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MARKET ANALYSIS

Central Bank & President Push For ‘Polish SAFE 0%’

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Executive Summary

- Governor Glapiński and President Nawrocki proposed an alternative to EU aid for defence spending.
- ‘Polish SAFE 0%’ is designed to generate PLN185bn in funding for military expenditures.
- The proposed scheme would likely utilise the NBP’s hefty gold reserves to generate profit.

President & NBP Governor Propose ‘Polish SAFE 0%’

During a press conference announced at a short notice, President Karol Nawrocki and NBP Governor Adam Glapiński unveiled a proposed domestic alternative to the EU’s Security Action for Europe (SAFE) loans-for-weapons programme, which they said could generate PLN185bn worth of interest-free funds for additional military spending. Both officials said that they would invite the government to participate in technical works on the scheme and expressed hope for a trilateral cross-partisan consensus on what they called ‘Polish SAFE 0%’.

Adopted by the Council of the European Union in mid-2025, the original SAFE will provide up to EUR150bn in favourably structured, long-maturity loans for member states requiring assistance for boosting their defence capabilities, allowing them to benefit from the EU’s strong credit rating. Although only member states can obtain the loans, partners such as the UK, Japan, Canada or South Korea may participate in common procurement. Poland stands to be the largest beneficiary of the programme, capturing nearly a third of all available funds.

Figure 1. SAFE allocations per member state. Source: European Commission.

Despite firm consensus among financial analysts and military experts about the merits of SAFE and the need for its swift adoption, the programme has been at the centre of major political dispute, for reasons we unpack below. The conservative opposition has been calling on the President to veto legislation implementing the scheme, while the centrist government has insisted that the rejection of SAFE would be tantamount with ditching an opportunity to boost national defence to counter the threat posed by neighbouring Russia.

Using Gold Reserves Emerges As More Likely Scenario

Governor Adam Glapiński refused to discuss the details at length, saying that they would be ironed out in the course of technical talks with teams from the Defence Ministry and Finance Ministry. The Governor did say, however, that the proposed mechanism would not involve an outright drawdown from the NBP's foreign reserves to finance government spending, because it would violate the law. He also played down the potential for the deployment of extraordinary measures akin to those used during the COVID-19 pandemic – presumably meaning quantitative easing. A source report published by Money.pl/WP.pl soon after the press conference suggested that there were two scenarios on the table:

1. **More likely, favoured by the NBP:** Taking profit on part of the NBP's massive hold reserves, which could be transferred to the state budget or a dedicated fund to finance military expenditures. This was reportedly the scenario that the Governor gestured toward during the press conference and there are two versions of it:
    a. The NBP could recalculate the value of its gold holdings, generating multi-billion profit on paper in a simple accounting exercise.
    b. Should (a) prove impossible or risky, the NBP could sell a tranche of gold, generating real profit, which would be used to finance military spending. The central bank would then replenish gold reserves, buying the yellow metal on the market, keeping the level of gold reserves unchanged while booking profit. In a version of this scheme, the NBP would buy back gold immediately, the only purpose of the operation being to book profit that could be transferred to the budget.

   By law, the NBP is obliged to transfer 95% of its year-end profit to the state budget. However, in both (a) and (b), the NBP would transfer the profit directly to a dedicated fund (FIZB serviced by the state-controlled development bank BGK) rather than the state budget, which would require amending the NBP Act and other relevant legislation. In both sub-scenarios, the operation could be repeated cyclically over time to generate funds for defence spending.
2. **Less likely, favoured by the President:** Coordinated bond issuance by BGK/FIZB and a targeted QE programme, including potential issuance of FX-denominated debt to pay for imports, which would allow the government to bypass a ban on the financing of government spending by the central bank. While these would not be zero-coupon bonds, the NBP would transfer profit from interest payments to the state budget, neutralising debt servicing costs. The scheme would effectively allow the NBP to open an interest-free credit line for the government to access cheap funding for military spending, in a mechanism resembling the measures deployed during the pandemic.

