, however, it reduces the index's importance, especially in 2022, when inflation in all countries reached its local peaks.

Thirdly, in cooperation with the Polish Bank Association, added to the index was an additional dimension – the financing of the economy by the banking sector. This sector plays a dominant role in the European financial sector. At the same time, over the past decade or so, it has undergone profound changes which may have a significant impact on a country's economic credibility.

The dimension encompasses three indicators: banks' return on equity, the equity-to-GDP ratio, and the credit multiplier. The first indicator approximates the efficiency with which banks use the capital entrusted thereto. The banking sector can systematically increase its financing of the economy on the condition that its operations generate profits no lower than the user cost of capital. If its profitability is lower than in other types of activities, there are no incentives to invest in this sector and increase the scale of lending, which requires capital. The second indicator approximates banks' financing potential for the economy. Granting loans requires capital from banks. The more capital they have, the greater their ability to finance the economy. The third indicator reflects the degree to which this potential is utilised.

Growth in the banking sector's potential is not always positive. Capital and other resources used by banks cannot be simultaneously used in other sectors of the economy. Although the optimal level of loan for the non-financial sector depends on many factors, and its estimates are subject to considerable uncertainty, it typically does not exceed 100% of GDP (see Arcand et al., 2015; Cecchetti and Kharroubi, 2012; Law and Singh, 2014). Therefore, instead of the raw ratio of banks' equity to GDP, we use for calculations a function with the following characteristics.

The function reaches its maximum for the equity-to-GDP ratio, which—given the potential utilisation—would imply loan to the non-financial sector at 100% of GDP. As long as equity remains below this level, the function is equal to its actual value. However, once it is exceeded, it begins to decline by the value of the excess over the optimum. The adoption of such function is, of course, discretionary. Nevertheless, it affects only the results for one country: Spain. Over the past decade or so, this country has faced a banking crisis, followed by the restructuring of its banking sector. The introduced correction is a method of accounting for these phenomena in the results.

Similarly, increasing the utilisation of potential does not always bring benefits. If the economy's financing reaches values which are too high relative to its potential, there appears a threat of a banking crisis (see, e.g., Reinhart and Rogoff, 2009; Schularick and Taylor, 2012;

Sufi and Taylor, 2021; Rzońca, 2014). Therefore, in our calculations, we use not a raw measure of the credit multiplier, but its function with the following properties.

The function reaches a maximum for the multiplier at 8. For multipliers below this level, it equals its actual value, while for multipliers above this level, it becomes an increasingly rapidly decreasing function. The rate of this decline was calibrated so that the value of the multiplier observed in Spain between the years 2008 and 2012, i.e., during the acute banking crisis in Spain, implied non-positive values. Although the form of the function and its calibration are discretionary, it has not affected the results since 2014, which is considered the end of the banking crisis in Spain (the rescue plan was formally terminated at that time and the banking system was deemed to have returned to stability). Since then, the multiplier has never exceeded the value of 8 in any of the countries subject to analysis.

TABLE 1. Dimensions and weights in the Stability of money and the financial system (in percentage)

Dimension		Weight
1. Approximate measures of credibility	33.3	25
2. Threats to a country's credibity in the area of money stability	33.3	25
3. Threats to a country's credibility in the area of financial system stability	33.3	25
4. Financing the economy by the banking sector		25

Source: own study

Similarly to other dimensions, each indicator of the banking sector's financing of the economy was given the same weight (33.3%). At the same time, the expanded credibility index maintained the principle of each dimension being given equal weight.

TABLE 2. Weights of indicators in the Stability of money and the financial system area (in percentage)

Dimension	Indicator	Weight
1. Approximate measures of credibility	Household inflation expectations	-50.0
	Share of cash in the M3 money supply	-50.0
2. Threats to a country's credibity in the area of money stability	Net inflation volatility	-25.0
	Squared deviation above the target	-25.0
	Squared demand gap	-25.0
	Squared deviation of money supply growth from the growth rate of potential GDP plus the inflation target	-25.0
3. Threats to a country's credibility in the area of financial system stability	Growth rate of claims on the non-financial sector relative to the growth rate of potential GDP plus the inflation target	-33.3
	Share of receivables from the public finance sector in banks' assets	-33.3
	Deviation of real interest rates from the natural interest rate	33.3
4. Financing the economy by the banking sector	Return on equity of banks	33.3
	Ratio of equity to GDP	33.3
	Mnożnik kredytowy	33.3

Source: own study

In the case of indicators which are stimulants (the higher the value of the indicator, the better), there were used positive weights, while in the case of destimulants (the lower the value of the indicator, the better) – there were used negative weights.

Adding a new dimension to the index is the most significant change to the adopted methodology. Therefore, for clarity, we present the index in two versions. The first version includes only the dimensions which were included in its calculation in previous years, while the second version also includes the new dimension.

Analysis of economic credibility in the area of monetary and financial system stability

Last year, all surveyed countries saw improved credibility in the area of monetary and financial system stability, regardless of whether credibility is assessed across three or four dimensions. Below, we present the changes which contributed to this improvement. These changes were not unidirectional, although—obviously—positive changes predominated.

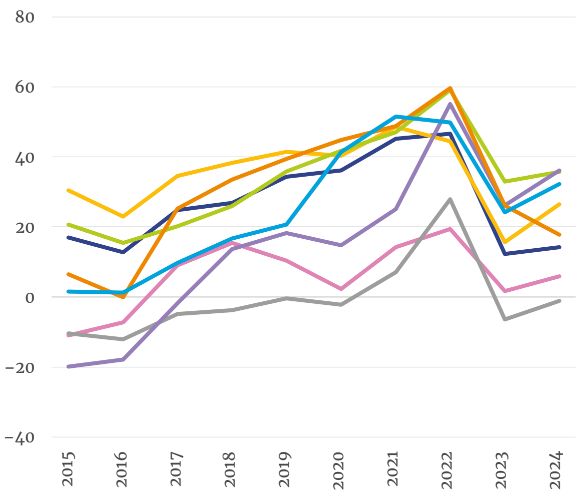
Dimension 1. Approximate measures of credibility

With the exception of Slovakia, inflation expectations rose again in the other countries surveyed in 2024. However, in three of them – the Czech Republic, Spain, and Italy – they remained low. In Italy, deflationary expectations could even be said to have persisted. Poland found itself at the other extreme – among the three countries, alongside Romania and Hungary, which recorded elevated inflation expectations. Consequently, central banks of these countries failed to address household concerns about monetary stability.

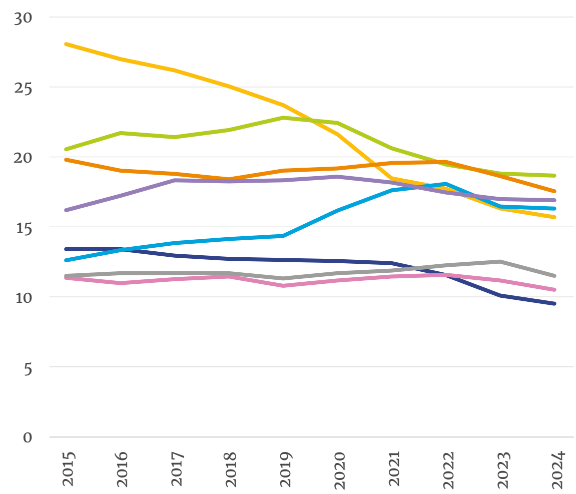
In all the countries subject to analysis, the importance of cash has declined, while the dominance of deposits has deepened. Fewer and fewer people are afraid of keeping their money in banks. On the contrary–most people seem to recognise that deposits are a more secure form of money, more convenient to make payments, and characterised by a lower opportunity cost than cash.

CHARTS 1-2. Trends in indicators indirectly measuring a country's credibility in the Stability of money and the financial system area in the years 2008-2024

Household inflation expectations



Share of cash in the M3 money supply



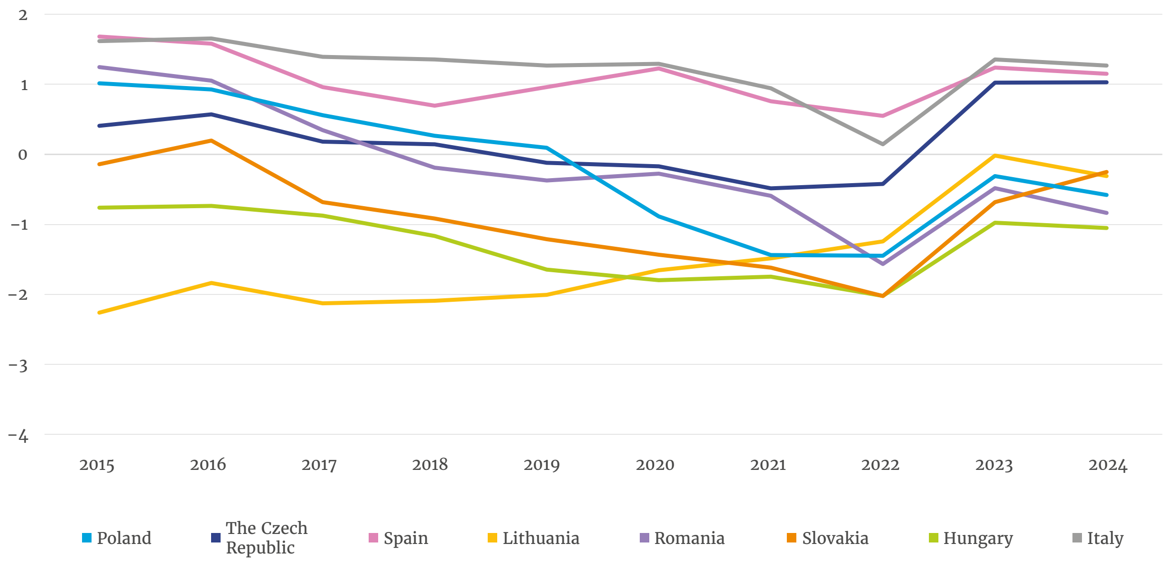
Source: Eurostat

Source: BdE, BdI, CNB, LB, MNB, NBP, NBR, NBS

In this dimension, improvement was observed only in the Czech Republic and Slovakia. In the Czech Republic, however, the improvement was marginal, while in Slovakia—though significant—it proved insufficient for the index to surpass most of the previous observations. In most countries, it remained lower than most of the previous observations—unlike in other dimensions. This offers a good illustration of how difficult it is to rebuild trust in monetary authorities once it has been undermined.

Most people seem to recognise that deposits are a more secure form of money, more convenient to make payments, and characterised by a lower opportunity cost than cash.

CHART 3. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the approximate measures of credibility dimension



Source: own study

TABLE 3. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the approximate measures of credibility dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.97	0.88	0.53	0.25	0.08	−0.87	−1.39	−1.40	−0.31	−0.57
The Czech Rep.	0.40	0.55	0.19	0.15	−0.09	−0.14	−0.43	−0.38	0.98	0.98
Spain	1.66	1.57	0.99	0.75	0.99	1.23	0.80	0.61	1.25	1.17
Lithuania	−2.25	−1.83	−2.12	−2.09	−2.00	−1.66	−1.50	−1.25	−0.07	−0.35
Romania	1.20	1.01	0.32	−0.19	−0.36	−0.27	−0.58	−1.52	−0.47	−0.81
Slovakia	−0.18	0.15	−0.69	−0.92	−1.20	−1.41	−1.59	−1.98	−0.70	−0.28
Hungary	−0.80	−0.78	−0.91	−1.17	−1.62	−1.77	−1.72	−1.98	−1.00	−1.07
Italy	1.58	1.62	1.38	1.34	1.26	1.29	0.95	0.20	1.35	1.26

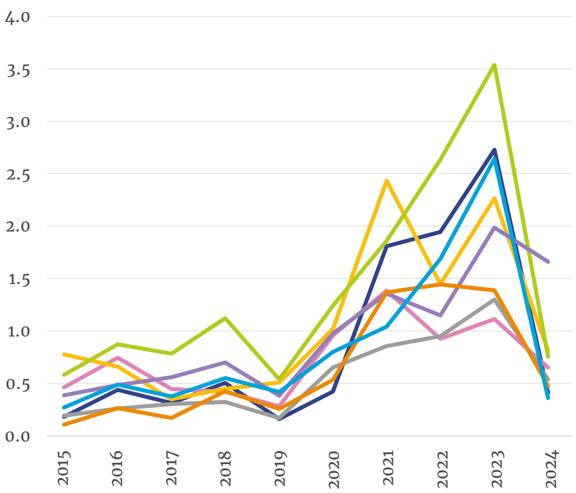
Source: own study

Dimension 2. Threats to a country's credibility in the area of money stability

In 2024, threats to price stability continued to decrease. Disinflation continued in all the countries under review, although inflation rates remained above inflation targets. This reduction in inflation was accompanied, in contrast to the previous year, by a significant reduction in uncertainty about inflation trends, as measured by the volatility of core inflation. Disinflation was supported by weak aggregate demand and, with the exception of Romania, by low monetary growth.

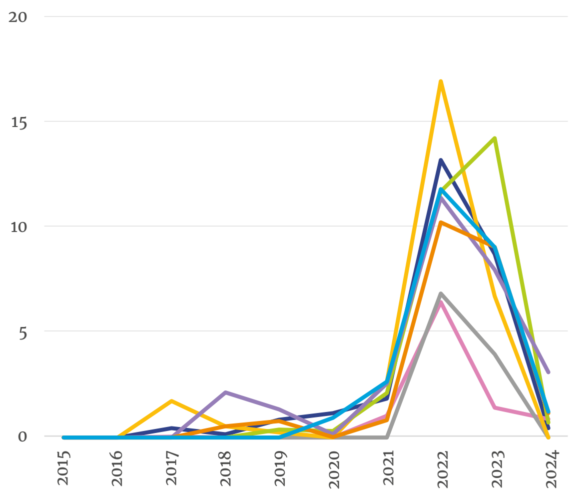
CHARTS 4–7. Trends in indicators in the area of Threats to a country's credibility in the money stability dimension in the years 2008–2024

Net inflation volatility



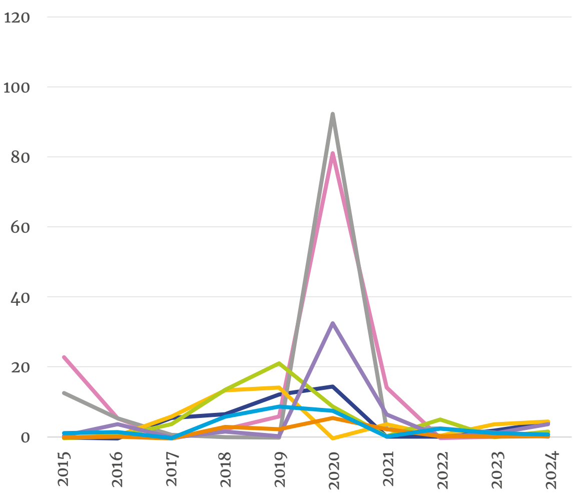
Source: Eurostat

Squared deviation above the target

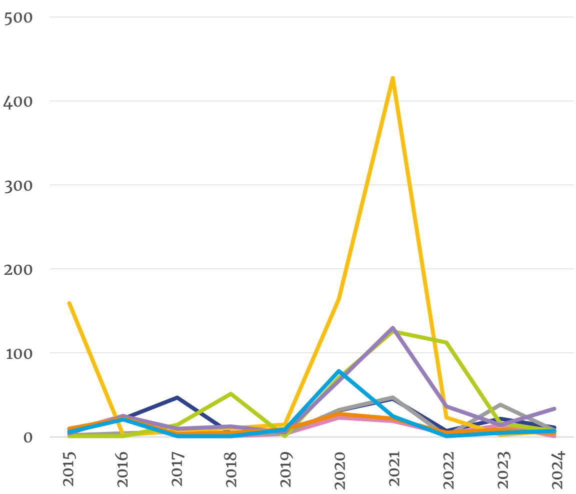


Source: IMF WEO

Squared demand gap



Squared deviation of money supply growth from the growth rate of potential GDP plus the inflation target



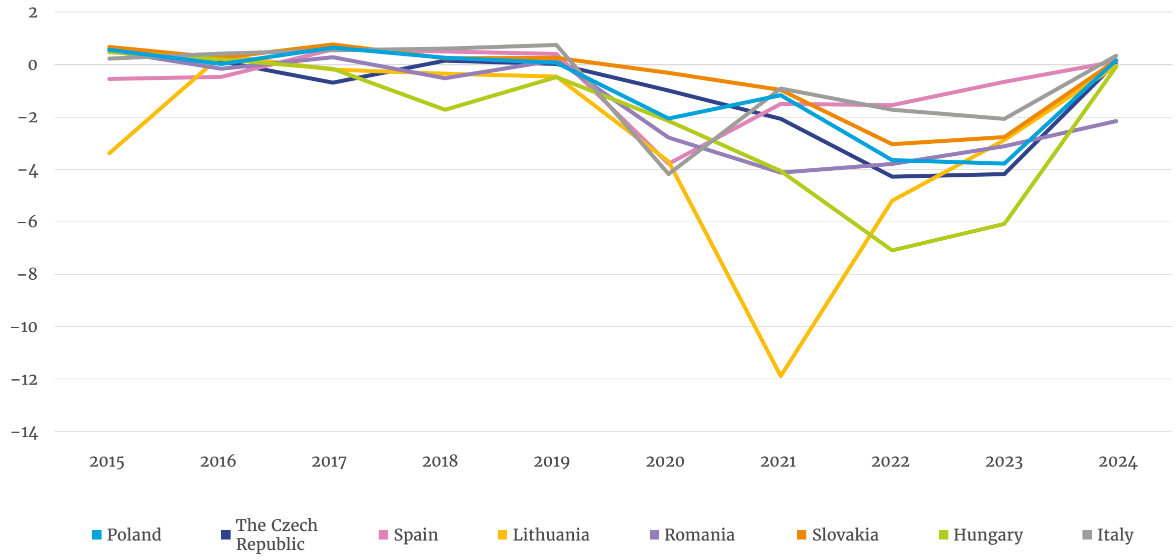
■ Poland ■ The Czech Republic ■ Spain ■ Lithuania ■ Romania ■ Slovakia ■ Hungary ■ Italy

Source: the European Commission

Source: BdE, CNb, LB, MNB, NBP, NBR, NBS and the European Commission

Progress in this respect was observed in all countries subject to analysis. It was most pronounced in Hungary, the Czech Republic, and Poland, where these threats were highest in the previous year. Nevertheless, despite the strongest improvement in Hungary, threats remained higher there than in the other countries (with the exception of Romania), although they only slightly exceeded most of the observations.

CHART 8. Total assessment of a country's economic credibility for the Stability of money and the financial system area in the dimension Threat to a country's credibility in the area of stability



Source: own study

TABLE 4. Total assessment of a country's economic credibility for the Stability of money and the financial system area in the dimension Threat to a country's credibility in the area of money stability

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.53	0.00	0.61	0.22	0.04	-2.05	-1.19	-3.62	-3.75	0.13
The Czech Rep.	0.57	0.09	-0.71	0.11	0.00	-1.01	-2.07	-4.25	-4.16	0.06
Spain	-0.56	-0.49	0.55	0.47	0.37	-3.76	-1.50	-1.55	-0.68	0.09
Lithuania	-3.41	0.32	-0.22	-0.37	-0.49	-3.72	-11.86	-5.20	-2.90	-0.09
Romania	0.49	-0.20	0.25	-0.55	0.13	-2.81	-4.14	-3.80	-3.14	-2.18
Slovakia	0.64	0.23	0.73	0.21	0.23	-0.33	-0.98	-3.01	-2.74	0.13
Hungary	0.44	0.17	-0.20	-1.74	-0.50	-2.16	-4.07	-7.07	-6.06	-0.11
Italy	0.20	0.39	0.52	0.58	0.71	-4.15	-0.92	-1.73	-2.07	0.31

Source: own study

Dimension 3. Threats to a country's credibility in the area of financial system stability

The main threat to stability of the financial system consists in the strong link between banks and the state. This problem is not unique to Lithuania, a country distinguished by sound public finances. It is also present to a lesser extent in Spain and Slovakia. However, in Poland, and especially Romania, this phenomenon has reached alarming proportions. In Romania, over a quarter of assets are already held in treasury securities. In Poland, this percentage clearly exceeds one fifth and, since 2018, has exceeded the share of corporate loans in assets.

The high share of government bonds in bank assets means that the health of banks strongly depends on the health of public finances.

The high share of government bonds in bank assets means that the health of banks strongly depends on the health of public finances. Meanwhile, Poland and Romania face significant fiscal imbalances, with fiscal deficits among the largest across the entire European Union. The scale of fiscal tensions, already enormous, will become fully apparent as inflation declines. At the same time, given the large share of banks in the treasury bond market, the health of public finances strongly depends on the health of banks. A possible decline in banks' appetite for buying bonds would make it harder for governments to finance their enormous borrowing needs.

A possible decline in banks' appetite for buying bonds would make it harder for governments to finance their enormous borrowing needs.

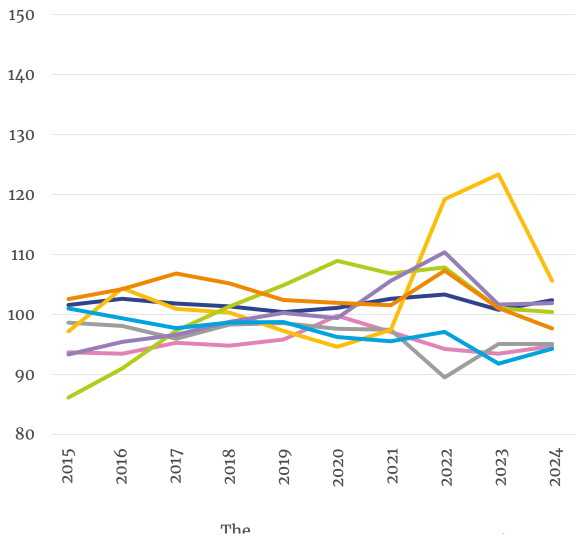
Nowhere does excessive credit growth pose a threat to the stability of the financial system. On the contrary, the economies of Spain, Poland, and Italy have been deleverageing for years. In Poland, this process is occurring from a very low level and applies particularly to corporate lending. This type of loan as a share of GDP has fallen by more than a quarter since 2018 – from almost 18% to just over 13%.

Financial system stability is supported by positive real interest rates. In all the countries subject to analysis, they exceeded the natural interest rate, which incidentally should lead to further disinflation.

Progress in this respect has occurred in all the countries subject to analysis, with the most pronounced progress in Lithuania. In Romania, despite the improvement, the index remains negative, indicating that threats to financial sector stability are greater there than in more than half of the observations. In this country, the strength of the links between banks and the state is so strong—and continues to grow—that it outweighs the stabilising effects of positive real interest rates and significantly lower credit growth to the non-financial sector than in the recent past.

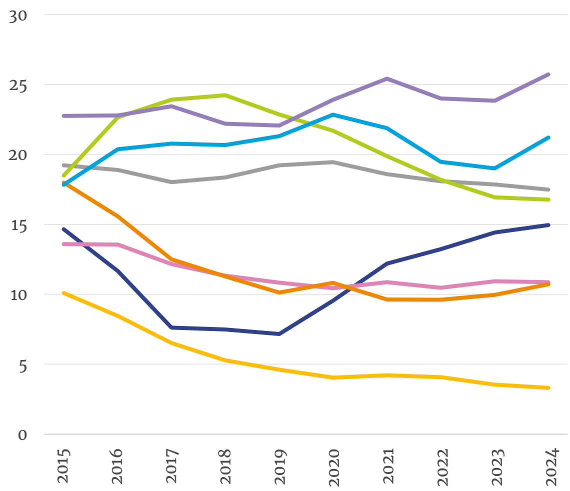
CHARTS 9–11. Trends in indicators in the dimension of Threats to a country's credibility in the area of stability of the financial system in the years 2008–2024

Growth rate of claims on the non-financial sector relative to the growth rate of potential GDP plus the inflation target



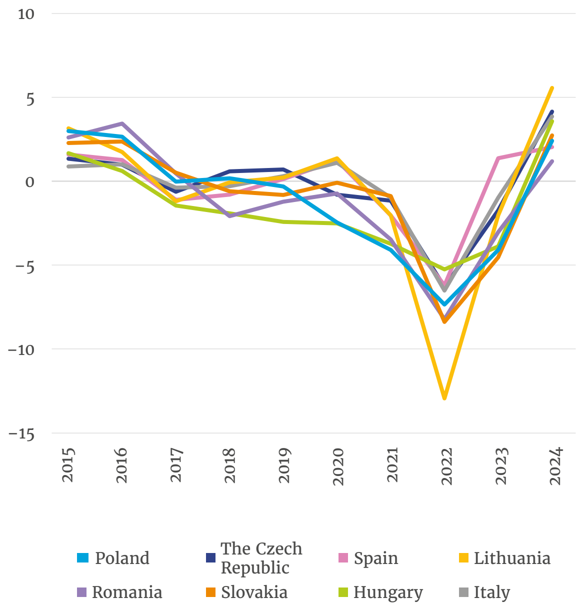
Source: BIS, ECB, NBR and the European Commission

Share of receivables from government and self-government institutions in banks' assets



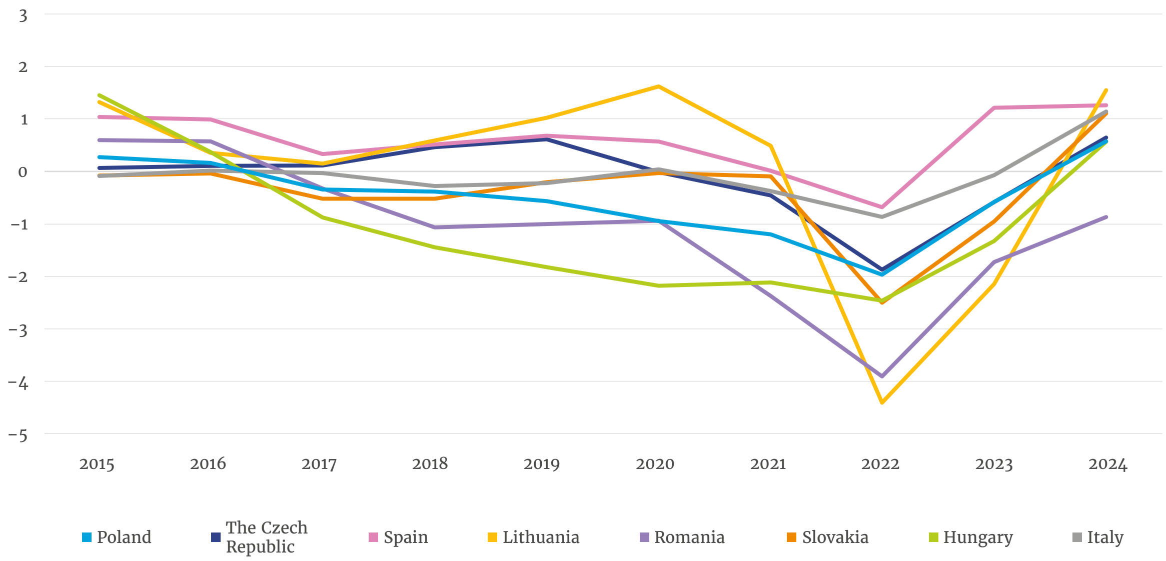
Source: European Central Bank

Deviation of real interest rates from the natural interest rate



Source: BdE, BdI, CNB, LB, MNB, NBP, NBR, NBS

CHART 12. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the dimension Threats to a country's credibility in the area of stability of the financial system



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the dimension Threats to a country's credibility in the area of stability of the financial system

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.26	0.15	-0.35	-0.39	-0.57	-0.94	-1.19	-1.96	-0.59	0.56
The Czech Rep.	0.06	0.09	0.10	0.45	0.60	-0.02	-0.46	-1.86	-0.59	0.63
Spain	1.03	0.98	0.33	0.51	0.67	0.56	0.02	-0.67	1.20	1.24
Lithuania	1.31	0.35	0.14	0.58	1.01	1.61	0.48	-4.40	-2.15	1.54
Romania	0.58	0.56	-0.33	-1.07	-1.01	-0.95	-2.37	-3.89	-1.73	-0.88
Slovakia	-0.08	-0.04	-0.52	-0.52	-0.21	-0.04	-0.10	-2.49	-0.95	1.09
Hungary	1.44	0.36	-0.88	-1.44	-1.82	-2.16	-2.10	-2.45	-1.32	0.55
Italy	-0.09	0.02	-0.03	-0.27	-0.22	0.04	-0.37	-0.85	-0.07	1.13

Source: own study

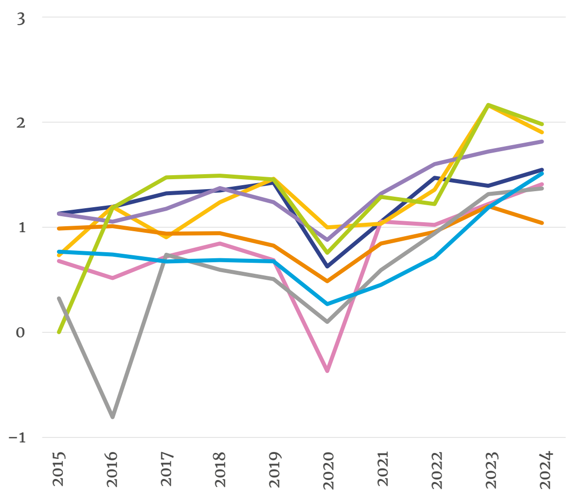
Dimension 4. Financing the economy by the banking sector

Analysis of this dimension was carried out in cooperation with the Polish Bank Association and on the basis of data provided by this organization.

In all the analysed countries, the banking sector in 2024 was characterised by significantly higher profitability than during most of the period under review, supported by central banks' policies maintaining elevated interest rates. At the same time, profitability improved in most countries, declining significantly only in Lithuania and Hungary. However, in these two countries, it remained the highest among all the

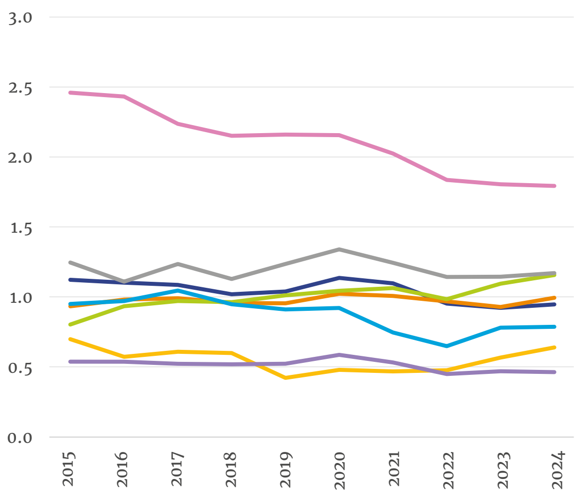
CHARTS 13–15. Trends in indicators in the dimension Financing of the economy by the banking sector in the years 2008–2024

Return on equity of banks



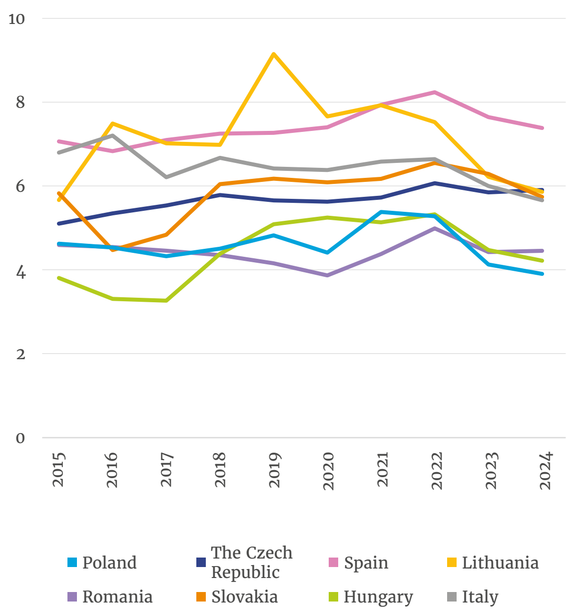
Source: The Polish Bank Association

Ratio of equity to GDP



Source: The Polish Bank Association

Credit multiplier



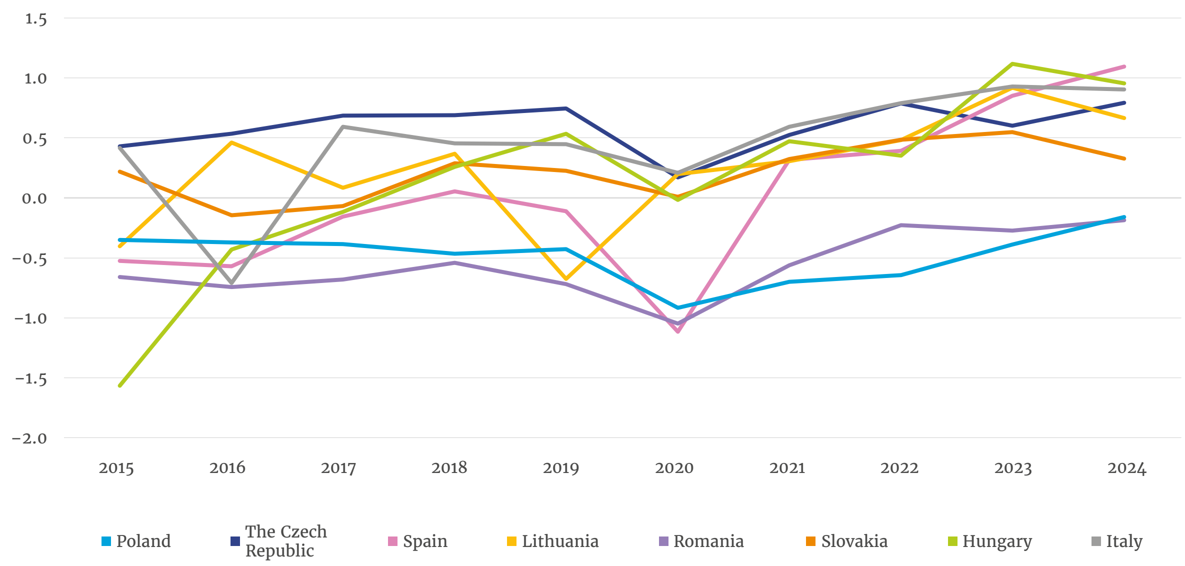
Source: The Polish Bank Association

analysed countries. In three countries—Spain, Poland, and Italy—it reached the highest level throughout the entire period under review. High profitability of banks in these countries represented a fundamental qualitative change, as just two years ago, banks there were unable to generate profits sufficient to cover the user cost of capital.

The improvement in the banking sector's efficiency was accompanied by a general strengthening of its capacity to finance the economy. This capacity decreased only in two countries – Spain and Romania, which differ significantly in this respect. While in Spain it remained the highest among the analysed countries, still exceeding the levels indicated in the literature as maximizing the positive impact of credit on economic growth, in Romania it was the weakest. Nevertheless, in all countries, the capacity to finance the economy was stronger than during most of the period under review.

However, the strengthening of the economy's financing potential was not accompanied by an increase in its utilisation. On the contrary, with the exception of the Czech Republic and Romania, it declined again. Apart from the Czech Republic, the credit multiplier remained lower in individual countries than during most of the period under review. The lowest levels were recorded in three countries: Poland, Romania, and Hungary, which are struggling with profound fiscal imbalances. In these countries, lending to the non-financial sector is clearly being crowded out by financing budget borrowing needs. Furthermore, high legal risk – particularly in Poland – and additional sector-specific tax burdens hinder the expansion of bank lending.

GRAPH 16. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the dimension of financing the economy by the banking sector



Source: own study

TABLE 6. Total assessment of a country's economic credibility for the area of Stability of money and the financial system in the financing the economy by the banking sector dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	−0.35	−0.37	−0.39	−0.46	−0.43	−0.91	−0.69	−0.64	−0.39	−0.16
The Czech Rep.	0.43	0.54	0.69	0.69	0.74	0.18	0.53	0.78	0.60	0.79
Spain	−0.52	−0.57	−0.15	0.06	−0.11	−1.11	0.32	0.40	0.85	1.09
Lithuania	−0.40	0.46	0.09	0.37	−0.67	0.20	0.31	0.48	0.92	0.66
Romania	−0.66	−0.74	−0.68	−0.54	−0.72	−1.04	−0.56	−0.23	−0.28	−0.19
Slovakia	0.22	−0.14	−0.06	0.29	0.23	0.02	0.32	0.48	0.55	0.33
Hungary	−1.56	−0.43	−0.11	0.26	0.53	−0.02	0.47	0.35	1.12	0.95
Italy	0.42	−0.70	0.59	0.45	0.45	0.21	0.59	0.79	0.93	0.90

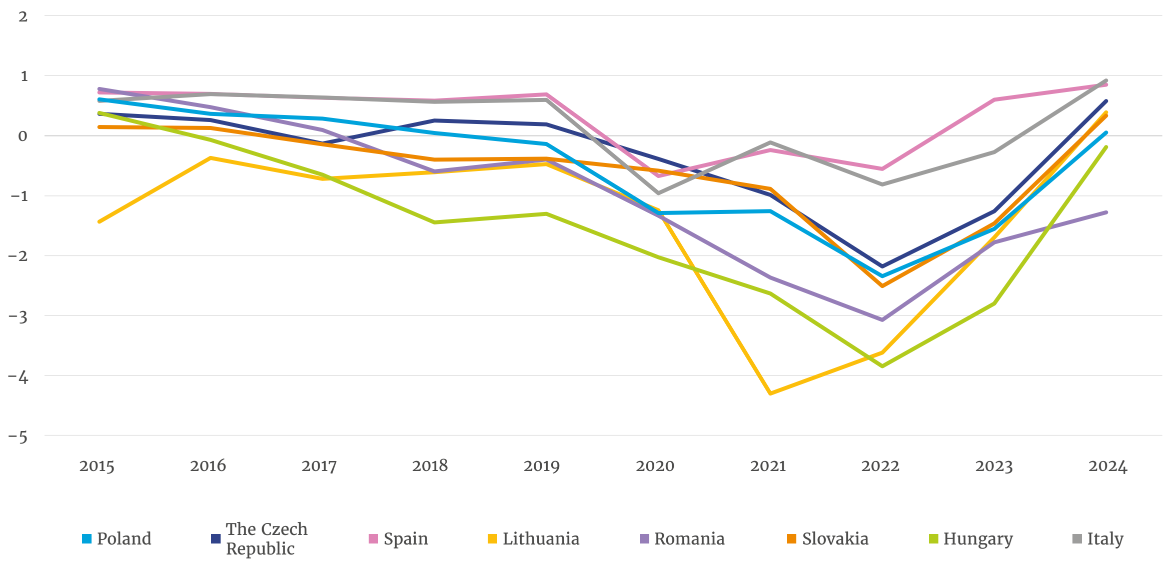
Source: own study

In the case of the banking sector financing the economy dimension, half of the countries subject to analysis saw progress, while the other half experienced regression. The most significant improvement occurred in Spain and Poland. However, in Poland's case, this improvement was only sufficient to overtake Romania, while Spain—for the first time since the outbreak of the global financial crisis—became this dimension's leader.

