

# BTI 2014 | Poland Country Report

	scale	score	rank	trend
<b>Status Index</b>	1-10	<b>9.16</b>	# 5 of 129	
Political Transformation	1-10	9.35	# 5 of 129	➔
Economic Transformation	1-10	8.96	# 4 of 129	➔
<b>Management Index</b>	1-10	<b>7.21</b>	# 6 of 129	

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Poland Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

### Key Indicators

Population	M	38.5	HDI	0.821	GDP p.c.	\$	22162.2
Pop. growth <sup>1</sup>	% p.a.	0.0	HDI rank of 187	39	Gini Index		32.7
Life expectancy	years	76.7	UN Education Index	0.819	Poverty <sup>3</sup>	%	0.2
Urban population	%	60.8	Gender inequality <sup>2</sup>	0.140	Aid per capita	\$	-

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. 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 parliamentary elections in 2011 again brought a victory for the ruling Civic Platform (PO)-Polish People's Party (PSL) coalition. This was in some sense a novelty for Poland, as no previous government had been re-elected. However, pre-election polls had persistently indicated that this outcome was likely. The political climate during the campaign season was quite moderate, although divisions between the Law and Justice Party (PiS) and PO remained wide. PiS accusations that the PO was pushing Polish politics in the wrong direction, and that it had mishandled the investigations into the plane crash in which former Polish President Lech Kaczynski died in April 2010, had similarly dominated the 2010 presidential elections. In July 2011, the commission investigating the plane crash, led by Minister of the Interior Jerzy Miller published its report. It found that many errors had been made by the Russian air traffic controllers, and that the Polish crew and pilots were insufficiently trained, but the commission said that there was no evidence pointing to any kind of attack.

During its first term in office, the PO-led coalition realized a number of its economic development aims, but did not achieve its stated goal of a "lean state." The country's conduct as it held the presidency of the European Union from July to December 2011 represented a major boost for its international reputation. It presented itself as a reliable, responsible and active member of the European Union and worked strongly to reform the EU Eastern Partnership. Poland also demanded more leadership from Germany and declared its willingness to assist in managing the ongoing economic crisis. In the aftermath of this period, Poland actively took part in several initiatives aimed at enhancing the EU's fiscal policy. The country has taken a more controversial stance regarding climate policy and the EU budget, however, as – among other reasons – the country is unwilling to accept restrictions on its coal industry.

In his second inaugural speech in November 2011, Donald Tusk kept a modest tone and focused mostly on planned new economic measures. These included a pension reform, privatization in the health sector, cuts in social spending, and more investment in education and science. Together

with Ukraine, the country hosted the Euro 2012 European football championship. This was a success from the organizational perspective, both because of the friendly prevailing atmosphere and enthusiastic public mood, as well as because of infrastructural improvements across Poland. This, like the changes in the agricultural landscape, was possible due to the improved utilization of EU funds. Apart from a fall in poll ratings in autumn 2012 after the implementation of several reforms, the government's popularity has remained quite stable. Recent internal quarrels within the PSL are the only clear factor on the horizon holding any likelihood of undermining the government's strength. All in all, particularly considering recent challenges related to the ongoing economic crisis, Poland's overall development has to be deemed very positive.

## History and Characteristics of Transformation

In retrospect, the starting point of Poland's post-1989 transition was the implementation of martial law on 13 December 1981. This measure was introduced when the government found it could not silence the opposition movement under the leadership of the independent Solidarnosc trade union. After political dissent gained coherence and the economic situation became more severe, the ruling Polish United Workers Party (PZPR) finally agreed to hold round-table talks with the opposition, which lasted from February to April 1989 and were moderated by the Catholic Church. The two sides agreed on economic reforms, the re-legalization of Solidarnosc, sweeping revisions to the constitution and the implementation of semi-free elections. Although PZPR had reserved 65% of the seats in the legislature's lower house, the Sejm, for itself, the opposition candidate was elected as prime minister with the votes of the so-called bloc parties. The new government led by Tadeusz Mazowiecki introduced political and economic reforms, and PZPR finally lost its power. Minister of Finance Leszek Balcerowicz managed to decrease the country's high foreign debt, budget deficit and inflation rate with a program of shock therapy, ultimately inducing economic growth.

From today's perspective, one has to acknowledge that this strategy contributed to Poland's later enormous economic success in terms of GDP per capita.

While the stability-oriented economic policy path was not really a subject of debate in these early transitional years, the direction of political reforms led to intense struggles among the political elite, with one consequence being that the process of writing a new constitution was quite protracted. Political parties were unable to find a compromise on the appropriate competencies allocated to the new political institutions or on the appropriate relationship between state and church. In 1992, the Sejm passed a provisional "Small Constitution," which was replaced by the New Constitution in 1997. This latter constitution, legitimized by a referendum, more precisely defined the roles of the state organs within the semi-presidential system of government and firmly established political pluralism.

After concluding an association agreement with the European Union in 1991, Poland applied for accession in April 1994 and conducted negotiations on this basis from 1998 onward. The following

years were marked by intense efforts to implement EU provisions into Polish law. This process was accompanied by conflicts initiated by nationalist clerical parties on whether and to what extent these conditions matched Poland's national interests and those of the many small-scale Polish farmers. The accession treaty was signed on 16 April 2003, and in June 2003, 58.85% of all eligible voters took part in a referendum on membership. Of these, 76.9% voted "yes." Poland subsequently entered the European Union in May 2004. After the 2009 elections to the European Parliament, Jerzy Buzek became its president, and from July to December 2011, Poland very successfully held the EU presidency. EU membership is today also more accepted in rural regions where EU funds have been used efficiently in creating more non-agricultural jobs, which has reduced the rate of overemployment in these areas.

