

BTI 2012 | Poland Country Report

Status Index	1-10	9.05	# 6 of 128	
Political Transformation	1-10	9.20	# 8 of 128	➔
Economic Transformation	1-10	8.89	# 6 of 128	➔
Management Index	1-10	6.79	# 13 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	38.2	HDI	0.813	GDP p.c.	\$	19783
Pop. growth ¹	% p.a.	0.1	HDI rank of 187	39	Gini Index		34.2
Life expectancy	years	76	UN Education Index	0.822	Poverty ³	%	<2
Urban population	%	61.2	Gender inequality ²	0.164	Aid per capita	\$	-

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The 2009 – 2011 period was marked by several major features. The government is composed of a two-party coalition created after the 2007 parliamentary election. It consists of Civic Platform (PO) and Polish People's Party (PSL), the latter clearly being the junior partner in the coalition. The years under scrutiny can be divided roughly into two parts: The period prior to the 10 April 2010 plane crash in which Polish President Lech Kaczyński was killed near Smolensk, and the period which followed it. Notwithstanding the crash itself and the dire consequences for Polish politics (dozens of the Polish political elite lost their lives), the most important consequence of the tragedy was the enormous challenge the state faced just to continue functioning in accordance with constitutional rules. This stern test has been passed successfully, in particular in the immediate aftermath of the accident. The long-term effects are less positive. The June 2010 presidential election revealed the emergence of a deep division in Polish society between the camps of the two main political parties, PO and Law and Justice Party (PiS.) However, the main turn for the worst happened after the election. When the PiS candidate, Jaroslaw Kaczyński, lost the election he immediately began to question the legitimacy of the elected president Bronislaw Komorowski and embarked on a very aggressive political campaign focused – almost exclusively – on the plane crash. Polish politics became extremely emotional and void of policy debate. Prime Minister Tusk and the president himself were accused not only of being responsible for the crash, but also of state treason and “collaboration with Putin” to bring about the tragedy.

Before the crash, Polish politics were far from perfect in terms of organizational and logistical merits. The late president, Lech Kaczyński, has been extremely partisan in his support of his twin brother's party, PiS. The cohabitation between him and the PO-led government was a classical example of a dysfunctional semi-presidential system – deadlocks, slowing down the legislative process, unnecessary conflicts, vetoes, and blackmailing with vetoes to block policy

reforms. A significant part of the critical evaluations presented below deals with this uncooperative relationship between state president and prime minister.

History and Characteristics of Transformation

Poland was the first country in Central and Eastern Europe to undertake the transformation from communism to democracy. The transition was managed through negotiations between the ruling party and the opposition movement and took place in a period of high uncertainty because the reactions of the Soviet Union to these developments were difficult to assess. These aspects produced a legacy of unsolved political conflicts between those political actors who participated and those who abstained from the “deal” with the Ancien Régime. It also left unclear institutional regulations in the reformed constitution, and these affected the process of consolidating democracy in Poland in the years that followed.

The starting point for the transformation can be traced back to the mid-1970s with the establishment of an underground opposition that ultimately led to the creation of the Solidarity movement in 1980. Solidarity was initially an independent trade union that during its first period of existence (1980 – 1981) gradually transformed into a social movement and then into national liberation movement. The introduction of martial law on 13 December 1981 interrupted the process for a few years, but it had already become clear by 1986 that the Jaruzelski regime was seeking some kind of new opening and was willing to recognize part of the opposition as a de facto and de jure social actor. In 1988, round-table talks were planned for early 1989, and these were initially envisaged as a way to secure the power of the ruling elite by giving in to some demands of the opposition and by introducing some economic reforms. The round-table talks, however, led to a much more ambitious project, and semi-free elections were scheduled for June 1989 which guaranteed 65% of the seats for the Polish United Workers’ Party (PZPR) and their satellite allies, United Peasants’ Party (ZSL) and Democratic Party (PD). Some further changes to the constitution were also tabled, such as the introduction of a state president and a second chamber, the Senate. The outcome of the election came as a real surprise to many, because Solidarity managed to win its entire share of seats and the majority of seats in the freely elected second chamber, the Senate. The overall message of the election results was that the ruling communist party had no political legitimacy whatsoever. As a consequence, prolonged negotiations in the summer of 1989 were followed by establishment of the first non-communist government under the premiership of Tadeusz Mazowiecki, and the real transformation towards democracy and market economy was launched.

It is important to remember that the round-table negotiations were a very significant success demonstrating the ability of Poles to negotiate the transition without bloodshed. But, as mentioned above, the negotiated transition has had a lasting imprint on political debates in Poland. On the one hand, left-wing and liberal representatives in the political spectrum consider the round-table negotiations and their outcome to be historically important and successful

achievements, while on the other hand, the right-wing treat it as a political mistake (moderate version) or even as treason (extremist version).

In addition to this political development, Polish economic reforms were launched as early as fall 1989. It became known as a “shock therapy” reform and was associated with the name of the then Minister of Finance Leszek Balcerowicz. The fortunes of the economic changes in Poland are as complicated as the political ones. Taking a very broad perspective and concentrating on the macroeconomic indicators alone, it is obvious that Poland – compared to all other Central and Eastern European countries – represents a success story. During the two decades since their implementation, the Polish economic reforms allowed for almost a doubling of the overall GDP (as of 2011, GDP stands at about 190% of the 1989 level). It has to be emphasized that this is due to both developments in the 1990s and to Poland’s status as an E.U. member.