Summary

All surveyed countries reported improved credibility in the area of money and financial system stability. This is confirmed by the index values, both in the form from previous years and incorporating a new dimension – the financing of the economy by the banking sector. Below, we present the results for both dimensions. The first, as in the previous year, encompasses

GRAPH 17. Total assessment of a country's economic credibility for the area of Stability of money and financial system (III dimensions)



Source: own study

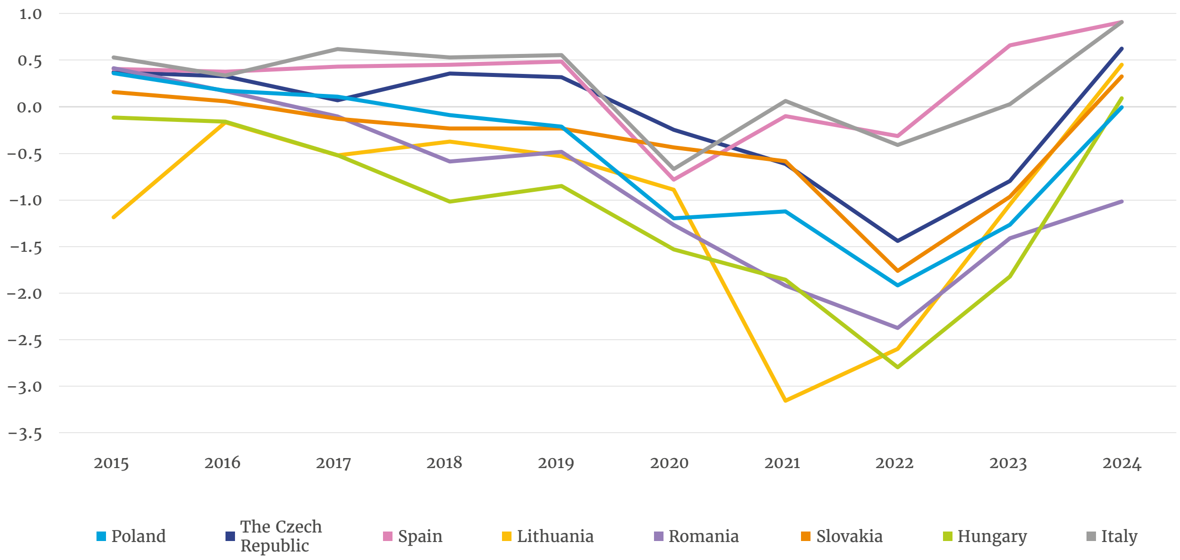
TABLE 7. Total assessment of a country's economic credibility for the area of Stability of money and the financial system (III dimensions*)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.34	0.26	0.03	-0.15	-1.29	-1.26	-2.33	-1.55	0.04
The Czech Rep.	0.25	-0.14	0.24	0.17	-0.39	-0.99	-2.16	-1.26	0.56
Spain	0.69	0.62	0.58	0.68	-0.65	-0.23	-0.54	0.59	0.83
Lithuania	-0.39	-0.73	-0.63	-0.49	-1.26	-4.29	-3.62	-1.71	0.37
Romania	0.46	0.08	-0.61	-0.41	-1.34	-2.36	-3.07	-1.78	-1.29
Slovakia	0.11	-0.16	-0.41	-0.40	-0.59	-0.89	-2.49	-1.46	0.31
Hungary	-0.09	-0.66	-1.45	-1.31	-2.03	-2.63	-3.83	-2.79	-0.21
Italy	0.68	0.62	0.55	0.59	-0.94	-0.11	-0.79	-0.27	0.90

* The TABLE presents index values calculated with reference to three dimensions – the same as in the previous year, i.e. the intermediate dimension, risks related to money stability, and risks related to the stability of the financial system.

Source: own study

GRAPH 18. Total assessment of a country's economic credibility for the area of Stability of money and financial system (IV dimensions)



Source: own study

TABLE 8. Total assessment of a country's economic credibility for the area of Stability of money and financial system (IV dimensions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.16	0.10	-0.10	-0.22	-1.19	-1.12	-1.90	-1.26	-0.01
The Czech Rep.	0.32	0.07	0.35	0.31	-0.25	-0.61	-1.43	-0.79	0.61
Spain	0.37	0.43	0.45	0.48	-0.77	-0.09	-0.30	0.65	0.90
Lithuania	-0.18	-0.53	-0.38	-0.54	-0.89	-3.14	-2.59	-1.05	0.44
Romania	0.16	-0.11	-0.59	-0.49	-1.27	-1.91	-2.36	-1.40	-1.01
Slovakia	0.05	-0.14	-0.24	-0.24	-0.44	-0.59	-1.75	-0.96	0.32
Hungary	-0.17	-0.52	-1.02	-0.85	-1.53	-1.85	-2.78	-1.82	0.08
Italy	0.33	0.62	0.52	0.55	-0.65	0.06	-0.40	0.03	0.90

* The TABLE presents index values calculated with reference to four dimensions. In addition to the three dimensions used in previous years – the intermediate dimension, risks related to monetary stability, and risks related to the stability of the financial system – one new dimension has been added: the financing of the economy by the banking sector.

Source: own study

three dimensions: indirect, threats to money stability, and threats to financial system stability. The second approach additionally incorporates the fourth, new dimension.

In both rankings, the same countries occupy the top and middle of the list of countries, ordered from highest to lowest index values. Italy and Spain enjoyed the highest credibility in the Stability of Money and the Financial System category last year, followed by the Czech Republic, Lithuania, and Slovakia. In all of these countries, the index achieved values significantly higher than most historical observations. In the case of the three countries with the lowest credibility, the addition of a new dimension caused Poland to drop below Hungary. Romania, however, remains at the bottom of the ranking.

Hungary's improved position in the four-dimensional index, in comparison with the three-dimensional index, stems from the fact that its banking sector utilises capital more efficiently than the Polish banking sector—it has more capital and translates this potential into lending to the non-financial sector to a greater extent. In Poland, banks are burdened with a particularly high bank tax, which discourages lending, although in both countries they are under pressure from high tax and social security contributions. Furthermore, although the state has for years interfered with contractual terms between the parties to contracts, thus increasing the risk and costs of lending activities for banks, in Poland—unlike in Hungary—it has not legally addressed the problem of foreign currency loans.

Last year's general improvement in credibility in the area of Stability of money and the financial system was largely due to the reduction in threats to money stability.

The second dimension in which improvement was noted across all the countries subject to analysis was financial system stability. Despite the widespread reduction in threats to the stability, its contribution to the index improvement was smaller in half of the countries than the weight of this dimension in the index.

The assessment of the two remaining dimensions is, at best, ambiguous. The intermediate dimension performed the weakest, with improvement recorded only in the Czech Republic and Slovakia.

In the case of the dimension of financing the economy by banks, half of the countries saw progress and half - regression.

It is worth emphasising that according to both indices – covering both three and four dimensions – last year, Poland made significant progress in terms of the country's economic credibility in the area of Stability of money and the financial system. This was achieved primarily by changing the approach of the National Bank of Poland to conducting monetary policy following the 2023 parliamentary elections.

The National Bank of Poland began to prioritise price stability, which is its primary responsibility. It also halted a prematurely initiated cycle of interest rate cuts. It abandoned its earlier openness to non-standard measures aimed at helping the government finance its borrowing needs. The bank did not replace maturing Treasury bonds or Treasury-guaranteed bonds with new bonds, thus implementing a form of quantitative easing.

According to both indices – covering both three and four dimensions – last year, Poland made significant progress in terms of the country's economic credibility in the area of Stability of money and the financial system.

The bank's communication has also become more restrained, though there is still considerable room for improvement in this area. While it has significantly shifted toward (restoring) stable price levels and factors influencing the prospects for inflation returning to the inflation target, it is still not entirely free from political disputes, and media appearances by bank representatives still fall short of international standards.

Foreword

Introduction

Area I. Rule of law

Area II. Freedom of economic activity

Area III. Credibility of public finances

Area IV. Stability of money and the financial system

Area V. Labour protection and safety

Area VI. Quality of public services

Area VII. Climate and Environment

Area VIII. Respect for international obligations

Methodological note

Threats to Poland's economic credibility in the coming years – results of a qualitative study

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Expert commentary

The importance of labour protection and safety for a country's economic credibility

Europe and Poland face significant development challenges related to maintaining competitiveness in a global world. Ongoing demographic changes – including an ageing population and shrinking working-age population – as well as shifts in labour markets, climate change, and the dynamic development of technologies, including artificial intelligence, constitute a crucial context for the evolving conditions for shaping economic credibility, including actions to develop labour markets and ensure social cohesion.

OECD (2025), in Employment Outlook 2025, points out that, in addition to the widely discussed global trends related to climate change and digital revolution, the ageing of the population of OECD countries is the third, albeit somewhat "forgotten", megatrend requiring the full attention of policymakers.

In his report, Mario Draghi (2024) points out that for the first time that Europe cannot base its growth on a growing population. According to demographic projections, the working-age population across the European Union will be declining by approximately 2 million people per year by 2040. Draghi points out that in order to drive economic growth, we will have to rely more on productivity growth. If the EU had maintained its average rate of productivity growth since 2015, this would only be enough to keep GDP stable until 2050. Higher growth is a necessary condition for meeting investment needs facing the Member States.

OECD (2025) indicates that in the face of demographic changes, further actions are necessary to enable better mobilisation of young people, women, migrants in the labour market as well as extension the professional activity of people around retirement age.

For young people, the main lines of action identified by the OECD include reducing the NEET rate (people not in employment, education, or training) through policies aimed at improving education services, reducing the number of early school leavers, offering full-time second-chance education programmes and measures to support rapid transitions from education to work.

For women, progress has been made in promoting employment opportunities across all OECD countries. However, gaps persist, not only in employment rates but also in job quality. In comparison with men, women are still more likely to earn less, spend less time on paid work, and more time on unpaid work, such as family and care responsibilities, including for elderly family members requiring long-term care. Closing these gaps could increase annual GDP per capita growth by 0.2 percentage points across the OECD—half the projected decline in the baseline scenario.

Extending working life requires going beyond the discussion about pension systems alone, which has dominated debates in many countries. Comprehensive policies are needed to ensure older workers gain the necessary new skills, stay healthy, and create opportunities to remain in employment. Both employers and policymakers play a key role in creating a labour market that values older workers as a vital resource.

These actions include combating age discrimination, creating age-friendly workplaces, promoting lifelong learning and employability throughout the lifespan, and supporting positive job mobility. A life-course perspective is essential, as the career trajectories of people aged 50 and under are a key factor in determining employment patterns at age 60 and beyond.

In its 2025 Joint Employment Report, the European Commission, similarly to the OECD, points out that despite rising employment and falling unemployment, employment gaps persist for women (a gap of 10.2 percentage points in 2023), older people, young people, the low-skilled, migrants, and people with disabilities. Actions are needed to support professional activation of these groups.

Comprehensive policies are needed to ensure older workers gain the necessary new skills, stay healthy, and create opportunities to remain in employment.

One barrier to employment lies in low skill levels. Adult participation in learning reached 39.5% in 2022, falling far short of the EU target of 60% by 2030. In this regard, there remain large differences between countries and social groups. Digital literacy levels are also low, with 55.6% of adults in the EU having basic digital skills, compared to the target of 80% by 2030. Employment does not always protect against poverty – across the EU, 8.3% of working people are at risk of poverty. These include, in particular, low-skilled individuals, migrants, and those working on fixed-term or part-time contracts. Strengthening social support systems is essential to reduce the risk of poverty and social exclusion.

Anton Hemerijk and David Bokhorst (2024), commenting on the Draghi report[8], indicate that high employment and high productivity go hand in hand with a social welfare model based on investing in young people and supporting families with one or two working people. This social investment strategy effectively sustains existing pension and care obligations for older people, which are largely based on a high wage bill in the economy. This potential to improve economic progress and social well-being across the EU depends on credibility of public policies in the economic and labour market areas.

8 https://www.socialeurope.eu/why-social-investment-holds-the-key-to-delivering-on-the-draghi-report, accessed: 29 September 2025

Employment does not always protect against poverty – across the EU, 8.3% of working people are at risk of poverty.

The social investment paradigm is consistent with the European Pillar of Social Rights[9], which encompasses the right to work and employment, including by ensuring equal opportunities and access to employment. This includes, among others: education, training and lifelong learning, gender equality, equal opportunities, and active support for employment. The discussed pillars also guarantee fair working conditions, including secure and flexible employment, remuneration, access to information on employment conditions, protection in the event of dismissal, social dialogue and employee involvement, work-life balance, a healthy, safe, and well-adapted work environment, and personal data protection.

The European Commission analyses show that strong employment growth in the EU over the last decade has coincided with a further slowdown in productivity growth. Between the years 2002 and 2013, employment grew by an average of 0.3 per cent annually, while labour productivity (real value added per worker) increased by 0.8 per cent. By contrast, between the years 2013 and 2023, employment grew at an average rate of 1.1 per cent, while productivity growth per person employed slowed to an average of 0.6 per cent. Most of the slowdown resulted from a decline in productivity in 2023.

Entering the path of simultaneous employment and productivity growth, which is necessary to maintain competitiveness and growth potential, depends on credibility of public policies related to the labour market and employment, which result, on the one hand, in job creation and, on the other, in the mobilisation of employees who have a sense of security, protection, and the opportunity to invest in their development, which is necessary to increase labour productivity.

From the perspective of labour protection and safety, building economic credibility involves several important aspects. The first, crucial for both economic credibility and social rights, is ensuring equal opportunities and access to employment. High levels of participation in the labour market are a fundamental condition for social and economic development.

In the European Union, two in five people aged 55–64 are unemployed. Among those aged 20–64, three in ten women and two in ten men are unemployed. By comparison, in countries with high employment and high competitiveness, such as Denmark or the Netherlands, these rates are much more favourable – one in four people aged 55–64 are unemployed, and women have higher employment rates on average.

An aspect related to high employment and security is the extent to which an economy offers high-quality jobs ensuring adequate social protection. Precarious employment—due to the use of less protective arrangements, such as civil law contracts or bogus employment—poses a significant challenge to job security. Civil law contracts are the most common instrument replacing full-time employment, and data suggest that 20–30% of workers have precarious contracts, including fixed-term contracts. Another form of employment limiting access to social security is bogus self-employment. Two dimensions of the Economic Credibility Index address these risks: legal employment protection and non-standard employment.

Another important aspect is physical and mental safety in the workplace. According to Principle 10 of the European Pillar of Social Rights, employees have the right to a high level of health and safety protection in the workplace, as well

9 https://commission.europa.eu/system/files/2017-12/social-summit-european-pillar-social-rights-booklet_pl.pdf, accessed: 29 September 2025

as the right to a work environment adapted to their professional needs and enabling them to continue participating in the labour market.

While the traditional perception of occupational safety is improving – the number of accidents at work and their consequences are decreasing – there are emerging new risks. The growing use of digital technologies and teleworking impacts both the physical and mental health of employees. This was particularly visible during the COVID-19 pandemic, when the policies implemented to counteract the spread of the virus changed organisation of work and exerted a significant impact on the mental well-being of employees.

Productivity growth is closely linked to the development of appropriate employee competencies. Changes in the labour market, both those resulting from technological advances, including the growing role of algorithms and artificial intelligence, and those related to green transformation, are leading to the emergence of a competency gap which needs urgent filling.

Technological changes, the use of AI for routine tasks, and the transition to new eco-friendly professions pose a greater challenge for low-skilled workers than for high-skilled workers. This requires urgent action ensuring employment retention and productivity by closing the emerging skills gap. According to OECD estimates (2024), green transition will affect over one-third of jobs in Poland.

Economic credibility in the labour market is also related to ensuring economic security. Hemerijk and Bokhorst (2024) point out that countries with high employment and high competitiveness, such as Denmark and the Netherlands, allocate roughly the same share of their social spending to youth (e.g., education and childcare), working people (e.g., social protection), and older people (e.g., pensions and long-term care).

Access to quality jobs also depends on the fact that income from work provides adequate protection against poverty. From a social investment perspective, economic security, particularly for young people entering the labour market, is an essential condition for social development, including supporting decisions to start a family and have children.

From the perspective of income from work, gender equality is a similarly important issue. Women will play an increasingly important role in ensuring the potential for high employment and productivity. Gøsta Esping-Andersen (2009) highlights the "unfinished revolution" result-

The growing use of digital technologies and teleworking impacts both the physical and mental health of employees.

ing from the persistent gender gap in the labour market, which also translates into an unequal division of labour within the family, primarily in terms of caregiving responsibilities. This, in turn, results in limitations in redressing the observed disparities in employment and pay. In recent years, the EU has undertaken numerous initiatives aimed at redressing these roles. Examples include the directives on work-life balance and the equal pay principle, which support a more equitable distribution of roles and reduce the pay gap.

Methodology for calculating the Index in the area of labour protection and safety

In the fourth edition of the Economic Credibility Index, there were applied the same indicators and dimensions as in 2024. A total of seven dimensions were identified in this area, and their weights are presented in Table 1.

TABLE 1. Dimensions and weights in the area of Labour protection and safety (in percentage)

Dimension	Weight
1. Legal protection of employment	15
2. Occupational safety and working conditions	10
3. Non-standard employment	15
4. Labour market participation	20
5. Lifelong learning	10
6. Labour income	20
7. Protection against poverty	10

Source: own study

The first dimension analysed in the area of labour protection and safety is **legal protection of employment.** This dimension includes indicators illustrating the proportion of employees with contracts ensuring less legal employment protection than permanent employment contracts. This applies to two groups of employees: those employed on fixed-term contracts and those with less than 12 months of service. Under applicable labour law regulations, these individuals are subject to limited protection and have limited access to certain social rights, such as longer notice periods or the right to full holiday entitlement.

The second dimension taken into account in the analysis is **safety and working conditions.** The indicators adopted in the Index address the impact of occupational accidents and diseases, including long-term sick leave (4 days or more) and fatal accidents. They provide information on how working conditions impact health risks for employees.

The third dimension analyses **non-standard forms of employment**, which the European Commission identifies as one of the main challenges for the Polish labour market. This dimension encompasses two groups of employees. The first are those working part-time, while the second are those in precarious employment, defined as employment contracts lasting no longer than three months.

The fourth dimension included in the analysis relates to **involvement in the labour market of** three population groups. The first covers all people in the working age (20–64 years old), the second – women in the same age group, and the third – people aged 55–64. These indicators allow us to assess the extent to which the labour market utilises available human resources, with particular emphasis on groups at risk of lower employment rates, as indicated in reports by both the European Commission and the OECD.

The fifth dimension looks at **engaging adults in various forms of lifelong learning.** Indicators in this area show the extent to which labour market policy supports development of skills which can potentially protect employees from the risk of losing their jobs resulting from a mismatch between their competences and expectations of employers.

The sixth dimension, encompassing **income from work**, includes two indicators. The first is the risk of in-work poverty, which measures the percentage of employed people who, despite being employed, fall below the income threshold indicating economic poverty. The second indicator is the gender pay gap, which addresses the challenge of achieving equal opportunities for women and men in the labour market.

The seventh and last dimension concerns **protection against poverty** and it takes into account two indicators: the role of social transfers in reducing poverty among women and among men. These indicators indicate the ability of social protection systems to reduce the risk of poverty through appropriately designed benefit systems.

In constructing the economic credibility index in the area of labour protection and safety, taken into account are indicators published by Eurostat, in order to ensure international comparability. This amounts to a total of 14 indicators.

With a view to estimating the synthetic index, it was necessary to adopt weights for both the individual indicators and the dimensions. The weights for the dimensions are presented in Table 1, while the weights for individual indicators are included in Table 2.

TABLE 2. Indicators in the area of Labour Protection and Safety (in percentage)

Dimension	Indicator	Weight
1. Legal protection of employment	Fixed-term contracts	-50
	Persons with length of service of 12 months or less (aged 25 and over)	-50
2. Occupational safety and working conditions	Fatal accidents	-50
	Accidents resulting in absences exceeding 4 days	-50
3. Non-standard employment	Part-time employment (as a percentage of total employment)	-50
	Precarious employment	-50
4. Labour market participation	Overall employment rate (ages 20–64)	20
	Employment rate of women (ages 20–64)	40
	Employment rate of persons aged 55–64	40
5. Lifelong learning	Participation in education and training (during the last 4 weeks)	100
6. Labour income	In-work at-risk-of-poverty rate	-50
	Gender pay gap	-50
7. Protection against poverty	Role of social transfers in reducing poverty – women	50
	Role of social transfers in reducing poverty – men	50

Source: own study

In the case of indicators which are stimulants (the higher the value of the indicator, the better), there were applied positive weights, while in the case of destimulants (the lower the value of the indicator, the better) – there were applied negative weights.

The fourth edition of the Index uses data from the years 2008 to 2024, depending on availability. For the labour protection and safety dimension, data is available up to and including 2022, and for the gender pay gap, data is available up to and including 2023.

For analytical purposes, it was assumed that in the case of remaining missing data for individual countries, the values from the last available year would be used in each subsequent year.

The main change affecting results and observed variations is the expansion of the group of countries included in the Index. As shown below, the Southern European countries – Spain and Italy – as well as Lithuania, as a representative of the Baltic states, differ significantly in several dimensions considered in the area from the countries analysed in previous editions of the Index.

Analysis of economic credibility in the area of Labour protection and safety

This section presents the main trends and variations observed in the area of Labour protection and safety, both at the level of individual indicators in each dimension and in relation to the estimated results of the synthetic index for the individual dimensions of this area.

Dimension 1. Legal protection of employment

Poland's improved credibility in this respect is primarily due to the declining percentage of people with fixed-term contracts. The rate

CHART 1. Fixed-term contracts

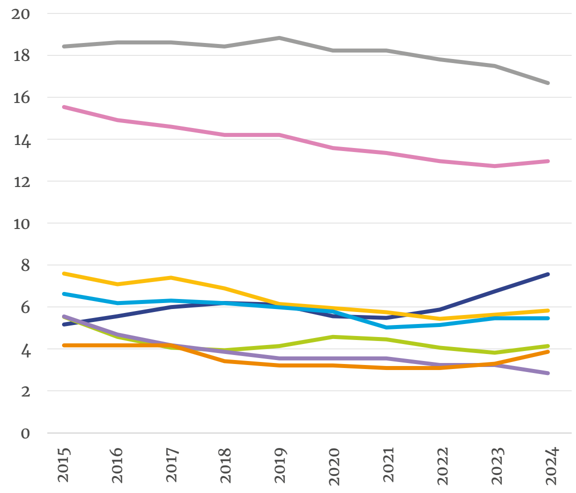
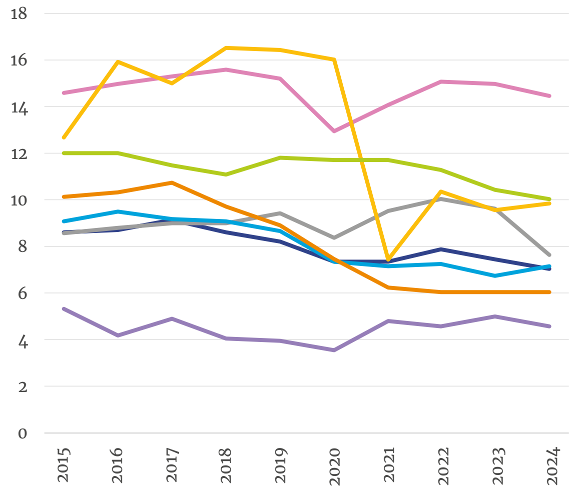


CHART 2. People with length of service of 12 months or less (aged 25 and over)



Poland The Czech Republic Spain Lithuania Romania Slovakia Hungary Italy

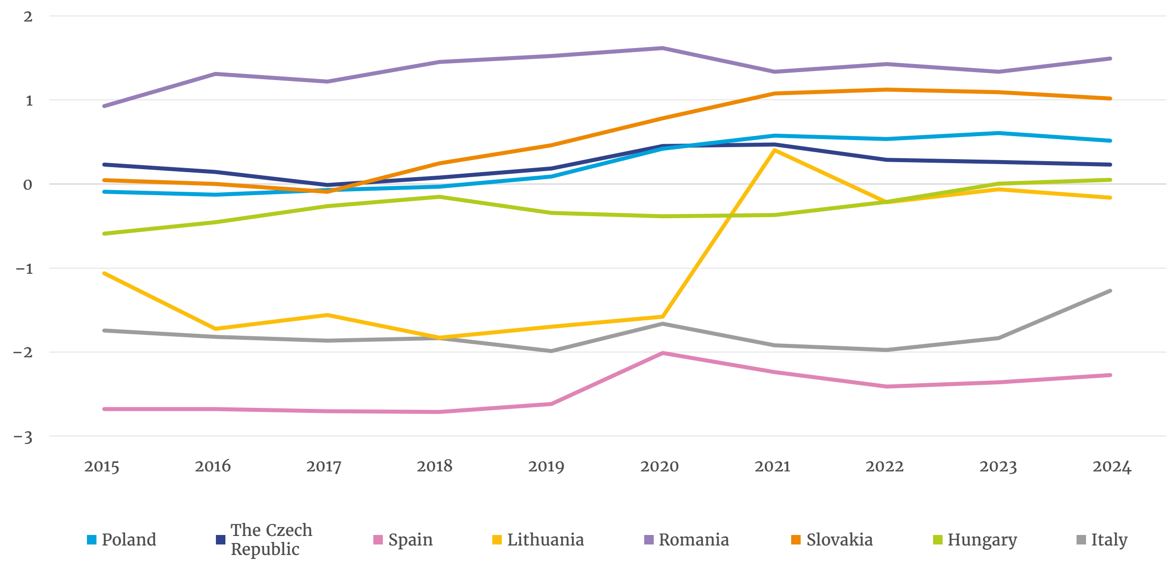
Source: Eurostat

remains higher than in Slovakia, the Czech Republic, or Hungary, but significantly lower than in Italy or Spain. In the case of people with 12 months or less of work experience, the indicator values for Poland are more favourable than for Hungary and the Czech Republic. In these three countries, the share of employees with the shortest length of service with their current employer also decreased in 2023, which is a positive development.

The level of employment protection legislation, according to the adopted methodology, is highest in Romania and Slovakia, where these values were positive throughout the entire period subject to analysis (with the exception of the year 2018 in Slovakia), meaning they were above the median for the values observed in the eight countries during the period in question. The lowest value of employment protection legislation is recorded in countries which have been included in the Index for the first time, namely Spain and Italy.

Poland's credibility has been gradually improving, and since 2021, the index's partial value in

CHART 3. Total assessment of a country's economic credibility in the area of Labour protection and safety in the legal protection of employment dimension



Source: own study

TABLE 3. Total assessment of a country's economic credibility in the area of Labour protection and safety in the legal protection of employment dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	−0.09	−0.12	−0.07	−0.03	0.09	0.42	0.57	0.53	0.60	0.51
The Czech Rep.	0.23	0.15	0.00	0.08	0.19	0.45	0.46	0.29	0.26	0.23
Spain	−2.68	−2.68	−2.71	−2.71	−2.62	−2.03	−2.25	−2.42	−2.37	−2.28
Lithuania	−1.06	−1.72	−1.56	−1.83	−1.70	−1.58	0.40	−0.22	−0.07	−0.17
Romania	0.94	1.31	1.23	1.46	1.53	1.62	1.34	1.43	1.34	1.49
Slovakia	0.06	0.01	−0.08	0.25	0.47	0.79	1.07	1.12	1.09	1.02
Hungary	−0.59	−0.45	−0.26	−0.16	−0.35	−0.38	−0.37	−0.22	−0.01	0.04
Italy	−1.74	−1.82	−1.86	−1.83	−1.99	−1.67	−1.92	−1.97	−1.84	−1.28

Source: own study

this dimension has been positive. During this period, Poland ranked third out of the eight analysed countries.

Dimension 2. Safety and working conditions

The addition of new countries to the Index revealed significant variations in occupational safety and working conditions across countries. Spain, Italy, and Lithuania are among those countries where consequences of occupational accidents are more severe than in the countries previously included in the Index. In particular, fatal accidents are much more common in

CHART 4. Fatal accidents

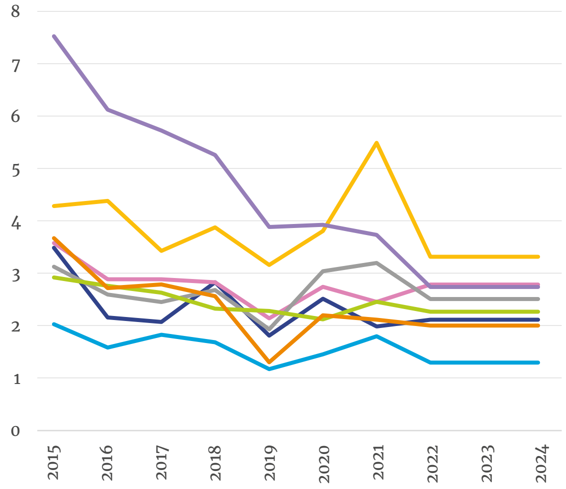
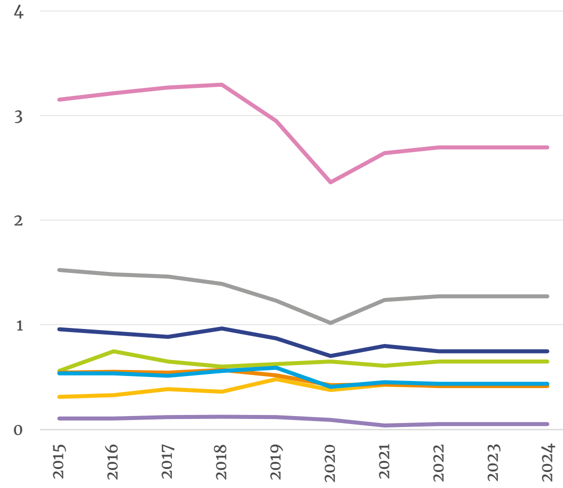


CHART 5. Accidents resulting in absences exceeding 4 days (in thousands)



Poland · The Czech Republic · Spain · Lithuania · Romania · Slovakia · Hungary · Italy

Source: Eurostat

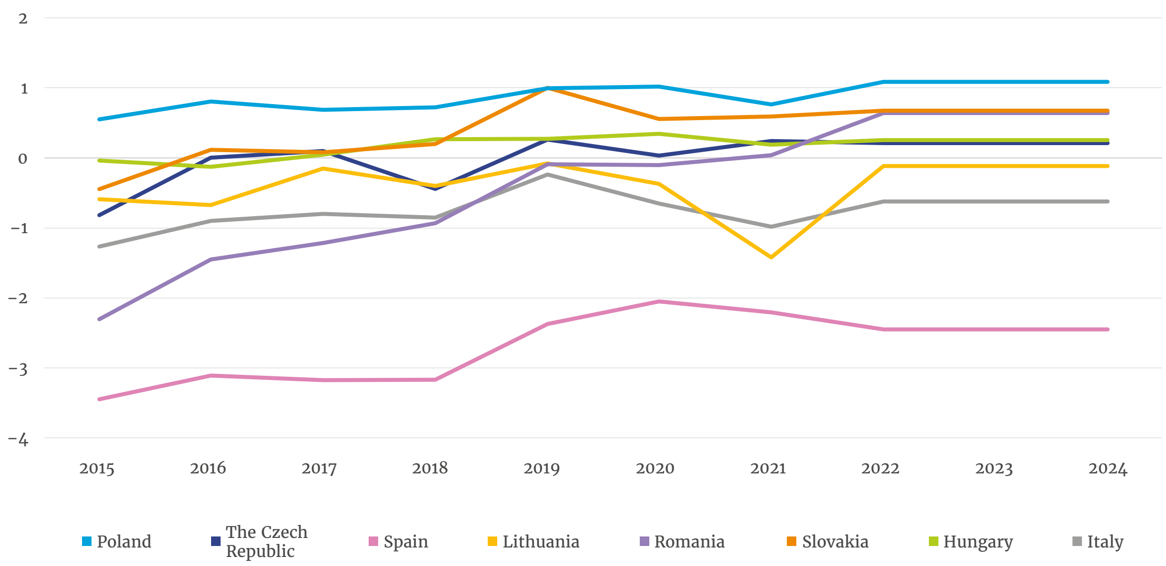
Lithuania, while long-term sick leave resulting from occupational accidents is more common in Spain and Italy.

In the dimension of safety and working conditions, the highest index values are observed in Poland and Slovakia, while the lowest – in Spain.

The country's overall economic credibility rating in terms of safety and working conditions is highest in Poland, primarily due to a significant reduction in the number of fatal accidents in the first decade of the 21st century. The lowest index score in this dimension was recorded in Spain, primarily due to the persistently high number of long-term sick leave resulting from occupational accidents.

Also in this dimension, a significant of the partial values of a country's economic credibility Index is evident, and can be attributed to its extension to include three new countries.

CHART 6. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Safety and work conditions dimension



Source: own study

TABLE 4. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Safety and work conditions dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.56	0.81	0.69	0.73	0.99	1.02	0.77	1.09	1.09	1.09
The Czech Rep.	-0.81	0.00	0.10	-0.44	0.26	0.03	0.24	0.21	0.21	0.21
Spain	-3.44	-3.11	-3.18	-3.17	-2.38	-2.06	-2.22	-2.46	-2.46	-2.46
Lithuania	-0.59	-0.67	-0.15	-0.40	-0.08	-0.37	-1.41	-0.12	-0.12	-0.12
Romania	-2.30	-1.45	-1.21	-0.93	-0.09	-0.10	0.04	0.64	0.64	0.64
Slovakia	-0.43	0.13	0.09	0.21	1.00	0.56	0.60	0.68	0.68	0.68
Hungary	-0.03	-0.11	0.06	0.27	0.28	0.35	0.19	0.26	0.26	0.26
Italy	-1.26	-0.90	-0.80	-0.85	-0.24	-0.65	-0.98	-0.62	-0.62	-0.62

Source: own study

Dimension 3. Non-standard employment

The improvement in the index value in this dimension in Poland is primarily due to the decrease in the share of people in precarious employment and the decrease in the percentage of people working part-time until 2021. In the years 2022–2024, the share of this group in Poland increased in comparison with 2021.

Meanwhile, the percentage of people with precarious employment has been on the decline, as is the case in Spain, Italy, and Hungary. Worth looking at is the situation in Italy, where, following an increase in this group's share until 2018, it rapidly declined in subsequent years.

CHART 7. Part-time employment

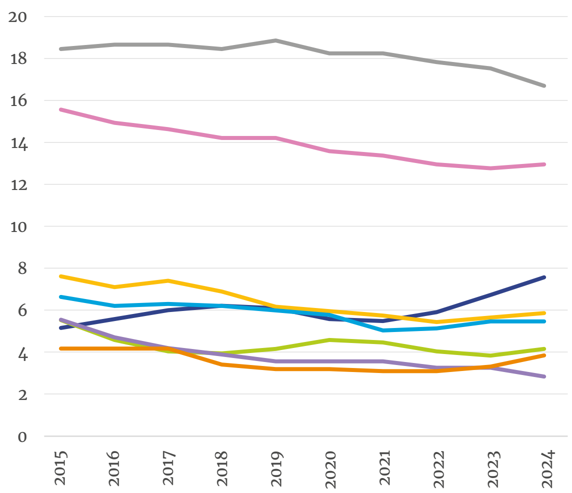
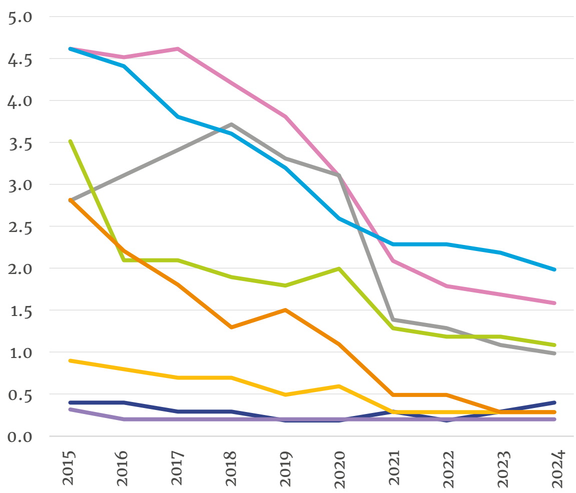


CHART 8. Precarious employment



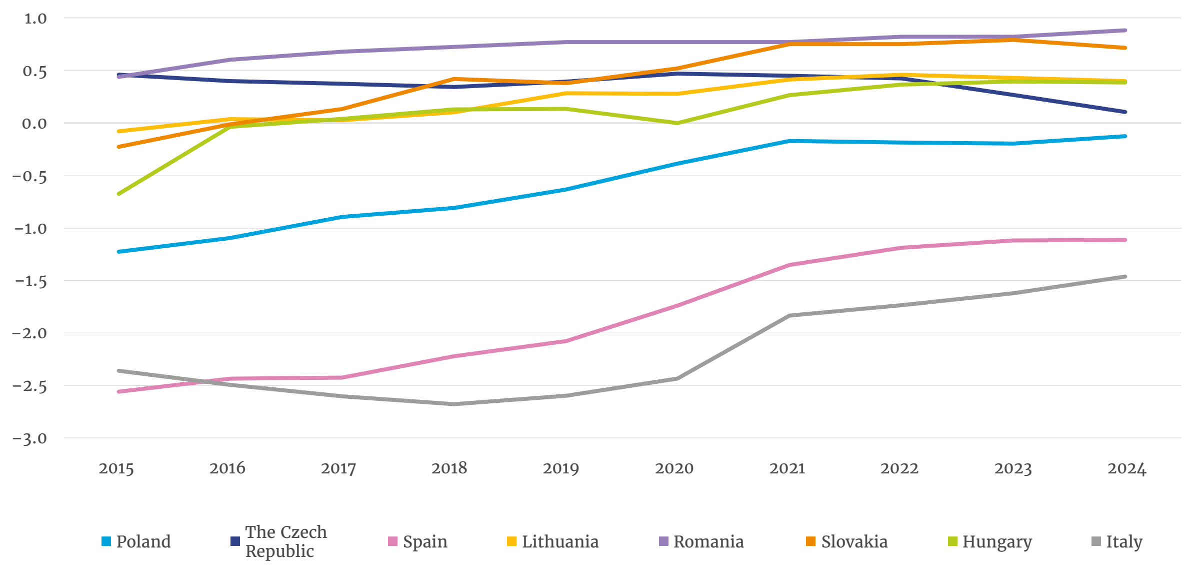
Poland · The Czech Republic · Spain · Lithuania · Romania · Slovakia · Hungary · Italy

Source: Eurostat

In terms of non-standard employment, the situation in Poland remains less favourable throughout the period under review, with the partial value of the country's economic credibility Index remaining below zero. Only Italy and Spain recorded a worse situation than that of Poland in terms of non-standard employment.

Since 2010, Poland's credibility in this respect has been growing. It is, however, Romania and Slovakia which have recorded the most favourable situation, with significant improvements in the prevalence of non-standard employment monitored as part of the country's economic credibility assessment since 2015.