Poland's trajectory of democracy-building was disrupted by the parliamentary elections in 2005. State President Lech Kaczynski (October 2005 – 2010) and his twin brother Jaroslaw Kaczynski (who served as prime minister from May 2006 until October 2007), instrumentalized cleavages within a political elite still split by the socialist past, and introduced a populist and conflict-oriented mode of policymaking. Their Law and Justice (PiS) party pursued anti-communist, anti-corruption and conservative orientations in domestic politics, promised to distribute economic growth more equally, and stressed national interests in foreign affairs. The society, which was exceedingly alienated from politics and partly stressed by processes of individualization, was nevertheless more pragmatic and EU-friendly than the country's government during this period. When the coalition joining PiS, the League of Polish Families (LPR) and Samoobrona broke up in August 2007, PiS served as a minority government until all parliamentary forces decided to hold early elections in October 2007. Following this ballot, incoming Civic Platform (PO) Prime Minister Donald Tusk switched back toward a pro-European stance and the more liberal policies of previous Polish governments. Polish society in general has become more confident, optimistic and positive toward neighboring countries; however, the cleavage between the PiS and PO and their allies in society has remained even after PO's re-election in 2011.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is secure. Public order and security are fully guaranteed throughout the whole territory.

Question  
Score

Monopoly on the  
use of force

10

The majority of Polish citizens accept the nation-state and its associated legal framework. However, identity issues continue to spark controversial debates between political parties. The right-leaning parties stress the idea of a strong nation-state and collective, religious, and conservative values. They are often backed by the Catholic Church, which is (in part) rather nationalistic and xenophobic. The more leftist and the liberal parties prefer a more Europeanized Poland.

State identity

10

All citizens have the same civic rights. The status of ethnic minorities is adequately regulated in the constitution and they in turn respect these rules. Recently, expressions of regional identity have intensified, especially in Upper Silesia, and new demands for regional autonomy have been evident. In the 2011 census, 809,000 of the 4.6 million people living in the two provinces of this region identified themselves as Upper Silesians first and Poles only as second option. Another 109,000 inhabitants identified themselves as Germans. This shift in identities seems to have its roots in a growing dissatisfaction with policymaking in the capitol, but does not imply a demand for separation.

The state is defined as a secular order. However, marriages must be performed in church to be legal, and the clergy still possesses a certain influence on politics and society, especially among the rightist parties. Poland remains one of the most religious societies in Europe, with 93% of the population belonging to the Roman Catholic Church. However, the percentage of non-believers has increased over the last three years from 2.1% to 4.2%, according to the Public Opinion Research Center (CBOS). This change is taking place particularly among the young, well-educated

No interference of  
religious dogmas

9

and urban parts of the population, 23% of whom voted for the (liberal and anticlerical) Palikot's Movement in 2011.

In general, religious dogmas have lost influence under the current PO-PSL government. The overall majority of Poles (82%) object to any involvement by the church in politics. Only 51% think that in practice the church behaves neutrally, while 34% think the church favors certain political parties. Only 9% of survey respondents regularly attending church services experienced an occasion on which a priest offered instruction on how to vote. Nevertheless, when it comes to discussions on issues such as abortion or religious instruction, the church actively seeks to maintain political and social influence and to interfere in the decision-making process.

The administration has a differentiated structure throughout the whole country. Decentralization has been increased since the implementation of legal changes in 2009, and the financial capacities of territorial self-administrative institutions have improved.

Basic  
administration  
10

## 2 | Political Participation

There have been no constraints on free and fair elections since 1990. The parties representing ethnic minorities are even favored in the registration procedure, as they have to gather fewer signatures than normal parties in order to be placed on the electoral lists. Moreover, they are not subject to the 5% electoral threshold; thus, the German minority has been represented in the Sejm since 1991.

Free and fair  
elections  
10

In 2011, the electoral law was amended, with several consequences. The new law contains all individual electoral laws in a single legal act, introduced a new voting mechanism for the Senate (single member constituencies and a plurality voting system), and implements measures such as absentee voting and voting by mail in an effort to increase a participation rate that has rarely risen above 50%. In addition, 35% of candidates on party lists in each constituency must be female, although the rule does not specify where women should be placed on the list. Restrictions on electoral campaigning through the media, which were part of the original draft law, were contested by the opposition parties and ultimately rejected by the Constitutional Court.

The elected government and state president have the effective power to govern. There are no populist parties represented in parliament. Tensions between the two major political parties are sometimes sharp in tone. On some policy issues, such as abortion, education and other social issues, the church retains considerable power to influence the policy process.

Effective power to  
govern  
10

The freedom of association and assembly is unrestricted. Previous politically motivated limitations on gay rights parades and other public activities have not been repeated since the PO took office.

Association /  
assembly rights  
10

The freedoms of opinion and the press are constitutionally guaranteed and generally realized in practice. However, they have always, under every government, been subject to political intervention. Media organizations themselves have more or less explicit political affiliations, and the National Council on Radio and Television (KRRiT) in particular was dominated by political power struggles. After its dissolution in 2010, new members were elected. In addition, a 2010 media law sought to reduce the influence of politicians on the management and supervisory councils of public TV and radio. As a result, the major public channels have become less partisan in the last two years.

Freedom of  
expression  
9

Public radio and TV have recently had other problems to cope with, as the majority of Poles have stopped paying their fees. In 2011, fee-based income amounted to just €50 million, as compared to expenditure of €400 million. Alongside the public broadcasting organizations, private media such as the daily Gazeta Wyborcza newspaper, RMF radio and TVN/TVN24 are strong players with large market shares and influence, and pursue responsible and investigative journalism. As there is no serious media concentration, a fact that also contributes to securing the freedom of expression. In its 2011 – 2012 ranking of press freedom, Reporters Without Borders awarded Poland 24th place, representing a continuous increase since 2007. The influence of social media remains unclear, as it creates parallel communities that are at times unconnected, and thus may provide a plurality of opinions while impeding full access to objective information.

### 3 | Rule of Law

There are no fundamental constraints on the basic institutions involved in the separation of powers. The Constitutional Tribunal has clearly contributed to successful maintenance of this separation. Still, mutual checks and balances could function more properly if the hostile relations between the two large parties, the PO and PiS, did not overshadow policymaking discussions.

Separation of  
powers  
10

The judiciary is established as a distinct profession and operates independently. The mechanisms for judicial review of legislative or executive acts are sufficient and the constitutional court has a high reputation for securing the state of law in Poland, which is why about 80% of survey respondents have a positive opinion of its work. With respect to lower courts, changes designed to make the system more efficient and transparent have been introduced only slowly. Although Poland has among the highest number of judges per capita in Europe, cases still take too long to be completed. In addition, some judges were active politicians prior to their

Independent  
judiciary  
9

appointment. Another issue is corruption, levels of which are quite high. This is seldom sanctioned, however, as professional associations handle these cases internally. Hence, internal mechanisms for checks and balances are still too weak. During the period under review, Minister of Justice Jaroslaw Gowin, a philosopher and university rector who was appointed after the 2011 elections, initiated several reforms of the judicial system, including a simplification of court procedures in November 2011 and a restructuring of the lower courts. Although these reforms caused considerable political turmoil among political parties, as it was feared that access to courts would be made more difficult, the reform seems to have distributed court workloads more evenly and increased the speed of court procedures.