Poland entered the EU in May 2004, after a referendum held in June 2003 in which 77% of the adult population voted in favor of joining EU (with a turnout of approximately 59%). Since then Poland has proved to be a reliable EU partner, except for the period of the PiS government between 2005 and 2007. After the 2009 elections to the European parliament Jerzy Buzek became the president of the European Parliament and Poland is now preparing to take responsibility for the EU presidency from summer 2011 onwards.

Despite Poland’s achievements in economic development and towards international integration, the sociopolitical division in the country remains. In 2005, Poland witnessed the “critical elections” which changed the composition of the party system, its operation and interparty cooperation and conflicts. The government that took office under the leadership of the PiS launched an unprecedented campaign to reform the entire constitutional order of the Republic of Poland. This idea was labeled the “IV Republic,” the successor to the post-socialist III Republic (as it was labeled in the 1997 constitution). The IV Republic plan failed, mainly due to its openly authoritarian tendencies and clear disrespect for democratic fundamentals, like the independence of the central bank and/or autonomy of the constitutional tribunal. Nevertheless, since 2005 the Polish party system has been composed of two main competitors, PO and PiS – two right-wing parties that attract about 80% of the vote and even more parliamentary seats. Both parties differ in terms of economic policies, the first trying to conclusively bring about a social-market economy, while the latter favors more state intervention. However, the greater differences between the two are socio-cultural, and concern dealing with the country’s socialist past, symbolic and traditional issues of gender, alternative lifestyles and the role of the church. Both parties stress the importance of civil society but with significantly divergent emphasis. PiS holds very pro-state standpoints by European standards. The parties also differ in their attitude towards the outside world, where the clearly pro-European PO aims at cooperation and collaboration even on the most problematic issues of foreign policy, while the PiS favors a tough, intransigent foreign policy, is euroskeptic and unfriendly towards Poland’s two main neighbors, Russia and Germany.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Law and order in accordance with fundamental constitutional provisions is guaranteed in the territory of the Republic of Poland. There are no signs of any competition for the state's monopoly on the use of power and force – again, in accordance with constitutional rules. The country is religiously and ethnically quite homogeneous. Ethnic Poles constitute about 97% of the population. No enclaves of irredenta or mafias exist.

The majority of Polish citizens identify with the Polish state (as do part of those living abroad) and observe the constitutional rules. As elsewhere in democracies, there is a debate on the current, “modern” patriotism. Some, mainly on the right, offers a nationalistic, twentieth-century narrative, whereas the left and the liberals draw on more contemporary ideas linked to Europeanization of Poland. The majority of ethnic minorities identifies with the Polish state, constitution and Polish citizenship. The rest, who in terms of absolute numbers represent a real minority, raise issues of autonomy and local, regional or ethnic identities (e.g., Ruch Autonomii Śląska, the Movement for the Autonomy of Silesia (RAS)), but even they have recently confined themselves to rather more moderate demands for more self-government and decentralization. Officially recognized national minorities have special rights concerning their political representation in the parliament. For example, their parties do not have to clear the 5% threshold that other political parties have to reach to enter parliament. They are also privileged because they only have to collect signatures for their electoral committees in five of the constituencies.

The constitutional provisions concerning the secularity of the Polish state are pretty clear, even accounting for the 1993 concordat. Nevertheless, everyday practice breaks with these provisions. Most problematic is the issue of religious instruction at public schools. It was initially intended that non-Catholic children would attend “ethics” classes instead of religious instruction classes, but this secular alternative never came about. The influence of the Polish Catholic Church on contemporary

Question
Score

Monopoly on the
use of force
10

State identity
10

No interference of
religious dogmas
8

Polish politics is enormous, to the extent that during the 2010 presidential election, most priests and bishops took sides in the political competition. They clearly favored one of the candidates (Kaczyński) as they had previous elections, sometimes more and sometimes less explicitly. In 2009, 95% of Poles still considered themselves to be believers, but nearly the same amount of people wanted the church to interfere less in politics (survey conducted by the Center for the Study of Public Opinion).

Moreover, the best indicator of the power of the Catholic Church in public life is the Property Commission, which has been in operation for 16 years. This institution was established to restitute church property that was nationalized by the communist regime, and has turned into an unaccountable institution that accepted almost all church claims for compensation. It has defrauded many Poles of valuable land and real estate. Moreover, the decisions of the Property Commission are final; no appeal can be lodged. This conclusion was upheld by the Polish Supreme Court in the mid-1990s, in clear violation not only the spirit of the rule of law, but also the right to a fair trial warranted by the human rights convention.

There are differentiated administrative structures providing basic and more comprehensive public services throughout the country.

Basic
administration
10

2 | Political Participation

There are no constraints on free and fair elections, which are held regularly (if they are held irregularly, it is only for reasons envisaged in the constitution). Poland assures universal suffrage and secret ballot; party platforms offer real programmatic alternatives. The electoral commission is impartial, registration easy and fair, polling procedures transparent. However, partisanship of media and journalists has grown. Moreover, voter turnout is still very low even by Central and Eastern European standards, usually falling below 50%. In 2007, 53.9% participated – the highest rate since free elections began in Poland.

Free and fair
elections
10

Elected politicians have effective power to govern. External actors, business elites and the military do not exercise veto powers. The Catholic Church does not exercise a veto power in its proper sense, but it certainly has far too much influence on several policy domains in which its' impact is far from consultative. For example, in reality it has a profound influence on selected areas of health, welfare and education policy.

Effective power to
govern
10

The constitutional provisions guaranteeing association and assembly freedom are unrestricted and practiced by both individuals and associations. The government does not restrict freedom of association. The freedom of expression is secured. No

Association /
assembly rights
10

violations of political liberties were reported, in contrast to previous period of PiS-led government.