CHART 9. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Non-standard employment dimension



Source: own study

TABLE 5. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Non-standard employment dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.21	-1.08	-0.89	-0.80	-0.63	-0.39	-0.18	-0.20	-0.21	-0.14
The Czech Rep.	0.47	0.41	0.39	0.36	0.41	0.48	0.46	0.44	0.28	0.13
Spain	-2.55	-2.42	-2.41	-2.21	-2.07	-1.74	-1.35	-1.19	-1.12	-1.12
Lithuania	-0.06	0.05	0.04	0.11	0.29	0.28	0.42	0.46	0.43	0.40
Romania	0.46	0.62	0.69	0.74	0.78	0.78	0.78	0.83	0.83	0.89
Slovakia	-0.21	0.00	0.14	0.42	0.38	0.52	0.75	0.75	0.79	0.72
Hungary	-0.66	-0.04	0.04	0.12	0.13	0.00	0.26	0.35	0.38	0.37
Italy	-2.35	-2.48	-2.59	-2.66	-2.58	-2.42	-1.83	-1.73	-1.62	-1.46

Source: own study

Dimension 4. Engagement in the labour market

From 2020 to 2024, there were observed the highest increases in female employment in Hungary (9.9 percentage points) and Slovakia (7.5 percentage points). Poland recorded the third-largest increase in the employment rate for this group (6.6 percentage points).

In the group of people aged 55, the highest employment growth was recorded in Hungary (10.5 percentage points), the Czech Republic (8.8 percentage points), and Slovakia (7.7 percentage points). Poland ranked the fourth (7.1 percentage point increase). During the same period, the female employment rate in Romania decreased (0.7 percentage points), while in Lithuania, the employment rate for people aged 55-64 increased by only 1.5 percentage points.

CHART 10. Total employment rate (people aged 20-64)

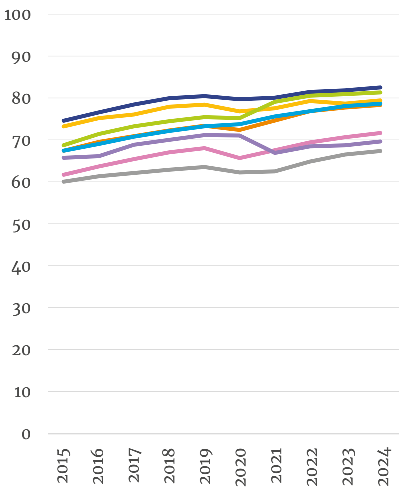


CHART 11. Employment rate for women (aged 20-64)

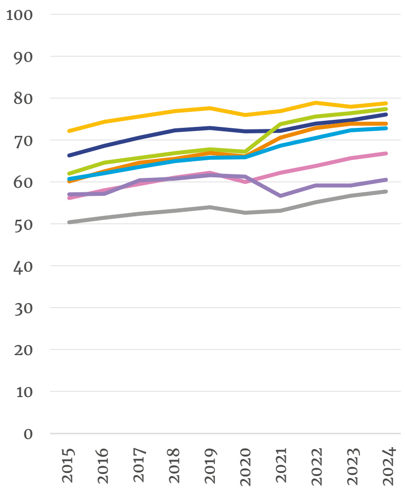
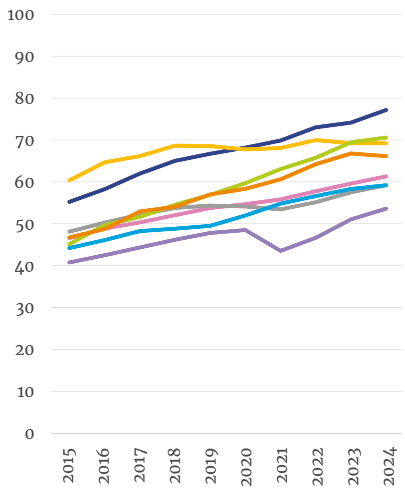


CHART 12. Employment rate for people aged 55-64

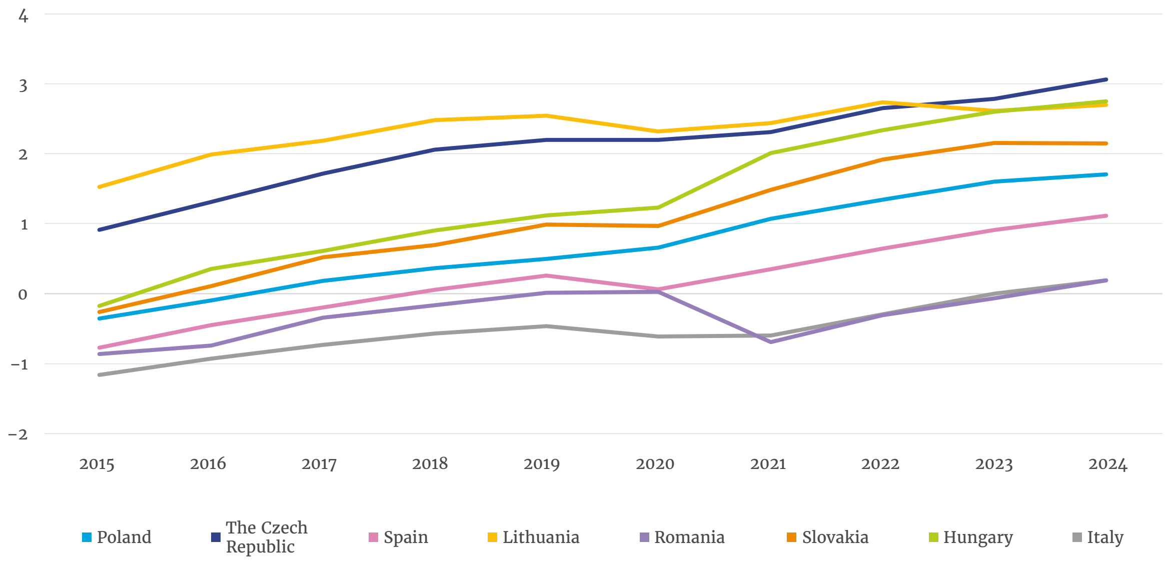


Source: Eurostat

The highest Index value in this dimension throughout the period was recorded in the Czech Republic, while the lowest values were recorded in Italy and Romania. Poland maintains a stable fifth place, which is reflected in the employment rates across all analysed population groups. It is worth noting that while employment rates are rising in the analysed countries, they are not converging. On the contrary, the diversification of Index values in 2024 was greater than at the beginning of the period subject to analysis.

based on indicators adopted for assessment of the respective dimensions

CHART 13. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Engagement in job market dimension



Source: own study

TABLE 6. Total assessment of a country's economic credibility in the area of Labour protection and safety in the Engagement in job market dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.35	-0.09	0.18	0.37	0.49	0.65	1.06	1.33	1.58	1.69
The Czech Rep.	0.93	1.32	1.72	2.06	2.19	2.19	2.31	2.64	2.77	3.05
Spain	-0.76	-0.44	-0.20	0.05	0.26	0.06	0.34	0.63	0.90	1.10
Lithuania	1.53	1.98	2.18	2.47	2.53	2.31	2.43	2.72	2.60	2.68
Romania	-0.85	-0.73	-0.34	-0.17	0.00	0.01	-0.68	-0.31	-0.07	0.17
Slovakia	-0.25	0.11	0.52	0.70	0.99	0.96	1.47	1.90	2.14	2.13
Hungary	-0.16	0.36	0.61	0.90	1.12	1.22	2.00	2.32	2.59	2.73
Italy	-1.15	-0.93	-0.73	-0.58	-0.47	-0.61	-0.60	-0.31	-0.02	0.17

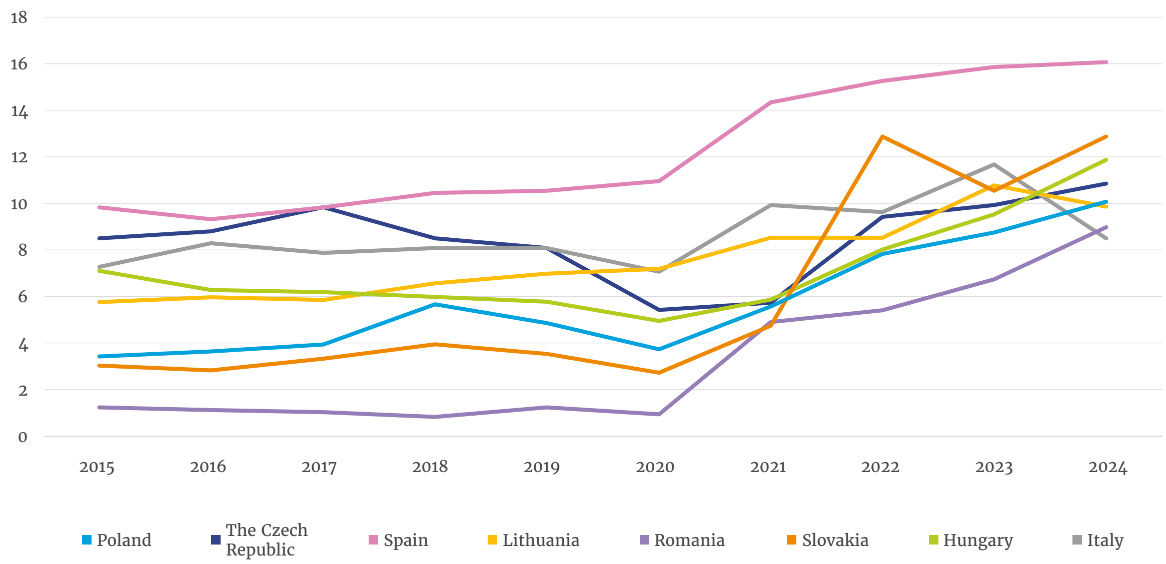
Source: own study

In the dimension related to labour market engagement, the economic credibility Index has improved over time, primarily thanks to rising employment rates. This growth had been more dynamic until around 2020; however, in subsequent years, particularly during the pandemic, some countries saw noticeable declines in this dimension.

Dimension 5: Lifelong Learning

Of particular interest are clear differences in adult participation in various forms of lifelong learning in the analysed countries – from 16% in Spain to 8.5% in Italy.

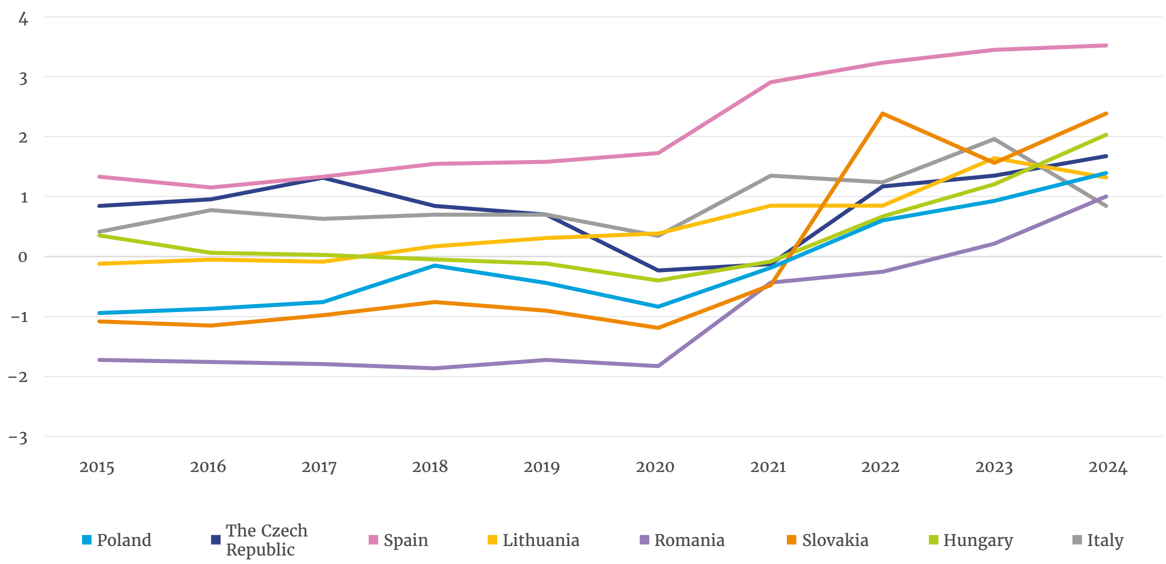
CHART 14. Participation in education and training (last 4 weeks)



Source: own study

In Poland, until 2020, the share of adults participating in education and training hovered around 4%. After 2020, there was observed an increase to 10% (in 2024), which ranked Poland the fifth among the analysed group – significantly below Spain, Slovakia, and Hungary.

CHART 15. Total assessment of a country's economic credibility for the Labour protection and safety in the Lifelong learning dimension



Source: own study

TABLE 7. Total assessment of a country's economic credibility for the Labour protection and safety in the Lifelong learning dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.92	-0.85	-0.75	-0.14	-0.43	-0.82	-0.18	0.60	0.92	1.39
The Czech Rep.	0.85	0.96	1.32	0.85	0.71	-0.21	-0.11	1.17	1.35	1.67
Spain	1.35	1.17	1.35	1.56	1.60	1.74	2.92	3.24	3.45	3.52
Lithuania	-0.11	-0.04	-0.07	0.18	0.32	0.39	0.85	0.85	1.64	1.32
Romania	-1.71	-1.74	-1.78	-1.85	-1.71	-1.81	-0.43	-0.25	0.21	1.00
Slovakia	-1.07	-1.14	-0.96	-0.75	-0.89	-1.17	-0.46	2.38	1.56	2.38
Hungary	0.36	0.07	0.04	-0.04	-0.11	-0.39	-0.07	0.68	1.21	2.03
Italy	0.43	0.78	0.64	0.71	0.71	0.36	1.35	1.24	1.96	0.85

Source: own study

Dimension 6. Income from employment

The highest percentage of working people at risk of relative poverty was recorded in Romania, with a significant decline in this indicator – in 2024, it was still almost three times higher than in the Czech Republic. In recent years, the percentage of the working poor has increased in Slovakia and Hungary. Two new countries included in the Index – Spain and Italy – also face a high risk of relative poverty.

In Poland, we observe a gradual but slow decline in the risk of poverty among working people, as a result of which our country ranks the third among the countries covered by the Index.

The gender pay gap is narrowing in several countries, but remains high in the Czech Republic, Hungary, and Slovakia. The lowest gender pay gaps are found in Romania and Italy.

In Poland, the gender gap remains stable at around 8%. It is worth noting that the gender

CHART 16. In-work at-risk-of-poverty rate

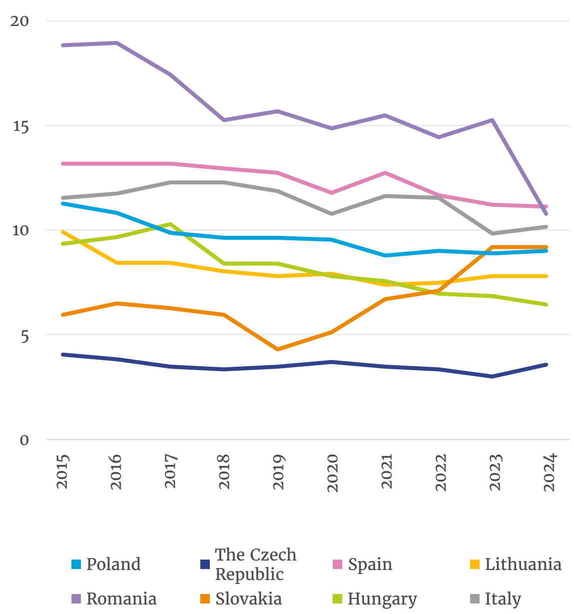
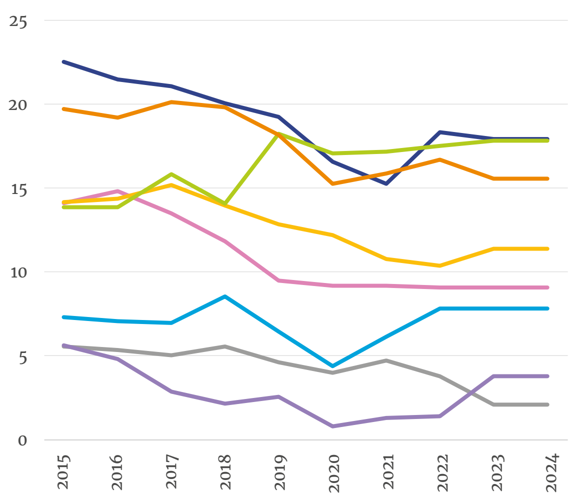


CHART 17. Gender pay gap



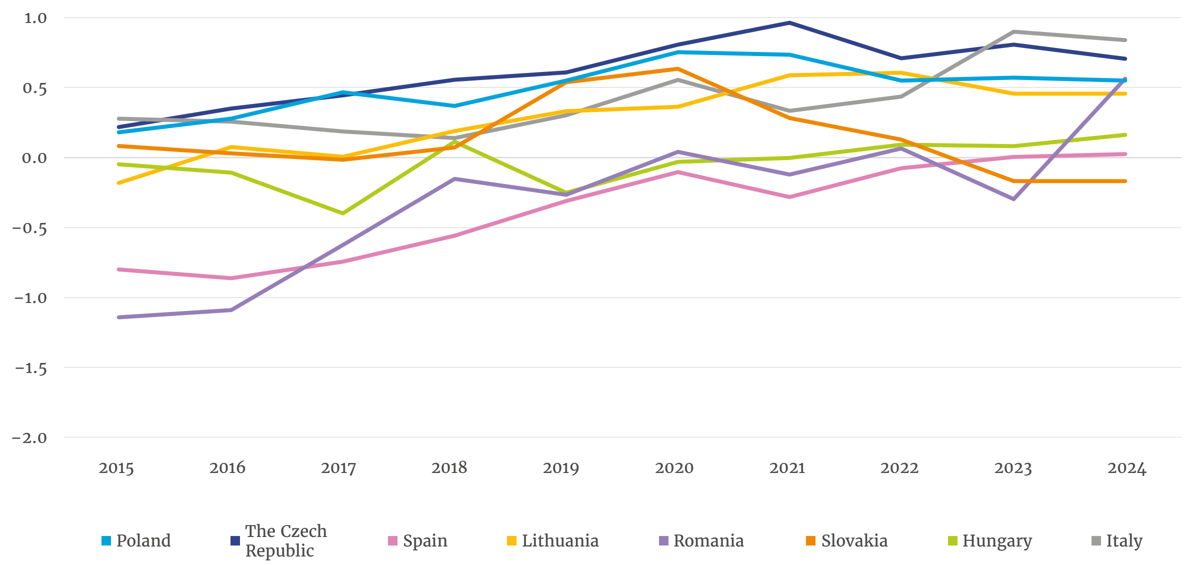
Source: Eurostat

pay gap is lower in countries where women's participation in the labour market is lower – which may point to the fact that women who choose to be professionally active in these countries have higher qualifications and competencies, which translates into relatively higher earnings.

For this dimension, the highest Index value was recorded in Italy, and the lowest in Romania.

The index has gradually improved over the period under review. However, in Romania and Hungary, it remains below the median for all the analysed countries.

CHART 18. Total assessment of a country's economic credibility for the Labour protection and safety in the Income from work dimension



Source: own study

TABLE 8. Total assessment of a country's economic credibility for the Labour protection and safety in the Income from work dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.19	0.28	0.47	0.37	0.55	0.75	0.73	0.55	0.57	0.55
The Czech Rep.	0.23	0.36	0.45	0.56	0.61	0.80	0.96	0.71	0.81	0.71
Spain	-0.79	-0.85	-0.73	-0.55	-0.31	-0.11	-0.28	-0.08	0.00	0.02
Lithuania	-0.18	0.08	0.01	0.19	0.33	0.36	0.58	0.60	0.45	0.45
Romania	-1.14	-1.08	-0.62	-0.15	-0.27	0.04	-0.12	0.06	-0.30	0.56
Slovakia	0.09	0.04	0.00	0.08	0.53	0.63	0.28	0.14	-0.15	-0.15
Hungary	-0.04	-0.10	-0.39	0.12	-0.24	-0.03	0.00	0.09	0.09	0.16
Italy	0.29	0.27	0.20	0.15	0.31	0.56	0.34	0.44	0.90	0.84

Source: own study

Dimension 7. Protection against poverty

The final dimension included in the area of Labour protection and safety focuses on the role of social transfers in reducing poverty.

In Poland, since 2017, there has been a marked improvement in the role of transfers in reducing poverty among both women and men, which is related to the introduction of the 500+ family benefit. In recent years, this indicator has seen visible stabilisation, and its improvement in 2024 may result from an increase in the 800+ child benefit.

CHART 19. Role of social transfers in reducing poverty – women

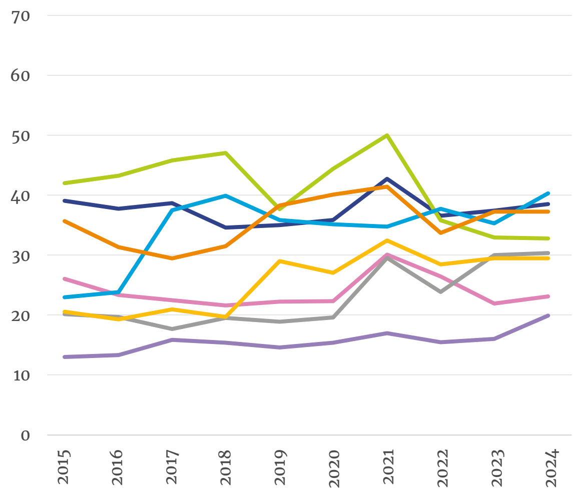
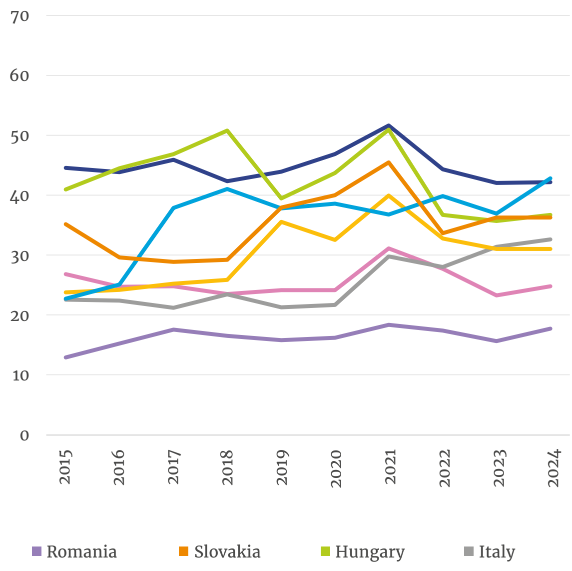


CHART 20. Role of social transfers in reducing poverty – men



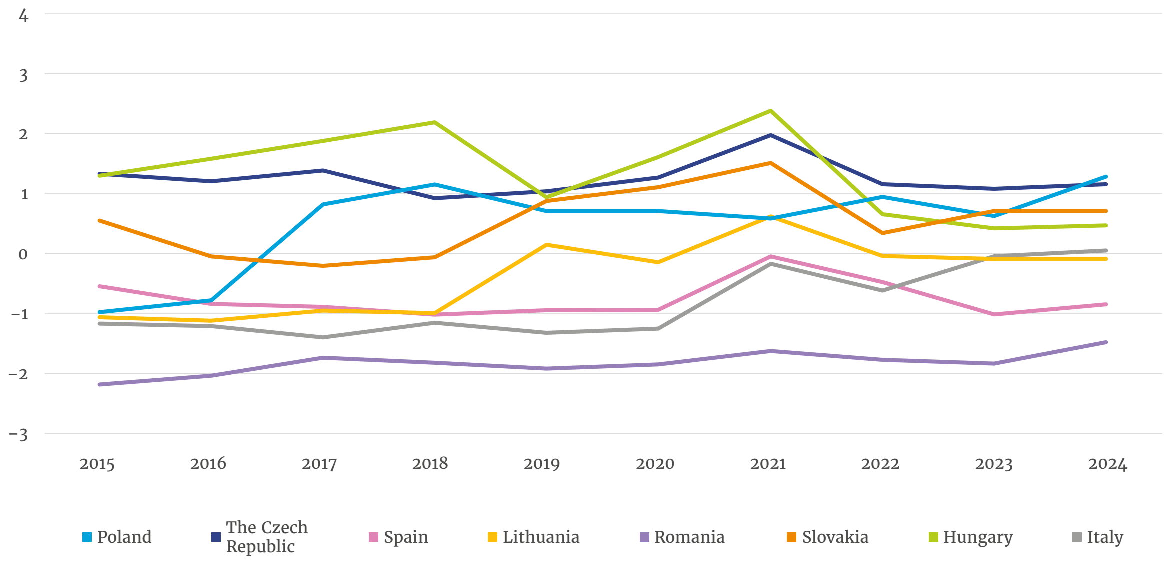
Source: Eurostat

Social transfer systems in Spain, Italy, and Lithuania offer less protection against poverty than solutions in the Visegrad countries, including Poland.

In the case of the protection against poverty dimension, for most of the period under analysis the situation was the best in Hungary and the Czech Republic, and the worst in Romania.

In 2024, the Index rating in this dimension is the highest in Poland, with the Czech Republic ranking the second.

CHART 21. Total assessment of a country's economic credibility for the Labour protection and safety in the Protection against poverty dimension



Source: own study

TABLE 9. Total assessment of a country's economic credibility for the Labour protection and safety in the Protection against poverty dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.96	-0.77	0.81	1.14	0.71	0.71	0.58	0.94	0.62	1.27
The Czech Rep.	1.34	1.22	1.40	0.94	1.06	1.28	1.98	1.17	1.10	1.17
Spain	-0.54	-0.83	-0.88	-1.00	-0.93	-0.92	-0.06	-0.47	-1.00	-0.83
Lithuania	-1.05	-1.10	-0.94	-0.98	0.15	-0.14	0.61	-0.04	-0.09	-0.09
Romania	-2.18	-2.02	-1.73	-1.82	-1.91	-1.85	-1.62	-1.77	-1.83	-1.48
Slovakia	0.56	-0.03	-0.19	-0.05	0.87	1.10	1.50	0.35	0.71	0.71
Hungary	1.31	1.59	1.88	2.19	0.95	1.62	2.38	0.67	0.44	0.49
Italy	-1.16	-1.20	-1.38	-1.14	-1.31	-1.24	-0.18	-0.62	-0.05	0.04

Source: own study

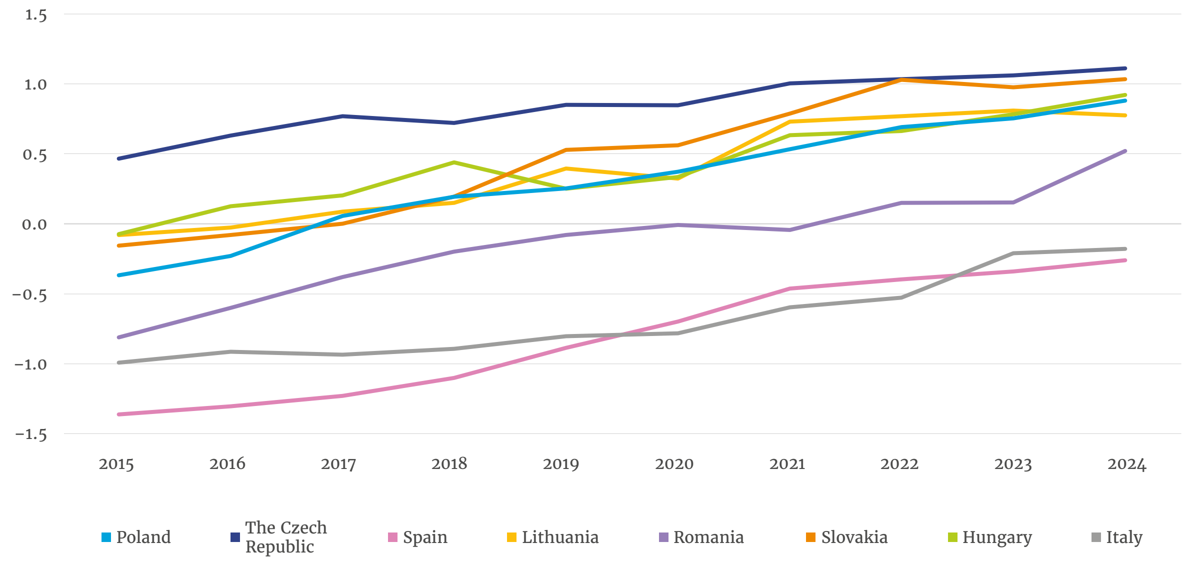
Summary

The aggregate score of a country's economic credibility index for Labour protection and safety in 2024 indicates steady improvement in all countries subject to analysis since 2015. Despite this progress, the Index value in this area remains negative in Spain and Italy, indicating persistent challenges for the labour markets in these countries.

The index value for Poland is lower than in Slovakia, the Czech Republic, and Hungary, but higher than in Romania. In synthetic terms, Slovakia enjoys the best situation in this area, which and has slightly overtaken the Czech Republic since 2021. In these countries, the synthetic Index value is also the highest throughout the entire period under review.

In Poland, there has been observed gradual improvement in the synthetic index since 2010.

CHART 22. Total assessment of a country's economic credibility for the Labour protection and safety area



Source: own study

TABLE 10. Total assessment of a country's economic credibility for the Labour protection and safety area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.36	-0.22	0.06	0.20	0.26	0.38	0.53	0.69	0.75	0.88
The Czech Rep.	0.48	0.64	0.77	0.73	0.85	0.85	1.00	1.03	1.06	1.11
Spain	-1.36	-1.30	-1.22	-1.10	-0.89	-0.70	-0.46	-0.40	-0.35	-0.26
Lithuania	-0.07	-0.02	0.09	0.15	0.40	0.33	0.73	0.77	0.81	0.77
Romania	-0.80	-0.60	-0.38	-0.20	-0.08	-0.01	-0.04	0.15	0.15	0.52
Slovakia	-0.15	-0.07	0.01	0.20	0.53	0.56	0.79	1.03	0.97	1.03
Hungary	-0.07	0.13	0.21	0.44	0.25	0.34	0.64	0.66	0.78	0.92
Italy	-0.99	-0.91	-0.93	-0.89	-0.80	-0.78	-0.60	-0.53	-0.21	-0.18

Source: own study

Since 2017, its value has been positive, which means that the situation in this area exceeds the median in the analysed period.

In the fourth edition of the Index, the Labour protection and safety area once again stands out with favourable results compared to other areas. This situation is largely due to demographic factors that favour the creation of favourable conditions in a labour market, which is increasingly becoming an "employee's market." This results, among other things, in rising employment rates. In 2024, the Index scores improved across all dimensions of this area.

Despite this generally favourable situation, there remain the challenges mentioned at the beginning, including demographic issues such as an ageing population and a decline in the working-age population. This requires better mobilisation of underrepresented groups in the labour market, particularly women and older workers.

Foreign workers play an increasingly important role in the labour market, requiring appropriate measures to protect against abusive employer practices and adequate social protection to prevent poverty. Therefore, the recommendations formulated in the previous report remain relevant, including monitoring employer practices, ensuring equal access to labour protection and safety, and limiting informal employment, particularly for platform and home-based workers.

Restructuring remains a persistent challenge for the labour market. The growing use of technology, including artificial intelligence, is increasingly contributing to a decline in labour demand, particularly affecting young people entering the labour market. The transition toward a green economy requires development of new competencies and skills, not only within formal education but also through various forms of adult education and training.

Foreword

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Area II. Freedom of economic activity

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Area IV. Stability of money and the financial system

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The importance of the quality of public services for a country's economic credibility

Public services such as education, healthcare, and public safety are among the pillars of citizens' daily lives. Thanks to them, children can develop their talents in schools, patients have access to treatment, and residents feel safer in their cities and municipalities. The quality of these services largely translates into a sense of stability and comfort of life, but also into real growth opportunities – both for individuals and entire communities.

High-quality public services foster equality, provide equal opportunities in the transition to adulthood, strengthen trust in the state and its institutions, and thus influence whether citizens feel part of the community. As societies are facing new challenges—from an ageing population to migration and the digitalisation of life—flexibility and ability to adapt public services to changing needs are becoming a key challenge.

The quality of these services largely translates into a sense of stability and comfort of life, but also into real growth opportunities – both for individuals and entire communities.

Transparency in the management of these services is equally important. Citizens expect tax revenues to be spent efficiently and fairly, and for government decisions to be made in a manner that is transparent and open to social dialogue. When this happens, there is a growing sense that shared institutions operate in the interests of all, not just select groups. This, in turn, strengthens social cohesion and a sense of shared responsibility for the country's future.

Public services are not merely a "technical" offering from the state – they constitute a real tool for shaping the quality of life and building social capital. Their proper functioning can determine whether people believe in the value of cooperation and solidarity, or whether they will retreat into individualism and distrust.

Methodology for calculating the Index in the area of Quality of public services

The Index was calculated with the use of indicators that, on the one hand, measure the actions undertaken by public authorities (output indicators) and, on the other, measure the achieved effects (outcome indicators). In the area of public service quality, we consider five dimensions: education, health, safety, e-government, and cybersecurity. The weights for each dimension are presented in Table 1.

TABLE 1. Dimensions and weights in the Quality of public services area (in percentage)

Dimension	Weight
1. Education	25
2. Health	30
3. Security	25
4. E-government	10
5. Cybersecurity	10

Source: own study

The first dimension subject to analysis was **education.** This included, on the one hand, data on students' performance in the international PISA skills assessment and foreign language proficiency, and on the other, an indicator showing what share of public spending is allocated to education. The **health** indicators used for the assessment were: the percentage of people who perceive their health as bad or very bad, the healthy life expectancy for men aged 50, and the percentage of public expenditure on health in GDP. The **security** area covered aspects of internal security (number of intentional homicides, robberies and sexual violence per 100,000 inhabitants) and external security (national defence expenditure as a share of GDP). **E-government** was assessed from the perspective of the E-Government Development Index (EGDI), published by the United Nations, and the basis for the assessment **cybersecurity** was the rate of attacks on computer systems per 100,000 inhabitants.

TABLE 2. Weights of indicators in the Quality of public services area (in percentage)

Dimension	Indicator	Weight
1. Education	Average PISA score	25
	Percentage of students learning English or German	25
	Public expenditure on education as a percentage of GDP	50
2. Health	Self-assessed health – poor or very poor health (total population aged 15+, percentage of population)	−25
	Expected healthy life years for men at age 65 (absolute value)	25
	Public expenditure on healthcare as a percentage of GDP	50
3. Security	Intentional homicides (per 100,000 inhabitants)	−20
	Robberies (per 100,000 inhabitants)	−20
	Sexual violence offences (per 100,000 inhabitants)	−20
	Share of national defence expenditure in GDP	40
4. E-government	E-government Development Index	100
5. Cybersecurity	Global Cybersecurity Index (ranking)	100

Source: own study

In the case of indicators which are stimulants (the higher the value of the indicator, the better), positive weights were used, while in the case of destimulants (the lower the value of the indicator, the better) – negative weights were used.

Analysis of economic credibility in the area of Quality of public services

Dimension 1. Education

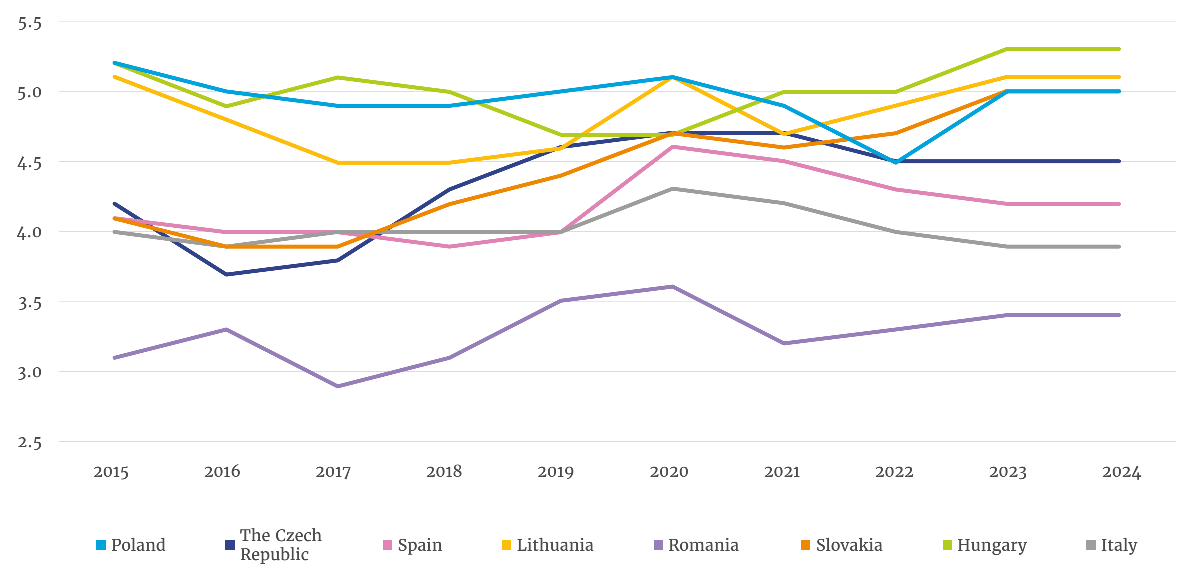
Public spending on education in Poland once again reached the level of 5% of GDP in 2023, which can be considered a positive sign for both the quality of the national education system and the country's development. Maintaining this level of spending indicates a gradual strengthening of the state's priority for investment in human capital. Education is the key factor in increasing labour productivity, innovation, and competitiveness of the economy in the medium and long term.

Education is the key factor in increasing labour productivity, innovation, and competitiveness of the economy in the medium and long term.

Poland thus joins the group of countries in the region that have maintained high levels of education spending in recent years, such as Hungary, Lithuania, and Slovakia. Worth noting is the fact that Western European countries with high economic growth saw comparable values of indicators. Maintaining this trend could improve Poland's position in international rankings not only in terms of education quality but also in terms of economic credibility and the ability to attract foreign investment, which takes into account the quality of human resources in local labour markets.

