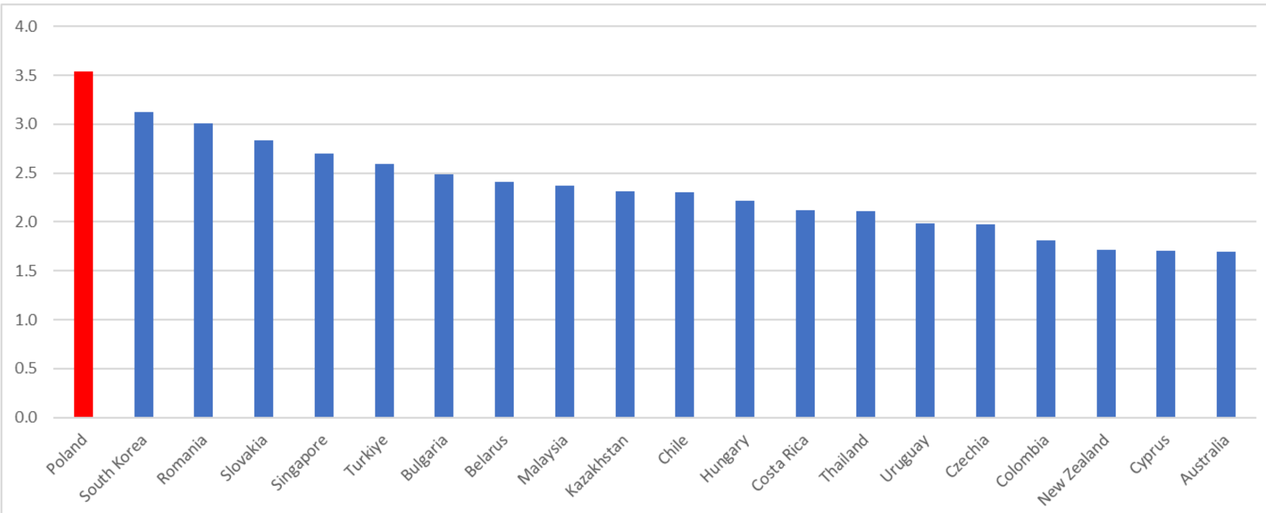
**Europe's growth champion. Insights from the economic rise of Poland**

What was the fastest growing upper middle and high-income economy in the world in the last in 30 years? Few people would guess the answer. It was Poland. Since 1992, it has increased its GDP per capita PPP by 3.5 times and became the fastest growing economy in Europe and globally (Figure 1).

**Figure 1. Change in GDP per capita for the top 20 fastest growing upper-middle income and high-income countries during 1992-2022, PPP, constant 2017 USD**