Freedom of expression has improved under the current PO-led government and its most important manifestations are constitutionally guaranteed and – usually – achieved. There has been a definite improvement in relation to the PiS government with its multiple violations of these freedoms, and Poland rose from position 37 in 2009 to position 32 in 2010 in the Reporters without Borders ranking.

Freedom of
expression
9

Still, these improvements should not lead us to forget that Polish public media are still politically biased and partisan. They were biased in favor of the main opposition party, in particular in 2009. Private electronic and print media often compensate for biases or deficiencies in public media.

The Tusk government failed to reform the highly partisan National Council on Radio and Television (KRRiT) because of the veto of the previous state president, Lech Kaczynski. The Sejm (the lower house of parliament), Senate and the next state president rejected KRRiT's report to the parliament in August 2010 – an unprecedented move. KRRiT was dissolved and five new personnel elected to the council. A new law has been prepared which will regulate the nomination and composition of KRRiT according to professional merits instead of political affiliations.

3 | Rule of Law

There was a clear de jure and de facto separation of powers in Poland during the period under review, and it applies to both the classical three pillars (executive, legislature and judiciary) as well as the double executive of prime minister and president. State power is subject to law. The government's actions and policy implementation are guided by law. Some of these actions – at least until mid-2010 – were complicated by the inhospitable conflict between the late President Kaczynski and Prime Minister Tusk's government, which reduced legal certainty considerably. Policy implementation in particular was affected.

Separation of
powers
10

The judiciary is institutionally and functionally differentiated; it is independent of the unconstitutional intervention of political forces. However, it is more problematic to claim that it is free from corruption. Moreover, it is unclear whether it is completely independent from the Catholic Church's influence. The main flaw of the Polish judiciary is the everyday functioning of the court system – obsolete regulations, sluggishness and ineffectiveness are factors in its evaluation. There are several important legal institutions protecting the rule of law in Poland, which operate fairly smoothly, like the Constitutional Tribunal, and the Supreme Court, which effectively controls the government and the legislative branch. In March

Independent
judiciary
9

2010, the functions of the minister of justice and public prosecutor-general were finally separated.

Poland has a full system of legal provisions in place to fight office abuse by those in power, but in reality it is extremely rare for politicians to be prosecuted and sentenced. Offenders are more likely to lose a lucrative position of influence than to end up in jail. As a rule, officeholders do get prosecuted for abuses of public position or violations of law, but only if there is strong public sentiment on the matter, and the media “assists.” However, Poland has sophisticated legislation concerning corruption, a code of conduct for civil servants and mandatory asset declarations for holders of public office. In 2006, the PiS government founded a special Anti-corruption Bureau (Centralne Biuro Antykorupcyjne, CBA), but it frequently abused its powers in order to discredit political competitors. In November 2007, the PO government appointed a member of Transparency International, the PO member of parliament Julia Pitera, as the government’s plenipotentiary for the struggle against corruption. A major debate on the effectiveness of the legal mechanisms and the way lobbying is dealt with in Poland occurred when CBA accused some high-ranking PO members of giving in to the illegal demands of representatives of the gambling industry in order to impede a plan to raise existing taxes on gambling machines. Prime Minister Tusk immediately dismissed the two ministers involved but also the CBA director Mariusz Kaminski. The latter was accused of overstepping his competencies and instrumentalizing the affair for PiS interests. A parliamentary committee of investigation was established and a discussion on changing the law on lobbying developed.

Prosecution of
office abuse
8

De jure there are no legal restrictions on civil rights; de facto the protection of civil rights against state and non-state actors works pretty effectively. Infringements occur, but very rarely. Torture and cruelty never happen in reality. However, in 2009 it became evident that the CIA had established secret torture prisons at an airbase in Poland. Polish authorities undertook a very sincere investigation but it never fully revealed to what extent Polish officials tolerated or even supported the illegal practices of the CIA.

Civil rights
10

The justice system’s main shortcoming is that the institutions established to defend citizens and punish violators are ineffective and sluggish. The situation has improved dramatically since the PiS-led government was ousted from office. Their violations of some civil rights (of homosexuals in particular) were obvious. On the other hand, a debate concerning pedophiles attracted public attention as Prime Minister Tusk verbally attacked them and proposed a law allowing the chemical castration of convicted pedophiles, which passed parliament in fall 2009.

4 | Stability of Democratic Institutions

The 2009 – 2010 period was marked by a clear improvement in the way democratic institutions function in Poland, even accounting for a short period of extremely uncooperative “cohabitation” between the PO government and President Lech Kaczyński. Political decisions are prepared and implemented in accordance with legitimate procedures and by appropriate authorities. The effectiveness of the major democratic institutions was put to the test after the 10 April 2010 plane crash, when the president of the republic, most of the members of the armed-forces high command, deputy chairs of the parliament and many members of parliament died. In these unusual and dramatic circumstances, Poland’s democratic institutions performed their functions smoothly and efficiently. The one shortcoming was the slowness and – at times – politicization of the public administration.

Performance of
democratic
institutions
10

Almost all important political actors observe the constitution and behave in accordance with democratic rules. There is, however, one clear exception, the main opposition party PiS and its leader Kaczyński. Numerous examples lead to the conclusion that this party is becoming a classical anti-systemic party. The public discourse of its leader, who claims Poland has yet to regain its independence or that it is a “German–Russian condominium” and his cold-shouldering of the democratically elected president, Komorowski, are only few examples of violations of the democratic spirit and the rules of the game. Moreover, notables in the Polish Catholic Church make far too many public interventions revealing their distaste for liberal-democratic values. Both phenomena depreciate the overall score of the commitment to democratic institutions in Poland by its main political and social actors.