As a rule, corrupt officeholders are prosecuted under established laws. Politicians who misuse their public mandate or office can be accused at the state tribunal. Members of parliament have been obliged to publish their incomes on the website of the parliament (Sejm) since November 2001. Nevertheless, persons accused of corruption sometimes slip through political, legal or procedural loopholes. The Central Anti-Corruption Bureau (CBA), founded in July 2006, initially did not work well and was subject to partisan instrumentalization. In 2011, the office of the plenipotentiary for the fight against corruption was abolished and the task of the CBA expanded to include coordinating and investigative functions. There have been some successes with respect to identifying and prosecuting corrupt public officials. Due to these efforts, the situation on the national level has developed positively, while corruption and poor governance remains a more significant problem on the local level.

Prosecution of  
office abuse

8

There are no restrictions on civil rights with regard to the law. Violations of human rights under the previous authoritarian regime can be prosecuted in court, and people who lie about their previous involvement with the secret service are punished. Since summer 2000, all citizens have had the right to examine the files of the former security service, although in practice the level of popular interest is relatively low. Respect for civil rights increased markedly after the elections of 2007.

Civil rights

10

#### 4 | Stability of Democratic Institutions

The ensemble of democratic institutions in Poland performs its functions. Political decisions are prepared, made, implemented and reviewed in legitimate procedures by the appropriate authorities. Efficient political governance is sometimes hindered by the conflictual relations between government and opposition, while the implementation of laws suffers from an administration which is partly politicized and not always very professional.

Performance of  
democratic  
institutions

10

All relevant political players accept the existing democratic institutions, even though ideas as to which principles are inherent within democracy differ between the governmental and opposition parties. On several occasions, members of PiS, especially Jaroslaw Kaczynski, have declared that their goal for another term in government would be a concentration of political power as it has been realized in Hungary, where the system of checks and balances no longer functions.

Commitment to  
democratic  
institutions  
9

## 5 | Political and Social Integration

The party system in Poland has become more much stable than in previous years. During the period under review, a governing coalition was re-elected for the first time, and the number of effective parties is now down to three. Voter volatility has also decreased, and is down to 11% (from 40% in the early 2000s and 25% between 2005 and 2007). The percentage of wasted or invalid votes was just 4% in 2011 (down from 34% in 1993 and 11% in 2005).

Party system  
8

Despite this obvious concentration within the party system during the last eight to 10 years, parties still have only shallow roots in society. Turnout is also rather low. After an exceptional increase to 53% in 2007, turnout decreased again to 48% in 2011. Another consequence of the reduced voter volatility and rising levels of party affiliation is that relations between the two main camps – the PO and PiS – have become more hostile. The PiS has experienced internal strife, with leading groups of dissenting deputies splitting to establish new liberal-conservative (PjN) and national-conservative (Solidarna Polska) parties in March 2011 and March 2012. Another party called Palikot's Movement appeared in the 2011 election as a splinter from the PO. This immediately received 10% of the votes, drawing particularly from the very (economic and socially) liberal part of the population.

Poland's network of interest groups is relatively close-knit, and has successfully promoted the growth of a participatory democracy in recent years. Many NGOs demonstrate their independence by openly criticizing the government parties. Still, there is wide variance in their economic viability, with 4% of NGOs responsible for 80% of the sector's income. Trade unions are the largest organizations engaged in civic activities, although only 12% of workers were member of a trade union in 2012. Other interest groups such as religious groups, charity organizations or sport associations are popular. About 80% of Poles devote part of their free time to voluntary social activities, but these are mainly restricted to the circle of family and friends. Only 24% engage in public organizations, according to the Public Opinion Research Center (CBOS).

Interest groups  
9

Consent to democracy increased significantly in 2007, peaking at 73%. Since then, the level of acceptance has remained stable at around 70%. In November 2011, about 68% of Poles indicated the belief that democracy is the best form of government. In

Approval of  
democracy  
9

addition, the amount of respondents having positive and negative impressions of the actual performance of democracy has become more equal since 2007, and is now on the same level (47%) in contrast to previous predominantly negative assessments. In this respect, the Poles seem at the moment to value democratic principles more than the inhabitants of many other EU countries.

There is a web of over 83,000 autonomous, self-organized non-governmental organizations in Poland, but only 60% of them are active. Thus, civil society is developed but social capital is comparatively weak, and a rather high level of mistrust toward the political class is expressed. Trust toward strangers (i.e., non-family members) has increased since 2007, but is still at a low level. As in 2012, only 23% of respondents say they trust strangers, while 74% think one has to be careful. The level of trust in charitable institutions such as the Polish Red Cross and Caritas is always above 80%, trust in the televised media (public and private) also at 80%, and trust for the Catholic Church at 61%. Police and military receive positive assessments of 71% and 66% respectively, while only 20% to 25% of survey respondents express trust in parliament. One of the main goals of the PO-led government was to increase social trust, but only slight improvements have in fact been made.

Social capital  
8

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Social exclusion is quantitatively and qualitatively limited. There have been some changes in recent years, as for example a decline in the Gini index score to 31.0 in 2011 from 34.1 in 2009. Only 0.2% of the population lives on less than \$2 a day (2009), but 2.2 million people live below the poverty line of €290 a month. The Human Development Index (HDI) score (0.813 in 2011) has remained consistent, and social mobility is quite high. Nevertheless, young unemployed people, families in general and single mothers face the greatest risk of falling into poverty. The Gender-related Development Index (GDI) score of 0.867 (2011) demonstrates improvements with respect to the role of women in Polish society. Enrollment ratios in educational institutions show no gender gaps, and the near-100% literacy rate shows that structural barriers caused by difficult or unequal access to education are minimal. As the number of private and state institutions for higher education has grown consistently in recent years, the share of people with a university degree has increased substantially, from 9.9% in 2002 to 16.8% in 2011. The number of women represented in parliament has steadily increased, and following the elections of 2011, 23.9% of parliamentarians were female. Due to improved absorption of EU funds