Note that the Governor explicitly played down the potential for using the tools involved in scenario (2) during his press conference with the President, which already suggested that parties were leaning towards scenario (1). Zbigniew Bogucki, head of the President's Chancellery, signalled as much this morning, as he noted that the 'Polish SAFE 0%' programme could be financed through the use of NBP reserves over the next 5 years.

Separately, the President's spokesman Rafał Leśkiewicz told Polsat News that the NBP has accumulated PLN1tn worth of reserves and the investments made over the past 30 months generated profit to the tune of over PLN180bn. For what it's worth, the figures line up with the proposed PLN185bn size of 'Polish SAFE 0%'. Leśkiewicz said that the scheme would involve 'using just the fact of the NBP owning its reserves to finance purchases for the military and the police (…).' He suggested that the profit on gold appreciation could be monetised to that effect, without providing any further detail.

The NBP has been the largest gold buyer among all central banks in the world for two consecutive years, boosting its holdings to 550 tons at the end of 2025. The incumbent Governor has been largely responsible for this gold-buying campaign, with the central bank's holdings of the yellow metal rising more than five-fold during his tenure. The Management Board recently approved the Governor's request to eventually boost gold holdings to 700 tons, replacing the earlier target of 30% of all foreign reserves.

The NBP's aggressive gold purchases coincided with a surge in the pricing of the precious metal, with global geopolitical and debasement fears driving it above $5,500/oz. As a side note, the central bank appears to have quietly changed the way it prices its gold reserves. As we wrote recently, the NBP seemingly ditched 'the daily morning LBMA fixing as the sole reference price, according to analysts who reviewed recent updates on foreign reserves. Given that more than a third of its stash of the yellow metal is kept in New York, one hypothesis is that these holdings are now priced according to a local benchmark. At this point, it is hard to say if this had any relation to the proposal.

SAFE Has Been Hotly Debated Issue In Recent Weeks

The EU's SAFE programme has been at the centre of a heated political dispute in recent weeks, as parliament debated the legislation implementing the scheme. It should be noted that there is broad cross-partisan consensus around the need to maintain elevated levels of defence spending to bolster deterrence against Russia. However, there is a significant divergence in views about the optimal path toward this goal.

- The centrist, pro-EU **governing coalition** has argued that the opportunity to access cheap dedicated loans would allow Poland to quickly complete the much-needed military purchases. It has also sold the programme to the public as a diplomatic and political success, with PM Tusk claiming that the European Commission followed Poland's recommendations to the letter. Furthermore, the government suggested that a vast majority (89%) of the funds would be spent domestically, providing a strong stimulus to the Polish defence industry and generating positive knock-on effects to the wider economy over the duration of the programme (2026-2030) and beyond.
- The conservative **opposition** has argued against participation in SAFE, pointing to the long duration of the debt, the risks associated with taking on FX-denominated debt, the potential for alienating US suppliers who can offer cutting-edge military technology, and conditionality mechanisms embedded in the programme. Under the existing framework, SAFE promotes the purchases of equipment in the EU. Furthermore, the main opposition Law and Justice (PiS) party has negative experience with EU aid, which could be weighing on its current stance. The European Commission blocked the disbursement of a portion of funds to a PiS government. Somewhat controversially, the funds were unlocked soon after PM Tusk took power, granting him a diplomatic win before he could reverse the controversial judicial reforms enacted by his predecessors.
- Prior to the announcement of 'Polish SAFE 0%', analyst **consensus** was very much in favour of the original SAFE, with most economists arguing that it offered more favourable terms than any form of domestic financing. Against this largely unified consensus, it is worth highlighting dissenting arguments against the programme:
    - There are questions about the potential mismatch between the character of funding and the profile of purchases. From a public policy perspective, the latter should determine the former rather than the other way around.
    - The need to acquire FX to finance military spending has been questioned in the light of the government's assurance that 89% of the funds would be spent in Poland, although some have noted that the local defence industry is import-intensive.
    - There have been concerns about the risks associated with greater FX exposure, but others have argued that the NBP's stockpile of reserves is a natural hedge against the consequences of PLN depreciation.
    - Some critics have argued that access to cheaper loans could translate into an irrational magnitude of spending, leading to public policy inefficiencies. For the record, this applies to 'Polish SAFE 0%' too.