Commitment to
democratic
institutions
9

5 | Political and Social Integration

The Polish party system is both ideologically biased and far from stable, with shallow roots in society. In 2009 – 2010 there were no parliamentary elections, but, between the 2005 and 2007 elections, electoral volatility amounted to almost 25% (Pedersen Index). Other indicators of party system format point to a certain institutionalization: Fractionalization is at its lowest in two decades (.70), the effective number of parties is approximately three, the disproportionality between vote and seat shares is low (4.4%), and the share of votes for parties that failed to enter parliament is only 4% (calculations by Radosław Markowski, a Polish political scientist).

Party system
6

The class/strata roots of supporters of particular parties also fluctuate significantly. Three out of four parliamentary parties are rather programmatic parties, although the support for them is still strongly anchored in identity and socio-cultural issues

rather than economic policies. Nevertheless, one party clearly exerts clientelistic features – the Polish Peasant Party (PSL) which is by far the smallest one (approximately 5% – 8% support).

The symbolic sociocultural polarization is still considerable and marks the most decisive difference between pro-European PO and nationalist PiS. The parties also differ regarding their economic policies: PO is more liberal and pro-market, while PiS favors more state intervention. This divide is quite persistent in Poland, although in organizational terms the party system is still volatile.

The network and spectrum of Polish societal organizations is relatively rich and dense – numerous NGOs, social movements, social initiatives, trade unions, professional organizations and business representations are active in Polish public and political life. However, interest groups are less vigorous and numerous than in Western Europe and most of the groups are small, single-issue oriented organizations lacking resources. Since early 1994 there has been a tripartite agreement between business representatives, trade unions and the government. The trade union sector of this agreement has weakened, for two reasons. Firstly, trade union membership is low (around 15% while in 95% of enterprises there is no trade union at all) and the trade unions are not meritocracies. Moreover, the Solidarity trade union is far too open in its support of a single political party and as a consequence is not considered to be an independent actor.

Poles cherish democracy as an ideal, with over 70% claiming it is by far the best system invented so far. However, the performance of democracy in contemporary Poland is evaluated less favorably (usually between 40% and 50% of adult Poles claim to be satisfied; the indicator fluctuates pretty significantly). Poles are far more critical when it comes to trusting institutions. More than 80 % trust in charities and the Red Cross, but political parties end up at the bottom of the ladder with the trust of only 14%. Other political institutions fare only slightly better (parliament, 21%; trade unions, 26%; government, 31%; courts, 44%). However 60% of the Poles surveyed expressed trust in the European Union. According to a recent survey by the Center for the Study of Public Opinion, 25% of the respondents approve the performance of the parliament, whereas about 60% consider it to be doing a poor job. President Komorowski is evaluated much more favorably – 53% approve his performance, whereas 20% claim he is doing a poor job.

Polish society has long been characterized by the high level of trust within the circles of extended family and friends, and by bottom-up organization for informal activities, which dates back to communist and opposition times. Unfortunately it is not accompanied by a similarly strong relationship within formal networks, although numerous autonomous groups, associations and organizations exist.

Interest groups
9

Approval of
democracy
9

Social capital
8

Comparative research on social capital, as defined by the European Social Survey, shows Poland to be among the countries with the lowest social capital.

II. Economic Transformation

6 | Level of Socioeconomic Development

Social exclusion and poverty exist but are marginal phenomena. The Gini coefficient for Poland is about 35 (2005). Other indicators, in particular life expectancy (76), HDI (0.79, which ranks Poland forty-first in the world), and pretty impressive education figures locate Poland among the top of the BTI “transformation” countries. The social exclusion that does exist is connected to a deep urban–rural divide and thus is structural in character, even though recent development, often aided by E.U. structural funds, is quickly filling the gap.

Question
Score

Socioeconomic
barriers

8

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	425321.5	529400.6	430552.2	469440.1
GDP growth	%	6.8	5.1	1.6	3.9
Inflation (CPI)	%	2.4	4.3	3.8	2.7
Unemployment	%	9.6	7.1	8.2	-
Foreign direct investment	% of GDP	5.6	2.8	3.0	1.9
Export growth	%	9.1	7.1	-6.8	12.1
Import growth	%	13.7	8.0	-12.4	13.9
Current account balance	\$ mn.	-26499.0	-34957.0	-17155.0	-21873.0
Public debt	% of GDP	45.0	47.1	50.9	55.7
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	-1.9	-3.7	-6.1	-
Tax revenue	% of GDP	18.3	18.3	16.3	-
Government consumption	% of GDP	17.9	18.5	18.4	18.9
Public expnd. on edu.	% of GDP	4.9	-	-	-
Public expnd. on health	% of GDP	6.4	7.0	7.1	-
R&D expenditure	% of GDP	0.57	0.61	-	-
Military expenditure	% of GDP	2.0	1.7	1.8	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

During the period under review, the Polish state upheld the fundamental market rules of the game for the economy: All players in the Polish market have equal chances in principle. The Tusk government embarked on serious reforms concerning the creation of a business-friendly environment, but many of their endeavors did not work out as planned. This failure was partly because of the financial crisis, even though Poland remained the only European country with positive economic growth in 2009 (1.7%). The worldwide crisis impacted Poland later, mainly in terms of its poor budgetary figures. Some elements of the anti-crisis package implemented in early 2009 resulted in a growing budget deficit and delayed reform of the social sector, while failing to stimulate the economy.