Question  
Score

Socioeconomic  
barriers  
8

(now up to 80%), the degree of inequality between rural and urban regions has decreased. Nevertheless, southeast Poland remains the poorest region of the country.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	430917.3	469736.8	515666.9	<b>489795.5</b>
GDP growth	%	1.6	4.1	4.5	<b>1.8</b>
Inflation (CPI)	%	3.8	2.7	4.2	<b>3.7</b>
Unemployment	%	8.2	9.6	9.6	-
Foreign direct investment	% of GDP	3.3	3.6	3.0	<b>0.6</b>
Export growth	%	-6.8	12.1	7.8	<b>2.8</b>
Import growth	%	-12.4	15.1	5.4	<b>-1.8</b>
Current account balance	\$ M	-17155.0	-24030.0	-25023.0	<b>-17169.0</b>
Public debt	% of GDP	50.9	54.8	56.4	<b>55.2</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	-6.1	-6.7	-4.3	-
Tax revenue	% of GDP	16.3	16.7	17.0	-
Government consumption	% of GDP	18.4	18.9	18.0	<b>17.9</b>
Public expnd. on edu.	% of GDP	5.1	5.2	-	-
Public expnd. on health	% of GDP	5.2	5.0	4.8	-
R&D expenditure	% of GDP	0.67	0.74	-	-
Military expenditure	% of GDP	1.8	1.9	1.8	<b>1.9</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

## 7 | Organization of the Market and Competition

Market competition is clearly defined both macro- and microeconomically. The state fully guarantees the rules of the game for market competition, and all market participants, whether domestic or foreign, have equal opportunities. A recent set of reforms reduced the bureaucracy and costs associated with establishing a business,

Market-based  
competition  
9

simplified tax payment and self-certification, and made the insolvency process easier to manage. Hence, the World Bank's 2013 Doing Business report saw Poland's ranking rise compared to previous years.

There is a coherent and effective anti-monopoly policy supported by trade policies that are consistent with nondiscrimination principles. The Office for Competition and Consumer Protection functions adequately. There is full compliance with EU requirements. State intervention is limited. The PO-PSL government has engaged in more deregulation and competition advocacy than its predecessors.

Anti-monopoly  
policy  
10

Foreign trade is liberalized, with uniform, low tariffs. Poland exports processed fruit and vegetables, meat, dairy products, electromechanical products, vehicles, aircraft and vessels. Imports are mainly capital goods, which are needed for industrial retooling and for manufacturing (i.e., machinery and transport equipment) as well as chemicals, minerals, fuels and lubricants. Most trade goes to EU countries, which accounted for about 79% of exports and 64% of imports in 2012. Due to its stable economic growth, Poland has been able to increase the inflow of FDI significantly, from \$3.57 billion in 2010 to \$9.12 billion in 2011. This represents a gross FDI inflow of 3.7% of GDP, a quite high level compared to other countries of the region.

Liberalization of  
foreign trade  
10

The Polish banking system is organized according to international standards, with functional supervision, minimum capital requirements and market discipline. Capital markets are open to domestic and foreign capital, with sufficient resilience to cope with speculative investment. Foreign bank institutions hold 60% to 70% of the market, and the degree of their engagement is still increasing. Hence, laws have been prepared to increase the share of banks controlled by domestic owners. The Polish banking system contributed positively to Poland's good performance during the financial crisis due to its conservative, relatively risk-averse investment policies. The central bank, the National Bank of Poland, has followed a relatively strict and clever monetary policy in recent years, intervening in order to stabilize the zloty exchange rate and thus saving the country from developing a financial bubble. Despite the solid official banking system, there are also several so-called para-banks which lend money under much less stringent conditions. In 2012, one of these, called Amber Gold, collapsed. This drew considerable public attention, since Prime Minister Tusk's son was at that time employed by a company belonging to the bank.

Banking system  
10

## 8 | Currency and Price Stability

Controlling inflation is a stated goal of economic policy. Inflation rates during the period under review were rather modest, at 4.5% in 2011 and 3.8% in 2012. This was nevertheless above the target range of 2.5% (plus or minus 1%).

Anti-inflation /  
forex policy  
10

The introduction of the euro, still a primary goal of the government, was again delayed. It now appears unlikely that the euro will be introduced before 2018, for a number of reasons. This is in part because the zloty has developed very well, and has become a stable currency in recent years. However, about 56% the population is against the euro, and opposition parties have demanded a referendum on the issue. The two-thirds majority for making necessary constitutional changes regarding the role of the Polish central bank will be difficult to achieve. Finally, Poland must remain in the European Exchange Rate Mechanism II (ERM II) framework for another two years before full eligibility. Until that time, Poland is actively participating in the relaunch of the so-called Vienna Initiative, which aims at protecting the banking sectors of Central and Eastern Europe from the financial crisis. Poland's central bank director, Marek Belka, is the current chair of the initiative's steering committee, and is an active player. In spring 2011, Poland accepted the Euro Plus Pact.

Poland has pursued a consistent stability policy supported by institutional self-constraints. The budget deficit was again reduced during the period under review. In 2011, Poland's government income rose by 10%, while expenditures rose by only 3%. It is the aim of the current government to cut the deficit further through 2015, when it ultimately hopes to meet the Maastricht criteria again. Due to recent relative weaknesses in growth, the deficit amounted to 4.9% of GDP in 2012, while forecasts for 2013 are around 3.4% of GDP. Public debt has remained at a consistent level, at 55.9% of GDP in 2011 and 54.2% in 2012. This matches the government's target and constitutionally fixed level of 60%, but Tusk has announced his plan to reduce it further to 47% by 2015. This development, which was comparatively positive given the effects of the financial crisis elsewhere in Europe, was possible due to a coherent governmental policy, reductions in contributions to the mandatory pension funds, freezes in public sector wages and cuts in social security expenditures. In May 2011, the constitution's balanced budget provision was expanded to the regional and local level.

Macrostability  
9

## 9 | Private Property

Property rights and the regulation of the acquisition of property are well defined in terms of acquisition, benefits, use and sale. Since Poland's EU accession, foreigners from the European Union and European Economic Area (EEA) countries are also allowed to buy land and real estate. Further amendments to the land law were introduced in 2011, easing restrictions for investors from non-European Union countries. Obstacles to property rights include the slow pace of work within the judicial system and continuing piracy of intellectual property despite the government's efforts to improve its protection.