In last year's edition of the report, we drew attention to the disturbing trend of worsening results of Polish students in the Programme for International Student Assessment (PISA) study. These results were something of a red flag, indicating that despite relatively stable levels of education funding in previous years, the system was not generating results comparable to

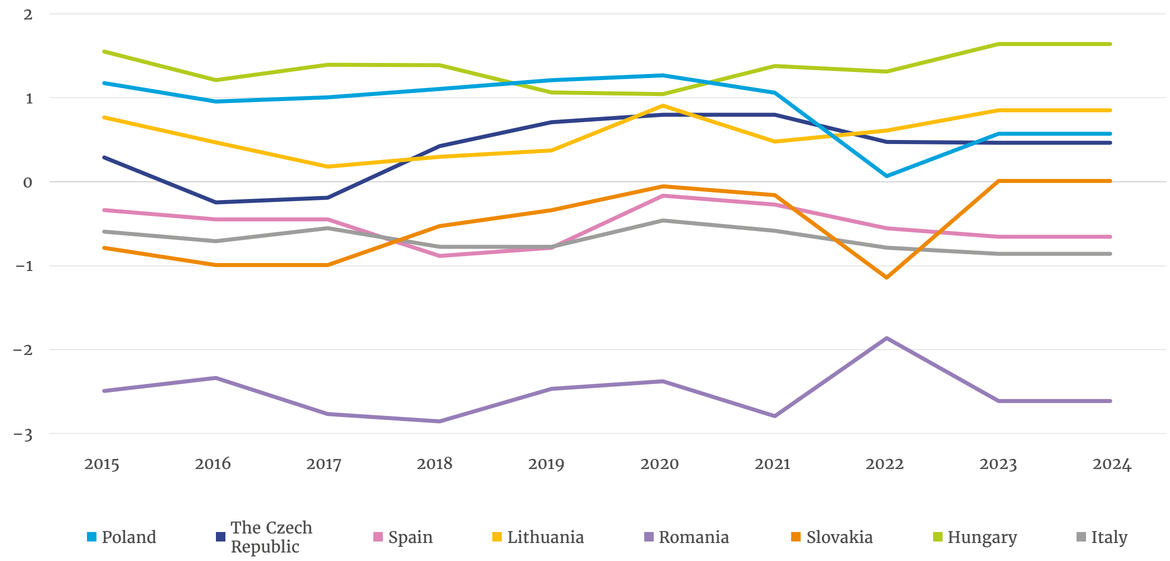
CHART 1. Public expenditure on education as a percentage of GDP



Source: own study

best practices in the region. The next round of the study was conducted this spring, but according to the OECD schedule, the full results would not be published until the second half of 2026. Only then will it be possible to verify whether the increase in education spending observed in recent years translates into improved quality of education and better results in international competency tests.

CHART 2. Total assessment of a country's economic credibility for the Quality of public services area in the Education dimension



Source: own study

TABLE 3. Total assessment of a country's economic credibility for the Quality of public services area in the Education dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	1.17	0.95	1.00	1.10	1.20	1.26	1.05	0.08	0.57	0.57
The Czech Rep.	0.29	-0.24	-0.18	0.42	0.70	0.79	0.79	0.47	0.46	0.46
Spain	-0.34	-0.45	-0.45	-0.87	-0.78	-0.18	-0.28	-0.55	-0.65	-0.65
Lithuania	0.76	0.47	0.19	0.30	0.37	0.90	0.48	0.61	0.84	0.84
Romania	-2.49	-2.34	-2.76	-2.85	-2.47	-2.38	-2.78	-1.87	-2.61	-2.61
Slovakia	-0.79	-0.99	-0.99	-0.53	-0.35	-0.06	-0.16	-1.13	0.00	0.00
Hungary	1.54	1.22	1.39	1.39	1.07	1.05	1.38	1.31	1.63	1.63
Italy	-0.60	-0.71	-0.56	-0.77	-0.77	-0.47	-0.59	-0.78	-0.85	-0.85

Source: own study

Overall, the data shows a clear divide in Europe: Central European countries are gradually improving their positions, while some southern countries remain in a persistent educational crisis.

In the period under analysis, Hungary and Lithuania stand out in particular, consistently maintaining high indicators in the area of education, confirming the stability and effectiveness of their human capital investment policy.

Poland and the Czech Republic hover in the middle of the ranking – despite good results in the first half of the period under review, Poland has lost some of its advantage in recent years, while the Czech Republic has failed to maintain its good trend. Slovakia is gradually recovering from deficits, achieving neutral values in recent years, which can be considered a turning point. At the opposite end of the spectrum are Romania and Southern European countries (Spain and Italy), which have maintained deeply negative indicators for years, indicating chronic systemic problems and a weak capacity to improve the quality of education.

Overall, the data shows a clear divide in Europe: Central European countries are gradually improving their positions, while some southern countries remain in a persistent educational crisis.

Dimension 2. Health

The health dimension is one of the key components of the economic credibility Index because it directly affects the quality and availability of human capital and thus the long-term potential of the economy.

Better health in society translates into higher labour productivity, lower costs of absenteeism and social benefits, and greater professional activity of older people. In turn, negative self-assessment of health signals structural risks – insufficient availability of medical services, health inequalities, or poor preventive measures – which may weaken the stability of public finances and limit a country's competitiveness.

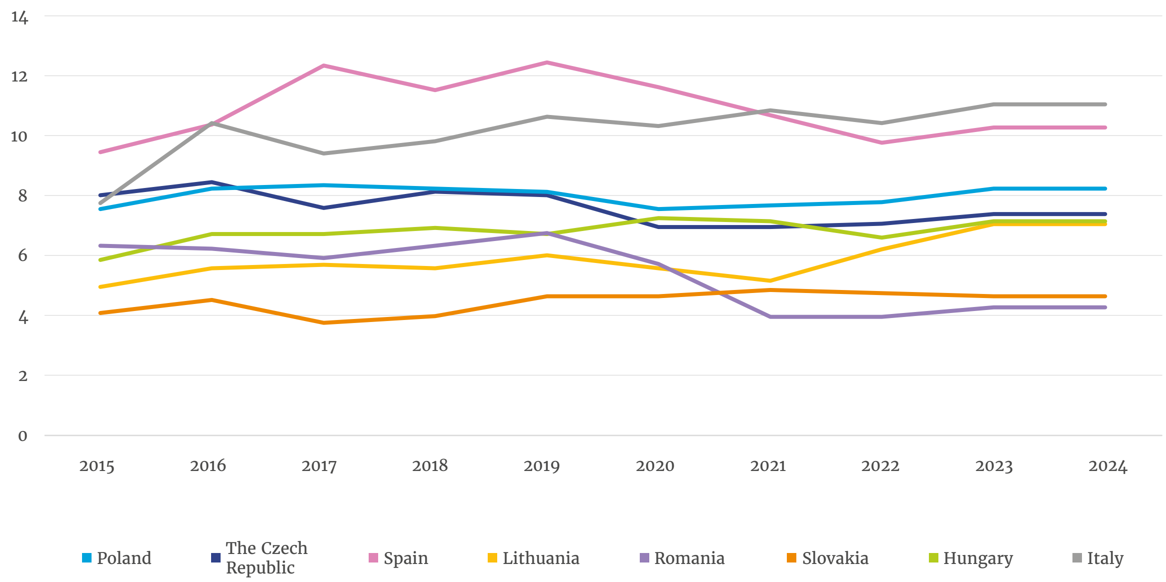
Data on healthy life expectancy for men at age 65 show significant variation across European countries. The best results are achieved by southern countries – Spain and Italy – where significant improvements and stabilisation at over 10-year period have been observed over the past decade, making them regional leaders.

Poland shows a trend of moderate improvement – from 7 years in 2008 to 8.2 years in 2023 – and remains on the average level in Central Europe.

Overall, the data point to growing polarisation: while southern countries are extending the healthy lifespan of seniors, some Central European countries are lagging behind, which poses long-term demographic and economic challenges.

The data in Table 4 present changes in citizens' self-assessment of their health (the percentage of people declaring poor or very poor health) between the years 2015 and 2024. A clear trend of improvement is visible in most of the Central European countries – a decline in the percentage of negative health assessment suggests gradual improvement in the quality of life and availability of medical care.

CHART 3. Expected healthy life years for men at age 65 (absolute value)



Source: own study

TABLE 4. Self-assessed health (percentage of responses with bad and very bad assessment)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	14.3	13.7	13.6	12.8	12.8	10.8	10.3	9.9	10.0	9.8
The Czech Rep.	11.1	11.8	11.1	10.7	10.4	9.3	8.6	8.8	9.2	9.1
Spain	7.5	7.0	6.6	7.4	7.2	6.6	7.7	7.2	7.2	7.3
Lithuania	17.7	17.1	16.4	15.8	15.2	15.3	13.1	12.9	13.1	12.1
Romania	8.5	7.2	7.3	7.1	7.3	7.3	7.4	6.8	6.7	5.4
Slovakia	12.3	11.8	11.3	12.0	12.6	13.2	13.2	12.3	11.5	11.9
Hungary	15.8	13.3	13.0	11.9	11.8	9.9	8.2	10.0	9.3	9.6
Italy	12.4	7.7	5.8	6.8	7.0	7.0	8.1	6.7	6.1	5.9

Source: own study based on the Eurostat data

Poland has reduced its rate from 14.3% in 2015 to 9.8% in 2024, which is a significant positive sign, especially since this decline is consistent with a broader regional trend (with the exception of Slovakia, where the values remain stable but relatively high, around 12%).

Data on public spending on healthcare as a percentage of GDP reveal marked differences in the priorities of healthcare policies in individual countries. Spain, Italy, and the Czech Republic consistently maintain the highest expenditures (around 6–7% of GDP, and even above 7.5% during the pandemic), indicating relatively strong funding for healthcare systems. Poland remains among the countries with the lowest expenditures – remaining around 4.4–4.7% of GDP throughout the analysed period – further undermining its position in Western Europe and the neighbouring Czech Republic and Slovakia.

TABLE 5. Public expenditure on healthcare as a percentage of GDP

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	4.41	4.53	4.53	4.47	4.59	4.64	4.61	4.66	4.66*	4.66*
The Czech Rep.	6.18	6.21	6.15	6.27	6.36	7.92	7.94	7.20	7.00	7.00*
Spain	6.45	6.35	6.27	6.28	6.40	7.78	7.52	7.07	7.07*	7.07*
Lithuania	4.35	4.43	4.28	4.35	4.61	5.20	5.32	4.81	4.74	4.74*
Romania	3.86	3.98	4.08	4.40	4.58	4.98	5.05	4.51	4.51*	4.51*
Slovakia	5.37	5.58	5.38	5.32	5.51	5.67	6.08	6.15	6.15*	6.15*
Hungary	4.67	4.74	4.64	4.56	4.29	5.12	5.31	4.85	4.69	4.76
Italy	6.55	6.45	6.37	6.35	6.31	7.25	6.92	6.52	6.14	6.27

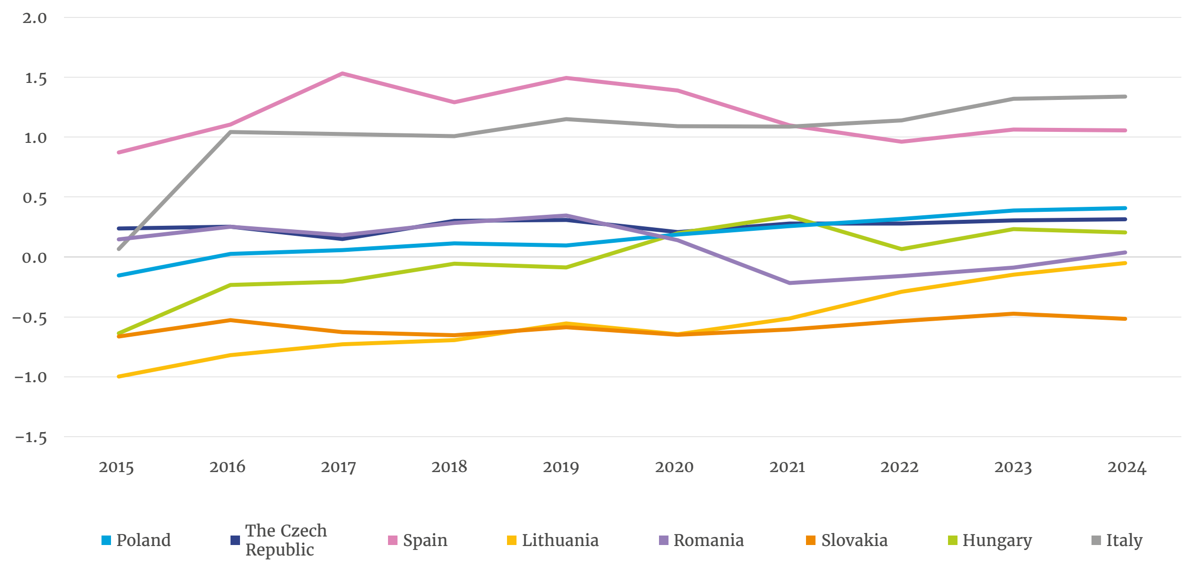
*data for the previous year

Source: own study based on the Eurostat data

The health index results indicate a slight increase in Poland's values – from negative values in 2015 (−0.15) to steadily positive values in recent years (0.40 in 2024). This trend, while positive, shows that we still remain below the level of Western European countries.

Spain and Italy maintain very high scores (around 1.0–1.5), confirming their strong position in the area of health as a pillar of economic credibility.

CHART 4. Total assessment of a country's economic credibility for the Quality of public services area in the Health dimension



Source: own study

TABLE 6. Total assessment of a country's economic credibility for the Quality of public services area in the Health dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.15	0.03	0.06	0.12	0.10	0.19	0.25	0.31	0.38	0.40
The Czech Rep.	0.24	0.25	0.16	0.30	0.30	0.21	0.28	0.28	0.30	0.31
Spain	0.88	1.11	1.53	1.29	1.49	1.39	1.10	0.97	1.07	1.06
Lithuania	-0.99	-0.81	-0.73	-0.69	-0.55	-0.64	-0.51	-0.29	-0.15	-0.06
Poland	-0.15	0.03	0.06	0.12	0.10	0.19	0.25	0.31	0.38	0.40
Romania	0.14	0.25	0.18	0.28	0.34	0.14	-0.21	-0.15	-0.08	0.04
Slovakia	-0.66	-0.53	-0.62	-0.65	-0.59	-0.64	-0.60	-0.54	-0.48	-0.52
Hungary	-0.63	-0.23	-0.20	-0.06	-0.09	0.19	0.33	0.06	0.23	0.20
Italy	0.07	1.04	1.02	1.01	1.15	1.09	1.08	1.14	1.31	1.33

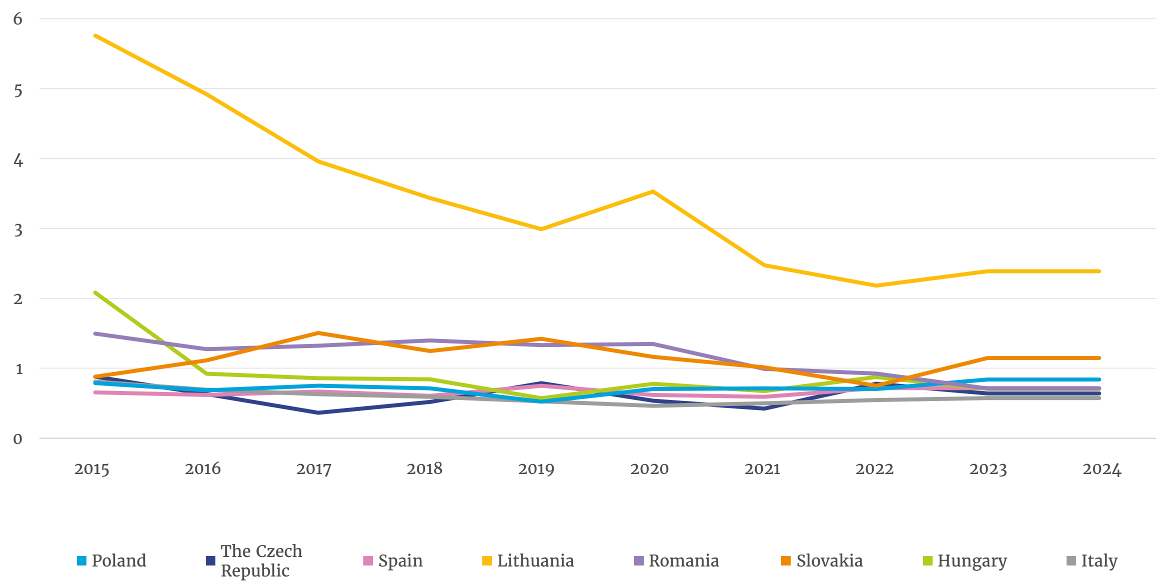
Source: own study

Dimension 3. Security

Public security is divided into two areas: internal, which is characterised by relative stability and predictability, and external (national), which is strongly dependent on the tense geopolitical situation related to the war in Ukraine.

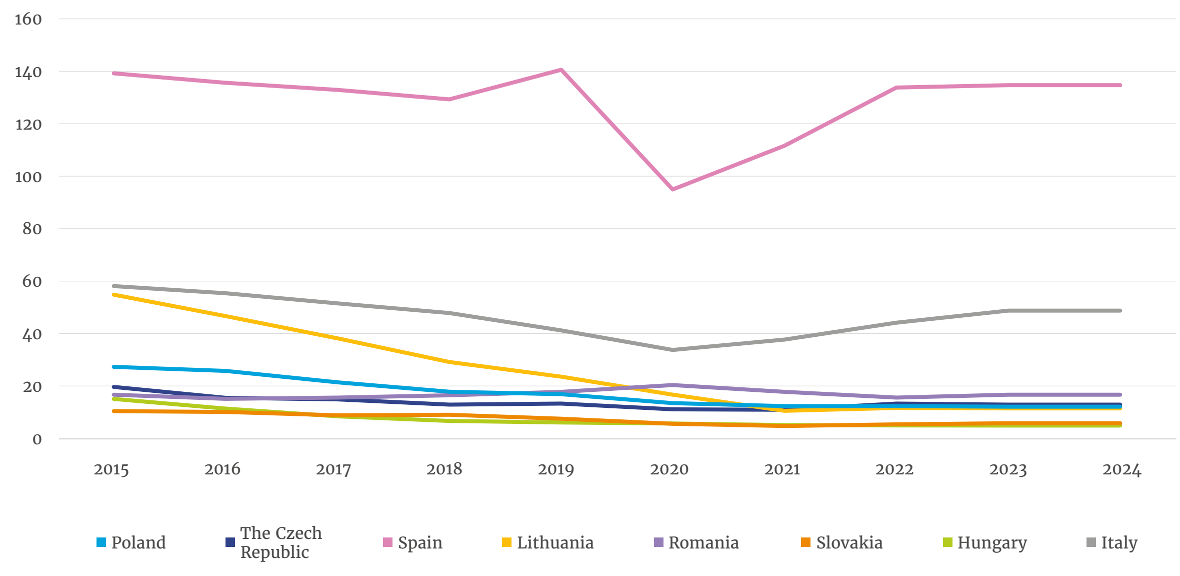
It should be noted that the analysed countries generally record low levels of intentional homicides, confirming a relatively high standard of internal security. Poland ranks among countries with a stable and favourable indicator. Lithuania and, to a lesser extent, Slovakia are exceptions, indicating greater challenges in public security.

CHART 5. Intentional homicides per 100,000 inhabitants



Source: own study based on the Eurostat data

CHART 6. Robberies per 100,000 inhabitants



Source: own study based on the Eurostat data

Data on the number of robberies per 100,000 inhabitants show clearly varying levels of internal security between countries.

Spain maintains by far the highest rates, with figures above 130 in recent years. Italy also records high values, but has seen some decline, from nearly 58 in 2015 to around 49 in 2023.

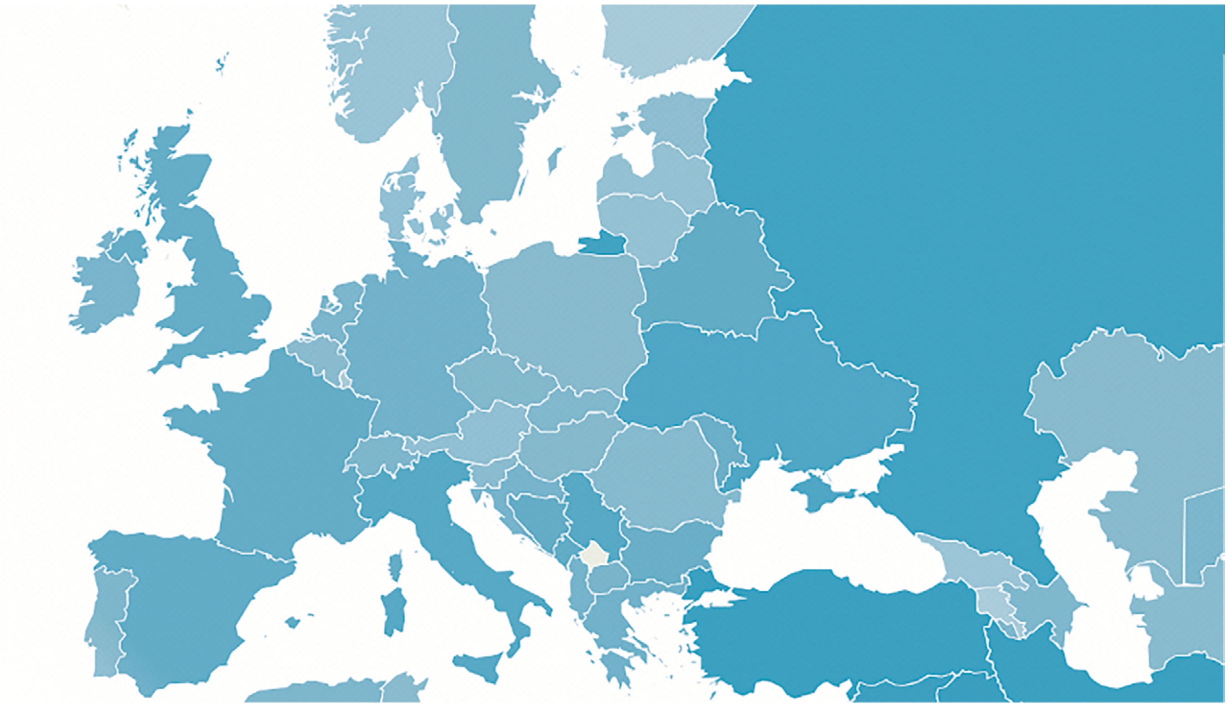
The situation in Central Europe looks much better. Poland improved its index from 26.9 in 2015 to 12.7 in 2023, which represents a nearly two-fold improvement and places our country in the group of countries with low robbery crime levels.

The above data is confirmed by other sources. For example, according to the Crime Index 2025, Poland ranks 119th on the list of the most dangerous countries in the world, ahead of Norway, Spain, and Germany, among others. In the Global Organised Crime Index, Poland is rated favourably for combating organised crime.

Poland, a country directly neighbouring Ukraine, where a full-scale war has been raging since 2022, is intensifying efforts to modernise and expand capabilities of its armed forces. The goal is not only to significantly strengthen its defence and deterrence capabilities but also to build the image of a militarily strong country, capable of actively participating in the security system of NATO and the European Union.

Implementation of these priorities requires very high budget expenditures, which is clearly reflected in the data presented in Table 7.

FIGURE 1. Global Organised Crime Index



Source: Global Organised Crime Index

TABLE 7. Share of national defence expenditure in GDP

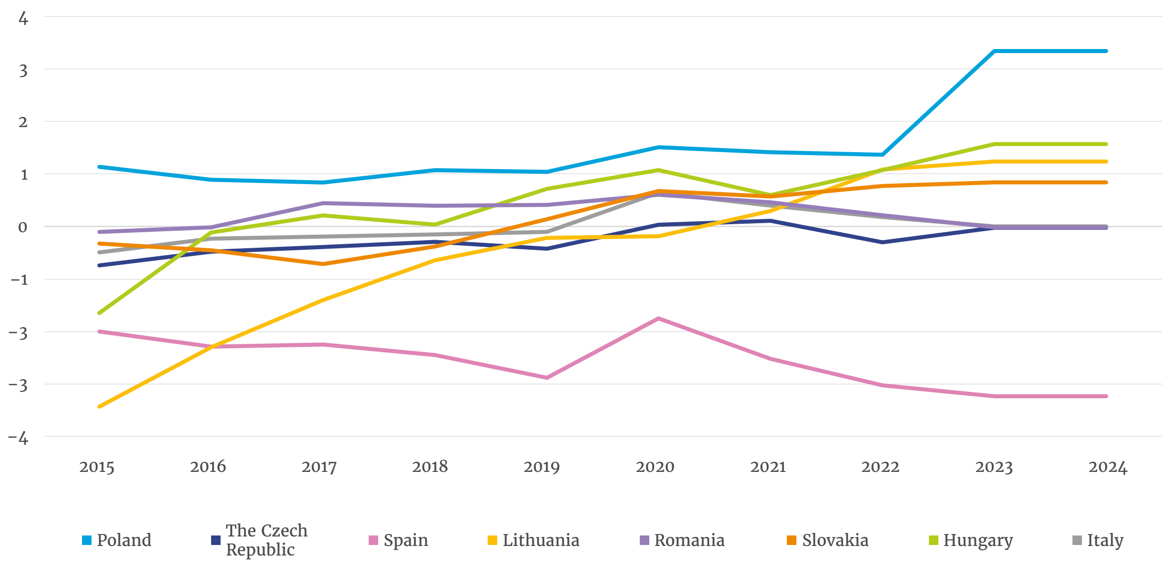
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	2.14	1.95	1.90	2.04	1.98	2.29	2.24	2.23	3.83	4.20*
The Czech Rep.	0.95	1.00	0.96	1.09	1.15	1.32	1.40	1.38	1.52	1.90*
Spain	1.27	1.14	1.23	1.25	1.23	1.37	1.35	1.43	1.51	1.40*
Lithuania	1.14	1.48	1.71	1.97	2.00	2.07	1.96	2.45	2.72	b.d.
Romania	1.45	1.43	1.73	1.79	1.84	2.01	1.85	1.72	1.61	2.30*
Slovakia	1.11	1.12	1.10	1.22	1.70	1.92	1.74	1.81	2.02	b.d.
Hungary	0.90	1.00	1.19	1.01	1.34	1.76	1.32	1.84	2.13	b.d.
Italy	1.21	1.33	1.36	1.36	1.31	1.74	1.68	1.69	1.61	1.60*

*value estimated by the Stockholm International Peace Research Institute

Source: own study

Data on the security credibility index show a clear improvement in Central European countries, while problems seem to persist in Southern Europe. In recent years, Poland has strengthened its leading position, and its advantage over other countries in the region has significantly increased, primarily as a result of unprecedented levels of defence spending over the past three decades. It is worth emphasising that the subjective sense of national security among Polish society may be lower than the indicators suggest. However, the current lack of reliable, internationally comparable data does not allow for the inclusion of the perception dimension in our Index.

CHART 7. Total assessment of a country's economic credibility for the Quality of public services area in the Security dimension



Source: own study

TABLE 8. Total assessment of a country's economic credibility for the Quality of public services area in the Security dimension

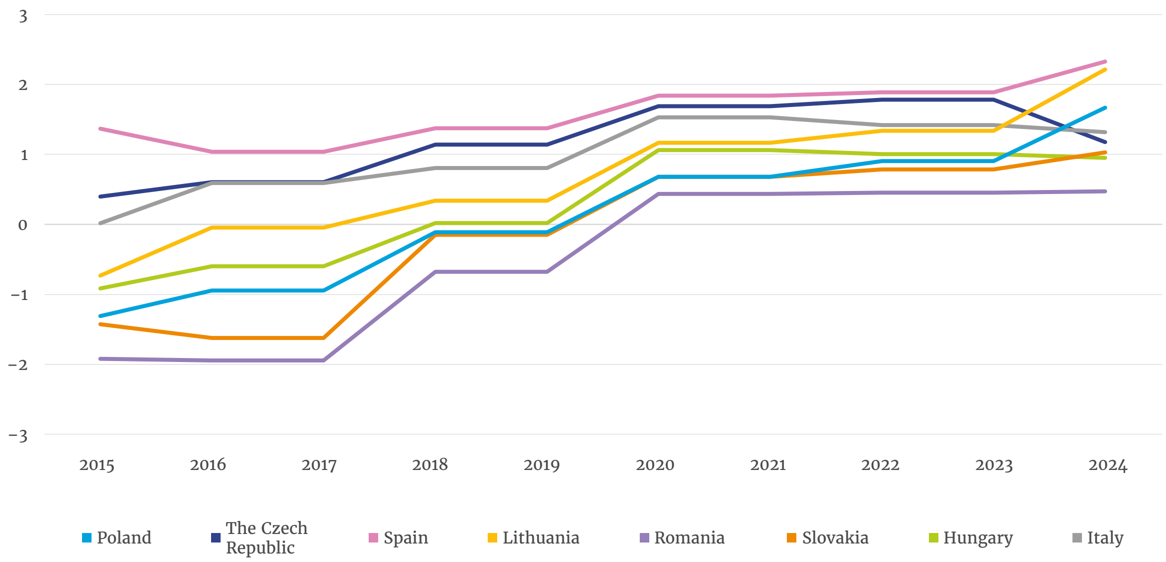
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	1.16	0.91	0.86	1.09	1.06	1.53	1.43	1.39	3.34	3.34
The Czech Rep.	-0.72	-0.47	-0.38	-0.29	-0.41	0.03	0.10	-0.29	-0.03	-0.03
Spain	-2.01	-2.29	-2.25	-2.45	-2.87	-1.76	-2.52	-3.01	-3.22	-3.22
Lithuania	-3.42	-2.29	-1.39	-0.64	-0.22	-0.19	0.29	1.08	1.23	1.23
Romania	-0.08	0.00	0.45	0.39	0.41	0.60	0.46	0.22	0.00	0.00
Slovakia	-0.31	-0.43	-0.69	-0.36	0.14	0.67	0.57	0.76	0.83	0.83
Hungary	-1.63	-0.10	0.22	0.04	0.72	1.07	0.60	1.07	1.56	1.56
Italy	-0.47	-0.22	-0.18	-0.14	-0.09	0.63	0.39	0.18	0.01	0.01

Source: own study

Dimension 4. E-government

Development of e-government strengthens economic credibility, demonstrating the growing capacity of the state to provide modern, efficient public services. Data in this dimension show significant improvements across all analysed countries between 2015 and 2024, reflecting the accelerated digitalisation of public services, to which spur was largely given by COVID-19 pandemic.

CHART 8. Total assessment of a country's economic credibility for the Quality of public services area in the E-government dimension



Source: own study

TABLE 9. Total assessment of a country's economic credibility for the Quality of public services area in the E-government dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.30	-0.94	-0.94	-0.11	-0.11	0.67	0.67	0.90	0.90	1.66
The Czech Rep.	0.41	0.61	0.61	1.14	1.14	1.68	1.68	1.77	1.77	1.17
Spain	1.38	1.05	1.05	1.38	1.38	1.84	1.84	1.89	1.89	2.32
Lithuania	-0.72	-0.04	-0.04	0.34	0.34	1.16	1.16	1.33	1.33	2.20
Romania	-1.91	-1.93	-1.93	-0.68	-0.68	0.42	0.42	0.44	0.44	0.46
Slovakia	-1.42	-1.61	-1.61	-0.15	-0.15	0.67	0.67	0.78	0.78	1.02
Hungary	-0.90	-0.59	-0.59	0.02	0.02	1.05	1.05	1.00	1.00	0.94
Italy	0.03	0.59	0.59	0.80	0.80	1.52	1.52	1.41	1.41	1.31

Source: own study

Dimension 5: Cybersecurity

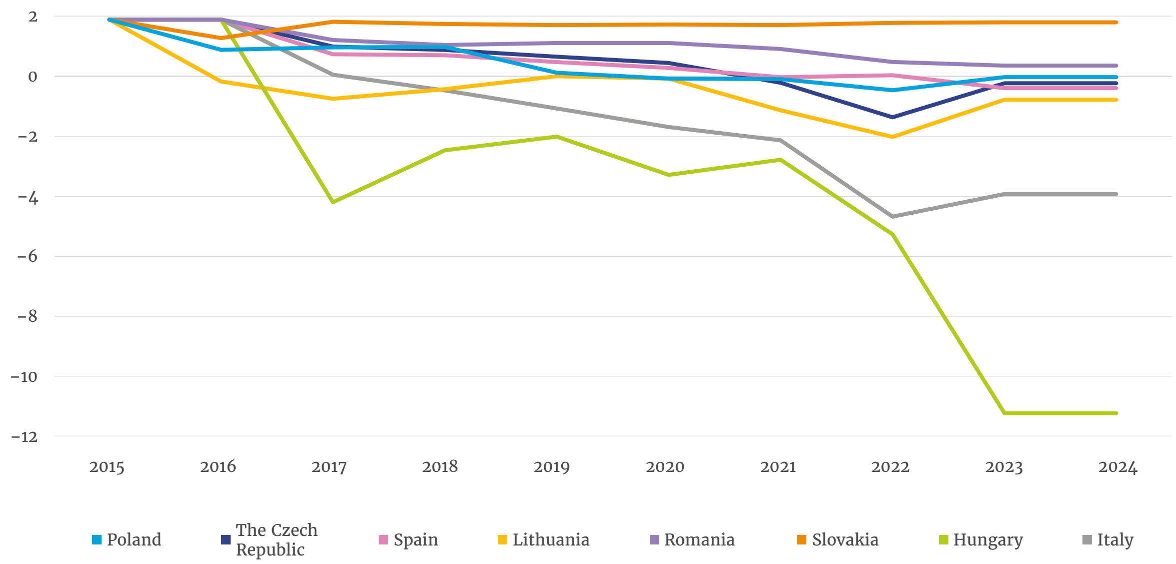
Data on registered computer attacks per 100,000 inhabitants demonstrates the growing scale of cyber threats in Europe. Poland ranks among countries with an average level of registered attacks – higher than Romania and Slovakia, but significantly lower than countries with the highest exposure, such as Hungary, Italy, and Lithuania.

TABLE 10. Registered cyberattacks per 100,000 inhabitants

	2017	2018	2019	2020	2021	2022	2023
Poland	7.57	7.51	14.59	16.11	16.31	19.36	15.75
The Czech Rep.	7.41	8.42	10.25	12.03	17.44	27.08	17.63
Spain	9.54	9.81	11.67	13.19	15.78	15.26	18.77
Lithuania	22.09	19.40	15.71	16.46	25.22	32.68	22.29
Romania	5.47	6.76	6.31	6.22	7.82	11.33	12.33
Slovakia	0.48	1.05	1.30	1.14	1.32	0.81	0.70
Hungary	51.74	37.04	33.17	44.02	39.67	60.81	111.52
Italy	15.56	19.91	24.93	30.16	33.94	55.43	49.04

Source: own study

CHART 9. Total assessment of a country's economic credibility for the Quality of public services area in the Cybersecurity dimension



Source: own study

TABLE 11. Total assessment of a country's economic credibility for the Quality of public services area in the Cybersecurity dimension

	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.96	0.96	0.14	-0.04	-0.07	-0.42	0.00	0.00
The Czech Rep.	0.97	0.86	0.64	0.43	-0.20	-1.32	-0.22	-0.22
Spain	0.73	0.69	0.48	0.30	0.00	0.06	-0.35	-0.35
Lithuania	-0.74	-0.43	0.00	-0.08	-1.11	-1.98	-0.76	-0.76
Romania	1.20	1.05	1.10	1.11	0.93	0.52	0.40	0.40
Slovakia	1.78	1.72	1.69	1.71	1.69	1.75	1.76	1.76
Hungary	-4.21	-2.49	-2.04	-3.30	-2.80	-5.27	-11.19	-11.19
Italy	0.02	-0.49	-1.07	-1.68	-2.13	-4.64	-3.89	-3.89

Source: own study

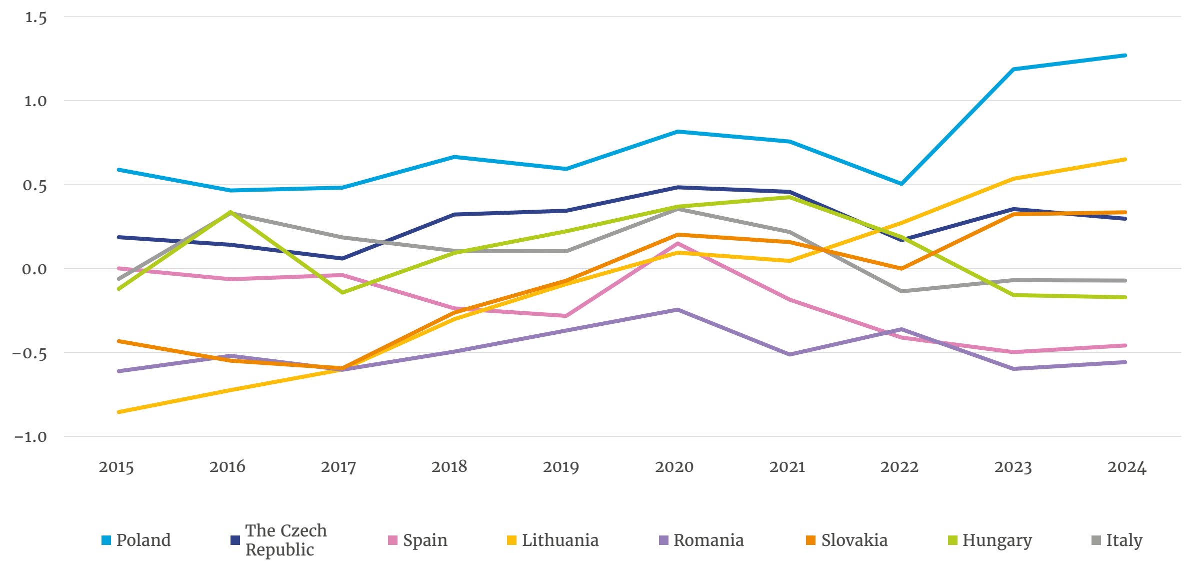
Cybersecurity data indicates a deteriorating situation in most of the analysed countries, reflecting the growing scale of digital threats and difficulties in adapting protection systems. Poland maintains a moderate position – better than many countries in the region, but without significant improvement and with visible stagnation over the past few years. In the context of growing cyber threats, this poses a challenge to economic credibility, as cybersecurity is becoming a key element of trust in state institutions and economic attractiveness.

Activities related to the development of e-administration and security are particularly well-regarded, as Poland has strengthened its position in recent years and moved closer to the leaders.

Summary

In the area of Quality of public services, Poland performs relatively well in the region, maintaining positive index results throughout the period since 2015. Activities related to the development of e-administration and security are particularly well-regarded, as Poland has strengthened its position in recent years and moved closer to the leaders. In terms of healthy living conditions, Poland scores better than Hungary and Romania, but still lags behind the Czech Republic, which remains the regional benchmark. At the same time, cybersecurity is gaining importance, becoming a key challenge and requiring consistent investment in infrastructure and competencies.

CHART 10. Total assessment of a country's economic credibility for the Quality of public services area



Source: own study

TABLE 12. Total assessment of a country's economic credibility for the Quality of public services area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.59	0.47	0.49	0.67	0.60	0.82	0.76	0.51	1.18	1.26
The Czech Rep.	0.19	0.14	0.06	0.32	0.34	0.48	0.45	0.17	0.35	0.30
Spain	0.00	-0.06	-0.04	-0.24	-0.28	0.14	-0.19	-0.41	-0.49	-0.45
Lithuania	-0.85	-0.72	-0.60	-0.30	-0.09	0.09	0.04	0.27	0.53	0.64
Romania	-0.61	-0.52	-0.60	-0.49	-0.37	-0.25	-0.51	-0.36	-0.59	-0.55
Slovakia	-0.43	-0.54	-0.59	-0.26	-0.07	0.20	0.16	0.00	0.32	0.33
Hungary	-0.12	0.33	-0.14	0.09	0.22	0.36	0.42	0.19	-0.15	-0.17
Italy	-0.06	0.32	0.18	0.11	0.10	0.35	0.22	-0.13	-0.06	-0.07

Source: own study

The greatest concerns are raised by the situation in education – an area in which Poland was a clear leader a decade ago, and which currently ranks only in the middle.