Market-based
competition
9

Poland has comprehensive and effective anti-monopolistic policies. Currently the Polish legal provisions concerning these issues are in line with E.U. regulations. Foreign trade is liberalized with low tariffs. State intervention is limited.

Anti-monopoly
policy
10

Foreign trade is liberalized. There is very limited state intervention as Poland observes E.U. and W.T.O. regulations. The financial crisis has influenced both imports and exports. The value of the former was down by almost 14% in 2009, of the latter by almost 11%. FDI in 2010 amounted to almost €10 billion with many strategic investments, mainly in two key sectors: business operation centers and the motor industry.

Liberalization of
foreign trade
10

The Polish banking system is well developed and organized in accordance with world standards because more than half of the banking market in Poland is in the hands of foreign institutions. During the global financial crisis the Polish banking system proved much healthier than many of its Western counterparts, partly –

Banking system
10

experts claim – because of its relatively conservative policies. Capital markets are open to foreign capital.

8 | Currency and Price Stability

The PO-led government treats inflation control very seriously. In 2009 it was about 3.9% and in 2010 - 2.5%. Inflation has remained fairly stable during the last decade, keeping below 4%. The same applies to currency exchange, apart from a short period in 2009 when the Polish currency was depreciated towards the euro. The ratio is stable at about 1:4. The economic and financial crisis caused the postponement of the introduction of the euro in Poland. It is unlikely to come into force before 2015.

Anti-inflation /
forex policy
10

The government's clear goals are the promotion of macroeconomic stability and the fight against fiscal debts. Nevertheless, the worldwide economic crisis affected Poland, albeit to a lesser extent than other E.U. countries. In 2008 the government introduced a bill aimed at reforming public finances in order to meet E.U. requirements by 2011 and in February 2009 an anti-crisis package was unveiled to fight the global financial crisis.

Macrostability
8

According to a Polish business information service, public debt has grown from 47% of GDP in 2008 to 51% in 2009 and to 55.5% in 2010. Government consumption fell to 16.4% in 2009 from 19.4% in 2008.

According to the European Bank for Reconstruction and Development (EBRD) 2010 transition report, Poland's budget deficit was 7.1% of GDP in 2009 and similarly high in 2010.

Unemployment has risen from 7.1%, to 8.2% and then 9.6% of the labor force in 2008, 2009 and 2010 respectively. This becomes or rather remains a real social problem for the under-25 generation, for whom the above figures climb to 17%, 21% and 24% respectively. (Source Eurostat)

9 | Private Property

Property rights and regulations are well defined and enforced. The time needed to register property in Poland is well below the average (16 days versus 62 in other countries under scrutiny in the BTI). However, according to the latest World Bank "Doing Business" report, the number of procedures needed to do it is well above average – 10 in Poland and six on average elsewhere.

Property rights
10

Private companies are considered as the foremost engine of economic development and are given proper legal safeguards. It takes six days and six procedures to

Private enterprise
10

register and start a new business,, whereas the average for the remaining BTI countries is 32 days and eight procedures (source: latest World Bank “Doing Business” report).

10 | Welfare Regime

The Polish government’s social safety measures are comprehensive and well-focused. Life expectancy at birth is 76 years, which locates the country among the top new democracies. The public expenditure on health was 4.6% in 2007. However, the health care system is characterized by high debts of about €3 billion and does not guarantee sufficient supply. The major reform package proposed by the PO-led government was vetoed by President Kaczynski at the end of 2008. Work began to rewrite the proposed reforms.

Social safety as a whole is well developed, however considerable parts of the population are still at risk of poverty. There are three pillars to the pension system, from public to purely private, which do not function as effectively as one might have predicted at their implementation in 1999. The parliament passed a law reducing costly early retirement options after overcoming the initial veto of the state president. PO is also discussing a reform of the costly pension system for farmers (KRUS) but its coalition partner PSL opposes these attempts. Poverty among the elderly is among the lowest in EU.

The current PO-led government has launched several policies aimed at achieving equality of opportunity. There are also many institutions that work to reduce social inequalities. Almost all citizens have equal access to education and public office. Illiteracy is nonexistent. Problems remain with equal access to well-paid jobs – women earn barely three quarters of men’s earnings. Violence against women, though decreasing, remains a pretty widespread problem. On the other hand, the ratio of female to male enrollment at tertiary level is about 140 in 2009. The new government has reestablished the agency for gender equality, which was dissolved by the PiS government, but experts complain that this office lacks autonomy. The treatment of homosexuals and other minorities has improved significantly since the coming to power of PO. Despite these improvements, Poland has not yet signed the E.U. anti-discrimination directive and was thus referred to the European Court of Justice in May 2009 and May 2010. In October 2010, the Sejm enacted a law on equal treatment, which was sent to the Senate for discussion.

11 | Economic Performance

There were positive as well as negative symptoms in Poland’s economy during the period under review. GDP growth was the highest of any E.U. country in 2009 at

Social safety nets

9

Equal opportunity

8

Output strength

9

1.7% (source: Eurostat) and in 2010 was one of the highest at 3.8% (source; Eurostat). The trade balance is relatively favorable; the balance of payments is negative, but the deficit is much lower than the EU average. Public debt – again, relatively low compared to other E.U. countries – nevertheless is up from 47% in 2008 to about (sources differ) 55% in 2010 (EBRD: 47.2% for 2008 and 50.9% for 2009). This rise is attributed to the global economic crisis. Negative phenomena also include the balance of the budget (in 2009 net lending amounted to 7.2% of GDP) and the inflation is higher than the E.U. average but decreasing from about 4.0% in 2009 to about 2.7% in 2010 (EBRD: 4.3% for 1008, 3.8% for 2009 and 2.4% for 2010). Moreover the rate of employment is fairly low in Poland at about 59% in 2009 compared to approximately 65% in the EU in 2009 (source: Eurostat). In January 2011, the unemployment rate rose to 12.3% from 11.6% in July 2010 (source: www.tradingeconomics.com).