Property rights  
10

Private companies are viewed institutionally as the primary engines of economic production, and are provided with appropriate legal safeguards. For several years, their share in overall national employment has been above 70%; in 2010, this share reached 76.5%, while the state sector accounted for just 23.5% of employment. The private sector accounts for two-thirds of GDP. While Poland's private sector generally suffers less from bureaucratic hurdles than in the past, it still takes a long time – on average 32 days – to set up a firm. The e-registration of businesses has been possible since July 2011. After revenues of PLN 50 billion PLN or 3.3% of GDP were raised in 2011, the government announced a 2012 – 2013 plan for further privatization in such sectors as energy, finances and defense. Future privatization revenues will be directed to the public pension fund or a fund for science and technology.

Private enterprise  
10

## 10 | Welfare Regime

Social safety nets are well developed in part, but do not cover all risks for all strata of the population. Considerable portions of the population are still at risk of poverty or already living below the poverty line. In addition, there is still a regional gap: In the first quarter of 2011, the average income in Mazowry, the voivodship around Warsaw was about PLN 4400 (€1100), while people in Mazury in the northeast earned an average of around PLN 2882 or €720. The country's employment rate of 51% is the lowest within the European Union, while only 0.2% of GDP is spent on labor market policies. The very liberal labor law puts employers in a strong position. Demographic change poses another threat to the welfare state: The 2011 census showed that the share of Poles below 17 years of age decreased from 23.2% in 2002 to 19.0% in 2011. The share of Poles above the age of 60 (women) and 65 (men) increased from 15.0% to 15.5%.

Social safety nets  
9

The most pressing issue is a reform of the health care system, which is still inadequately funded and functions poorly due to a centralized, inefficient organizational structure. Further privatization of hospitals by the current government has been widely criticized by the population. The system of health insurance is not widely liked, with only 11% of respondents having a positive opinion about the work of the National Health Fund (NFZ), according to the Public Opinion Research Center (CBOS). The pension age was increased to 67 years for both sexes, and attempts to cut privileges for farmers and church employees were prepared, but all such policies resulted in serious protests against the government in 2012. The shift of contributions from the pension system's second fund-based pillar to the first state-based pillar was also highly controversial.

There are a number of institutions designed to compensate for gross social difference, but they have considerable room for improvement. Women and members of ethnic and religious minorities have equal access to education, public offices and well-paid

Equal opportunity  
8

jobs. Higher education institutions are well developed, but are mostly private and require tuition fees, hence excluding parts of the population that cannot afford the payments. Women's average earnings are just 60% of men's, but the gender gap in the area of unemployment has decreased: In 2011, 11.0% of women were unemployed, as compared to 9.3% of men. Poland ranks 39th out of 108 countries on the Gender Empowerment Measure, with a value of 0.614. Still, only five out of 100 top private-sector economic positions are held with women and only 12% of the members of supervisory councils are female. Tusk has promised to introduce a quota requiring that 50% of supervisory board members be women. Violence against women is another widespread problem. There was considerable debate over the Council of Europe's convention on reducing domestic violence, with the minister of justice expressing reluctance to commit the country to supporting the measure's provisions. Ultimately, Prime Minister Tusk decided his government would in fact sign the convention. In 2011, Poland finally implemented the EU's anti-discrimination laws, and the EU Commission immediately dropped three cases against Poland.

## 11 | Economic Performance

Poland's economy has developed very positively in recent years. In 2011, its GDP growth rate of 4.3% was the European Union's highest. Growth slowed to 2.8% in 2012, though this rate remained above that of many other EU countries. Poland's economy has profited from a stability-oriented mix of liberal and Keynesian policies. Private consumption, accounting for 61% of GDP, has helped drive growth along with capital investment.

The state budget deficit has decreased, but remains a concern. The fiscal deficit totaled 5.4% of GDP in 2011, while public debt amounted to 55.9% of GDP. The country's overall foreign debt increased to 70.1% of GDP in 2011. Most Polish exports – a share of 78% in 2011 – are destined for other EU countries. The same year, 55% of exports went to euro zone countries. Hence, Poland's economy also depends heavily on economic development in Europe as a whole, as domestic consumption cannot guarantee continuous growth rates alone.

More worryingly, the unemployment rate increased again to 10% – 12% in 2012. Despite efforts on the part of the government to address the problem, unemployment levels among juveniles between 15 and 24 years of age remain high, at about 28% in 2012. The general employment rate rose only slightly to 51%, while remaining one of the lowest such levels in the European Union. The inflation rate increased from 2.6% in 2010 to 4.3% in 2011. Interest rates were rather stable during the period under review. In the light of conditions prevailing in other European countries, the development in Poland has to be assessed as very positive.

Output strength  
9

## 12 | Sustainability

Environmentally compatible growth is taken into account at the institutional level. Poland implemented the principle of sustainable development in its constitution (Art. 5) and took over relevant legal standards during the process of accession to the European Union. However, this framework is clearly subordinated to the demands of economic growth and energy supply, though environmental impact assessments are required when enterprises want to engage in new activities.

Environmental  
policy  
8

There has been little improvement with respect to Poland's adherence to the European Union's broader climate policy. Poland is still unwilling to support the revisions of the EU's CO<sub>2</sub> emission trade concept, because of potential effects on its coal industry. Hence, the government has obstructed policymaking on the EU level, and has continued with plans to construct a nuclear power station, even though 53% of the population is against such activities. Environmental concerns in the production of energy appear less relevant with respect to the conveyance of shale gas, of which Poland seems to have quite large amounts.

State and private institutions for education, training, and research and development are strong and have become very advanced. The National Center for Research and Development has become more involved in implementing governmental programs to promote R&D, as well as in coordinating EU-funded projects in Poland. It has launched a contest among universities with PLN 200 million in prize money aiming to increase the number of students studying the technical and natural sciences, and is in charge of distributing another PLN 200 million earmarked to improve infrastructure at institutions of higher education. In 2011, the higher education system was reformed, and the state today invests much more in education than in previous years. As Poland also receives funding from international organizations, the number of lower and higher education institutions has gone up, while the quality and variety of the education offered has improved. In 2010, the state's expenditures for R&D totaled 0.74% of GDP, while education outlays totaled 5.1% in 2009. However, both figures have likely increased since 2011, as the government has boosted its investment in the area. The budget of the Ministry of Science and Education totaled more than PLN 6.3 billion in 2012, 18.36% more than in 2011.