However, the greatest concerns are raised by the situation in education – an area in which Poland was a clear leader a decade ago, and which currently ranks only in the middle. The process of gradual decline has been visible for about a decade, and its consequences – in the form of lower quality human capital – are only becoming apparent in the long term, posing a significant risk to the country's economic credibility. A positive change in the form of increased spending on education has been visible from 2024 onwards, but it will take the forthcoming years to reveal whether this can translate into the expected results.

Foreword

Introduction

Area I. Rule of law

Area II. Freedom of economic activity

Area III. Credibility of public finances

Area IV. Stability of money and the financial system

Area V. Labour protection and safety

Area VI. Quality of public services

Area VII. Climate and Environment

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Methodological note

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Expert commentary

The importance of climate and environment for a country's economic credibility

The link between the natural environment and a country's economic credibility stems from two key aspects. First, countries negotiate, sign, and ratify numerous environmental conventions, and then implement them into their legal systems, i.e., put them into practice. They also shape their own legal framework so as to monitor, protect, and control changes in the natural environment. This aspect is crucial because the effective and efficient implementation of adopted legal provisions often poses a significant challenge for public services and inspectorates. A country's credibility depends on both the completeness and coherence of its legal framework, including those stemming from international agreements, and the effectiveness of their implementation.

The second aspect of a country's economic credibility is the condition and change of the natural environment itself. Degradation of improvement of the environment's condition directly affects the standard of living of residents as well as investment and operational decisions of enterprises. In the long term, current decisions regarding overexploitation of limited natural resources exert a significant impact on future investments and, consequently, on a country's economic credibility. In the environmental sphere, countries make or refrain from making autonomous decisions, shaping their economic credibility.

Degradation of improvement of the environment's condition directly affects the standard of living of residents as well as investment and operational decisions of enterprises.

The challenges of climate change are global. All the countries subject to analysis have committed to jointly reducing greenhouse gas emissions, adopting appropriate international commitments to limit anthropogenic impacts on climate change. These commitments result from both common European Union regulations and global agreements, particularly the 2015 Paris Agreement.

However, the ultimate effect depends on effective implementation of the adopted commitments by all parties to the convention and on global emission limits, meaning that such effect is not solely the result of decisions made by individual countries. Yet, it is still worth examining a country's economic credibility in the climate area, as individual countries make decisions which influence changes in the emission levels of their own economies.

In both these areas—the environment and climate—changes are occurring relatively slowly. This is due, on the one hand, to the inertia of environmental and climate processes, and, on the other, to established consumption and production patterns that create pressure on the environment and climate.

Methodology for calculating the Index in the Climate and environment area

In the Climate and environment area, a country's economic credibility is analysed across five dimensions: climate, air, waste, water, and resources.

TABLE 1. Dimensions and weights in the Climate and environment area (in percentage)

Dimension	Weight
1. Climate	40
2. Air	15
3. Waste	15
4. Water	15
5. Resources	15

Source: own study

In the current edition of the Index, efforts have been made to maintain a set of indicators similar to previous editions, despite the expansion in the number of countries subject to analysis. The European Statistical Office (Eurostat) remains the main data source due to the comparability and relative completeness of the data used for developing the Index in this area.

Given the significant expansion of the number of countries subject to analysis and availability of historical data, we had to abandon the biodiversity dimension. Neither the Farm Bird Index nor the full database for the Biodiversity and Habitat index, which is a component of the Environmental Performance Index (EPI) (Block et al., 2024), are available. In previous editions, we used data from these indices for a smaller number of countries.

Ultimately, a total of five dimensions and ten indicators are analysed in the Climate and Environment area. The weights of the indicators in the Climate and environment area for the five dimensions are presented in Table 2.

TABLE 2. Weights of indicators in the Climate and environment area (in percentage)

Dimension	Indicator	Weight
1. Climate	Share of renewable energy in total energy consumption	40
	Greenhouse gas emissions per one resident	−60
2. Air	PM2.5 emissions per one resident	−50
	Premature deaths attributable to air pollution	−50
3. Waste	Municipal waste generated per one resident	−50
	Total waste generated per one resident	−50
4. Water	Total water consumption per one resident	−50
	Population covered by wastewater treatment	50
5. Resources	Energy productivity	50
	Resource efficiency	50

Source: own study

In the case of indicators which are stimulants (the higher the value of the indicator, the better), positive weights were used, while in the case of destimulants (the lower the value of the indicator, the better) – negative weights were used.

Analysis of a country's economic credibility in the Climate and environment area

Dimension 1. Climate

In the climate dimension, the indicators are: the share of renewable energy in total energy consumption and greenhouse gas emissions per person. Changes in the share of renewable energy in the country's energy mix indirectly indicate a shift towards less emission-intensive energy sources, with the energy sector still remaining the main emitter of greenhouse gases.

However, greenhouse gas emissions per capita and their changes allow us to capture trends across the economy and society, including changes in consumption patterns and the transition to low-emission production technologies.

Romania has remained the country with the smallest negative impact on the climate, while Poland is the country whose impact on the climate remains the highest.

Renewable energy has become an increasingly important energy source in all countries during the period under review. The largest relative increase in the share of renewable energy sources occurred in Spain, and the smallest in Romania. Noteworthy are the two countries with the highest current share of renewable energy in the energy mix, Lithuania and Romania. In these countries, the share was also relatively high at the beginning of the analysed period.

The observed trends are consistent with the European Union's policies aimed at phasing out carbon-intensive energy sources. Each EU country has been set an individual target for the share of renewable energy in energy consumption by 2020 – for Poland, the target was

TABLE 3. Share of renewable energy in total energy consumption (in percentage)

	2008	2012	2016	2020	2024
Poland	7.7	11.0	11.4	16.1	16.6
The Czech Rep.	8.7	12.8	14.9	17.3	18.6
Spain	10.7	14.2	17.0	21.2	24.8
Lithuania	17.8	21.4	25.6	26.8	31.9
Romania	20.2	22.8	25.0	24.5	25.7
Slovakia	7.7	10.5	12.0	17.3	17.0
Hungary	8.6	15.5	14.4	13.9	17.1
Italy	11.5	15.4	17.4	20.4	19.6

Source: Eurostat

15%. For comparison, Hungary and the Czech Republic achieved 13%, and Romania 24%. All the countries subject to analysis achieved their target levels of renewable energy in energy consumption in 2020, and the EU as a whole achieved its 20% target. As a reminder, in 2004, the EU's renewable energy share in energy consumption was 8.5%. Current commitments for the year 2030 assume a minimum level of 42.5%.

The second measure of the climate dimension is greenhouse gas emissions per capita. Trends in this area are illustrated in Table 4.

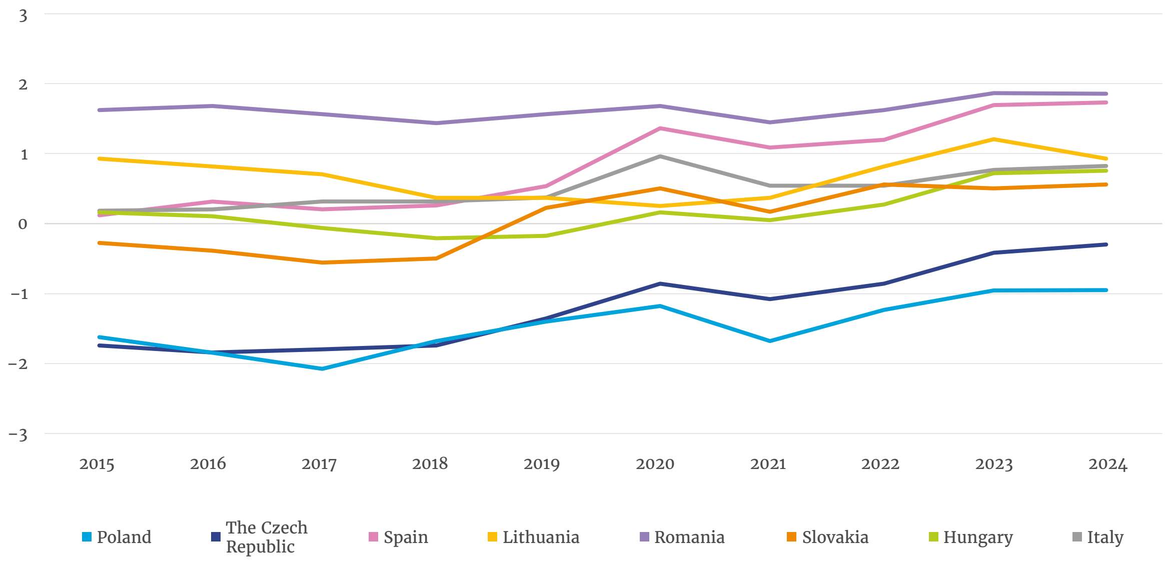
TABLE 4. Greenhouse gas emissions per one resident (t CO_2)

	2008	2012	2016	2020	2024
Poland	10.9	10.7	10.7	10.5	10.0
The Czech Rep.	12.6	11.9	11.6	9.9	9.0
Spain	7.8	7.6	7.1	5.8	5.8
Lithuania	7.4	7.8	8.1	9.6	9.3
Romania	6.2	6.5	5.9	5.9	5.8
Slovakia	8.5	7.9	7.6	6.8	6.6
Hungary	7.2	6.6	7.0	6.8	6.2
Italy	9.0	8.4	7.5	6.5	6.7

Source: Eurostat

The past several years have seen all the countries subject to analysis making efforts aimed at limiting their negative impact on climate change. Spain and the Czech Republic have been leaders in terms of positive changes. Romania has remained the country with the smallest negative impact on the climate, while Poland is the country whose impact on the climate remains the highest.

CHART 1. Total assessment of a country's economic credibility for the Climate and environment area in the Climate dimension



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the Climate and environment area in the Climate dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	−1.60	−1.82	−2.06	−1.66	−1.38	−1.21	−1.66	−1.24	−0.97	−0.96
The Czech Rep.	−1.72	−1.83	−1.78	−1.75	−1.37	−0.83	−1.06	−0.88	−0.42	−0.31
Spain	0.14	0.33	0.22	0.28	0.56	1.36	1.11	1.18	1.68	1.72
Lithuania	0.91	0.82	0.69	0.39	0.38	0.27	0.40	0.83	1.20	0.95
Romania	1.66	1.70	1.55	1.46	1.56	1.67	1.49	1.64	1.86	1.83
Slovakia	−0.27	−0.39	−0.54	−0.47	0.24	0.51	0.19	0.53	0.48	0.55
Hungary	0.17	0.14	−0.07	−0.19	−0.14	0.16	0.09	0.27	0.69	0.75
Italy	0.21	0.22	0.32	0.31	0.41	0.95	0.53	0.54	0.77	0.79

Source: own study

Dimension 2. Air

For the air dimension, there were used two indicators: PM 2.5 emissions and premature deaths caused by air pollution. As with the other indicators, these were converted to values which take into account the population size.

TABLE 6. PM2.5 emissions per one resident (g/one resident)

	2008	2012	2016	2020	2024
Poland	21.8	20.6	18.1	16.8	14.4
The Czech Rep.	28.2	28.4	26.7	23.1	22.1
Spain	9.7	8.2	7.9	7.2	7.0
Lithuania	5.8	5.1	4.7	4.2	4.1
Romania	11.8	9.2	8.0	7.7	7.5
Slovakia	17.8	15.6	13.3	10.3	10.6
Hungary	11.1	11.7	10.0	8.2	7.9
Italy	23.5	18.6	15.6	13.6	13.7

Source: Eurostat

In Poland and the Czech Republic, the level of PM 2.5 dust emissions has remained the highest among the analysed countries.

In all analysed countries, PM2.5 emissions show a downward trend. Countries with relatively low emissions have nominally reduced their emissions in the least degree. The largest decrease was recorded in Italy, while in Hungary the situation was volatile – after some increases in recent years, a downward trend is now observed. In Poland and the Czech Republic, the level of PM 2.5 dust emissions has remained the highest among the analysed countries.

TABLE 7. Premature deaths attributable to air pollution (people/100,000 residents)

	2008	2012	2016	2020	2024
Poland	106	125	110	97	94
The Czech Rep.	88	97	82	65	65
Spain	54	44	38	36	39
Lithuania	95	76	70	52	52
Romania	148	141	110	112	94
Slovakia	103	103	82	72	68
Hungary	129	126	116	98	89
Italy	99	99	83	88	82

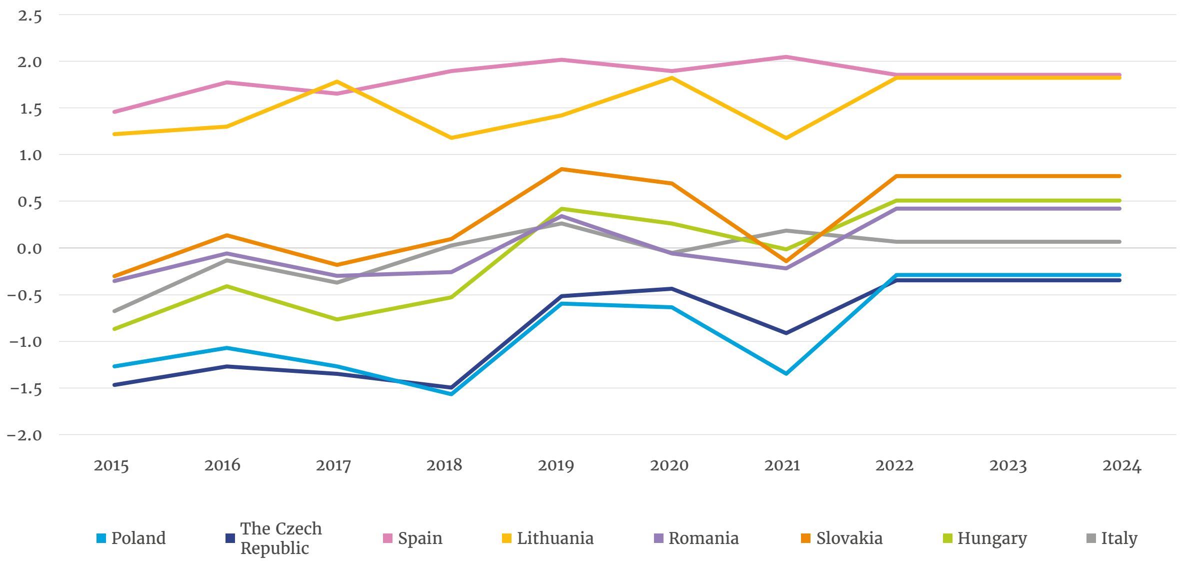
Source: Eurostat

Clear downward trends in the premature death rate caused by PM2.5 pollution were observed in Romania and Slovakia. A significant decline in this indicator is particularly noticeable in Lithuania and in Spain, where the starting point was relatively low anyway.

Poland is the country where the number of premature deaths due to this reason is the highest, and improvement in this area is progressing slowly. In contrast, in the Czech Republic and Slovakia, the situation in this regard is relatively favourable. Air pollution continues to exert a significant impact on the quality of life and health of European citizens, regardless of the region in which they live.

Clean air is available in both Eastern Europe (Lithuania) and Western Europe (Spain). This is illustrated in Figure 2 and Table 8, which present a country's overall economic credibility ratings in the air dimension.

CHART 2. Total assessment of a country's economic credibility for the Climate and environment area in the Air dimension



Source: own study

TABLE 8. Total assessment of a country's economic credibility for the Climate and environment area in the Air dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.25	-1.08	-1.27	-1.56	-0.61	-0.62	-1.35	-0.30	-0.30	-0.30
The Czech Rep.	-1.46	-1.25	-1.36	-1.49	-0.51	-0.46	-0.91	-0.36	-0.36	-0.36
Spain	1.47	1.78	1.65	1.88	2.00	1.90	2.04	1.84	1.84	1.84
Lithuania	1.25	1.30	1.79	1.20	1.43	1.80	1.19	1.81	1.81	1.81
Romania	-0.34	-0.04	-0.29	-0.26	0.33	-0.06	-0.20	0.41	0.41	0.41
Slovakia	-0.29	0.12	-0.16	0.11	0.84	0.68	-0.14	0.74	0.74	0.74
Hungary	-0.86	-0.40	-0.74	-0.52	0.43	0.24	-0.02	0.50	0.50	0.50
Italy	-0.67	-0.14	-0.38	0.03	0.25	-0.06	0.19	0.08	0.08	0.08

Source: own study

Dimension 3. Waste

The waste dimension includes two indicators: municipal waste generated per capita and total waste per capita (i.e. waste from business activities and households).

TABLE 9. Municipal waste generated per one resident (kg per one resident)

	2008	2012	2016	2020	2024
Poland	316	297	315	370	367
The Czech Rep.	317	307	489	570	570
Spain	542	455	473	482	465
Lithuania	381	432	453	479	446
Romania	381	254	272	302	303
Slovakia	307	304	378	497	472
Hungary	430	379	387	420	429
Italy	539	490	493	495	486

Source: Eurostat

The data shown in Table 9 indicate that the amount of municipal waste generated per capita in the countries subject to analysis does not follow a single, common trend. The Western European countries – Spain and Italy – have been reducing these indicators in recent years, after a period of generating very large amounts of municipal waste. In turn, almost all the Central European countries, with the exception of Lithuania, produce more municipal waste. In the Czech Republic and Slovakia, this growth is particularly dynamic. However, one should bear in mind that municipal waste per capita in wealthier EU countries remains significantly higher than in Poland or Romania.

Almost all the Central European countries, with the exception of Lithuania, produce more municipal waste.

These two facts – the steady growth and low level of municipal waste generated compared to other European countries – indicate that further growth in its volume can be expected, and the challenge of its effective and efficient management will increase.

TABLE 10. Total waste (kg per one resident)

	2008	2012	2016	2020	2024
Poland	3645	4266	4793	4492	4739
The Czech Rep.	2448	2205	2402	3598	3672
Spain	3248	2535	2774	2230	2480
Lithuania	1980	1901	2327	2396	2003
Romania	9209	12432	9012	7344	8410
Slovakia	2133	1558	1953	2338	2462
Hungary	1688	1644	1624	1759	2838
Italy	3047	2594	2702	2942	3212

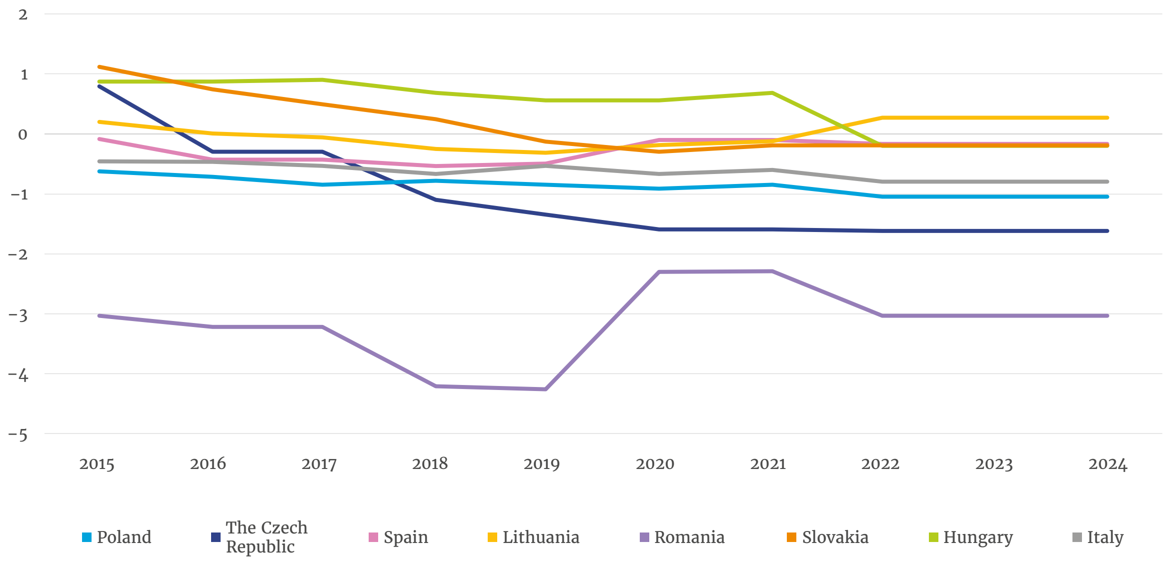
Source: Eurostat

The total amount of waste depends primarily on the structure of the economy and its changes. Therefore, the trend of this indicator over time is more important than its nominal value.

In recent years, there have been no consistent trends across the analysed countries. The Czech Republic and Hungary have seen significant increases in waste volume, while Spain has recorded a decline. Poland still generates significant amounts of waste, and no consistent trend can be observed in this area.

The analysed data demonstrate the extent to which countries in our region and two large Western European countries deviate from the politically recognised idea of a circular economy. Consumption patterns mean that municipal waste volumes remain high and show no sustained downward trend. Data on total waste volumes, including those generated by economic activities, paint a similar picture.

CHART 3. Total assessment of a country's economic credibility for the Climate and environment area in the Waste dimension



Source: own study

TABLE 11. Total assessment of a country's economic credibility for the Climate and environment area in the Waste dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.64	-0.74	-0.83	-0.76	-0.85	-0.89	-0.85	-1.03	-1.03	-1.03
The Czech Rep.	0.78	-0.27	-0.31	-1.09	-1.36	-1.56	-1.56	-1.60	-1.60	-1.60
Spain	-0.10	-0.42	-0.43	-0.52	-0.46	-0.12	-0.12	-0.18	-0.18	-0.18
Lithuania	0.21	0.00	-0.05	-0.23	-0.30	-0.21	-0.12	0.25	0.25	0.25
Romania	-3.06	-3.22	-3.22	-4.18	-4.25	-2.32	-2.33	-3.02	-3.02	-3.02
Slovakia	1.10	0.71	0.49	0.23	-0.12	-0.28	-0.16	-0.21	-0.21	-0.21
Hungary	0.86	0.87	0.89	0.68	0.58	0.57	0.65	-0.18	-0.18	-0.18
Italy	-0.48	-0.49	-0.55	-0.66	-0.56	-0.66	-0.61	-0.78	-0.78	-0.78

Source: own study

Dimension 4. Water

The indicators used in the calculations in the water dimension include total water consumption (this indicator is presented in a comparable way, per capita) and the percentage of the population covered by sewage treatment.

The data shown in Table 12 indicate that in the affluent Western European countries, water consumption is relatively much higher than in our region. This situation persisted throughout

In the affluent Western European countries, water consumption is relatively much higher than in our region.

the analysed period, despite significant reductions in water consumption in Spain and Italy. Water consumption in the Central European countries has remained relatively stable. The highest water consumption occurs in Slovakia and Hungary, while the lowest is seen in Lithuania and Poland.

TABLE 13. Population covered by wastewater treatment (in percentage)

	2008	2012	2016	2020	2024
Poland	89	94	95	97	97
The Czech Rep.	78	78	81	83	85
Spain	94	90	89	89	89
Lithuania	71	74	77	79	79
Romania	32	45	50	57	60
Slovakia	56	59	63	67	69
Hungary	68	73	78	81	82
Italy	42	50	54	58	60

Source: Eurostat

TABLE 12. Total water consumption (m³ per one resident)

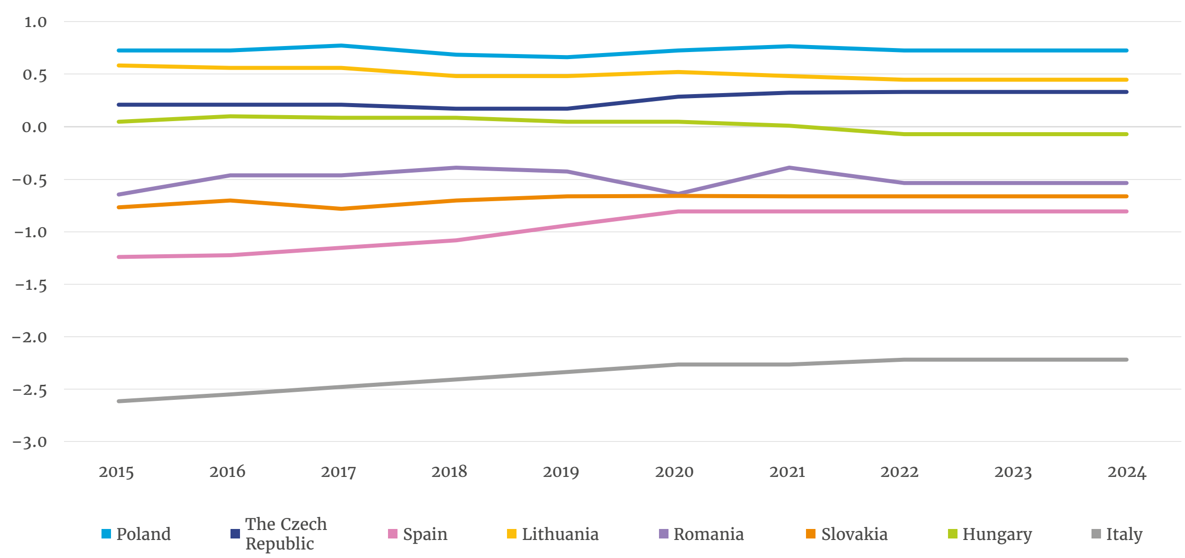
	2008	2012	2016	2020	2024
Poland	42.7	41.6	43.1	44.2	44.9
The Czech Rep.	49.4	46.6	45.5	45.5	45.4
Spain	83.6	79.7	76.8	69.4	69.4
Lithuania	38.7	35.3	36.6	38.8	39.5
Romania	47.4	47.4	40.1	47.4	47.5
Slovakia	58.7	56.1	52.6	54.0	55.2
Hungary	51.2	47.0	46.0	48.5	50.9
Italy	93.7	88.6	81.9	79.4	79.4

Source: Eurostat

Table 13 indicates that the percentage of people using wastewater treatment plants varies among the countries subject to analysis. The situation in this regard has been improving in all countries. By taking into account two indicators of the water dimension, there has been developed a subindex.

Italy faces the greatest challenges in the water dimension. However, the situation is showing some improvement across all the countries subject to analysis. These countries, like other EU member states, are implementing policies

CHART 4. Total assessment of a country's economic credibility for the Climate and environment area in the Water dimension



Source: own study

TABLE 14. Total assessment of a country's economic credibility for the Climate and environment area in the Water dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.73	0.75	0.77	0.68	0.68	0.74	0.76	0.73	0.73	0.73
The Czech Rep.	0.21	0.21	0.23	0.19	0.18	0.28	0.32	0.33	0.33	0.33
Spain	-1.23	-1.20	-1.13	-1.09	-0.93	-0.81	-0.81	-0.81	-0.81	-0.81
Lithuania	0.58	0.57	0.56	0.49	0.51	0.51	0.49	0.46	0.46	0.46
Romania	-0.62	-0.45	-0.46	-0.41	-0.43	-0.63	-0.40	-0.53	-0.53	-0.53
Slovakia	-0.76	-0.71	-0.76	-0.72	-0.69	-0.67	-0.67	-0.67	-0.67	-0.67
Hungary	0.05	0.09	0.07	0.09	0.04	0.05	0.01	-0.06	-0.06	-0.06
Italy	-2.61	-2.54	-2.47	-2.40	-2.35	-2.29	-2.26	-2.23	-2.23	-2.23

Source: own study

and measures aimed at improving water quality, reducing pollution, and protecting aquatic ecosystems in accordance with the EU rules.

Dimension 5: Resources

The indicators used for calculations in the resource dimension include energy productivity and resource efficiency. They are presented in comparable terms, converted per 1 euro of generated GDP.

The data shown in Table 15 indicate that energy productivity has been improving in all economies – less energy is needed to produce 1 euro of GDP, or, put another way, 1 kilogram of oil equivalent now produces more goods and services. This process is evident in all the countries subject to analysis.

In the Western European countries, energy productivity is significantly higher than in our region, which is due to the structure of the economy and the greater share of the service sector. This indicator is twice as high in Italy than in, for instance, Poland, Hungary, or the Czech Republic.

TABLE 15. Energy productivity (euro of GDP per 1 kg of crude oil equivalent)

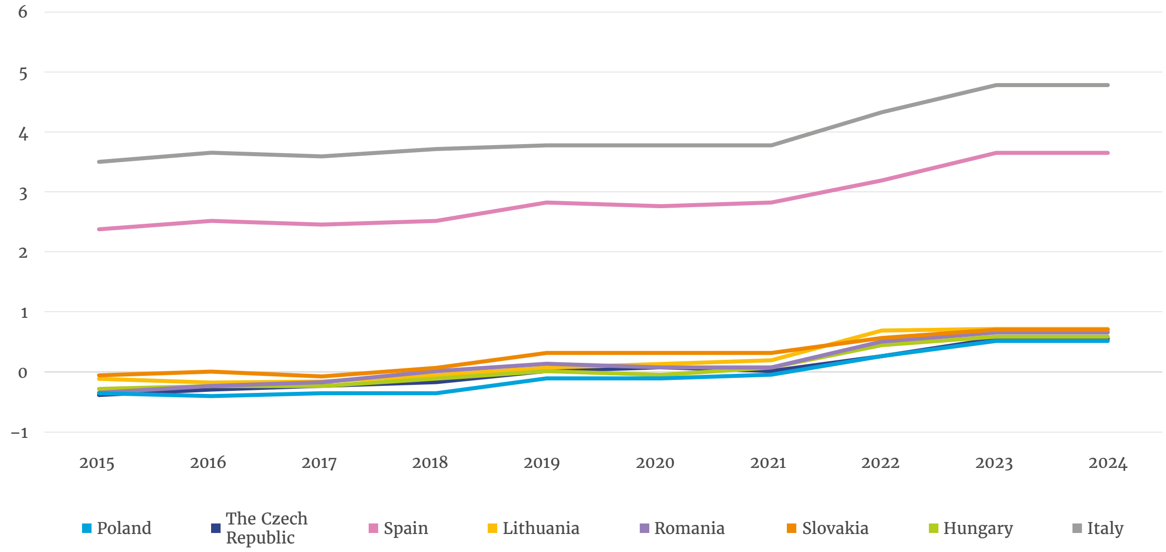
	2008	2012	2016	2020	2024
Poland	0.6	0.6	0.7	0.8	1.1
The Czech Rep.	0.8	1.0	1.1	1.4	1.9
Spain	1.4	2.5	2.8	2.6	3.7
Lithuania	0.6	0.9	0.9	0.9	1.2
Romania	0.3	0.4	0.4	0.4	0.5
Slovakia	0.8	1.1	1.2	1.4	2.0
Hungary	0.8	1.2	1.0	1.0	1.3
Italy	2.1	2.7	3.5	3.6	4.2

Source: Eurostat

Table 16 points to a steady improvement in resource efficiency in the economy, measured per kilogram of resource in euro. This phenomenon is particularly evident in Spain and Slovakia. Over the past fifteen years, this indicator has doubled in these countries, which means that the use of one kilogram of natural resource now yields more than two times its value in euro. The situation in Poland is also improving, but the dynamics of this phenomenon is somewhat lower. The smallest changes in this respect were recorded in Romania.

In all countries, there has occurred a gradual and systematic improvement in the use of natural resources and energy, as shown in Chart 5 and Table 17.

CHART 5. Total assessment of a country's economic credibility for the Climate and environment area in the Resources dimension



Source: own study

TABLE 17. Total assessment of a country's economic credibility for the Climate and environment area in the Resources dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.33	-0.38	-0.37	-0.32	-0.09	-0.07	-0.04	0.26	0.51	0.51
The Czech Rep.	-0.37	-0.27	-0.22	-0.14	0.01	0.05	0.04	0.24	0.54	0.54
Spain	2.40	2.55	2.51	2.56	2.81	2.78	2.86	3.19	3.65	3.65
Lithuania	-0.11	-0.13	-0.14	-0.05	0.09	0.14	0.22	0.70	0.71	0.71
Romania	-0.33	-0.25	-0.16	0.00	0.13	0.10	0.09	0.47	0.65	0.65
Slovakia	-0.04	-0.01	-0.06	0.09	0.29	0.33	0.30	0.58	0.69	0.69
Hungary	-0.26	-0.21	-0.23	-0.12	0.01	-0.02	0.08	0.42	0.58	0.58
Italy	3.53	3.66	3.60	3.72	3.79	3.80	3.80	4.36	4.78	4.78

Source: own study

TABLE 16. Resource efficiency (euro of GDP per 1 kg of natural resource)

	2008	2012	2016	2020	2024
Poland	0.6	0.6	0.7	0.8	1.1
The Czech Rep.	0.8	1.0	1.1	1.4	1.9
Spain	1.4	2.5	2.8	2.6	3.7
Lithuania	0.6	0.9	0.9	0.9	1.2
Romania	0.3	0.4	0.4	0.4	0.5
Slovakia	0.8	1.1	1.2	1.4	2.0
Hungary	0.8	1.2	1.0	1.0	1.3
Italy	2.1	2.7	3.5	3.6	4.2

Source: Eurostat

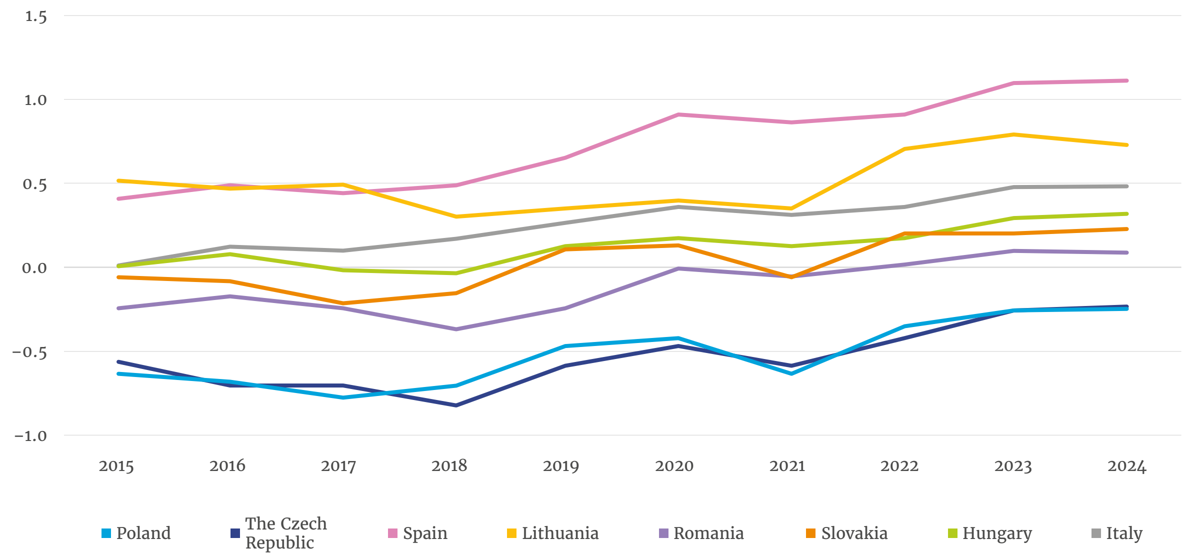
The situation in Italy and Spain is the most favourable. In the countries of our region, and especially in Poland, the beneficial effects result to a greater degree from GDP growth than from resource savings. Meanwhile, the Western European countries, faced with low economic growth over the past sixteen years, have been showing a tendency towards more efficient resource and energy management.

Summary

The analysis of indicators for the Climate and environment area allowed us to calculate a country's economic credibility index in this area.

The credibility of countries in this area varies. Firstly, two large, wealthy Western European countries stand out clearly and favourably from the other countries analysed: Spain and Italy. There is no doubt that environmental protection issues were addressed there much earlier than in the other countries analysed, which translates into visible, positive effects. Secondly, all of the countries in question have seen a steady improvement in this area. In our region, Lithuania and Slovakia stand out, both in terms of their current status and changes made in recent years. Poland and the Czech Republic fare the worst in this area, and the pace of positive change in these countries is the slowest.

CHART 6. Total assessment of a country's economic credibility for the Climate and environment area



Source: own study

TABLE 18. Total assessment of a country's economic credibility for the Climate and environment area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	−0.63	−0.67	−0.77	−0.71	−0.48	−0.43	−0.64	−0.36	−0.26	−0.25
The Czech Rep.	−0.56	−0.69	−0.69	−0.82	−0.59	−0.46	−0.58	−0.43	−0.27	−0.24
Spain	0.42	0.49	0.44	0.50	0.65	0.90	0.87	0.90	1.09	1.11
Lithuania	0.52	0.46	0.50	0.31	0.35	0.40	0.37	0.69	0.78	0.72
Romania	−0.24	−0.17	−0.23	−0.36	−0.24	−0.02	−0.05	0.01	0.09	0.08
Slovakia	−0.07	−0.08	−0.21	−0.16	0.11	0.14	−0.06	0.20	0.20	0.22
Hungary	0.01	0.09	−0.02	−0.03	0.13	0.16	0.13	0.17	0.30	0.31
Italy	0.02	0.13	0.11	0.18	0.27	0.36	0.30	0.35	0.47	0.48

Source: own study

Foreword

Introduction

Area I. Rule of law

Area II. Freedom of economic activity

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Area IV. Stability of money and the financial system

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The importance of compliance with international obligations for a country's economic credibility

The rule of law, which is based on the respecting by the Member States of the *acquis communautaire*, constitute the foundation of the functioning of the European Union and the Single Market. The fundamental importance of respecting by Poland its international obligations is related to the fact that the Polish economy is characterised by a high level of internationalisation, especially within Europe (economic cooperation mainly with the EU countries: trade in goods and services, direct and indirect foreign investments, tourism, local border traffic, financial remittances from abroad, etc.), as well as to Poland's membership in the EU (funds) and the resulting affiliation with the Single Market (free movement of services, goods, capital, and people).

The EU membership has become even more important for Poland in recent years due to international instability, also in the economic dimension, resulting from the COVID-19 pandemic (2020–2022), the full-scale Russian invasion of Ukraine (from 2022), and the presidency of Donald Trump in the USA (from 2024).

Poland's credibility in terms of compliance with international obligations depends chiefly on the government's policy (implementation of international treaties and the EU legislation, including rulings of the Court of Justice of the European Union (CJEU) and the European Court of Human Rights (ECtHR). It is also defined by changes in the Polish justice system and their compliance with international and the EU legislation, as well as the functioning of the Polish judiciary – its jurisprudence in response to the judgments of the European judiciary and its independence, closely related to the issue of the EU conditionality regarding access to financial resources from the budget.

Poland's credibility in terms of compliance with international obligations depends chiefly on the government's policy.

The examples of Poland under the rule of Law and Justice (Prawo i Sprawiedliwość, PiS) in the years 2015–2023, Hungary under the rule of Viktor Orbán since 2010, Slovakia under the rule of Prime Minister Robert Fico (2012–2018) and especially since 2023, and the Czech Republic under the leadership of Prime Minister Andrej Babiš (2017–2021), confirm that anti-democratic tendencies in domestic politics – to varying degrees, depending on the scale of control of state structures by the above-mentioned parties and politicians – have a decisive negative impact on the functioning of the national judicial system and, as a result, on the failure to comply with the obligations of a given Member State towards the EU.