12 | Sustainability

Environmental concerns are treated seriously by the PO government. Environmentally compatible growth, especially one that aimed at avoiding the externalization of costs, is taken into account at institutional level in both macroeconomic and microeconomic decisions. International agreements are complied with. The principle of sustainable development is provided for by Article 5 of the constitution, and was taken seriously during the E.U. accession process because Poland had to implement corresponding legal standards. There are several established institutions and legal provisions that provide environmentally compatible growth. For instance, there is a legal requirement according to which Poland has to enumerate all enterprises that might have a significant impact on environment. As a consequence, if certain types of enterprise want to construct a new site or broaden their production they must receive a permit to address the impact the new activity will have on the environment. Usually this means that an Environmental Impact Assessment must be conducted, which in many instances is timely and costly. The list for consideration comprises 158 different types of business, including, among others: Power stations, railways, roads, airports, factories, buildings higher than five meters etc. Despite these institutional provisions and the Tusk government's stated priority of investing in clean energy, Poland still has the lowest share of renewable energies among upcoming countries. It is unwilling to support the EU's CO2 emission trade concept because of its coal industry. There are also plans to construct a nuclear power station in Western Poland.

Environmental
policy
8

During the period under review, the current Tusk government has changed the primary education system, lowering the school entry age from seven to six. Secondary education has been extended for one year and the first improvements in

Education policy /
R&D
8

international assessments are visible. At university level more privatization, efficiency and commercialization is practiced. The research and technology sector still lags behind most E.U. countries. Institutions of education, R&D are numerous and significant in public life, although unfortunately somewhat inconsistent, with visible deficits in R&D in particular. Investment in education and training is rather low at 4.9% of GDP in 2007, as is investment in R&D at .68% of GDP in 2009 (source: Eurostat). In 2008 the government initiated a reform to improve the science and education system by 2015. One of the aims is to boost R&D spending to 2% by 2013.

Transformation Management

I. Level of Difficulty

Structural constraints on governance are low. On the one hand Poland has a well-educated workforce and fairly well-developed infrastructure (except for selected areas in eastern Poland, where massive investment is still necessary). The country also has institutional stability that creates favorable conditions for the government. E.U. membership has fostered the structural framework for governmental activities. On the other hand, the recent world economic and financial crisis has had a dire effect on the country's economy and state finances. In 2010 Poland also suffered a natural disaster when half the country was flooded for several weeks.

Structural
constraints
2

Poland's traditionally strong civil society dates from the communist period, although only in an informal "underground" form. Compared to the deeply rooted functions of civil society in established democracies, traditions of formal civil society are relatively moderate. The number of NGOs is fairly low in Poland, as is engagement in public affairs in comparison to Western Europe. In the period under scrutiny, Polish civil society activities in NGOs increased in comparison to previous years. In 2010, 28% of the adult population spent free time on activities for at least one NGO. The same indicator for 1998 – 2008 period varied between 20% and 24 % (see: CBOS Komunikat, "Aktywnosc Polaków w organizacjach obywatelskich w latach 1998 – 2010", BS/16/2010). This phenomenon coexists with high level of alienation from politics, coupled with low trust in political institutions and parties in particular. Recent local and European Parliament elections indicate a growth of approximately 5% in turnout compared to previous elections.

Civil society
traditions
2

Ethnic conflict does not exist within Poland. Deep political divides date back to the election of 2005, the victory of PiS and to the time prior to this, because the PiS's victory was related to existing societal conflicts on the issue of corruption, on how to deal with the socialist past. It was also related to the debate as to whether Poland should espouse a nationalist or a European national identity. However, these conflicts enormously intensified between PiS and PO after the 2010 plane crash in Smolensk and PiS candidate Jaroslaw Kaczynski's loss in the presidential race.

Conflict intensity
2

II. Management Performance

14 | Steering Capability

The government under Donald Tusk is clearly committed to constitutional democracy and a socially responsive market economy. The government is capable of prioritizing and organizing its policies according to strategic aims. Among the most important policies were increasing the employment rate to over 60%, introducing a flat tax rate, and the adoption of the euro. Among the more vague policy goals were health care reform, fighting corruption, and fostering decentralization and local government. Moreover, the government has prepared a report entitled Poland 2030, which is a plan and vision for the country over the next two decades. Many of the planned policies were hated or seriously delayed by the economic crisis. In this unexpected global situation priorities had to change – the government had to focus on reforms that were expected to create savings in the budget. These included the reform of the pension system, the professionalization of the army and health care reform.

Question
Score

Prioritization
9

The period under scrutiny should be divided into two stages: That under the presidency of Lech Kaczynski and another under the presidency of Bronislaw Komorowski. President Kaczynski, a very partisan president, had effectively been blocking many governmental initiatives, policies and reforms, either by using his veto powers or threatening to use them. Some reforms had to be postponed due to the economic crisis (e.g., reform of the state budget for preparation for the introduction of euro).

Implementation
8

The current Tusk government demonstrated a facility for complex learning as it was operated flexibly and able to change some policies while implementing innovative ones. This applies mainly to infrastructure (roads), health care and the pension system. The learning process is visible in the way the government uses E.U. funds. Governmental agencies and ministries rapidly learned the new procedures stipulated by EU. In many fields the government has unveiled innovative and flexible approaches to policy implementation.

