NBP Governor To Unveil Details Of ‘SAFE 0%’

By Krzysztof Kruk

Executive Summary

- Governor Glapiński is due to discuss the details of ‘Polish SAFE 0%’ on Wednesday.
- This comes after the Governor’s meeting with the President and Prime Minister.
- Latest source reports suggest that the NBP could switch to more active reserve management.

Senior Officials Discussed ‘Polish SAFE’

President Karol Nawrocki, Prime Minister Donald Tusk and NBP Governor Adam Glapiński, joined by Defence Minister Władysław Kosiniak-Kamysz and Finance Minister Andrzej Andrzej Domański, held a meeting to discuss the proposed ways of funding a massive defence spending spree intended to create credible deterrence against the Russian threat.

This came as the President faces a deadline of March 20 to sign politically divisive legislation implementing the EU’s SAFE loans-for-weapons scheme, return it to parliament (effectively vetoing the bill), or refer it to the Constitutional Tribunal. Finding himself under growing pressure from the government to sign the legislation, the President and the NBP Governor issued a counterproposal in the form of what they called ‘Polish SAFE 0%’.

Importantly, even if the President vetoes the European SAFE, it would not block its implementation. The government signalled that it could tap the funds even without relevant legislation, but it would complicate the process and reduce the amount of available loans. TVN reported that the government could enter a bilateral agreement with the European Commission, in which case the money would be transferred directly to the Defence Ministry rather than a special fund. As a result, they could be used to finance spending on the army, but not on other uniformed services or infrastructure.

As the officials emerged from their meeting, they said that the President had not yet decided whether to agree to the original SAFE, even as PM Tusk had earlier claimed that he had ‘signals’ that a veto was likely. There seems to be consensus among experts that the President was leaning toward casting a veto or sending the bill to the Constitutional Tribunal.

The operational details of the rival ‘Polish SAFE 0%’ programme remain somewhat unclear, but the NBP would likely tap unrealised profits on gold reserves to finance defence spending. Governor Adam Glapiński is due to shed some light on the matter and discuss the proposed scheme in greater detail on Wednesday (March 11). Below we summarise the latest developments ahead of the update from the Governor.

NBP May Become Active Player In Gold Market

Scenario 1: Active Reserve Management

A source close to the NBP told Business Insider that the NBP will likely be an ‘active player in the market’ as a simple revaluation of gold reserves could be controversial in the light of EU regulations, triggering reaction from the European Central Bank (ECB). According to the piece, the Governor will likely unveil this scenario on Wednesday, specifying that the NBP will switch to a more active reserve management strategy, potentially involving near-daily transactions.

The unnamed Business Insider source said that this would allow the NBP to tap the unrealised profits on gold reserves in small increments, maintaining control over the whole process and refraining from destabilising the gold market. If the NBP confirms its intention to become an active speculative player in the gold market, it could nonetheless have sufficient firepower to influence prices.

Scenario 2: Iterative Sales and Repurchases

Earlier rumours pointed to the potential for a series of transactions, where the NBP would sell reserves and immediately replenish them in several rounds over the coming years. The transactions could be conducted in the open market, or through pre-agreed repo contracts with big institutional partners, either at home (e.g. BGK) or abroad.

Scenario 3: Revaluation of Gold Reserves

The revaluation of gold reserves to generate profit, earlier seen as a likely option, would be an unconventional but not unprecedented solution. In a recent NY Fed paper, Colin Weiss notes that similar moves were being contemplated in the

US and Belgium, and five countries conducted such operations in the past three decades - Germany, South Africa, Lebanon, Italy, and Curacao and Saint Martin. In the former three cases, the proceeds were used by respective central governments.

In all three cases, central banks revalued gold reserves and transferred resultant profits to central governments with the express purpose of facilitating debt reduction amid growing fiscal strain. The most recent use of unrealised profits was launched in South Africa in 2024 as part of a programme set to run until 2027. Poland's case is significantly different in that the proceeds would be spent on a clearly defined investment project designed to solve a structural problem as opposed to retiring accumulated debt.

President Proposes Establishing 'Polish Defence Investments Fund'

As Tuesday's meeting went underway, the President's aides announced that the head of state tabled a draft bill 'On the Polish Defence Investments Fund' in parliament. As revealed later, the Fund's management structure would involve collective decision-making and a network of co-dependent organs:

- President
- Prime Minister
- Council (political-strategic level)
- Steering Committee (operational-executive level)
- Defence Minister (spending decisions)
- BGK (banking services).

Under the scheme proposed by President Nawrocki and Governor Glapiński, the profits on the central bank's gold holdings would be transferred to this dedicated fund as opposed to the state budget to ensure that they are spent on national defence rather than any other objectives.

The aforementioned Business Insider piece notes that the bill tabled by the President envisages 'bringing financing' from state-owned development fund BGK, with the first transfer of profits from the NBP to the Polish Defence Investments Fund expected only in mid-2027.

The bill also notes that in any given year, if the transfer of profits from the NBP is smaller than assumed, then BGK would be obliged to extend a loan to the fund matching the shortfall in financing. Any resultant BGK liabilities would be guaranteed by the Treasury.