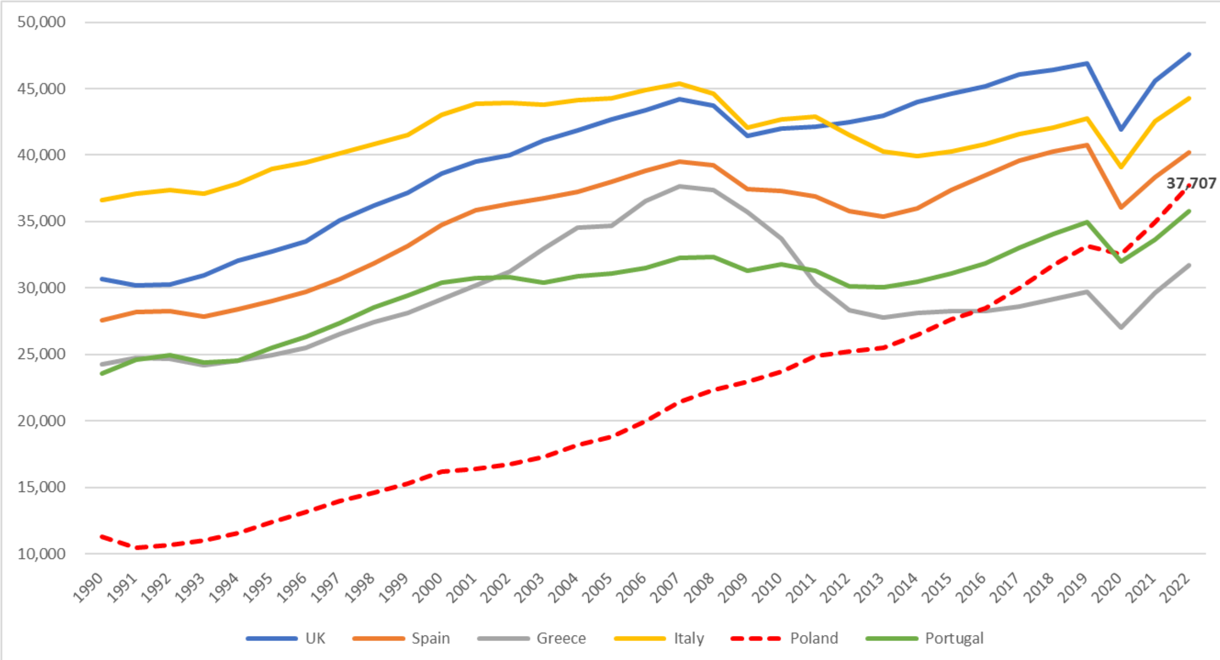



*Note: The Baltic States—Estonia, Latvia, and Lithuania—are not included because data are available only from 1995. Ireland is not included due to inconsistencies between GDP and GNP data.*

*Source: own calculations based on the World Development Indicators database.*

As a result of fast growth, Poland's level of income has already exceeded that of Portugal and Greece (Figure 2). If the historical trends continue, by the end of this decade Poland could catch up with the level of income in Spain and soon after with that of Italy and the United Kingdom.

**Figure 2: GDP per capita, 1990-2022, PPP, constant 2017 USD**




*Source: own calculations based on the World Development Indicators database.*

***What were the drivers of such an impressive economic performance?***

As argued in my book and in the World Bank's report, Poland's success was driven by a set of comprehensive reforms, including deep market liberalization in 1989-90, structural reforms implemented during the mid-1990s as part of the "Strategy of Poland", and booming education, which quintupled the number of university students to almost 1.6 million in 2000. It also mattered that mass privatization happened later than in other countries in the region, when the already functioning market for prices of assets of state-owned enterprises (SOEs) reduced corruption rents. As a result, Poland arguably does not have oligarchs today. Finally, Poland's success would not have happened without the EU accession, which helped build institutions, opened the borders for investment, labor and trade, and supported growth through cohesion and structural funds. It is estimated that thanks to the EU, Poland's GDP in 2023 was 40 percent higher than in the non-EU accession scenario.

***What are the lessons learned from Poland's experience for other countries?***

They are at least five key lessons that could inspire other countries.

First, build institutions and strengthen „rules of the game". The EU accession process helped create institutions—secure property rights, rule of law, meritocratic public administration, free competition, and a robust democracy with twenty different governments since 1989—which supported Poland's development. While most countries in the world cannot accede to the EU, they can nonetheless create a "virtual EU" and build the same institutions that made Poland and the rest of the Central and Eastern Europe successful.

Second, keep the economy, borders, and markets open. Poland has liberalized its markets already in 1989 and then, following the EU accession, fully opened to trade and investment with the rest of the world. In the process, Poland imported more than $300 billion in foreign direct investment (FDI), or around 40 percent of GDP, and became one of Europe's manufacturing hubs. Given the new opportunities for attracting FDI driven by the ongoing restructuring of the global value chains, an FDI-based development model could be adopted by other countries.

Third, reduce public ownership, but do not privatize in haste. Poland has shown that it is important to privatize SOEs to accelerate structural re-balancing of the economy, but to do so only when the markets, institutions, and a civil society are strong enough to ensure transparency and market-driven prices. Otherwise, a short-term success in privatizing the economy can turn into a long-term failure: state capture, monopolized markets, and populist politics.

Forth, invest in an open, broad-based, inclusive society. Poland has developed because it created an inclusive society, which enabled the whole society to flourish. While income inequality has increased, Poland nonetheless largely continues to be a place where people can succeed in life despite differences in wealth, place of birth, or gender. Success is mostly based on *what* you know rather than *who* you know. Other countries would do well to follow this example.

Finally, go beyond GDP and focus on well-being. Poland has managed not only to more than triple its GDP per person since 1989, but also translate higher incomes into higher well-being and happiness, the ultimate objectives of economic development. This is a good lesson not only for developing countries, but also for more developed ones, where focus on GDP growth may have shifted attention from other elements of good life, including work-life balance, inequality, and the quality of the natural environment.

***Will Poland's success story continue?***

While mid-term growth prospects are strong--the IMF projects that Poland's GDP should grow at more than 3 percent per year until 2029--due to the negative effects of population ageing, reduced space for technology absorption, and growing competition from emerging markets, GDP growth in the 2030s is projected to decline to closer to 2 percent. The growth model will need to change to keep the convergence going. Will Poland find one?

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