Policy learning
8

15 | Resource Efficiency

Thus far the PO government has made relatively efficient use of its administrative personnel. There are no reports or indications of unjustified dismissals or/and politically motivated recruitment. There are, however, reports of unjustifiably high

Efficient use of
assets
8

expenditures, especially at local administrative level. Competitive open recruitment is the norm for the majority of public positions.

The Polish administration's efficiency in using budget resources has been troubled since the financial crisis: Public debt has increased (47% of GDP in 2008, 51% in 2009 and 55.5% in 2010 – according to Eurostat), which is still below the average level in EU 27 (74% of GDP in 2009). Poland has made minor deviations from the planned budget expenditures. In 2009 it reached 88% of the planned deficit and in 2010, 85% (source: ministry of finance).

The efficiency of its administrative organization is mixed. It is fairly decentralized and local governments enjoy legal and financial autonomy. However, decentralization sometimes creates problems. Local governments are obliged to provide public services (e.g., primary and secondary education, local roads, transportation etc.), but quite often lack relevant resources to accomplish all tasks. Institutions and procedures have been established to reform and modernize public administration; for instance, ministries and government departments carry out several projects within “Operational Programme - Human Capital” and, its fifth priority “Good Governance.” One of the fundamental aims of these projects is to increase capacities of public administration in law-making and the quality of services offered by the state. Furthermore, an improved usage of regional and cohesion funds helps regional governments to perform their duties, and it has become customary to redistribute tax incomes between richer and poorer regions.

There are several centers within the government that propose and implement often contradictory policies. The main axis of conflicting policies lies between the ministry of finance and the ministry of labor and social policy. A lot of improvement is also needed in coordination among the ministry of finance and ministry of regional development. Sometimes conflicting policy ideas arise because there is a special advisory board for the prime minister with a chairperson who is an influential figure in strategic planning – Michal Boni. During the reviewed period, the current Tusk government is was also de facto a coalition, and naturally the liberal-right PO had different policy priorities to the PSL. Notwithstanding these shortcomings, so far the government has managed to coordinate its policies in a fairly coherent way, avoiding open conflicts and/or delays. It also consults with the main social partners and NGOs. For example, the state budget is taken to consultation with the trade unions and employers' associations before being passed in the parliament.

The following integrity mechanisms exist and function: Auditing of state spending, regulation of party finance, citizen and media access to information, accountability of officeholders, a transparent public procurement system. Moreover, a special institution, the Central Anti-corruption Bureau (CBA) was established in 2006 to prevent corruption in the public and private sectors. The results are so far mixed,

Policy
coordination
8

Anti-corruption
policy
7

however. Comparative indicators show corruption is still one of Poland's major problems. In addition, during an affair involving politicians lobbied by the gambling industry, a conflict between CBA and the plenipotentiary occurred and NGOs criticized the latter for being too passive in the process of drafting a new law on lobbying.

16 | Consensus-Building

Most Polish political parties and other important public actors agree on democratic principles and a market economy. In practice, however, the main opposition party, PiS clearly favors much more political influence on the economy and is definitely in favor of a strong state at the expense of civil society. Recent actions (following the plane crash in Smolensk in 2010) have highlighted its centralization tendencies and disrespect for liberal democratic norms and procedure.

Consensus on goals
9

Following the removal of two populist and xenophobic parties, the Samoobrona and League of Polish Families (LPR), from parliament in the 2007 elections, it seemed for a short time that anti-democratic forces, however moderate, had been removed from Polish political life. Unfortunately, in 2009/2010 Poles witnessed a growing anti-democratic mood created by PiS (disrespect for democratic institutions, claims that Poland is "not a free country," calling Prime Minister Tusk a "traitor," disregard for the democratically elected president, to name just a few). Fortunately PiS is the only problematic case in the Polish political arena. PiS clearly aims to destabilize the country and its institutions.

Anti-democratic
actors
8

There is another potent public actor whose anti-democratic credentials are nothing new: The Polish Catholic Church. Recently some Catholic bishops decided to actively influence the country's politics to the detriment of the quality of democracy. The Polish Catholic Church is divided on this issue, but the church representatives openly questioning the merits of liberal democracy are numerous enough (and influential enough) to make their activities as problematic.

Thus far, Poland's problems lie in deep sociopolitical divisions which may soon turn into frozen cleavages. The PO political leadership did start their parliamentary and governmental term with an effort to reduce the tensions within Polish society and politics that were elevated under the PiS government. "Trust offensive" was one of the most frequently quoted slogans and real policy objectives of the PO government. Moreover, the chief slogan in the Komorowski's presidential campaign was "building reconciliation." The main opposition party, PiS not only took no action to prevent increasing divisions, but even embarked on many actions that enhanced tensions, divisions and polarization.

Cleavage /
conflict
management
8

Polish politics were devoid of policy content. In the second half of 2010, the PiS's attack on the legitimacy of the elections was a clear assault on the democratic rules of the game, the democratically elected government and the president. The intensity of the political conflict exceeded by far everything that Poles had been accustomed to in the last two decades.

In conclusion: the government has limited possibilities to ameliorate the situation as the opposition party is simply uncooperative and refuses to collaborate.

The Polish political leadership assigns an important role to civil society actors in deliberating and determining policies. Almost all reform proposals thus far introduced by the PO government, be they in the health sector, science, local policies or economic matters, have been consulted in advance with major interest groups. However, the day-to-day involvement of interest organizations in the process of bill drafting or policy conceptualization before the parliamentary stage is often merely formalistic, due to the limited meritocratic competences of many of the social organizations. Moreover, some parliamentary committee negotiations are often dominated by few special interests.