Methodology for calculating the Index in the area of compliance with international commitments

The area of Compliance for international obligations was developed on the basis of the analysis of indicators in three dimensions: EU, European Court of Human Rights (ECtHR), and violation of Community law.

TABLE 1. Dimensions and weights in the Compliance with international obligations area (in percentage)

Dimension	Weight
1. The European Union	33.3
2. The European Court of Human Rights	33.3
3. Violation of the Community law	33.3

Source: own study

The first dimension includes three indicators: judgments of the Court of Justice of the European Union (CJEU) establishing a breach of a Member State's obligations, new violation cases before the CJEU, and new preliminary references submitted to the CJEU.

The second dimension includes the following indicators: applications taken up by the ECtHR, judgments issued by the EctHR, and key judgments of the ECtHR not implemented by a given country.

TABLE 2. Weights of indicators in the Compliance with international obligations area (in percentage)

Dimension	Indicator	Weight
1. The European Union	The CJEU judgments finding a violation of a Member State's obligations	−33.3
	New violation cases before the CJEU	−33.3
	New preliminary references to the CJEU	−33.3
2. The European Court of Human Rights	Applications taken up by the ECtHR	−50
	Judgments delivered by the ECtHR	−50
3. Violation of the Community law	The number of new Community law violation cases initiated by the European Commission against a given country	−100

Source: own study

The last dimension concerns a single indicator – the number of new Community law violation cases initiated by the European Commission against a given country.

In the case of indicators which are stimulants (the higher the value of the indicator, the better), positive weights were used, while in the case of destimulants (the lower the value of the indicator, the better) – negative weights were used.

It is necessary to take into account not so much the individual indicators as, above all, the significance of specific key judgments, cases, complaints, and violations — that is, whether they concern fundamental issues such as fundamental rights and are, consequently, closely linked to Poland's membership in the European Union and the Single Market.

For comprehensive understanding of the improvement in Poland's performance in the area of Compliance with international obligations since the autumn of 2023—following a marked deterioration between the years 2015 and 2023—as well as of its limitations, it is essential to consider the broader political context and processes taking place within the Polish judiciary affecting the condition of the rule of law.

The policy of de-democratisation pursued by the Law and Justice party between the years 2015 and 2023 led to an exceptional deterioration in the state of the rule of law in Poland. PiS undermined the principle of the separation of powers by seizing—contrary to the Constitution and on an unprecedented scale—control over the Public Prosecutor's Office, the National Council of the Judiciary, the Constitutional Tribunal, and, to a large extent, the Supreme Court.

As a result, in recent years the Court of Justice of the European Union and the European Court of Human Rights have significantly intensified their judicial activity in cases concerning the rule of law in Poland, frequently issuing judgments of an unprecedented nature for the legal systems of both Poland and the European Union as a whole. The exceptional nature of the response to the dismantling of the rule of law in Poland also applies to the European Commission.

The outcome of the elections held on 15 October 2023 (resulting in the removal of the Law and Justice party from power) had a crucial and positive significance for halting the process of dismantling the rule of law and, consequently, for limiting the erosion of Poland's compliance with its international obligations, particularly those arising from its membership in the European Union.

On the other hand, the electoral victory of the Civic Coalition and its allies did not lead to a radical or rapid improvement in the condition of the rule of law. In 2024, none of the judgments issued in recent years by the Court of Justice of the European Union or the European Court of Human Rights in cases concerning the rule of law crisis in Poland had been implemented by the government in their general aspect, that is, through elimination of systemic problems by means of legislative reform.

Fulfilling these fundamental obligations continues to be hampered by the possibility of using a veto, as President Andrzej Duda before and now President Karol Nawrocki have been opposing the introduction of reforms which would restore the rule of law. Furthermore, the president pursues a policy of appointing judges chosen by the National Council of the Judiciary, whose legitimacy was undermined by judgments of European courts.

The policy of the current government, characterised by a slow decision-making and legislative process as well as by inconsistency in certain areas—shaped by the diversity of the governing coalition—also poses a challenge to Poland's fulfillment of its international obligations within the European Union framework. Furthermore, judicial reforms planned by the government create a potential risk of further violations affecting Poland's compliance with its international obligations.

In its opinions issued in October and December 2024, the Venice Commission found numerous elements of the government's draft laws on the reform of the National Council of the Judiciary and the Constitutional Tribunal to be incompatible with the EU law. The legal changes introduced by the government in the years 2024–2025 concerning the rights of migrants and asylum seekers in Poland have also been deemed—by Polish human rights organisations and legal circles—in violation of the *acquis communautaire* and may lead to rulings by European courts which are unfavourable to Poland.

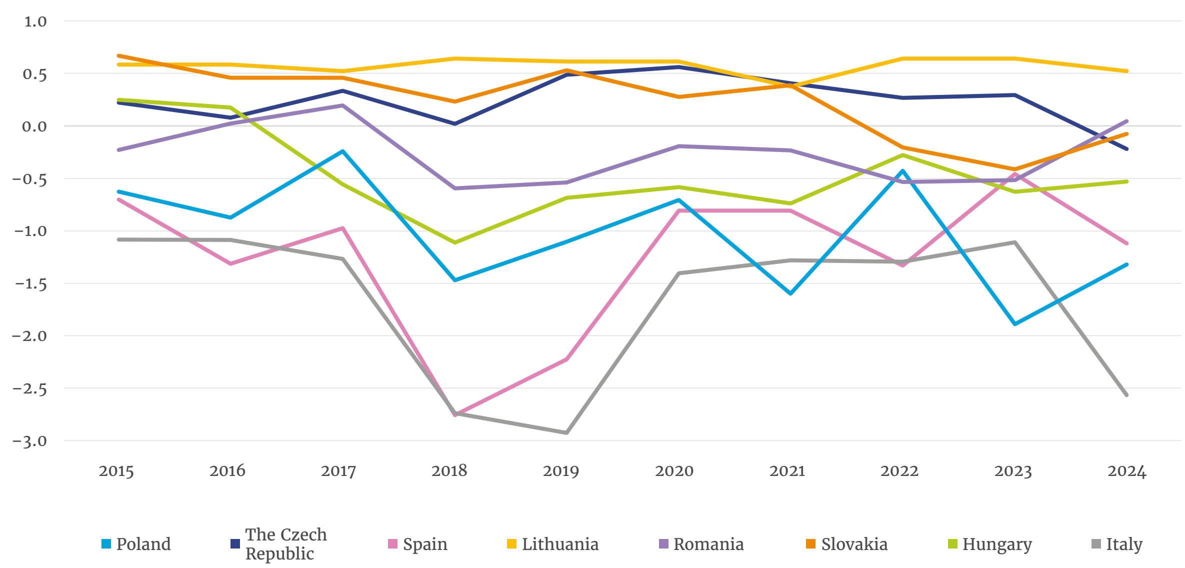
Analysis of a country's economic credibility in the area of Compliance with international obligations

Dimension 1. The EU

In 2024, Poland – after Italy – performed the worst among all the countries examined in the EU dimension, achieving a result -1,32. On the other hand, however, we can talk about a certain improvement in the situation compared to the year 2023.

Lithuania has received the best scores in the EU dimension (the only country with a positive score year on year). Hungary and Spain, along with Poland and Italy, have received negative scores. It remains to be seen whether Romania's improvement in 2024 is permanent, or if the deterioration in the Czech Republic's score, which has so far been similar to Lithuania's, is to continue.

CHART 1. Total assessment of a country's economic credibility for the Compliance with international obligations area in the European Union dimension



Source: own study

TABLE 3. Total assessment of a country's economic credibility for the Compliance with international obligations area in the European Union dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.64	-0.88	-0.25	-1.47	-1.10	-0.71	-1.59	-0.44	-1.88	-1.32
The Czech Rep.	0.22	0.08	0.33	0.02	0.48	0.55	0.40	0.26	0.29	-0.21
Spain	-0.71	-1.32	-0.98	-2.75	-2.22	-0.82	-0.82	-1.34	-0.47	-1.13
Lithuania	0.58	0.58	0.52	0.63	0.60	0.60	0.39	0.63	0.63	0.52
Romania	-0.23	0.01	0.18	-0.58	-0.53	-0.19	-0.23	-0.52	-0.51	0.04
Slovakia	0.66	0.45	0.45	0.23	0.52	0.27	0.38	-0.20	-0.40	-0.07
Hungary	0.24	0.16	-0.56	-1.10	-0.68	-0.58	-0.73	-0.28	-0.63	-0.53
Italy	-1.10	-1.10	-1.28	-2.73	-2.92	-1.42	-1.29	-1.31	-1.12	-2.56

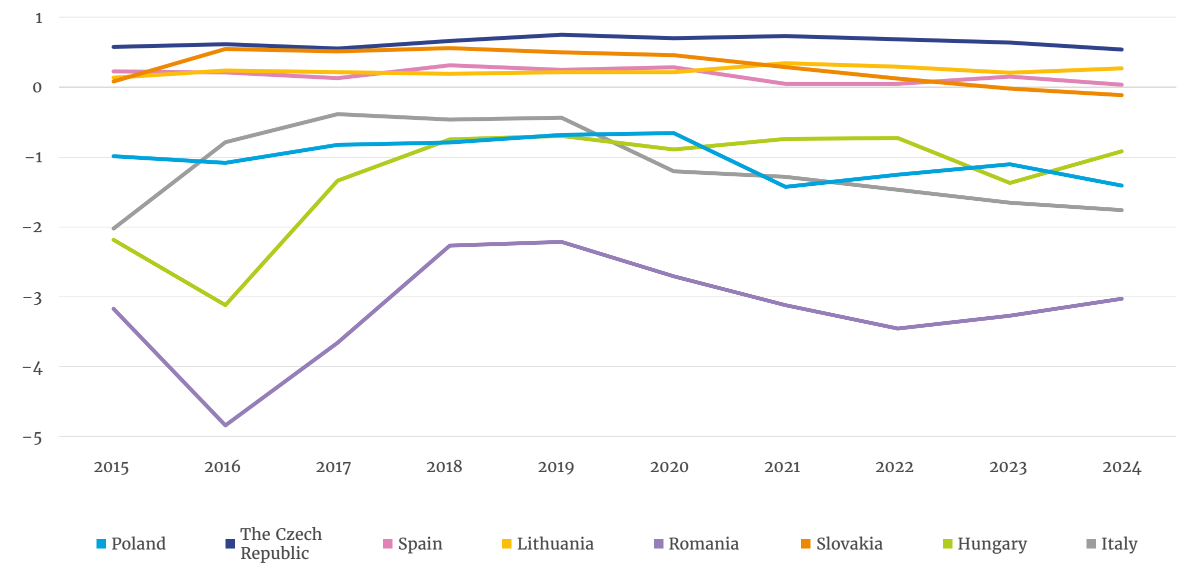
Source: own study

Dimension 2. The European Court of Human Rights

In terms of the ECtHR dimension, Romania ranked decisively the worst (–3.04), followed by Italy. Poland came third from the bottom, that is only slightly better than Italy.

In the case of Romania, this indicator should be explained by structural, multidimensional, and long-standing deficiencies within the judicial system, which compel the country's citizens to file complaints against the state before the European Court of Human Rights.

CHART 2. Total assessment of a country's economic credibility for the Compliance with international obligations area in the European Court of Human Rights dimension



Source: own study

TABLE 4. Total assessment of a country's economic credibility for the Compliance with international obligations area in the European Court of Human Rights dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-1.00	-1.09	-0.84	-0.81	-0.70	-0.68	-1.41	-1.25	-1.10	-1.40
The Czech Rep.	0.59	0.62	0.57	0.66	0.73	0.69	0.72	0.68	0.64	0.55
Spain	0.21	0.20	0.13	0.29	0.24	0.27	0.06	0.06	0.15	0.05
Lithuania	0.15	0.24	0.21	0.20	0.22	0.21	0.32	0.28	0.21	0.26
Romania	-3.19	-4.84	-3.67	-2.29	-2.24	-2.73	-3.13	-3.47	-3.28	-3.04
Slovakia	0.09	0.53	0.50	0.54	0.48	0.44	0.28	0.13	-0.01	-0.10
Hungary	-2.19	-3.11	-1.35	-0.77	-0.72	-0.91	-0.76	-0.75	-1.38	-0.93
Italy	-2.01	-0.80	-0.41	-0.48	-0.46	-1.21	-1.29	-1.47	-1.65	-1.75

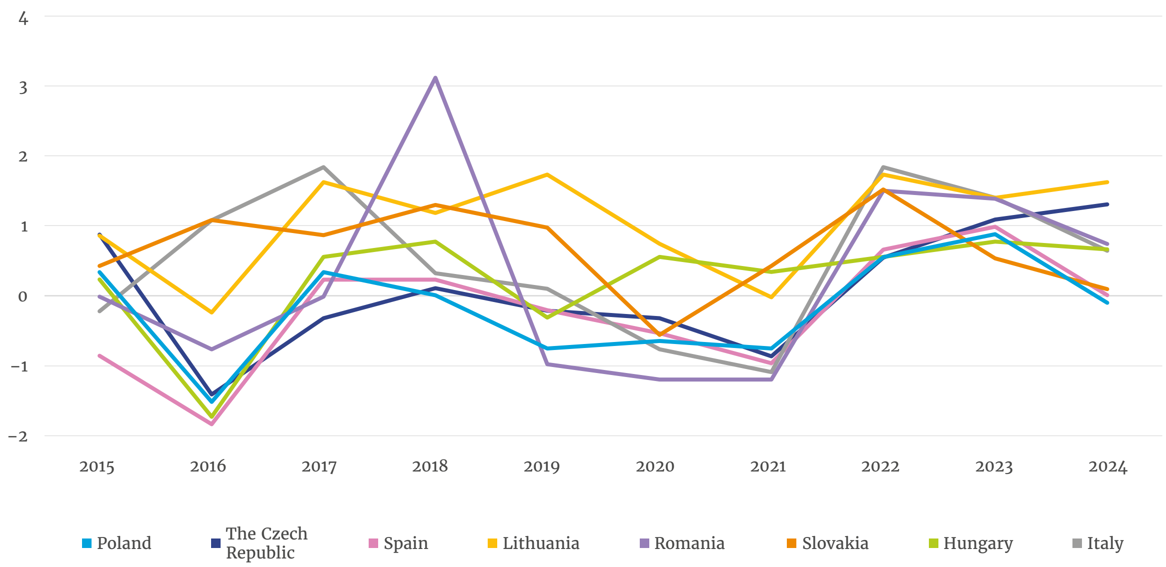
Source: own study

Dimension 3. Violation of the Community law

In the dimension of Violation of the Community law, the results of the countries subject to analysis are significantly better in comparison with the previous dimensions.

There has also been a significant improvement in the indicators since 2008. At that time, they were negative in all countries, whilst now they are positive, with the exception of Poland, which has achieved the worst result in this dimension, not much different from the results of Spain or Slovakia.

CHART 3. Total assessment of a country's economic credibility for the Compliance with international obligations area in the Violation of the Community law dimension



Source: own study

TABLE 5. Total assessment of a country's economic credibility for the Compliance with international obligations area in the Violation of the Community law dimension

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	0.32	-1.49	0.32	0.00	-0.75	-0.64	-0.75	0.53	0.85	-0.11
The Czech Rep.	0.85	-1.39	-0.32	0.11	-0.21	-0.32	-0.85	0.53	1.07	1.28
Spain	-0.85	-1.81	0.21	0.21	-0.21	-0.53	-0.96	0.64	0.96	0.00
Lithuania	0.85	-0.21	1.60	1.17	1.71	0.75	0.00	1.71	1.39	1.60
Romania	0.00	-0.75	0.00	3.09	-0.96	-1.17	-1.17	1.49	1.39	0.75
Slovakia	0.43	1.07	0.85	1.28	0.96	-0.53	0.43	1.49	0.53	0.11
Hungary	0.21	-1.71	0.53	0.75	-0.32	0.53	0.32	0.53	0.75	0.64
Italy	-0.21	1.07	1.81	0.32	0.11	-0.75	-1.07	1.81	1.39	0.64

Source: own study

Summary

Even in the case of quantitative statistical data, it is evident that Poland, Italy, and Romania differ markedly from the Czech Republic and Lithuania in terms of their level of compliance with international obligations towards the European Union. Between these two groups of countries there are found Slovakia, Spain, and Hungary.

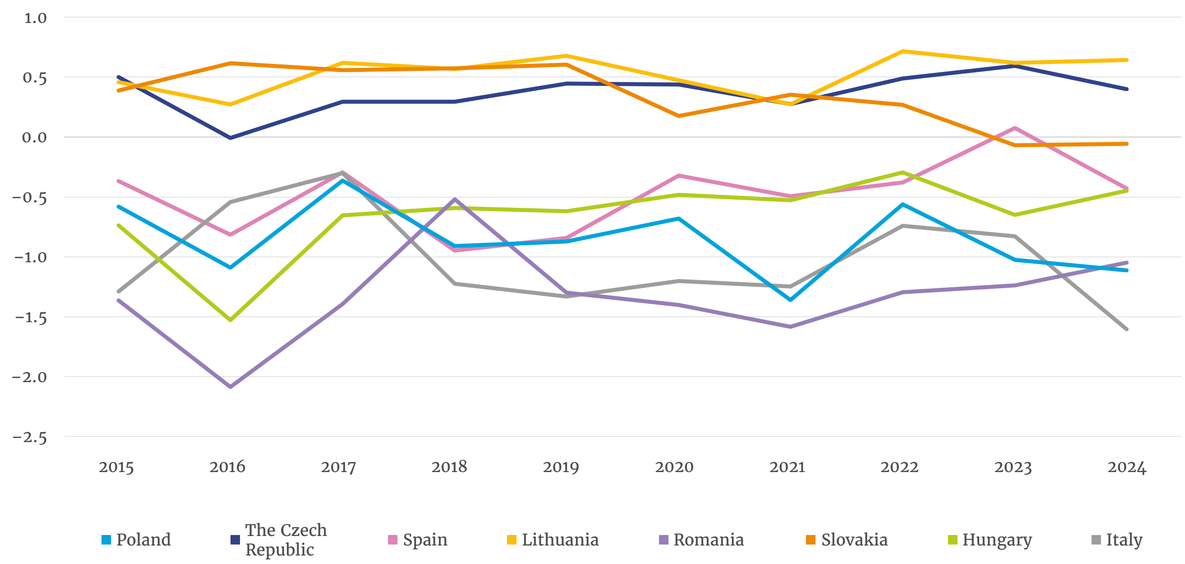
In 2024, Poland's score in the area of Compliance with international obligations arising from the EU membership was −1.11. Only Italy recorded a lower result (−1.60), while Romania's score was very similar to that of Poland.

On the other hand, it should be noted that in recent years a negative trend has emerged in Central Europe, reflected in the deterioration of indicators compared with 2015. In that year, when the Law and Justice party came to power, Poland's score stood at −0.59.

This scenario of stagnation or further deterioration would, in the medium term, signify a return to the conditions which prevailed in the first years following the accession of the region's countries to the European Union. At that time, problems related to compliance with obligations arising from the EU membership were considerably more serious than they are today; however, they also stemmed from the process of adaptation of the Visegrad Group countries and Romania to the new legal order.

The regression observed in Central Europe reveals a growing similarity between the situation in these countries and that of the Southern European countries included in the Index—namely Italy and Spain. In both Italy and Spain, between the years 2008 and 2024, one could notice a comparable cyclical pattern to that seen in Central Europe, although Spain joined the European Union much earlier and Italy was one of its founding members. The case of Italy, and to a lesser extent that of Spain, illustrates that difficulties in complying with international obligations result from cultural, social, economic, and political factors which hinder the development of the rule of law.

CHART 4. Total assessment of a country's economic credibility for the Compliance with international obligations area



Source: own study

TABLE 6. Total assessment of a country's economic credibility for the Compliance with international obligations area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Poland	-0.59	-1.09	-0.37	-0.91	-0.87	-0.69	-1.35	-0.57	-1.02	-1.11
The Czech Rep.	0.49	0.00	0.29	0.29	0.44	0.43	0.27	0.48	0.58	0.39
Spain	-0.37	-0.81	-0.30	-0.94	-0.84	-0.33	-0.50	-0.38	0.07	-0.43
Lithuania	0.46	0.28	0.61	0.56	0.67	0.48	0.28	0.71	0.61	0.63
Romania	-1.37	-2.08	-1.39	-0.53	-1.30	-1.40	-1.58	-1.30	-1.24	-1.05
Slovakia	0.38	0.61	0.55	0.56	0.59	0.18	0.35	0.27	-0.06	-0.05
Hungary	-0.74	-1.52	-0.66	-0.60	-0.62	-0.49	-0.53	-0.31	-0.66	-0.46
Italy	-1.29	-0.55	-0.31	-1.22	-1.33	-1.20	-1.25	-0.75	-0.83	-1.60

Source: own study

Methodological note

I. The rule of law

- Due to the absence of data for Lithuania and Slovakia in the period from 2012 to 2020, the Country's Economic Credibility index was not calculated.

II. Freedom of economic activity

- Due to the absence of data for Romania for the years 2015–2021 for the indicator "Electricity cost for business customers," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Electricity cost for business customers," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Government subsidies for public and private entities (per cent of GDP)," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, and Italy for the year 2008 for the indicator "Banking sector concentration," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Government subsidies for public and private entities," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Basic infrastructure (World Competitiveness Yearbook)," the average value for the remaining countries was used.
- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Scientific infrastructure (World Competitiveness Yearbook)," the average value for the remaining countries was used.

- Due to the absence of data for Spain, Lithuania, Romania, and Italy for the year 2008 for the indicator "Educational infrastructure (World Competitiveness Yearbook)," the average value for the remaining countries was used.

III. Credibility of public finances

- Due to the absence of data for Romania for the years 2008–2013 for the indicator "ASW 5Y – asset swap spread," the average value for the remaining countries was applied.

IV. Stability of money and the financial system

- No exceptions

V. Labour protection and safety

- Due to the absence of data for all countries for the indicator "Fatal accidents at work," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Occupational accidents resulting in absences exceeding four days," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Occupational accidents with absences longer than four days," data from 2021 were used for the years 2022 and 2023.
- Due to the absence of data for Slovakia for the years 2022 and 2024 for the indicator "Precarious employment," the values from 2021 and 2023, respectively, were used.
- Due to the absence of data for Lithuania and Slovakia for the year 2024 for the indicator "In-work at-risk-of-poverty rate," the value from 2023 was used.
- Due to the absence of data for Lithuania and Slovakia for the year 2024 for the indicator "Role of social transfers in reducing poverty among women," the value from 2023 was used.
- Due to the absence of data for Lithuania and Slovakia for the year 2024 for the indicator "Role of social transfers in reducing poverty among men," the value from 2023 was used.

VI. Quality of public services

- Due to the three-year-long cycle of the PISA surveys, in the years when student competence assessments were not conducted, the values from the most recently completed edition were used.

- Due to the absence of data for all countries for the indicator "Percentage of students learning English or German," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Share of public expenditure on education in GDP," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Healthy life expectancy at age 65 for men," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Share of public expenditure on healthcare in GDP," data from 2023 were used for 2024.
- Due to the absence of data for Poland, the Czech Republic, Spain, Lithuania, Romania, and Slovakia for the indicator "Number of intentional homicides per 100,000 inhabitants," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Number of sexual offences per 100,000 inhabitants," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Share of military expenditure in GDP," data from 2023 were used for 2024.
- Due to the two-year publication cycle of the E-Government Development Index, in the years when data were not published, the values from the most recent edition were used.
- Due to the absence of data for all countries for the indicator "Cyberattacks per 100,000 inhabitants," data from 2023 were used for 2024.

VII. Climate and Environment

- Due to the absence of data for all countries for the indicator "Premature deaths per million inhabitants," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Air pollutant emissions," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Municipal waste generated per capita," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Total waste generated per capita," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Treated wastewater per inhabitant," data from 2022 were used for the years 2023 and 2024.
- Due to the absence of data for all countries for the indicator "Water abstraction (m^3 per capita)," data from 2022 were used for the years 2023 and 2024.

- Due to the absence of data for all countries for the indicator "Population connected to wastewater treatment plants," data from 2021 were used for the years 2022, 2023, and 2024.
- Due to the absence of data for all countries for the indicator "Energy productivity – euro per kilogram of oil equivalent," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Resource productivity – euro per kilogram," data from 2023 were used for 2024.
- Due to the absence of data for all countries for the indicator "Share of energy from renewable sources," data from 2023 were used for 2024.

VIII. Respect for international obligations

- No exceptions


Monthly Active Users
Support Tickers By Channel
Last Year
Verified Accounts
Email
Phone
Web
Social
Forum
SMS
28985
12545
37235
31325
15235
7324
Jun
Jul
Aug
Sep
Oct
Nov
Dec
This Month
Sales By Weekday
Peak Server Utilization (24h)
63%
Today
New Signups
943
654
256
+32%
+43%
+12%
Project Timeline
62%
Home
Main Dashboard
Project Status
Active
Closed
Cancelled
Sales Map
Stock Price
Sales By Product
Cases By Priority
High
Medium
Low
Category
Home
Tools
Services
Industrial
Transport
Other
B2B D1 D2 D3 D4 D5 D6 B2C C2C D7 D8 D9 D10 D11 D12 D13 D14 D15
Retention
60%
75%
39%
49%

Threats to Poland's economic credibility in the coming years – results of a qualitative study[10]

10 The chapter was developed by the EKF Research Team composed of: Dr Marta Penczar, Monika Liszewska, and Zuzanna Żabicka.

Qualitative research methodology

The aim of the qualitative study is to identify potential threats to Poland's economic credibility in the perspective of the next three years. The study was conducted across eight areas corresponding to those comprising the Index of Poland's Economic Credibility.

The study was carried out with the use of a modified Delphi method of group expertise. The panel of experts included representatives of the academic community, public administration bodies, non-governmental and financial institutions, consulting companies, and organisations representing entrepreneurs. The experts shared their knowledge and experience *pro publico bono* (for the public good, editor's note), expressing solely their own views rather than those of the institutions in which they operate.

The study consisted of two stages:

- Stage I: 22 April 2025 – 27 May 2025,
- Stage II: 28 May 2025 – 31 August 2025

In the first stage, the experts identified the three most important threats to Poland's economic credibility in individual areas of the Index.

The identified factors were grouped into homogeneous classes. Aggregation of threats enabled the development of a list of the most important threats in each area.

TABLE 1. The number of threats to Poland's economic credibility after the grouping procedure

No	Area of the Poland's economic credibility index	Number of identified threats
1.	The rule of law	9
2.	Freedom of economic activity	10
3.	Credibility of public finances	11
4.	Stability of money and the financial system	10
5.	Labour protection and safety	11
6.	Quality of public services	10
7.	Climate and environment	12
8.	Compliance with international obligations	9

Source: 2025 OEES study

In the second stage, the experts assessed the significance and weight of grouped and aggregated threats to Poland's economic credibility and the probability of their materialisation.

Each expert had 100 points to allocate among threats on the basis of their importance. The higher the number of points awarded, the greater the significance of each threat to Poland's economic credibility in the next three years. Additionally, the study participants provided their subjective assessment of the probability of occurrence of each threat (from 0 to 100%). The results were averaged for each of the eight areas subject to analysis, thus allowing the development of a map of threats to Poland's economic credibility. The aggregated opinions are graphically presented by placing circles on a graph, with the average probability indicated on the x-axis and the averaged threat weight on the y-axis. The diameter of the circles is the average of the products of the probability and weight values. Therefore, the larger the diameter of the circle, the greater the overall significance of the threat.

As a supplement to the threat map, the percentage of the experts pointing to a given factor is provided.

The most serious threat factors

The rule of law

The first stage of the qualitative research allowed for identification of 9 threats to Poland's economic credibility in **The rule of law** area.

The experts identified primarily the risks associated with **low level of judicial protection** resulting from lengthy court proceedings. The excessive length of court proceedings is a consequence of the inefficiency of the justice system and leads to a situation in which judicial protection may be illusory. The experts believe this applies primarily to proceedings before the Supreme Administrative Court.

Also pointed out was **uncertainty regarding the state of law and the durability of court judgments** related to the ongoing crisis in mutual relations between constitutional public authorities. In this context, particular attention was paid to threats arising from the unresolved status of so-called neo-judges, which poses a risk of their rulings being upheld.

A significant number of experts also drew attention to the threats resulting from **loss of the constitutional identity of some state bodies which decide about the rule of law.** This primarily concerns the National Council of the Judiciary and the Constitutional Tribunal.

Other threats identified during the first stage of the study included:

- lack of certainty as to the continued validity of legal norms,
- lack of a long-term economic strategy for the country,
- too large a share of deputies and senators in the government, leading to the blurring of the boundaries between the legislative and executive powers, which weakens their mutual independence,

- non-transparent election of members of management boards and supervisory boards in state-owned companies and their subsidiaries,
- inability to enact legislation in the field of judiciary which would fully restore the principles of the rule of law due to obstruction by the President of the Republic of Poland,
- unregulated status of the General Prosecutor's Office, deepening the chaos in the entire judiciary sector.

The list of identified threats along with the percentage of experts who considered each threat to be significant is presented in the table 2.

Over the next three years, the most significant threat to Poland's economic credibility in the area of the rule of law is uncertainty regarding the state of law and the durability of court rulings related to the ongoing crisis in relations between constitutional public authorities. The experts assigned this factor the highest weight, at an average of 20.7 points, and an above-average probability of this risk materialising (70% for an average of 61.6%).

A significant threat to Poland's economic credibility in the area of the rule of law is also the low level of judicial protection – lengthy court proceedings demonstrate the illusory nature of judicial protection. The experts rated this threat at 18.6 points, with a 62% probability of occurrence.

Additionally, factors with above-average weight and above-average probability of materialisation included:

- loss of constitutional identity of some state bodies deciding about the rule of law (National Council of the Judiciary, Constitutional Tribunal) (weight 15 points and probability 69%),
- obstruction by the President of the Republic of Poland preventing enacting of legislation in the field of judiciary which could fully restore the principles of the rule of law (weight 14.3 points, probability 80%).

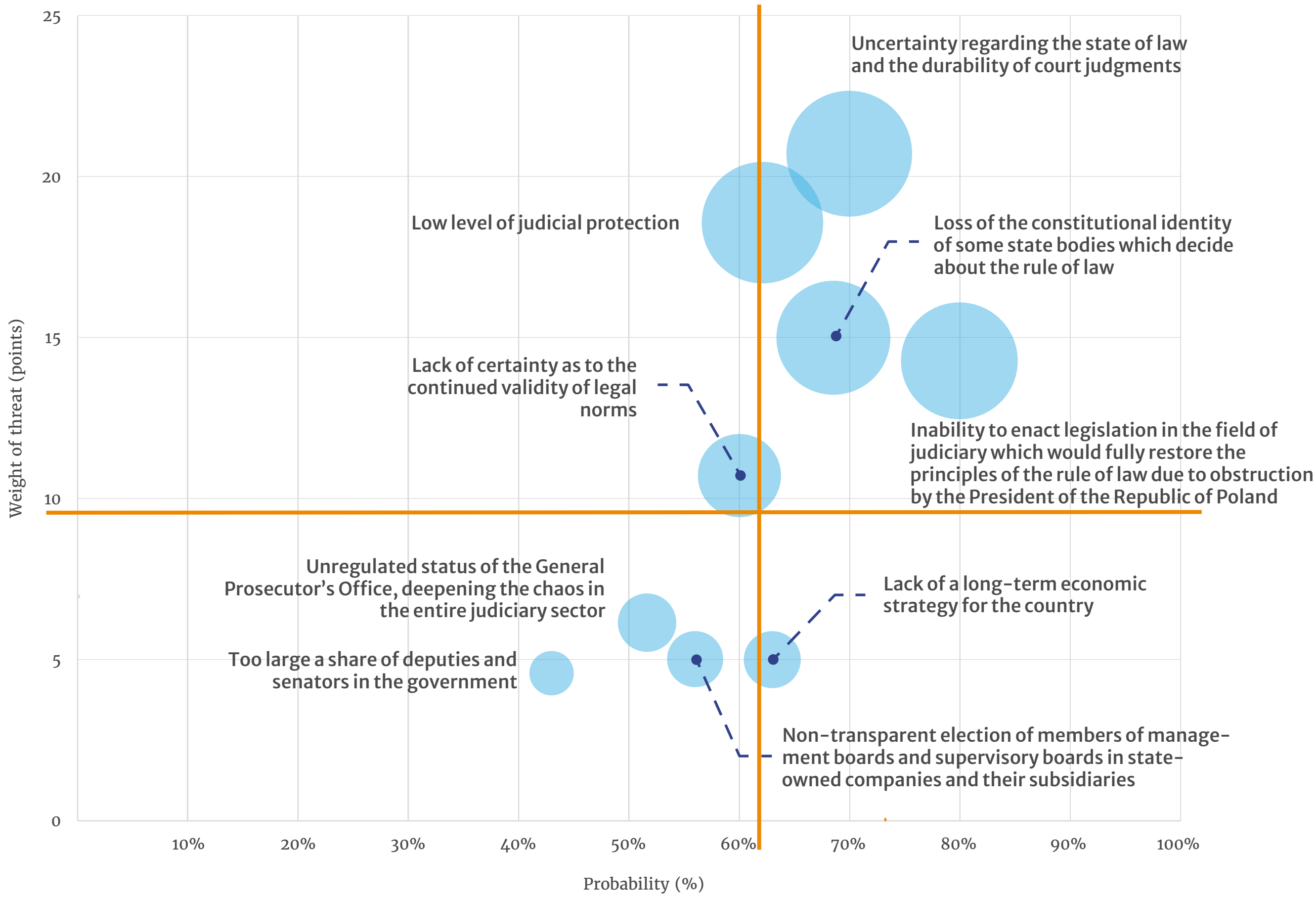
TABLE 2. Frequency of occurrence of individual threats to Poland's economic credibility in the Rule of law area

No	Threat	Percentage of indications (in percentage)*
1.	Lack of certainty as to the continued validity of legal norms	86
2.	Low level of judicial protection – lengthy court proceedings speak to illusory judicial protection	100
3.	Uncertainty regarding the state of law and the durability of court judgments related to the ongoing crisis in mutual relations between constitutional public authorities	100
4.	Lack of a long-term economic strategy for the country	57
5.	Too large a share of deputies and senators in the government, leading to the blurring of the boundaries between the legislative and executive powers, which weakens their mutual independence	71
6.	Non-transparent election of members of management boards and supervisory boards in state-owned companies and their subsidiaries	71
7.	Inability to enact legislation in the field of judiciary which would fully restore the principles of the rule of law due to obstruction by the President of the Republic of Poland	86
8.	Loss of the constitutional identity of some state bodies which decide about the rule of law (the National Council of the Judiciary; the Constitutional Tribunal)	100
9.	Unregulated status of the General Prosecutor's Office, deepening the chaos in the entire judiciary sector	86

* refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

Source: OEES 2025 study

FIGURE 1. A map of threats to Poland's economic credibility in the area of the Rule of law in the next three-year perspective



*the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

When analysing threats to Poland's economic credibility in the area of the rule of law, attention should also be paid to the risk related to uncertainty regarding the quality of legal norms in force in Poland and their continued validity. The importance of this factor was assessed at an average level of 10.7 points, and in terms of probability of occurrence, it was ranked slightly below average (60%).

Freedom of economic activity

In the **Freedom of economic activity** area, the experts identified 10 threats.

Among the threats to Poland's economic credibility in the area of Freedom of Economic Activity, there were identified threats related to the regulatory environment in the area of **instability in the legal and administrative environment of enterprises**, in particular instability of legal provisions, their excessive complexity, and the resulting lengthy dispute resolution process.

Additionally, the experts emphasised the threat associated with **inefficient justice system**, resulting in a lack of real protection for private property and concluded contracts. They also pointed out that this leads, among other things, to destabilisation of legal certainty.

Other identified threats included:

- increasing and excessive bureaucratic burdens reducing competitiveness of business entities,
- misalignment of systemic solutions with the needs and expectations of entrepreneurs, combined with insufficient protection of businesses against unfair competition,
- inefficiency of the tax system – the continued application of the so-called Polish Deal regulations,
- lack of stability and predictability in the geopolitical situation,
- excessive state involvement in the economy and its politicisation,
- rising costs of conducting business activity,
- difficulties in finding qualified personnel, leading to delays in project implementation, loss of contracts, and, consequently, the reduction of business operations,
- absence of a coherent vision for economic development and the role of enterprises, including the indication of development tools (both tax-related and non-tax-related).

TABLE 3. Frequency of occurrence of individual threats to Poland's economic credibility in the Freedom of business activity area

No	Threat	Percentage of indications (in percentage)*
1.	Increasing and excessive bureaucratic burdens reducing competitiveness of business entities	92
2.	Misalignment of systemic solutions with the needs and expectations of entrepreneurs, combined with insufficient protection of businesses against unfair competition	83
3.	Instability in the legal and administrative environment of enterprises (instability of legal provisions, their excessive complexity, and the resulting lengthy dispute resolution process)	100
4.	Inefficient justice system, resulting in a lack of real protection for private property and concluded contracts	100
5.	Inefficiency of the tax system – the continued application of the so-called Polish Deal regulations	83
6.	Lack of stability and predictability in the geopolitical situation	100
7.	Rising costs of conducting business activity	92
8.	Difficulties in finding qualified personnel, leading to delays in project implementation, loss of contracts, and, consequently, the reduction of business operations	92
9.	Excessive state involvement in the economy and its politicisation	92
10.	Absence of a coherent vision for economic development and the role of enterprises, including the indication of development tools (both tax-related and non-tax-related)	100

* refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study.