Education policy /  
R&D  
8

# Transformation Management

## I. Level of Difficulty

Structural constraints on governance in Poland are minimal. The relatively high standard of development, well-educated work-force, well-developed infrastructure, consolidated state of law and institutional stability all produce favorable conditions for governing. Since Poland hosted the European Football Championship in 2012, more investments have been made in Poland's southeast. EU structural funds have helped to harmonize regional imbalances. Deficits persist with respect to administrative effectiveness, the court system, the stability of the party system and the unequal distribution of development between Poland's regions.

Structural  
constraints  
2

The level of organized social and political participation remains moderate in Poland compared to Western Europe, despite the revolutionary past of the underground movement. In addition, many people feel alienated from politics, especially on the national level, and their trust in political parties and political institutions is low (about 20% – 25% for the parliament). However, levels of support for democracy as such have always been high. After experiencing the ineffective government of the populist parties through 2007, Poles re-elected the PO-PSL government in 2011, an unprecedented event in modern Polish history, and a clear sign of popular interest in politics. In addition, polls show that at least on the local level, people feel they can exert an influence on politics and that their civic engagement makes a difference. Hence, non-institutionalized civil society is well developed in Poland, although organized networks could operate more effectively. This phenomenon of relatively low social capital has its roots in the dominant influence of Polish Catholicism, which has a fundamental focus on the family and hierarchy.

Civil society  
traditions  
2

There are no serious ethnic conflicts in Poland. But despite the re-election of the government following a relatively peaceful electoral campaign, polarization among the political elite remains. The two blocs represented by the PiS and PO parties, which together contain most of the country's political elite, differ greatly on social, political and cultural values. This manifests as being for or against a deepening of European integration, supportive or skeptical of religious values, and for or against political reforms in general. The investigations around the plane crash in Smolensk in which former state President Lech Kaczynski and other high-ranking Polish officials died has been officially closed. Still, conspiracy theories and the rancorous

Conflict intensity  
2

debate surrounding this tragic event have been kept alive in public discussion, in large part by constant PiS statements on the issue.

## II. Management Performance

### 14 | Steering Capability

Prime Minister Donald Tusk's government is clearly committed to constitutional democracy and a socially responsive market economy. In the inauguration speech after his re-election in 2011, Tusk stressed economic and financial issues and presented a list of proposed reforms. These included an increase in the age of pension eligibility to 67 for both sexes, cuts in social spending and privatization in the health system. These reforms were realized in 2012. The government nominated several plenipotentiaries to oversee important projects, such as the introduction of the euro, Poland's nuclear energy program and international dialogue in general. In the middle of 2012, there were 15 such posts. In addition, Tusk reorganized some ministries, and has retained his own autonomy in shaping the organizational features of the cabinet. The PO and PSL did not renew their coalition agreement, but stressed instead that the general ideas of the 2007 agreement were still valid. This was interpreted as a sign of good relations, but also as a concentration of power with the prime minister.

Due to the reforms mentioned above, confidence in Tusk's government decreased in the second half of 2012. In October 2012, he gave a high-profile speech in parliament that he combined with a request for a vote of confidence, and reset his priorities. In this context, he introduced a new program designed to keep economic growth on track, with about PLN 40 million (€10 million Euro) to be invested by 2015. This initiative, slated to be implemented without negative impact on the state budget, will boost the energy sector, highway and road construction, railway construction, the military forces, and the fields of science and education. In addition, Tusk promised to extend maternity leave from six months to one year, and to provide more money for kindergartens. The programs and the vote of confidence were approved.

The government is committed to reform, and has implemented several of its major proposals. The pension age has been lifted; reforms of the health system's mode of payment between doctors, hospitals and the National Health Fund (Narodowy Fundusz Zdrowia, NFZ) were introduced; and investments in infrastructure took place. However, the government faced strong protests from trade unions and the opposition parties concerning the pension reform, with 85% to 90% of the population opposing the increase in pension age. Doctors and pharmacists protested against the obligation to check whether their patients were covered by health insurance, and said

Question  
Score

Prioritization  
9

Implementation  
8

they feared NFZ interference in their work. The Anti-Counterfeiting Trade Agreement (ACTA) was signed by the Polish government in January 2012, but produced such a wave of criticism that the government later decided to postpone the ratification process. Many planned road construction projects were not completed in time for the Euro 2012 tournament; costs were unusually high from a comparative perspective, and many firms that acted as subcontractors were not paid on schedule, and were thus forced to give up their business.

Poland's current government has demonstrated an ability to engage in complex learning processes. By proposing a revised economic policy in his October 2012 parliamentary address, Tusk showed that he is aware of previous shortcomings and that his government had to focus more strongly on soliciting support for its proposals. Particularly with its introduction of plenipotentiaries to oversee various difficult policy issues, the government followed an innovative approach to policy-making. A learning process and professionalization is also visible in terms of the absorption of EU funds, where the rate has increased to 80%. The same is true in the field of employment policy, where the government has made plans to adapt to the slight increase in unemployment due to the impact of the fiscal crisis in Europe. These plans included a reform of labor offices in order to allow them to train unemployed individuals, as well as the introduction of anti-crisis measures such as the subsidization of salaries or reductions in working hours. However, during the period under review, the government failed to reduce the unemployment rate despite successive years of economic growth.

Policy learning  
8

## 15 | Resource Efficiency

The government generally makes efficient use of available human, financial and organizational resources. To date, there have been no reports of wholesale dismissals of personnel installed by the former government, or hiring practices that might increase budget expenditure too much. The Polish Supreme Audit Office issued an evaluation of the civil service in 2012 that was much more positive than the previous review, in 2004. Poland was affected by Europe's economic and financial crisis, though perhaps less so than many other countries, and the government followed in consequence a careful budget policy. It also sought to develop better tools and state institutional administrative structures so as to engage in more coherent regulatory impact assessments. In addition, the government has strengthened the administrative organization of regions and local entities by amending existing laws.