The objections of the conservative opposition were echoed by President Karol Nawrocki during his press conference with the NBP Governor. For clarity, Nawrocki's presidential bid was sponsored and announced by Law and Justice, even if nominally he ran as an independent candidate. Governor Glapiński was appointed to his current position by the PiS administration and historically had close ties to the party's leadership. The political sympathies of both officials lie with the right-wing opposition rather than the current government. One of the key differences between the two political camps is where they put emphasis in their foreign policy orientations. While both are vocal advocates of the trans-Atlantic alliance, PM Tusk's Civic Coalition has cultivated closer relations with the EU, with Law and Justice oriented firmly toward the US.

The adoption of SAFE legislation by Polish parliament was widely interpreted as a curveball thrown at President Nawrocki by the government. The head of state was put in front of a dilemma: respecting the concerns of his political allies and casting a veto would have exposed him to the allegation of throwing sand into the gears of ongoing efforts to modernise the army. The initiative announced alongside NBP Governor Glapiński allows him to evade this dilemma and puts the government in a symmetrical conundrum. The government will have to consider the political cost of rejecting the proposal as the 2027 parliamentary election will be held in the shadow of a lingering Russian threat.

The announcement of Polish SAFE 0% gives the President more leeway in deciding whether to sign legislation on the European SAFE by the March 20 deadline, handing him the argument that there is a viable alternative on the table in the form of PLN185bn in interest-free funds. The announcement thus increases the risk of a veto and of a continued pressure on the government to consent to his plan. Meanwhile, the government may respond by trying to buy some time, asking the President to approve the European SAFE whilst technical work on the indigenous alternative to the programme continues.

Government Signals Initial Scepticism Toward Replacing SAFE

Although the President stressed that he was yet to make a decision on whether to sign SAFE legislation (the deadline is on March 20), there seems to be tacit consensus that he was leaning toward a veto. In Poland's political system, only a supermajority in parliament can override a presidential veto, which is notoriously hard to achieve. Against this backdrop, government officials have either decried the allegedly politicised nature of 'Polish SAFE' or called on the President to pursue both programmes in parallel for now.

- **Defence Minister and Deputy Prime Minister Władysław Kosiniak-Kamysz** (Polish People's Party) said that 'the SAFE programme gives the fastest access to the most concrete funds for the modernisation of the Polish army' which is why 'everyone who cares about strengthening our army are calling for and hoping that the President signs the bill.' However, 'it further instruments for financing the army emerge, the Polish Army will only benefit from it. Not as an alternative to SAFE, but as additional funds to strengthen [our] security.'
- **Foreign Affairs Minister and Deputy Prime Minister Radosław Sikorski** (Civic Coalition) said that the SAFE 0% scheme involves selling some of Poland's gold reserves or using them as collateral, which would represent risky speculative behaviour. In his view, 'the European SAFE is safer'.
- **Minister- Coordinator of Special Services Tomasz Siemoniak** (Civic Coalition) criticised the initiative as politically motivated and said that it was designed to give the President a pretext to veto legislation implementing the original SAFE scheme. He added that 'it is not like the NBP Governor has PLN150bn-200bn in his pocket and can just say that he will spend it on something.'
- **Government's SAFE czar Magdalena Sobkowiak** said that 'the money from SAFE and the list of purchases to be made for the army are waiting here and now for the President's signature. If there are additional instruments and additional funds, then it's perfect. I can immediately submit a reserve list of projects worth almost PLN80bn. And these are only projects realised in Poland and the EU.'

Sell-Side Views

ING: Using Gold Reserves May Prove Risky

- They flag a concern that the officials were referring to the appreciation of gold reserves accumulated by the NBP in recent years. Meanwhile, they note that the rules on transferring unrealised central bank profit to the state budget may not be applicable to gold. The proposed scheme could require changing the NBP's accounting rules or a sale of part of the gold reserves to realise profit. In ING's view, both solutions would be risky and contradict earlier the stated intention to keep accumulating gold.

Santander: Proposed Scheme Generates Risks

- They write that the imaginable variants of 'Polish SAFE 0%' would create risks to the inflation outlook and to the central bank's credibility. They note that it is unclear if the government will want to participate in the project.

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