Source: OEES 2025 study

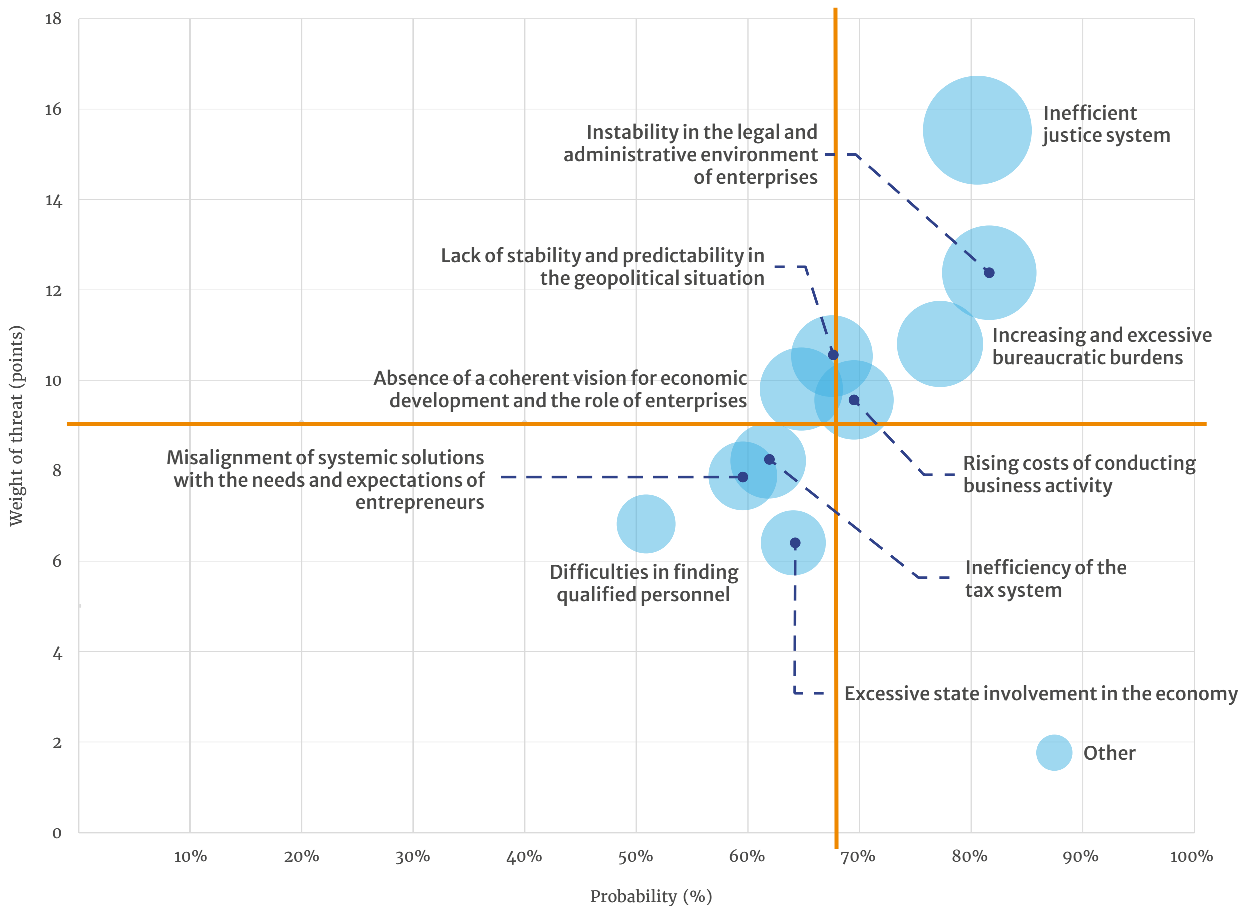
The list of identified threats, along with the percentage of experts who considered each threat to be significant, is presented in Table 3.

According to the experts, the most significant threat to Poland's economic credibility in the area of freedom of economic activity, both in terms of significance and probability of occurrence, is the ineffective justice system, which translates into a lack of effective protection of private property and concluded contracts. The average weight of this threat was 15.6 points, with an 81% probability of materialisation.

The second most significant threat over the next three years will be the instability of the legal and administrative environment of enterprises (instability of legal regulations, excessive complexity and therefore protracted dispute resolution) – weight 12.4 points with a probability of occurrence of 82%.

Furthermore, worth noting is the threat posed by the growing, excessive bureaucratic burden, which reduces competitiveness of businesses. This threat is characterised not only by above-average significance (10.8 points, compared to an average of 9.1 points) but also by the third highest projected probability of materialisation (77%).

FIGURE 2. A map of threats to Poland's economic credibility in the area of Freedom of business activity in the next three-year perspective



* the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

The fourth most important threat is the unstable and unpredictable geopolitical situation (weight 10.6 points, probability 68%), related to, among others, Donald Trump's trade policy towards the EU countries and disruptions in market mechanisms.

Equally important is the lack of a vision for further economic development and the role of enterprises, including development (weight 9.8 points, probability 65%), due to the deepening geopolitical instability, the previously mentioned trade policy and military conflicts involving the neighbouring countries.

The threats with above-average importance and probability of materialisation also included rising costs of running a business (9.6 points, probability 70%).

Credibility of public finances

In the Credibility of public finances area, there were identified eleven threats. The experts primarily pointed to factors related to **the lack of coherence and transparency in public finances resulting from off-budget mechanisms of expenditure financing**. In this context, they indicated, among other issues, the risks associated with the large share of off-budget spending carried out through, among others, special-purpose funds which are not subject to fiscal rules or reporting obligations, thus leading to inconsistencies in statistics concerning the condition of public finances, limiting the role of the budget law, and weakening of control.

The experts also emphasised the risks arising from **the absence of a long-term fiscal policy**. In their opinion, this is manifested, on the one hand, in the circumvention of existing fiscal rules due to their complexity and lack of precision, and on the other hand, in the lack of consistency in the implementation of fiscal policy, which fosters tax avoidance and evasion.

Furthermore, attention was drawn to the problem of **excessive budget deficit, which, according to the experts**, stems both from political pressure and from factors related to the demographic change, energy transition, and the geopolitical situation leading to increased defence expenditure.

The identified threats to Poland's economic credibility in the area of credibility of public finances also included:

- low quality and lack of stability of the tax system,
- increase in public sector spending,
- high level of public debt,
- increase in debt servicing costs,
- too slow pace of consolidation of public finances,
- reduction of budget revenues,
- irregularities in the management of public resources (extortion of funds to the detriment of the State Treasury, misappropriation of public assets, abuse of public and official power),
- lack of a reliable and effective healthcare system and pension system – in the context of an ageing society.

The list of identified threats in the analysed area, along with the percentage of experts who considered each threat to be significant, is presented in Table 4.

TABLE 4. Frequency of occurrence of individual threats to Poland's economic credibility in the Credibility of public finances areah

No	Threat	Percentage of indications (in percentage)
1.	Lack of coherence and transparency in public finances resulting from off-budget mechanisms of expenditure financing	95
2.	Low quality and lack of stability of the tax system	90
3.	Increase in public sector spending	95
4.	High level of public debt	90
5.	Excessive budget deficit	100
6.	Lack of long-term fiscal policy	75
7.	Increase in debt servicing costs	95
8.	Too slow pace of consolidation of public finances	85
9.	Reduction of budget revenues	70
10.	Irregularities in the management of public resources (extortion of funds to the detriment of the State Treasury, misappropriation of public assets, abuse of public and official power)	80
11.	Lack of a reliable and effective healthcare system and pension system – in the context of an ageing society	85

*refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

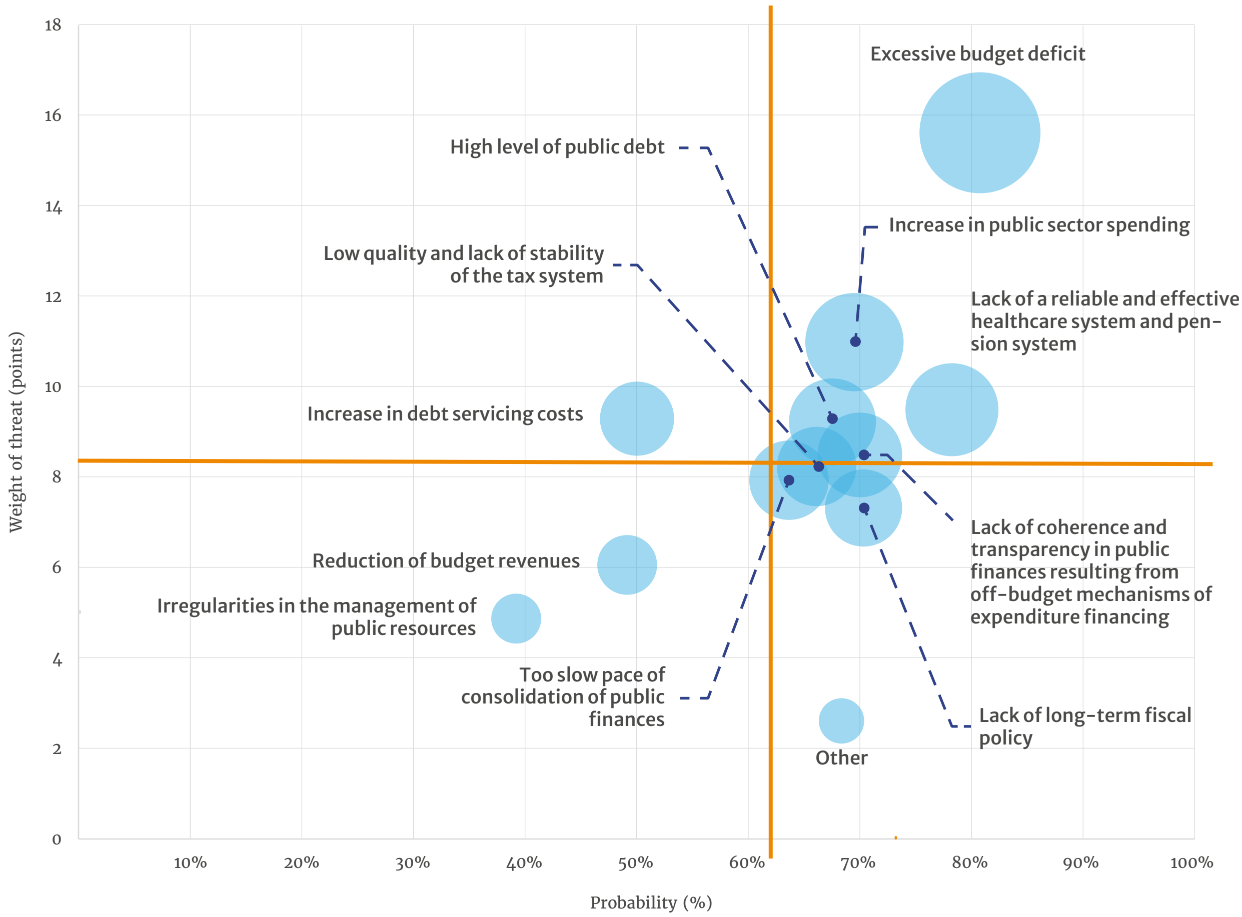
Source: OEES 2025 study

W perspektywie najbliższych trzech lat istotne znaczenie dla wiarygodności ekonomicznej Polski w obszarze Wiarygodność finansów publicznych będzie miał ponadto wysoki poziom długu publicznego (waga 9,2 pkt, prawdopodobieństwo 68 proc.), połączony ze wzrostem kosztu obsługi długu (waga 9,3 pkt, prawdopodobieństwo 50 proc.). Eksperci wskazywali również na brak spójności i przejrzystości finansów publicznych związany z pozabudżetowymi mechanizmami finansowania wydatków (waga 8,5 pkt, prawdopodobieństwo 70 proc.).

The key threat to Poland's economic credibility in the area of public finance credibility over the next three years is the persistently high public finance deficit. This factor was rated highest by the experts in terms of both importance (weighting 15.6 points) and probability of materialisation (81%).

The next most important threats are the increase in public sector spending with a weight of 11 points and a probability of occurrence of 70 per cent, and the lack of a reliable and effective healthcare and pension system, especially in the context of an ageing society – this factor received an average weight of 9.5 points in the study and a simultaneous probability of occurrence of 78 per cent.

FIGURE 3. A map of threats to Poland's economic credibility in the area of the Credibility of public finances in the next three-year perspective



* the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

Over the next three years, Poland's economic credibility in the area of Public Finance Credibility will also be significantly impacted by the high level of public debt (weight 9.2 points, probability 68%), combined with the rising cost of debt servicing (weight 9.3 points, probability 50%). The experts also pointed to the lack of coherence and transparency of public finances related to off-budget expenditure financing mechanisms (weight 8.5 points, probability 70%).

Stability of money and the financial system

In the area of monetary and financial system stability, ten threats were identified.

The experts pointed to the threat associated with **the poor condition of public finances**. In this context, they highlighted the insufficient stabilisation of public finances, resulting, on the one hand, from expansionary fiscal policy and a continuously increasing public debt, and, on the other, from the high level of off-budget expenditure.

Equally important are **the challenges and risks arising from the current international situation, namely geopolitical and global risks**, which result, among other factors, from the aforementioned trade war between the United States and the European Union, the erratic economic policy of Donald Trump, the ongoing Russian invasion of Ukraine, and the growing tensions between China and Taiwan.

The experts also pointed to the risk associated with **the lack of credibility and independence of the National Bank of Poland**, resulting from the influence of political factors on the National Bank of Poland's monetary policy in the face of an increasing risk of global recession. In addition, the experts expressed concern about **the excessive share of Treasury securities held by banks**, which represents a complex problem driven by low levels of investment and limited credit activity.

Among the risks directly related to the banking sector, the experts primarily identified **the legal risks inherent in financial relations**, particularly those concerning mortgage loan agreements denominated in foreign currencies and loans based on the WIBOR reference rate.

Other identified threats include:

- high inflation rate,
- low level of financial education of customers,
- the risk of political intervention in the banking business,
- low level of development of the capital market,
- inconsistency of fiscal and monetary policy.

The list of identified threats, along with the percentage of experts who considered each threat to be significant, is presented in Table 5.

TABLE 5. Frequency of occurrence of individual threats to Poland's economic credibility in the Stability of money and the financial system area

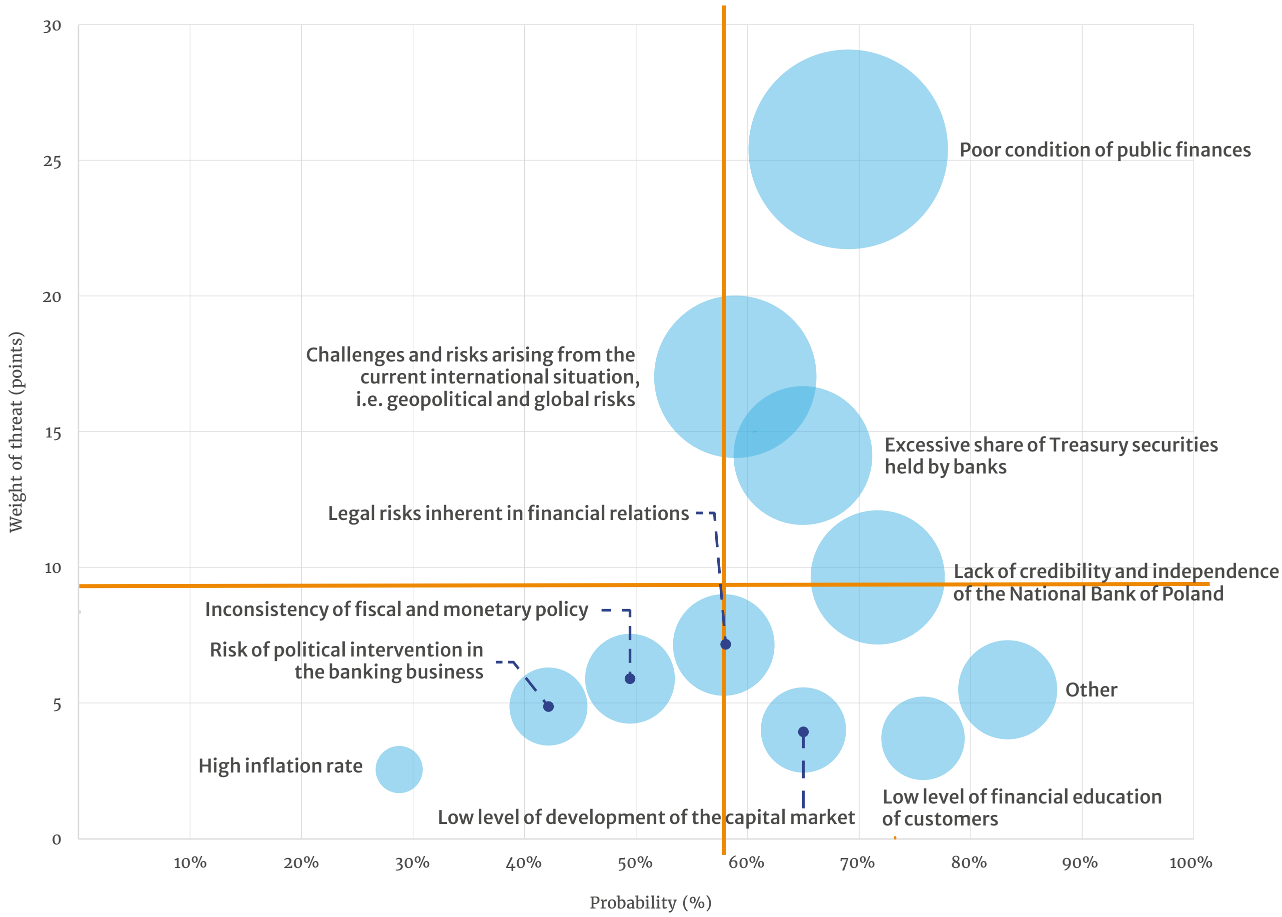
No	Threat	Percentage of indications (in percentage)*
1.	Challenges and risks arising from the current international situation, i.e. geopolitical and global risks	80
2.	High inflation rate	50
3.	Legal risks inherent in financial relations	60
4.	Poor condition of public finances	100
5.	Lack of credibility and independence of the National Bank of Poland	80
6.	Excessive share of Treasury securities held by banks	80
7.	Low level of financial education of customers	40
8.	Risk of political intervention in the banking business	50
9.	Low level of development of the capital market	50
10.	Inconsistency of fiscal and monetary policy	70

*refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

Source: 2025 OEES study

Threats stemming from the poor state of public finances will be crucial to Poland's economic credibility in the analysed area. The experts believe this indicator has the highest average weight, at 25.5 points. In this context, one should bear in mind the significant risk stemming from the high share of banks in financing the budget deficit. This is the third most important factor, with the experts assigning it a weight of 14.1 points.

FIGURE 4. A map of threats to Poland's economic credibility in the area of Stability of money and the financial system in the next three-year perspective



* the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

The second most significant factor is geopolitical and global risk related to the current international situation (weight of 17.0 points). The low level of financial education of customers (76%) constitutes a factor with the highest projected probability of materialisation. At the same time, this factor received the second lowest weight, with the experts assigning it 3.7 points.

In addition to the above-mentioned factors, threats with above-average weight and probability of materialisation also include the lack of credibility and independence of the National Bank of Poland (weight 9.6 points, probability 72%).

Labour protection and safety

In the area of labour protection and safety, there were identified eleven threats.

The experts identified the risk associated with **labour shortages and the difficulties faced by entrepreneurs in accessing sufficient workforce, intensifying amid dynamic demographic changes and an ageing population**. They pointed in particular to the risk of staff shortages in certain sectors and the absence of adequate measures to support the professional activity of individuals of pre-retirement age.

The experts also drew attention to the threats arising from **the structural mismatch between the education system and the needs of the labour market**, manifested in the failure to account for future-oriented competences and **the relatively low level of the society's interest in lifelong learning**.

Furthermore, attention was drawn to **the slow pace of implementation of new technologies, combined with insufficient skills in their utilisation** and **the lack of labour market adaptation to technological transformation and generative AI**. The experts emphasised that sustaining economic growth requires an increase in labour productivity through the technological advancement of Polish enterprises. Artificial intelligence and its potential should be regarded to a greater extent as an opportunity for the labour market, particularly in terms of developing new skills and enhancing labour market flexibility.

The experts also frequently pointed to the risk of **inadequate social policy in the context of demographic challenges (the ageing of population)** and the probability of failing to provide citizens with adequate social security. Equally often, **the inefficiency of the pension system** was highlighted.

The identified threats to Poland's economic credibility in the area of labour protection and safety also included:

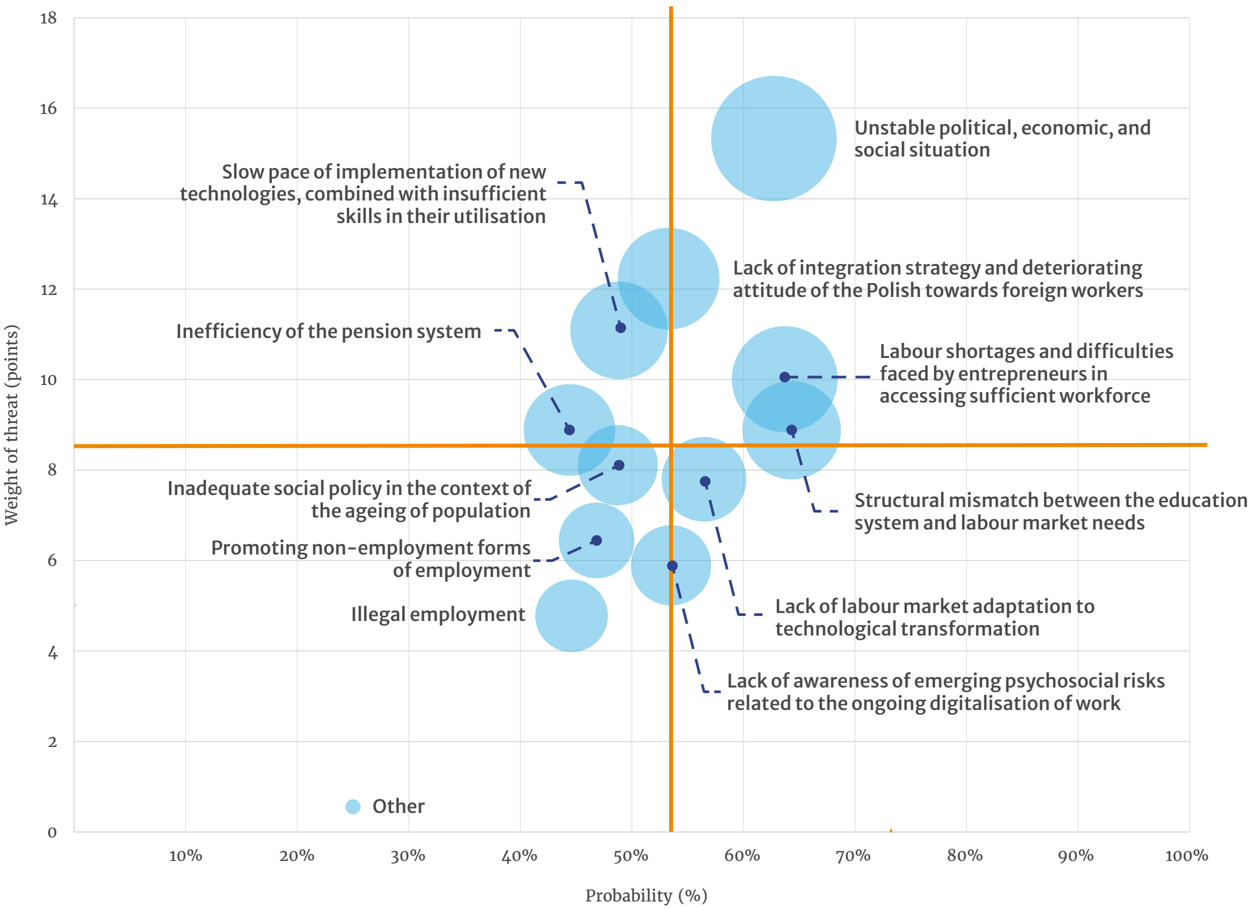
TABLE 6. Frequency of occurrence of individual threats to Poland's economic credibility in the Labour protection and safety area

No	Threat	Percentage of indications (in percentage)*
1.	Promoting non-employment forms of employment which do not guarantee stable working conditions, relatively low level of the society's interest in lifelong learning	78
2.		89
3.	Lack of integration strategy and deteriorating attitude of the Polish, especially young people, towards foreign workers	100
4.	Labour shortages and difficulties faced by entrepreneurs in accessing sufficient workforce, intensifying amid dynamic demographic changes and an ageing population	89
5.	Slow pace of implementation of new technologies, combined with insufficient skills in their utilisation	89
6.	Illegal employment (both the employment of Poles and immigrants)	67
7.	Inadequate social policy in the context of demographic challenges (the ageing of population)	89
8.	Unstable political, economic, and social situation on a global, continental, and national scale	100
9.	Inefficiency of the pension system	89
10.	Lack of awareness of emerging psychosocial risks related to the ongoing digitalisation of work	67
11.	Lack of labour market adaptation to technological transformation and generative AI	78

* refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

Source: 2025 OEES study

FIGURE 5. A map of threats to Poland's economic credibility in the area of Labour protection and safety in the next three-year perspective



* the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

- promoting non-employment forms of employment which do not guarantee stable working conditions,
- lack of integration strategy and deteriorating attitude of the Polish, especially young people, towards foreign workers,
- illegal employment (both the employment of Poles and immigrants),
- unstable political, economic, and social situation on a global, continental, and national scale,
- lack of awareness of emerging psychosocial risks related to the ongoing digitalisation of work.

The list of identified threats in the analysed area, along with the percentage of experts who considered each threat to be significant, is presented in Table 6.

The results of the threats analysis in the area of Labour protection and safety indicate that in the coming years particular attention should be paid to four threats characterised by a high probability of occurrence and a strong impact on this area. According to the experts, the most significant of these is instability on three levels: political, economic, and social (weight 15.3 points, probability 63 per cent). This is a threat of both local and global nature.

The second major threat is the risk of a shortage of potential employees, which is closely linked to current demographic changes. This risk was assessed by the experts as one of the most significant. This risk is further compounded by the absence of an integration strategy for foreign workers and the worsening attitudes towards migrant workers, particularly among young people (with respective weights of 10 points and 12.2 points, and probabilities of 64 per cent and 53 per cent).

In the perspective of the next three years, the slow pace of implementation of new technologies and the lack of skills necessary for their effective use in the workplace (weight 11.1 points, probability 49 per cent), as well as the structural deficiencies of the education system and its misalignment with current labour market needs (weight 8.9 points, probability 64 per cent), will also have significant implications for Poland's economic credibility in the area of Labour protection and safety.

Quality of public services

In the area of Quality of public services and public infrastructure, ten threats were identified.

The experts primarily pointed to the risk of **low availability and quality of healthcare services, combined with the absence of a coherent and long-term national health policy**. This pertains to the lack of a strategy for reforming the healthcare system, its insufficient adaptation to an ageing population, and the growing level of both total and overdue liabilities of independent public healthcare institutions.

The experts also drew attention to **the threat to cybersecurity**, particularly in the context of geopolitical tensions, the spread of disinformation, and the increasing awareness among Internet users of data collection by applications and websites. The experts emphasised the absence of a coherent concept of the public security system, especially at subnational (regional and local) levels.

The identified threats to Poland's economic credibility in the area of Quality of public services also included:

- underinvestment in critical infrastructure (transport, energy, healthcare),
- insufficient preparedness of the education sector to address contemporary challenges (security and cybersecurity, digitalisation, new technologies, generative AI),
- shortage of personnel and competencies in the public sector – the outflow of talent from public administration and institutions managing infrastructure,
- degeneration of the justice system,
- low level of innovation in the public services sector and lack of openness to change,
- inadequate preparedness of public administration for the development of e-government, linked, among other factors, to the lack of integration of information systems,
- rising costs of public services,
- social and political tensions related to the integration of refugees.

The list of identified threats, along with the percentage of experts who considered each threat to be significant, is presented in Table 7.

The key factor affecting Poland's economic credibility in the analysed area will be the threats arising from degeneration of the judicial system. According to the experts, this factor has the highest level of impact (18.1 points) on the area under analysis in the context of economic credibility, as well as a high expected probability of occurrence (83 per cent).

TABLE 7. Frequency of occurrence of individual threats to Poland's economic credibility in the Quality of public services area

No	Threat	Percentage of indications (in percentage)*
1.	Threat to cybersecurity	92
2.	Low availability and quality of healthcare services, combined with the absence of a coherent and long-term national health policy	92
3.	Underinvestment in critical infrastructure (transport, energy, healthcare)	92
4.	Insufficient preparedness of the education sector to address contemporary challenges (security and cybersecurity, digitalisation, new technologies, generative AI)	83
5.	Shortage of personnel and competencies in the public sector – the outflow of talent from public administration and institutions managing infrastructure	92
6.	Degeneration of the justice system	100
7.	Low level of innovation in the public services sector and lack of openness to change	92
8.	Inadequate preparedness of public administration for the development of e-government, linked, among other, to the lack of integration of information systems	100
9.	Rising costs of public services	75
10.	Social and political tensions related to the integration of refugees	92

* refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

Source: 2025 OEES study

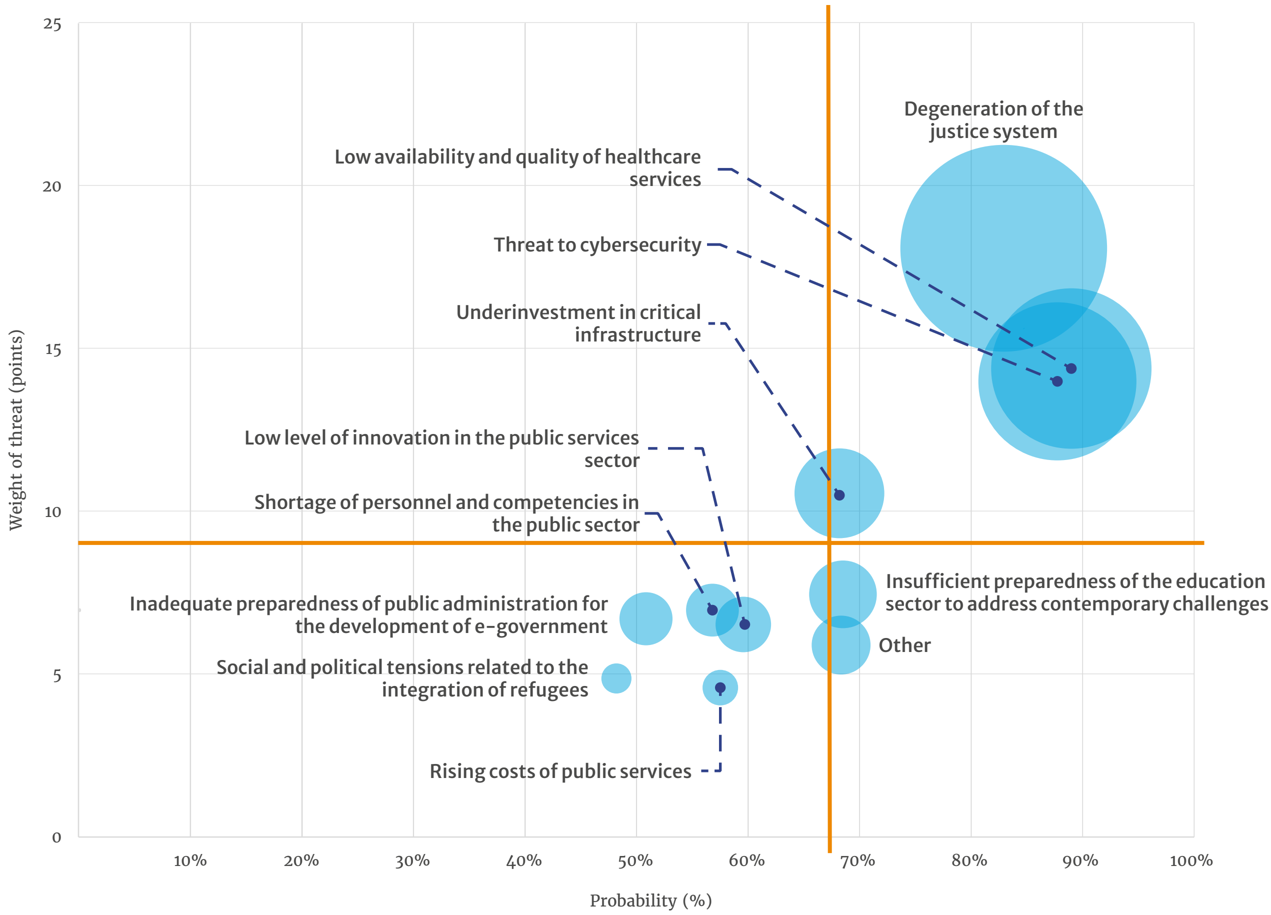
The second most significant risk, in terms of both importance and probability of materialisation, concerns the inefficiency of the public healthcare system and the low quality of its services. The significance of this factor was estimated at a medium level of 14.4 points, while the probability of materialisation was assessed at 89 per cent.

The experts also placed considerable emphasis on the risk associated with the inefficiency and inadequate preparedness of the education sector to face new challenges related to technological development and digitalisation, as well as the threats that this development entails (weight 7.5 points, probability 69 per cent).

The experts also included the following factors with an above-average probability of materialisation and above-average importance of implementation:

- underinvestment in infrastructure critical to the efficient functioning of the country (weight 10.6 points, probability 68%).

FIGURE 6. A map of threats to Poland's economic credibility in the area of Quality of public services in the next three-year perspective



* the lines on the map were determined on the basis of the average weight of threats and average probability of occurrence of a given factor
**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

Climate and environment

In the area of Climate and Environment, there were identified twelve threats.

The experts primarily identified threats related to **the weakness and low credibility of environmental protection institutions and, consequently, the insufficient enforcement of environmental regulations**, including those concerning the reduction of greenhouse gas emissions, improvement of water quality, and biodiversity protection.

The experts also drew attention to **the absence of both an energy transition strategy and the transition process itself**. They emphasised that Poland faces the challenge of developing and implementing a coherent, long-term strategy which integrates decarbonisation of the energy sector with the climate and energy objectives of the European Union. It is crucial to devise a comprehensive plan for reducing dependence on fossil fuels and increasing the share of renewable energy sources. The lack of a consistent plan for phasing out fossil fuels and reducing greenhouse gas emissions not only slows down the transition to a low-emission economy but also exposes Poland to the risk of failing to meet its international climate commitments and to potential financial sanctions, which in turn may undermine its economic credibility on the international stage.

Furthermore, attention was drawn to the risk of **increasing politicisation of climate protection measures**. The experts emphasised that this leads to a loss of credibility of political commitments and encourages certain industrial sectors to undertake actions aimed at weakening climate policy under the slogan of making climate targets more realistic. The experts also noted a genuine concern that delays in the "greening" of the economy would result in a decline in the competitiveness of the Polish economy.

The experts further highlighted threats related to **growing pressure on water resources combined with inefficient water management**. They pointed to the probable impact of summer droughts on water availability, quality issues affecting surface waters (such as algal blooms during the summer months leading to the closure of recreational beaches), degradation of natural wetlands, and the risk of *Vibrio* bacteria appearing in the Baltic Sea, which may affect tourism. They also underlined the lack of a systemic approach to water-law permits and the authorisation of untreated wastewater discharge, as well as the structural problem of numerous fragmented farms, most of which are excluded from existing regulations and good agricultural practice standards.

The identified threats to Poland's economic credibility in the area of Climate and environment also included:

- progressing climate change (droughts, floods, heatwaves, and severe storms),
- difficulties in modernising small, energy-inefficient district heating systems,
- absence of a national environmental strategy,
- lack of capacity for effective prevention and rapid response to environmental

TABLE 8. Frequency of occurrence of individual threats to Poland's economic credibility in the Climate and environment area

No	Threat	Percentage of indications (in percentage)*
1.	Progressive climate change (droughts, floods, heat waves, and violent storms)	78
2.	Increasing pressure on water resources combined with inefficient water management	100
3.	Problems with modernising energy-inefficient small heating systems	56
4.	Lack of an energy transformation strategy and the energy transformation itself	78
5.	Lack of a national environmental strategy	56
6.	Deepening politicisation of climate protection efforts	100
7.	Weakness and low credibility of environmental protection institutions, and consequently insufficient enforcement of environmental protection regulations	100
8.	Lack of ability to effectively prevent and quickly respond to widespread environmental devastation – e.g., illegal landfills	78
9.	Progressive decline in biodiversity	56
10.	Complicated administrative procedures regarding financial support mechanisms for energy transformation	56
11.	Insufficient institutional solutions in the government's climate policy, lack of a single decision-making centre	67
12.	Low efficiency in the use of energy and resources resulting from poor preparation for implementing a circular economy	56

* refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study

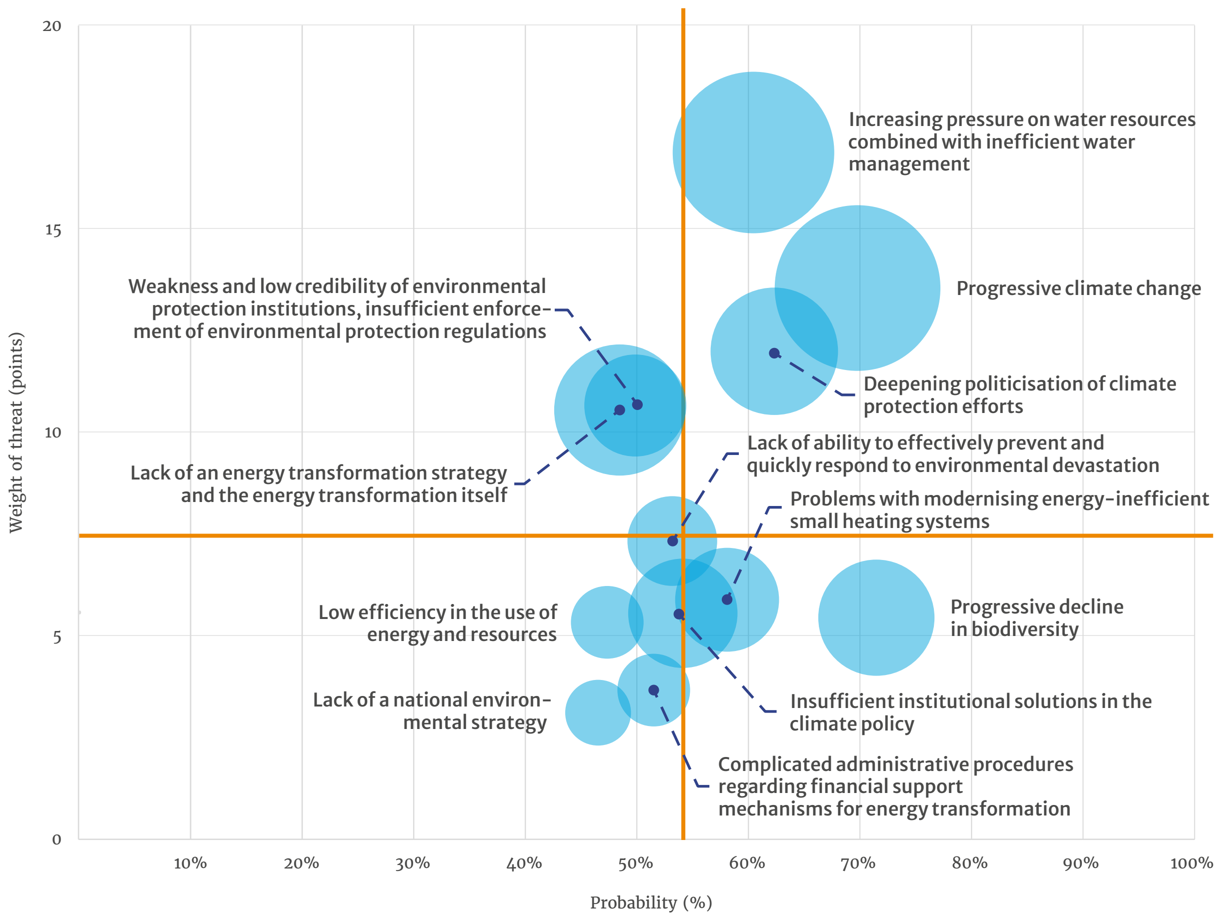
Source: 2025 OEES study

- degradation in the broad sense – for example, illegal landfills,
- ongoing decline in biodiversity,
- complex administrative procedures regarding financial support mechanisms for the energy transition,
- insufficient institutional arrangements for the government's climate policy and the absence of a single decision-making centre,
- low efficiency in the use of energy and resources resulting from inadequate preparedness for implementing a circular economy.