Efficient use of  
assets  
8

The government tries to coordinate conflicting objectives or interests. It shows a coherent approach toward policy reforms among its own party members in the cabinet. During the discussion of the pension reform, significant conflicts with its PSL coalition partner had to be resolved, nearly causing a split of the government. However, PO leaders successfully struck a compromise with PSL, while also

Policy  
coordination  
9

integrated members of the Palikot's Movement opposition, who also voted for the bill.

The government usually engages in a process of cooperation with trade unions and employers' associations before the state budget is passed in the parliament, as well as in the case of other laws related to labor and social policies. This was a very difficult task for the pension reform, as the trade unions adamantly opposed the increase in the pension age. They have behaved rather irresponsibly on other policy issues as well.

For issues that are not a priority for most government members, such as same-sex marriages or in-vitro fertilization, the PO has used procedural mechanisms in parliament to bypass and evade discussion of controversial bills.

A new and innovative tool implemented in February 2011 should increase the coordination and acceptance of policy reforms, as it enables Polish citizens to track the legislative progress of proposed legislation on the government's website.

Important integrity measures exist and function. State spending is audited, and regulations govern party financing, access to information for all citizens, officeholder accountability and the transparency of the public procurement system. The law on lobbying is considered to be relatively ineffective, but 2010 amendments to the law on party financing helped reduce external influence on the parties, thus allowing the government to fulfill one of its promises. Government efforts have been assisted and critically observed by the Polish chapter of Transparency International (which closed its Polish office in 2011), as well as the Stefan Batory and Helsinki foundations, which together created the Anti-Corruption Coalition of Non-Governmental Organizations (AKOP). Following the 2011 elections, the Central Anti-Corruption Office (CBA) also received responsibility for coordinating tasks.

Anti-corruption  
policy

8

Despite these legal and organizational reforms, which successfully closed institutional loopholes and resulted a rise in Poland's Transparency Corruption Index ranking, corruption remains a problem in Poland. In 2011 and 2012, several incidents of corruption involving high-ranking officials became public. One was related to money laundering during the privatization of LOT, Poland's state airline. Several cases of nepotism within the PSL were exposed, as were instances in which PSL members received high-ranking positions in the state administration. Finally, there was a case in which the prime minister's son, Michal Tusk, was involved. Although there was no evident responsibility on his part, the affair gained significantly more attention because of this personal connection. The younger Tusk worked for Gazeta Wyborcza Gdansk, for the local airport and for the airline OLT, which belonged to the dubious para-bank Amber Gold. Both institutions were closed suddenly in August 2012, leaving many passengers without flights and many investors owed money by the bank. It was never quite clear whether Michal Tusk had known about Amber

Gold's semi-legal activities, or whether he had received warnings from or distributed confidential information to the bank's director. At the least, the affair produced bad publicity for the government. However, the opportunity to engage in corrupt practices has been reduced, while the ability to detect cases of corruption has clearly been increased.

## 16 | Consensus-Building

In principle, all major political actors agree on the primacy of the market economy and democracy. The re-election of PO and PSL strengthened the governing coalition's consensus on how these two principles should be realized in practice. They favor less involvement of the state in the economy and a less centralized type of government than does the main opposition party, PiS. Still, the dispute between PO and PiS on the role of the state has prevailed and dominates the political discourse and policymaking process.

Consensus on goals  
10

The government and other reform-minded actors have successfully excluded actors with anti-democratic or at least populist or authoritarian views on democracy. Despite this success, PiS politicians in parliament sometimes purposely stir up political tensions. In late 2012, a debate on hate speech intensified after some Polish politicians and other public actors used such language. These expressions clearly showed disrespect for democratic rules and procedures, as well as for the norm of peaceful verbal interaction in public debates. As a reaction, some PO members even proposed stricter legal regulations of such incidents.

Anti-democratic  
actors  
9

Some politicians have also proposed lifting parliamentary immunity as another means of excluding anti-democratic actors. This was applied in the period under review after cases of corruption, dubious financial activities and sexual harassment became evident. Prosecutors investigated allegations, and ultimately brought several figures to trial. The most prominent cases in 2011 were opened against two Samoobrona leaders, Stanislaw Lyzwinski and Andrzej Lepper, who were sent to prison after being convicted of rape and sexual harassment. The latter committed suicide before an appeal of his convictions scheduled for in August 2011.

The interference of the Catholic Church, which has criticized decisions of the political majority on certain issues, is additional evidence for the assumption that not all societal actors always accept the democratic rules of the game.

Outside the parliament, there are only small groups that can be labeled as anti-democratic. On the occasion of Independence Day on November 11, a right-wing movement marched through Warsaw. That same month, an employee of the University of Cracow was arrested because he had planned to blow up the parliament

and the government's office out of nationalist and anti-Semitic sentiments. The government's reaction toward these incidents was rather calm and moderate.

The government has sought to depolarize conflicts and expand consensus across political dividing lines. This "offensive of trust" was one of the most important objectives of the PO-PSL government, and was stressed again during the election campaign of today's state President Bronislaw Komorowski. But as PiS has persisted in its confrontational rhetoric, cleavages intensified rather than decreased during the period under review.

Cleavage /  
conflict  
management  
8

The political leadership assigns an important role to civil society actors in the course of deliberating and determining policies. All health sector, scientific or economic reform proposals introduced by the PO-led government have been discussed with major interest groups in advance. However, the day-to-day involvement of interest groups in the preparation of laws before the parliamentary stage can often be formalistic and perfunctory. In addition, committee negotiations in parliament are often dominated by a few special interests.

Civil society  
participation  
8

Michal Boni, the prime minister's former advisor for socioeconomic affairs and relations with social partners, has now become the minister for administration and digitalization, and the promotion of civil society is not one of the prime minister's main priorities. Nevertheless, the newly introduced ability for the public to use the Internet to track discussion of a bill through the decision-making structures offers a new opportunity for public involvement.

The political leadership seeks to achieve reconciliation for historical acts of injustice; however, the topic is relatively subdued in comparison to previous years, when there was a very heated debate on lustration. Officials must declare whether they worked as agents for the socialist secret police and intelligence services. However, if they admit to such activities, they are not punished. The government supports the work of the Institute for National Remembrance (IPN), which since 2000 has made the files of the secret services accessible to persons affected. The degree of interest shown by the public in these files has always been comparatively low. Despite these attempts, some political actors, especially the major opposition party, PiS, have promoted an alternative narrative in which the actions of the post-1989 period are interpreted as treasonable. The IPN too follows its own interests, and does not act in a conciliatory manner. For instance, it has published several reports claiming that former state president and opposition leader in socialist times, Lech Walesa, was a communist secret police agent, although courts have systematically acquitted Walesa of these types of allegations. Experts consider the overall results produced by this institution over the course of its decade-plus existence as being little more than marginal, and rate its publications as being of very poor quality.