Civil society
participation
8

The Polish political leadership has pursued reconciliation of historic acts of injustice, but puts less emphasis on this topic than the previous PiS government. The PO government supports the existing regulations under which officials who assume certain public posts must declare whether they collaborated with secret police or intelligence services in the communist past. Candidates for office are not punished nor (de jure) do their chances for being nominated decrease if they admit collaboration. The political leadership also supports the activities of the Institute of National Memory (IPN), which has made communist secret service files accessible to citizens since 2000. As this institution was highly instrumentalized during the PiS-government, the Tusk government has tried to reform it to allow more access to the archives and to make it less politicized. After the amendment was passed, PiS referred it to the constitutional tribunal.

Reconciliation
9

17 | International Cooperation

The political leadership of Poland makes well-focused use of international aid in order to implement its long-term development strategy. International aid means E.U. structural funds. The amount of financial assistance coming from the E.U. structural funds has grown enormously since Poland's accession. So far, however, the effective utilization of the funds available is not perfect.

Effective use of
support
9

The current PO-led government was considered credible and reliable by its international community partners. One of the current government's major goals was regaining this international credibility, as the previous PiS government had behaved

Credibility
9

uncooperatively and made many enemies across Europe in its international relations. Poland's position in EU was enhanced by the fact that Poland is to assume E.U. presidency in July 2011 and two Polish politicians have assumed important positions in E.U. structures. Jerzy Buzek is currently the president of the European Parliament, and Janusz Lewandowski is the European Commissioner for Financial Programming and Budget – one of the most influential positions in the EU. Moreover, Poland is an initiator of and played a key role in the Eastern Partnership, an E.U. project aimed at improving political and economic relations with the EU of six post-Soviet states, some of them of strategic importance: Ukraine, Belarus, Moldova, Azerbaijan, Armenia and Georgia. In terms of economy, Poland seems to be a credible partner both within the EU, WTO and globally. This was further cemented during the economic crisis when Poland pretty effectively avoided recession and enjoyed one of the highest EU GDP growths in recent years as well as during the whole period since the transformation.

The PO government actively and successfully engages in international relations. It particularly focuses on regional cooperation with eastern neighbors – Lithuania, Belarus and Ukraine. In order to integrate these countries as well as the Caucasian republics with Europe, Poland, together with Sweden, initiated the Eastern Partnership and promotes Ukraine's EU membership prospects.

Poland has improved its relations with Germany, its main economic and political partner, under the Tusk administration. Cooperation with Germany and France in the framework of the "Weimar Triangle" was revived. The activities of the Weimar Triangle were suppressed during the previous PiS government at the behest of the then president Lech Kaczyński. Poland's relationship with Russia has also been high on Prime Minister Tusk's agenda. The Polish–Russian Group for Difficult Issues has been very active in the period under review. The group is composed of Polish and Russian experts and scientists designated by both countries to solve complicated historical and contemporary problems. The group serves as an advisory body to both governments. The visits of top politicians of both countries have intensified. Prime Minister Putin took part in the seventieth anniversary commemorations of the German attack on Poland in 1939, as well as the ceremonies marking the seventieth anniversary of the Katyn massacre. On both occasions Putin met Prime Minister Tusk. After the Smolensk crash – paradoxically and ironically – relations between Poland and Russia improved even further. However, the worsened again after Russia published its report on the causes of the presidential plane crash. Poland did not accept Russia's one-sided interpretation of the causes of the crash.

Regional
cooperation
9

Strategic Outlook

The main issue for the near future of Polish politics is the battle that is going to be fought at the 2011 fall parliamentary elections over the Poles' historical and social knowledge and memory. The last five years were dominated by the attempts of the PiS under its leader Jarosław Kaczyński to redefine Polish contemporary history, from the round-table agreement onwards. The real challenges of economic reforms (the extremely significant and threatening budget deficit and pensions funds) are unfortunately not going to be the main topic of the campaign. In this period one would expect the state President Bronisław Komorowski to play the role of a significant conciliatory actor, both in terms of influencing the discourse as well as being an institutional pillar of Polish democracy. The outcome of the fall 2011 elections is unpredictable because the two main parties' support does not differ much. It is possible to reliably predict that Poland will for a third time in a row continue to have more or less the same party caucuses represented in the parliament, which shows that some organizational stability occurs. Still, in case of PiS victory in the fall 2011 elections, a prolonged period of adversarial politics should be expected, for two reasons. Firstly, PiS leaders will try to implement their traditional political offerings, which means attempts to violate the constitutional provisions. However, it is also unlikely that PiS will win a constitutional majority that allows them to formally change the constitution. Secondly, the state president is from the PO and will stay in office for most of the next parliamentary term, most likely resulting in a very hostile cohabitation. This scenario is nevertheless less likely than continuity (in one form or another) of the current PO-led government.

The most pressing tasks for the future are a reform of fiscal policies and of the pension and health care systems. Depending on the general economic situation in Europe (the Polish economy is very sensitive to German economic development), unemployment and inflation might also become issues of immediate urgency. Another major field of concern is education and R&D, especially the modernization of the link between science and industry.

At this point it is unclear whether Poland will be able to join Eurozone, although the political will is there, even if the population at large is becoming more euroskeptical than in the pre-crisis phase. In any case, for this to happen a clear acceleration of fiscal stability policies is required. The introduction of the euro also requires a constitutional amendment and thus a qualified majority, which is to say that a consensus-seeking political climate is necessary.