The list of identified threats, along with the percentage of experts who considered each threat to be significant, is presented in Table 8.

The most significant threat to Poland's economic credibility in the area of Climate and environment in the next three years is the increasing pressure on water resources combined with inefficient water management. The experts assigned this factor the highest average weight (16.9 points) and the fourth-highest probability of occurrence (61 per cent). Considering both the strength of impact and the probability of occurrence, particular attention should be paid to its potential negative effects on agriculture and to possible limitation of electricity production due to an insufficient volume of water for cooling power units.

FIGURE 7. A map of threats to Poland's economic credibility in the area of Climate and environment in the next three-year perspective



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**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study§

Another highly significant risk is the ongoing climate change, which disrupts, among other things, food production and national food security. The experts' estimates placed both its impact (13.6 points) and probability of occurrence (70 per cent) in the second place.

The experts also drew attention to the previously mentioned absence of an energy transition strategy and of the transition process itself. They assigned this threat a probability of occurrence below the average (49 per cent, compared with an average of 56 per cent), while attributing to it a relatively high weight (10.6 points). According to the experts, the continued reliance of the Polish economy on coal, without development of a coherent energy transition strategy, places Poland in an unfavourable position and creates the image of a "dirty" country with a low level of environmental responsibility.

Among the identified threats to Poland's economic credibility in the area of Climate and environment with above-average significance and probability of materialisation is the deepening politicisation of climate protection measures, particularly in the pre-election period. The experts assigned this threat the third highest significance rating (12 points) and the third highest probability of materialisation (63%).

Compliance with international obligations

In the area of Compliance with international obligations, there were identified nine threats, presented in Table 9.

The identified threats to Poland's economic credibility in the area of Compliance with international obligations are primarily associated with Poland's failure to adhere to the regulations of the European Union. In this context, the experts pointed to **the instability of the judicial system, the undermining of the principle of** pacta sunt servanda **(agreements must be honoured), and the disregard for international court judgments—all of which affect investment risk assessment, legal stability, and predictability**. The experts referred to the

TABLE 9. Identified threats for Poland's economic credibility in the Compliance with international obligations area

No	Threat	Percentage of indications (in percentage)*
1.	Instability of the justice system and legal protection system	100
2.	Lack of reforms of the justice system addressing concerns regarding the independence of courts, as expressed in the case law of the CJEU and the ECHR	100
3.	Undermining the principle of pacta sunt servanda and ignoring judgments of international courts, affecting the assessment of investment risk, legal stability, and predictability of state policy	100
4.	Lack of a stable and transparent mechanism which would ensure the efficient, timely, and substantively sound implementation of obligations arising from ratified treaties, conventions, or membership in international organizations	100
5.	Failure to introduce national legislation implementing the EU regulations, e.g., in the area of the single digital market, resulting in violation proceedings being initiated against Poland	80
6.	Lack of an effectively functioning Constitutional Tribunal combined with the politicisation of its role as a tool for legitimising the actions of a specific political power	100
7.	Progressive social polarisation increasing the risk of undermining the authority of national and international judicial institutions	100
8.	Lack of a coherent system of contractual protection for both consumers and businesses	80
9.	The risk of excessive "economic nationalism" which could undermine the principles of the internal market and the effectiveness of the EU economic law.	80

Refers to the percentage of experts who awarded a given threat more than 0 points in the second stage of the study
Source: the 2025 OEES Study

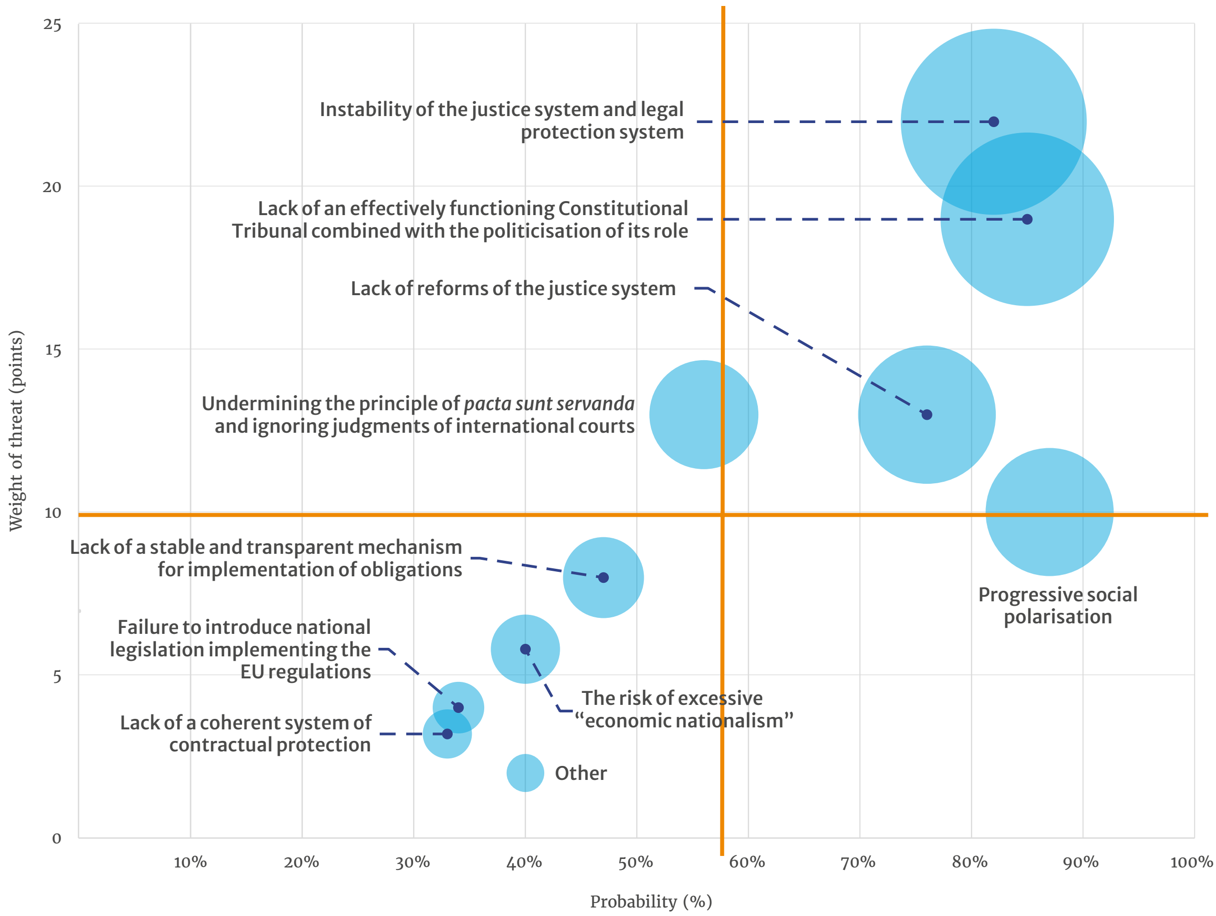
example of the judgment of the Court of Justice of the European Union concerning judicial reform, which has remained unimplemented for several years, as well as the continuing adjudication by judges appointed with the participation of the National Council of the Judiciary, whose independence has been questioned by the CJEU. This may also weaken trust in Poland as a Member State of the European Union and endanger its relations with European partners.

In addition, the experts identified threats related **to growing social polarisation, which increases the risk of undermining the authority of both domestic and international judicial institutions, as well as the risk of excessive "economic nationalism," which may jeopardise principles of the internal market and effectiveness of EU economic law**, while promoting the division of institutions into two opposing camps: those "on our side" and those "against us."

The identified threats included also:

- lack of judicial reforms addressing concerns with regard to the independence of the courts expressed in the case law of the Court of Justice of the European Union and the European Court of Human Rights,
- absence of a stable and transparent mechanism ensuring efficient, timely, and

FIGURE 8. A map of threats to Poland's economic credibility in the area of Compliance with international obligations in the next three-year perspective



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**the size of circle represents average product of the weight and probability of occurrence of a given threat

Source: 2025 OEES study

substantively sound implementation of obligations arising from ratified treaties, conventions, and membership in international organisations,
- failure to introduce national legislation transposing EU law, for example in the area of the Digital Single Market, resulting in the initiation of violation proceedings against Poland,
- lack of an effectively functioning Constitutional Tribunal, combined with the politicisation of its role as a tool for legitimising actions of a particular political authority,
- absence of a coherent system of contractual protection for both consumers and business entities.

The list of identified threats, along with the percentage of experts who considered each threat to be significant, is presented in Table 9.

The results of the study show that instability of the judiciary and the legal protection system will constitute the key risk in the area of Compliance with international obligations over the next three years will be (weight 22 points, probability 82 per cent).

The experts also highlighted the threat associated with violations of Articles 2 and 19 of the Treaty on European Union, manifested in the fragmented and prolonged nature of the introduction of judicial reforms in Poland, as well as in Poland's insufficient activity in implementing reforms addressing the concerns expressed in the case law of the Court of Justice of the European Union and the European Court of Human Rights with regard to judicial independence (weight 13 points, probability 76 per cent).

Similarly, attention was drawn to the risks stemming from the lack of an effectively functioning Constitutional Tribunal, combined with the politicisation of its role as a tool for legitimising actions of a specific political authority—factors which pose a threat to both internal and external relations (weight 19 points, probability 85 per cent).

There is no doubt that the aforementioned growing social polarisation is a highly significant threat in the area of Compliance with international obligations, as it may adversely affect the authority of judicial bodies both domestically and internationally (weight 10 points, probability 87 per cent).

Poland's economic credibility in the area of Compliance with international obligations may also be undermined by the absence of a stable and transparent mechanism ensuring efficient, timely, and substantively sound implementation of obligations arising from ratified treaties, conventions, and membership in international organisations (weight 8 points, probability 47 per cent).

Foreword

Introduction

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Area III. Credibility of public finances

Area IV. Stability of money and the financial system

Area V. Labour protection and safety

Area VI. Quality of public services

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Area VIII. Respect for international obligations

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Recommendations

Expert commentary

Between the years 2021 and 2023, the rule of law in Poland remained at a similar, relatively low level. The interpretation of our analysis results demonstrates the crucial importance of defining a point of reference. In legislative matters, overproduction of legal acts and an imperfect law-making process, characterised by superficial consultations, continue to be observed. The judiciary operates in a manner preventing timely delivery of final rulings capable of being efficiently enforced. The executive branch shows insufficient openness and an inability to exercise self-restraint.

The most significant threat in the area of Rule of law over the next three years will be legal uncertainty, encompassing legal dualism, and disregard for the genuine independence and impartiality of the judiciary. Inefficiency of the justice system and excessive length of court proceedings form another major threat. Furthermore, factors with above-average weight and high probability of materialisation include the undermined credibility of constitutional justice and unconstitutionality of the National Council of the Judiciary.

The assessment of economic freedom in Poland in this year's edition of the Index is clearly worse than in the 2023 edition. The main reasons for this decline are deterioration in the evaluation of energy costs, banking sector concentration, and granted subsidies. Unfortunately, the rising cost of electricity will continue to worsen business conditions in Poland for a long time to come. In the forthcoming years, this will lower the value of the Index of the country's economic credibility, since for many preceding years, energy bills paid by companies were relatively low compared to those of foreign competitors. High energy prices weaken competitiveness of domestic enterprises, particularly those with extensive machinery stock, thereby undermining profitability of investing in new equipment.

The willingness of the Polish to start their own businesses also remains very low. This situation has persisted for many years and therefore requires closer attention in terms of measuring and reducing burdens, especially for self-employed individuals. In the next three years, excessive tax and quasi-tax burdens, combined with a non-transparent and unstable tax system, will represent a serious threat.

The key threat to Poland's economic credibility in the area of public finances over the next three years is the persistently high public finance deficit combined with expansionary fiscal policy. At the same time, low transparency and disintegration of public finances, manifested in inconsistencies in public finance statistics and the reduced role of the budget act, constitute an additional source of risk.

In Poland, the problem of the declining role of loans in the economy is becoming increasingly pronounced. This role has never been substantial, and since 2019 it has been steadily diminishing, particularly in the case of loans to enterprises. Until 2019, it fluctuated around 15 per cent of GDP, but over the following five years it fell to slightly above 10 per cent of GDP. Since 2020, loans have accounted for a smaller share of banks' assets than government bonds.

The labour market is being shaped by long-term demographic trends associated with persistently low fertility rates observed over many years, which are leading to a gradual decline in the labour supply. More than 70 per cent of employers in the construction sector, nearly 70 per cent in industry, and over half in services report a shortage of workers in Poland. It is therefore crucial to make effective use of the available labour resources and to ensure the fullest possible participation of individuals in the labour market.

The increase in the minimum wage has contributed to an improvement in income levels of workers; however, it has also constrained investment opportunities in Poland. High energy prices make investment in modern technologies unprofitable, while the minimum wage—nominally higher than in some of the most developed countries—renders investment in labour-intensive technologies based on low-skilled work economically unviable.

Development of skills, including digital competencies, remains a key challenge. One of the factors hindering adequate social protection of workers is fictitious self-employment—the share of self-employed individuals in Poland is among the highest in Europe. At the same time, civil law contracts are the most common substitute for full-time employment, and data suggest that 20–30 per cent of employees work under precarious contracts, including fixed-term agreements.

Despite the improvement in labour market conditions, gender disparities in employment persist. The situation of workers in the lowest-paid sectors, however, has shown signs of improvement. A major challenge for the future lies in green transition and the resulting need to restructure employment. Poland is among the countries where the share of employment in sectors likely to be affected by this transformation is one of the highest. This, in turn, necessitates investment in new skills and a significant increase in adult participation in various forms of education and training aimed at acquiring new competencies.

In the area of Labour protection and safety, two threats should be given particular consideration due to their high probability of occurrence and strong impact: the supply-side barrier in the labour market and the increase in labour income burdens resulting from the need to provide social security in the context of ongoing demographic change and population ageing.

Threats arising from the inefficiency of the public healthcare system will have a key impact on Poland's economic credibility in the area of Quality of public services. The most pessimistic outlook, however, concerns education, which has declined from a clear regional leadership position to that of an average performer. This process has been unfolding for approximately a decade. What is more, its effects are only observable in the longer term.

The most significant threat to Poland's economic credibility in the area of Climate and environment over the next three years will be the insufficient pace of the energy transition. A second major risk lies in the continuation of a social-economic model based on unsustainable patterns of production and consumption. Additional threats concern deterioration of water quality combined with quantitative depletion of water resources.

In the area of Compliance with international obligations, one may observe that in recent years both the Court of Justice of the European Union and the European Court of Human Rights have significantly intensified their judicial activity in cases concerning Poland. The judgments of these European courts are often unprecedented for the legal systems of both Poland and the European Union as a whole. The activity of the Sejm in transposing EU directives into domestic law remains insufficient, for instance in the case of the directive on copyright and related rights in the Digital Single Market. Poland's economic credibility in the area of Compliance with international obligations may also be undermined by the refusal to participate in Union legislative initiatives in such key areas as the Green Deal, the Common Commercial Policy, and migration law.

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APOLODORO.—¿Y es preciso
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Formerly deck officer of the Polish Ocean Lines and former Deputy Minister of Finance and Minister of the Environment. Currently President of the Foundation Centre for Strategic Thought, where he focuses on financial markets and local government development. He has worked on sustainable and local development, tax systems, public finance, local government development, and green transformation. He has lectured at the Faculty of Economics at the University of Gdansk and at the Faculty of Law and Administration at the University of Warsaw. More recently, he has led projects on green finance for the UNDP and the World Bank.

Professor Jerzy Hausner

Professor of Economic Sciences, Chairman of the Open Eyes Economy Summit Program Council and GAP Foundation Council, former deputy prime minister responsible for economic issues and minister of economy, labour and social policy, member of the Sejm 2001–2005, member of the Monetary Policy Council of the 3rd term, correspondent member of the Polish Academy of Arts and Sciences, winner of the following awards: Kisiel, Władysław Grabski, Edward Lipiński and Aleksander Gieysztor, doctor honoris causa of the Warsaw School of Economics and the Academy of Fine Arts in Krakow, Honorary Professor at the Cracow University of Economics.

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Lawyer, social politician, since 1993 an employee of the Institute of Social Policy of the Faculty of Social Sciences and Humanities at the University of Warsaw, Director of the Institute of Social Policy (2016-2019). Formerly deputy director of the Institute of Labour and Social Affairs (1997–2000). Dean's representative for cooperation with the business environment. Member of the bimonthly program council Human Resources Management and quarterly Social Dialogue, editorial board of Social Policy. Scholarship holder of the European TEMPUS Program (1997) and the Alexander von Humboldt Foundation (2001-2002). He participated in the implementation of the following research projects. Manager of the Research Project "Social dialogue at the workplace level" financed under the ESF Human Capital program, 2008-2013, Businessmen and Craftsmen – research project carried out with the Warsaw School of Economics Research Team; Participant of the research project "In search of security in the labour market. Economic migrations from and to Poland and the attractiveness of the Polish labour market "financed by the National Science Centre under the OPUS program. Author of over 100 books, articles and studies in the field of labour law, employment relations, social dialogue and the issues of employment policy and the labour market. He combines his research passions with involvement in the public service as a member of the Tripartite Commission for Socio-Economic Affairs (since 2004), deputy minister of economy and labour responsible for the problems of labour law, wages, social dialogue and the labour market (2005), and since 2012, the Secretary of State in Ministry of Labour and Social Policy. Since 2012, in the ranking of Dziennik Gazeta Prawna, he has been selected among the 50 most influential lawyers in Poland, having a key impact on the shape of labour legislation and labour market regulation in Poland.

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Andrzej Rzońca, PhD, professor at the Warsaw School of Economics

Chair of the Department of International Comparative Studies. Vice-Chair of the Scientific Council of the Open Eyes Economy Summit. Member of the Advisory Council of the Centre for Social and Economic Research (CASE.) Member of the Society of Polish Economists (former chair.) Economic strategist with experience from private sector (corporate and financial industries, including hedge funds), public sector (central bank, ministry of finance), international financial institutions (World Bank, European Central Bank) and NGOs (Civil Development Forum Foundation, CASE.) Member of supervisory boards. Former member of the Monetary Policy Council in the National Bank of Poland during the sovereign debt crisis in the Euro Area and the first war in Ukraine. Repeatedly awarded for innovative research. Holder of Citibank Foundation Kronenberg Prize and Polish Academy of Sciences Fryderyk Skarbek Prize (the two most prestigious Polish awards in economics.)

Professor Andrzej Sławiński

School of Economics, Department of Quantitative Economics. The topics of his publications mainly concern central banking, macroprudential policy, international finance and financial markets. In the past, he was a member of the Monetary Policy Council (2004-2010), Advisor to the Chairman of the FSC (2010-2011), Director General of the Economic Institute of the National Bank of Poland (2011-2017). Latest book of his authorship "Central Banking. Evolution and the future." was published 2023.

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The rule of law

One of the key directions for restoring the rule of law in Poland should be the decisive strengthening of the quality of the legislative process. At the heart of this reform must lie the effective enforcement of the obligation to prepare Regulatory Impact Assessments (RIAs) and the reinstatement of genuine, rather than superficial, public consultations. This concerns not only their adequate duration but also the obligation to respond to submitted comments, while ensuring full transparency throughout the process. It is particularly important that the public have access to information on who influenced the content of a draft law and at what stage—including access to a calendar of meetings with interest groups. Valuable reference points may be found in certain proposals developed within Rafał Brzoska's *SprawdzaMY.com* initiative. RIAs themselves should not only be mandatory but also reliable, containing alternative scenarios, risk assessments, and analyses of the impact on different social and economic groups, as well as a commitment to their subsequent evaluation. Their quality should be assessed by an independent expert body, rather than solely by the authors of the draft legislation.

A second area requiring decisive intervention concerns the structure of the common court system. The current three-tier model is excessively complex and difficult to manage in a reasonable manner; nor does it translate into higher quality of adjudication. Transitioning to a two-tier system—with a clear division between first- and second-instance courts—could simplify the organisation of work and shorten the duration of proceedings, without abandoning the constitutional guarantee of the right to appeal. Such a reform should go hand in hand with further digitalisation of case management and the enhancement of judicial mobility depending on the workload of individual units. It is crucial, however, that this reform not be treated as a pretext for a personnel purge—its primary objective must be to improve efficiency, not to replace staff.

The third pillar of the necessary reforms concerns the institutional and constitutional issues which in recent years have been the source of a profound crisis of public trust in the state. The status of judges appointed by the reformed National Council of the Judiciary and the paralysis and loss of authority of the Constitutional Tribunal remain particularly urgent problems. Continuing in this state means maintaining two parallel legal systems, which in the longer term risks the complete disintegration of the judiciary. It is therefore essential to achieve a political consensus. It should include, among other elements, a new procedure for appointing judges of the Constitutional Tribunal. Only such a solution—adopted as a political and institutional reset—can end the current deadlock and restore the proper authority of the state's judicial system.

Freedom to conduct business activity

Without modifying the factors which determine high energy costs, the cost competitiveness of the Polish economy will continue to weaken, which may lead to a loss of credibility among both foreign and domestic investors. The Polish continue to be unwilling to start their own businesses. This phenomenon requires particular attention, as, in addition to the costs of production factors (labour and energy), entrepreneurial activity depends on the cost structure between small and large enterprises, as well as on administrative burdens which generate additional expenses.

Credibility of public finances

The fiscal framework remains incomplete and ineffective in ensuring the stability and transparency of public finances. The tax system continues to be complex and unpredictable, which translates into very low public trust in the management of public finances. Under these unfavourable institutional conditions, the country's debt and fiscal risk are growing rapidly. This situation calls for urgent and comprehensive action.

Accordingly, it is essential to urgently prepare a credible and comprehensive plan for the recovery of public finances. This plan should include both deficit reduction and the reform of the institutional framework within which fiscal policy is implemented.

We reaffirm the recommendation to restore the unity, openness, and transparency of public finances. In practice, this means, among others, introducing a formal requirement to attach the financial plans of all public finance sector entities to the budget act. These plans should be consistent with the scope of the EU methodology. Furthermore, these entities should be subject to full parliamentary oversight, and the budget act must comply with Article 219 of the Constitution.

Ultimately, a comprehensive institutional and organisational reform of public finances is required, including the reduction of funds and agencies as well as a redefinition of the concept of the "state budget" towards that of the "budget of the entire central sector," thereby enabling the government to obtain a full and sound discharge.

Transparency and openness of public finances must also be ensured at the micro level. In this respect, we recommend prompt establishment of a central register of public finance sector contracts. The current low disclosure threshold in the Central Register of Contracts should be maintained, in line with the appeal of nearly 50 civil society organisations addressed to the Prime Minister regarding the Central Register of Contracts (Institute of Public Finance, 2025). Raising this threshold would reduce the effectiveness of the register as an instrument of civic oversight and transparency in public spending.

From January 2026, a Fiscal Council will begin operating in Poland, in accordance with the recommendations presented in previous editions of the Index. However, persistent weakness of the national institutional framework lies in the absence of medium-term budgetary planning. Therefore, it is necessary to introduce a statutory requirement for the annual preparation of medium-term budget plans, presenting the situation of public finances over a period longer than a single fiscal year.

In the field of taxation, it is essential to enact a Tax Code and adopt statutory principles governing amendments to the tax and contribution system, thus limiting the frequency of tax changes, ensuring a minimum *vacatio legis*, and enforcing an adequate and reliable consultation process. Regular evaluation of the system's transparency and complexity is also indispensable.

Stability of money and the financial system

The central bank's focus on fulfilling its primary mandate, along with a fundamental change in its communication policy, aimed at aligning it with the practices of other central banks, have been among our key recommendations since the first edition of the Index. We have observed significant progress in the implementation of these recommendations. However, no notable progress has been observed with regard to other actions proposed to restore credibility in the area of Stability of money and the financial system.

These actions include, in particular—let us recall—the abolition of the bank tax and the exemption of deposit interest from the capital gains tax (the so-called "Belka tax"). We have consistently maintained, and continue to maintain, that if only one of these measures were to be implemented due to the deep fiscal imbalance, priority should be given to the abolition of the bank tax. We have also repeatedly emphasised that its fiscal costs could be reduced by limiting the exemption to newly issued loans.

Admittedly, the Ministry of Finance has announced a reduction of the bank tax by 10 per cent in 2027 and by 20 per cent from 2028 onwards (relative to the current year). The Ministry recognises that this tax discourages lending activity, as it provides an additional incentive to replace loans with government bonds, which, unlike loans, are exempt from the tax. The purchase of such bonds not only - as elsewhere - does not require banks to commit their own capital, since the regulator allows them to be assigned a zero-risk weight, but also reduces the effective tax rate.

Nevertheless, the announced timeline for reducing the bank tax remains distant. To make the matters worse, the reduction is to be preceded by an increase in the corporate income tax (CIT) rate for banks to 30 per cent in 2026, which is expected to remain elevated at 26 per cent in 2027 and 23 per cent from 2028. According to the Ministry's estimates, the total tax burden on banks, already among the highest in the European Union, would increase by over PLN 20 billion over the next decade, including by PLN 6.5 billion in the coming year. Furthermore, the manipulation of CIT rates depending on the profitability of particular types of activity bears the hallmarks of an additional tax levy. Such measures hinder allocation of resources to their most productive uses, increase uncertainty for all business activity, and complicate assessment of investment profitability.

This year, however, a positive signal has emerged - the Ministry of Finance has proposed the introduction of the Personal Investment Account (Osobiste Konto Inwestycyjne, OKI). Although the primary objective of this measure is to promote development of the capital market, under this scheme, deposits up to PLN 25,000 will also be exempt from the Belka tax.

Labour protection and safety

Due to the changes taking place in the economy and the labour market, it is essential to continuously adapt competencies and skills to the evolving needs of the labour market. This applies in particular to people at risk of job loss as a result of structural changes, such as the transition towards green economy and the growing role of technology, including the use of artificial intelligence in production and services.

Therefore, it is necessary to promote a wide range of forms of adult learning, particularly those aimed at developing digital competencies, including the ability to work with AI tools, as well as skills aligned with the requirements of green economy. This primarily concerns individuals at risk of structural unemployment: those with low qualifications and employees in sectors and occupations likely to be phased out due to structural transformation.

Ongoing demographic changes and the decline in the working-age population necessitate greater mobilisation of this group. Data show that the employment rate among people aged 55–64, particularly women, remains low. It is necessary to extend professional activity and increase employment, especially among women and people over the age of 50. On the one hand, this will help maintain labour market potential; on the other, it will contribute to higher pension levels in the future.

Data also indicate a growing share of migrant workers in the labour market—by March 2025, foreigners accounted for 7.4 per cent of individuals insured with the Social Insurance Institution (ZUS), compared with 5.4 per cent in December 2021. Proper integration of migrants and the development of awareness of the society's growing multicultural character are essential to maintaining labour market stability and social cohesion.

Quality of public services

Despite the increase in spending on education, the results are not reflected in students' performance. Poland's declining position in the regional rankings is a matter of concern. It is necessary to link funding with achieved outcomes, improve the quality of education, and modernise curricula—particularly in the areas of digital, analytical, and language competencies. It is also essential to enhance attractiveness of the teaching profession and to develop modern educational infrastructure.

We also recommend strengthening the coherence and efficiency of the healthcare system, with a particular focus on prevention and accessibility of services. The positive trend in the health domain results primarily from improved self-assessment of health status and an increase in healthy life expectancy; however, the low level of public expenditure on healthcare (below 5 per cent of GDP) limits sustainability of these improvements. Preventive healthcare and family medicine should play a greater role, the availability of specialist services must be improved, and tools for evaluating the efficiency of expenditures should be implemented. Strengthening public health will contribute to increased labour productivity and a reduction in the social costs of diseases.

The third recommendation is to further develop a digital state resilient to threats through the integration of e-government with cybersecurity. Poland has made notable progress in the area of e-government; however, stagnation in cybersecurity and the growing number of cyberattacks pose a serious risk to the efficient functioning of public services and public trust. It is therefore necessary to strengthen the state's resilience to digital threats by centralising security standards across public administration, developing human resources in the field of cybersecurity, implementing a national cyber hygiene programme, and improving incident monitoring. These measures are essential for maintaining the continuity of public services and ensuring digital security of the economy.

In Poland, there is no tax on waste incineration or on waste transported for incineration (waste incineration plants pay environmental charges for gas and dust emissions). The introduction of fees or taxes on waste incineration could increase profitability of recycling and reuse of materials.

Climate and environment

Countries such as Italy and Spain are able to transition relatively more easily to a low-emission economy, whereas Poland, the Czech Republic, and Slovakia face significantly greater challenges. In the Central European countries, heavy industry and energy-intensive sectors continue to play an important role in the economic structure.

Therefore, derogations for these countries in meeting the EU's emission reduction targets must remain in place over a longer period. A good example of such an approach is Poland's conditional derogation, obtained in August 2025, allowing the continued operation of the capacity market for older coal-based technologies.

In order for the anticipated reform and the expansion of the Carbon Border Adjustment Mechanism *(CBAM)* to serve as an effective tool for combating climate change and reducing emissions, rather than an additional burden leading to marginalisation of European industry in global markets, it is essential that they take into account risks of circumvention and abuse, including the problem of double taxation of semi-finished products and artificial reclassification of customs categories.

Compliance with international obligations

The Polish government should, in close cooperation with the Venice Commission and the European Commission, draft legislation aimed at restoring the rule of law through methods consistent with the *acquis communautaire* and, consequently, ensuring Poland's compliance with its international obligations arising from the EU membership.

At the same time, the authorities should launch a nationwide information campaign with a view to increasing to a significant degree public awareness of judicial reforms and of the obligations stemming from Poland's membership in the European Union.

The Sejm of the Republic of Poland should adopt the aforementioned legislation and subsequently submit it for the President's signature. In the event of a presidential veto, the government should take measures to implement at least part of this legislation through appropriate executive regulations.

Expert Commentary

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Commentary of the ING Bank Śląski on the 4th Edition of the Poland's Economic Credibility Index (IWEP) 2025

New, expanded edition of the WEP: The current fourth edition of the Index of Poland's Economic Credibility (IWEP) is an update and expansion of previous editions to include additional countries – Spain, Italy, and Lithuania. Traditionally, the IWEP provides an in-depth analysis of the quality of economic policy which affects how countries are perceived by financial markets. The IWEP can be regarded as a unique extension of the country reviews conducted by rating agencies. These are focused on macroeconomic policy, particularly fiscal and monetary, rather than macro-structural policy. As always, reading the new report offers a valuable synthesis of knowledge about Poland and other Central and Eastern European (CEE) countries, as well as comparisons with other nations. However, while the inclusion of Lithuania seems fully understandable to us due to this country's similar transformation history to other CEE countries, the report somewhat lacks justification for the inclusion of Italy and Spain. These countries are not among the EU leaders in most of the ten IWEP dimensions, and in our opinion, Poland should rather seek inspiration for reforms from the leading EU countries in terms of the quality of economic policies.

Institutions matter for the development of a country and its real convergence: In last year's commentary to the State Economic Credibility Index (IWEP), we wrote that the reform proposals based on the IWEP resonate well with the achievements of institutional economics. Last year's Nobel Prize in Economics, awarded to Professors D. Acemoglu, S. Johnson, and J. Robinson, emphasises the role of institutions in the prosperity of nations. There is a large body of empirical research, including our own, which confirm that poor quality of legislation and instability of taxes or regulations exert a negative impact on investment and economic growth. The work of this year's Nobel laureates in economics (Professors J. Mokyr, P. Aghion, and P. Howitt), awarded for their research on sustainable growth driven by technological progress and innovation, is generally consistent with the postulates from the area of Freedom of business activity in the IWEP. In the case of Aghion and Howitt, the Nobel Committee recognised their theory of sustainable growth through the process of creative destruction. This process is at the same time creative for some companies and destructive for others which fail to adapt to technological changes. Enabling this process, among others, through deregulation, constitutes a necessary condition for transforming the Polish economy from a model based on low labour costs to one based on innovation and higher productivity. In our country, there still remain reserves for further reallocation of resources from the low-efficiency small and medium-sized enterprise sector towards more productive sectors, such as advanced industry, for instance, the defence industry, which has prospects for significant development in the coming years, or the business services sector.

Poland's IWEP in comparison with other countries and the apparent improvement in the years 2023–2024: According to the aggregate results of this year's IWEP, and similarly to the previous year, Poland outperformed only Hungary and Romania among the analysed group of countries. In the overall classification (generally based on the 2024 annual data), Lithuania and the Czech Republic achieved the best results. This classification reflects the current assessments of rating agencies, according to which Poland's rating is higher than that of Hungary but lower than that of the Czech Republic. Although Poland's IWEP score has improved over the past two years, this improvement was recorded in all countries with the exception of Spain; therefore, Poland's relative position in comparison with other countries has hardly changed. The overall IWEP score for Poland still remains below the level recorded in 2015, the year from which the authors of the report began calculating the index.

The results for individual areas of the IWEP show that Poland's existing weaknesses persist, while some of its former strengths are beginning to fade: in comparison with other Central and Eastern European countries and based on the 2024 data, Poland performs as follows:

- **Very poorly** in the area of credibility of public finances (Poland is the only country in the analysed sample of eight countries in which, in 2024, all four dimensions in the area have negative values),
- **Poorly** in the areas of: freedom of business activity (a regression is visible in this area); stability of money and the financial system; climate and environment; and compliance with international obligations,
- **Moderately** in the area of rule of law,
- **Well** in the area of Labour protection and safety,
- **Very well** in the area of quality of public services (in this area, however, a regression has been observed in recent years in the education dimension).

This means that Poland still has significant potential for improvement in terms of the structural and macroeconomic policy mix. Loose fiscal policy limits the scope for easing of the monetary policy, which exerts a negative impact on investment and economic growth. **The improvement of Poland's IWEP would be an appropriate response** to the major challenge of the exhaustion of the economic growth model based on cheap and accessible labour, as well as to challenges related to security, demography, energy and climate, and to the stimulation of innovation, including the implementation of AI, which is a priority for the world's leading economies. In our assessment, the failure to undertake reforms may pose a risk of social trust erosion, rising costs, and the loss of development opportunities.

Recent downgrades of Poland's rating as a warning signal for policymakers: Both the WEP assessments in the area of credibility of public finances and the results of the IWEP expert survey on threats in the coming years indicate the necessity of public finance reform. In mid-September of this year, another rating agency (Moody's, previously Fitch) downgraded Poland's foreign currency credit rating to "negative" from "neutral," while maintaining the rating itself at "A2." The agency stated that the decision reflects a "significantly weaker" forecast of fiscal indicators compared with previous expectations and that fiscal strength and policy effectiveness in comparison with the current assessment may deteriorate if the government fails to cope with spending pressures and obstacles to increasing revenues. According to the agency, the outlook on Poland's rating could return to stable if the country embarks on a credible path of fiscal consolidation. Otherwise, the rating itself may be downgraded. Additional pressure on the credit rating may result from significant deterioration in regional security, particularly in the case of more concrete signals of a withdrawal of support from the United States, or a major attack on Poland's border by Russia (the current assessment already accounts for an elevated level of geopolitical risk). In our view, the downgrade of the rating outlook constitutes a yellow card for policymakers and a strong signal indicating that the lack of cooperation between the key centres of power is detrimental to the economy and the state.

Already today, financial markets assess Poland's creditworthiness more negatively than rating agencies do: Quotes of the Polish foreign currency debt now assess Poland's rating almost two notches below that the one assigned by Moody's and one notch below the rating given by Fitch and S&P. In the PLN government bond market, the most tangible manifestation of the lower assessment is the fact that the share of foreign investors in the debt market for PLN-denominated government bonds amounts to only 12%. This is the lowest level on record (since such data has been collected, i.e. since 2004) in Poland and lower than in the CEE countries. Poland has been "working" towards such result systematically for many years, and the reasons which have "driven away" foreign investors from the Polish zloty debt market include large borrowing needs, a high deficit, the absence of political debate on the need to reduce the deficit, and the unclear reaction function of the central bank.

The need to expand production capacity in the defence sector: In the difficult external environment for Poland (more than 3.5 years after the start of the full-scale Russian war in Ukraine, and the more protectionist policy of the U.S. administration under Donald Trump), a major challenge for Poland and other countries in the region lies in the rapid development of their own production capabilities in the armaments sector. The high current and expected defence expenditures, as well as the availability of public and private financing, call for a clearer emphasis on this dimension. The response of the European Union to the reduced involvement of the United States as a security guarantor is positive (ReArm Europe and SAFE programmes), but the response of individual countries is less encouraging. The further west one goes, the lower the willingness to increase defence spending to the NATO-recommended level of 5% of GDP, with the exception of Germany, which has adopted more ambitious plans. Importantly, for many countries, defence spending is not only a reaction to the military threat from Russia but also a key element of the development agenda, aimed at increasing the innovativeness of the defence industry as well as the civilian one. It will be the quality of state institutions which determines whether Poland is able to transform these massive defence expenditures into a significant development stimulus. The armament programme may become an element of a much-needed industrial policy. The quality of this policy and the outcomes of the enormous public expenditures depend on the level of development of state institutions. Otherwise, the surge in defence spending will lead to an increase in debt, with little benefit for the local industry or the economy's potential.

Response to the growing competition from Asia: Our survey among enterprises, as well as foreign trade statistics, shows that China poses an increasing competitive threat to European economies, including the Polish one. The pace of AI technology development in the United States and China significantly exceeds that observed in Europe. Economies at different levels of development have their own strategies for introducing AI, ranging from Estonia through Greece and Lebanon to the United States. The paths of AI technology development differ—from a strong private sector in the United States, through the rapid digitalisation of the public sector in Greece, based on the assumption that the digitalisation of administration can act as an accelerator of these changes in the private sector, to China, where the priority of the State's industrial policy lies precisely in high-tech sectors, while traditional industry can expect decreasing support. In order to keep pace with these changes, there are required strong institutions, including an apolitical and highly qualified civil service. Competent public officials are essential for effective implementation of economic policy aimed at enhancing competitiveness of the economy, which can serve as a response to pressure from Asia. The rebuilding of the civil service, an element of strengthening the state's credibility, should be one of the priorities of Poland.

The need of redefinition of the growth model of Poland and other CEE countries: Our recent studies emphasise the need to redefine the existing growth model in Poland towards one based on investment and innovation. The need to support the efficient allocation of limited labour resources is discussed, among others, in our recent regional report Directional Economics CEEMEA. From working hard to working smart. Far-reaching changes are necessary to sustain Poland's high economic growth, which remains a key foundation of the country's still strong credit rating. It is this growth that allows Poland, for now, to service its rapidly increasing public debt. We believe that the current state of political debate is insufficiently focused on supporting the supply side of the economy. However, the WEP report does provide many specific reform-oriented recommendations.

From the outset of our work on the *Country's Economic Credibility Index* Report, we have sought to emphasise that the economic credibility of a given country is determined not only by the current condition of its economy but also—and, in fact, above all—by the model of the state and the resulting approach to economic and social policy. The presented system of indicators is interdisciplinary in nature and reflects the extent to which changes in the model of the state and its institutions lead to changes in public policy which affect Poland's economic credibility.