Reconciliation  
9

## 17 | International Cooperation

The political leadership makes well-focused use of international aid in order to implement its long-term strategy of development. In the Polish case, international aid especially means access to the EU Structural Fund. The share of financial means coming from the Structural Fund increased after Poland's accession. Poland's ability to use this money properly has increased, and now about 80% of available resources are absorbed.

Effective use of  
support  
10

The Polish parliament has also created a special committee tasked with adapting the country's constitution to the Lisbon treaty.

The government is considered credible and reliable by the international community. It regained this credibility during its first term in office, after the former PiS government had behaved very uncooperatively and erratically. Especially in European circles, Poland has become an equal partner to many of the larger countries and one of the more active players. Foreign Minister Radoslaw Sikorski stressed Poland's intentions to play an active international role in a high-profile speech in Berlin in November 2011.

Credibility  
10

Poland took over the presidency of the European Union in July 2011, handling the job quite skillfully. It took responsibility for the non-euro countries, and along with its successor Denmark, organized a positive vote for the measures contained in the so-called six-pack, a new instrument for budget control and fiscal discipline agreed upon by EU members as a reaction to the economic crisis. Poland signed the Euro Plus Pact in spring 2011, and backed Germany's stability-oriented policy even though the government is skeptical of issues such as the bank union and Eurobonds. It remains to be seen whether Poland's ideas proffered during discussions on the next EU budget, and particularly its proposal to induce growth through the use of well-financed regional funds, can help avoid the emergence of a "two-speed" Europe. Certainly, this idea expressed national as well as common European interests.

Poland also engaged in active policymaking with regard to the EU's external relations. It contributed to the reform of the Eastern Partnership, a regional EU project originally launched with Sweden designed to strengthen the EU relations with six former Soviet republics. It also engaged with the southern region of the European Neighborhood Policy, improved its relations with Turkey and North Africa, and proposed the introduction of the European Endowment for Democracy, a new instrument that would assist countries in making a transition to democracy. The sum total of these activities helped improve Poland's international reputation significantly during the period under review.

The Polish government actively and successfully forms and expands co-operative relations within its region. Within the framework of the Eastern Partnership, it has aimed at improving regional integration with its eastern neighbors, especially with Ukraine. It engages in the Visegrad Group, although this forum with Hungary, the Czech Republic and Slovakia has become less relevant since the EU accession of all its members. Not much political pressure on the Hungarian government has been expressed. Poland took over the presidency of this forum in July 2012; its stated intention is to formulate a powerful collective voice for these four countries during negotiations over the next EU budget.

Regional  
cooperation  
10

Relations with Germany have improved significantly, and debates over German expellees' organizations have become less prominent. During the 2011 elections, attempts by PiS to gain voters by expressing anti-German sentiments largely failed. Germany, Poland and Russia have met in the context of the Kaliningrad Triangle initiative, and relations with Russia improved further, at least on the official level, when Patriarch Kyrill I visited Poland in August 2012. This was understood as a political visit, as top Russian Orthodox Church figures are close to Vladimir Putin.

Relations with Poland's southern neighbors have included the promotion of Croatia's EU entry and support for Balkan states in general, not at least because policymakers are looking for new markets for Polish products.

The only conflict Poland currently faces in terms of regional relations is with Lithuania, where the Polish minority is not treated according to the Polish-Lithuanian agreement from 1994. Members of this group are forced to write their names in a Lithuanian spelling and to be educated in Lithuanian. Joint projects in the energy and infrastructure sector intended to defuse the situation and stress common interests have not been realized. Even though the current Lithuanian government seems to seek more friendly relations, other domestic actors in Lithuania (e.g., the state president) remain hostile. Polish Foreign Minister Radoslaw Sikorski has also become more confrontational. Hence, it is unlikely that tensions toward Poland and the Polish minority will decrease in the near future.

## Strategic Outlook

During the period under review, Poland's performance in international affairs, the economy and executive governance can largely be viewed as a success story. Still, the government must focus on several crucial outstanding issues.

On the domestic front, more effort to reduce polarization within the country's political climate is needed. Prime Minister Donald Tusk and other members of his team, as well as state President Komorowski, have frequently called for more trust and solidarity. However, as long as the political opposition, especially PiS, continues to use hostile rhetoric, achieving this goal will be difficult. In recent years, a young urban middle class has emerged that primarily backs the PO, but a significant proportion has defected to Palikot's Movement, as it addresses issues of relevance for this social cohort such as secularization, legalization of same-sex marriages and a shift of gender roles. Hence, there is a certain danger that if Polish society pulls further apart into two strongly separated camps, the interests and needs of the rural and the more conservative population will be completely neglected. An agreement with the Polish Catholic Church must be struck, leading to a clear separation between secular and religious spheres Polish public and political life, including rejection of any church interference with public policy implementation. Recent church "vetoes" of issues such as in-vitro fertilization and civil partnerships are a sign of its continuing influence.

Second, despite the recent positive economic growth, unemployment rates are still quite high at 10% to 12%. Reducing unemployment and decreasing social imbalances would also contribute to the aim of decreasing social and political tensions.

Third, Poland needs to reduce its budget deficit, curb the growth of public debt and focus attention on meeting the Maastricht criteria. However, these goals do conflict in part with the necessity to eliminate social policy deficits.

Fourth, Poland's resistance to a more environmentally friendly economic and energy policy, as well as to a more constructive engagement in the EU-wide carbon market, must be addressed. This is relevant not only for protecting the environment but also in fostering Poland's image as being a reliable international partner.

Lastly, the agricultural sector must be reformed, as about 14% of all employed persons work in this sector while it contributes just 4% of GDP. To date, PSL has been reluctant to engage in significant reforms in this area. And since party chairman Waldemar Pawlak stepped down from his post as economic minister after unexpectedly losing a party chairmanship battle in November 2012, the government has yet to reestablish its internal coherence.